

22 February 2023		ITEM: 13 Decision: 110641
Cabinet		
Housing Revenue Account – Rent Setting and Budgets 2023/24		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Luke Spillman – Portfolio Holder for Housing		
Accountable Assistant Directors: N/A		
Accountable Directors: Ewelina Sorbjan – Interim Director for Housing Jonathan Wilson – Interim Director for Finance		
This report is public		

Executive Summary

This report sets out the base budget position for 2023/24 following the review and update of the 30-year Housing Revenue Account (HRA) Business Plan. The Business Plan is a statutory requirement used to assess the ongoing financial viability of the HRA and its ability to deliver the Council's housing priorities.

The Business Plan considers whether the revenue streams from all sources (principally rents and service charges) are sufficient to finance anticipated expenditure on housing stock (both revenue and capital), service delivery, debt management cost and recharges.

Local authorities and registered providers have the ability to increase social and affordable rents in line with the Governments policy statement on Rents for Social Housing 2018. This report sets out the proposed rent increase for 2023/24 and the impact on the HRA.

The government launched a consultation on limiting rent increases in 2023/24 to help tenants with the cost of living. Without a cap, social landlords would have been permitted to increase rents by the consumer price index (CPI) measure of inflation in September 2022 plus 1%, allowing a maximum increase of 11.1%. The result of the consultation announced that maximum increase in rents charges for 2023/24 will be capped at a 7%. As a result, this is the recommended rent increase within this report.

Whilst this is financially beneficial to the Housing tenants within Thurrock, the disparity between inflationary cost pressures and the Councils ability to raise rents

accordingly results in a deficit with the overall budget for 2023/24, and as a result, reductions in expenditure will need to be made. These are detailed in para 3.6.

The Transforming Homes programme, which is intrinsically linked to the stock condition survey has identified the investment required annually across the life of the 30-year Business Plan. Delivery of these works will ensure properties reach and are maintained to the decent homes' standard. Specific capital investment in certain types of dwellings is also needed, namely non-traditional properties. This encompasses internal and external features of residential units (general needs and sheltered) as well as other assets such as communal hallways, parking areas, and garages. The medium-term forecast is shown in **Table 5** of this report.

Table 5 also shows the additional planned investment into the stock, as well as works needed to comply with carbon reduction legislation.

The Council is focussed on ensuring that the HRA remains financially sustainable, and that the right priorities are set for capital expenditure to ensure residents have safe and secure accommodation maintained to a good standard of repair.

The proposed changes to rents and service charges are essential to ensure the level of investment identified in the business plan can be fulfilled and the HRA properties are provided to a standard that primarily meets the needs of residents, whilst also delivering the statutory responsibilities of the Council.

Government Intervention & Section 114

In July 2022, the Council was made aware of significant concerns around the valuation of specific investments. A review process commenced, and the initial review highlighted significant concern with three investments and the position was shared informally with the Department of Levelling Up, Housing and Communities (DLUHC).

On the 2 September 2022 DLUHC announced directions to implement an intervention package at the Council.

The Secretary of State exercised his powers under section 15(11) of the Local Government Act 1999 to give a Direction without complying with the requirement at section 15(9) to give Thurrock an opportunity to make representations about the Directions, as he considered the failures of the Council's compliance with its Best Value duty in respect of the functions specified in the Directions sufficiently urgent. This was because of the following:

- the scale of the financial and commercial risks potentially facing the Authority, which were compounded by the Authority's approach to financial management and the seriousness of the allegations that were made by third parties about the processes applied to the operation of the Authority's commercial strategy, and;

- the failure of the Authority to provide assurance to Ministers and the Department on the adequacy of the actions that they were taking to address the issues, taking account of the scale and pace of the response required.

The Secretary of State nominated Essex County Council to the role of Commissioner. On 19 December 2022, the Council's Acting Director of Finance & Section 151 Officer issued a report under Section 114 of the Local Government Finance Act 1988. This advises Councillors that the Council faces 'a financial situation of an extremely serious nature'.

