

Bath & North East Somerset Council

DECISION MAKER:	Cllr McCabe, Cabinet Member for Built Environment and Sustainable Development	
DECISION DATE:	On or after 6th July 2024	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3526
TITLE:	B&NES Homes: Annual Rent Increase 2024-25	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1: Summary of 2024-25 rent increases		

1 THE ISSUE

- 1.1 The B&NES Homes portfolio currently consists of 53 units of accommodation, comprising 41 units of specialist supported housing, 10 social rented homes and 2 shared-ownership properties. B&NES Homes directly manage 33 of these units whilst the management of one supported housing scheme (20 units) is currently outsourced to a specialist third-party provider.
- 1.2 This report details the proposed annual rent increases for all directly managed units. The report also proposes an amendment to the rent calculation for the Local Authority Housing Fund properties managed by Aequus with a view to ensuring that rents are not prohibitively expensive following the recent and significant uplift in local housing allowance (LHA) rates.

2 RECOMMENDATION

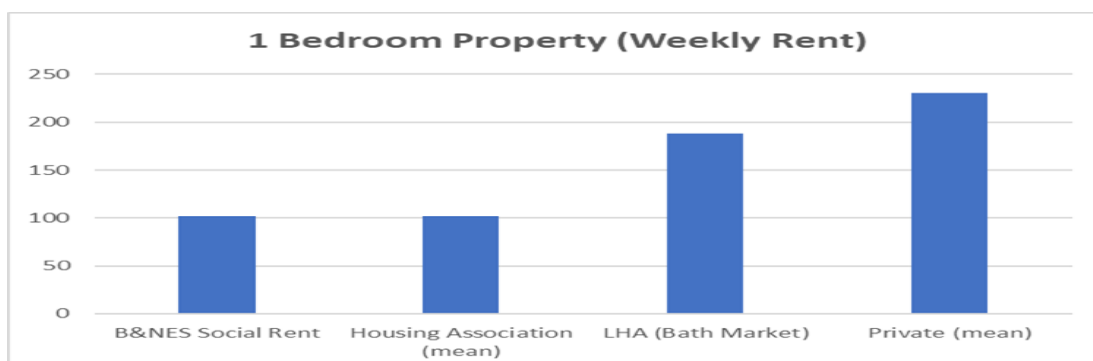
The Cabinet Member for Built Environment and Sustainable Development is asked to agree:

- 2.1 The rent increases detailed in Appendix 1 of this report.

3 THE REPORT

B&NES Homes

- 3.1 The B&NES Homes portfolio comprise of both low-cost (social) housing, subject to regulation by the Regulator of Social Housing (RSH) and non-RSH regulated housing. The regulated social housing encompasses all B&NES social rented, shared ownership and some supported housing schemes. However, most of the Council's directly managed temporary accommodation falls outside of RSH regulation.
- 3.2 Social rents are initially set in accordance with the Government specified formula. Subsequent rent rises are also subject to government limitation or in the case of shared ownership homes the shared-ownership sales agreement. In October 2017, the Government announced its intention to set a long-term regulated rent deal for both local authority landlords and housing associations. This would permit annual rent increases on social rent properties of up to September CPI plus 1 percentage point from 2020, for a period of at least five years (albeit this was subsequently capped in 2023_24 given the high September CPI figure that year). This policy recognised the Government's aim to create a stable financial environment to support the delivery of new homes and to enable registered providers to effectively plan.
- 3.3 In accordance with the above policy the Government has advised that the social rent cap for 2024_25 is 7.7%. It should be noted that this limit does not apply to service charges which are related to actual expenditure, though the Government encourages any increases to be limited to this amount where possible.
- 3.4 It is therefore proposed that B&NES Homes social rents are increased by the Government cap of 7.7%. This will ensure that:
- (1) The housing management function of B&NES Homes remains self-financing in accordance with long-term business plans; and
 - (2) That the B&NES Homes rental prices remain in line with other social housing stock within the district which are also increasing social rents by 7.7%. Last year all large RPs in England raised rent by the cap.
- 3.5 It should be noted that with the proposed rent rise B&NES social rents remain significantly less expensive than open market rents as demonstrated in the table below and which includes the proposed 2024_25 rent increase in social rent figure.¹



¹ Hometrack Data (March 2024)
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- 3.6 In accordance with shared-ownership sales agreements rents will rise by CPI+1%, that is 7.7%. Whilst not subject to government caps it is also proposed to increase non-social rents by the same amount, ensuring that the supported housing schemes continue to operate in a stable financial environment thus ensuring that properties are well maintained, and clients continue to be fully supported to transition to permanent housing.
- 3.7 It is important to note that all social rents and non-social rents are eligible for full housing benefit recovery by eligible tenants.
- 3.8 Appendix 1 provides a summary of current B&NES average rents and the effect of the proposed rent increases.

