

Report to: Meeting of the Full Council - 11 February 2025

Portfolio Holder: Councillor Lee Brazier, Housing

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<b>Report Summary</b>	
<b>Report Title</b>	2025/26 Housing Revenue Account (HRA) Budget and Rent Setting
<b>Purpose of Report</b>	<ul style="list-style-type: none"> <li>a) To examine the proposed income and expenditure on the HRA for the 2025/26 financial year for both revenue and capital income and expenditure, in accordance with Section 76 (Duty to prevent debit balance on the Housing Revenue Account) of the Local Government and Housing Act 1989;</li> <li>b) To provide indicative amounts of income and expenditure for the 2026/27 to 2028/29 financial years for both revenue and capital income and expenditure; and</li> <li>c) To set rent levels and service charges for 2025/26 (with effect from the first Monday in April 2025).</li> </ul>
<b>Recommendations</b>	<p>That Council approve:</p> <ul style="list-style-type: none"> <li>a) the HRA budget for 2025/26, as set out in Appendix A to the report;</li> <li>b) an increase of 2.7% in the 2025/26 rents of all current HRA tenancies will be applied from 7 April 2025;</li> <li>c) the 2025/26 service charges, as set out in Appendix C to the report; and</li> <li>d) the Capital Budget set out in Appendix D to the report are committed expenditure in the Capital Programme for 2025/26 to 2028/29.</li> </ul>
<b>Reason for Recommendations</b>	For Members to approve the proposed HRA budget and charges in rent and service charge levels for 2025/26.

## **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	11 February 2025
Newark & Sherwood District Council update of rent systems	16 February 2025
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 2025

1.3 Any slippage from these key dates would jeopardise the implementation of rent changes from the first Monday in April 2025, and therefore, 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 & 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 for five years. 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 by maximum of the Consumer Price Index (CPI) rate published for September of the preceding financial year plus 1%.

2.5 A new rent settlement was expected from 2025; however, government announced a 12-month extension to the current rent settlement with consultation on the social housing rent policy post April 2026 taking place in October – December 2024.

2.6 The consultation sought views on implementing a rent policy providing a settlement of Consumer Price Index (CPI) rate plus 1% from 1 April 2026 to 31 March 2031.

2.7 The below table shows the weighted average rents for socially rent properties in December 2024 and impact of applying the maximum permitted increase of 2.7% for 2025-26 as per the rent standard.

Unit Size	Average Rent 24/25	With increase of 2.7% applied
1 Bedroom	£85.83	£88.15
2 Bedroom	£93.94	£96.48
3 Bedroom	£99.52	£102.20
4+ Bedroom	£108.23	£111.15
<b>Weighted Average of number of properties</b>	<b>£94.86</b>	<b>£97.43</b>

### **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 Council's 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 25 November 2024.
- 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 continue to bring further changes to the regulatory framework the Council operates within, with 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 having 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. The recommended increase of 2.7% 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 2.7%:

<b>Rental increase</b>	<b>Annual difference compared to 2.7%</b>	<b>30-year cumulative difference compared to 2.7%</b>
2%	£0.186m	£8.167m
1.7%	£0.266m	£11.667m

- 2.15 As can be seen from the table above, available resources would be significantly reduced based on the alternative options which would limit the ability of the HRA to be able to meet future responsibilities that may be placed upon Local Authorities from government policy announcements as described at paragraph 2.13 above.
- 2.16 Therefore, a rent increase of 2.7% 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 meeting energy efficient homes by 2030 increasing those serviced by 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. The non-charge weeks for 2024/25 will be weeks commencing 26 May 2025, 25 August 2025, 22 December 2025 and 30 March 2026.

### **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 data on average rent levels for the private rented sector (PRS) in Newark & Sherwood and in England as at October 2024 to the Council’s average social housing rented stock as at December 2024.

**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**

	<b>Newark and Sherwood Private Rented (as at October 2024)</b>	<b>England Average Private Rented (as at October 2024)</b>	<b>NSDC Social Rented Stock (as at December 2024)</b>
One Bed	£115.62	£253.85	£85.83
Two Bed	£153.46	£283.62	£93.94
Three Bed	£185.54	£315.92	£99.52
Four Bed plus	£279.69	£466.62	£108.23
<b>Average for all categories</b>	<b>£169.38</b>	<b>£311.08</b>	<b>£94.86</b>

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 2023/24 data on average rent levels for Private Registered Providers (PRPs) in Newark & 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 2023/24 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**

<b>Type of Accommodation</b>	<b>Social Rent: General Needs</b>		<b>Social Rent: Supported Housing/Housing for Older People</b>	
	<b>NSDC</b>	<b>Private Registered Providers</b>	<b>NSDC</b>	<b>Private Registered Providers</b>
Non-self-contained	-	-	-	£192.78
Bedsit	£65.68	£66.49	£62.61	£128.67
1 bedroom	£72.31	£86.16	£79.97	£118.46
2 bedrooms	£80.51	£101.92	£89.42	£105.94
3 bedrooms	£92.23	£104.33	£96.58	£128.75
4 bedrooms	£100.33	£114.95	-	-
5 bedrooms	£105.80	£109.04	-	-
<b>Average self-contained</b>	<b>£89.09</b>	<b>£100.07</b>	<b>£85.43</b>	<b>£117.08</b>
<b>Average all types</b>	<b>£89.09</b>	<b>£100.07</b>	<b>£85.43</b>	<b>£135.93</b>

2.24 For all sizes of accommodation, NSDC's average social housing rents are lower than those of the PRPs.

2.25 The average 2023/24 social rent levels of £100.07 (general needs tenants) and £135.93 (supported housing tenants) by PRPs in *Table 2* excludes service charges.

