

Rents increase 2023-24

Tenant & Leaseholder Panel update

20 December 2022

Agenda

- Recap of the government consultation
- Proposed rent & service charges increase for 2023-24
- Impact on the Housing Revenue Account (HRA) budget for 2023-24 onwards
- Average rents increase £/per week
- Average service charge increase £/per week
- Support available to tenants
- Next steps

Recap of the government consultation

- In September 2022 the government issued a consultation on the impact of implementing a rent ceiling or cap from 1 April 2023 to 31 March 2024.
- This cap would act as an upper limit on the maximum amount by which the local authority can increase rents in that year.
- Existing legislation would allow for Bank of England September CPI +1% increases to be (9.9% & 1%) therefore a 10.9% rent increase
- We engaged with TLP and advised of the impact that the initial modelling of any rent increases would represent

Recap of the government consultation – Feedback from TLP

- The return was submitted to government following feedback from TLP, which included:
 - *The need for safe, affordable, warm homes*
 - *Lack of investment in homes*
 - *The impact of a significant rent increase on other sectors within health and adult social care, such as mental health*
 - *The impact of potential cuts on communities - the condition of properties has a big impact on the community & behaviours*
 - *Whether works that need to be completed will be impacted*
 - *Concerns over existing bad debt & potential for that to increase*
 - *The impact on need for future redevelopments & recognition that new homes may need to be built*

Proposed rent & service charges increase for 2023-24

- Following on from the November 2022 autumn statement, the government announced a directive to sit alongside the Direction on the Rent Standard 2019 to limit the annual rent increases to a ceiling from 1 April 2023 to 31 March 2024 of 7%.
- The recommendation will be to implement the 7% rent increase for the period 1 April 2023 to 31 March 2024, noting the adverse impact this loss of income.
- To increase the service charges in line with rents as has been the policy in prior years, noting that this is as a direct result of increased utilities costs.

Impact on the HRA budget

- The rent increase of 7% when compared to prior year budgeted (4.1%) for 2023-24 results in an increase of £2m income compared to our planned budget however:
- Known pressures expected in 2023-24 £5.3m:
Including utilities increased costs by £1.8m;
- Net position is a **£3.3m deficit** to the HRA in year one
- Over the 30 year business plan lifecycle equates to **£57.1m deficit** (NPV of 4% used)
- The one year annual net position if compared to current policy is an **£8.6m deficit**
- Over the 30 year business plan lifecycle equates to **£148.7m deficit** (NPV of 4% used)

Implications of impact on HRA – why the sector suggests the increase

- Cost pressures have not been capped to the same extent therefore efficiency savings will have to be achieved
- The Housing Transformation Programme work and funding of the programmes & delivery within the initial 3-5 years to be reviewed
- The funding of the works on our tall buildings, including the decisions on the future options for the Regina Road site
- The outcomes from the immediate 5% stock conditions survey in addition to the rolling stock conditions surveys outcomes

Implications of impact on HRA statutory pressures

- The impact of the legislative changes and proposed changes including:
 - Fire safety Works
 - Building safety compliance
 - Damp and mould programme
 - To meet net zero carbon neutral building standards. The sector suggest this could cost £40k per property
- The above in addition to the Decent Homes standard that is expected

Average rents had no cap been applied

Original rent increase based on Current Policy CPI +1 (10.9%)

Bedroom Size	Average rent 2022-23 £ p/w	Average rent 2023-24 £ p/w	Increase £p/w
0 Bedsit	80.21	88.95	8.74
1	96.04	106.51	10.47
2	114.34	126.80	12.46
3	138.05	153.10	15.05
4	156.48	173.54	17.06
5	171.18	189.84	18.66
>5	191.68	212.57	20.89

Average rents following capping

Proposed Rent increase based on 7% ceiling

Bedroom Size	Average rent 2022-23 £ p/w	Average rent 2022-23 £ p/w	Increase £p/w
0 Bedsit	80.21	85.82	5.61
1	96.04	102.76	6.72
2	114.34	122.34	8.00
3	138.05	147.71	9.66
4	156.48	167.43	10.95
5	171.18	183.16	11.98
>5	191.68	205.10	13.42

Tenant profile

- 67.9% of the tenants are eligible for some form of housing benefit.
- Of the 67.9% of the tenants in receipt of some form of benefits, 53.2% of these are not in receipt of full housing benefit.
- The remaining **32.1%** receive no benefits and these self-payers would be most impacted by rental increases

How we will support tenants

- Statistical data of tenants will be used to support those not currently receiving Universal Credit or Housing Benefit.
- These tenants will be contacted before the increase takes effect and offered support.
- Our welfare officers will be able to identify any benefits these tenants may be able to claim, support them in this and with budgeting.
- Tenants not currently in receipt of any funding will be our priority
- Then we will review the details of tenants already receiving housing benefit, to check that they are receiving other benefits which they may be entitled to

Next steps to engage with tenants

- A rents & service charges online survey will be launched to:
 - Ensure we are engaging with residents - in line with the principles of the Residents' Charter
 - Explain why the sector is recommending the increase
 - Provide an opportunity for tenants and leaseholders to tell us about their priorities

Timeline for the decision

- At a cabinet meeting on 25 January 2023 the Executive Mayor will be requested to approve the proposal to:
 - to set the rent increase at the government directed level of 7% for the financial year 2023-24
 - to set the service charges increase at the same level as the rents of 7% for the financial year 2023-24