

For publication

Annual Housing Revenue Account rent and service charge setting review (H000)

Meeting:	Cabinet
Date:	16 January 2024
Cabinet portfolio:	Cabinet Member for Housing
Report by:	Service Director – Housing
For publication	

1.0 **Purpose of report**

- 1.1 To seek Cabinet approval to set housing rent and service charge levels for 2024/25.

2.0 **Recommendations**

- 2.1 To approve, for 2024/25, that individual social rents for current general needs tenants be set based on the current national social rent policy, giving a rent increase of 7.7% with effect from 1 April 2024.
- 2.2 To approve, for 2024/25 and onwards, that where a social rent property is re-let to a new or transferring tenant the rent level be increased to the target rent for that property.
- 2.3 To approve, for 2024/25, that individual affordable rents be set based on the current national social rent policy giving a cash rent increase of 7.7% with effect from 1 April 2024.
- 2.4 To approve, for 2024/25 and onwards, that where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent (including service charges where applicable) for a similar property at the time of letting, or the formula rent for the property, whichever is greater.
- 2.5 To approve the Housing Revenue Account Service Charges for 2024/25, as set out in Appendix 1.

3.0 **Reasons for recommendations**

- 3.1 To enable the Council to set the level of council house rents in accordance with Government guidelines and the Rent Standard.

- 3.2 To enable the Council to set service charges for 2024/25 to recover the costs of providing these services to tenants.
- 3.3 To contribute to the Council’s corporate priority to ‘improve the quality of life for local people’.

4.0 **Report details**

National Social Rent Policy

- 4.1 The Council is required to keep a separate account for its activities as a landlord. This is called the Housing Revenue Account (HRA). The HRA is governed by the Local Government and Housing Act 1989 and by determinations made under this Act by the Ministry of Housing Communities and Local Government.
- 4.2 Under the HRA self-financing regime we are required to ensure that our HRA Business Plan is financially viable, delivers to regulatory standards with the Regulator of Social Housing’s (RSH) Consumer Standard for tenants and maintains at least the minimum Decent Homes Standard.
- 4.3 Future investment in the Housing Service and the housing stock is largely funded through income from the properties and is therefore directly influenced by decisions on rent levels, additional borrowing or the use of cash reserves.
- 4.4 Social rents are set according to the Government’s National Social Rent policy and the Welfare Reform and Work Act 2016. In accordance with the Government’s National Social Rent Policy, which came into effect from 1st April 2020, rents may increase by up to CPI plus 1%, until 1 April 2024. The basis for annual rent increases is the September Consumer Price Inflation (CPI) which in 2023 is 6.7%, meaning the maximum rent increase projected for April 2024 should be 7.7%.
- 4.5 In addition, where a property is re-let during the financial year (and where it is not already at target rent), the new tenant’s rent level can continue to be increased to the target rent for that property. The Government is increasing the target rent by 7.7% in 2024/25.
- 4.6 This policy is also confirmed in the Regulator of Social Housing’s (RSH) Rent Standard, which applies to all social housing providers.

<https://www.gov.uk/government/publications/rent-standard/rent-standard-april-2020>

Rent setting for 2024/25

- 4.7 In line with the Government’s National Social Rent Policy and the RSH Rent Standard, it is recommended that for 2024/25 all rents (social and affordable) will increase by CPI plus 1%. This is a real increase of 7.7% in 2024/25 based on CPI in September 2023 of 6.7%. This gives an average social rent in 2024/25 of £95.95 per week and an average affordable rent of £108.88 per week.

	Properties	Average rent 2023/24	Average rent 2024/25	Average target rent 2023/24	Average target rent 2024/25 (7.7%)

Social General needs	8,631	£88.99	£95.85	£95.03	£102.35
Social Sheltered	141	£94.81	£102.11	£95.79	£103.16
Affordable General needs	6	£109.43	£117.86	£101.09	£108.88

4.8 The rents shown in the table above are based on 52 weeks of rental income. 2024/25 is what is known as a "53-week year". The rent for a property falls due every Monday, and during the financial year there are 53 Mondays, rather than 52. This happens every 5 or 6 years. The rent charged for the 53rd week is the same as the other 52 weeks and this is in line with the Regulator of Social Housing's policy for such years.

Social Rent

4.9 As at 27 November 2023, Chesterfield Borough Council owned 8,772 social rent properties. A social rent is calculated by a formula based on local earnings (70%), 1999 property values (30%) and then adjusted to account for the number of bedrooms in a property.

Affordable Rent

4.10 Chesterfield Borough Council's 'affordable rent' homes are properties which were delivered through the Affordable Homes Programme 2011-15. Affordable rent is subject to rent controls that limit the rent at let to a new tenancy, to 80% of the local market rent (including service charges) at that time. Whilst the tenancy remains unchanged, rent increases follow the Rent Standard which allows them to be increased by up to CPI + 1% in 2024/25. Chesterfield Borough Council let six properties at an affordable rent as at 27 November 2023.

4.11 On a change of tenancy, the rent must be re-calculated by reference to 80% of the market rent (again inclusive of service charges) at that date. This may mean that the rent decreases rather than rises, depending on market conditions prevailing at the time. In addition, affordable rents must not be lower than what would be the social formula rent for the property.

