



Cabinet

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| Title | Annual Review of Rents and Service Charges and Temporary Accommodation Rents for 2024/5 |
| Date of meeting | 16 th January 2024 |
| Report of | Councillor Ross Houston – Deputy Leader and Cabinet Member for Homes and Regeneration |
| Wards | All |
| Status | Public |
| Key | Key |
| Urgent | No |
| Appendices | Appendix – Equalities Impact Assessment |
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Summary

This report outlines the current rules governing rent setting for social rented homes as well as the separate rules that apply to Temporary Accommodation and provides background information supporting the recommendations that are set out below.

Recommendations

1. That Cabinet approve a rent increase of 7.7% for all social rented homes. (Para 1.7)
2. That Cabinet also approve a rent increase of 7.7% for all Affordable rented homes. (Para 1.9)
3. That Cabinet approve an increase to all service charges, except heating and hot water, by 7.7%. (Para 1.11)
4. That Cabinet approve an average increase of £8.22 for heating and hot water charges. (Para 1.12)
5. That Cabinet approve an increase in temporary accommodation rents to LHA limits (Para 1.16)

1. Reasons for the Recommendations

Introduction

- 1.1 Almost all tenancies have a clause providing a mechanism for the annual increase in the rent that is charged. This allows landlords the opportunity to balance income and expected expenditure and consider appropriate adjustments to the rent that will be charged in the following year. Our rents are increased in line with the requirements of the Housing Act 1985 and the Housing Act 1988.
- 1.2 Rents make up 84% of all annual income received into the Housing Revenue Account (HRA) and must pay for the core housing services delivered by Barnet Homes as well as ongoing debt repayment and other charges. Ensuring that rental income matches financial and service commitments is therefore an overriding priority. Between 2016-2020 central government applied a version of austerity to the finances of social landlords by reducing their rents by 1% each year for four years (the 'social rent reduction'). The impact of this on homes owned by LBB is estimated to be a reduction of £6.1m in income per annum. Consequently, rental income has not matched the demands of maintaining existing housing services.
- 1.3 It is a feature of the CPI +1% rent increase regime that should a social landlord decide to levy anything less than the maximum allowed, any subsequent increase rises from a lower base. It is therefore not possible to recoup the foregone income within the current regime.
- 1.4 To aid clarity this report deals with social housing rents first and then goes on to address the different arrangements in place for Temporary Accommodation (TA).

Social Housing Rents

- 1.5 Our rents are set in line with government determined rules introduced in April 2020 after a period of enforced decreases (from 2016-2020). The post 2020 policy allows social /affordable landlords to increase rents by CPI (using the September inflation figure) +1%. This broadly returned the rent regime to the pre 2016 arrangements and was given a five-year life by government. We understand that the post 2025 arrangements are currently being developed.
- 1.6 Despite having presented the 2020 regime as providing landlords and their funders with a stable policy environment, in late 2022 government departed from the CPI + 1% formula and capped increases at 7% for 2023/4. This was in response to rising inflation, and a significant squeeze on family budgets and was announced as a one-year measure. However, there has been a great deal of uncertainty as to whether the cap might be extended into 2024/25 if inflation remained high. Government finally confirmed in late November that their "policy is for rents to be permitted to increase by up to CPI+1% in 2024-25. As in previous years, the policy uses September's CPI rate."
- 1.7 It is proposed that from 1 April 2024 the council increases housing rents by the maximum permitted amount of 7.7% (September 2023 CPI of 6.7% +1%) for existing tenants. All new tenancies will be let at target rent, which can continue to be set at CPI+1%; this is recommended for new tenancies, which are subject to affordability assessments prior to letting.

The table below shows examples of how the weekly average and formula rents social would change in 2024/5

Table 1 Average rent charged for Social rented homes: 2023/24 and 2024/25 comparison.

| Rent Charged | 2023/24 | 2024/25 increase applied |
|--|----------------|---------------------------------|
| Average current rent (for existing tenants) ¹ , | £122.03 | £131.43 |
| Average formula rent (for new tenant on re-let) ¹ , | £138.02 | £148.65 |

