

REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

14 January

2025

HOUSING REVENUE ACCOUNT RENT SETTING 2025/26

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|---|---|
| Relevant Portfolio Holder | Councillor Bill Hartnett, Portfolio Holder for Housing |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Peter Carpenter, Director of Resources. Contact email: Peter.carpenter@bromsgroveandredditch.gov.uk |
| Wards Affected | All Wards |
| Ward Councillor Consulted | N/A |
| Key Decision | |
| If you have any questions about this report, please contact the author of the report in advance of the meeting. | |
| This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended. | |

1. RECOMMENDATIONS

The Committee is asked to RECOMMEND to Council that:

- a) the actual average rent increase for 2025/26 be set as 2.7%.
- b) Garage rent increase by 2.7%.
- c) The Service Charge Policy at Appendix 1 be approved.
- d) The Service Charges set out in Appendix 2 be approved.

2. BACKGROUND

To present Members with the proposed dwelling rent, garages and service charges increases for 2025/26.

3. OPERATIONAL ISSUES

- 3.1 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.

4. FINANCIAL IMPLICATIONS

- 4.1 The rent increase above is in line with the Government guideline on rent increase as described below.

In September each year the annual Consumer Price Index figure is set which is used to establish the limit on annual rent increases for social housing. The continuation of the annual guideline rent increase cap of

September CPI plus 1% will translate into a rent increase in 2025/26 of 2.7% (based on September CPI of 1.7%).

The annual rent increase is very important for the long term sustainability of the HRA. The current HRA Business Plan, approved in 22-23, assumed a rent increase of 3% in 2025/26. However the recommendation for the rent increase in 2025/26 in line with Government guidelines is 2.7%. A lower rent increase will usually translate into a reduction in income to the HRA in 2025/26 and future years. On the other hand, the reduction in projected RTB sales for 2025/26 has helped to reduce the impact of a lower rent increase in comparison to what was assumed in the 22-23 HRA Business plan.

Additionally, the annual rent increase will help to fund the cost pressures to the HRA that arise from the regular changes to statutory and regulatory framework that Social Housing Providers have to comply with.

This report will set rent for 5,539 properties of which 5,443 are charged at social rent and 96 at affordable rent. The average rent (48 week basis) for 2025/26 charged will be £106.16 and £165.35 for social and affordable rent properties respectively.

- 4.2 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.
- 4.3 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.
- 4.4 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.
- 4.5 A new Direction from the Secretary of State to the Regulator of Social Housing in relation to social housing rent policy is imminent and this will focus on the introduction of a new rent policy from 1 April 2026. A consultation document was published on 30 October 2024 and is seeking the views of Local Authorities on a rent policy that will remain in place for at least 5 years from 1 April 2026 to 31 March 2031 and the continuation of the existing rent standard that permits social and affordable rents to increase annually by CPI plus 1%

2025/26

4.6 **For 2025/26, the actual average rent increase will be 2.7%. The average rent on a 52 week basis will be £98.94 or £107.18 on a 48 week basis. This compares to the average for 2024/25 on a 52 week basis of £96.34 and £104.37 on a 48 week basis.**

4.7 **Service Charges**

4.8 Historically service charges for tenants and leaseholders were approved as part of the annual fees and charges report. However, these charges should be considered alongside this annual rent setting report. To support this a Service Charge Policy has been drafted. This sets out our approach towards the charging of and consultation with tenants and leaseholders and in line with statutory and regulatory requirements. This is attached as Appendix one and the Committee is asked to adopt this Policy,

4.9 Any implementation of service charges proposed may be phased over the forthcoming budget years. For 2025/26 it is proposed to review and rebase all the service charges previously contained within fees and charges and with a focus on cleaning and caretaking. As well as concessionary TV licences and Temporary Accommodation. This is contained in Appendix 2.

4.10 As any further service charges are ready for full implementation, a report will be brought forward to this Committee for consideration.

5. **LEGAL IMPLICATIONS**

5.1 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."

6. **OTHER IMPLICATIONS**

Customer/Equalities and Diversity Implications

6.1 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.

7 RISK MANAGEMENT

- 7.1 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.

8. APPENDICES AND BACKGROUND PAPERS

Appendix 1 – Draft Service Charge Policy

Appendix 2 - Proposed Service Charges

Appendix 3 - Service Charges (Exempt item)

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