The Housing Revenue Account it is not a separate fund but a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund, governed by the following legislation:

Housing Act 1985 (Part II)

Housing Act 1988

Local Government and Housing Act 1989 (section 74)

Local Government Act 2003

Localism Act 2011

1. Recommendation(s):

1.1 That the Cabinet supports the proposed changes in the base budget for 2023/24 (as set out in Table 1).

1.2 That the Cabinet supports the proposed increase in domestic rent charges of 7%, in line with the 30-year HRA business plan, to be implemented from 3 April 2023.

1.3 That the Cabinet supports the proposed increase in service charges to reflect the cost of running each service in line with the budget estimate from 3 April 2023.

1.4 That the Cabinet supports the proposed charges for garage rents (para 3.10) to be implemented from 3 April 2023.

1.5 That the Cabinet supports the proposed increase in Travellers sites rent (para 3.11) to be implemented from 3 April 2023.

1.6 The Cabinet supports the proposed Capital Programme schemes as detailed in Table 5 (para 3.13).

2. Introduction and Background

2.1 The proposed Housing Revenue Account budget for 2023/24 is summarised below in Table 1.

The budget is part of the wider long term strategy and financial viability of the service, which is the basis of HRA business plan.

2.2 **Table 1** shows the main areas of service delivery within the HRA budget, before application of the proposed savings in Para 3.6.

Table 1: Provisional 2023/24 Budget Summary

Service	2022/23 Budget	Rent and Income	Bad Debt Provision	Inflation	Borrowing and Capital Financing	Energy and Fuel	Total Adjustment	2023/24 Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Rent and Income	(52,700)	(2,974)	583				(2,391)	(55,091)
Financing and Recharges	25,232			0	1,855		1,855	27,087
Operational Services	14,575			624		259	883	15,458
Repairs and Maintenance	12,893			948			948	13,841
Grand Total	(0)	(2,974)	583	1,572	1,855	259	1,295	1,295

2.3 After applying a 7% increase in rents and service charges, there remains deficit of £1.295m in the HRA. This is as a result of £4.269m of inflationary and cost pressures forecast for 2023/24.

2.4 The mitigating actions in order to set a balance budget are detailed in Para 3.6. This will action the legal requirement to ensure there is no deficit in the HRA.

Rent and Income

2.5 Income raised through tenants' rents and service charges is ring-fenced and cannot be used to fund expenditure outside of the HRA.

2.6 By applying the full 7.0% rent increase, the HRA will generate additional net revenue of £2.974m. This additional resource is required to finance increased costs in the existing level of services, and to provide further mitigation against bad debt and tenants rent arrears. This will also allow the service to maintain its investment commitment to the HRA Capital Programme and ensure the Council complies with all of its statutory duties.

The rent budget includes an allowance for forecast right to buy sales and void loss to reflect income that the HRA will not receive. This represents 1.65% of the total gross income budget

Bad Debt Provision

2.7 An allowance has been made to increase the level of bad debt provision that the HRA holds for bad debts. This has been increased to reflect the additional income that the HRA expects to receive

The closing bad debt provision at the end of 2022/23, after taking into account adjustment and write off's is estimated to be £0.670m. The proposals in the report seek to increase this to £1.253m for 2023/24. This increase represents

the 7% increase in rents and service charges, and also factor to take into consideration the current cost of living, and economic inflation. This will be closely monitored throughout the finance year, and any significant variances will be report as part of the budget monitoring process

Inflation

- 2.8 An allowance has been made on the existing budgets to allow for projection inflation in the forthcoming financial year. Nationally, the level of inflation that needs to be applied is significantly higher than in previous year in order to ensure that the expenditure is set at a realistic level.

Inflation has been as set follows:

Pay	4.00%
Increments	1.80%
R&M Contracts	9.70%
Capital Programme	9.70%
Bad Debt Provision	2.00%
Mears Contract	6.00%
Fuel	50.00%
Utilities	50.00%

Borrowing and Capital Financing

- 2.9 The total increase cost of borrowing for 2023/24 is £1.855m. This consists of an additional revenue contribution to capital and additional borrowing costs

The HRA is required to make a revenue contribution to the capital expenditure each year in order to finance works required to ensure properties meet the decent homes standard. This has been increased by £0.451m for 2023/24. Furthermore, the HRA also needs to invest further into its existing stock to meet legislative requirements and long term improvements.

