

21 February 2024		ITEM: 20 Decision: 110704
Cabinet		
Housing Revenue Account – Rent Setting and Budget 2024/25		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Barry Johnson, Cabinet Members for Children’s Services and Housing		
Accountable Assistant Director: Mike Jones – Interim Assistant Director for Strategic and Corporate Finance and Ewelina Sorbjan – Assistant Director Housing and Development		
Accountable Director: Steven Mair – Interim Chief Finance Office and Ian Wake – Executive Director for Adults, Health and Housing		
This report is Public		
Version: Cabinet/ Final		

Executive Summary

This report sets out the base budget position for 2024/25 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 2024/25 and the impact on the HRA. In brief, this uses the formula of the September 2023 CPI rate of inflation (6.7 per cent) plus 1 per cent. This equates to a maximum level of increase applicable to a dwelling of 7.7 per cent. This provides the resources to meet the projected increase in cost demands in order maintain the service provision.

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 Housing service 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.

Commissioner Comment:

The commissioner supports the recommendations as laid out in the report. There remains a disparity between the level of the current charge and the cost of the service provision; future service charge calculations need to be set to ensure costs are fully recovered. It is important that there is a timely delivery of review of the service charges ensuring by 1st September 2024

1. Recommendation(s)

- 1.1 That the Cabinet agree the proposed changes in the base budget for 2024/25 (as set out in Table 1)**
- 1.2 That the Cabinet agree the proposed increase in domestic rent charges of 7.7%, in line with the 30-year HRA business plan, to be implemented from 1 April 2024**
- 1.3 That the Cabinet agree the proposed increase in service charges to reflect the cost of running each service in line with the budget estimate from 1 April 2024.**
- 1.4 That the Cabinet agree the proposed charges for garage rents (para 3.12) to be implemented from 1 April 2024**
- 1.5 That the Cabinet agree the proposed increase in Travellers sites rent (para 3.13) to be implemented from 1 April 2024**

2. Introduction and Background

- 2.1** The proposed Housing Revenue Account budget for 2024/25 is summarised in **Table 1** below.

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 primary areas of service delivery within the HRA budget.

Table 1: Provisional 2024/25 budget summary

Service	2023/24 Budget	Rent and Service Charges	Inflation	Borrowing and Capital Financing	Energy and Fuel	Total Adjustment
	£000's	£000's	£000's	£000's	£000's	£000's
Rent and Income	(54,955)	(4,915)	0	0	0	(4,915)
Financing and Recharges	26,469		0	1,535	0	1,535
Operational Services	14,991		742	0	147	888
Repairs and Maintenance	13,207		885	0	0	885
Development	288		28	0	0	28
	(0)	(4,915)	1,655	1,535	147	(1,578)

Rent and Income

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

2.4 By applying the full 7.7% increase, the HRA will generate additional revenue of £4.425m through dwelling rents. In addition, there is also a further £0.408m additional funding to be recovered through service charges.

2.5 The rent budget calculations include an allowance for:

- Rent lost through 75 Right to Buy Sales £0.412m
- Rent lost through Voids – Social Rents £0.325m
- Rent lost through Voids – Affordable Rent £0.100m

These values are included in the total net rent figure in **Table 1**, and equate to an overall reduction of 1.77%

The total net income yield for 2024/25 on dwelling is estimated at £54.344m. This represents an increase of £4.426 from 2023/24. This comprises of the following elements

Social Rent	£51.613m Table 3
Affordable Rent	£ 2.892m Table 3
Furnished Letting	£ 0.588m
Other Rents	£ 0.088m
Gross income	£55.181m
Less Voids and right to buy income foregone	£ 0.837m Para 2.5
Total	£54.344m

Additional income through Service charge increases and garage rent generated additional revenue of £0.489m in 2024/25. In total, net additional rent and service income increases by £4.915m shown in Table 1

2.6 At the end of quarter three in 2023/24 the year to date cumulative average re-let time for standard voids, which account for the vast majority of voids let, was 30.3 calendar days. Standard void re-let time performance has improved year on year since 2020/21 when the average re-let time was 47.5 calendar days.

2.7 This additional resource is required to finance increased costs in the existing level of services, and to provide further mitigation against bad debts and tenants rent arrears. This will also allow the HRA to maintain its investment commitment to the Capital Programme and ensure the Council complies with all of its statutory duties.

