

CABINET MEETING 18 JANUARY 2024
EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Council Housing Rent 2024/25

Author(s):

Report of the Executive Director of Health Housing and Communities

Purpose of Report:

The purpose of the report is to seek approval to increase housing rents for Sunderland City Council tenants with effect from 1 April 2024.

Description of Decision:

Cabinet is requested to approve an increase in Council housing rents by 6.7% with effect from 1 April 2024.

Is the decision consistent with the Budget/Policy Framework? *Yes

If not, Council approval is required to change the Budget/Policy Framework – No

Suggested reason(s) for Decision:

In June 2020 Cabinet approved the Housing Service Policy Framework. Within this Policy Framework was the Council's Rent and Service Charge Policy which set out that rents will be set in accordance with relevant Government policy and legislation and adhere to the Regulator of Social Housing Rent Standard.

Cabinet approval is required to determine the rent increase to be applied for 2024/25.

Alternative options to be considered:

The option of applying an alternative rent increase (either above or below that proposed within the report) has been considered and is not recommended.

The Housing Service must be delivered to all tenants in the long term. This service is funded from rental income which needs to cover the ongoing costs of repairs and maintenance and long-term improvements to Council tenants' homes.

A lower rent increase would compound a long-term problem in delivering future services as income will lag significantly behind service cost pressures and inhibit the Council's ability to meet the needs of tenants with regards to repairs and maintenance, future

home improvement programmes and housing management services. This would create a position where the Council would be at risk of not meeting the regulatory requirements set by the Regulator of Social Housing.

Additionally, there has been consideration of the financial constraints facing our tenants and an assessment of the future operating costs and taking this into consideration the rent increase proposed for 2024/25 would be 6.7% and not at the maximum level permitted.

The proposed increase is in accordance with the Government's Direction on the Rent Standard.

Impacts analysed;

Equality Privacy Sustainability Crime and Disorder

Is the Decision consistent with the Council's co-operative values? Yes/

Is this a "Key Decision" as defined in the Constitution? Yes

Is it included in the 28 day Notice of Decisions? Yes

COUNCIL HOUSING RENT 2024/25**Report of the Executive Director of Health Housing and Communities****1.0 Purpose of the Report**

- 1.1 The purpose of the report is to seek approval to increase housing rents for Sunderland City Council tenants with effect from 1 April 2024.

2.0 Recommendations

- 2.1 Cabinet is requested to approve an increase in Council housing rents of 6.7% with effect from 1 April 2024.

3.0 Background

- 3.1 The Council became a Registered Provider (RP) of Social Housing on 26 November 2019 and welcomed its first tenant in September 2020. Since this time there has been a steady increase in the Council's housing stock with the Council now owning and managing 138 homes. More homes are in the pipeline to be delivered.
- 3.2 All rents charged are at an Affordable Rent level (80% of market rent) in line with the Regulator of Social Housing's Rent Standard which dictates how Registered Providers of Social Housing (RPs) must set social rents.
- 3.3 The Government's Rent Policy and Rent Standard outlines that RPs can increase rents by September's Consumer Price Index (CPI) plus 1% per annum.

4.0 Rent increase policy position

- 4.1 In 2023/24 Government, following a consultation process with the housing sector capped rent increases at 7%. This was in response to the cost-of-living crisis and recognised that tenants were experiencing exceptionally difficult times financially. If the normal policy approach of CPI + 1% was adopted tenants would have faced a potential rent increase of 11.1% for 2023/24.
- 4.2 For 2024/25 Government has reverted back to the standard policy position which permits rent increases to be made at a maximum of CPI + 1%. CPI in September 2023 was 6.7% meaning that the maximum rent increase that could apply is 7.7%.
- 4.3 There has been consideration of the financial constraints facing our tenants and an assessment of the future operating costs and taking this into consideration the rent increase proposed for 2024/25 would be 6.7% i.e. the maximum rent increase of 7.7% is not applied for 2024/25.

5.0 Housing Rent Increase Position

- 5.1 All tenants of social housing are subject to an annual rent increase. This is outlined to tenants within their tenancy agreements.
- 5.2 The 2024/25 rent increase will be effective from 1 April 2024. Tenants must be given 4 weeks' notice of a rent increase. Therefore, all tenants will be informed in writing of the rent increase for 2024/25 by 1 March 2024 in compliance with the required notice period.
- 5.3 The written notice provided to tenants must inform them of the rent increase using gross rent figures which will not show housing benefit or housing elements on universal credit payments. However, housing benefits awarded will be recalculated to take account of the new gross rent figure.
- 5.4 Council staff will be available to provide advice and support to tenants as required.
- 5.5 The table below highlights the impact on the current Council tenants. Of the current 138 tenants:
- 38 tenants (27.5%) will need to pay the full rent increase as they do not currently receive any housing benefit.
 - 85 tenants (61.6%) are in receipt of full benefit and will not see any rent increase as this is covered by their housing benefit.
 - 15 tenants (10.9%) will see some rent increase as they only receive partial housing benefit.

