

Report to: Full Council Meeting - 13 February 2024

Portfolio Holder: Councillor Lee Brazier, Housing

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Report Summary	
Report Title	2024/25 Housing Revenue Account (HRA) Budget and Rent Setting
Purpose of Report	<ul style="list-style-type: none"> a) To examine the proposed income and expenditure on the HRA for the 2024/25 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) To provide indicative amounts of income and expenditure for the 2025/26 to 2027/28 financial years; and c) To set rent levels and service charges for 2024/25 (with effect from the first Monday in April 2023).
Recommendations	<p>That Council approve:</p> <ul style="list-style-type: none"> a) the HRA budget for 2024/25, as set out in Appendix A to the report; b) an increase of 7.7% in the 2023/24 rents of all properties in the HRA as at 31 March 2024 be applied from 1 April 2024; and c) the 2024/25 service charges, as set out in Appendix C to the report.
Reason for Recommendations	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 13 February 2024.

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	13 February 2024
Newark & Sherwood District Council update of rent systems	w/c 16 February 2024
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 2024

1.3 Any slippage from these key dates would jeopardise the implementation of rent increases from the first Monday in April 2024, and as a consequence, pose a risk to the sustainability of the 30-year HRA Business Plan (BP).

1.4 The Cabinet considered this report at their meeting held on 23 January 2024, and recommended the budget to the Full Council for approval.

2.0 Proposal/Details of Options Considered

Statutory Duty

2.1 Section 76 of the Local Government & 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).

Rent Standard 2020

2.3 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.

2.4 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%. A new rent settlement for post-2025 is expected to be announced by Summer 2024.

Cap On Social Housing Rent Increases Consultation

2.5 In January 2024, the Regulator of Social housing published a direction on the Rent Standard 2024, setting out the policy for 1 April 2024 – 31 March 2025 to set rents to Consumer Price Index (CPI) +1%.

2.6 As there has been no proposal for a rent cap for 2024/25, and with a CPI rate of 6.7% at September 2023, this gives a provision for an increase of 7.7% from 1 April 2024.

- 2.7 The below table shows average and weekly increase in rent for different property types for all socially rented properties. The table provides data for 5%, 7% and 7.7% rent increases.

Unit Size	Average Rent 23/24	Average Proposed Rent 24/25	Average Weekly Increase 24/25	Average Proposed Rent 24/25	Average Weekly Increase 24/25	Average Proposed Rent 24/25	Average Weekly Increase 24/25
		5% Increase		7% Increase		7.7% Increase	
1 Bedroom	£78.80	£82.74	£3.94	£84.32	£5.52	£84.87	£6.07
2 Bedroom	£86.59	£90.92	£4.33	£92.66	£6.06	£93.26	£6.67
3 Bedroom	£92.15	£96.76	£4.61	£98.60	£6.45	£99.25	£7.10
4+ Bedroom	£100.25	£105.26	£5.01	£107.26	£7.02	£107.97	£7.72
Average	£87.10	£91.46	£4.36	£93.20	£6.10	£93.81	£6.71

Borrowing Cap

- 2.8 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.
- 2.9 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.
- 2.10 From the expert external advice obtained the Council has chosen to use the Interest Cover Ratio (ICR) as its borrowing boundary for the HRA. The ICR represents the cover that the HRA has against its interest cost liabilities in any year. The ICR is set to a minimum which provides comfort that if there were a sudden drop in income or increase in operating costs, there would be sufficient headroom to continue to cover debt interest payments. Anticipated future levels of indebtedness are currently viable within the plan based on this ratio and the limits will be approved as part of the Councils Treasury Management Strategy.

30-year HRA Business Plan (BP)

- 2.11 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.
- 2.12 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 Improvement Committee on 7 December 2023.
- 2.13 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 was enacted in July 2023 will 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 introduction of 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.

- 2.14 As per paragraph 2.11 above, a range of scenarios have been modelled into the 30-year business plan. 7.7% has been modelled into the budgets currently and hence is reflected within the attached appendices. The table below describes the alternative options compared (both annually and 30 year cumulative) against the proposed 7.7%:

Rental increase	Annual difference compared to 7.7%	30-year cumulative difference compared to 7.7%
5%	£0.659m	£26.738m
7%	£0.171m	£6.931m

- 2.15 As can be seen from the table above, available resources would be significantly reduced based on the alternative options. This would therefore limit the ability of the HRA to be able to meet future responsibilities that may be passed to Local Authorities from government policy announcements as described at paragraph 2.13 above.
- 2.16 Therefore, a rent increase of 7.7% on current tenants, across all stock types is recommended in this report.
- 2.17 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.
- 2.18 Priorities remain the safety and decency of council homes, modernisation of service delivery, future development of new homes to replace those lost through Right to Buy as well as moving towards decarbonisation and more energy efficient homes using green energy.

