



Report To: South Holland District Council

Date: Wednesday, 28 January 2025

Subject: Housing Rents 2026/27

Purpose: To seek Council approval for the proposed applicable rent increase allowable under the Direction on the Rent Standard 2026 for Council tenants and other housing tenures.

Key Decision: No

Portfolio Holder: Portfolio Holder for Strategic and Operational Housing

Report Of: Vikki Cherry, Assistant Director – Housing

Report Author: Vikki Cherry, Assistant Director – Housing

Ward(s) Affected: (All Wards)

Exempt Report: No

Summary

Each year local authority housing landlords are required to set Housing Revenue Account rents for the forthcoming financial year.

Local Authorities can increase social and affordable rents by the previous September's Consumer Price Index (CPI) plus 1%, in line with the Government's Policy on rents for social housing. This equates to a 4.8% rise for 2026/27.

In addition, the government is expected to announce rent convergence during January 2026, permitting landlords to charge an additional £1 or £2 per week on social rents.

When balanced against the operating costs of the Housing Revenue Account and the increasing demands of a proactively regulated environment, the proposed increase is considered proportionate to enable the Council to deliver decent, safe, and well-managed homes. Given the significant pressure on the HRA to fund high levels of capital investment in properties, this report recommends that social and affordable rents be set at the maximum level permitted under the 2026 Rent Standard.

Benchmarking indicates that the majority of social landlords are adopting this approach.

Recommendations

That:

- a) South Holland District Council approve the following rent increases for 2026/27:

Tenants of South Holland District Council properties let at affordable rent.	4.8%
Tenants of S106 units managed by the South Holland District Council.	4.8%
Shared ownership rents. (Leaseholders)	4.8%
Guest rooms and community centres for Council tenants.	4.8%
Alarm monitoring charges.	4.8%
Guest rooms and community centres for private hire.	4.8%
Homeless accommodation for individuals and families.	4.8%
Garages and garage plots.	4.8%

- b) South Holland District Council approve that, for 2026/27, rents for properties let at a social rent are set at the maximum level permitted under the 2026 Rent Standard.
- c) South Holland District Council approve that, for 2026/27, rents for South Holland Homes properties are set at the maximum level permitted under the 2026 Rent Standard.

Reasons for Recommendations

Setting rents at the maximum level permitted under the Rent Standard is essential to ensure the long-term sustainability of the Housing Revenue Account (HRA) and delivery of the 30-year HRA Business Plan. This approach enables the Council to generate sufficient income to:

- Fund essential capital investment in housing stock, including major component replacements (roofs, kitchens, bathrooms) and compliance works.
- Meet statutory obligations and regulatory standards, ensuring homes remain safe, decent, and energy-efficient.
- Deliver strategic priorities, such as achieving EPC C by 2030 and supporting decarbonisation programmes, which require significant match funding alongside government grants.
- Maintain and improve tenant services, while safeguarding the financial resilience of the HRA against inflationary pressures and future borrowing requirements.

Failure to maximise rental income would compromise the ability to invest in the existing stock, reduce reliance on external borrowing, and limit capacity for new development.

Other Options Considered

Consideration has been given to applying a lower increase. However, this would have a long-term detrimental impact on the Housing Revenue Account Business Plan. This would limit the Councils capital programmes for refurbishment and limit the Councils ability to deliver all of the expected outcomes of the Consumer Standards. **Not recommended.**

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

Postpone the rent-setting decision until the Council meeting on 26 February 2026, to allow incorporation of the government announcement regarding rent convergence in January 2026. This timescale would not allow sufficient time for notice to be formally served on tenants (due to how Easter falls). **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 the maximum amount permitted under the Rent Standard 2026.
- 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 supports the Council to achieve this and continue to deliver services where demand is increased such as repairs and a comprehensive capital programme.
- 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.
- 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 not approving a rent increase would have a negative cumulative effect on the Councils rental income from 2026/27 and in perpetuity.
 - The substantial increase in operating costs, to enable the Council to fulfil all of statutory obligations together with delivering all of the outcomes of the

- consumer standards as set out by the Regulator of Social Housing.
 - The financial hardship caused to tenants who are expected to pay the full increase.
- 1.5 Like most social landlords, the Council has administered a hardship fund for its tenants for several years. It is proposed to continue to support this fund during 2026/27. In creating a support fund, the Council must be satisfied that this is a lawful debit to the HRA. The Council must 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 supervision and management of houses and other property held in the HRA.
- 1.6 Council tenants are entitled to receive legal notice notifying them of any rent increases or other charges due. Together with the required formal notice, the Council also provides information on how tenants can seek help if they are struggling with their rent payments or any challenges which may affect the sustainability of their tenancy. Tenants are reminded of the support and assistance their Housing Neighbourhood Officer can provide together with our Cost-Of-Living Team.
- 1.7 All tenants will receive statutory notice advising them of their new rent. If approved, new rents will be applicable from the 6 April 2026. (Being the first Monday of the new rent year.)
- 1.8 Tenants in receipt of services where a service charge is due will be consulted on charges for 2026/27 at the same time as receiving notice of any approved rent increase. In addition, any properties receiving major works where it would be appropriate to reassess the rent charged will be reviewed and rents re-set according to the maximum formula rent permissible.

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 2026. Benchmarking has confirmed that most social housing providers are increasing their rents by the maximum permissible level. Alongside the traditional support to tenants, most providers set aside a specific fund to help support tenants determined to be in hardship.
- 2.2 Similar to other Registered Providers, the Council lets properties at social and affordable rents within the HRA. To date, the Rent Standard has set the same increase to both types of rent. The rent standard for 2026, differentiates the maximum permissible rent for affordable and social rents.
- 2.3 Affordable rent setting for 2026/27
- 2.4 Affordable rents were introduced by the government in 2011 as part of the Affordable Homes Programme 2011–2015, which aimed to deliver new social housing at rents of up to 80% of local market rent instead of traditional social rent levels.

