

Briefing for TRA Chairs and the Leaseholder Forum Lewisham Council Rents and Service Charge increase proposal 2024/25 and proposal for the Tenants Fund and Garage charges		
Report Title	Housing Revenue Account (HRA) – Rent, Service Charge and Garage Rent Setting	
Contributors	Director Resident Engagement and Housing Service/Executive Director for Corporate Resources	
Class	Part 1	Date: 13 th November 2023

1 Purpose of the Report

- 1.1 To set out and explain the proposed rent increase of 7.7% for Lewisham Council Dwellings in 2024/25. This reflects the Government’s Rent Policy and the Regulatory Rent Standard, which allows registered providers to increase rents by the annually reported CPI + 1%.
- 1.2. To set out and explain the proposed service charge increase of 7.7% for both Lewisham Council tenants and leaseholders.
- 1.3. To confirm that the Tenants Fund contribution will remain at 15 pence per week.
- 1.3. To summarise the proposed 8.9% increase to garage rents.
- 1.3. TRA Chairs and members of the Leaseholder Forum are asked to note, comment, and provide feedback on these proposals. Feedback will be reported to the Housing Select Committee at its meeting on 28th November 2023 and to the Mayor and Cabinet in February 2023.

2 Context

Dwelling rents

- 2.1 Lewisham Council is a Registered Provider (RP) of social housing and is required to comply with the Government’s Rent Policy. The Rent Policy stipulates the maximum increase which may be applied each year.
- 2.2 The current Rent Policy permits RPs to increase rents by a maximum of CPI (Consumer Price Index) + 1%. The CPI figure is taken from the nationally published CPI figure each September for the year preceding the rent increase.
- 2.3 The CPI figure for September 2023 was 6.7%. This means that the Council can increase rents for 2024-25 by 7.7% (6.7% +1%).
- 2.4 Last year the Government ruled that rent increases for 2023-24 must be capped at 7%, even though the CPI figure was 10.1%, during a year of

exceptionally high inflation. The aim of the cap was to reduce the burden on households. The effect of this though was to move the burden to RPs, who were still impacted by high inflation in funding their service delivery.

- 2.5 The Government has not so far indicated that it intends to cap the increase for 2024-25. The Council recognises the fact that tenants still face high living costs, however the Council will need to apply the maximum allowable increase of 7.7% for 2024-25, to be able to afford to continue to deliver services to residents, maintain and invest in the housing stock and make sure that the Housing Revenue Account is sustainable in the medium and long term.

Service charges

- 2.6 Service charges are payments made by residents for services received in connection with the occupation of their homes. Examples include the management and upkeep of communal areas, health and safety functions and repairs to/investment in the fabric of flat blocks. It also includes a range of services to estates. This may include communal heating and lighting.
- 2.7 Some of these services are required to be delivered for tenants as part of the tenancy agreement and/or the landlord's legal obligations. Where this is the case, the costs will be included as part of the weekly rent charge. Some additional services are 'de-pooled' from dwelling rents, which means they are payable on top of the rent charge. Leaseholders are required to contribute to the costs as set out in their individual Lease Agreement.
- 2.8 The Council is legally required only to pass on charges which are reasonably incurred. To make a reasonable assessment of what the charges should be, the Council calculates estimated service charges for the following year by looking at the actual charges which were incurred during the full previous year for which they have audited accounts and adding on an inflationary amount. For 2024-5, it is proposed the increase will be 7.7.%. Actual charges can only be fully determined at the end of the year once the services have been delivered. Once the actual charges are determined, Leaseholders will either receive a credit to their accounts for any overpaid monies or will receive a bill to make up the difference, where the estimated charges were less than the actual costs.
- 2.9 The Regulator of Social Housing does not govern service charge increases in the same way as it governs rent increases. However, its guidance within the Rent Standard is that registered providers should endeavour to limit service charge increases for tenants within the limit of the increase it applies to rent. As explained above, this is currently CPI + 1%.
- 2.10 Where the service charges include repairs and maintenance costs, the Council has used an average of the past three years' costs, to help eliminate any unusual fluctuations in costs. The inflationary uplift is added to this. For services such as asbestos surveys, fire risk assessments and pest control, these costs will be charged in line with the contract values, as charged at the time.

- 2.11 Due to the high cost of procuring and delivering these services in recent years, the ongoing cost of living pressures and the current high CPI figure when compared to previous years, the Council is not passing on the full cost of all works to tenants through its service charges. However, this will be reviewed in future years when inflation (CPI) comes down.

Tenants' fund contribution

- 2.12 The Tenants' Fund was set up more than 20 years ago to provide financial support for residents' associations and other activities. The Fund is administered by an independent Tenants' Group which has registered as a business with Companies House. All tenants contribute 15p per week to the fund, from their rent payment. No proposals have been received to vary the current levy for the Tenants' Fund contribution. The detail is covered in a separate report.

