REPORT TO EXECUTIVE

Date of Meeting: 11 January 2022

REPORT TO COUNCIL

Date of Meeting: 22 February 2022

Report of: Director Finance

Title: Housing Rents and Service Charges 2022-23

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

This report sets out the proposed changes to council dwelling rents, garage rents and service charges with effect from 1 April 2022.

2. Recommendations:

That Executive recommend that Council approves:

(1) Rents of Council dwellings are increased by 4.1% from 1 April 2022;
(2) Garage rents are increased by 4.1% from 1 April 2022; and
(3) Service Charges are increased by 4.1%, with the exception of charges specified in paragraph 12.3, from 1 April 2022

3. Reasons for the recommendation:

In October 2017, the government announced its intention to set a long term rent policy in respect of annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% from 2020, for a period of 5 years.

The policy on rents for social housing came into effect from 1 April 2020. The Council is permitted to apply the policy of increasing rents by CPI plus 1%, which equates to 4.1% for 2022/23.

Rents of garages and service charges fall outside the scope of the Government's rent policy. Authorities are expected to set reasonable and transparent charges which reflect the service being provided to tenants.

Officers fully appreciate the impact of Covid-19 on many households and the Customer Access service has worked to assist households in financial difficulty where possible, including the administering of government funds to support those households in need.

The council does, however need to consider that tenants have benefited from 4 years of 1% rent cuts per year for 2016/17, 2017/18, 2018/19 and 2019/20, which resulted in the Housing Revenue Account (HRA) losing £7.9m over the 4 year period, so our base-line rents were already lower than previously anticipated.

A lower than permitted increase will place a financial constraint on the HRA and will result in a lower base-line position for future year rents (resulting in lost rental income of over £7 million over 30 years if increased by 3.1% for 2022/23).

Significantly the costs of services and labour are already increasing above inflation and a reduced rent increase would lead to a reduction of service delivery. While officers acknowledge the impact a rent increase might have on some tenants, the impact on service delivery and long term investment plans would have a positive impact on projects which would assist tenants financially in other areas, for example such as retrofit, which will reduce energy bills for tenants.

Many tenants will have their rents met by Housing Benefit (HB) or Universal Credit (UC), so a lower rent increase will not necessarily benefit them. 30% of the council's tenants are on full HB, 10% on partial HB and 20% in receipt of UC.

4. What are the resource implications including non financial resources

The proposed changes in housing rents, garage rents and service charges are reflected in the proposed 2022/23 estimates for the Housing Revenue Account (HRA).

The current rent policy was intended to apply for five years from 2020, in order to allow landlords to plan ahead. The medium term financial plans for the Council's HRA therefore reflect assumptions for the annual uplift of property rents by CPI + 1%.

5. Section 151 Officer comments:

The report contains details of the Government rent policy. This will offer an uplift in the resources available to the HRA and it is a legal requirement to have regard to Government policy. Council will note the changes in other charges, which have been set following the same principle. Council should also note that rent arrears are continuing to rise for the reasons set out in the report.

CPI is higher than projected in the last medium term financial plan and this will result in higher than expected income for the HRA. Members will recall that last year CPI was lower than expected and therefore this increase will offset some of the negative impact from last year's lower than anticipated increase.

6. What are the legal aspects?

The Council, in setting its annual rents, is directed to have regards to the Government's policy on Rents for Social Housing 2018 which came into effect from 1 April 2020.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

RENT SETTING BACKGROUND

8.1 The underlying rent for each council property is based upon a national rent formula.

8.2 The rent formula was established to ensure that social rents take account of:

- The condition and location of a property – reflected in its value;
- Local earnings; and
- Property size (specifically, the number of bedrooms in a property)

8.3 The rent formula for each council dwelling is set, based upon January 1999 levels, and uplifted for inflation each year.

8.4 On 4 October 2017, DLUHC announced that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

Social Rent Increases for 2022/23

8.5 In accordance with the social rent policy which came into effect from 1 April 2020, rents will be increased by CPI + 1% (CPI is the official method of calculating inflation in the UK). For 2022/23 this will result in an average increase of £3.18 per week, over 52 weeks, per property.

8.6 Rents are collected over 48 weeks, resulting in an average increase of £3.44 per collection week for 2022/23.

8.7 On a typical 2 bedroom flat the weekly rent for 2022/23 will be £80.69 (over 52 weeks). For comparative purposes, the average weekly rents for a 2 bedroom flat in Exeter during 2021 are:

- £89.34 per week with a housing association
- £184.62 per week rented in the private sector

Rent arrears impact

8.8 From April to October 2021 the rent arrears have increased from 3.42% to 4.70%. The factors affecting this increase can be identified as follows:

8.9 **Covid-19**

The Covid-19 pandemic continues to affect rent collection as the legal requirement to take further legal action to possession was paused for several months through 2020 and early 2021. All rent arrears cases are examined to ensure that vulnerability is not preventing payment and specifically assessing the impact that Covid-19 may have had on an individual's ability to pay.