Rent payment position	Number
Full Rent	38
100% Housing Benefit / 100% Universal Credit	85
Partial Housing Benefit / Partial Universal Credit	15
Total	138

- 5.6 Rent assessment activity has taken place to establish the options for the rent increase proposal for 2024/25. The two rent increase options considered were at the maximum permitted level (CPI +1% level (6.7% plus 1%) – 7.7%), and at CPI – 6.7%.
- 5.7 The rent increase options are detailed within the chart below.
- 5.8 The potential rent loss by moving to 6.7% from the 7.7% is £8,480.56 per annum.
- 5.9 Based on the current financial pressures faced by our tenants and the expected future operating costs a 6.7% rent increase is appropriate and that the rent loss position is manageable.

7.7% increase						
Range	Full Rent		Full Benefit		Partial Benefit	
Number of tenants	38		85		15	
% age of tenants	27.5%		61.6%		10.9%	
	Weekly	Annual	Weekly	Annual	Weekly	Annual
Lowest	£5.84	£303.68	£4.69	£243.88	£6.08	£316.16
Highest	£9.89	£514.28	£13.46	£699.92	£10.18	£529.36
*Ave. Increase	£8.33	£433.11	£9.52	£494.80	£8.55	£444.84
6.7% increase						
Range	Full Rent		Full Benefit		Partial Benefit	
Number of tenants	38		85		15	
% age of tenants	27.5%		61.6%		10.9%	
	Weekly	Annual	Weekly	Annual	Weekly	Annual
Lowest	£5.08	£264.16	£4.08	£212.16	£5.29	£275.08
Highest	£8.60	£447.20	£11.71	£608.92	£8.86	£460.72
*Ave. Increase	£7.25	£376.74	£8.28	£430.44	£7.44	£386.98
Variance 6.7% to 7.7% increase						
Range	Full Rent		Full Benefit		Partial Benefit	
	Weekly	Annual	Weekly	Annual	Weekly	Annual
Lowest	£0.76	£39.52	£0.61	£31.72	£0.79	£41.08
Highest	£1.29	£67.08	£1.75	£91.00	£1.32	£68.64
*Ave. Increase	£1.08	£56.37	£1.24	£64.36	£1.11	£57.86
* based on 138 properties rented						

5.10 Whilst the increased rent will place added pressure on household incomes, the Housing Operations Team will continue to provide support to tenants to enable them to pay their rent, households bills and sustain their tenancies. In addition tenants can also access the Financial Wellbeing Hub on the Council website for information and advice.

6.0 Reasons for the Decision

6.1 In June 2020 Cabinet approved the Housing Service Policy Framework. Within this Policy Framework was the Council's Rent and Service Charge Policy which set out that rents will be set in accordance with relevant Government policy and legislation and adhere to the Regulator of Social Housing Rent Standard.

6.2 Cabinet approval is required to determine the rent increase to be applied for 2024/25.

7.0 Alternative options to be considered:

- 7.1 The option of applying a lower rent increase below CPI at 6.7% has been considered and is not recommended.
- 7.2 The Housing Service must be delivered to all tenants in the long term. This service is funded from rental income which needs to cover the ongoing costs of repairs and maintenance and long-term improvements to Council tenants' homes.
- 7.3 A lower rent increase would compound a long-term problem in delivering future services as income will lag significantly behind service cost pressures and inhibit the Council's ability to meet the needs of tenants with regards to repairs and maintenance, future home improvement programmes and housing management services. This would create a position where the Council would be at risk of not meeting the regulatory requirements set by the Regulator of Social Housing.
- 7.4 Additionally, there has been consideration of the financial constraints facing our tenants and an assessment of the future operating costs and taking this into consideration the rent increase proposed for 2024/25 would be 6.7% and not at the maximum level permitted.
- 7.5 The proposed increase is in accordance with the Government's Direction on the Rent Standard.

8.0 Other Relevant Considerations / Consultations

- (a) **Co-operative Values** – The are no implications
- (b) **Financial Implications.** The proposed rent increase of 6.7% will enable the Council's ability to deliver housing services, repairs, improvements, and management to our tenants and meet the Regulatory Standards of the Regulator of Social Housing.
- (c) **Legal Implications** – The rent increase is subject to statutory notification to every Council tenant by letter. The approved rent increase letter will be issued within the statutory period.