

Lewisham Council Dwelling Rents 2024/25		
Report Title	Housing Revenue Account (HRA) – Rent Setting	
Contributors	Director Resident Engagement and Housing Service/Executive Director for Corporate Resources	
Class	Part 1	Date: November 2023

1 Purpose of the Report

To outline the proposed rent increase of 7.7% for Lewisham Council Dwellings in 2024/25. Residents are invited to note this report and provide comments on the proposals.

2 Context

- 2.1 During the period from April 2015 to April 2019, the Government mandated for all registered providers of social housing (including local authorities) 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.
- 2.2 From April 2020 the Government published a new Rent Policy which permitted Registered Providers to return to the pre- 2015 methodology for increasing rents annually, up to at least 2025. This method of rent increase is based on CPI + 1%. Lewisham Council has been applying this approach since April 2020.
- 2.3 The exception to this was for the year 2023-24, when all Registered Providers were required to cap the rent increase to a maximum of 7%, in light of the high inflation and the resulting 10.1% CPI as announced in September in 2022. This resulted in a real-terms loss of £3.0m to the HRA.
- 2.4 CPI at September 2023 has recently been confirmed at 6.7%. In adopting the Government's Rent Policy as described in 2.2 above, this results in an allowable rent increase of 7.7% (6.7% + 1.0%). So far there has been no indication from Government that there will be a cap on the increase as there was in 2022, and the proposed increase takes this assumption into account.
- 2.5 The maximum increase is required to be able to deliver against its objectives in relation to the management, maintenance and investment in its housing stock and deliver its wider corporate objectives for housing in the Borough, as detailed in Point 3 below.
- 2.6 The report below sets out the resulting impact on rents.
- 2.7 The potential average service charges and heating and hot water charge changes for 2024/25 are contained in a separate report.

- 2.8 No proposals have been received to vary the current levy for the Tenants' Fund contribution. The detail is covered in a separate report and summarised below.
- 2.9 The proposed increase to garage rents is covered in a separate report and summarised below.
- 2.10 Residents are invited to comment on the proposals. Residents' comments will be included in the Mayor and Cabinet budget report due in February 2024. Mayor and Cabinet will be requested to approve the increase of 7.7%.

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 for 2024/5 will rise by 7.7% based on CPI of 6.7% (as of September 2023) + 1%, as allowable under the Government's Rent Policy.
- 4.2 A 7.7% increase in average rents for HRA dwelling stock 2024/25 equates to an average increase of £8.57pw over a 52-week period. This will increase the full year average dwelling rent for the London Borough of Lewisham from £111.33pw to £119.91pw. The proposed increase will result in additional income of £6.140m for the HRA.
- 4.3 It should be noted that the HRA cost base for management and maintenance, materials and capital investment will be inflated based on increases similar to or based on the CPI output data. Supply chain and labour supply remains challenging due to the difficult economic climate and the ongoing impact of Brexit and the geo-political situation in the world. There are also additional cost pressures associated with the zero-carbon agenda and the increased regulatory burden arising from the Social Housing Regulation Act 2023 and other legislative changes such as the Building Safety Act 2022. In addition, debt interest charges will also increase based on the need to borrow for HRA investment needs and the increase in interest rates applied to debt.

- 4.4 The following table provides details of the 7.7% average rent rise by bedroom numbers for housing stock in the HRA as at 1st April 2023. Service charges are not included in this table – please refer to the Services Charges Proposal Report, as referred to in Point 6 below.

Bed size	Average Rent 2023/24	Average Rent 2024/25	£ Change	% Change
Bedsit	£83.30	£89.72	£6.42	7.7%
1	£97.70	£105.23	£7.53	7.7%
2	£110.20	£118.69	£8.49	7.7%
3	£128.61	£138.51	£9.90	7.7%
4	£144.51	£155.64	£11.13	7.7%
5	£164.40	£177.06	£12.66	7.7%
6	£170.61	£183.75	£13.14	7.7%
7	£175.73	£189.27	£13.54	7.7%
Average Total	£111.33	£119.91	£8.57	7.7%

- 4.5 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%.
- 4.6 At the present time, the financial models used by the council forecast CPI to be an average of 4% for 2025/26 and 2% for 2026/27. 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 2024/25

- 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 2024/25 and future years.
- 5.2 There are ongoing discussions regarding appropriate savings and target management and maintenance costs per unit across all council-owned housing. 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 and proposed rent & service charge increases 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 is 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 A separate report to residents giving further details of the increase to be applied for 2024/25 is provided.
- 6.3 Garage rents are proposed to rise by 8.9%. This represents an average increase of £1.58pw and would raise the average basic charge from £17.70pw to £19.28pw. The proposed increase will raise an additional £150,000 of revenue income after blue badge discounts have been applied.
- 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 2025/26 onwards.
- 6.5 Property Estates Services have provided a separate consultation report giving further details of the increase to be applied for 2024/25.

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 tenant 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 2024/25. Therefore, the charge will remain at £0.15pw for 2024/25.
- 7.3 The tenants' fund has provided the panels with an update report regarding the accounts of the fund and budget proposals for 2024/25.

8 Housing Select Committee

- 8.1 Housing Select Committee will consider the proposals on 28th November 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 capped rent increases for 2023/24 at 7%. Rents for 2024/25 are not currently subject to capping from government and will rise by CPI + 1%. CPI as of September 2023 was 6.7%. Therefore, using the formula increase, rent will rise by 7.7% resulting in an average increase of £8.57 per week.
- 9.2 The budget report will be presented to Mayor and Cabinet on 8th February 2024.

If you require any more information about this report, please contact Simone Russell via email: Simone.Russell@lewisham.gov.uk