Garage Rents

- 2.13 Garage rents are set by the Council's Estates Team. Garage rent increases are not included in the Regulator's Rent Standard nor the Government's Rent Policy as they are not dwellings.
- 2.14 It is proposed that garage rents are increased by 8.9%. This represents an average increase of £1.58 per week. The proposed increase will raise an additional £150,000 after blue badge discounts have been considered.
- 2.15 The income goes into the Council's General Fund and not the Housing Revenue Account. The proposed increase to garage rents is covered in a separate report.

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 and ensuring a properly funded HRA.
- 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.
- 3.3 In order to deliver on its Housing Strategy, the Council must produce a balanced HRA Business Plan, which by law is not permitted to go into deficit. As outlined above, it should be noted that the HRA cost base for management and maintenance, materials and capital investment will be increased due to

inflationary pressures. Supply chain and labour costs remain 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 delivering on 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.

Proposal for rent increases

- 4.1 In line with the formula rent calculation policy, rents for 2024-25 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.
- 4.4 The following table provides details of the 7.7% average rent rise by bedroom numbers for housing stock in the HRA as of 1st April 2023.

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%

5 Proposal for Service Charge increases

- 5.1 The Council will increase services charges by 7.7%, in line with the rent increase.
- 5.2 The table below sets out the estimated service charges for 2024-25, when compared to the current charges for 2023-4.

Existing Service	Tenant(T)/Leaseholders(LH)	2022/23 Actual		2024/25 Estimate		Increase from 2022/23 actual(%)
		Weekly Charge	Actual 2022/23	Weekly Charge	Estimate 2024/25	
Asbestos surveys	LH	£0.06	£12,219.92	£0.12	£46,814.43	Budget Estimate
Bulk waste	T & LH	£1.65	£373,032.73	£1.77	£401,756.25	7.7
Caretaking	T & LH	£7.74	£1,677,294.49	£8.33	£1,806,446.17	7.7
Drying room rents	LH	£1.35	£140.00	£1.45	£150.78	7.7
Entryphone	LH	£0.20	£22,307.87	£0.22	£24,025.58	7.7
Fire risk assessment	LH	£0.24	£58,245.06	£0.23	£178,269.02	Budget Estimate
Grounds maintainance	LH	£1.38	£313,573.09	£1.48	£337,718.22	7.7
Ground rent	LH	£0.19	£50,563.74	£0.19	£50,563.74	N/A
Insurance	LH	£0.78	£207,736.33	£0.84	£223,732.03	7.7
Lift	LH	£3.16	£177,916.48	£3.41	£191,616.05	7.7
Management	LH	£2.72	£729,161.09	£2.93	£785,306.49	7.7
Pest control	T & LH	£0.31	£57,124.19	£2.11	£32,591.45	Budget Estimate
Repairs & Maintenance - Building	LH	£3.12	£968,696.25	£2.94	£912,647.49	3 yr ave. plus 7.7%
Storage shed rents	LH	£0.48	£572.00	£0.52	£616.04	7.7
Sweeping	LH	£1.36	£305,703.71	£1.46	£329,242.90	7.7
Technical repairs	LH	£1.11	£351,821.38	£1.15	£362,231.45	3 yr ave. plus 7.7%
Window cleaning	T & LH	£0.04	£9,997.92	£0.07	£9,245.94	Budget Estimate
Total excluding Energy Charges		£25.90	£5,316,106.25	£29.23	£5,692,974.02	
Heating	T & LH	£15.95	£175,036.39	£17.18	£188,514.19	7.7
Communal lighting	T & LH	£1.34	£299,189.51	£1.44	£322,227.10	7.7
Total Energy Charges		£17.29	£474,225.90	£18.62	£510,741.29	
Grand Total		£43.19	£5,790,332.15	£47.85	£6,203,715.31	

5 Efficiencies & Savings Proposals for 2024/25

- 5.1 The Council is playing its part on giving tenants and leaseholders value for money, whilst ensuring that resources are available to meet costs and investment needs for 2024/25 and future years.
- 5.2 There are ongoing discussions regarding appropriate savings. 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 and service charge increases will be reported to Mayor and Cabinet as part of the HRA Rents and budget strategy report in February 2024.

6 Recommendation

- 6.3 Residents are invited to comment on the proposals. Residents' comments from the meeting held on 13th November will be included in the Housing Select Committee (HSC) Report, which will be presented at the meeting on 28th November 2023. Where additional comments are received after the cut-off date for the preparation of the HSC report, the comments will be fed back through the Mayor and Cabinet budget report. The cut-off date for the Mayor and Cabinet Report is 30th November 2023. Mayor and Cabinet will be requested to approve the increase of 7.7% for both dwelling rents and service charges for tenants and leaseholders.

If you require any more information about this report, please contact **XXXXXX**