REPORT TO EXECUTIVE

Date of Meeting: 14 January 2025

Report of: Strategic Director – Corporate Resources & s151 Officer

Title: Housing Rents and Service Charges 2025-26

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 2025.

2. Recommendations:

That Executive approves:

(1) Rents of Council dwellings are increased by 2.7% from 1 April 2025;
(2) Garage rents are increased by 2.7% from 1 April 2025; and
(3) Service Charges are increased by 2.7% from 1 April 2025

3. Reasons for the recommendation:

3.1 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 CPI figure for September 2024 was 1.7%, so under this policy the Council is permitted to apply a rent increase of 2.7% for 2025/26.

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 costs of living crisis on tenants of ECC. However, in addition to this we need to consider:

- Tenants benefited from 1% rent cuts per year between 2016/17 and 2019/20, which resulted in the HRA losing £7.9m over the 4-year period, so our base-line rents are already lower than previously anticipated over a 30-year business plan.
- A lower than permitted increase would place a financial constraint on the HRA and result in a lower base-line position for future year rents.
- For the 2023/24 rent increase 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.

- Tenants on low income will have their rents met by Housing Benefit (HB full or partial) or Universal Credit (UC), so it will save the Government money as opposed to the tenant (22% full HB and 10% partial HB).
- Costs of services and labour are increasing above inflation and a reduced rent increase would lead to a reduction of service delivery.

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 2025/26 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:

5.1 CPI had a one-month blip, which coincided with the month upon which rents for the following year are set. This means that the proposed rent is slightly lower than that anticipated in the MTFP (3% increase). This will have a cumulative impact for future years, resulting in less funding being available for repairs and maintenance and to finance capital projects. This is being built into the updated MTFP, which will be considered by Council alongside the budget in February 2025.

6. What are the legal aspects?

6.1 The government 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 provers' 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 of the Housing and Regeneration Act 2008.

Section 69 states that accommodation is low-cost rental accommodation if:-

(a) it is made available for rent;
(b) the rent is below the market rate, and
(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 statement 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 statement 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. Report details:

8.1 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 earnings; and
- 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 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.

8.2 Social Rent Increases for 2024/25

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 2025/26 this will result in an average increase of £2.51 per week, over 52 weeks, per property.

Rents are collected over 48 weeks, resulting in an average increase of £2.72 per collection week for 2025/26.

On a typical 2-bedroom flat the weekly rent for 2025/26 will be £95.49 (over 52 weeks). For comparative purposes, the average weekly rents for a 2-bedroom property in Exeter as at 31st March 2024 were:

- £101.59 per week with a housing association; and
- £235.15 per week rented in the private sector.

8.3 Rent arrears impact

From 1st April to 14th October 2024 the rent arrears have increased from 2.32% (£484,393) to 2.83% (£702,792). 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 2024 we have had 250 new UC cases. 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.

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.

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

8.4 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 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, Antony Road, Bovemoors and Thornpark Rise. Affordable rents may also be increased by 2.7% in line with social rent rises.

8.5 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 2.7% increase in garage rents and parking spaces is therefore proposed, in line with the permitted rises in social and affordable rents at CPI + 1%.

8.6 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 2.7%, in line with rent rises.

However, review of utilities costs at Edwards Court Extra care facility has identified that actual personal and communal energy costs are generally higher than originally anticipated, and an increase of 2.7% would not be sufficient to recover costs. Electricity has been considerably higher, gas has been higher in the individual flats but communal use has been lower, and water has been lower than expected.

The proposed charges below would be phased in increases where costs are higher than reflected in the service charge and there are likely to be further above CPI increases in future years. However, service charges are reduced in full where appropriate to pass on savings to tenants.

Service Charge	**2024/25 weekly charge**	**Proposed 2025/26 charge**
Communal Electric	£2.07	£3.50
Personal Electric	£2.02	£4.50
Communal Gas	£2.07	£1.62
Personal Gas	£2.02	£3.75
Communal Water	£2.12	£0.24
Personal Water	£2.31	£1.24
	£12.61	**£14.85**

Edwards Court wellbeing charges are set by the supplier and are outside of ECC's control, and catering charges are determined by the level of housing benefit central government cap which has yet to be set.

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

9.1 The Housing Revenue Account contributes to the strategic priority of 'Housing and building great neighbourhoods and communities', as set out in the Corporate Plan 2022-2026.

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

10.1 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.

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.

11. Equality Act 2010 (The Act)

11.1 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.

11.2 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.

11.3 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.

11.4 In recommending this proposal 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.

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

13.1 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 2.7% 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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