

<b>SUBJECT:</b>	<b>COUNCIL HOUSE AND GARAGE RENTS INCREASE 2024/25</b>
<b>DIRECTORATE:</b>	<b>HOUSING AND INVESTMENT</b>
<b>REPORT AUTHOR:</b>	<b>JORDAN ALLMOND, HOUSING BUSINESS SUPPORT MANAGER</b>

## **1. Purpose of Report**

- 1.1 To propose an increase to current council house rents of 7.7% within the terms of the Government's Rent Policy for social housing and to seek approval for the introduction of revised rents from Monday 1st April 2024.

## **2. Executive Summary**

- 2.1 In October 2017, the government announced its intention to set a long-term rent deal. This would permit annual rent increases for both social and affordable rent properties of up to Consumer Price Index (CPI) plus 1% from 1 April 2020 for a period of at least five years.
- 2.2 In keeping with the current Housing Business Plan, approved by Council, and the Government's Rent Guidelines, the increase for 2024/25 should be based on CPI in the previous September (September 2023 = 6.7%) plus 1.0% as above. For a total 7.7% rent increase.
- 2.3 Having considered the impact on our tenants and other pressures facing household incomes, and protecting the most vulnerable in our community; the Council also recognises the economic and financial pressures it has in delivering services to its customers, and therefore proposes to apply a rental increase of 7.7% as above in paragraph 2.2.
- 2.4 The proposed level of rent increase for 2024/25 will come into effect from Monday 1 April 2024. Budgeted rental income for the year, subject to approval, will be circa £35,213,060.
- 2.5 The average weekly social housing rent for the City of Lincoln Council based on data as of 4 December 2023, for net social housing rent (calculated over 52 weeks) will increase by an average of between £5.40 and £6.78 per week in 2024/25 for 98% of our properties. As shown in table 1 below:

**Table 1.**

Property type	Average Increase	New average rent	No properties
1 Bed	£5.40	£76.44	3028
2 bed	£6.13	£85.81	2621
3 Bed	£6.78	£94.79	1582
4 bed	£7.22	£100.99	116
5 bed	£7.52	£105.21	4
6+ bed	£8.33	£116.53	8
Total Properties			<b>7359</b>

There are 431 properties charged at an Affordable Rent which is higher than social housing rent. Based on data as of 04 December 2023, the increase on the average weekly net rent (calculated over 52 weeks) will be between £8.90 and £10.17 in 2024/25 for 92% of our properties. As shown in table 2 below:

**Table 2.**

Property type	Average Increase	New average rent	No properties
1 Bed	£8.90	£129.19	111
2 bed	£9.46	£137.35	164
3 Bed	£10.17	£147.92	122
4 bed	£11.69	£170.01	33
5 bed	£16.34	£237.80	1
6+ bed	£0.00	£0.00	0
Total Properties			<b>431</b>

***Note: affordable rent properties have a new market rent valuation each time they become void, and the rent is charged at 80% of the market rent.***

## 2.6 Council Garage Rents 2024/25

An increase in garage rents of 3% is proposed in line with the Authority's Fees and Charges increase. This would result in an average increase in the rent charged to £9.65 per week for 2024/25 (based on a calculated 52-week charge period), an increase of £0.28 per week.

Research has shown that the garage rents in Lincoln are mid-range when compared to similar locations in the East Midlands. A review of garage provision is currently underway, and we are committed to a fundamental revaluation of the garage rent structure in the forthcoming year, as part of our wider garage strategy.

- 2.7 The Lincoln Tenants' Panel (LTP) will be consulted on this report prior to Executive meeting. Their comments and observations will be reported verbally during the Executive Committee meeting.

This report will be referred to Full Council for approval to ensure that rent notices can be sent to tenants prior to the start of the new financial year and providing them with the requisite 28-day notice period required by law and the tenancy agreement.

## 3. Background

- 3.1 The national Rent Convergence Policy and Social Rent Guidance was introduced in April 2002, the aim of which was those rents in the social housing sector (local

authority rents and those charged by housing associations) should be brought onto a common system based on a formula set by Government. The formula creates a “formula rent” for each individual property which is calculated based on:

- The relative value of the property;
- Relative local income levels; and
- The size of the property.