The current financial year has seen a significant increase in the costs of borrowing, and this is forecast to remain in the next financial year. The forecast rate of borrowing has been set at 4.5%. This is an additional increased cost of £2.471m, however the increase in the budget requirement for 2023/24 equates to £1.404m, due to funding allocations made as part of the 2022/23 budget for schemes which will now be undertaken in 2023/24. It should be noted that the budget is to finance the proposed capital programme until 2027/28, as detailed in **Table 5**. This is to allow flexibility in the schedule of works when an opportunity is presented to improve financial efficiency by completing works earlier as part of the works programme.

Energy and Fuel

- 2.10 An inflationary uplift of 50% has been made on the energy and fuel budgets. This will address the increase in costs which have been incurred during the current financial year and allow for additional energy cost rises in 2023/24.

3. Issues, Options and Analysis of Options

Rent Charges

- 3.1 The proposed rent increase has been carefully considered. The recommendation is that a 7.0% uplift be applied to dwelling rents for 2023/24. It is imperative that this is implemented to ensure that the HRA can mitigate some of the inflationary cost pressures which are projected in the forthcoming financial year.
- 3.2 The majority of properties within the HRA are charged at social rent. However, there are also a proportion of newly developed and acquired units which are based on an affordable rent level (meaning it cannot exceed 80% of the equivalent market rent). This ensures these properties generate sufficient revenue to offset their ongoing associated costs without a wider impact financial on the HRA.
- 3.3 Based on the overall average of the stock, the impact on properties based on the average rent per number of bedrooms this is shown in **Table 2** below:

Table 2: Social Rent properties

Number of Dwellings by Bedroom	Number of Properties	Average 2022/23 Actual Rent	Average 7% uplift 2023/24	Average 2023/24 Actual Rent	2023/24 Annual Rent Yield
0	238	£64.32	£4.50	£68.83	£851,791
1	2734	£77.14	£5.40	£82.54	£11,734,409
2	2154	£84.52	£5.92	£90.44	£10,130,182
3	4048	£104.95	£7.35	£112.30	£23,638,916
4	247	£117.54	£8.23	£125.77	£1,615,371
5	10	£121.35	£8.49	£129.85	£67,520
6	3	£129.13	£9.04	£138.17	£21,555
Total / Average	9,434	£91.56	£6.41	£97.97	£48,059,744

Affordable Rents

- 3.4 The rent setting process for the existing affordable rent properties will follow the same guidance as applied to the properties within the HRA that are charged a social rent. The Council has ensured that no rent exceeds the Local Housing Allowance level. The impact of a 7% rent increase is shown in Table 3 below:

Table 3: Affordable Rent properties

Number of Dwellings by Bedroom	Number of Properties	Average 2022/23 Actual Rent	Average 7% uplift 2023/24	Average 2023/24 Actual Rent	2023/24 Annual Rent Yield
0	1	£ 137	£ 10	£ 147	£ 7,646
1	94	£ 131	£ 9	£ 140	£ 685,604
2	111	£ 154	£ 11	£ 165	£ 949,692
3	39	£ 197	£ 14	£ 211	£ 427,345
4	2	£ 239	£ 17	£ 255	£ 26,561
5	1	£ 243	£ 17	£ 261	£ 13,547
Total / Average	248	£152.94	£10.71	£163.65	£ 2,110,395

- 3.5 The definition of rent for affordable housing (inclusive of service charges) must not exceed 80% of gross market rent. Gross market rent means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.

Budget deficit and mitigation

- 3.6 After the application of the rent recommended rent increase, and inflationary cost pressures, there is a resulting budget deficit of £1.295m for the HRA in 2023/24. There is a statutory requirement to set a balance budget, and therefore this deficit needs to be mitigated.

In order to minimise the impact on tenants and avoid significant deterioration in the condition of the stock, the following are the proposed savings that will need to be made in order to finance the overall budget:

- **Application of a 5% vacancy factor within the staffing budget £0.547m**

The financial saving results from the time taken to recruit to posts which are currently, or will become vacant during the year. This extends to not covering the post with temporary or agency staff in order to realise the saving unless it is absolutely essential and will otherwise cause significant detriment to tenants.

It is envisaged that this will cause minimum disruption to key front-line services. Furthermore, by applying a vacant factor, it eliminates the need for staff redundancies which will have a negative impact on the services, as well as incurring additional expenditure.