1.9 Most social housing homes within the Housing Revenue Account (HRA) are charged at a social rent. However, a small number (305) of newly developed properties are charged an Affordable Rent. Government rent rules limits the rent that can be charged for these homes to 80% of the equivalent market rent, inclusive of service charges. New homes delivered on the council's land will be subject to rents set at 50% of average private sector market rent levels or lower in accordance with the Administration's commitment to providing more low-cost rented social housing (or, where the council could not afford to build new homes if rents were limited to 50%, will be subject to rent or the Local Housing Allowance (LHA), whichever is lower as per the previous year), or they will be set at an alternative rent level such as London Affordable Rent if Greater London Authority (GLA) grant conditions dictate this. This ensures these properties generate sufficient revenue to offset their ongoing associated costs without a wider impact on the HRA. It is proposed that for existing households, the council increase Affordable Rents by 7.7% from 1 April 2024. The table below shows examples of how weekly average Affordable Rents would change in 2024/25 upon the application of the 7.7% increases set at Affordable Rent levels of 65% of average private sector market rent levels.

Table 2 Average rent Charged for Affordable rented homes: 2023/24 comparison.

| Rent Charged | 2023/24 | 2024/25 with 7.7% increase applied |
|--------------------------------------|----------------|---|
| Average Affordable Rent ¹ | £224.36 | £241.64 |

Service Charges

1.10 Where a tenant is provided with a specific property or block related service, we apply a service charge. This includes services such as lifts, grounds maintenance, door entry systems or caretaking. We apply service charges to over 3400 homes, which are a mix of tenants and leaseholders.

1.11 We have reviewed the costs of each service, some of which have experienced significant inflationary increases over the last 12 months. Building cost inflation in particular remains high. However, we propose that with the exception of increases to heating and hot water charges, we limit all increases to 7.7% for 2024/25.

1.12 Heating and hot water charges have presented particular difficulties in recent years due to the

¹ All charges in this table are shown on a 52-weeks basis and show an average of the rents charged across the stock. Note that Barnet charges on a 48-week basis with 4 rent-free weeks; the increase as illustrated has been calculated by 52 weeks in line with the Rent Standard..

sizeable mismatch between income and expenditure. This is a result of the commercial price mechanism not having an effective cap to limit charges and has led to the heating and hot water account effectively being subsidised by the HRA. Unless we pass the full charge on to residents, we estimate a heating and hot water deficit for 2024/25 of £504,000. We are therefore proposing to increase heating and hot water charges by an average of £8.22 per week.

1.13 Details of the various unable to the charge set out on Table 3 below. Table 3 Proposed Services charges: 2023/24 comparison:

| Service | 2023/24 | 2024/25 |
|--|--|--------------------------------|
| Eligible for Housing Benefit / UC | | |
| Caretaking (quarterly) | £1.59 | £1.71 |
| Caretaking (weekly) | £7.07 | £7.61 |
| Digital TV | £1.83 | £1.97 |
| Door entry systems | £ 2.79 | £3.00 |
| Sheltered housing enhanced management | £26.09 | £28.09 |
| Fire Safety equipment | 1 bed £4.77 2 bed £5.60 3 + bed £6.82 | £5.14 £6.03 £7.34 |
| Grounds Maintenance | £3.49 | £3.76 |
| Lighting | £3.04 | £3.27 |
| Not Eligible for Housing Benefit / UC | | |
| Alarm Services (sheltered housing) | £3.54 | |
| Garage Rents | 7.7% to existing rent | 7.7% increase to existing rent |
| Heating & Hot water (Grahame Park) | 1 bed £33.81 2 bed £46.84 3 bed + £50.59 | £42.03 £55.06 £58.81 |
| Heating & Hot Water (excluding Grahame Park) | £39.49 | £47.71 |

1.14 **Temporary Accommodation rents.**

1.15 At the end of November 2023 there were over 2000 households living in temporary accommodation (TA). 696 of these are council owned temporary homes. Following adoption of last year's rent increase recommendations, the rent on these homes is now set at the full LHA rate. While this meant an increase for approximately 45% of households in temporary accommodation last year, the majority saw no increase because LHA rates were frozen in 2020. We estimate that the freezing of LHA in 2020 has meant that the current value of the LHA is £1.2m less for our TA stock than it would have been had uprating continued on an annual basis

as was the case before 2016.

- 1.16 The Chancellors Autumn Statement announced that LHA rates would be increased in March 2024 to the “30th percentile of local market rents”. However, this increase is like March 2020, a one-off. It will be frozen at this rate for the foreseeable future.

