

REPORT TO EXECUTIVE

Date of Meeting: 16 December 2025

Report of: Strategic Director – Corporate Resources & s151 Officer

Title: Housing Rents and Service Charges 2026-27

Is this a Key Decision?

No

Is this an Executive or Council Function?

Executive

1. What is the report about?

1.1 This report sets out the proposed changes to council dwelling rents, garage rents and service charges with effect from 1 April 2026.

2. Recommendations:

2.1 That Executive approves that:

- 1) Rents of Council dwellings are increased by 4.8% from 1 April 2026.
- 2) Garage rents are increased by 4.8% from 1 April 2026.
- 3) Service Charges are increased by 4.8% from 1 April 2026.
- 4) In principle an additional increase in rents in relation to non-convergent properties to bring them into line with convergent rents over a period of time. The precise increase in rents in addition to the above to be delegated to the Strategic Director for Corporate Resources and the Strategic Director for People and Communities in consultation with the Leader and relevant Portfolio Holder.

3. Reasons for the recommendation:

3.1 The government announced in June 2025 that there will be a 10-year rent settlement for social housing from 1 April 2026 in which rents will be permitted to increase by Consumer Prices Index (CPI) + 1% per annum. The CPI figure for September 2025 was 3.8%, so under this policy the Council is permitted to apply a rent increase of 4.8% for 2026/27.

The government also confirmed at the spending review that it will implement a convergence mechanism as part of the new rent settlement. Convergence would allow rents for Social Rent properties that are currently below 'formula rent' to increase by an additional amount each year, over and above the CPI + 1% limit until they 'converge' with formula rent. Formula rent refers to the formula that is used to calculate the rent that may be charged for a given property when it is let to a new tenant. A convergence mechanism was originally introduced in 2002 but as scrapped in 2015.

The details of precisely how, and at what level, this mechanism will be implemented will be confirmed at the Autumn Budget, taking account of the benefits to the supply and quality of social housing, the impact on rent payers and the impact on the government's

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fiscal rules. The consultation sought views on increases of either £1 or £2 per week in addition to the inflationary increase where actual social rents are below convergent rents. The consultation is also expected to consider when these increases can be implemented and over what period. ECC has a significant number of tenancies at non-convergent rents, and currently these can only be increased to formula rent on change of tenancy.

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.

There is an appreciation of the impact of rent increases on tenants of ECC. However, a lower than permitted increase would place financial constraints on the Housing Revenue Account (HRA) and result in a lower base-line position for future year rents, as well as a reduction in service delivery.

In 2023/24 the government capped rent increases at 7% where the actual CPI + 1% would have resulted in an increase of 11.1%. This resulted in a reduction in rental income of approximately £2.5m over 3 years whilst the costs of materials and labour continued to increase at inflationary levels.

4. What are the resource implications including non-financial resources:

4.1 The proposed changes in housing rents, garage rents and service charges are reflected in the proposed 2026/27 estimates for the HRA.

The current rent policy is intended to apply for 10 years from 2026, 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:

5.1 The proposed increase is in line with Government policy and will support the significant repairs and maintenance and capital programmes that the HRA requires. If the Government decide to implement rent convergence, this will be considered via the delegated power, if approved, and reported to Members in the Budget papers to be considered in February 2026.

6. What are the legal aspects?

6.1 The government has issued a policy statement on rents for social housing which was effective from 1 April 2020 and has since been updated. The policy requires the Regulator of Social Housing to have regard to the policy statement when setting its rent standard for registered providers of social housing. The term 'registered providers' includes both private registered providers of social housing (including housing associations) and local authorities. Subject a number of limited exemptions, the government policy applies to 'low-cost rental' accommodation. This is defined in section 69 Housing and Regeneration Act 2008.

Accommodation is low-cost rental accommodation if:-

- (a) it is made available for rent;
- (b) the rent is below the market rate, and

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- (c) the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.

The policy sets a formula for the calculation of rents for properties let at a 'social rent' with the aim of ensuring that similar rents are charged for similar social rent properties. The policy also limits the maximum annual charges in social rent and affordable rent levels. From April 2016, the Welfare Reform and Work Act 2016 required social landlords to reduce their rents by 1% each year for four years (this was known as the 'social rent reduction')

The changes introduced by the policy from April 2020 onwards reflect the government's intention to set what it describes as a 'long term rent deal for both local authority landlords and housing associations'. The policy permits annual rent increases on both social rent and affordable rent properties as set out in this report.

7. Monitoring Officer's comments:

7.1 Members will note the legal aspects set out in the legal aspects at paragraph 6 and the limitations imposed upon increases in rent as set out in this report below.

8. Equality Act 2010 (The Act)

8.1 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act and an Equalities Impact Assessment has been included in the background papers for Member's attention

9. Carbon Footprint (Environmental) Implications:

9.1 No direct carbon/environmental impacts arising from the recommendations.

10. Report details:

10.1 Rent Setting Background

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

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 earning.
- Property size (specifically, the number of bedrooms in a property).

