

# Rents 2023-24

Tenants & Leaseholder Panel update

7 February 2023

## 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 met with our tenants in October & November via 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 with the feedback from TLP included :
  - *ask is to have safe, affordable warm homes*
  - *questioned the impact of any significant rent increase would have on other sectors within health and adult social care E.G mental health*
  - *concerned that the impact of potential cuts would have on their communities noting that the condition of their properties has a big impact on that overall community & behaviours*
  - *do not want to see services being cut and have works that need to be done in any way lessened due to the saving cuts*
  - *concerns raised over existing bad debt & potential for that to increase*

## Rent & Tenants Service Charges 2023-24

- 25 January Cabinet approved the proposal to increase tenants rents and tenants service charges by 7% & have recommended it for full council approval.
- The recommendation will be implemented for the period 1 April 2023 to 31 March 2024
- Increasing the tenants service charges notes the significant increase in the utilities costs in the 2022-23 year that have been absorbed within the current budget.
- Draft budget for 2023-24 will be submitted to cabinet on 22 February on the basis of the 7% increase

## Draft HRA budget 2023-24

- As per the statutory requirement a balanced draft HRA budget is proposed for 2023-24 and consists of:

**NOTE the below is draft**

- HRA Income net increase of £4.845m
- HRA Expenditure net increase of £4.845m :
  - Growth requirements & investment needs
  - Increase in utilities £2.3m
  - Increase in depreciation £1.4m
  - Increase in revenue contribution to capital spend £4.64m
  - Decrease in HRA central recharges £8.2m

# Rents following 2023-24 increase

## 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                      | <b>5.61</b>   |
| 1            | 96.04                      | 102.76                     | <b>6.72</b>   |
| 2            | 114.34                     | 122.34                     | <b>8.00</b>   |
| 3            | 138.05                     | 147.71                     | <b>9.66</b>   |
| 4            | 156.48                     | 167.43                     | <b>10.95</b>  |
| 5            | 171.18                     | 183.16                     | <b>11.98</b>  |
| >5           | 191.68                     | 205.10                     | <b>13.42</b>  |

## How we will support tenants

- Residents responded to the online survey prioritising the services to them
- These priorities will feed into the services that are procured on behalf of the residents through Service Level Agreements (SLA's) with the council
- In addition a number provided their email address to find out about financial support that might be available to them
- The Housing Resident Engagement team will be advising those tenants
- A HRA hardship fund will be established from 1 April 2023 the criteria and guide for the distribution of the funds will be made available once secretary of state approval has been received

This page is intentionally left blank



# Housing Revenue Account (HRA) Loans

Tenants & Leaseholder Panel update

7 February 2023

# Summary of the 30 year journey in HRA legislation

1. **1989 Local Government and Housing Act:** ring-fenced HRA with capital and borrowing controls and a redistributive **Subsidy System**
2. **HRA Resource Accounting 2001**—introduction of a Major Repairs Allowance and Reserve
3. **Rent Restructuring –2002+**
4. **Local Government Act 2003—Prudential Code** replaces capital controls from 2004
5. **Removal of housing benefits** from the HRA –now a solely Landlord Account
6. **2006-2012** –build up to self-financing
7. **2012 –abolition of the Subsidy System and implementation of self-financing settlement -**  
Croydon was a net payer in the subsidy system therefore the implementation of self financing was of benefit to Croydon
8. **2018 –abolition of the HRA Debt Cap**

# 2012 –abolition of the Subsidy System and implementation of self-financing settlement

- What brought about the change – Councils had campaigned for this greater freedom and flexibility of the financial regime surrounding the income that the rents of council tenants provided.
- Prior to 2012 councils submitted the income less allowable expenditure to central government from which the central treasury then made an allocation to each local authority a subsidy from that pooled pot.
- Croydon was a net payer of the subsidy system in that it contributed more funds than it received back via the subsidy system hence why the abolition of it in 2012 was welcomed
- HRA devolution meant that £21 billion of national housing debt that the government held was transferred to 171 stock-owning local authorities in exchange for those local authorities having full control over their housing stock.
- When the new system started in April 2012, boroughs immediately paid off any ‘government HRA’ debt they had, using loans from the Public Works Loan Board (PWLB). They now service this new ‘borough’ debt within 30-year business plans starting from that date.
- Croydon borrowed from the PWLB £223.16m is comparable with other boroughs of similar size
- The current strategy for the HRA is to refinance the loans at the maturity date.

# HRA Loan Summary 2022-23

- The portfolio of long term loans consists of 40 loans that totals £334.3m
- These are at a favourable average annual interest rate of 3.28%. In context rates on PWLB loans are currently running at 4.77%
- For the HRA business plan and budget we calculate based on the actual interest rate per loan value
- The current strategy for the HRA is to refinance the loans at the maturity date
- The additional borrowing has resulted in increase to the HRA stock including:
  - 2019-20 purchase of 42 new build units
  - 2020-21 purchase of 90 units on Fell Road
  - 2021-22 108 units including Longleath Gardens & Cherstsey Crescent
- Note that GLA funding has also been used to enhance the HRA portfolio