

Cherwell District Council

Executive

1 November 2021

The Council's Housing Assets Portfolio, Annual Rent Increases - new procedure

Report of Assistant Director - Growth and Economy

This report is public.

Purpose of report

To recommend adoption of a new procedure for annual rent increases for affordable rent and shared ownership properties in the Council's housing assets portfolio (consisting of both *affordable rental* and *shared ownership*). The report sets out the way in which increases are determined by Central Government and the measures taken by the Council to ensure the proposed increase maintains affordability for tenants and owners.

1.0 Recommendations

The meeting is recommended:

- 1.1 To agree that rent increases are applied annually to both *affordable rental* and *shared ownership properties* in line with government guidance considering the need to ensure that rents remain affordable, using the two measures of Local Housing Allowance and comparable rental data for the District.
- 1.2 To delegate responsibility to the Corporate Director – Environment and Place, in consultation with the relevant Portfolio Holder, to produce and subsequently implement an annual rent increase procedure which will commence 1 April 2022.

2.0 Introduction

- 2.1 The Council's Build! team currently operate as a Local Authority Registered Provider and are therefore required to follow Central Government Guidance when assessing and applying annual rent increases. This guidance is laid out in The Rent Standard which is monitored by the Regulator of Social Housing. The process and guidance are outlined in the following section.
- 2.2 The annual increase will contribute towards increasing the value of the Council's housing assets portfolio and will also increase the revenue income for the Council which is required for capital loan payments; rentals; conversions/improvements; housing/leasehold management and repairs.

3.0 Report Details

Rent Increase Process

- 3.1 Annual rent increases are determined by Central Government through agreed formulas that can be applied by the landlord. At present *affordable rents* can be increased by the Consumer Price Index (CPI), plus 1% each year (CPI is the figure from September of the current financial year). *Shared ownership* rents can be increased by the Retail Price Index (RPI), plus 1% (RPI is the figure from January of the current financial year).
- 3.2 The tenancy agreements used for all tenants and owners include a clause confirming the landlord's right to change the annual rent.
- 3.3 Each year rent increases are measured against two affordability markers:
- the Local Housing Allowance which is set independently and takes account of local circumstances, and,
 - through internal analysis of local rents charged by other Registered Providers (RPs) and private sector landlords in the District.
- 3.4 Increases are only applied if these two measures confirm that rents are affordable and that eligible tenants are still able to have their housing costs covered. (For the purposes of this calculation, affordable represents "up to 80% of local market rent" – source: HM Government.)
- 3.5 Rents for all new properties are set by an independent valuer. The valuation is undertaken by a RICS qualified valuer. It is based on a site visit which includes a measured survey and general inspection of the property. The valuer will then compare the property with others in the area, as well as speaking to local estate agents who will provide information about the local rental market. The valuer provides a market rent which is then reduced by 20% in line with the government guidance for setting affordable rents.

Government Guidance/Advice on Rent Increase - The Rent Standard.

- 3.6 The Rent Standard is one of three economic standards that the Regulator of Social Housing expects RPs to comply with (the other two standards being *value for money* and *Governance and financial viability*). It sets the requirements around how RPs set and increase rents for all their social housing stock in line with government policy as set out in their *Guidance on Rents for Social Housing*.

4.0 Conclusion and Reasons for Recommendations

- 4.1 All rent increases applied follow Government guidance, currently The Rent Standard. This specifies the increase that social landlords can apply each year. Within the Council these potential increases are measured against two affordability markers, the Local Housing Allowance (as outlined under paragraph 3.1 above) and an internal analysis of comparable local rents for both social housing providers and

the private rented sector to ensure the increased rents remain affordable for residents.

- 4.2 The annual increase adds to the asset value of the portfolio as well as increasing revenue income which is required for capital loan payments; rentals; conversions/improvements; housing/leasehold management and repairs.

5.0 Consultation

It is up to the relevant local authority to decide if they increase rents and, if they choose to, they must follow the guidance issued by the Regulator of Social Housing outlined in this report. There is no requirement to consult with tenants.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative option has been identified and rejected for the reasons as set out below.

Option One: Annual rent increases are determined without an approved procedure in place.

Rejected: Having a procedure in place gives clear guidance regarding how increases are determined by the Regulator of Social Housing and the measures in place within the Council to ensure rents remain affordable for the Council's tenants and shared owners.

Option Two: Do not increase rents on the Council's Housing Assets.

Rejected: The annual increase will contribute towards increasing the value of the Council's housing assets portfolio and will also increase the revenue income for the Council which is required for capital loan payments; rentals; conversions/improvements; housing/leasehold management and repairs. These costs are subject to upward cost pressure and if not covered by prudent rent increases will become a revenue pressure on the Council.

7.0 Implications

Financial and Resource Implications

- 7.1 Introducing a procedure for annual rent increases will generate increased clarity in forecasting levels of income that will be generated.

Comments checked by:

Michael Furness, Assistant Director – Finance

01295 221845 michael.furness@cherwell-dc.gov.uk

Legal Implications

- 7.2 The new rent increase procedure recommended is in accordance with Central Government Guidance, as laid out in The Rent Standard which is monitored by the Regulator of Social Housing.

- 7.3 The tenancy agreements used for all tenants and owners include a clause confirming the landlord's right to change the annual rent.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious
01295 221695 richard.hawtin@cherwell-dcv.gov.uk

Risk Implications

- 7.4 It is considered that where risks have been identified, that they are manageable, principally because there are measures in place to ensure that rents remain affordable for the Council's tenants and shared owners.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes
01295 221786 louise.tustian@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.5 An Equality Impact Assessment has previously been completed which determined there is no direct negative impact on any of the protected characteristics.
- 7.6 Consideration has been made for those living with social deprivation, and processes are in place to ensure that tenants who are eligible to have their housing costs paid either through Housing Benefit or Universal Credit can continue to have the whole amount covered, therefore will not be adversely impacted by the new rent increase procedure.

Comments checked by: Emily Schofield, Acting Head of Strategy
07881 311707 Emily.Schofield@oxfordshire.gov.uk

Sustainability Implications

- 7.7 It is considered that there are no sustainability implications.

Comments checked by:

Sarah Gilbert, Team Leader Climate Action
07867 467797 sarah.gilbert@oxfordshire.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected:

All

Links to Corporate Plan and Policy Framework

Housing that meets your needs

Lead Councillor

Councillor Lynn Pratt – Lead Member for Economy, Regeneration and Property.

Document Information**Appendix number and title**

- None

Background papers

None

Report Author and contact details

Robert Jolley, Assistant Director – Growth and Economy
01295 221688, robert.jolley@cherwell-dc.gov.uk