

Committee:	Housing Board	Date:	19 January 2023
Title:	Housing Revenue Account - Proposed Rent, Service and Support Charges 2023/24		
Portfolio Holder:	Cllr Arthur Coote, Portfolio Holder for Housing		
Report Author:	Simone Russell, Interim Director – Housing, Health and Communities Jody Etherington, Assistant Director – Finance		

Summary

1. This Officer report sets out the proposed changes to Housing Revenue Account (HRA) dwelling rents, garage rents, support charges and service charges for 2023/24.
2. The Officer recommendations will be discussed by the Tenant and Leaseholder's Panel on 17 January, and a verbal update will be given to the Housing Board meeting at which this report is presented.
3. The Housing Board and Tenant and Leaseholder Panel recommendations will be reviewed by Scrutiny Committee on 31 January 2023, prior to referral to Cabinet on 9 February 2023 and Full Council on 21 February 2023. Changes in rent and charges will take effect from Monday 3 April 2023.

Recommendations

4. The Housing Board is requested to recommend to Cabinet for approval increases in HRA dwelling rents as follows:
 - General needs accommodation – a 7% increase in accordance with the cap set by central government
 - Supported accommodation – a 7% increase in accordance with the cap set by central government
 - Formula rents to increase by the maximum permitted amount (11.1%, equivalent to CPI+1%), to be applied only when properties are relet.
 - Temporary accommodation – rents to be increased in line with formula rents as in previous years (i.e. 11.1%).
5. The Housing Board is requested to recommend to Cabinet for approval the increases in garage rent, support charges and service charges as detailed below:
 - Garage rents are increased by the September 2022 CPI of 10.1%
 - Housing related support charges are increased in line with estimated costs for 2023/24

- Intensive housing management and housing related support charges are increased in line with estimated costs for 2023/24 as detailed in paragraph 29
- Heating, service and sewerage charges are increased in line with estimated costs for 2023/24 as detailed in paragraphs 30-31
- Garden welfare charges, though continuing to be subsidised, are increased by 10%.

Financial Implications

6. The relevant financial implications are included in the body of the report.

Background Papers

7. None

Impact

8.

Communication/Consultation	Tenant Forum/Housing Board
Community Safety	None
Equalities	See attached EqHIA
Health and Safety	Failure to recover the full costs of the HRA through rent and service charges may threaten the Council's ability to undertake safety critical work in the future
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Background

National Social Rent Policy

9. Since 2002, rents for properties let at 'social rent' have been set based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties, bringing local authority and housing association rents into alignment. Formula rents were increased by the Retail Price Index (RPI) + 0.5%.
10. In 2011, the government introduced 'affordable rent' alongside social/formula rent, which permits rents to be set at up to 80% of market rent. The policy allows the council to let new build properties at affordable rent where certain

conditions apply. The government requires that any new homes built through its Affordable Homes Grant system are let at 'affordable rent'.

11. Most of the Council's new build properties are let at affordable rent and the additional income this generates makes it possible to build more homes.
12. In 2016, as part of the Welfare Reform and Work Act, the government introduced a new policy whereby social rents would reduce by 1% every year for four years. The main aim of this was to reduce the national housing benefit bill.
13. In October 2017, the government announced a long-term rent deal for social housing landlords in England. The new policy was to permit annual rent increases for both social rent and affordable rent properties of up to the consumer price index (CPI) plus one percentage point from 2020 onwards, for a period of at least five years. Increases are based upon the CPI figure for September in the preceding financial year.
14. In September 2022, CPI stood at 10.1%, indicating a maximum rent increase of 11.1%. However, in recognition of the ongoing high inflation and cost of living pressures, the government has capped 2023/24 rent increases for existing tenants at 7%.
15. It should be emphasised that the 7% cap applies only to existing tenancies. Where current rent for a property sits below the formula rent (e.g. due to the operation of rent caps in the past), the Council has a longstanding policy whereby the formula rent is applied in full when the property is relet. This is allowable under the government's rent setting policy. It is proposed that this policy continues, and that 2023/24 formula rents increase by the maximum 11.1% permitted. This model serves to limit the impact of rent increases on existing tenants, whilst also ensuring that rents can be restored to the correct (formula) level for the type of property upon reletting.
16. Rents for temporary accommodation are not limited by Government policy. It has been the Council's policy in previous years to increase temporary accommodation rents by the same increase as formula rents and it is proposed to maintain this policy for 2023/24.

Impact of Previous Year Errors

17. As reported to Cabinet on 22 December 2022, the Council has identified that the rent increases applied to many properties in 2021/22 and 2022/23 were in excess of the government limits due to an administrative error. Rents for 2023/24 will be set by applying the relevant increase to the baseline rent which should have been charged in 2022/23, after any errors have been corrected. Separate arrangements are being made to refund tenants who have overpaid rent in respect of 2021/22 and 2022/23. The 7% proposed increase for general needs accommodation will therefore be felt as substantially closer to 6% by the majority of council tenants when netted off against the c. 1% wrongly applied increase from previous years which is going to be lowered ahead of applying this latest annual increase. As rent in 2022/23 for sheltered housing tenants was wrongly raised by 2.2% less than it should have been due to human error, which is not recoverable into the future for these tenancies, the proposed 7% increase is from a permanently lower starting position (which will

only be correctable on changes of tenancies for those homes).

