

REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

9th January 2024

HOUSING REVENUE ACCOUNT RENT SETTING 2024/25

Relevant Portfolio Holder	Councillor Craig Warhurst, Portfolio Holder for Housing
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Key Decision	

1. SUMMARY OF PROPOSALS

To present Members with the proposed dwelling rent increase for 2024/25.

2. RECOMMENDATIONS

The Committee is asked to RECOMMEND to Council that:

- **the actual average rent increase for 2024/25 be set as 7%.**

3. KEY ISSUES

Financial Implications

- 3.1 The rent increase above is in line with the Government guideline on rent increase as described below.
- 3.2 On the 31st of August 2022, DLUHC published a consultation on a draft Direction to the Regulator of Social Housing about social housing rents in England. DLUHC was seeking views on whether a rent cap should be introduced, where it should be set and whether it should potentially cover one or two years.
- 3.3 In the autumn statement issued by the Chancellor on the 17th of November 2022, The government stated that it is capping the amount that social rents can increase by next year at 7% compared to circa.11.1% under current rules (CPI plus 1%).
- 3.4 The Chancellor delivered the 2023 autumn statement on 25th of November 2023 and no mention has been made of the 7% social rent cap extending for a second year. Therefore, the previous rent cap position of CPI plus 1% comes back into force which is 7.7% (6.7% plus 1%). It should be noted that the Chancellor has promised a 6.7% in universal credit and benefits from April 2024.

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- 3.5 For comparison purposes, the table below sets out the financial implications should Members wish to consider a 6.7% rent increase in line with the 6.7% universal credit increase from April 2024 in comparison to a 7% increase.

Loss of Rental income –

All other variables/assumptions remain the same

	1	2	3	4	5	Total
	2024.25	2025.26	2026.27	2027.28	2028.29	5 Years
	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Rental income @ 7%	27,443	28,221	29,021	29,844	30,691	145,220
Rental income @ 6.7%	27,366	28,142	28,942	29,762	30,607	144,819
Loss of rental income	77	79	79	82	84	401

- 3.6 This analysis shows that for 2024/25 there would be a reduction of £77,000 in income compared to a 7% rent increase. Over 5 years this is equates to £401,000 less income.
- 3.7 For reference, other local Housing Authorities are looking to increase rents by the full 7.7%.
- 3.8 The committee is asked to recommend that the council increase the rent by 7% to enable the HRA to balance the budget for 2024/25.
- 3.9 For those tenants on Housing Benefit or Universal Credit, which is around 78% of our tenants, they will receive the full or partial payment of their rent.
- 3.10 During 2023/24, 19 new build properties were added to HRA stock, the rent for these properties were set at affordable levels but constrained at the Local Housing allowance rate.
- 3.11 This report will set rent for 5,559 properties of which 5,463 are charged at social rent and 96 at affordable rent. The average rent (48 week basis) for 2024/25 charged will be £104.37 and £161 for social and affordable rent properties respectively.
- 3.12 The Council has some dwellings with actual social rent charge below Target Rent (Formula Rent) levels. In line with the Government's rent standard for social rents, when these void properties are re-let, the rent will be set at the re-calculated target rent for a new tenant.

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- 3.13 As members are aware the system of housing revenue account subsidy ceased on the 31st of March 2012 and was replaced with a devolved system of council housing finance called self-financing. The proposal in the form of a financial settlement meant a redistribution of the 'national' housing debt. This resulted in the Council borrowing £98.9 million from the Public Works Loan Board.
- 3.14 Self-financing placed a limit (Debt Cap) on borrowing for housing purposes at the closing position for 2011/12 at £122.2 million, however, the debt cap has now been removed and officers are currently reviewing implications of this change on councils future social housing growth strategy.
- 3.15 The Direction on the Rent Standard 2019 issued by the Government in February 2019 confirmed that from 1 April 2020 weekly dwelling rents can be increased in line with CPI inflation (Consumer Price Index), plus 1% for the 5 year period through to 2024/25. This is the last year following the new rent standard guidance. The government has indicated that a revised rent structure will be put in place from 2024/25

2024/25

- 3.16 **For 2024/25, the actual average rent increase is recommended to be 7%. The average rent on a 52 week basis will be £96.35 or £104.37 on a 48 week basis. This compares to the average for 2023/24 on a 52 week basis of £89.90 and £97.39 on a 48 week basis.**
- 3.17 As a comparison, the following table sets out that the average local private rent and highlights that our social and affordable rents are still considerably lower than these levels.

**Average monthly private sector rent for a 2 bedroom property
(from 2020/2021 to 2022/2023 for Redditch)**

Period	Mean Redditch
2020/2021 (Biannual 1)	<u>675</u>
2020/2021 (Biannual 2)	<u>694</u>
2021/2022 (Biannual 1)	<u>692</u>
2021/2022 (Biannual 2)	<u>695</u>
2022/2023 (Biannual 1)	<u>720</u>

Source: Office for National Statistics

Legal Implications

- 3.18 Section 21 of the Welfare and Reform Act 2016 required 'In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months.' This has now come to an end, and on 4 October 2017, DCLG announced that "increases to social housing rents will be limited to CPI plus 1% for 5 years from 2020."
- 3.19 Consultation on the introduction of a rent cap for 2023/24 and 2024/25 took place between September and October 2022. In the 2022 autumn statement, the Chancellor of the Exchequer announced that the rent cap for social housing will be set at 7%. From 2024/25 onwards the rent caps will increase by CPI + 1%.

Service/Operational Implications

- 3.20 The Council needs to approve the rents in a timely manner to allow officer time to notify the tenants of the annual rent. Tenants must have 28 calendar days' notice of any change to their rent charge.

Customer/Equalities and Diversity Implications

- 3.21 The rent increase will be applied by the same percentage regardless of property size. The equality and diversity implications of the changes will be evaluated and considered as part of the decision making process.

4. RISK MANAGEMENT

- 4.1 There is a risk to that rents are not approved in sufficient time to allow for notification of tenants of the increase. This will be monitored throughout the process.

5. APPENDICES

None

6. BACKGROUND PAPERS

None.

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