This saving will be re-accessed as part of the 2024/25 budget setting process when there is greater certainty around the future economic climate, and the financial savings will be monitored and reported as part of the 2023/24 budget monitoring process

For 2022/23 there is a forecast surplus of £0.878m on salaries underspend, as a result of not being able to recruit to permanent vacant posts, and staff turnover.

There remain a number of vacant posts within staffing structure with a value of £0.561m. It is anticipated that these will not be recruited to until part way through the financial year.

Historically, in 2020/21 and 2021/22 there were final outturn positions generated through salary underspends of £0.795m and £0.640m respectively.

- **Pausing of the assisted decorating programme** **£0.634m**

The assisted decorating programme was re-introduced into the budget as part of the 2020/21 budget setting process. This is a service where eligible tenants can apply for assistance in having a room of their property decorated by the Council, where they are unable to carry out the works themselves.

It is recommended that this budget is reduced by 50% in 2023/24, and the resulting saving used to mitigate the budget deficit. There would be a reduced level of funding retained within the budget to provide assistance in exceptional circumstances by referral.

This has been identified as a potential savings on the basis that it has the least impact on the majority of tenants, although it is acknowledged that this will affect a specific cohort of residents who are eligible for the scheme.

- **Increase in service charges** **£0.114m**

The recommendation to increase service charges in line with rent increases at 7% would generate additional income of £0.258m, which is included in the base budget shown in **Table 1**. However, charges should be set to ensure that they recover the full cost of providing the service. There is currently a differential between the cost of the services tenants receive, and the income which the Council recovers.

Therefore, after taking into consideration the limit which Councils can raise dwelling rents, it is proposed that service charges are increased by 10.1% for 2023/24, which was the September 2022 CPI. This will yield an additional £0.111m. Increases to service charges did not form part of the government's consultation nor the decision.

The alternative rent scenarios of a 5% or 3% increase would increase the deficit by £0.949m and £1.899m respectively. To put this into context, this would result in having

to consider a reduction in the planned maintenance programme of between 18% to 35%. It is therefore felt that these are not viable options when considering the impact it would have on service delivery.

Service Charges

- 3.7 In order to ensure that the HRA recovers the cost of providing services to tenants which are specific to their tenancies, an increase to the current charge will need to be applied. For 2023/24 in accordance with **Table 4** below.

Table 4: Increases to service charges in line with rent increases

Service	2022/23 Weekly Charge	2023/24 Weekly Charge
	(50 weeks)	(50 weeks)
	£	£
Lift Maintenance	£3.47	£3.71
Door Entry	£3.66	£3.92
Communal Electricity	£1.63	£1.74
Bruyns Court Electricity	£3.66	£3.92
Caretaking - Bronze Sheltered	£0.66	£0.71
Caretaking - Bronze Standard	£3.05	£3.26
Caretaking - Silver	£8.64	£9.24
Caretaking - Silver Enhanced	£10.13	£10.84
Caretaking - Gold	£14.39	£15.40
Caretaking - Gold Enhanced	£15.89	£17.00
Concierge	£36.37	£38.92
Concierge - Piggs Corner	£39.22	£41.97
Sheltered Housing Service	£11.04	£11.81
Heating - Sheltered Complex	£6.34	£6.78
Heating - Helford Court	£10.10	£10.81
SCH	£30.00	£32.10
Emergency Lighting	£0.20	£0.21
Enhanced Tenancy Management	£44.70	£47.83

- 3.8 Service charges are not subject to the prescribed rental increase which related to Dwellings rents but are based on full cost recovery.

However, the recommendation is to not to increase service charges at the same level as dwelling rent for 2023/24, which would be an increase of 7%.

There remains a disparity between the level of the current charge and the cost of the service provision. This will need to be taken into account in future service charge considerations in order to ensure that the costs are fully recovered. As the forecast inflationary costs pressures are currently at the level they are, it has been decided to defer any additional increases until future years.