- 2.5 As at 1/12/2025, the Council had 126 properties let at affordable rent in the HRA.
- 2.6 The maximum permissible rent increase for affordable rented properties for 2026/27 is CPI+1%. For 2026/27, CPI+1% equates to 4.8%.
- 2.7 The table below summarises the average weekly rent charged for affordable rent properties and the new average weekly rent due.

Number of bedrooms	Current average weekly rent for properties let at <u>affordable rent</u>	2026/27 average weekly rent for properties let at <u>affordable rent</u>
1	£105.86	£110.94
2	£133.93	£140.36
3	£150.70	£157.93
4	£184.53	£193.39
5	N/A	N/A

2.8 Social rent setting for 2026/27

- 2.9 In 2002, the government introduced a policy of ‘convergence’ to bring the rent of all social homes in line with the capped ‘formula’ rent over time. This was to address historic differences in rents across similar social homes that resulted from having been built in different time periods, regulatory and financial environments. This methodology stopped in 2015 followed by a variation of methodology for rent setting, as set out in the table below.

Years	Annual rent setting rules
2002 – 2015	RPI+0.5% + £2 per week
2015 – 2016	CPI+1%
2016 – 2020	Reduction by 1%
2020 – 2023	CPI+1%
2023 – 2024	CPI+1%, capped at 7%
2024 -2025	CPI+1%

- 2.10 As at 1/12/2025, the Council had 3,606 properties let at social rent in the HRA, with 98% of these below the cap (formula rent) due to the restriction applied by government in 2023/24, which limited increases to below CPI + 1%.
- 2.11 In July 2025, MHCLG consulted Registered Providers on the reintroduction of rent convergence, a mechanism that allows rents on properties let at social rent to increase by an additional amount (on top of CPI+1%) until they reach capped levels (formula rent). The consultation sought views on CPI+1%+£1 per week and CPI+1%+£2 per week.
- 2.12 An announcement was expected on rent convergence as part of the Budget on 26 November 2025 but has been delayed until January 2026 (exact date unknown).
- 2.13 At the point of writing the report, Officers are certain of a minimum permitted income increase of 4.8%, based on CPI (September) + 1%. The table below models the options of rent convergence.

No. of bedrooms	Current average <u>social rent</u> weekly rent	2026/27 average weekly rent for properties let at <u>social rent</u>		
		CPI+1% (guaranteed)	CPI+1% +£1*	CPI+1% + £2*
1	£83.07	£87.05	£88.00	£88.95
2	£94.96	£99.52	£100.47	£101.42
3	£104.01	£109.00	£109.98	£110.96
4	£112.40	£117.79	£118.79	£119.79
5	£129.79	£136.02	£137.02	£138.02

*The average rent has not increased by exactly £1 or £2, as certain properties are already let at the maximum formula rent levels, with rents being re-set when a property becomes void.

3. Conclusion

- 3.1. The recommendations set out in this report are in line with the HRA Business Plan which assumes rents will be increased by a minimum of CPI + 1%. (Amendments will be made following the announcement on rent convergence).
- 3.2. In order to safeguard the long-term financial sustainability of the Housing Revenue Account and deliver the Council's statutory obligations and investment priorities, it is essential that rents for 2026/27 are set at the maximum level permitted under the 2026 Rent Standard.
- 3.3. This approach ensures sufficient income to fund rising operating costs, maintain compliance with consumer standards, and support a comprehensive capital programme focused on improving the quality, safety, and energy efficiency of homes.
- 3.4. The Council remains committed to helping vulnerable tenants sustain their tenancies. We will continue to provide tailored support for those facing financial challenges and ensure the hardship fund is available to offer practical assistance when needed.

Implications

South and East Lincolnshire Councils Partnership

None.

Corporate Priorities

South Holland - local priorities. Engage with housing tenants to help shape service delivery in the district.

Staffing

None.

Workforce Capacity Implications

None.

Constitutional and Legal Implications

The background section to this report sets out the legal implications of the decision the Council is being asked to take. The decision is in line with the applicable rent standard and does not exceed the permissible rent increase for rent year 2022/23.

Data Protection

None.

Financial

The financial implications of the decisions to be taken within this report will be set out in detail in the budget proposed to Council for 2026/27, Medium Term Financial Strategy and the HRA Business Plan. A revised HRA Business Plan and Asset Management Strategy will be presented to Council for adoption on 28 January 2026. The business plan sets out the borrowing required to meet the government's minimum energy efficiency standards for social housing; raising rents to the maximum permitted levels will reduce the amount of borrowing required.

Risk Management

None.

Stakeholder / Consultation / Timescales

Consultation has been undertaken with the relevant Portfolio Holder. 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.

Tenants have recently been consulted on business plan modelling of which included discussions around the necessity to maximise income.

Reputation

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. The proposals in this report are considered to support these primary objectives.

Contracts

None.

Crime and Disorder

None.

Equality and Diversity / Human Rights / Safeguarding

The Direction for the Rent Standard is set by MHCLG. The Council recognises that any additional expenditure may be challenging for 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 hardship. Tenants will also be made aware of the Councils Revenues and Benefits Team and the Department of Work and Pensions for support with Housing Costs. Housing Neighbourhood Officers, together with Cost-of-Living Response Officers are available to provide any additional one to one support as required.

Health and Wellbeing

None

Climate Change and Environment Impact Assessment

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 and meet government expectations around minimum energy efficiency standards.

Acronyms

CPI - Consumer Price Index.

HRA - Housing Revenue Account.

MHCLG – Ministry of Housing, Communities and Local Government

Appendices

None.

Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

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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