

Lewisham Council Dwelling Rents 2023/24		
Report Title	Housing Revenue Account (HRA) – Rent Setting	
Contributors	Executive Director for Housing Regeneration and Public Realm and Executive Director for Corporate Resources	
Class	Part 1	Date: December 2022

1 Purpose of the Report

To outline the current consultation from Government and potential forecast rent increase for Lewisham Council Dwellings in 2023/24. Residents are invited to consider this report and provide feedback on the proposals contained.

2 Executive summary

- 2.1 During the period from April 2015 to April 2019, the Government mandated for all councils nationally to reduce dwelling rents by 1% per annum. The financial impact of this was significant which meant that maintaining service levels throughout this period was challenging as a direct result of the loss of income. The government mandated reduction resulted in a loss of actual income of £2.8m during the four year period. The loss was £25m when compared to the assumptions made within the Housing Revenue Account business plan for the same period and a total loss of £374m over the 30 years lifespan of the Business Plan.
- 2.2 Subsequently, from April 2020 government lifted the rent reduction policy and allowed councils with social housing stock to return to the previous method of rent increase calculations to at least 2025. This method of rent increase is based on CPI + 1%, which was the Government's policy for rent increases. This method had been implemented in Lewisham and became effective for rental increases applied from April 2020 onwards
- 2.3 However, due to the current cost of living crises and current high inflation which would impact on rent increases, Government issued a consultation in September 2022 seeking opinion from Local Authorities on capping rent increases for 2023/24 to 3%, 5% or 7%, or to allow increases to follow the policy guidance of CPI + 1%. At the time Government also stated that their preferred preference was for an increase capped at 5%. Any capping of increases would result in a loss to the HRA, as noted in table in paragraph 4.7. The consultation closed on 12th October 2022.
- 2.4 CPI @ September 2022 has been confirmed at 10.1%, which, under existing Government policy, would result in a rent increase of 11.1% (10.1% + 1.0%). However, following the autumn statement on 17th November 2022, Government confirmed that rents would be capped at a maximum increase of 7% for financial year 2023/24.

- 2.5 Rents will therefore increase by an average 7% for 2023/24. This results in an average increase of £7.22pw over a 52 week period. This will increase the full year average dwelling rent for the London Borough of Lewisham HRA stock (as at April 2022) from £103.25pw to £110.47pw.
- 2.6 The potential average service, heating and hot water charge changes for 2023/24 are contained in separate reports provided by your Housing Management provider.
- 2.7 No Proposals have been received to vary the current levy for the Tenants' Fund contribution. It will therefore remain at £0.15pw for 2023/24.
- 2.8 Garage rents are proposed to rise by 10.0%. This represents an increase of £1.66pw and would raise the average basic charge from £16.62pw to £18.28pw. The proposed increase will raise an additional £245k of revenue income.
- 2.9 Although no direct efficiencies/savings are currently being considered for 2023/24, work continues to identify opportunities for cost reductions and efficiencies relating to the HRA business model. Where identified, these savings would be available for reinvestment in stock, services or new supply.
- 2.9.1 This report forms the part of the information exchange with residents in respect of rent increases and seeks feedback on the proposals it contains to be included in the Mayor and Cabinet budget report due in February 2023.

3 Policy Context

- 3.1 The contents of this report are consistent with the Council's policy framework. It supports the achievements of the following corporate strategy objective:
- Tackling the housing crisis – Everyone has a decent home that is secure and affordable.
- 3.2 The contents of this report also support the objectives of the Housing Strategy 2020-26, as ensuring an appropriately funded HRA will work towards the delivery of the following objectives:
- Delivering the homes that Lewisham needs;
 - Improving the quality, standard and safety of housing;
 - Supporting our residents to live safe, independent and active lives;
 - Strengthening communities and embracing diversity.

4 Proposal for rent increases

- 4.1 In line with the formula rent calculation policy, rents would have been expected to rise by 11.1% based on CPI of 10.1% (as at September 2022) + 1% for 2023/24 and CPI + 1% up until 2025.
- 4.2 An 11.1% increase in average rents for HRA dwelling stock 2023/24 would have equated to an average increase of £11.45pw over a 52 week period. This

would have increased the full year average dwelling rent for the London Borough of Lewisham from £103.25pw to £110.47pw. The proposed increase would have resulted in additional income of £8.185m for the HRA against 2022/23 income levels.

- 4.3 However, due to the current cost of living crises and current high inflation which would impact on rent increases, Government issued a consultation seeking opinion from Local Authorities on capping rent increases for 2023/24 to 3%, 5% or 7%, or to allow increases to follow the policy guidance of CPI + 1%. The capping of increases could take effect for either 1 or 2 years. At the time, Government stated that their preferred preference was for an increase capped at 5%.
- 4.4 However, following the autumn statement on 17th November 2022, Government confirmed that rents would be capped at a maximum increase of 7% for financial year 2023/24. Rents will therefore increase by an average 7% for 2023/24. This results in an average increase of £7.22pw over a 52 week period. This will increase the full year average dwelling rent for the London Borough of Lewisham HRA stock (as at April 2022) from £103.25pw to £110.47pw
- 4.5 Capping of increases will result in a lower rent increase and a loss to the HRA, impacting on available resources to balance the account or for investment needs. As noted in the table in paragraph 4.7, a 7% increase will raise an additional £5.162m in rents, but will be some £3.0m lower than an increase based on CPI + 1% and result in a total of £159.9m of lost resources over the 30 year period of the HRA business plan.
- 4.6 It should be noted that the HRA cost base for management and maintenance, materials and capital investment will be inflated based on inflation increases similar to or based on the CPI output data. In addition, debt interest charges will also increase based on the need to borrow for HRA investment needs and increase in interest rates applied to debt.
- 4.7 The table below sets out the rent increase at the capped rate and impact of any rent losses for 1 and 30 years against the normal calculation for increases based on CPI + 1%.