As detailed in savings option 3, under para 3.6, it is recommended to increase the service charge by 10.1% to reflect the September 2022 CPI rate. This proposal will result in the level detailed below

Table 4a: Increases to service charges in line with September 2022 CPI 10.1%

Service	2022/23 Weekly Charge (50 weeks)	2023/24 Weekly Charge (50 weeks)
	£	
Lift Maintenance	£3.47	£3.82
Door Entry	£3.66	£4.03
Communal Electricity	£1.63	£1.79
Bruyns Court Electricity	£3.66	£4.03
Caretaking - Bronze Sheltered	£0.66	£0.73
Caretaking - Bronze Standard	£3.05	£3.36
Caretaking - Silver	£8.64	£9.51
Caretaking - Silver Enhanced	£10.13	£11.15
Caretaking - Gold	£14.39	£15.84
Caretaking - Gold Enhanced	£15.89	£17.49
Concierge	£36.37	£40.04
Concierge - Piggs Corner	£39.22	£43.18
Sheltered Housing Service	£11.04	£12.16
Heating - Sheltered Complex	£6.34	£6.98
Heating - Helford Court	£10.10	£11.12
SCH	£30.00	£33.03
Emergency Lighting	£0.20	£0.22
Enhanced Tenancy Management	£44.70	£49.21

Tenants Engagement

- 3.9 Due to the fact that the proposed increase to rents has been through a formal government consultation, whereby tenants and tenants' representative bodies were able to take part, and the government instruction to cap the housing rent increases at 7%, no further engagement has been undertaken with tenants.

Garage Rents

- 3.10 The current weekly charge for garage rent for council residents is £11.10 per week. It is recommended that charges are increased in 2023/24 to £12.10, to ensure that there is a sufficient level of income to support the provision of garages within the HRA.

Travellers' sites

- 3.11 The current weekly charge for rent on travellers' sites plots is £91.62 per week. It is proposed to increase these charges by 4% to £95.28

Sheltered Housing Visitors Rooms

- 3.12 The current charge is £15 per person per night. It is proposed that the charge is increase by 10% to £16.50 per person, per night.

Capital Programme and Priorities

- 3.13 The medium term (next five years) review of the capital investment requirement into existing stock is shown in Table 5 below:

Table 5 – Five Year HRA Capital Programme

Investment in Existing Stock	2023/24	2024/25	2025/26	2026/27	2027/28
	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget
	£'000	£'000	£'000	£'000	£'000
Transforming Homes	10,046	11,307	11,574	11,847	11,847
Major / Disabled Adaptations - future years need	219	200	200	200	200
Fire Safety Works	1,494	1,000	1,000	1,000	1,000
Tower Block Refurbishment	9,903	0	0	0	0
Non Traditional Refurbishment	2,921	0	0	0	0
HRA Garages	548	500	500	500	500
Heating Replacement Programme	658	600	600	0	0
Lifts Refurbishment	209	190	190	190	190
Door Entry Installation	549	500	500	500	500
Water Mains	176	160	160	160	160
Staffing Costs Capital Programme	176	160	160	160	160
Highways and Lighting	439	300	300	300	300
Electrical infrastructure Testing	274	250	0	0	0
Total Capital Programme	27,612	15,167	15,184	14,857	14,857
Carbon Reduction Programme					
Project 1					
Capital cost for social homes (excluding non-infill measures)	1,874	1,874			
A&A costs	328	328			
Project 2					
Capital cost for social homes (excluding non-infill measures)	3,185	3,185			
A&A costs	494	494			
Further Carbon reduction works			5,895	5,895	5,895
	5,881	5,881	5,895	5,895	5,895
Total Capital Budget	33,493	21,048	21,079	20,752	20,752

<u>Financed By:</u>					
Revenue Contribution	(11,169)	(11,307)	(11,574)	(11,847)	(11,847)
Grant Funding	(2,232)	(2,232)			
Borrowing Requirement	20,092	7,509	9,505	8,905	8,905
Borrowing Cost @ 4.5% interest	904	338	428	401	401
<u>Cumulative Interest Cost</u>	1,752	2,089	2,517	2,918	3,319

