

<b>SUBJECT:</b>	<b>COUNCIL DWELLING AND GARAGE RENTS 2025-26</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 Council rents of 2.7% for dwellings, within the terms of the Government's rent policy for social housing, and 3% for garages, respectively; and to seek approval for the introduction of revised rents from Monday 7 April 2025.

## **2. Executive Summary**

- 2.1 Having considered the impact on tenants and financial pressures the Council has in delivering services, the proposal is to apply a rental increase of 2.7% to dwellings and 3% for garages for 2025-26 financial year as outlined in section four of this report.

The proposed levels of rent for 2025/26 will come into effect from Monday 7 April 2024. Budgeted rental income for the year, subject to approval, will be circa £36,371,680.

Subject to approval:

The average 52-week net rent for Council dwellings will increase by £2.36 per week, across all property and rent types, under the proposed 2.7% increase.

The average 52-week rent for Council garages will increase by £0.27 per week under the proposed 3% increase.

## **3. Background**

### **3.1 Social Rent Setting**

The national Rent Convergence Policy and Social Rent Guidance was introduced in April 2002, the aim of which was for 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 different to formula/target rent) to the formula rent over time when a property becomes available for re-let.

As at week commencing 2 December 2024, there were 7,348 properties let on a social rent.

### **3.2 Affordable Rents Setting**

Affordable rents were introduced nationally in 2011 to provide an intermediary level of rent within the social housing sector. They apply to new build and buy back properties.

Affordable rents do not follow the same structure and limitations as target rents above, instead their rents are based on a maximum of 80% of the market rent, would that property have been on the open market. Upon becoming void, affordable rent properties must be revalued under Government Rent Policy and their rent set at no more than 80% of the open market rent, and no lower than the comparable target rent for that property, would it have had a social rent.

As affordable rent properties are revalued when they become void, average rents fluctuate throughout the year dependent upon the private rented sector.

As at week commencing 2 December 2024, there were 441 properties let on an affordable rent.

### **3.3 Garage Rents**

Garage rents are managed as part of the annual fees and charges process. Rent structuring and annual increases are not subject to the Government Rent Standard as in 3.4 below.

### **3.4 Limit on Annual Rent Increases**

Annual increases to housing rents are capped at CPI + 1% per annum for dwelling rents. The CPI figure used is from September of the year prior to the annual increase, with September 2024 being the applicable CPI figure for rent setting for 2025-26.

CPI in September 2024 was 1.7%. Therefore, the maximum housing rents can be increased in 2025-26 is 2.7%.

### **3.5 Self-Financing and Regulation**

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.

The Council's ability to charge rents is governed by the Rent Standard, which is one of the economic standards that the Regulator of Social Housing (RSH) expects providers of social housing to comply with. It sets the requirements around how registered providers set and increase rents for social housing in line with Government policy as set out in Policy Statement on Rents for Social Housing as detailed in 3.1, 3.2 and 3.4 of this report.

The Council has taken a considered approach regarding rental increases to tenants and their households within the last few years, balanced against our need to be financially sustainable and to continue to deliver services. In 2022/2023 a lower increase was approved at 3.6% (compared to a 4.1% maximum) and in 2023/2024 at 6.5% (compared to a 7% maximum) respectively. As the below table demonstrates:

<b>Year</b>	<b>Total limit</b>	<b>COLC Rental increase</b>	<b>Commentary</b>
2020-21	2.7%	2.7%	
2021-22	1.5%	1.5%	
2022-23	4.1%	3.6%	
2023-24	7%	6.5%	7% cap legislated by Government for 2023-24 for current rents, but not target rents which continued to inflate at 11.1%
2024-25	7.7%	7.7%	
2025-26	2.7%	2.7%*	*Proposed

3.6 As at week commencing 2 December 2024 the proportion of our tenants in receipt either Housing Benefit (full or partial) or Universal Credit is:

- 19% (23% previously reported in January 2024) are in receipt of full housing benefit payment.
- 7% (9% previously reported in January 2024) are in receipt of partial housing benefit payment.
- 49% (41% previously reported in January 2024) are in receipt of Universal Credit.
- 25% (27% previously reported in January 2024) do not receive any of the above.

## **4. Proposed 2025-26 Average Rents**

### **4.1 Current Social Rents**

There is a total of 7348 properties that are charged at social rent as at week commencing 2 December 2024.