Rise	Average Increase Per Week	Additional Income – 2023/24	Annual Loss against CPI + 1%	30 Year Loss
CPI+1% = 11.1%	£11.45pw	£8.185m	-	-
Capped @ 7.0%	£7.22pw	£5.162m	£3.023m	£159.9m

- 4.8 The following table provides details of the 7% capped average rise by bed size for stock in the HRA as at 1st April 2022.

Bed size	Average Rent	Average Rent	£ Change	% Change
	2022/23	2023/24		
Bedsit	£77.82	£83.26	£5.44	7.0%
1	£90.85	£97.21	£6.36	7.0%
2	£102.05	£109.19	£7.14	7.0%
3	£119.36	£127.71	£8.35	7.0%
4	£133.62	£142.98	£9.36	7.0%
5	£153.85	£164.62	£10.77	7.0%
6	£159.31	£170.46	£11.15	7.0%
7	£164.24	£175.73	£11.49	7.0%
Average Total	£103.25	£110.47	£7.22	7.0%

4.9 For the purpose of business and financial planning, it is assumed that rental charges for the period 2024/25 to 2025/26 will be increased in line with the previous guidance of CPI + 1%.

4.10 At the present time, the financial models used by the council forecast CPI to be an average of 6% for 2024/25 and 4% for 2025/26. It reverts back to the bank of England target of 2.0% annually from 2026/27. This will be constantly monitored and updated when necessary.

5 Efficiencies & Savings Proposals for 2023/24

5.1 The HRA strategy and self-financing assessments are continually updated and developed, to ensure resources are available to meet costs and investment needs for 2023/24 and future years.

5.2 As a prudent measure the original HRA financial model was developed with no savings identified. There are ongoing discussions regarding appropriate savings and target management and maintenance costs per unit which may drive reduced costs. For example, there is already an assumed reduction in the management fees paid in 2023/24 to reflect stock losses through Right to Buy Sales. Any savings and efficiencies that are delivered against the current financial budget will be reinvested back into the HRA.

5.3 An update of the HRA Strategy, proposed rent & service charge increases and comments from discussions with tenant representatives will be reported to Mayor and Cabinet as part of the HRA Rents and budget strategy report. Mayor and Cabinet will make the final budget decisions in the new-year.

6 Service Charges & Garage Rents

6.1 The agreed policy on Service Charges are that charges should reflect full cost recovery for the type of service undertaken. Heating and hot water costs are also recovered by a charge to tenants and leaseholders.

6.2 The Housing Management providers have provided separate reports to residents giving further details of the increase to be applied for 2023/24.

- 6.3 Tenants are asked to provide any comments and feedback on service charges and garage rent proposals for inclusion in the Mayor and Cabinet budget report to be presented in February 2023.

Garage Rents

- 6.3 Garage rents are proposed to rise by 10.0%. This represents an increase of £1.66pw and would raise the average charge from £16.62pw to £18.28pw. The proposed increase would raise an additional £194k of revenue income.
- 6.4 The authority continually reviews rental values across the garage stock to ensure they remain on a sound commercial footing and reflect market rents. Any additional changes are likely to be consulted on and implemented for financial year 2024/25 onwards.
- 6.5 Property Services have provided a separate consultation report to the panel giving further details of the increase to be applied for 2023/24

7 Tenants' Levy

- 7.1 As part of the budget and rent setting proposals for 2005/06 an allowance was 'unpooled' from rent as a tenants service charge in respect of the Lewisham Tenants' Fund. The current levy is £0.15pw.
- 7.2 No proposals have been put forward by the tenants fund committee to vary this levy for 2023/24. Therefore the charge will remain at £0.15pw for 2023/24.
- 7.3 The tenants' fund has provided the panels with a consultation report regarding the accounts of the fund and budget proposals for 2023/24.

8 Housing Select Committee

- 8.1 Housing Select Committee will consider the proposals in January 2023.

9 Conclusion

- 9.1 From April 2020, councils were able to return to the previous method of rent increases, which was CPI plus 1%.
- 9.2 Whilst Lewisham Council implemented this method to determine the rent rises from that date, Government have capped rent increases for 2023/24 at 7%, which equates to an average weekly increase of £7.22. Capping of increases has resulted in a loss of resources to the HRA of £3.0m when compared to an inflationary increased based on CPI + 1%.
- 9.2 The Council's budget setting timetable enables tenants comments to be included in the budget report being presented to Mayor and Cabinet on 8th February 2023.

If you require any more information about this report please contact Sayeed Kadir on 0208 314 2242 (email Sayeed.kadir@lewisham.gov.uk)