- 3.14 Through the use of prudential borrowing, revenue contributions and government grants, the HRA is able to finance the cost of the proposed five-year capital programme. This will ensure that the Council is able meet the cost of existing statutory compliance works, continue with the transforming homes programme as well as implementing the regulations set out in the Building Safety bill.
- 3.15 As shown in the **Table 1**, Capital financing costs will increase by £1.855m in 2023/24. The inflationary cost impact of any capital works remains a significant risk to delivery at present, and this will be closely monitored throughout the year
- 3.16 It is essential the identified works are completed within the medium term, and the funding identified within the budget is used to finance the prudential borrowing costs and is not used to mitigate any other cost pressures or subsidise rents. The maximum number of tenants will receive a tangible benefit from investment to the existing HRA dwellings, as well as there being a financial benefit to the business plan by reducing the level of voids, re-let times, and increased long term sustainability.
- 3.17 A strategic decision has been taken to address the carbon reduction need as part of the medium-term capital programme. This will ensure a greater financial viability benefit in the long, as well as contributing to a safer environment for residents. External government grant funding is being sought to support the implementation of these initiatives.

4. Reserves

- 4.1 The estimated level of useable reserve for 2023/24 are detailed in **Table 6** below. Funding within the development reserve is earmarked against the cost of the HRA new building programme, and the housing zones funding supports the development of identified sites for regeneration of additional housing.
- 4.2 The HRA is required to maintain a level of general balances, which currently amounts to £2.175m. This balance will be maintained in the current financial year and will be assessed on an annual basis to ensure that it remains sufficient. In addition, there is £2.000m within the financial contingency reserve. As the HRA moves toward a more ambitious capital and development programme, it is essential that this is maintained to add further resilience to the business plan.

Table 6: Reserves

Reserve	Forecast Opening Balance 2023/24 £000's
<u>General Reserves</u>	
Balances (HRA)	(3,321)
Financial contingency reserve	(2,000)
HRA De-cant reserve	(2,600)
<u>Ear-marked to support capital</u>	
Housing Zones Funding (HRA)	(1,274)
Capital Reserve - Existing Stock (HRA)	(744)
RTB Attributable Debt	(42)
RTB Buy Backs	(737)
Grand Total	(10,719)

5. Reasons for Recommendation

- 5.1 The report sets out the 2023/24 HRA budget implications following the update of the HRA business plan. The proposals put forward have been calculated and assessed in terms of affordability. It is a legal and operational requirement that a balanced budget is set for the HRA.
- 5.2 The detailed proposed budget for 2023/24 is shown in **Table 7** below, this incorporates the proposed savings in para 3.6.

TABLE 7 HRA Detail	2023/24 Provisional Budget before Savings	2023/24 Application of savings			2023/24 Provisional Budget after Savings
		5% vacancy Factor	Pausing assisted decorating programme	Additional Service Charge Income	
Rent and Income					
Gross Rent From Dwellings	(49,918)				(49,918)
Tenants Water Charges Income	(5,679)				(5,679)
Tenant Service Charges	(4,225)				(4,225)
Leaseholder Charges	(936)			(114)	(1,050)
Garage Rents	(879)				(879)
Premises Income	(50)				(50)
Central Heating Charges	(45)				(45)
Movement in the Allowance for Bad Debts	961				961
Tenants Water Charges Expenditure	5,679				5,679
Rent and Income Total	(55,091)	0	0	(114)	(55,205)
Financing and Recharges					
Revenue Contribution to Capital	11,169				11,169
Interest Payable and Similar Charges	8,937				8,937
Recharges	5,656				5,656
Lease Payments	618				618
Debt Management Charges	420				420
Pension Contributions	224				224
Rents, Rates, Taxes and Other Charges	63				63
Financing and Recharges Total	27,087	0	0	0	27,087
Operational Service Delivery					
Estate Action Teams (Caretaking)	2,713				2,713
Housing Operations East and West	1,748				1,748
Sheltered Housing	1,578				1,578
Grounds Maintenance	1,211				1,211
CCTV and Concierge	1,086				1,086
Technical Services Team	1,030				1,030
Communal Estate Costs	854				854
Business Improvement	696				696
Housing Asset Delivery - Revenue	663				663
Rent Collection	640				640
Housing Asset Delivery - Capital Team	636				636
Management and Strategy	536				536
Anti-Social Behaviour	519				519
Lettings and Allocations	513				513
Development and Regeneration	273				273
Homeownership Services	238				238
Investment Planning and Performance	233				233
Voids Team	183				183
Neighbourhood Action Plan	105				105
Vacancy Factor Saving		(547)			(547)
Operational Service Delivery Total	15,458	(547)	0	0	14,911
Repairs and Maintenance					
Responsive Repairs - Mears	6,757				6,757
Planned Programme Work	5,320		(634)		4,686
Void Repairs	1,764				1,764
Repairs and Maintenance Total	13,841	0	(634)	0	13,207
Grand Total	1,295	(547)	(634)	(114)	0

6. Consultation

- 6.1 The Housing Overview and Scrutiny Committee were presented with the report on 11 January 2022.