Bad Debt Provision

2.8 An allowance has been made to maintain the level of bad debt provision at the 2023/24 rate of £0.961m. This is prudent in what is acknowledged as an unfavourable economic climate and will be closely monitored throughout the financial year.

Inflation

2.9 An allowance has been made on the 2023/24 budgets to allow for projection inflation in the forthcoming financial year. The September CPI rate of 6.7% has been used as the basis for contract inflation. Pay inflation may be subject to further changes until the Council formally agrees it.

Table 2 - Inflation

Description	%'age
Pay inflation	5.0%
SCP increase	1.8%
Contract Inflation	6.7%
Rent Increase	7.7%
Service Charges	7.7%
Utilities increase	20.0%
Increased borrowing	4.5%

Borrowing and Capital Financing

2.10 The HRA is required to make a revenue contribution to the capital budget each year. The amount has been increased by £0.137m for 2024/25, giving a total contribution of £11.307m.

2.11 In addition to the Revenue Contribution, the Capital programme requires £15.818m of prudential borrowing to fund the works which are required for existing units. The detail of the Capital Programme is shown in **Table 6**

Energy and Fuel

2.12 An inflationary uplift of 20% has been made on the utilities. This will address the increase in costs which have been incurred during the current financial year and allow for additional energy cost rises in 2024/25.

3.

Issues, Options and Analysis of Options

Rent Charges

- 3.1 The recommended rent and service charge increase of 7.7% has been carefully considered in the compilation of the proposed budget. It is imperative that this is supported 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 a social rent. However, there are also a number of units which are charged at affordable rent level. This ensures these properties generate sufficient revenue to offset their ongoing associated costs without creating a financial strain on the HRA overall.
- 3.3 Based on the overall average of the stock, the impact of the proposed rent increase, in accordance with their number of bedrooms is shown in **Table 3** below:

Table 3: Social Rent properties

Number of Dwellings by Bedroom	Number of Properties	Average 2023/24 Actual Rent	Average 7.7% uplift 2024/25	Average 2024/25 Actual Rent	2024/25 Annual Rent Yield
0	236	£69.40	£5.34	£74.75	£917,293
1	2,723	£82.72	£6.37	£89.09	£12,614,721
2	2,144	£90.99	£7.01	£97.99	£10,924,830
3	4,017	£112.40	£8.65	£121.05	£25,285,635
4	250	£125.73	£9.68	£135.41	£1,760,322
5	12	£129.71	£9.99	£139.70	£87,170
6	3	£138.17	£10.64	£148.81	£23,215
Total / Average	9,385	£98.20	£7.56	£105.76	£51,613,186

Affordable Rents

- 3.4 The rent setting process for the existing affordable rent properties follows the same guidance as social rents, and in addition, the Council has ensured that the combination of rents and service charges do not exceed the Local Housing Allowance level.
- 3.5 The impact of a 7.7% rent increase on the affordable rent properties is shown in **Table 4** below:

Table 4: Affordable Rent properties

Number of Dwellings by Bedroom	Number of Properties	Average 2023/24 Actual Rent	Average 7.7% uplift 2024/25	Average 2024/25 Actual Rent	2024/25 Annual Rent Yield
0	2	£142.86	£ 11.00	£153.86	£ 16,001
1	99	£135.85	£ 10.46	£146.31	£ 753,180
2	129	£166.58	£ 12.83	£179.41	£ 1,203,457
3	66	£209.33	£ 16.12	£225.45	£ 773,755
4	9	£259.39	£ 19.97	£279.36	£ 130,741
5	1	£260.53	£ 20.06	£280.59	£ 14,591
Total / Average	306	£168.74	£12.99	£181.73	£ 2,891,725

3.6 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 be expected to be let in the private rented sector. Property size, location type and service provision must be considered when determining what gross market rent a property might achieve if let in the private rented sector.

Overall 2024/25 HRA Budget Position

3.7 After the application of the rent recommended rent increase, and inflationary cost pressures, there is a resulting budget surplus £1.580m for the HRA in 2024/25.

3.8 The in-year surplus will be budgeted as a contribution to reserves in 2024/25. This will be used to fund one-off cost pressure which are forecast to arise during the year. Beyond 2024/25, this funding will form part of the long-term financial planning and replace the funding from in the reserves which will be expended on the Blackshots and Teviot Avenue schemes. This will also be used to support the investment required into regeneration and development projects.

