

**Name of meeting:** Cabinet  
**Date:** 14<sup>th</sup> December 2021  
**Title of report:** Housing Revenue Account (HRA) rent and service charge setting report and key housing challenges

**Purpose of report:**

This report provides the financial context and basis for the annual setting of rents and service charges as well as for the HRA budget, which will be considered by cabinet on 18th January 2022.

This report is for a decision for the annual rent and service charge increases for 2022-23, which will form part of the budget proposals.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>YES</b> <b>If yes give the reason why</b>  Proposed total increase is in excess of £250k and affects all electoral wards
<b>Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u></b>	<b>Key Decision – Yes</b>  <b>Public Report - Yes</b>  <b>Private Report/Private Appendix – No</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>  <b>Is it also signed off by the Service Director for Finance?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	<b>David Shepherd: 6<sup>th</sup> December 2021</b>  <b>Eamonn Croston: 6<sup>th</sup> December 2021</b>  <b>Julie Muscroft: 6<sup>th</sup> December 2021</b>
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Give name of Portfolio Holder/s</b>  <b>Cllr Cathy Scott - Housing and Democracy</b>

**Electoral wards affected: All**

**Ward councillors consulted: No**

**Public report**

**Has GDPR been considered? Yes**

## **1. Summary**

- 1.1 Given the need to invest in Tenant Safety, High Rise remediation & regeneration, decarbonising the council's housing stock, embarking on a retrofit programme and building new council homes, the report is seeking Member approval for an average of £2.91 per week (4.1%, CPI + 1%) increase in dwelling rents in 2022/23 and for the proposed garage rents and other service charges an annual uplift of between 0.02p and 0.84p (4.1%) and Extra Care services - Intensive Housing Management a proposed annual increase of between 98p and £2.50 per week (4.1%) with the exception of Extra Care services - Night Time Security, which has a proposed annual increase of £1.19 per week (6.6%).
- 1.2 The report aims to provide context in terms of the key challenges for the Housing Revenue Account including the CPI + 1% rent increase.
- 1.3 The appendix to the report sets out the full schedule of proposed weekly dwelling rent, service and other charge increases to Council tenants for 2022/23, noting that these will be calculated on a basis that matches the billing period to the number of weeks in the year (i.e., 52 weeks for 2022/23) Appendix 1.

## **2. Information required to take a decision**

### **2.1 Background**

- 2.1.1 The Government has confirmed it has clear expectations of a revised national rent setting policy. The expectation is that following the 1% reduction in rents for 4-years from April 2016 to March 2020 (For Kirklees, cumulative £24.3m) Councils will increase rents by CPI + 1% from April 2020 for five years. The lost rental income from the 4-year reduction cannot be recouped fully during the lifetime of the HRA Business Plan but was partially recouped from the MTFP savings achieved.
- 2.1.2 The Government's Social Housing White Paper emphasis on tenant safety has resulted in a strengthened focus on investing in areas of compliance, especially in relation to fire regulations, but also asbestos, water hygiene, electrical testing, gas, and other safety related services. This has meant a tightening of regulations and new requirements in particular fire safety leading to a significant increase in expenditure for this workstream in the asset management strategy. This will provide reasonable assurance that tenants can remain safe in their own homes.
- 2.1.3 The White Paper also expects providers to strengthen the Tenant's Voice and that engagement mechanisms ensure their views are heard, influence decision making at the highest level and are acted upon. Homes and Neighbourhoods have recently carried out a stakeholder engagement exercise to obtain feedback about the current service and future expectations, in particular our tenants and leaseholders and the feedback is being used to shape service design.
- 2.1.4 In addition to the rent increase, the removal of the borrowing cap will provide for additional borrowing, so that resources can be directed to areas where statutory and regulatory requirements must be met, but also it will provide for additional investment into improving the quality and standard of existing Council homes and to invest in addressing the acute shortage of affordable housing by building and acquiring new council housing. In Kirklees around 200 properties per year are being sold through the Right to Buy. The Council is actively engaged in accessing Government funding and is committed to increasing the number of houses built and to improving their quality through using energy efficient materials and build methods with a commitment to be carbon neutral by 2030 and are embarking on a retrofit programme and ensuring we lever government funding through the

SHDF. This will increase the number of homes available to let and to buy, which will help to reduce homelessness and improve living conditions for existing and future tenants and residents.