The new LHA rates will not be known until early 2024. However, we estimate that the increase described above is equivalent to a 5% increase in rent. Given that most tenants did not have an increase last year and that we are facing cost increases way more than 5% (it is above 12% in repair and maintenance alone), we are proposing to increase all TA rents to the maximum applicable LHA rate. Table 4 below illustrates the impact of the recommendation on average TA rents.

Table 4. Impact of the average proposed TA rent increase.

| Rent | 2023/24 | 2024/25 |
|-----------------|---------|---------|
| Average TA rent | £322.14 | £338.25 |

Mitigating the impact of the proposed increases

- 1.17 At the end of November 2023, a little over 70% of general needs tenants were in receipt of Housing Benefit (HB). Information regarding receipt of (the housing element) of Universal Credit (UC) is less definitive since many tenants receive this benefit themselves. However, we do know that almost 35% of tenants receive UC and it is fair to assume that a high proportion of this is for eligible housing costs. These residents will largely be protected from the impact of the 7.7% increase to rents as well as the increase to eligible services charges.

Over 86% of tenants living in temporary accommodation are in receipt of HB and so we anticipate that these tenants will be protected from the increase of rents to the relevant LHA limit.

Those tenants who we believe are not in receipt of either HB or UC will be contacted directly with advice and information (see section 3 below). In addition, the council is providing a range of services that tenants facing financial pressure can access. This includes:

- A benefit calculator embedded on the Council website tailored to helping residents identify missed entitlements and maximise income.
- Discretionary Housing Payments for residents in receipt of Housing Benefit or Universal Credit and struggling with meeting their housing costs.
- Council Tax Discretionary Relief and Support schemes for residents who need help to meet their Council Tax liability.
- Barnet Resident Support Fund, which can provide support with furnishings, electrical and gas items, and basic living needs including utilities and food.
- Household Support Fund, a government grant allocated by Council to BOOST, Age UK Barnet and Early Years Service which helps struggling to meet food and energy bills.
- Homelessness Prevention Grant to be spent on preventing private tenants from becoming homeless.
- Continuation of Warm Spaces scheme, a community-led initiative created to help people who are struggling to keep warm.
- Signposting to food banks for those in crisis.

- Signposting to support services and charities that can give advice and support on work, debt, benefits, immigration, housing, and training.
- Free 12-month fibre broadband offer in partnership with Community Fibre.
- Free SIM cards for residents on low incomes through Good Things Foundation.
- Help to obtain free or low-cost laptops through IT recycling partner 2econd Chance CIC.
- Signposting to government schemes including the Energy Bills Support Scheme, Winter Fuel Payments, information about social tariffs from water companies and phone and broadband providers, and Cost of Living Payments.

1.18 Some households who are in Temporary Accommodation may be subject to the benefit cap, lifting the TA rents in line with the LHA may require them to make additional payments to maintain their tenancy. We do not hold data on how many households this may affect but given the profile of the properties let through TA it will be a small number, to whom tailored support will be provided.

1.19 Increasing rent in line with LHA does not necessarily benefit the General Fund, this is because the subsidy received from Government is capped, for this financial year we are predicting a funding gap of over £3m which is the difference between our TA HB expenditure and DWP Subsidy. That figure will increase with increases in rents as the LHA rate used for TA and HB subsidy reclaim is set at the 2011 LHA rate and in general terms capped at 90% of that, however the overall impact of this is cost neutral as the increased rent will offset the subsidy gap. Setting rents at LHA ensures that there is no difference between TA rents and LHA rents in the private sector (PRS), if there was then it could make staying in TA a more attractive option than moving on to the PRS.

2. Alternative Options Considered and Not Recommended

2.1 The Council has the discretion to apply an increase below 7.7% to applicable homes. Similarly, it can levy charges for services below the cost of delivery. The value of the 7.7% increase is equivalent to £3.924m. The implications of a decision to apply a lower or no rent increase upon the Councils revenues and the provision of housing services would be such that alternative options do not present themselves. The same reasoning applies to increasing charges for services.

2.2 A decision not to levy the full LHA increase for TA homes would put significant pressure upon the TA I&E account and limit our ability to provide services.

3. Post Decision Implementation

3.1 Whatever decision is made we must advise tenants of the rent increases by the end of February to ensure that we meet legal requirements. Accompanying the legal increase notices, we will be issuing a plain English version with references to online translation of these documents. In addition, we will issue a Q&A document (again with online translations) to address the key questions that we anticipate residents will raise.