The formula rent is often also referred to as the “target rent” and is the maximum allowable rent the Council can charge on a social rent property. The City Council and other social landlords are expected to move the actual rent of a property (which may be lower or higher than the formula rent) to the formula rent over time.

3.2 Members will be aware that the financing for council housing was changed in April 2012 – the ‘Self-Financing Regime’ was introduced under which local authorities were required to buy themselves out of the national housing subsidy regime in return for the keeping of future rental income at local level. The valuation of the housing stock and the Council’s Housing Revenue Account (HRA) Business Plan was based on rental income rising in line with the Government’s rent convergence policy and rent guidelines in place at that time.

3.3 On 15 November 2021, the Department for Levelling Up, Housing and Communities (DLUHC) formerly Ministry of Housing, Communities & Local Government (MHCLG) updated the Rent Standard guidance that registered providers of social housing must stay within.

The Rent Standard is one of three economic standards that the Regulator of Social Housing (RSH) expects private registered providers of social housing to comply with, this also applies to Local Authority providers of social housing. It sets the requirements around how registered providers set and increase rents for social housing in line with government policy as set out in DLUHC’s Policy Statement on Rents for Social Housing.

In September, each year the annual Consumer Price Index (CPI) figure is recorded. This is used to establish the limit on annual rent increases for social housing. As such the limit on annual rent increases for the financial year 2024/25 is 7.7% as set out above in paragraph 2.2.

3.4 Following divergence on increases to actual rents, compared to increases to target rents, as set out in tables 3 and 4 below, 7355 properties are now charged a rent below their target rent. The Council will continue to increase rents on properties to their respective target rent when they become void.

A total of four properties are charged a rent higher than their target rent, which are still within the allowable 5% flexibility under Government policy. The average being £2.03 per week higher than target. The Council will reduce these properties to their target rent upon re-let.

**Table 3. City of Lincoln Council Rent Increases**

Year	Limit	Actual
2020-21	2.7%	2.7%
2021-22	1.5%	1.5%
2022-23	4.1%	3.6%
2023-24	7%	6.5%
2024-25	7.7%	7.7%*

\*Proposed

**Table 4. Target Rent Inflation**

Year	Inflation	Additional 1%	Total
2020-21	1.7%	1%	2.7%
2021-22	0.5%	1%	1.5%
2022-23	3.1%	1%	4.1%
2023-24	10.1%	1%	11.1%
2024-25	6.7%	1%	7.7%

7% cap legislated by Government for 2023-24 for current rents, but not target rents.

**Note: The above table is extracted from the Government limit on annual rent increases and must be used to adjust the 2000-01 formula rent to current year levels.**

- 3.5 As a Local Authority we have incurred huge extra costs over the past two years as a result of economic conditions; interest rate increases, inflationary increases to costs of materials, employees, and transport costs; and the Council, like most households and businesses, has also dealt with exponential increases in energy costs. All of these have driven up the costs of providing housing services.

Facing the above economic and financial challenges, over the past two years the Council has taken a considered approach to rental increases to tenants and their households, and balanced the need for additional revenue to cover the increased costs it has faced. In 2022/2023 a lower increase was approved at 3.6% (compared to a 4.1% maximum) and in 2023/24 at 6.5% (compared to a 7% maximum) respectively.

- 3.6 As at week commencing 27 November 2023 there are 7,790 council housing rent properties of those that have a current active tenancy: -
- 23% (25% previously reported in February 2023) are in receipt of full housing benefit payment.
  - 9% (10% previously reported in February 2023) are in receipt of partial housing benefit payment.
  - 41% (36% previously reported in February 2023) are in receipt of Universal Credit.
  - 27% (29% previously reported in February 2023) do not receive any of the above.

#### 4. Impact of Government Policy on the Housing Revenue Account (HRA)

- 4.1 Contextually it should be noted that in July 2015 the Government announced that Social Housing rents would be reduced by 1% year on year from 2016 for four years. The impact/loss created from this is compounded by the fact that Local Authorities would have been increasing rents in line with guidance, IE CPI plus 1% over the period not reducing by 1%.

The impact on the City of Lincoln's HRA is an estimated rent loss of £17,000,000 over that four-year period. This income would have been spent on improving existing stock and adding homes to our stock which are desperately needed by our community.