Property type	Average increase per week (52 wk.)	Proposed Average Rent (52 wk.)	Number of properties
1 bed	£2.08	£79.00	3024
2 bed	£2.32	£88.34	2613
3 bed	£2.56	£97.53	1584
4 bed	£2.73	£103.85	115
5 bed	£2.84	£108.05	4
6+ bed	£3.15	£119.67	8

## 4.2 Affordable Rents

There were a total of 441 properties that are charged at affordable rent as at week commencing 2 December 2024. The below table shows the average increase per property:

Property type	Average increase per week (52 wk.)	Proposed Average Rent (52 wk.)	Number of properties
1 bed	£3.38	£128.55	115
2 bed	£3.59	£136.79	166
3 bed	£3.87	£147.42	124
4 bed	£4.41	£167.64	35
5 bed	£6.18	£234.83	1
6+ bed			None

## 4.3 Garages

An increase in garage rents of 3% is proposed in line with the Authority's general Fees and Charges increase. This would result in an average increase in the rent charged to £9.27 per week for 2025/26 (based on a calculated 52-week charge period), an increase of £0.27 per week.

A review of garage provision is ongoing, and we are committed to a fundamental revaluation of the garage rent structure as part of the wider garage strategy.

## 5. Strategic Priorities

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

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 proposed rent levels for 2025/26 recognises the need for a stable financial environment to support the delivery of new homes and increase resources available to maintain existing stock. 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.

## **6. Organisational Impacts**

### **6.1 Finance (including whole life costs where applicable)**

The proposed rent levels will have the below impact on the current Medium Term Financial Strategy (MTFS):

Approved Budget for Rent 2024/25 - £35,213,060

Current MTFS Budget for 2025/26 - £36,153,200

Current MTFS Budget for 2026/27 - £37,081,760

Current MTFS Budget for 2027/28 - £38,033,480

Current MTFS Budget for 2028/29 - £39,008,940

Proposed Budget for 2025/26 - £36,371,680

Proposed Budget for 2026/27 - £37,396,020

Proposed Budget for 2027/28 - £38,583,470

Proposed Budget for 2028/29 - £39,586,430

Proposed Budget for 2029/30 - £40,729,200

Proposed Budget for 2025/26 - £36,371,680 sees additional income of £1,158,620 against Approved Budget for Rent 2024/25.

Proposed Budgets for 2025/26 – 2028/29 (£151,937,600) would see additional income of £1,660,220 against the Current MTFS Budgets for this period (£150,277,380). This is due to several factors including increase of 2025/26 opening stock numbers, lower forecast Right To Buy sales from 2026/27-2028/29, inclusion of additional day in calculations.

There is no Current MTFS Budget for 2029/30 to compare to as the previous MTFS was set for 2024/25 – 2028/29.

The MTFS and the HRA 30-year Business Plan assumes a rent level increase of RPI + 1% each year in line with rent formula. In the budget planning for 2025/26 an assumption had been made that RPI would decrease, but to a lower level of 3%, a difference of -0.3%. The loss of income associated with this change is circa £105k in 2025/26 and circa £5m across the life of the 30 Year Business Plan (BP). This also assumes a certain level of additions to stock and reductions through the Right to Buy regime.

Note: A zero % increase would reduce yearly rental income by £1.048m in 2025/26 and take approx. £47m out of the HRA BP over the 30-year period.

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

There are no legal or 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**

- To increase dwelling rents by 2.7%, and garages rents by 3%, respectively. Including the impact this would have on the forecasting of Housing Revenue Account and 30-year business plan.
- To Increase dwelling rents by 3% in 2025-26, as previously assumed in MTFS. However, this is not possible due to the cap of 2.7% that has been applied to rent increases.

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

There are no risks associated with preferred approach.

## 8. Recommendation

- 8.1 To agree the basis of rent calculation for individual Council house rents as set out in paragraphs two and four of this report, which increases dwelling rents by 2.7% for social housing and affordable rents from 7 April 2025.
- 8.2 To increase Council garage rents for 2025/26 in accordance with the proposal in paragraph two above by 3% from 7 April 2025.
- 8.3 To refer this report and recommendations to Full Council on Tuesday 21 January 2025.

Is this a key decision? Yes

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? Yes

How many appendices does the report contain? None

List of Background Papers: None

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