## 2.2 Options

2.2.1 Rental Income will reflect the increase of CPI + 1% which will be applied for five years as per the Government announcement in October 2017. The table below summarises the effects of the increase for the HRA Business Plan. If the proposed increase was reduced by 0.5% to 3.6% (CPI + 0.5%) the impact would mean a reduction in income of £11m over the 30-year life of the plan.

Effect on the HRA business plan	Annual Income	incremental Increase in income	Annual Increase in income	Reserve bal (end 30 yrs) Min £15m	Loan bal at (end 30 yrs)	Additional income over 30 yrs	Impact on 30yr BP
	£000	£000	£000	£000	£000	£000	£000
CPI + 1% = 4.1%	84,894	376	3,080	27,216	212,797	90,094	-
CPI + 0.5% = 3.6%	84,518	375	2,704	27,209	223,761	79,130	10,964
CPI = 3.1%	84,143	2,329	2,329	27,202	234,725	68,166	21,928
No increase	81,814	-	-	27,159	302,891	-	90,094

## 2.3 Costs/comparisons

2.3.1 To put the reduction of £11m income into context, budgeted expenditure includes the following:

- Capital compliance budget for 2022-23 £8.7m
- Council House building for 2022-23 - 100 units £10.9m
- Council House building and Housing Growth for the next 5 years £93.5m
- Baseline capital plan including component replacements for 2022-23 £25m
- Additional resources for front line housing and compliance £1.9m
- Increased staffing costs and increased employers NI contributions 1.25%

2.3.2 The Intensive Housing Management service charge provides a manager presence in the extra care schemes and the provision of a housing related support service to tenants to help them maintain their tenancies. The cost of this service will increase due to increments paid to staff delivering these services and the increase in national insurance. Of the total cost of this service tenants pay for 80% and the charge is also eligible for housing benefit. An increase of 4.1% is proposed.

2.3.3 There are two service charges which are commissioned by the Council's Adult Social Care. Nighttime Security service charge provides a staff presence in the extra care schemes overnight and to respond to emergency calls made by tenants during the night. The charge that tenants pay for this service amounts to 50% of the total cost and the service charge is eligible for housing benefit. The total cost of this service needs to increase by more than an inflationary amount as costs are increasing due to an uplift to the National Living Wage and an increase in national insurance. An increase of £1.19 per week (6.6%) is proposed.

2.3.4 Gas and water are supplied to the Extra Care properties by the council and tenants are charged for the amount they consume. The tariffs applied to calculate tenants charges are based on those paid by the council under its bulk supply contracts and no management or

administration charge is included. The current tariffs charges were set a number of years ago although the council has entered into new bulk supply contracts subsequently. Information obtained by officers forecasts an increase in gas prices for 2022-23 of 55%. When added to an existing shortfall between the tenant gas tariff and the current council gas tariff; the overall increase could be in the region of 85%. No forecast information has been provided for water supply tariffs however there is a current shortfall between the tenant tariff and council tariff of 8%. Shortfalls between tenant tariffs and council tariffs have previously been minimal due to effective procurement of bulk supplies with shortfalls being absorbed by the HRA. Officers are recommending that tenant tariffs are increased in line with council tariffs from 1st April 2022 as it is not equitable to use the HRA to subsidise Extra Care tenant's outgoings on running their homes in the light of the difficulties in the energy market.