The report was discussed in detail, and the need for the increase in rent levels to avoid further service cuts.

Members raised the concerns about the potential impact the increase to rents and service charges could have on tenants in the current economic climate. It was explained that tenants in receipt of housing benefits and universal credit would not see their rent increased to a level about the benefit cap.

The rent increase was commented on by the Members of the Committee with regards to the ability of the HRA to deliver all of its legal and statutory without the full increase. This was explained, citing the detrimental impact it would have on the wider condition of the housing stock, and the service tenants receive if the level of additional funding was not received. It was explained that the result would likely be reduction to the proposed Capital programme expenditure, which in turn would likely increase maintenance costs in the longer term, and lead to deterioration of the HRA stock, and also the commitments towards the acceleration of the carbon reduction programme.

The pausing of the assisted decorating was raised, and highlighted the further benefit that it has on tenants, and Members would like to see the level of funding increased in future years if the financial situation improves.

It was clarified that the saving pertaining to the application of a 5% vacancy factor was not to made by freezing vacant posts, but was realising reductions in costs through the natural turnover of staff, and the time taken to recruit replacement staff to vacant positions.

7. Impact on corporate policies, priorities, performance and community impact

- 7.1 The management and operation of the HRA strives to support vulnerable residents. The 30 year business plan sets out to ensure there is value for money within the Housing Service. The service is committed to the delivery of decent homes for its tenants, and compliance with legislation.

8. Implications

8.1 Financial

Implications verified by: **Joanne Freeman**
Strategic Lead - Corporate Finance

The report is in relation to the setting of the Housing Revenue Account budget for 2023/24. Therefore, the financial implications are within the body of the report.

The report has been written in accordance with the statutory duty of the Council to set a balanced budget within the Housing Revenue Account, and provide key services to the tenants.

8.2 Legal

Implications verified by: **John Jones**
Director of Legal and Governance, and
Monitoring Officer

Section 76 of the Local Government and Housing Act 1989 imposes a duty on the Council to prevent a debit balance for arising on the Housing Revenue Account ("the HRA"). However, there is no absolute duty to prevent a debit balance as this may occur as a result of unforeseen circumstances. Where a debit balance does occur in any year it must be carried forward within the ring-fenced HRA to the following year.

In the January or February preceding the relevant year the Council must formulate proposals relating to (a) Income for the year from rents and other charges from properties with the HRA, and (b) The expenditure for the year on repairs, maintenance, supervision and management of such properties.

The Council must be satisfied that the formulated proposals on implementation, that the HRA will not show a debit balance on the assumptions that the following prove to be correct • that the best assumptions that the Council is able to make at that time as to all matters which may affect the amounts falling to be credited or debited to the HRA in the year prove to be correct; • that the best estimates that the Council is able to make at that time of the amounts which, on those assumptions, will fall to be so credited or debited.

The Council is required to keep the formulated proposals set out in this report under review to determine whether the requirement to prevent a debit balance continues to be satisfied during the year. In the event that the Council on review determines that this requirement will not be satisfied then the Council is required to make such revisions of the proposals as are reasonably practical towards securing that the revised proposals satisfy those requirements.

The fixing of rent for Council property is contained in section 24 of the Housing Act 1985, which provides that the Council may make such reasonable they may determine. Further, The Council must, from time to time, to review rents and other charges and make such changes, as circumstances may require.

In exercising its functions under this section, the Council is required to have regard to any relevant standards issued under section 197 of the Housing and Regeneration Act 2008. The Council is required to set and increase rent in accordance with the Rent Standard 2020 issued by the Social Housing Regulator.

The 2020 Standard sets out the formula to be applied to social and affordable rents for existing tenants, to fair rents and for tenants moving between different types of rent. To ensure that providers of social housing use the correct annual percentage increase to set rent, the government has issued a limit on annual rent increases for 2023/24 of 7.0%.

