

# 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	<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>

## 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