



**NEWARK &
SHERWOOD**
DISTRICT COUNCIL

Report to: Cabinet Meeting - 17 January 2023

Portfolio Holder: Councillor Tim Wendels, Homes & Health

Director Lead: Sanjiv Kohli, Deputy Chief Executive / Director – Resources / S151 Officer
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Report Summary	
Type of Report	Open, Key Decision
Report Title	2023/24 Housing Revenue Account (HRA) Budget and Rent Setting
Purpose of Report	<ul style="list-style-type: none">a) Examine the proposed income and expenditure on the HRA for the 2023/24 financial year, in accordance with Section 76 (Duty to prevent debit balance on the Housing Revenue Account) of the Local Government and Housing Act 1989;b) Provide indicative amounts of income and expenditure for the 2024/25 to 2026/27 financial years; andc) Set rent levels and service charges for 2023/24 (with effect from the first Monday in April 2023)
Recommendations	<p>That Cabinet recommend to Council at its meeting on 7 February 2023:</p> <ul style="list-style-type: none">a) the HRA budget for 2023/24, as set out in Appendix A1 to this report be approvedb) an increase of 5% in the 2022/23 rents of all properties in the HRA as at 31 March 2023 be applied from 1 April 2023c) a rent increase for all relets of 11.1%d) the 2023/24 service charges, as set out in Appendix C, to this report be approved ande) that a fund of £300,000 be created, funded by the Newark and Sherwood Homes Transfer Reserve to fund initiatives to support tenants impacted by the increased charges including a tenant welfare fund.

Alternative Options Considered	<p>Various modelling was undertaken to assess the impact of different rent levels on the viability of the HRA 30-year business plan to arrive at the recommendation above.</p> <p>Consideration was also given to varying increases between general needs and supported (sheltered and extra care) accommodation but no rationale was found to support this, alongside the equitable nature of any decision to do so.</p>
Reason for Recommendations	<p>To advise Members of the proposed HRA budget and charges in rent and service charge levels for 2023/24 and for these to be recommended to Council at its meeting on 7th February 2023.</p>

1.0 **Background Information**

- 1.1 The setting of the HRA budget and the approval of rent levels must be completed within the required time to notify tenants of proposed changes to rents in accordance with legislation.
- 1.2 The key dates in the budget setting timetable are detailed in the table below:

Council determination of HRA budget and rent setting	7 February 2023
Newark & Sherwood District Council update of rent systems	10 February 2023
Generation of rent cards and letters to notify tenants of variation of their rent levels (tenants are required to be given four weeks' notice of the changes).	By end of February 2023

- 1.3 Any slippage from these key dates would jeopardise the implementation of rent increases from the first Monday in April 2023, and as a consequence, pose a risk to the sustainability of the 30-year HRA Business Plan (BP).

2.0 **Proposal/Details of Options Considered**

Statutory Duty

- 2.1 Section 76 of the *Local Government and Housing Act 1989* requires local housing authorities to set a budget annually for their HRA, and that implementation of the budget proposals will not result in a debit balance (deficit position) at year-end.
- 2.2 Following housing financing reforms (self-financing) in April 2012 the council's HRA has been operating within a 30-year business plan. The inputs and assumptions in the Business Plan are key to setting the HRA budgets annually for each year of the HRA's four-year medium-term financial plan (MTFP).
- 2.3 We continue to experience supply problems for a wide range of products in the building and maintenance trade which has already led to significant increases in costs this year. The impact of price rises in materials has been further extended post covid due to the cost-of-living challenges. As an example, the cost of timber has risen from pre-pandemic levels around 70% and steel around 100%. There is also no appetite within the building trade for fixed price tenders. All suppliers are now looking at cost plus, effectively setting their

overheads and profit on top of direct costs. Contracts renewed in the last year have also seen significant increases e.g. gas servicing.

Rent Standard 2020

- 2.4 In February 2019, the Secretary of State for Housing, Communities & Local Government published a Direction to the Regulator of Social Housing (RSH) to set a Rent Standard which would apply from 2020. This was published alongside a Policy Statement on Rents for Social Housing 2018 (Rent Policy Statement) for the Regulator to have regard to when setting its Rent Standard.
- 2.5 The Rent Standard 2020 specifies that rents must be set in accordance with the Rent Policy Statement. The government’s Rent Policy Statement allows annual rent increases to social rent and affordable rent properties for at least five years, up to (and including) the Consumer Price Index (CPI) rate published for September of the preceding financial year plus 1%.