Financial Impact of Dwelling Rent Increases

18. The average rent in 2022/23 was budgeted as £106.91 and the actual average rent currently being paid as at September 2022 was £106.94. These averages exclude temporary accommodation and the refunds due for overcharges.
19. In common with all organisations, the HRA is currently experiencing significant financial pressure as a result of high inflation and increased utility costs. The 7% rent cap imposed by government will limit the ability of the Council to pass these additional costs on to tenants. Since the rent cap is applied annually there is likely to be no option to recoup these costs through higher rent increases in future years, so this represents a permanent loss of income to the HRA.
20. The HRA business model relies upon the surplus generated to fund the development of new council homes, including both general needs and sheltered accommodation.
21. The Council is currently working with its external consultants (Savills) to develop an updated 30 year business plan for the HRA. Whilst this work is ongoing, it is clear that the financial pressure faced by the HRA will have a significant impact on the delivery of new homes, particularly in the short to medium-term. In particular, it is anticipated that:-
 - The proposed redevelopment of sheltered accommodation units at Alexia House and Parkside will need to be delayed until 2024/25 at the earliest (although the Walden Place redevelopment can continue as planned).
 - The repayment of historic self-financing debt, previously budgeted at £2 million per year, will need to be paused until at least 2026/27.
22. In addition to the affordable housing redevelopment schemes highlighted above, current modelling assumes the provision of c. 957 new build general needs homes over the 30 year life of the HRA Business Plan (an average of 32 homes per year). This includes 54 properties currently at various stages of development – however after these the financial situation is likely to preclude any further new development in the short-term.
23. The above scenario assumes that the Council applies the maximum permitted rent increase of 7%. In the event that a lower increase is approved, this may necessitate further delays to the sheltered accommodation redevelopments and repayment of historic debt, and/or a reduction to the number of new homes which can be delivered. For example, it is estimated that each 1% reduction in rent income could mean the loss of c. 129 new homes over the life of the Business Plan.
24. This highlights the importance of the Council applying the maximum permitted rent increase of 7%, recognising the fact that this has already been capped at a level 3.1% below CPI, to support our tenants who are facing rising costs of living. The full 7% proposed increase is within the scope of Housing Benefit, for the approx.33% of council tenants who are in receipt thereof.

Garage Rents

25. The Council manages a total of 450 garages, of these 293 are rented by private residents. Garage rents are excluded from the government's new rent setting policy. It is proposed to increase the garage rents by CPI of 10.1% (as at September 2022). The current weekly rent is £11.53 and this will increase to £12.69 (excluding VAT) per week for 2023/24.

Garage rent: **£12.69 (exc. VAT) per week**

Service Charges

26. Service charges for HRA tenants are set with the objective of covering costs. As a result, the current high levels of inflation will result in significant increases to delivering additional services in 2023/24. Heating charges will be particularly affected by the rising cost of energy. Although the government has not yet announced the level of support it will provide for business energy costs in 2023/24, this is currently anticipated to be around half the level of support provided in the current year.
27. Whilst large increases are never welcome, it is important that these costs are passed on to the tenants who use the relevant services. To do otherwise would mean that one group of council tenants would end up subsidising another. There is no mechanism to recover any shortfall of income from council tenants in future years.
28. Service charges for lessees are legally required to be set to meet the cost of services provided. If the estimated charges do not meet the cost of services in a year then there is a retrospective ("actuals") charge in the following year to meet the difference.

Housing Related Support (HRS) charges and Intensive Housing Management (IHM) charges

29. It is proposed to continue to calculate the charges for the council's sheltered housing scheme management service, made up of Intensive Housing Management (IHM) and Housing Related Support (HRS), in line with estimated costs. Increases of 9.9% and 15.2% respectively are proposed and 2023/24 charges will be:

Intensive Housing Management (IHM): **£18.53 per week**

Housing Related Support (HRS): **£7.21 per week**

TOTAL CHARGE: £25.74 per week

It should be noted that IHM charges are covered by Housing Benefit whereas the HRS are not.

Heating, General Service, Water and Sewerage Charges

30. The Council manages leasehold and freehold properties where service and sewerage charges are payable and these will be calculated and charged in line with estimated costs. General needs and sheltered housing service, water

and sewerage charges are calculated on the same basis as leasehold/freehold properties. Heating charges will be calculated based on estimated costs.

31. There are a large number of individual charges. Averages are estimated as follows:

	No	Average 2022/23 £ per week	Average 2023/24 £ per week	Change %
General Service charge	244	2.76	3.29	19%
General Service – Sheltered	272	16.40	17.97	10%
General Service – Temporary Accommodation (GF & HRA)	16	22.46	24.73	10%
Water charges	215	2.29	3.47	52%
Sewerage charges	136	8.23	11.63	41%
Heating Charges	281	8.17	28.83	253%

Garden Welfare

32. The Council provides a gardening scheme for tenants who are unable to maintain their gardens because they have a physical or mental health disability or a long term illness.
33. For some tenants this may be a one-off clearance that then enables them to keep their garden tidy in the future, whilst others may need regular maintenance visits as well. Proposed fees for this service will continue to be subsidised and for 2023/24 an increase of 10% is proposed:

- I. One-off clearance: **£55.00 (exc VAT)**
- II. One-off large clearance : **£88.00 (exc VAT)**
(Substantial clearance where the majority of the garden is higher than 1 metre, this includes bramble, grass and weeds)
- III. Grass cutting: **£4.13 (exc VAT) per week**
(Throughout the growing season and up to two hedge cuts a year. This charge will not be covered by housing benefit and is payable throughout the year)

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Not implementing the government's policy in respect of rent increases	1 – the calculation of rents is always in line with government guidance	2 – would result in the council being penalised financially later	To include the proposed rental increase in the 2023/24 budget
Service and support charges are not passed on to the tenant	2 – all service and support charges are correctly accounted for and re-charged	3 - Financial risk to the HRA	Will need to look at further adjustments to the service

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.