3.9 It is essential for the financial viability of the HRA that investment is made into the development and regeneration of stock. There are a number of development opportunities which are being explored, and these will deliver both a financial benefit, as well as improving the stock conditions for tenants.

Service Charges

3.10 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 2024/25 the charges will be in accordance with **Table 5** below.

Table 5: Increases to service charges in line with increased costs

Service	2023/24 Weekly Charge (50 weeks)	2024/25 Weekly Charge (50 weeks)
	£	
Lift Maintenance	£3.82	£4.11
Door Entry	£4.03	£4.34
Communal Electricity	£1.79	£1.93
Bruyns Court Electricity	£4.03	£4.34
Caretaking - Bronze Sheltered	£0.73	£0.79
Caretaking - Bronze Standard	£3.36	£3.62
Caretaking - Silver	£9.51	£10.24
Caretaking - Silver Enhanced	£11.15	£12.01
Caretaking - Gold	£15.84	£17.06
Caretaking - Gold Enhanced	£17.49	£18.84
Concierge	£40.04	£43.12
Concierge - Piggs Corner	£43.18	£46.50
Sheltered Housing Service	£12.16	£13.10
Heating - Sheltered Complex	£6.98	£7.52
Heating - Helford Court	£11.12	£11.98
Emergency Lighting	£0.22	£0.24
Enhanced Tenancy Management	£49.21	£53.00

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

The recommendation is to increase service charges at the same level as dwelling rents for 2024/25, which would be an increase of 7.7%.

There remains a disparity between the level of the current charge and the cost of the service provision. This will need to be considered in future service charge calculations 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 a response to the section 114 notice issued by the Council, an in-depth review of service charges and HRA [Housing Revenue Account] recharges from the General Fund were undertaken to identify all potential service charge recoverable items.

As part of the intervention process, the Council in conjunction with the commissioners appointed Chartered Institute of Public Finance and Accountancy [CIPFA] to undertake a review of the services between the General Fund and Housing Revenue

As comprehensive review of service charges will be undertaken as a standalone project over the next six month, and recommendations will be brought forward accordingly, included as part of the 2025/26 HRA Rent and Budget setting report.

Garage Rents

3.12 The current weekly charge for garage rent for council tenants is £12.10 per week and it is recommended that charges are increased in 2024/25 to £15.00. Non-council tenant garage rent is currently £14.52 and recommended to increase in 2024/25 to £18.00 per week. The garage rent increases will ensure that there is a sufficient level of income to support the provision of garages within the HRA and mean continued investment back into garage stock.

A benchmarking exercise of weekly garage rent charges was carried out in November 2023 and the results are included in the table below:

Authority	Tenant Garage Plot	Tenant Original Garage	Tenant Refurbished Garage	Resident Garage Plot	Resident Original Garage	Resident Refurbished Garage	Notes
Thurrock	£2.35	£12.10		£2.82	£14.52		Rental charges for garages and plots are standard across the stock
Barking & Dagenham		£12	£15		£14.40	£18	
Havering	Between £8.13 and £17.63, with 61p water charges per week			Increase of 20% for VAT based on original price			Pricing information is provided on application
Basildon	Between £2.06 and £7.16 according to location	£12.65		Between £2.06 and £7.16 according to location	£15.18		VAT is added to Council/Leaseholder garages and plots for three or more, or plots which are further then 1/4 mile from property address
Greenwich		Between £10 and £14 a week depending on			Between £12 and £16.80 depending on standard		20% discount if a resident is part of a household with a disabled person

		standard of garage and location			of garage and location		
Epping		£10.62			£12.74		Discounts offered on garages in areas with low garage rental rates
Uttlesford		£12.69			£15.23		
Newham		£13.99			£16.75		

Thurrock is on average at the lower end of what is typically charged for garage sites with a few Local Authorities choosing to stagger prices based on condition and location. A number of Local Authorities either do not publicize their charges or have closed garage pages due to the number of applications received and it appears not many Local Authorities appear to offer plot sites.

A desktop exercise was carried out on private garages within Thurrock/ Essex, offering similar style, location and garage build wherein it was noted that rents range from £20 - £66 per week. These also show we are below market value.

In the forthcoming year we will undertake a more thorough benchmarking exercise to ensure that we maximise our potential rental charges in line with others.