Local Authority Housing Fund (LAHF)

- 3.9 The Council has secured government funding to deliver 22 homes for families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes. Working in partnership with Aequus the scheme is progressing well and to date 21 units have been purchased and deployed or are progressing through conveyancing.
- 3.10 When the initial business case was agreed with Aequus it was on the basis that rents would be linked to LHA rates. However, the recent government announcement that the Bath & Bristol market area LHA rates would increase by 12% and 29% respectively for 2024_25 has caused this to be reviewed.
- 3.11 The business case assumed that LHA would broadly rise in line with CPI and as such does not require a 12-29% increase in rents to remain viable. Furthermore, many of the tenants will not be eligible for housing benefit. As such it is proposed that the agreement with Aequus is amended to cap the rent increase in line with social rent increases, that is 7.7%. This will ensure that the scheme remains viable whilst protecting residents from significant rent rises. Future rent rises will be agreed in negotiation with the Council.

4 STATUTORY CONSIDERATIONS

- 4.1 Registered providers of social housing must have regard to the Rent Standard when setting rents. The Rent Standard is a regulatory framework issued by the RSH, which sets out the principles and requirements that registered providers must follow when determining rent levels for their properties. Compliance with the Rent Standard is a key aspect of the regulatory framework governing social housing providers in the UK.
- 4.2 In relation to non-RSH regulated housing the Council must have regard to the contractual details of the licence/tenancy agreement when setting rent levels.
- 4.3 There is no requirement to consult tenants on rent increases but clearly the Council must have regard to the terms of the tenancy agreement and any applicable regulations. For B&NES Homes it means at least 4 weeks' notice of any rental increase.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The B&NES Homes loan financing (if applicable) and housing management functions (comprising allocations, tenancy signup, rent collection, tenancy

management, property maintenance and repairs) are funded entirely through rental income.

- 5.2 At present the directly managed schemes provide around £267k (before voids & bad debts) of income. The proposed rental increase would raise that figure to around £288k. The rental provides cover for increased staffing and property maintenance and repairs costs, the latter of which has risen significantly over recent years.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

7 EQUALITIES

- 7.1 The delivery of low-cost housing, particularly affordable housing, has a positive impact on equality. It provides affordable housing options for those residents would be unable to compete on the open-market and may otherwise be forced to leave the area or reside in unsuitable housing conditions. Nationally social housing also supports a disproportionate number of BME residents, particularly black households; low-income residents including carers and those with a disability; and lone parents.

8 CLIMATE CHANGE

- 8.1 Housing is a key contributor to climate change. As such all B&NES homes (with the exception of some short term temporary accommodation properties) aim to reach an EPC C rating as a minimum, with many reaching EPC A. Ensuring that rents are increased with sector norms ensures that homes can continue to be well maintained and energy efficient.

9 OTHER OPTIONS CONSIDERED

- 9.1 Not increasing rents or increasing at a lower rate. However, this would result in rents not increasing with the rising cost of providing goods and services, risking the future viability of B&NES, particularly if rents were not to be increased over subsequent years in line with inflation.

10 CONSULTATION

Monitoring officer; s151 Officer; relevant cabinet member.

Contact person	Graham Sabourn, Head of Housing 01225 477949
Background papers	None
Please contact the report author if you need to access this report in an alternative format	

Appendix 1: Summary of 2024_25 Rent Increases

Product	Illustrative Mean Rent - Current (pw)	Rent Increase (%)	Illustrative Mean Rent - Increase (pw)
Social Rent	£104	7.7	£8.00
Shared ownership	£85	7.7	£6.50
Supported housing: temporary accommodation.	£139-£202 (depending on property)	7.7	£10.70-£15.60
Supported housing: Rough sleeper move-on accommodation.	£163	7.7	£12.60
LAHF	£195 (2-bed)	7.7	£15.00