



REPORT TO:	South Holland District Council
DATE:	Thursday, 2 March 2023
SUBJECT:	Rent setting 2023-2024
PURPOSE:	To seek Council approval for the proposed applicable rent increase allowable under The Direction on the Rent Standard 2023 for Council tenants and other housing tenures.
KEY DECISION:	No
PORTFOLIO HOLDER:	Portfolio Holder for HRA & Private Sector Housing
REPORT OF:	Assistant Director Housing
REPORT AUTHOR:	Jason King
WARD(S) AFFECTED:	(All Wards);
EXEMPT REPORT?	No

SUMMARY

The Welfare Reform and Work Act 2016 aimed to reset rents in the social housing sector, relative to private rents. This involved reducing social and affordable rents in England by 1% a year for 4 years from April 2016. In the financial year 2020/2021 the previous policy of CPI +1% was allowed to resume and it was confirmed that this would be the rent calculation up to and including 2024/2025. The unanticipated levels of inflation throughout 2022 prompted the Department for Levelling Up, Housing & Communities to consult and subsequently provide direction on the introduction of a rent ceiling for rent year 2023/2024 only.

In accordance with The Direction on the Rent Standard 2023, the maximum applicable rent increase is not more than 7% for social housing tenants. South Holland District Council members are therefore asked to consider and approve the rent increases, together with support measures set out in the recommendations below.

RECOMMENDATIONS

That South Holland District Council approve the following rent increases:

Social tenants of South Holland District Council, South Holland Homes and S106 units managed by the Council.	7%.
Shared ownership rents. (Leaseholders)	7%
Guest rooms and community centres for Council tenants.	7%
Alarm monitoring charges	7%
Guest rooms and community centres for private hire.	7%
Homeless accommodation for individuals and families.	7%
Garages and garage plots.	7%

That South Holland District Council approve the following support measures:

Existing social tenants as of Monday 3 April 2023 until Sunday 31 March 2024 with the following tenures: <ul style="list-style-type: none"> • Introductory • Secure • Assured shorthold • Assured (non-shorthold). 	Weekly support, equivalent to 2% of the gross weekly rent charged for the property.
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REASONS FOR RECOMMENDATIONS

For the Council to deliver an effective landlord operation across all its tenures, ensuring investment and repair in existing stock and replacement and development of new stock. The Council must ensure that the income generated from rents charged can support all these activities. Social rents are regulated by the Regulator for Social Housing who ensures that the Council is charging an appropriate rent that does not exceed the applicable formula rent cap.

OTHER OPTIONS CONSIDERED

Consideration has been given to applying a lower percentage increase. However, this would have a long-term detrimental impact on the Housing Revenue Account (HRA) Business Plan. This would limit the Councils capital programmes for refurbishment and development activity in future years. Not recommended.

Consideration has been given to not applying a rent increase. However, this would significantly impact the HRA Business Plan over the next thirty years. Not recommended.

1. BACKGROUND

- 1.1** The background information below and subsequent report sets out a proposal to increase rents and other associated charges by 7%. Alongside this, details are set out to support the proposal to introduce a package of support equivalent to 2% of the gross weekly rent.
- 1.2** S76 of the Local Government and Housing Act 1989 sets out the Councils responsibility when setting rent increases. The primary objective of the Authority is to ensure that

increases enable the Council to satisfy the requirement not to create a debit balance for the HRA. The proposal to increase rents yet introduce measures to support tenants financially places greater emphasis on the Councils duty to satisfy this requirement. In consultation with the Councils S151 Officer this duty is met as the operating surplus for the HRA will be sufficient to ensure a debit balance is not created.

1.3 The Council has a responsibility to set out how it meets its fiduciary duty. Ordinarily this would require demonstration of the Councils ability to obtain value for money on behalf of council taxpayers and rate payers, showing appropriate stewardship of public funds. In this proposal, the duty is limited to the ringfenced HRA. Therefore, the duty is to demonstrate to tenants and leaseholders that this decision has been taken in a business-like manner. Members must therefore be satisfied that the proposal provides appropriate support to existing tenants given the ongoing cost of living challenge, whilst ensuring that the service to future tenants is not compromised. The funds set aside this year to support tenants limits the ongoing impact of setting a lower rent increase. This will ensure the Council can continue to respond to its future financial commitments.

1.4 The Council must also act in accordance with the Wednesbury Principles. This requires the Council to act reasonably, having regard to all relevant considerations and disregarding all irrelevant considerations, in doing so, not reaching a decision that no reasonable authority would take. The relevant considerations are:

- That a lower rent increase would have a negative cumulative effect on the Councils rental income in future years.
- The financial hardship caused to tenants who are expected to pay the full 7% increase.
- The well documented cost of living challenge which has seen several Government led support initiatives be made available.
- The implications of applying a blanket approach to the support given. Whilst this is administratively less cumbersome for the Council. There are no doubt tenants who would be able to afford the full 7% increase and many tenants who would have their increase met by benefits.
- The discriminatory impact of implementing a scheme which excludes tenants in receipt of benefits is a further challenge. It would be highly intrusive for the Council to set a criteria for assessing those tenants who could afford a 7% increase in order to determine which tenants should receive support.

In considering the balance of these factors, the external economic environment, and the financial position of South Hollands HRA. On balance it is considered a reasonable conclusion that the support measures should be offered to all existing: introductory, secure, assured shorthold and assured (non-shorthold) tenants as at the 3 April 2023. This support will continue for those tenants until the 31 March 2024.