### **Housing Benefit (HB) and Universal Credit (UC)**

2.26 A snapshot of data taken in December 2024 estimates that of the 5,392 current tenants, 3,757 (70%) received some help from benefits towards paying their rent. This has increased by 2% compared to this time last year. 1673 (31%) were in receipt of Housing Benefit and 2084 (39%) were in receipt of Universal Credit. The remaining 1,635 (30%) of tenants paid their rent without receiving help from benefits.

- 2.27 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 & Sherwood.
- 2.28 Since 2018, there has been a steady increase in the number of tenants claiming UC, with around 2,084 tenants receiving help towards their rent from UC. Of the 2,084 UC claimants, around 45% have their rent paid directly to the Council, either due to being in arrears or due to a vulnerability.
- 2.29 UC cases increased significantly during 2020 due to the COVID-19 pandemic and have increased again as the DWP works to complete the migration of claimants from legacy benefits to UC by March 2026.
- 2.30 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 1,673 currently receiving legacy HB.
- 2.31 Despite the trends outlined above, a substantial 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.
- 2.32 Around 1,110 of the 1,673 households, or around two-thirds, are entitled to the maximum amount of HB, and around 563 households entitled to partial HB.

### **Supporting Tenants**

- 2.33 We offer a range of support to tenants to help them meet their housing costs and help sustain their tenancy 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 if 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;
  - 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 have implemented new initiatives such as the Helping Hand Fund which looks to promote positive engagement with tenants through matching arrears payments.
- 2.34 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**

- 2.35 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.
- 2.36 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% to keep service charges affordable. Appendix C details the current (2024/25) and proposed (2025/26) service charges, with proposed increases to current charges of 2.7%. Subsequent paragraphs provide details about the services that tenants are charged for.

## **Housing-Based Services for Supported Housing and Extra Care Services**

- 2.37 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.
- 2.38 Tenants in properties with Careline units currently pay £2.50 per week for the community alarm service and this report proposes to increase £2.56 per week.
- 2.39 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**

- 2.40 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.
- 2.41 The council provides several 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. Work is being 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.

## **Consultation with Tenants**

- 2.42 The assumptions used in this paper to propose the HRA budget and rent setting for 2025/26 were presented to the Tenant Engagement Board on 19 December 2024.
- 2.43 The tenants who sit on the Tenant Engagement Board were supportive of the assumptions used in the HRA budget and the proposal to increase of rent and service charges by the 2.7%.

## Revenue Budget

- 2.44 The budget increases reflect the focus on improving existing services that are important to our customers, repairs, building safety, responding to complaints (and learning from them) whilst always being as efficient and value for money as possible. We are increasing staff resources to better co-ordinate our front-line services and give a better customer experience to tenants. Details of the revenue budget can be found at **Appendix A and B**.

## Capital Budget

- 2.45 The Council intends to spend £78.926m from the HRA from 2025/26 to 2028/29. This is made up of £52.354m on existing property investment and £26.572m on additional Affordable Housing.

- 2.46 Major schemes included in the HRA are:

<b>Scheme Name</b>	<b>Summary of Proposed Financing</b>
Kitchen & Bathroom Replacements	MRR and borrowing
Roof Replacements	MRR and borrowing
Heating Renewals	MRR and borrowing
Decarbonisation	Government Grant, MRR and Borrowing
Yorke Drive Estate Regeneration	Borrowing plus external grant
New Phases 6 of the Council House Development Programme	S106 where appropriate, Capital Receipts and Borrowing

- 2.47 Details of individual schemes are shown in **Appendix D**.

## Capital Resources Available

- 2.48 External Grants and Contributions can provide additional resources to the Capital Programme and is subject to a detailed bidding process. Officers continue to liaise with external parties to secure the maximum available inward investment to contribute towards the delivery of the capital programme.

- 2.49 There is one grant currently forecast over the medium term which relates to Decarbonisation. It has been assumed that 50% of the budget will be available in grant.

## Capital Receipts

- 2.50

	<b>Other Receipt £'m</b>	<b>Right to Buy £'m</b>	<b>Right to Buy 1-4-1 £'m</b>	<b>Total £'m</b>
Estimated Balance @ 1 Apr 2025	0	0.240	0	<b>0.240</b>
Estimated Receipts 2025/26 – 2028/29	0.490	0.921	1.473	<b>2.884</b>



Approved for Financing 2025/26 – 2028/29	-0.490	-0.830	-0.644	<b>-1.964</b>
<b>Unallocated Capital Receipts Balance</b>	<b>0</b>	<b>0.331</b>	<b>0.830</b>	<b>1.160</b>

2.51 The other receipt is the sale of a building on Lombard Street, Newark which is a property within the HRA but not a Council House, therefore is listed separately to the Right to Buy.