- 4.2 The Government's Right to Buy (RTB) programme sales have negatively impacted on the council's current stock and therefore rental income. To date (April to December 2023) the Council has received 43 RTB applications (62 RTB applications in the same period last year). Table 5 below shows the total amount properties sold under the Right to Buy:

**Table 5.**

<b>2022/23 RTB Applications</b>		<b>2023/24 RTB Applications</b>	
Received Apr-Dec 2022	62	Received Apr-Dec 2023	43
<b>Actually SOLD</b>		<b>Actually SOLD</b>	
1 bed	4	1 bed	3
2 bed	16	2 bed	9
3 bed	19	3 bed	10
4 bed	0	4 bed	0
Total sold to date	39	Total sold to date	22

Note: *the loss of 3+-bedroom homes has a significant impact on our ability to provide family homes.*

#### 5. Strategic Priorities

##### 5.1 Let's reduce all kinds of inequality

The Government policy is primarily about reducing the welfare benefits bill, but it does help those just above benefit thresholds. Council house rents remain significantly lower than the rent levels in the private rented sector in the city.

##### 5.2 Let's deliver quality housing

The new rent policy recognises the need for a stable financial environment to support the delivery of new homes and to increase resources available to maintain current homes. The Council's 30-year Housing Business Plan commits the Council to improving our existing housing stock, reduce carbon emissions, build more homes and improve the environment of estates. The whole of the extra income from increased rents will be used solely for the benefit of tenants.

## **6. Organisational Impacts**

### **6.1 Finance (including Whole Life Costs where Applicable)**

Council Housing Rents 2024/25

The impact of this change as of week commencing 4 December 2023 will be an increase to the current average calculated 52-week net social housing rent, from £78.14 per week to £84.17 per week – an average increase of £6.03 per week, and an increase on affordable rent from £130.90 per week to £140.98 an average increase of £10.08 per week.

(Please note that affordable rent properties, each time they become void have a new market rent valuation completed and the rent is charged at 80% of the market rent.)

### **6.2 Legal Implications including Procurement Rules**

There are no legal nor procurement implications arising from this report.

### **6.3 Equality, Diversity and Human Rights**

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

When proposals of rent chargeable on social housing are recommended, they are applied across the board to all properties irrespective of any equality characteristic of the tenant and are applied in line with government policy and legislation.

There are policies that allow tenants to claim monetary assistance to pay their rent, for example Housing Benefit and Universal Credit for such things as age and disability. Thus, there are no direct equality, diversity, or human rights implications in this report.

### **6.4 Human Resources**

None.

### **6.5 Land, Property and Accommodation**

None.

### **6.6 Significant Community Impact &/or Environmental Impact**

None.

## **6.7 Corporate Health and Safety Implications**

None.

## **7. Risk Implications**

### **7.1 (i) Options Explored**

Options explored; to calculate the rent increase at rate at of 7.7% and the impact on the HRA.

### **7.2 (ii) Key Risks Associated with the Preferred Approach**

The main risks are:-

- That the Government makes further changes to the Rent Guidelines which will undermine the Business Plan,
- That there is Government intervention in capping future CPI levels at rates lower than those assumed in the MTFS and HRA Business Plan.

## **8. Recommendation**

- 8.1 To agree the basis of rent calculation for changes to individual Council house rents as set out in paragraphs 2 and 6 of this report, which represents an increase in the average calculated 52-week council house net rent in 2024/25 of 7.7% for social housing rents (£6.03 p/w) and affordable rents (£10.08 p/w) increase per property.
- 8.2 To increase Council garage rents for 2024/25 in accordance with the proposal in paragraph 2.6 above by 3%.
- 8.3 To refer this report and recommendations to Full Council on Tuesday 16 January 2024.

**Is this a key decision?** No

**Do the exempt information categories apply?** No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** No

**How many appendices does the report contain?** One

**List of Background Papers:** None

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## Appendix 1

### IMPACT OF INCREASES ON ALL TENANTS – APRIL 2024

(Based on an average 52 week rent year inclusive of all rent types)

Average rent increase per property by number of bedrooms per week	
No. of beds	Increase per week
1 & bedsits	£5.52
2	£6.32
3	£7.02
4	£8.21
5	£9.28 *
6+	£8.33 *
* No affordable rents for 6 + bed properties. Only 1 affordable rent 5 bed property.	