- 2.3.5 The impact of the COVID 19 pandemic meant that there were estimated losses more than £2m associated with the delivery of Housing and Property services, which were not recoverable, and the current economic recovery is seeing an increase in inflation affecting procurement of materials and increased staffing costs through the increase in national insurance contributions, the living wage and wage inflation more broadly.
- 2.4 The proposed changes to rent and service charges for 2022/23, as set out above, will be effective from 4th April 2022.
- 2.5 The HRA is a ring-fenced account and must live within its means. Its main income source is rents. Forecast income must be provided to:
- Service HRA Debt which stands at £163m
  - Improve the standard of the current stock over the longer term.
  - Provide a high-quality housing management and housing repair service.
  - To drive strategic investment in the council house building programme
- 2.6 Expected impact/outcomes, benefits & risks (how they will be managed)
- 2.6.1 The rent increase and wider key housing challenges set the broader financial context for the HRA budget discussions in January 2022.
- 2.6.2 The proposed CPI + 1% rent increase for 2022/23 will directly impact on around 30% of Council tenants not in receipt of housing benefit. Those in receipt of Universal Credit will see their housing cost element increase in line with the rent increase (once the claimant notifies DWP of the change).
- 2.6.3 As part of HRA self-financing settlement, central government's debt allocation to Kirklees was £216 million. This was based on a nationally modelled assumption that Kirklees HRA would have sufficient future rental income streams to be able to service this level of debt, provided it continued to uplift rents annually in line with national rent guidelines. The debt cap has now been removed but future rental income streams need to be sufficient to enable the Council to build up resources to be able to maintain and improve the standards of the existing housing stock over the longer term.
- 2.6.4 The new average weekly HRA dwellings rent for 2022/2023 is £74.09, based on a 52-week billing period and incorporating the CPI + 1% increase which still places Kirklees as a landlord charging the third lowest rent in the country as a whole. The following table summarises the actual proposed increases with the average increase being £2.91 per week. The increases range from £2.57 per week for a one-bedroom property to £3.63 per week for a four or above bedroom property.

2.6.5 The average difference between an increase of 4.1% (CPI + 1%) and an increase of 3.6% (CPI + 0.5%) is 0.35p per week, which is 0.31p for a one-bedroom property and 0.44p for a four or above bedroom property.

Average Weekly increases	1 Bed	2 Bed	3 Bed	4 Bed	Average
	£	£	£	£	£
Current	62.80	74.17	83.50	88.58	71.18
CPI - 3.1%	64.75	76.47	86.09	91.33	73.39
<b>Increase of</b>	<b>1.95</b>	<b>2.30</b>	<b>2.59</b>	<b>2.75</b>	<b>2.21</b>
CPI + 0.5% - 3.6%	65.06	76.84	86.51	91.77	73.74
<b>Increase of</b>	<b>2.26</b>	<b>2.67</b>	<b>3.01</b>	<b>3.19</b>	<b>2.56</b>
CPI = !% - 4.1%	65.37	77.21	86.92	92.21	74.09
<b>Increase of</b>	<b>2.57</b>	<b>3.04</b>	<b>3.42</b>	<b>3.63</b>	<b>2.91</b>

### 2.6.6 Comparative rent data

Comparative private rented property prices in Kirklees (data taken from Rightmove website 1<sup>st</sup> December 2021)

	1 bedroom	2 bedroom	3 bedroom	4 bedroom
Rent Per week	£100	£121	£137	£183

The LHA allowance is the amount at which benefits will be capped. There are two different local housing allowance areas in Kirklees:

- Kirklees (covers 96% of our area)
- Bradford and South Dales (covers parts of Birkenshaw and a small area around it)

Local Housing Allowance Rates from 1 April 2021 to 31 March 2022					
Area	1 bed shared	1 bed self-contained	2 bedroom	3 bedroom	4 bedroom
Kirklees	£56.50	£85.00	£103.56	£126.58	£162.25
Bradford and South Dales	£68.30	£80.55	£103.56	£120.82	£141.53

2.6.7 It is proposed that the annual increases to average weekly garage rent and other service charges for 2022/23, as attached at Appendix 1, continue to be increased in line with the same Consumer Price Index (CPI) figure (September snapshot) which for 2022/23 is between 0.02p and 0.84p (4.1%), calculated over a 52 week billing period. This is consistent with what most social landlords in the country are proposing.

2.6.8 It is proposed that charges for Extra Care Services – Intensive Housing Management are increased by 0.98p and £2.50 (4.1%) and Extra Care Services – Night Care Service by £1.19 per week (6.6%), this is because there is no local flexibility, as uplift rates are explicitly tied into the contract terms agreed to deliver the service.

## 3. Implications for the Council

3.1 Working with People by providing direct support to tenants

3.1.1 The rollout of Universal Credit (UC) started in June 2015 and is ongoing with 32% of tenants currently in receipt of UC, 38% partial or full Housing Benefit (HB) and 30% in

receipt of no benefits and so there will be two additional posts dedicated to supporting tenants transitioning from Housing Benefit to Universal Credit. As of 30th September 2021, there were 6238 tenants who were not in receipt of any benefits of which 4565 (73%) of those tenants are already on an arrangement to pay by Direct Debit. The Money Advice team will support these tenants to assess whether they will be eligible for any benefits and will support them to claim any entitlements and to put in place an arrangement to pay by Direct Debit. Contact details for support and an information leaflet will be sent out to all tenants with the statutory increase notice.