Legal recovery action has now started again from August 2021 and preparation of court cases has re-started under the new court protocol, this in itself will have a positive impact going forward in increasing collection rates and lowering the rent arrears.

8.10 **Universal Credit**

There is a direct link to receiving direct rent arrears payments via an Alternative Payment Arrangement (APA), for tenants receiving Universal Credit. This direct mechanism is used wherever possible to maximise rent arrears recovery.

Universal Credit payment itself does have an impact on rent arrears because recipients have to wait for the first payment so arrears build up during this time. We may then have to apply for an APA and start to engage to reduce arrears. Past analysis has shown that tenants in receipt of Housing Benefit or Universal Credit make up the majority of rent arrears cases the council manages.

8.11 In light of the pressure on arrears, the proposed budget for rental income in 2022/23 has estimated similar levels of arrears in 2022/23. This assumes no improvement from the current year position but an anticipated improvement from 2023/24. As a guide, rent arrears were £695,174 as at 31 March 2021, in respect of current tenants.

8.12 New guidance was issued by MHCLG in November 2020 that set out arrangements for local authorities to apply to the Secretary of State for agreement to depart from the Government Rent Policy, if it would cause the authority 'unavoidable and serious financial difficulty'.

In considering whether the application of the Government Rent Policy would cause unavoidable and serious financial difficulty, the Secretary of State will expect to be provided with evidence that:

- the local authority's Housing Revenue Account (HRA) is at risk of a deficit in either the current or subsequent financial year

- complying with the requirements set out in the Rent Standard would jeopardise the local authority's ability to meet legal requirements/ obligations, including ensuring the health and safety of its residents

- all possible steps have been taken to avoid the need for an application to the Secretary of State, including reviewing services and commitments and taking action to minimise costs and curtailing non-essential commitments

It is not considered that there are grounds to depart from the Government's Rent Policy.

9. Affordable Rents for Newly Built Council Housing

9.1 Affordable rent allows local authorities to set rents at levels that are typically higher than social rents, at up to 80% of local market rent inclusive of service charges. The intention behind this is to maximise returns and generate capacity for further investment in new affordable housing, allowing more people in housing need to have access to a good quality home at sub-market rent. Affordable rent is charged on new properties built to passivhaus standard, with the expectation that tenants would benefit from lower fuel bills.

9.2 For Exeter, this includes properties the Council has built at Knights Place, Rowan House, Silverberry Close, Barberry Close, Reed Walk and Chester Long Court, Antony Road, Bovemoors and Thornpark Rise. Affordable rents may also be increased by CPI + 1% in line with annual social rent rises.

10. Garage Rent Increase

10.1 Rentals of non-dwellings, such as garages, are outside the scope of the Government's social rent policy. However annual increases to garage rents are generally kept in-line with rises in social rents.

10.2 Under self-financing local authorities are encouraged to review the rents of non-dwellings in order to ensure associated costs are fully recovered. Allowing for inflationary rises for employee costs and for general repair costs, a rise in line with rent charges is considered appropriate.

10.3 A 4.1% increase in garage rents and parking spaces is therefore proposed, in line with the permitted rises in social and affordable rents at CPI + 1%.

11. Service Charge Increase

11.1 These charges cover services and facilities provided by the authority to tenants which are not covered by their rent. Service charges reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities. Different tenants receive different types of service reflecting their housing circumstances.

11.2 Service charges are limited to covering the cost of providing the services. Government guidelines advised that authorities should endeavour to keep increases in-line with rent changes, at CPI + 1%, to help keep charges affordable. Increases above this may be made on rare occasions when an authority has increases in costs outside its control, such as increases in fuel costs.

11.3 It is proposed that service charges are increased by 4.1%, in line with rent rises, with the following exceptions:

- 0% increase in respect of the Older Persons' property service charge due to staffing post changes
- 0% increase in water charges in respect of Magdalen Gardens in line with contract prices
- 5% increase in fire alarm charges to reflect the increased cost of new contract for weekly fire alarm testing

12. How does the decision contribute to the Council's Corporate Plan?

The Housing Revenue Account contributes to three key priorities, as set out in the Corporate Plan; providing value-for-money services, leading a well-run council and building great neighbourhoods.

13. What risks are there and how can they be reduced?

13.1 The main risk to council dwelling rents relates to the COVID-19 pandemic and its impact on tenants' ability to pay.

13.2 The level of rent arrears is kept under review by the Payments and Collection Team. A provision has been made in 2022/23 for a similar arrears level to 2021/22. This assumes no recovery from current level of arrears during the next financial year. We would, however, expect recovery from the current year position over the next 12 to 24 months.

14. Equality Act 2010 (The Act)

14.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

14.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

14.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

14.4 An equality impact assessment accompanies this report in respect of the impact of the recommendations on people with protected characteristics as determined by the Act.

15. Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

16. Are there any other options?

From 1 April 2020, social landlords may not increase rents by more than CPI + 1% in any year. This limit is a ceiling and landlords are able to apply a lower increase. However, any rent increases at less than CPI + 1% would have a significant impact on the HRA's financial position and resources available to invest in its stock.

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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