3.2 The Q&A will include information dealing with benefits that residents can apply for as well as other tips to increase household incomes. This information will be complemented with an outreach campaign to assist residents who we not in receipt of personal housing subsidies along with others who we believe require assistance. All increases will be notified to benefit authorities so that benefits are adjusted in line with relevant increases.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 Adoption of the recommendations will enable the Council to progress toward its stated objective of *increasing the supply of social rented homes in the borough* by improving the capacity of the HRA. Unless HRA capacity is increased this objective will be effectively shelved.

Further, an increase of TA rents to the limit of the applicable LHA will improve the HRA and address the corporate objective of ensuring *nobody is sleeping rough*.

Corporate Performance / Outcome Measures

None in the context of this report.

Social Value

None in the context of this report

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

- 5.1 Barnet Homes will administer the rents and service charges for council tenants and the rents for tenants living in temporary accommodation.
- 5.2 Income raised from the service charges will be used to recover the costs of providing the services within the HRA. Income from dwelling rents is a key driver of the total income available to the HRA, making 84% of the budgeted income for 2024/5.
- 5.3 Income from temporary accommodation rents will help to secure the delivery of temporary accommodation and homelessness services through the General Fund.

6. Legal Implications and Constitution References

- 6.1 The council's ability to increase rents is set out in sections 24, 103, and 105 of the Housing Act 1985, and section 13 of the Housing Act 1988.
- 6.2 The Local Government and Housing Act 1989 requires the council to prevent a debit balance within the Housing Revenue Account, and to act reasonably in making assumptions and estimates and to act prudently.
- 6.3 Section 18 of the Landlord and Tenant Act 1985 sets out the basic ground rules for service charges, defining what is considered a service charge, these are defined as 'an amount payable by a tenant of a dwelling as part of or in addition to the rent which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management; and the whole or part of which varies or may vary according to the relevant costs'.

Part 2D of the council's Constitution, paragraph 4.8 states that approval of HRA rents is a key decision reserved to Cabinet.

The council's Constitution (Part 4A – Financial Regulations) also states:

- 2.5.5 – Changes to annual tenant rents and service charges for the HRA and GF must be referred to Council before tenants and leaseholders are issued with formal notices and

bills ahead of the upcoming financial year.

2.5.6 - The budget recommended by Cabinet or other committees + to Full Council will incorporate the latest projection of income from fees and charges. Full Council will approve all fees and charges.

7. Consultation

7.1 There has not been any specific consultation on the issues arising in this report as consultation is not required under The Direction on the Rent Standard 2023 set by the Secretary of State in line with section 197(a) of the Housing and Regeneration Act 2008.

8. Equalities and Diversity

8.1 The Equality Act 2010, Section 149 outlines the provisions of the Public Sector Equality Duty which requires Public Bodies to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant characteristic and persons who do not share it.

8.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage and civil partnership.

8.3 This report is primarily to set rents and associated charges using a fair method within a viable and sustainable HRA, that will be applied to all council dwellings and will therefore affect all council tenants. The increase being applied is proportionate across all properties, and as the increases are not of a personal nature, it is not considered that they target any group of people based on any of the protected characteristics.

8.4 Whilst the rent increase does not target any specific protected characteristic, the increase will have more of an impact on households on lower incomes. The potential for a detrimental impact exists in as much as an increase in rent will put pressure on those individuals in, or at risk of, financial hardship. The rent increase will also have more of an impact on households living in larger properties, which will experience a higher increased rental cost per week due to the higher rents that are applied to these properties; this will affect some sub-groups of the tenant population more than others due to the property size generally held more commonly by

8.5 However, rents and the majority of tenant service charges are covered by Housing Benefit or Universal Credit (heating and alarm charges are not) and rent levels will remain well below market rent and for the majority of tenants will remain below the LHA level for the borough. In addition, Barnet Homes' in-house Income Collection Service takes a proactive, supportive approach to preventing rent arrears and offering financial inclusion through money advice, referrals for support, and assistance in maximising income (through benefit claims, or advice on management of other debts, for example). This should help to mitigate any detrimental effects that may be experienced.

9. Background Papers

- 9.1 17th January 2023, Housing and Growth Committee, item 13 Annual Review of Council Dwelling Rents and Service Charges and Temporary Accommodation Rents for 2023/24, [Agenda for Housing and Growth Committee on Tuesday 17th January, 2023, 7.00 pm \(moderngov.co.uk\)](#)