

Paper 6 Rent Setting

Date of meeting	31 October 2024
Purpose	Engage with PF on rent levels 2025/26
Summary	Bield is reviewing rent levels for the financial year 2025/26
Recommendation	Consider issues relating to rent levels Agree update to Board

Overview

As a social housing provider, Bield must regularly review rent levels to ensure the association has sufficient income to maintain and enhance housing service for current and future tenants. At the same time, we must balance affordability and value for money, keeping tenant well-being in mind.

Housing associations rely on a 30-year business plan to forecast investment needs and property upkeep, while operational colleagues assess current running costs. This structural approach ensures long-term sustainability and responsiveness to tenant needs.

Ahead of the new financial year, the Board will review a series of rent increase scenarios for tenant consultation. These scenarios, based on the Consumer Price Index (CPI), are shown below:

- September CPI (based on 2.2% as this was not published when paper was written)
- September CPI+0.5%
- September CPI+1.0%
- September CPI+1.5%
- September CPI+2.0%

Table 1 shows the scenarios for our studio, 1 bed, 2 bed and 3 bedroom homes.

Table 1 Rent Scenarios by Property Type

Scenario	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Current Rent				
Rent per week	£146.66	£159.25	£161.41	£161.38
Rent per month	£635.53	£690.08	£699.44	£699.31
CPI (2.2%)				
Increase per week	£3.23	£3.50	£3.55	£3.55
Rent per week	£149.89	£162.75	£164.96	£164.93
Rent per month	£650.19	£704.25	£715.49	£715.36
CPI + 0.5% (2.7%)				
Increase per week	£3.96	£4.31	£4.37	£4.37
Rent per week	£150.62	£163.56	£165.78	£165.75
Rent per month	£652.69	£708.76	£718.38	£718.24
CPI + 1% (3.2%)				
Increase per week	£4.70	£5.12	£5.18	£5.18
Rent per week	£151.36	£164.37	£166.59	£166.56
Rent per month	£655.22	£713.31	£721.27	£721.13
CPI + 1.5% (3.7%)				
Increase per week	£5.44	£5.93	£5.99	£5.18
Rent per week	£152.10	£165.18	£167.41	£167.38
Rent per month	£657.76	£717.85	£724.16	£724.02
CPI + 2% (4.2%)				
Increase per week	£6.17	£6.73	£6.81	£6.81
Rent per week	£152.83	£165.98	£168.22	£168.20
Rent per month	£660.29	£722.37	£727.03	£726.89

Turnover projections

The current turnover for the association is projected at approximately £49.1 million.

Table 2 projects how turnover could change under the different rent increase scenarios.

Table 2 Turnover projections

Scenario	Projected Turnover
Estimated current turnover	£49.1 million
CPI (2.2%)	£50.18 million
CPI + 0.5% (2.7%)	£50.43 million
CPI + 1% (3.2%)	£50.68 million
CPI + 1.5% (3.7%)	£50.93 million
CPI + 2% (4.2%)	£51.18 million

Impact on tenants

Single tenants

For tenants on fixed incomes, even modest increases can present challenges. For example, under the CPI scenario, rent for a 1-bedroom apartment would increase by **£3.50 per week** or approximately £14.00 per month, which may put pressure on already limited financial resources.

Couples

Dual-income households may find it easier to manage these increases. However, couples on reliant on state pensions or benefits might still experience financial strain. For example, rent for a 2-bedroom apartment could see a monthly increase of up to £27.59 under the CPI + 2% scenario, affecting their disposable income.

State Pension Context

In 2023, the state pension increased by 8.5% to £221.20 per week, reflecting high inflation and the application of the triple lock mechanism, which ensures the pension rises by the higher of inflation, wage growth or 2.5%. With September CPI expected to be 2.2%, pensioners may see an increase in their income that could help offset some of the rent cost increase.

Action

We invite the PF to discuss scenarios, considering how different levels of rent increases may impact tenants, especially those on low incomes. Your input will inform the rent consultation paper presented to the Board.