1.5 In creating a support fund, the Council must be satisfied this is a lawful debit to the HRA. The Council must therefore ensure the debit only relates to property held under Section 74 of the Local Government and Housing Act 1989 and whether the expenditure can be debited from the HRA in accordance with Part II of Schedule 4 to the 1989 Act. It is considered a lawful debit to the HRA on the basis that such payments relate to the supervision and management of houses and other property held in the HRA.

2. REPORT

2.1 The recommendations set out in this report are that the Council increase rents and charges in line with the limits set out in The Direction on the Rent Standard 2023. The report also details the support measures to be offered throughout the next 12 months. Most social

housing providers in Lincolnshire and the wider Midlands are increasing their rents by the maximum permissible under the cap applied within the rent standard. Alongside the traditional support to tenants, most providers set aside a specific fund to help support tenants determined to be in hardship. This report seeks to propose measures that capture the current landscape by offering support to all existing tenants regardless of circumstances over and above the support currently provided.

- 2.2** The table below at 2.3 summarises the current formula rent cap, the average weekly rent charged and the new average weekly rent when applying a 7% increase.

Number of bedrooms	Formula rent cap	Current average rent figure 2022/2023	Likely average rent figure for 2023/2024
1	£155.73	£69.99	£74.89
2	£164.87	£80.07	£85.67
3	£174.03	£87.80	£93.95
4	£183.18	£94.97	£101.62
5	£192.35	£109.66	£117.34

- 2.3** The above table is provided to give context to the proposed action of increasing rents by 7%. The table sets out the impact for HRA social rents only, this being the greatest proportion of Council tenancies. The calculation will be applied at an individual level and all new tenants will receive statutory notice advising them of their new rent. If approved, new rents together with support measures will be applicable from the 3 April 2023. Alongside their revised rent liability, tenants will be notified of the individual level of support they will receive.

3. CONCLUSION

- 3.1** The recommendations set out in this report are in line with the HRA Business Plan which assumes rent will be increased in accordance with the applicable rent standard. The introduction of support measures is considered a one-off fund at this time and therefore not considered to have an ongoing impact on the HRA Business Plan. It is therefore proposed that Members approve the rent increases and support measures set out in the recommendations section of this report.

4. EXPECTED BENEFITS TO THE PARTNERSHIP

- 4.1 None.

5. IMPLICATIONS

5.1 SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP

- 5.1.1 None.

5.2 CORPORATE PRIORITIES

- 5.2.1 Your Home: all of the critical activities identified within the Councils Corporate Plan are supported by this proposal.

5.3 STAFFING

- 5.3.1 None.

5.4 CONSTITUTIONAL AND LEGAL IMPLICATIONS

5.4.1 The background section to this report sets out the legal implications of the decision the Council is being asked to take. Alongside extensive engagement with sector experts, the legal position has formally been reviewed by Trowers & Hamlins. Their advice was commissioned in this matter since a partner of the firm had extensive experience in local government and Councils with a HRA.

5.5 DATA PROTECTION

5.5.1 None.

5.6 FINANCIAL

5.6.1 The financial implications of the decisions to be taken within this report are set out in the annual budget report 2023/2024, medium term financial strategy regarding the HRA Business Plan.

5.7 RISK MANAGEMENT

5.7.1 None.

5.8 STAKEHOLDER / CONSULTATION / TIMESCALES

5.8.1 Consultation has been undertaken with the relevant Portfolio Holder and members of the Executive. As the decision to increase rent is for South Holland District Council to determine, this report has not been considered by other committees. In accordance with the Housing Act 1985 tenants are entitled to statutory notice which will be served if approval is given.

5.9 REPUTATION

5.9.1 The Council continues to deliver a capital programme of upgrades to its housing stock. Any increase to rents charged supports the continued investment in maintaining high quality housing stock. Further to this the Council is committed to delivering new homes to meet continued housing demand. The proposals in this report are considered to support these primary objectives.

5.10 CONTRACTS

5.10.1 None.

5.11 CRIME AND DISORDER

5.11.1 None.

5.12 EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

5.12.1 The Council recognises that any additional expenditure may be challenging for our tenants. We will ensure that tenants are clearly notified regarding any increases to rent charges. The support being offered to tenants will also be clearly documented, encouraging tenants to engage with the Council if they are likely to experience further hardship once the additional support in year ends. Also, tenants will be made aware of the Councils Revenues & Benefits team, the DWP for support with Housing Costs and the Councils Housing Assistance policy which details the financial support available. Housing Neighbourhood Officers, together

with the Cost-of-Living Response Officers are available to provide any additional one to one support as required.

5.13 HEALTH AND WELL BEING

5.13.1 None.

5.14 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

5.14.1 The HRA Business Plan includes provision for improvements to windows, doors, roofing, and insulation. The Council has also engaged a programme of activity to support the green homes agenda to ensure that the EPC rating of all residential properties is improved in accordance with government guidelines. The proposals in this report will enable the Council to continue to deliver these programmes of improvement.

5.15 LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER

5.15.1 None.

6. ACRONYMS

6.1 HRA- Housing Revenue Account, EPC- Energy Performance Certificate, DWP Department for Work and Pensions.

APPENDICES

None.

CHRONOLOGICAL HISTORY OF THIS REPORT

A report on this item has not been previously considered by a Council body.

REPORT APPROVAL	
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Signed off by:	Assistant Director - Housing
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Approved for publication:	Portfolio Holder for HRA & Private Sector Housing
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