Rent Cycle

- 2.19 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. However, there are 53 Mondays that fall into the 2024/25 rent cycle, and as such 49 weeks rent will be charged along with the usual 4 ‘rent free’ weeks. The non-charge weeks for 2024/25 will be weeks commencing 27 May 2024, 26 August 2024, 23 December 2024 and 31 March 2025.

Affordability Considerations

- 2.20 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

- 2.21 *Table 1* compares 2022/23 data on average rent levels for the private rented sector (PRS) in Newark & 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 & Sherwood, the PRS in England and NSDC's social rented stock

	Newark and Sherwood Private Rented (mean as at 31/03/2023)	England Average Private Rented (mean as at 31/03/2023)	NSDC General Needs and Supported Social Rented Stock (mean as at Nov 2023)
One Bed	£113.31	£184.62	£78.80
Two Bed	£140.54	£207.46	£86.59
Three Bed	£165.00	£239.77	£92.15
Four Bed plus	£246.23	£405.46	£100.25
Average for all categories	£149.54	£221.54	£87.10

- 2.22 For all sizes of accommodation, the Council's average social housing rents are significantly lower than those in the private rented sector.
- 2.23 *Table 2* compares 2022/23 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 2022/23 data on average rent levels for PRPs in Newark & 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	-	-	-	£177.24
Bedsit	£61.02	£62.14	£59.63	£116.33
1 bedroom	£68.53	£80.32	£75.25	£100.16
2 bedrooms	£76.16	£95.03	£84.03	£96.61
3 bedrooms	£87.55	£97.34	£91.48	£115.89
4 bedrooms	£94.99	£107.50	-	-
5 bedrooms	£101.43	£101.91	-	-
Average: excluding non-self-contained	£84.48	£93.36	£80.37	£100.85

Average: all accommodation types	£84.48	£93.36	£80.37	£120.16
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- 2.24 For all sizes of accommodation, NSDC’s average social housing rents are lower than those of the PRPs. Furthermore, we would expect to see a greater divergence of rents in 2023/24 given NSDC limited rent increase to 5% in 2023/24 and the likelihood that most PRP’s increased their rents by the maximum 7% in April 2023.
- 2.25 The average 2022/23 social rent levels of £93.36 (general needs tenants) and £120.16 (supported housing tenants) by PRPs in *Table 2* excludes service charges. *Table 3* shows the average 2022/23 service charges for these groups.

Table 3: average 2022/23 Net rent, service charge and gross rent charged by PRPs in Newark & Sherwood to general needs tenants and supported housing tenants

Type of Tenant (average amounts per week)	Net Rent	Service Charge	Gross Rent
General Needs	£93.36	£5.07	£96.37
Supported Housing/Housing for Older People	£120.16	£73.83	£193.82

- 2.26 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.
- 2.27 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)

- 2.28 A snapshot of data taken in November 2023 estimates that of the 5,437 current tenants, 3,683 (68%) received help from benefits towards paying their rent. This has increased by 3% compared to this time last year. 1,963 (36%) were in receipt of Housing Benefit and 1,720 (32%) were in receipt of Universal Credit. The remaining 1,754 (32%) of tenants paid their rent without receiving help from benefits.
- 2.29 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.
- 2.30 Since 2018, there has been a significant increase in the number of council housing tenants claiming UC, increasing from 95 to 1,720 between June 2018 and November 2023. Of the 1,720 UC claimants, around 43% have their rent paid directly to the council, either due to being in arrears or due to a vulnerability. Just under 76% of UC claimants are general needs tenants.

- 2.31 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.
- 2.32 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 1,963 currently receiving legacy HB.
- 2.33 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.
- 2.34 Around 1,293 of the 1,963 households, or just under two-thirds, are entitled to the maximum amount of HB, and around 670 households entitled to partial HB.