Cap on social housing rent increases consultation

- 2.6 Given the high rate of inflation experienced since the start of 2022, concerns were raised about the impact on affordability of implementing the CPI plus 1% policy. As a result, The Department for Levelling up, Housing and Communities (DLUHC) launched a consultation to seek views on implementing a rent increase cap for 2023/24 at 3%, 5% and 7% and what accommodation should be exempt.
- 2.7 After considering the responses to the consultation and the CPI rate as at September 2022 reaching 10.1%, therefore permitting a possible 11.1% increase, it was announced during the Autumn Statement that a ceiling of 7% would be applied (with an exemption offered for certain accommodation including supported housing) to all existing social and affordable rent tenancies as at 31.3.23.
- 2.8 Subsequently on 14th December 2022, the Regulator of Social Housing (RSH) published a direction on the Rent Standard 2023, setting out the policy for 1 April 2023 onwards following the decision to implement a rent increase ceiling of 7% in the Autumn Statement.
- 2.9 The table below shows the increase in rent according to the % increase on the average rent.

Number of Bedrooms	Average Rent 22/23	Average Proposed Rent 23/24	Average Weekly Increase 23/24	Average Proposed Rent 23/24	Average Weekly Increase 23/24	Average Proposed Rent 23/24	Average Weekly Increase 23/24
		3% Increase		5% Increase		7% Increase	
1	£68.19	£70.24	£2.05	£71.60	£3.41	£72.96	£4.77
2	£76.31	£78.60	£2.29	£80.13	£3.82	£81.65	£5.34
3	£87.56	£90.19	£2.63	£91.94	£4.38	£93.69	£6.13
4+	£95.34	£98.20	£2.86	£100.11	£4.77	£102.01	£6.67
Average	£84.49	£87.02	£2.53	£88.71	£4.22	£90.40	£5.91

- 2.10 The rent policy ceiling does not apply to supported accommodation, relets or new build homes. To ensure all tenants are treated equally, it is proposed to apply the same rent increase to all properties (both general needs and supported accommodation). When a property becomes empty, there is an option to apply the full policy formula of 11.1% or something less.
- 2.11 In considering the recommendation put forward around relets, a review of current rents in operation shows over 3000 of our current tenancy rents are below the formula rent. This is the result of previous decisions made around the setting of rents in previous years and also any directives from central government. Notwithstanding, relative to other rented housing options in the district, the Council's housing stock remains excellent value when compared to both the private sector and other private registered providers.

Borrowing Cap

- 2.12 As part of the HRA self-financing reforms introduced in April 2012, the government set a maximum amount of housing debt that each local authority could have. In subsequent years, the government awarded some local authorities limited increases to their housing borrowing limits. On 29 October 2018, the Limits on Indebtedness (Revocation) Determination 2018 revoked all previous determinations that specified limits on local authority housing indebtedness.
- 2.13 Though councils are no longer restricted in how much they can borrow in their HRAs, there is still the requirement for councils to make sure that all borrowing is affordable and proportionate within the context of their 30-year HRA business plan (BP). The council has used the expert external advice it obtained on the assumptions in the BP to monitor the affordability of future indebtedness. Anticipated future levels of indebtedness are currently viable within the plan.
- 2.14 The Council are currently undertaking a significant refresh of property data through undertaking stock condition surveys and once this is completed, the assumptions of the BP will be revisited.

30-year HRA Business Plan (BP)

- 2.15 The BP summarises the viability of the council's plans to fulfil its management, maintenance and investment responsibilities to its HRA assets over the next 30 years. Key assumptions are made in the BP based on the council's strategic priorities and policies, detailed stock data and other factors.
- 2.16 The assumptions in the BP are key to setting the HRA budgets annually for each year of the HRA's four-year MTFP. The main assumptions that are fed into the HRABP were noted by the Policy, Performance and Improvement Committee on 28th November 2022.
- 2.17 Officers monitor relevant government policy announcements and model the implications of these on the HRA BP. Recently these have included increased legislation around building safety, including the Building Safety Act 2022, Fire Safety Act 2021, Regulatory Reform (Fire Safety Order 2005) and Regulatory Reform (Fire Safety Order 2005). The Social Housing Bill (which is currently progressing through the House of Commons) is expected to bring further changes to the regulatory framework the Council operates within changes to consumer

standards, increased scrutiny on accountability to tenants, performance, a refresh of the Decent Homes Standard, embedding the priority of decarbonisation and the proposed enhanced regulation of the sector also have implications for the long-term viability of the plan. Officers will model the impacts of these changes on the BP as further details become available and this will be refreshed when any rent standard is considered for future years.