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

On 11th June 2025 MHCLG announced that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for a further 10 years from 2026.

10.2 Social Rent Increases for 2026/27

In accordance with the social rent policy which came into effect from 1 April 2020 and has been extended for a further 10 years from 2026, rents will be increased by CPI + 1% (CPI

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is the official method of calculating inflation in the UK). For 2026/27 this will result in an average increase of £4.58 per week, over 52 weeks, per property.

Rents are collected over 48 weeks, resulting in an average increase of £4.97 per collection week for 2026/27.

On a typical 2 bedroom flat the weekly rent for 2026/27 will be £100.08 (over 52 weeks). For comparative purposes, the average weekly rents for a 2 bedroom property in Exeter as at 31st March 2025 were:

- £109.98 per week with a housing association; and
- £260.31 per week rented in the private sector.

10.3 Rent arrears impact

From 1st April to 17th November 2025 the rent arrears have increased from 0.85% (£214,902) to 1.79% (£454,042). We should see an expected reduction in the overall arrears figure over the Christmas rent free period, and likewise at the end of the current financial year. We will work with tenants giving them the opportunity to ensure their rent accounts do not go into arrears by offering support and advice.

Factors that will have an impact on rent collection for next financial year are likely to include;

- Universal Credit (UC)

The migration of customers over to UC continues. Since April 2025 we have had a reduction in HB fortnightly payments by an estimated £60,000. Migrations means we cease to receive direct Housing Benefit payments. This does impact collection because, as we have previously mentioned, HB payments are a reliable source of income as they are always paid directly into the customer's rent account.

This is not the case with UC payments which are initially paid directly to the customer, who are expected to use the money to pay their rent. However, due to pressures on household incomes the rent element is not always used in this way.

It is possible under certain criteria to apply for direct payments from the Department of Works and Pensions (DWP). We are also able to apply for deductions from a person's UC to reduce their rent arrears. However, deductions are only agreed by the DWP if the amount of arrears exceeds 8 weeks, and there are no other deductions in place already.

It remains the case that the Housing Rent Team must work with its tenants to ensure they understand the importance of paying their rent. This kind of intervention is time consuming and very labour intensive.

- Cost of Living / Energy

The pressures on household budgets remain real for many of our tenants and such pressures inevitably lead to rent arrears building. Increases in energy prices is just one example of the financial squeeze our tenants face. The increase in energy prices has coincided with the loss of the winter fuel allowance and with winter now on us this will put strain on the ability of our elderly residents to pay.

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To reduce the potential impact of this change we have started an initiative to identify those pensioners who should be in receipt of Pension Credit and help them to claim. Pension Credit is a qualifying benefit for the winter fuel allowance so it is important we ensure those tenants who are eligible are in receipt. In addition to this, we are still working with tenants to see if we can support them with projects such as the retrofit programme which reduces energy bills.

New guidance was issued by DLUHC 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; and
 - 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.
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- Litigation & Court Proceedings for Rental Arrears

The Housing Rents Team out of necessity have, had to review and implement a revised process in response to recent changes in court litigation procedures and actions under the Legal Services Act and recent outcomes and guidance following a High Court Judgement in the case of Mazur.

The Legal Services Act 2007 establishes that the conduct of litigation is a reserved activity. The conduct of litigation can only be carried out by an authorised person, such as a solicitor. The conduct of litigation cannot be carried out by an unauthorised person. Council officers employed in recovering rent arrears in relation to the authority's housing stock are not authorised persons and therefore cannot conduct litigation. Unauthorised persons can only provide support to an authorised person. All litigation must be carried out by solicitors in the Legal Services team.

This has had a substantial impact in admin resources and time spent to redefining the process for court action in the case of Housing Rental Arrears and court action.

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

10.4 Affordable Rents for Newly Built Council Housing

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

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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.

For Exeter, this includes properties the Council has built at Knights Place, Rowan House, Silverberry Close, Barberry Close, Reed Walk and Chester Long Court, Anthony Road, Bovemoors and Thornpark Rise. Affordable rents may also be increased by 4.8% in line with social rent rises.

10.5 Garage Rent Increase

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.

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.

A 4.8% increase in garage rents and parking spaces is therefore proposed, in line with the permitted rises in social and affordable rents at CPI + 1%.

10.6 Service Charge Increase

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.

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.

It is proposed that in general service charges are increased by 4.8%, in line with rent rises.

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

11.1 The Housing Revenue Account contributes to the key priorities of Homes and People, as set out in the Corporate Plan 2025-2028.

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

12.1 The main risk to council dwelling rents relates to the cost of living crisis and its impact on tenants' ability to pay.

The level of rent arrears is kept under review by the Housing Rents Team and currently compares favourably with other social landlords.

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A provision has been made in 2025/26 for a similar arrears level to 2024/25. This assumes no recovery from current level of arrears during the next financial year.

13. Are there any other options?

13.1 From 1 April 2026, 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 4.8% 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

List of Appendices:

- EQIA Rents and Service Charges