Supporting Tenants

- 2.35 We offer a range of support to tenants to help them meet their housing costs and will continue to provide additional support with 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 formed part of the 2020-2023 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; and
 - We have implemented new initiatives such as the Helping Hand Fund which looks to promote positive engagement with tenants through matching arrears payments.
- 2.36 We have also implemented further initiatives from the Tenant Welfare Fund which has targeted tenants who do not receive additional support from HB or UC towards their increase in rent. This could be due to people falling just outside of benefit support or have limited qualification such as single people or couples.

Service Charges

- 2.37 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.
- 2.38 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 (2023/24) and proposed

(2024/25) service charges, with proposed increases to current charges of 7.7%. Subsequent paragraphs provide details about the services that tenants are charged for.

Housing-Based Services for Supported Housing and Extra Care Services

- 2.39 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.
- 2.40 Tenants in properties with Careline units currently pay £1.94 per week for the community alarm service and this report proposes to increase £2.50 per week. This above inflation increase is necessary to pay for the essential improvement and modernisation to the service's infrastructure required as a result of the digitisation of the national telephone network as well as the replacement and ongoing costs of the new Lifeline units which have an ongoing monthly SIM cost.
- 2.41 The charges for the service have covered the majority of the staff costs for delivering the service, so with additional service delivery costs and limiting the service charge increase to an inflationary only increase, would push the service into a significant financial deficit.
- 2.42 As part of the review of the service and to ensure customers are reviewing value for money, we are enhancing the Careline offer to increase the number of outbound welfare calls to customers in addition to offering the core, responsive service.
- 2.43 This increased proactive contact will allow earlier intervention on matters that could impact on the sustainability of the tenancy and allow for the earlier detection of issues such as damp and mould.
- 2.44 The change in the service has given the opportunity to offset the increase in cost by allowing part of the service to be eligible for Housing Benefit support – around 65% of tenants in supported properties are in receipt of benefit to help with their rent. Previously the service has been wholly ineligible for Housing Benefit.
- 2.45 Tenants not in receipt of help towards their rent would be required to pay the weekly increase of 56 pence per week for the enhanced service.
- 2.46 As mentioned above, 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. However, given the significant improvement to service delivery proposed, the additional financial support that many tenants will receive now that the service is partially eligible for benefit support and the benefit uprating announced for pensioners and working age benefit claimants announced in the Autumn Statement for 2024/25, it is felt that the increase in charge is reasonable and affordable.
- 2.47 In addition, analysis of the Careline equivalent services offered by neighbouring authorities, the proposed charge of £2.50 for 2024/25 is significantly lower than charges currently in place across Nottinghamshire.

- 2.48 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.

Intensive Housing Management Services

- 2.49 Intensive Housing Management services include a suite of tasks to support vulnerable and/or frail tenants living in our Extra Care Schemes who require additional support to live independently and sustain their tenancies. These tasks can include benefit advice, more visits and check ins to keep tenants safe and well in their home and encouraging interaction with residents and the community. Appendix C sets out the intensive housing management charges for Extra Care schemes. The charges is higher for the bungalows at Bilsthorpe than at other extra care schemes due to the limited opportunity for economies of scale and the dispersed nature of the properties. The service provided within the IHMS are eligible for housing benefit so support is available for tenants on low incomes.
- 2.50 The changes to the Careline service provision will provide an opportunity for us review the service delivery model at the Bilsthorpe Bungalows with a view to make it more cost-effective for current and prospective service users and increase the service offer.

Other Housing-Based Services

- 2.51 Other weekly service charges applied to tenants are for the costs of water and sewerage provided to properties at Vale View (£4.55 per week) and for the costs (where appropriate) of landscaping, lighting and drainage provided to 79 general needs properties.
- 2.52 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.

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 8.5% in State Pension and working-age benefits for 2024/25 is more than the 7.7% 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 2024/25. 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 5.25%).
- 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 2023-2027, such as to:
- a) "Increase the supply, choice, and standard of housing..."; and
 - b) "Reduce the impact of Climate Change...".
- 3.13 Some of the actions the council is taking to achieve the Community Plan objectives are to:
- Embed and evaluate our new 'Repairs Online' service;

- Explore further ways to seek out imaginative and effective ways to engage with and involve tenants;
- Deliver the Housing Strategy, 2023-2028;
- Complete a project for our Council homes to renew over 100 oil heating systems with air source heat pumps and solar panels to improve affordability for tenants and reduce carbon emissions; and
- Engage with the Carbon Trust to explore the feasibility and implications of accelerating the decarbonisation target, our pledge to become Net zero by 2035 and expanding it to include social housing.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None