- 2.18 The effect of increasing rents by 3%, 5% and 7% has been reviewed as part of the production of this report and the impact these rent increases would have over the life of the 30 year business plan. Whilst imposing a rent increase of 7% would be most beneficial to the plan and our ability to service all debts and future investment plans, we recognise the impact of this on tenants and accept a reduction in income over the period of the plan in order to mitigate the impact on tenants who self-fund (as pensions and benefits have increased by 10.1% for 23-24).
- 2.19 At 3%, there would be an increased need to borrow earlier in the plan which would limit the amount of resources available for future investment in the housing services. As a responsible landlord, we must ensure we can balance our current and future responsibilities around service and improvement – particularly around health and safety and decency of homes whilst ensuring the affordability of rents for tenants. On this basis, we have not considered any increase below 3% for modelling purposes.
- 2.20 Therefore, a rent increase of 5% on current tenants, across all stock types is recommended in this report.
- 2.21 Currently the assumptions made within the BP together with future forecasts of income and expenditure (both capital and revenue) are affordable and sustainable within the 30-year plan, based on the recommendations within this report.
- 2.22 Priorities remain the safety and decency of council homes, decarbonisation, modernisation of service delivery and future development of new homes to replace those lost through Right to Buy.

Rent Cycle

- 2.23 Rent is currently charged over 48 weeks, giving tenants four “rent free weeks” albeit that the full years rent charge is the same as if charged across 52 weeks. The non-charge weeks for 2023/24 will be weeks commencing 29 May 2023, 28 August 2023, 25 December 2023 and 25 March 2024.

Affordability Considerations

- 2.24 This section provides information regarding the impact of the proposed changes to rent and services charges, as well as data on how tenants pay their rent and the support they receive from Housing Benefit and Universal Credit.

Rent level Comparable Data

- 2.25 *Table 1* compares 2021/22 data on average rent levels for the private rented sector (PRS) in Newark and Sherwood and in England to the council's average social housing rents for general needs tenants.

Table 1: Comparison of data on weekly average rent levels for the PRS in Newark and Sherwood, the PRS in England, and NSDC's social rented stock

	Newark and Sherwood Private Rented (mean as at 31/03/2022)	England Average Private Rented (mean as at 31/03/2022)	NSDC General Needs Social Rented Stock (mean as at August 2022)
One Bed	£108.00	£179.08	£68.19
Two Bed	£134.31	£200.54	£76.31
Three Bed	£160.15	£229.85	£87.56
Four Bed plus	£261.00	£393.46	£95.34
Average for all categories	£145.15	£213.69	£84.49

- 2.26 For all sizes of accommodation, the council's average social housing rents for general needs tenants are significantly lower than those in the private rented sector.
- 2.27 *Table 2* compares 2021/22 data on average rent levels for Private Registered Providers (PRPs) in Newark and Sherwood to the council's average social housing rents, split for each by whether properties are for general needs tenants or supported housing tenants.

Table 2: Comparison of 2021/22 data on average rent levels for PRPs in Newark and Sherwood and NSDC's social housing rents, split by general needs tenants and supported housing tenants

Type of accommodation	Social Rent: General Needs		Social Rent: Supported Housing/Housing for Older People	
	NSDC	Private Registered Providers	NSDC	Private Registered Providers
Non-self-contained	-	-	-	£155.14
Bedsit	£58.62	£66.62	£57.28	£111.68
1 bedroom	£65.75	£77.10	£71.92	£95.12
2 bedrooms	£73.33	£91.30	£80.34	£92.55
3 bedrooms	£84.07	£93.44	£87.87	£111.33
4 bedrooms	£91.25	£103.26	-	-
5 bedrooms	£97.14	£97.90	-	-
Average: excluding non-self-contained	£81.17	£89.26	£76.82	£96.03

Average: all accommodation types	£81.17	£89.26	£76.82	£110.03
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- 2.28 For all sizes of accommodation, the council’s average social housing rents are lower than those of the PRPs. It should be noted that direct comparisons can only be made between the accommodation types for general needs tenants, due to variation in the type and nature of accommodation provided for supported housing tenants/housing for older people.
- 2.29 The average 2021/22 social rent levels of £89.26 (general needs tenants) and £110.03 (supported housing tenants) by Newark and Sherwood PRPs in *Table 2* excludes service charges. *Table 3* shows the average 2021/22 service charges for these groups.

Table 3: average 2021/22 Net rent, service charge and gross rent charged by PRPs in Newark and Sherwood to general needs tenants and supported housing tenants

Type of tenant	Net rent	Service charge	Gross rent
All amounts are average amounts per week			
General Needs	£89.26	£4.79	£91.97
Supported Housing/Housing for Older People	£110.03	£72.19	£182.06

- 2.30 It should be noted in *Table 3* that the gross rent equals the sum of the net rent and service charge only for supported housing tenants: not for general needs tenants. This is because the average service charge relates only to those properties with service charges, and as all properties for supported housing tenants have service charges whereas not all properties for general needs tenants have service charges.
- 2.31 Further information on the council’s limited range of service charges is provided in the ‘Service Charges’ section below.