3.1.2 Tenants will have access to a Housing Support Fund where they may be able to access support for fuel poverty and gaps in benefit claims, where KC have been awarded funds of £3.7m. Some Tenants will have access to the Home Starter Fund for furniture provision, where assessments are made on specific need and there are also funds available for vulnerable renters, primarily for private renters, where KC have been awarded £212k.

### 3.2 Working with Partners

Homes and Neighbourhoods Income Management resources are being made available and targeted towards new and transitioning UC claimants to ensure that they receive the support that they need to successfully make the change and keep in control of their rent accounts. The waiting period is around 5 weeks before the first payment is received, although tenants can now claim an advance payment. There are significant strategic and operational challenges in dealing with the estimated total of 14,744 claimants in receipt of benefits in Kirklees Council tenancies and as UC continues to be rolled out in Kirklees, with increased risks associated with managing the HRA, cashflow and income collection rates. The Homes and Neighbourhoods Income Management team work with partners to oversee the delivery of a set of action plans designed to directly mitigate the impact of welfare reform changes such as UC on tenants through a dedicated debt advice team that adopts a restorative approach to debt management.

### 3.3 Place Based Working

Homes and Neighbourhoods have recently carried out a stakeholder engagement exercise. Suggestions from tenants were practical and covered a wide range of services. The analysis of the feedback from this engagement and satisfaction surveys tells us that our tenants want to live in high quality accommodation in communities that are clean and safe, and a lot of the conversations were around getting the basics right i.e., getting a repair done in a timely and respectful way and making improvements to communication. This feedback will be fed into future service improvements and the budget setting process, where additional resources are required to build capability alongside investing in new integrated systems to drive the services transition to working in a place based model that is agile and mobile.

### 3.4 Climate Change and Air Quality

3.4.1 We have an ambition to build to a low carbon standard using Modern Methods of Construction (MMC) and thereby achieve carbon zero for occupation, reducing reliance on electric powered heating to achieve carbon reductions significantly. Master planning will play a major part in establishing green space and natural habitat. The proposed regeneration of Berry Brow is however `out of town` so transport links are critically important to encourage the use of public transport and adoption of other modes of travel. The location of the site presents an opportunity to build a `green` development of which there are a number of examples regionally.

3.4.2 Traditional construction will generate around 60 tonnes of carbon per unit whereas a number of MMC systems have established zero carbon in manufacturing and assembly.

We will however generate carbon emissions in demolition, waste generation and site preparation and at this stage is difficult stage to determine actual impacts. We will however carefully design works to reduce embodied carbon where possible.

3.4.3 Fire Safety remediation programmes that affect the fabric of the building are designed to achieve compliance to Part L of the current Building Regulations therein achieve the best possible Value and thermal rating.

3.5 Improving outcomes for children

3.5.1 The current baseline capital plan is forecast to invest £105m over the next five years, which includes resources set aside for component replacements, estate improvements, compliance, fuel poverty and adaptations. Investing in our council properties will improve living conditions by provide a warm and safe home for our tenants to live in, which will improve outcomes for children.

3.5.2 The Money Advice team work closely with tenants to assess whether they are entitled to benefits and then support them to claim entitlements. This relieves poverty in the household and therefore supports children to have a better start in life, which improve outcomes.

3.6 Other (eg Legal/Financial or Human Resources)

3.6.1 A number of key policy announcements have been made following the enactment of the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016. The implications of the new legislation have been included within the 30-year financial modelling for the HRA and are summarised below in section 4. The budget proposals for 2022/23-2024/25 result from a review of the HRA with the key objective to deliver a balanced 30-year HRA business plan.

3.6.2 The approval of the above recommendations will ensure that a balanced HRA is achieved which means the Council is compliant with the Local Government and Housing Act 1989.

3.6.3 The Equality Act 2010 (Section 149) requires the Council to have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

3.6.4 It is believed that the proposals to change rents and other charges set out in this report will not have an unduly adverse impact on any persons in any of the nine protected characteristics namely, age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion, or belief, sex and sexual orientation. All tenants affected by any approved changes to rents and other charges will be notified of the specific changes to their charges and be provided with information and guidance on how to access information and guidance on housing and other benefits.

