



Housing Select Committee

Housing Revenue Account (HRA) – Rent Setting

Date: 9th December 2021

Key decision:

Class: Part 1

Ward(s) affected: Borough-wide

Contributors: Executive Director for Housing, Regeneration & Public Realm, & Executive Director for Corporate Services

Outline and recommendations

It is recommended that Housing Select Committee:

- Note and comment on the content of this report.

Timeline of engagement and decision-making

10th December 2021 – Pinnacle consultation with residents

24th December – Lewisham Homes consultation with residents

12th January 2022 – Report to be presented to Mayor and Cabinet

1. Summary

- 1.1. This report outlines the forecast rent, service charge, garage and heating and hot water charge changes for Lewisham Council Dwellings and garages in 2022/23, including resident feedback on the proposals.
- 1.2. The potential average service and heating and hot water charge changes are contained in the Regenter RB3 & Lewisham Homes Service charge report's 2022/23, which are included at appendix 2 & 3 to this report. The proposal is for an increase of £1.46pw or 4.09% for the Lewisham Homes area, and an increase of £0.59pw or 5.9% for the Brockley RB3 area
- 1.3. No Proposals have been received to vary the current levy for the Tenants' Fund

contribution. It will therefore remain at £0.15pw for 2022/23.

- 1.4. Garage rents are proposed to rise by RPI at 4.9%. This represents an increase of £0.77pw and would raise the average basic charge from £15.85pw to £16.62pw. The proposed increase will raise an additional £96k of revenue income. A garage increase report is included at appendix 4 to this report.
- 1.5. Although no direct efficiencies or savings are currently being considered for 2022/23, 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. Recommendations

- 2.1. It is recommended that Housing Select Committee note and comment on the content of this 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:
 - 3.1.1. 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:
 - 3.2.1. Delivering the homes that Lewisham needs;
 - 3.2.2. Improving the quality, standard and safety of housing;
 - 3.2.3. Supporting our residents to live safe, independent and active lives;
 - 3.2.4. Strengthening communities and embracing diversity.

4. Background

- 4.1. 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 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.
- 4.2. From April 2020 government have lifted the rent reduction policy and have allowed councils with social housing stock to return to the previous method of rent increase calculations until 2025. This method of rent increase is based on CPI + 1%, which is in line with Government's policy for rent increases. This method will be implemented in Lewisham and becomes effective for rental increases applied from April 2020 onwards.
- 4.3. The CPI rate at September 2021 has been confirmed at 3.10%, therefore Rents will increase by 4.10% (3.10% + 1.0%), in line with Government policy. This results in an average increase in rent for 2022/23 of £4.07pw 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 2021) from £99.19 to £103.26pw.

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5. Proposal for rent increases

- 5.1. Following completion of legislative requirements and in line with the formula rent calculations, rents are expected to rise by 4.1% based on CPI of 3.10% (as at September 2021) + 1% for 2022/23 and CPI + 1% for the next 3 years up until the end of 2025/26.
- 5.2. A 4.1% increase in average rents for dwelling stock 2022/23 will equate to an average increase of £4.07pw over a 52 week period. This will increase the full year average dwelling rent for the London Borough of Lewisham from £99.19pw to £103.26pw. The proposed increase will result in additional income of £2.952m for the HRA against 2021/22 income levels.
- 5.3. The following table provides details of the average rise by bed size for stock in the HRA as at 1st April 2021.

Bed size	Average Rent 2021/22	Average Rent 2022/23	£ Change	% Change
Bedsit	£74.80	£77.87	£3.07	4.10%
1	£87.32	£90.90	£3.58	4.10%
2	£98.05	£102.07	£4.02	4.10%
3	£114.65	£119.35	£4.70	4.10%
4	£128.09	£133.35	£5.26	4.10%
5	£147.54	£153.58	£6.04	4.10%
6	£153.03	£159.31	£6.28	4.10%
7	£157.77	£164.24	£6.47	4.10%
Average Total	£99.19	£103.26	£4.07	4.10%

- 5.4. Government have confirmed that local authorities can return to the previous method of rent increase calculations of CPI + 1% up to at least 2025/26 financial year. For the purpose of business and financial planning, it is assumed that rental charges will be increased in line with this guidance.
- 5.5. At the present time, the financial models used by the council forecast CPI to be 2.0% annually up to financial year 2025/26 and would equate to an annual average increase of 3.0% to be applied to rents. This would result in an annual average increase of approximately £3.20pw across the period. It should be noted that any variation to the forecast CPI rate of 2% would affect the annual average forecasts stated above. For example a 0.5% movement in CPI would result in a £0.53pw change to the average increase.

6. Efficiencies and Savings Proposals for 2022/23

- 6.1. The HRA strategy and self-financing assessments are continually updated and developed, to ensure resources are available to meet costs and investment needs for 2022/23 and future years.
- 6.2. 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 2022/23 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.
- 6.3. An update of the HRA Strategy, proposed rent & service charge increases and

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comments from consultation 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.

7. Service Charges and Garage Rents

- 7.1. 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. The overall tenant and leaseholder increase being proposed is 5.90% for Brockley residents and 4.09% for Lewisham Homes residents.
- 7.2. Regenter RB3 and Lewisham Homes have provided separate consultation reports to the panels giving further details of the increase to be applied for 2022/23. These reports are included at appendix 2 & 3 to this report.
- 7.3. Residents in properties managed by Regenter B3 and Lewisham Homes were asked to provide any comments and feedback on service charges and garage rent proposals for inclusion in the Mayor & Cabinet budget report to be presented on 12th January 2022. Tenant's feedback and comments are included as appendix 1 to this report.