Housing Benefit (HB) and Universal Credit (UC)

- 2.32 A snapshot of data taken in November 2022 shows that of the 5,441 current tenants, 3,529 (65%) received help from benefits towards paying their rent. 2,032 (37%) were in receipt of Housing Benefit and 1,497 (28%) were in receipt of Universal Credit. The remaining 1,912 (35%) of tenants paid their rent without receiving help from benefits.
- 2.33 Universal Credit (UC) is the Government’s working-age benefit which combines six means-tested (‘legacy’) benefits, including Housing Benefit (HB), into a single monthly payment. UC was a central feature of the government’s *Welfare Reform Act 2012*. The Government started rolling out UC in 2013, with the full service commencing in 2018 across Newark and Sherwood.
- 2.34 Since 2018, there has been a significant increase in the number of council housing tenants claiming UC, increasing from 95 to 1,497 between June 2018 and November 2022. Of these 1,497 UC claimants, around 36% have their rent paid directly to the council, either due to being in arrears or due to a vulnerability. Over 76% of UC claimants are general needs tenants.

- 2.35 UC cases increased significantly during 2020 due to the COVID-19 pandemic but have since stabilised as people have moved off the benefit. It is anticipated that over 2,000 tenants will be claiming UC once all relevant households have transferred to UC.
- 2.36 As the number of council housing tenants claiming UC is increasing, the number claiming Housing Benefit (HB) as a standalone ('legacy') benefit is decreasing. Around 2,179 of council households had tenant(s) in receipt of legacy HB in December 2021, compared to the 2,032 currently receiving legacy HB.
- 2.37 Despite the trends outlined above, a significant number of council housing tenants will continue to receive legacy HB even after all relevant households have transferred to UC. This is because eligible adults of all ages (including older people) can claim legacy HB, whereas only eligible adults of working-age can claim UC. Around 47% of the council's social housing stock is designated for older people.
- 2.38 Around 1,331 of the 2,032 households, or just under two-thirds, are entitled to the maximum amount of HB, and around 701 households entitled to partial HB.

Supporting Tenants

- 2.39 We offer a range of support to tenants to help them meet their housing costs and will be seeking to provide additional support to during the current cost of living challenges.
- We continue with our commitment to not move to evict tenants for rent arrears as long as they continue to engage with us to address their debt with us.
 - We recognise the importance of supporting tenants at an early stage to sustain their tenancies, especially around rent collection, benefit entitlement and arrears management.
 - Our established support mechanisms to help sustain tenancies include the Starting Well and Targeted Arrears support projects which form part of the Community Plan. We also promote the use of Discretionary Housing Payments (DHP's) where appropriate and refer tenants to partner advice agencies for specialist financial support and advice.
 - We are implementing new initiatives such as the Helping Hand Fund which looks to promote positive engagement with tenants through matching arrears payments.
- 2.40 We will also look to implement further initiatives through establishing a budge of £300,000 to support initiatives such as a Tenant Welfare Fund which will provide support to those tenants in need. For example, those do not receive additional support from HB or UC towards their increase in rent or who are ineligible for other funding streams due to limited qualification e.g. couples and single people.

Service Charges

- 2.41 In addition to rent, local authorities can charge for other services they provide (service charges). Section 93 (Power to charge for discretionary services) of the *Local Government Act 2003* requires charges to be set such that taking one financial year with another, the income from charges for a service does not exceed its costs of provision.

- 2.42 The Policy Statement on Rent for Social Housing (February 2019) sets out an expectation that service charge increases remain within the limit of rent charge of CPI + 1% in order to keep service charges affordable. **Appendix C** details the current (2022/23) and proposed (2023/24) service charges, with proposed increases to current charges of 5%. Subsequent paragraphs provide details about the services that tenants are charged for.

Housing-Based Services for Supported Housing and Extra Care Services

- 2.43 The main housing-based support service provided is a community alarm service, to help tenants live more independently. Tenants with lifeline units in their properties can raise an alarm call from anywhere in the home if they require this. Around half of the council's social housing properties have these lifeline units.
- 2.44 Tenants in properties with lifeline units currently pay £1.85 per week for the community alarm service and this report proposes to increase that charge by 9 pence a week to a weekly charge of £1.94 per week. This represents an increase of around 4.86% per week. This charge is mandatory, in line with the terms of their tenancy agreement. This charge is not eligible for housing benefit.
- 2.45 In addition to these support services, tenants in the extra care housing schemes receive additional housing management and housing-related services due to their specialist needs. The council currently has four extra care housing schemes. These are at Gladstone House, The Broadleaves, Vale View and the Bilsthorpe Bungalows.