Garage plot sites are recommended to increase in line with the proposed rent increase of 7.7%. The rent payable on the plot will increase from £117.47 to £126.52 for Council Tenants, and £181.82 for Non-Council Tenants, as VAT is applicable to the charge.

Travellers' sites

3.13 The current weekly charge for rent on travellers' sites plots is £95.28 per week. It is proposed to increase these charges to £100.00 per week.

Benchmarking exercise will be carried out in year 24/25 and the outcomes therefore will inform the rent setting for 25/26.

Sheltered Housing Visitors Rooms

3.14 The current charge is £15 per person per night. It is proposed that the charge is increase to £18.00 per person, per night.

Capital Programme and Priorities

3.15 The medium term (next five years) review of the capital investment requirement into existing stock is shown in **Table 6** below:

Table 6 – Medium Term HRA Capital Programme

Investment in Existing Stock	2024/25	2025/26	2026/27	2027/28	2028/29
	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget
	£'000	£'000	£'000	£'000	£'000
New Capital Contract		13,000	13,650	14,333	15,049
Transforming Homes	11,307				
Major / Disabled Adaptations	200				
Fire Safety Works	1,000				
Tower Block Refurbishment	12,426				
HRA Garages	250				
Heating Replacement Programme	600				
Lifts Refurbishment	200				
Door Entry Installation	650				
Water Mains	40				
Staffing Costs Capital Programme	260				
Carbon Reduction Requirements	1,642				
Highways and Lighting	300				
Electrical infrastructure Testing	250				
Total Capital Programme	29,125	13,000	13,650	14,333	15,049
<i>Financed By:</i>					
Revenue Contribution	(11,307)	(11,000)	(11,650)	(12,333)	(13,049)
Capital Receipt	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Prudential Borrowing Requirement	(15,818)				
Balance	0	0	0	0	0

- 3.16 There will be a requirement to incur £15.8m of prudential borrowing, in addition to the £11.3m and £2m capital receipts to finance the identified Capital works in 2024/25.
- 3.17 The Council being under Direction from the Secretary of State to reduce borrowing means approval must be sought to borrow to fund two of the development schemes and property purchases included in the 2024/25 HRA 30-year business plan. The Secretary of State will need to give permission to Thurrock Council to borrow to fund HRA development schemes
- 3.18 Thurrock Council has submitted a request to the Secretary of State (DLUCH) for special dispensation to borrow to fund the development schemes and property purchases and for permission to utilise the maximum allowable RtB receipts on the schemes. The outcome of this will be reported to the Cabinet when a decision has been formally agreed.
- 3.19 For the financial years 2025/26 to 2028/29, it is planned that the major capital works programme will not require prudential borrowing and will need to be fully financed from resources available internally. This projection is predicated on the successful tender and implementation of a new Capital works contract, which is currently being sourced. The Council will still need to ensure it is able to meet the requirements of existing statutory compliance works, continue with the transforming homes programme as well as implementing the regulations set out in the Building Safety bill.

- 3.20 As shown in the **Table 1**, Capital financing costs will increase by £1.535m in 2024/25. 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.
- 3.21 It is essential the identified works in 2024/25 are completed within the medium term, and the additional funding requirement identified within the budget is used to finance the prudential borrowing costs, and not 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.
- 3.22 The housing services continues to explore and utilise all available funding opportunities open to the Council to obtain investment to maintain and improve the HRA residential assets.

Over the last three years the Council has secured over £4m in funding for investment projects to improve housing assets across the borough with the most notable of these being the £3.2m secured from the Departments of net zero and energy security under wave 1 of the Social Housing Decarbonisation Fund.

- 3.23 In January 2023 the Housing service obtained approval from Cabinet to amend the contract value of the Council's current responsive repairs contract with Mears PLC, (*item 12 decision 110635, Contract Modification to housing repairs and planned maintenance contract*). Contained within this report the service identified a value of £5m of the contract extension that would be apportioned to future grant funding opportunities, this report was approved concurrent to the Council making a second application under wave 2.1 of the Social Housing Decarbonisation Fund to seek match funding for a new project to deliver improvement to 270 individual homes within the Council's social housing portfolio.

The Council was unsuccessful in this application, however in October 2023 the Government announced the next phase of the Social housing Decarbonisation Fund under wave 2.2. This opportunity is limited and is not open to landlords who were successful under wave 2.1, this means that Thurrock Council meet the eligibility criteria for wave 2.2. Further to this the Council have been in direct communication with representatives on behalf of the Government Department to discuss support opportunities for a new bid and also to encourage the Council to make further bids given the new opportunity.