2.52 The Right to Buy (RTB) and RTB 1-4-1 figures above relate to forecast RTB sales. The Council signed a Retention Agreement with the Secretary of State relating to retained receipts (1-4-1 receipts) from properties sold under the RTB scheme on the provision of replacement social housing. The guidance now includes increased flexibilities which were announced in July 2024 and the terms have been amended for the financial years 2024/25 and 2025/26, summarised as follows:

- The maximum permitted contribution from RTB receipts to replacement affordable housing has increased from 50% to 100%.
- RTB receipts will be permitted to be used with section 106 contributions.
- The cap on the percentage of replacements delivered as acquisitions each year (currently 50%) has been lifted.

2.53 Local authorities are permitted to retain the share of RTB receipts that were previously returned to the Treasury and during the Autumn Budget it was announced this would continue.

2.54 If the council is unable to spend its retained receipts within five years of receiving them, it must return these to Government with interest of 4% above the base rate (currently 4.75%). Use of the receipts is monitored closely to maximise where practicable and appropriate.

### Major Repairs Reserve

2.55 The table below shows the estimated contributions to and the use of the Major Repairs Reserve (MRR) in terms of Capital Financing.

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Estimated Opening Balance	5.375	4.503	4.500	4.500
Depreciation Contribution to the MRR	6.369	6.740	6.790	6.790
Revenue Contribution to the MRR	5.346	1.906	2.023	2.345
Debt Repayments	-5.041	-3.044	-6.046	-9.046
Capital Financing	-7.546	-5.605	-2.767	-4.090
<b>Unallocated MRR Balance</b>	<b>4.503</b>	<b>4.500</b>	<b>4.500</b>	<b>0.500</b>

### Capital Financing

2.56 Subject to the approval of the proposals outlined above, the current plan for financing the HRA capital programme is shown below.

HRA	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Government Grants	0.746	0.518	0.815	0.855
Contributions from Third Parties	1.152	0.000	0.000	0.000
Capital Receipts	1.285	0.222	0.254	0.202
RCCO	0.000	0.000	0.000	0.000
Revenue Support	7.546	5.605	2.767	4.090
Borrowing	12.566	17.505	14.197	8.601
<b>Total</b>	<b>23.295</b>	<b>23.850</b>	<b>18.033</b>	<b>13.748</b>

2.57 At the end of the financial year, once all capital expenditure has been finalised (including accrued expenditure) the financing of the Capital Programme is arranged by the Section 151 Officer, in line with the Council's Constitution.

### **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 increase in rent and most service charges will be met by an increase in Housing Benefit or Universal Credit Housing Element.

3.4 The increase of state pension of 4.1% and increase of working age benefits of 1.7% in 2025, will compensate for the small number of service charges not fully eligible for increased Housing Benefit or Universal Credit Housing Element.

3.5 As outlined in the report, 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 2025/26. Officers recognise the importance of supporting tenants of all ages to sustain their tenancies.

#### **Financial Implications**

3.6 All of the financial implications are set out in the body of this report or its appendices.

### **Tenant Implications**

- 3.7 A presentation on the 30-year business plan, budgets and rent setting proposal was presented to the Tenant Engagement Board on 19 December 2024. The proposals were well received including the challenges to the HRA of new legislation, increased health and safety burdens and the refreshed regulatory regime as well as the need to increase resources in services important to tenants – particularly the repairs service.

### **Community Plan – Alignment to Objectives**

- 3.8 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:
- Improve health and well-being
  - Increase the supply, choice, and standard of housing and
  - Reduce the impact of Climate Change
- 3.9 Some of the actions the council is taking to achieve the Community Plan objectives are:
- Refreshing stock condition information so the Council reprofile capital budgets to provide data driven improvement works inc. lifting the energy performance of homes and looking at green energy opportunities;
  - Build on our successful decarbonisation project, renewing over 100 oil heating systems with air source heat pumps and solar panels as part of the Warm Homes initiative currently in consultation; and
  - Evaluating and embedding recommendations from TPAS on how to build on existing arrangements to engage with and involve tenants in scrutiny and improving housing services;
  - Deliver the Housing Strategy, 2023-2028;
  - Implementing a new Housing Management System to increase efficiencies in our operations, to free up officer time to focus on engagement with tenants

### **Legal Implications** (LEG2425/582)

- 3.10 As set out in the report, the Council is under a statutory obligation to set an annual budget for the HRA. Full Council must set the budget; the Budget and Policy Framework Procedure Rules set out in the Council's Constitution provide for Cabinet to finalise proposals for the budget and submit them to Full Council, taking into account any recommendations made by Policy and Performance and Improvement Committee.

### **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