The Council's duties in relation to the consultation of tenants on matters of housing management, as set out in section 105 of the Act, do not apply to rent setting, nor to charges for services or facilities provided by the Council. Section 103 of the Housing Act 1985 require the Council to serve a notice of variation on its tenants if it wishes to vary the terms of tenancies. The notice of variation must be served at least four weeks before it is to take effect. Section 103(2) requires a preliminary notice to be served on tenants which gives tenants the opportunity to comment. However, this requirement does not apply to a variation of the rent, or of payments in respect of services or facilities provided by the landlord. Further to the extent that the variation of the terms of tenancies relates to rent or to payments in respect of services provided by the council as landlord; the variation must be in accordance with any provision in the agreement creating the tenancy.

In considering whether to agree the recommendations set out in the report the Council must ensure that it has due regard to the council's equalities duties set out in the Equalities Act 2010. In particular whether the proposed increase in rent and charges will have a negative impact of any of the equality groups protected by the 2010 Act and what steps can be taken to mitigate any disadvantage. Compliance with this duty can be evidenced by undertaking an equalities impact assessment. Or by evidence provided in the report to ensure Members have due regard to equalities consideration in the decision making. Additional information will be required in relation to this prior to the report going to Cabinet for decision.

The Council's S151 Officer has issued a section 114 notice which restricts all but essential spending by the Council to provide essential Council Services and to meet its legal duties. The Council's legal duties in relation to its housing stock are referred to in the report. In addition, Members must consider the comments of the Council's s151 Officer set out in the report.

Section 76 of the Local Government and Housing Act 1989 imposes a duty on local housing authorities to prevent debit balances arising in their Housing Revenue Account ("the HRA"). The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock.

The principal statutory provision governing the fixing of rent for Council property is contained in section 24 of the Housing Act 1985, which provides

that authorities may “make such reasonable charges...as they may determine.” Further, it requires the local authority, from time to time, to review rents and other charges and make such changes, as circumstances may require.

In exercising its functions under this section, the Council is required to have regard to any relevant standards issued under section 197 of the Housing and Regeneration Act 2008. The Council is required to set and increase rent in accordance with the Rent Standard 2020 issued by the Social Housing Regulator.

The 2020 Standard sets out the formula to be applied to social and affordable rents for existing tenants, to fair rents and for tenants moving between different types of rent. To ensure that providers of social housing use the correct annual percentage increase to set rent, the government has issued a limit on annual rent increases for 2023/24 of 7.0%.

The Council’s duties in relation to the consultation of tenants on matters of housing management, as set out in section 105 of the Act, do not apply to rent setting, nor to charges for services or facilities provided by the Council. However, the Council has consulted with the tenants before seeking to change rent and other charges. The main body of the report indicates that tenants been consulted.

Section 103 of the Housing Act 1985 require the Council to serve a notice of variation on its tenants if it wishes to vary the terms of tenancies. The notice of variation must be served at least four weeks before it is to take effect. Section 103(2) requires a preliminary notice to be served on tenants which gives tenants the opportunity to comment. However, this requirement does not apply to a variation of the rent, or of payments in respect of services or facilities provided by the landlord. Further to the extent that the variation of the terms of tenancies relates to rent or to payments in respect of services provided by the council as landlord; the variation must be in accordance with any provision in the agreement creating the tenancy.

In considering whether to agree the recommendations set out in the report the Cabinet must ensure that it has due regard to the council’s equalities duties set out in the Equalities Act 2010. In particular whether the proposed increase in rent and charges will have a negative impact of any of the equality groups protected by the 2010 Act and what steps can be taken to mitigate any disadvantage.

8.3 Diversity and Equality

Implications verified by: **Becky Lee**
Team Manager – Community Development and Equalities

The Council's Housing Revenue Account works to reflect the Council's policy in relation to the provision of social housing with particular regard to the use of its own stock. In addition to the provision of general housing, it incorporates a number of budgetary provisions aimed at providing assistance to disadvantaged groups including adaptations to the stock for residents with disabilities.

A Community Equality Impact Assessment will be completed for this proposal before the report is taken to Cabinet.

- 8.4 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

N/A

9. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

10. **Appendices to the report**

None

Report Author

Mike Jones

Strategic Lead, Corporate Finance