#### **4. Consultees and their opinions**

4.1 Awareness of the CPI + 1% rent increase has been communicated to Tenant and Resident Associations through a briefing note sent out on 15th November 2021 and discussed at the Tenant Advisory and Grants Panel on 24th November. TRA's were notified of the proposed changes and based on the information communicated to them as part of the proposed budget for 2022/23 we have not received any feedback opposing the rent

increase. The Tenant Advisory and Grants Panel felt that the proposed increase is excessive but recognised that an increase is required to fund the costs associated with compliance, new build, management and maintenance of properties and were willing to support an increase of 3.6% (CPI + 0.5%) if this was linked to targeted improvements. Individual tenants will be formally notified of the approved changes by letter and in accordance with the statutory 4-week notice period.

## **5. Next steps and timelines**

In order to comply with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA and the Welfare Reform and Work Act 2016 and the rent standard which requires registered providers to comply with specified rules about their levels of rent set under section 194(2A) of the Housing and Regeneration Act 2008; to implement the increase of CPI + 1% subject to Cabinet approval, Council officers will prepare for the implementation of rents and service charge changes from 4<sup>th</sup> April 2022 as set out in Appendix 1 and the issuing of prior notification letters to individual tenants in accordance with the statutory 4 week notice period.

## **6. Officer recommendations and reasons**

That Members, in order to comply with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA and the Welfare Reform and Work Act 2016 and the rent standard, increase the proposed rents by an average of £2.91 per week (4.1%) and service charges payable by between 0.02p and 0.84p per week (4.1%) for social housing from 4<sup>th</sup> April 2022, which are contained within this report.

That Members approve the charges for Extra Care Services – Intensive Housing Management increased by between 0.98p and £2.50 (4.1% - CPI + 1%) and Extra Care Services – Night Care Service increased by £1.19 per week (6.6%) in line with increases to the National Living Wage.

The approval of the above recommendations will ensure that a balanced HRA is achieved which means the Council is compliant with the Local Government and Housing Act 1989.

That Members note the national and local financial challenges outlined above in preparation for the HRA budget discussions in January 2022.

## **7. Cabinet Portfolio Holder's recommendations**

The Cabinet Portfolio Holder Councillor Cathy Scott recommends that:

- 7.1 Cabinet approve the proposed rent increase by an average of £2.91 per week (4.1%) and service charges payable by between 0.02p and 0.84p per week (4.1%) for social housing from 4<sup>th</sup> April 2022, which are contained within this report.
- 7.2 That Members approve the charges for Extra Care Services – Intensive Housing Management increased by between 0.98p and £2.50 (4.1% - CPI + 1%) and Extra Care Services – Night Care Service increased by £1.19 per week (6.6%) in line with increases to the National Living Wage.
- 7.3 That Members note the national and local financial challenges outlined above in preparation for the HRA budget discussions in January 2022.

## **8. Contact officer**

Jacqui Fieldhouse, Head of Finance, Homes and Neighbourhoods



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**9. Background Papers and History of Decisions**

Each year the rent increase proposals for the following financial year will be recommended to Cabinet for approval.