Service charge setting 2024/25

4.12 Details of increases to heating charges, garage rents, garage site rents, garden assistance scheme, water charges, community room charges and warden services are set out in **Appendix 1**.

Rent, fees and charges summary

4.13 The table below shows the annual impact of the recommended rent increase and fee and charge increases set out in **Appendix 1** on the 2023/24-year end balance:

Description	Additional income in 2024/25
Heating Service charge	£0

Garage rents (weekly)	£48,863
Garage sites rents (monthly)	£475
Water charges	£349
Garden assistance scheme	£311
Community room hire	£0
Communal staircase cleaning	£24,578
Sheltered scheme charge	£2,205
Rent increase	£3,974,000
Total of proposed increases	£4,050,087

5.0 Alternative options

5.1 Consideration has been given to applying lower rent increases than the levels set by government. This is not recommended for the following main reasons:

- The HRA faces major challenges over the coming years, particularly in relation to delivering new affordable council homes, investing in stock to ensure high quality homes, meeting the Council's climate change ambitions, and investing in staff resources to improve performance, satisfaction and compliance with the new standards set by the Social Housing Regulator.
- The cost of delivering investment in our housing stock has increased in line with inflation, which with a reduced rent increase makes this more challenging.
- In order to maintain the current stock and develop new homes, the HRA needs to borrow beyond its current level of debt. Increased borrowing brings additional interest charges which reduces the amount of HRA revenue available to provide essential housing services.
- If rents are not increased in line with National Rent Policy not only does this reduce the rent income for the year in question, but also cumulatively for all future years.

6.0 Implication for consideration - Financial and value for money

6.1 The financial implications are an intrinsic element of this report. The recommendation that all Chesterfield Borough Council general needs rents (social and affordable) will increase by 7.7% and a 53-week rent year will result in an additional £3.974 million of income in 2024/25 compared to 2023/24.

6.2 The service charges are increased at a rate to cover the cost incurred in providing that service. This means that increases can vary more widely. The changes in the service charges when added to rents will bring in an additional £4,050,087 in 2024/25 compared to 2023/24.

7.0 Implications for consideration - Legal

7.1 The Council, as a registered social landlord is required from 1st April 2020 to set rents in accordance with the Regulator of Social Housing’s Rent Standard.

8.0 Implications for consideration – Human Resources

8.1 None

9.0 Implications for consideration – Council Plan

9.1 This contributes to two of our key priority areas - to improve quality of life for local people and to provide value for money services.

10.0 Implications for consideration – climate change

10.1 A climate change impact assessment was undertaken for this report. There will be no direct change to service provision or delivery from this report. The outcome from this is detailed below.



11.0 Implication for consideration – equality and diversity

11.1 In setting the National Social Rent Policy, an Equalities Impact Assessment has been carried out nationally. This can be viewed through the following [link](#). The impact on tenants with protected characteristics has been considered when setting fees and charges and where possible these have been minimised to mitigate any negative impact.

12.0 Implications for consideration - risk management

Description of the risk	Impact	Likelihood	Mitigating action	Impact	Likelihood
Increased rents means rents more unaffordable	M	M	All rents are below the local housing allowance levels. Benefits have been increased in line with inflation in the Autumn Statement 2023. Revenues operate	M	L

Description of the risk	Impact	Likelihood	Mitigating action	Impact	Likelihood
			a wide range of activities to maximise the Council's rent collection including offering direct debits that automatically adjust to collect the increased rents		
Continued high levels of inflation in subsequent years may lead to further limitation on rent increases	H	H	Raising rents within the maximum allowance whilst possible will protect income for future years and is required to cover unrestrained increases in expenditure in periods of high inflation.	M	M
Future September rates for CPI may be lower than predicted within the Business Plan	H	L	Continued use of the September rate of inflation (CPI) to increase rents should ensure that peaks and troughs in inflation are managed on average over the years.	M	L
Continued RTB sales at approximately 70 (36 sold in 2023/24 to 27 th November 2023) per annum will reduce the stock and the rental income available to maintain the housing stock and services at the required level	M	M	Maintenance of rent increases at the maximum levels allowed will help to ensure that there are sufficient resources to maintain the housing stock.	L	L
Failure to increase actual rents in line with the increase in the formula rent will lead to actual rents falling below target rents and additional administration costs	M	H	The formula or target rent for a social property will rise by 7.7% for 2024/25 in line with the Government rent formula and the Rent Standard. The Council has a policy of moving	L	L

Description of the risk	Impact	Likelihood	Mitigating action	Impact	Likelihood
on relet. Actual rents are currently £5.95 per week below target. As at 1 April all tenanted properties will be an average of £6.41 below target rent.			rents to target on re-let to aim to achieve the rental income required to support the HRA debt payments – minimising the number of properties below target reduces the cost of administering rent changes. 333 properties moved to target rent on re-let so far in 2023/24 out of 8,772 properties.		

Decision information

Key decision number	1125
Wards affected	All

Document information

Report author	
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Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
N/A	
Appendices to the report	
Appendix 1	Housing Revenue Account Service Charges 2023/24