- 3.24 The Council intends to bid for grant funding to deliver further significant improvements to the council's housing portfolio, through the SHDF (Social housing Decarbonisation Fund) wave 2.2. The first project has been a great success and gained national recognitions across many award criteria's, with the biggest benefit being to the residents in the 273 homes where we have halved their heating bills and they are now on a clean heat network. The release of SHDF wave 2.2 is time limited, with bids required by the end of January 2024.

Thurrock are required to match fund to deliver the works, which will be met from the Capital budget parameters detailed within this report. Therefore, at this stage, it is envisaged that no additional borrowing will be required.

4 Reserves

- 4.1 The estimated level of useable general reserve for 2024/25 is detailed in **Table 6** below.
- 4.2 The HRA is required to hold a minimum 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.
- 4.3 There are identified budget pressures of £0.664m in 2024/25, which are detailed in **Table 7**. In addition, there are further costs of £5.221m which relate to the initial works required for the relocation of tenants within the Blackshots Tower blocks, and the non-traditional properties in Teviot Avenue. These dwelling have been identified as being no longer habitable in future year, and need to be demolished. Negotiations are currently being held with the Department of levelling-up, Housing and Communities, and with His Majesty's Treasury to seek approval to borrow in order to fund construction of replacements units.

Table 7: Reserves

<u>HRA General Reserve</u>		
Opening Balance 2023/24	(7,064)	
Forecast Outturn position 2023/24	(817)	
		(7,881)
<u>Commitments</u>		
Independent Tenant & Leaseholder Advisor	90	
Blackshots Decant Officer	50	
Blackshots Health and safety	114	
Legal support for Disrepair Claims	250	
R&M Contract Tender Procurement	160	
		664
<u>Development Revenue Implications</u>		
Teviot Relocation	320	
Teviot Leaseholder Payments	1,000	
Blackshots Relocation	1,201	
Blackshots Leaseholder Payments	2,700	
		5,221
		5,885
Remaining		(1,996)
HRA Budgeted Surplus 2024/25		(1,578)
Estimated Closing HRA Reserves		(3,574)

5. Reasons for Recommendation

- 5.1 The report sets out the 2024/25 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.

The detailed proposed budget for 2024/25 is shown in **Table 8** below.

Table 8 – Detailed Budget breakdown

HRA 2024/25 Base Budget		£'000	£'000
<u>Rent and Income</u>			(59,864)
<u>Financing and Recharges</u>			
	Financing	22,348	
	Overheads	5,656	
			28,004
<u>Operational Service Delivery</u>			
	Anti-Social Behaviour	531	
	Business Improvement	702	
	CCTV and Concierge	1,148	
	Estate Action Teams	2,749	
	Grounds Maintenance	1,211	
	Housing Operations	1,770	
	Lettings and Allocations	689	
	Management and Strategy	4,512	
	Neighbourhood Action Plan	112	
	Rent Collection	761	
	Sheltered Housing	1,687	
			15,879
<u>Repairs and Maintenance</u>			
	Planned Works	4,806	
	Responsive Repairs	7,390	
	Void Repairs	1,896	
			14,092
<u>Development & Regeneration</u>			316
<u>Contribution to Funds</u>			1,578
Grand Total			0

6. Consultation (including Overview and Scrutiny, if applicable)

6.1 The Housing Overview and Scrutiny Committee were presented with the report on 9 January 2024. The minute of the meeting are available via the Thurrock Council Website

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.

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Interim Assistant Director for Strategic and Corporate Finance

The report is in relation to the setting of the Housing Revenue Account budget for 2024/25. Therefore, the financial implications are within the body of the report.

7.2 Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services and Deputy 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.

7.3 Diversity and Equality

Implications verified by: **Becky Lee**

**Team Manager – Community Development and Equalities,
Adults, Housing & Health**

The Councils 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.

7.4 Risks

A prudent bad debt provision has been made as part of the base budget to mitigate against potential loses in rent and service income.

Expenditure on both Revenue and Capital budget will be closely monitored, to ensure projects are managed in accordance with the budget provisions detailed in the report

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

None

8. 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

9. Appendices to the report

- Appendix 1 - Community Equality Impact Assessment

Report Author:

Mike Jones

Interim Assistant Director for Strategic and Corporate Finance

Corporate Finance