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| <b>Committee:</b><br>Housing Management and Almshouses Sub-Committee   | <b>Dated:</b><br>30/01/2024 |
| <b>Subject:</b> Secure Tenants: Rent Setting 2024-25   | <b>Public</b>               |
| <b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>                | 4, 12                       |
| <b>Does this proposal require extra revenue and/or capital spending?</b>   | <b>N</b>                    |
| <b>If so, how much?</b>  | <b>£</b>                    |
| <b>What is the source of Funding?</b>  |                             |
| <b>Has this Funding Source been agreed with the Chamberlain's Department?</b>  | <b>Y/N</b>                  |
| <b>Report of:</b> Judith Finlay, Executive Director of Community & Children's Services                                   | <b>For Information</b>      |
| <b>Report authors:</b> Liam Gillespie, Head of Housing Management and Wendy Giaccaglia, Income Manager, Housing Division |                             |

### Summary

Rents for the City Corporation's secure tenants (governed by the Housing Act, 1985) are revised with effect from April each year and set with reference to policy issued by central government. The current policy, which is in place until the 2025/26 financial year, allows local authority landlords to increase rents up to a maximum of the previous September's Consumer Price Index (CPI), plus 1%.

The CPI figure in September 2023 was 6.7%, meaning that the maximum increase for 2024/25 is 7.7%. This paper gives Members further detail about the impact of the increases on current rents and provides context on the management of pressures on the Housing Revenue Account (HRA).

### Recommendation

Members are asked to:

- Note the report.

### Main Report

#### Background

1. The City Corporation has 1,877 social tenants across its HRA estates. These residents hold a Secure tenancy under the Housing Act, 1985. Rents are revised with effect from April each year and notices must be served on each tenant at least four weeks before the new rents take effect.

2. Rents for Secure tenancies are set in accordance with central government policy and a maximum increase is specified for each rent year. Current policy dictates that local authority landlords will be permitted to increase rents by the previous September's Consumer Price Index (CPI) figure, plus 1% (CPI + 1%).
3. The current policy is in place until 2025/26 and a consultation on future rent policy is expected in time for any changes to take effect from 2026.
4. Previous rent increases are shown at Appendix One. Members will recall that the Welfare Reform and Work Act 2016 required social landlords to reduce rents by 1% for four successive years, from 2016 to 2020. This had a significant impact on landlords' business plans, which were created using an assumption of annual rent increases.
5. Since the end of the 1% rent reduction in 2019/20, increases have been permitted according to the CPI+1% formula, however in 2023/24 a cap was imposed at 7%. At that time, CPI stood at 10.1%, meaning a potential rent increase of 11.1% without the cap being applied. The 7% cap was intended to offer some protection to the most vulnerable social tenants while recognising that landlords faced significantly increased operating costs at a time of economic difficulty.
6. In 2012, the government introduced Housing Revenue Account (HRA) self-financing and local authorities are expected to finance housing provision from rents, service charges and other sources of income due to the HRA. Service planning relies on making effective assumptions about inflationary rent increases, to inform viable long-term plans for housing stock maintenance and service provision.
7. The four-year rent reduction, and the cap on the 2023/24 rent increase, had a significant impact on the HRA at a time when major challenges are faced in maintaining and improving our housing stock. High inflation has meant that pressure on the HRA has increased, while the rent reduction and rent cap meant that inflation outpaced income generation.
8. We have experienced significant cost increases for staff salaries, utilities, responsive repairs and major works projects. The vital improvements being delivered by the building safety agenda (including fire safety improvements across our stock) have also increased pressure on the HRA.
9. Officers are also mindful of financial pressures faced by tenants, with households experiencing significant cost of living increases. These increases have hit those on the lowest incomes the hardest. The City Corporation continues to offer support and advice to those experiencing rent arrears and other financial concerns, with access to free and confidential debt advice, or assistance in claiming relevant welfare benefits. Members will be aware that officers take a supportive approach to dealing with rent arrears, aiming to sustain tenancies and minimise tenancy failure and eviction. Tenancy failure rates due to rent arrears remain very low, with just one eviction carried out in 2022/23.

## **Current Position**

10. CPI stood at 6.7% in September 2023, meaning that the rent increase for 2024/25 will be 7.7%. This increase will be implemented with effect from 1 April 2024.
11. The change to current rents for City Corporation tenants is shown at Appendix One, table two. This table shows the increase to the current average rent for each property size.
12. While any increase in costs will inevitably add to household pressures, it is vital that the self-financing HRA generates sufficient income to enable day to day service delivery and support the achievement of its major works plan, which aims to provide safe and secure homes and bring the City Corporation's housing stock up to or beyond the required standard.
13. For tenants in receipt of Housing Benefit or Universal Credit, the increase will be covered by that benefit. We continue to invest in services designed to support those most at risk of falling into rent arrears, or currently experiencing financial difficulties. We have four full-time officers dedicated to helping tenants with arrears, and we actively promote access to free and confidential advice and support via City Advice, which is partly funded by the HRA.

## **Corporate & Strategic Implications**

### **Strategic implications**

The effective collection of income supports our ability to deliver strategic objectives in the Corporate Plan and the Housing Strategy. This includes the provision of safe, clean estates and the repair and modernisation of our housing stock.

### **Financial implications**

The implementation of the April 2024 rent increase will generate additional rent receipts to the HRA, supporting the delivery of routine services and capital projects.

### **Resource implications**

None.

### **Legal implications**

None.

### **Risk implications**

None.

### **Equalities implications**

None.

### **Climate implications**

None.

### **Security implications**

None.

## **Conclusion**

14. In accordance with current rent setting policy, which provides for annual increases of CPI + 1%, it is intended that rents for the City Corporation's secure tenants will increase by 7.7% with effect from 1 April 2024.

## **Appendices**

- Appendix 1 – Historic rent increases; current and projected average rents

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