Garage Rents

- 7.4. Garage rents are proposed to rise by RPI @ 4.9%. This represents an increase of £0.77pw and would raise the average charge from £15.85pw to £16.62pw. The proposed increase would raise an additional £96k of revenue income, assuming no discount is applied.
- 7.5. 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 2023/24 onwards.
- 7.6. Property Services have provided a separate consultation report to the panel giving further details of the increase to be applied for 2022/23. This is attached at appendix 4 to this report.

8. Tenants' Levy

- 8.1. 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.
- 8.2. No proposals have been put forward by the tenants fund committee to vary this levy for 2022/23. Therefore the charge will remain at £0.15pw for 2022/23.
- 8.3. The tenants' fund has provided the panels with a consultation report regarding the accounts of the fund and budget proposals for 2022/23.

9. Consultation

Consultation at tenant panels

- 9.1. Consultation on rents, service charges and garage rent proposals have taken place in line with the existing consultation arrangements through tenant panels. These arrangements provide an opportunity to engage tenants in a discussion on rent rises. The views of residents will be collated and included in the report to Mayor and Cabinet.

Mayor and Cabinet

- 9.2. Mayor and Cabinet will consider the proposed increases and feedback from tenants

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and Housing Select Committee as part of the overall council budget setting report to be presented on 12th January 2022.

10. Financial implications

10.1. Financial Implications are contained within the body of the report.

11. Legal implications

- 11.1. s103 Housing Act 1985 .. Notice of variation of periodic tenancy states that ...
(1)The terms of a secure tenancy which is a periodic tenancy may be varied by the landlord by a notice of variation served on the tenant ... (2)Before serving a notice of variation on the tenant the landlord shall serve on him a preliminary notice —
(a)informing the tenant of the landlord’s intention to serve a notice of variation,
(b)specifying the proposed variation and its effect, and (c)inviting the tenant to comment on the proposed variation within such time, specified in the notice, as the landlord considers reasonable; and the landlord shall consider any comments made by the tenant within the specified time. (3)Subsection (2) does not apply to a variation of the rent, or of payments in respect of services or facilities provided by the landlord or of payments in respect of rates.
- 11.2. The Council’s duties in relation to the consultation of tenants on matters of housing management, as set-out in Section 105 of the Housing Act 1985, do not apply to rent levels, nor to charges for services or facilities provided by the authority. There is therefore no requirement to consult with secure tenants regarding the proposed increase in charges. The Council still needs to act reasonably and the decision maker should therefore be satisfied that the increase **is reasonable and justified**.
- 11.3. The Equality Act 2012 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 11.4. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- 11.4.1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- 11.4.2. Advance equality of opportunity between people who share a protected characteristic and those who do not.
- 11.4.3. Foster good relations between people who share a protected characteristic and those who do not.
- 11.5. The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 11.6. The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>

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- 11.7. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
- 11.7.1. The essential guide to the public sector equality duty
 - 11.7.2. Meeting the equality duty in policy and decision-making
 - 11.7.3. Engagement and the equality duty
 - 11.7.4. Equality objectives and the equality duty
 - 11.7.5. Equality information and the equality duty
- 11.8. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at <http://www.equalityhumanrights.com/advice-and-guidance/public-sectorequality-duty/guidance-on-the-equality-duty/>

12. Equalities implications

- 12.1. Social housing is a tenure type reserved for those households who are on lower incomes. Therefore, Lewisham Council tenants are more likely to be on lower incomes than the wider population. There is a likelihood that they may be in receipt of housing benefit or universal credit to support their ability to pay their rent.
- 12.2. Where a tenant is in receipt of Housing Benefit, the increased rent will be applied to all affected claims and a mass recalculation done. This will increase the HB for those both in receipt of full HB and for those on partial HB. Where a tenant is in receipt of Universal Credit, the full schedule of rents with the new rent level applied will be uploaded by Lewisham Homes to the UC portal for a recalculation and recovery for tenants.
- 12.3. Where tenants may struggle with the increased rent, Lewisham Homes and Regenter B3 offer in depth budgeting and financial support, which is available for all residents regardless of their arrears level.
- 12.4. Revenues raised as a consequence of the rent changes to HRA tenants will be retained within the HRA. This will be used to run the service and deliver future improvement programmes and stock investment to benefit our residents.
- 12.5. Residents of Lewisham's housing stock represent a wide range of protected characteristics. Whilst this change will have the same broad impact on all affected groups, the above mentioned re-investment means that those affected will continue to receive the expected level of service and benefit from future investment programmes. This serves to mitigate some of the potential impact.

13. Climate change and environmental implications

- 13.1. There are no specific climate change or environmental implications arising from this report.

14. Crime and disorder implications

- 14.1. There are no specific crime and disorder arising from this report.

15. Appendices

- 15.1. Appendix 1 – Tenants' rent consultation 2022/23

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- 15.2. Appendix 2 – Leasehold and tenants charges 2022/23 Brockley
- 15.3. Appendix 3 – Leasehold and tenants charges 2022/23 Lewisham Homes
- 15.4. Appendix 4 – Garage rent increase report 2022/23

16. Report author and contacts

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