Other Housing-Based Services

- 2.46 Other weekly service charges applied to tenants are for the costs of water and sewerage provided to properties at Vale View (£4.23 per week) and for the costs (where appropriate) of landscaping, lighting and drainage provided to 79 general needs properties.
- 2.47 The council provides a number of housing-related services for which it does not currently recover the cost of provision through service charges, therefore resulting in costs being met through rent income. Such services include communal cleaning, communal lighting and grounds maintenance. It is proposed that work is undertaken to identify these costs and how they might be separated from the rent charge and identified as distinct service charges. This would help to meet the cost of provision, increase transparency and meet the expectations of the Regulator.

Non-Housing Based Services

- 2.48 Officers manage the garages, garage ports (or car ports/parking spaces) and garage plots (or parking plots) within the council's HRA. Garages and garage ports are structures owned by the council, fully enclosed and partially enclosed respectively, whereas garage plots are pieces of land on which tenants supply their own garage structure. The charges for garages (garage rents) and garage plots are weekly, whilst those for garage ports are annually. All garage-based charges exclude standard rate value-added tax (VAT) if let to council housing tenants and include VAT if let to non-council housing tenants.
- 2.49 Officers continue to identify existing and redundant garage sites which could be suitable for inclusion in the council's approved housing development programme.

3.0 **Implications**

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding, Sustainability, and Crime and Disorder and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Digital Implications

- 3.1 There are no digital implications directly arising from this report.

Equalities Implications

- 3.2 The proposed rent increase would apply to all occupied council social housing, rather than to the tenants themselves or to tenants in specific properties. The proposed rent increase is therefore not expected to discriminate against any of the characteristics protected under the *Equality Act 2010*.
- 3.3 The proposed rent and service charge increases are not expected to adversely impact tenants in receipt of benefits. The government's increase of 10.1% in State Pension and working-age benefits for 2023/24 is more than the 5% proposed increase in rent and most service charges for next year.
- 3.4 As outlined in the report, working-age council housing tenants claiming benefits in need of help with housing costs can request a Discretionary Housing Payment (DHP) from the council. The Government has not yet announced how much DHP it will be giving councils for 2023/24. Officers recognise the importance of supporting tenants of all ages to sustain their tenancies.

Financial Implications

- 3.5 The majority of the financial implications are set out in the body of this report or its **appendices**. The financial implications of tenants' Right to Buy (RTB) are covered in further detail below.

Right to Buy (RTB)

- 3.6 The council signed a Retention Agreement with the Secretary of State to use 40% of its retained receipts (1-4-1 receipts) from properties sold under the RTB scheme on the provision of replacement social housing. The one-for-one replacement of RTB sales with new affordable rent homes is at the national level.
- 3.7 If the council is unable to spend its retained receipts within three years of receiving them, it must return these to Government with interest of 4% above the base rate (currently 3.5%).
- 3.8 As at the time of writing this report, all 1-4-1 receipts currently received have been either spent or allocated to future projects, which will ensure that they have been utilised by each of the individual deadlines.

- 3.9 Officers closely monitor spend against the council's approved HRA development programme to ensure that 1-4-1 receipts are used as appropriate.
- 3.10 The number of RTB sales affects how much the council receives in 1-4-1 receipts, and thus how much the council must spend on replacement social housing from its own resources or borrowing, though also affects the number of properties from which the council receives weekly rent.
- 3.11 Officers consider current and prospective local and national trends in RTB sales when setting the HRA budget annually.

Community Plan – Alignment to Objectives

- 3.12 The implementation of the proposals in this report will directly support the council's HRA to meet multiple objectives of the Community Plan 2020-2023, such as to:
- a) *“Create vibrant and self-sufficient local communities...”*; and
 - b) *“Create more and better quality homes...”*.
- 3.13 Some of the actions the council is taking to achieve the Community Plan objectives are:
- enhancing the quality of empty homes when let;
 - exploring & developing carbon neutral initiatives to upgrade properties and improving fuel efficiency;
 - encouraging tenancy success in a home through delivery of the 'Starting Well' service;
 - supporting the regeneration of a central estate and improving local amenities through delivering Yorke Drive Regeneration Project; and
 - modernising our services through procuring a new housing management system including a customer portal.

Background Papers and Published Documents

None