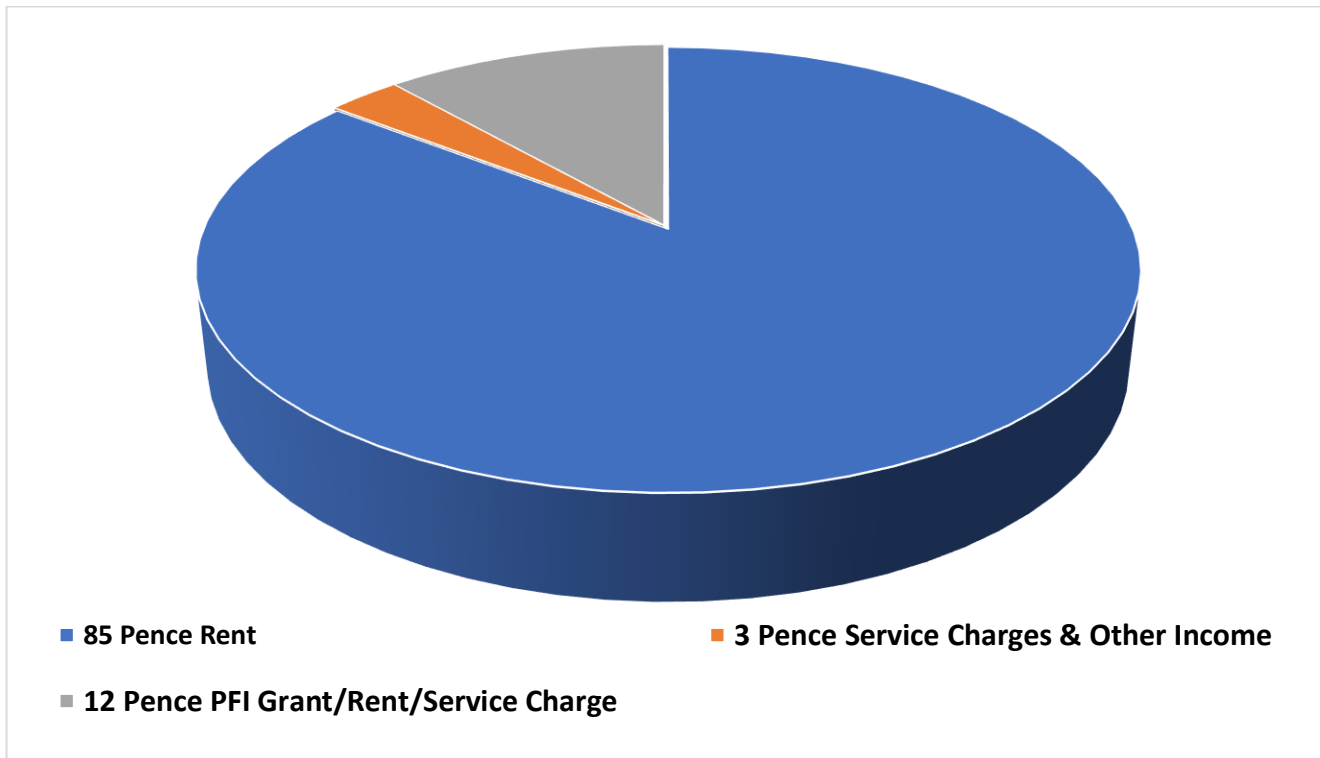
**10. Service Director responsible**

Naz Parkar, Director of Homes and Neighbourhoods

**Schedule of Weekly Rent and Service Charges for 2022/23**

	Schedule as at 5 April 2021 £		Schedule as at 4 April 2022 £		Increase %
<b>RENTS</b>					
Average Dwelling Rent	71.18		74.09		4.1
Split:					
Average 1 Bedroom Rent	62.80		65.37		4.1
Average 2 Bedroom Rent	74.17		77.21		4.1
Average 3 Bedroom Rent	83.50		86.92		4.1
Average 4 and Over Bedroom Rent	88.58		92.21		4.1
Garage Rents (Excl VAT)	5.33		5.55		4.1
<b>Housing Benefitable Service Charges</b>					
Concierge	2.26 to 14.71		2.35 to 15.31		4.1
Door Entry Systems	0.40		0.42		4.1
Communal Cleaning	0.91 to 7.06		0.95 to 7.35		4.1
Communal Cleaning (contract extension)	1.56		1.62		4.1
Window Cleaning	0.20 to 2.34		0.21 to 2.44		4.1
<b>Sheltered Housing:</b>					
Scheme Management	12.95		13.48		4.1
Scheme Coordinator	4.77		4.97		4.1
Furnishings	16.68, 17.77		17.36, 18.50		4.1
<b>PFI Service Charges</b>					
Communal Cleaning	10.00 to 13.61		10.41 to 14.17		4.1
Communal Utilities	2.05 to 10.90		2.13 to 11.35		4.1
External Lighting (General Needs Only)	1.60 to 2.38		1.67 to 2.48		4.1
Grounds Maintenance	2.69 to 6.99		2.80 to 7.28		4.1
Intensive Housing Management (Extra Care Only)	23.88 to 60.91		24.86 to 63.41		4.1
Management and Admin	1.21 to 1.22		1.26 to 1.27		4.1
Night Time Security (Extra Care Only)	18.03		19.22		6.6
Property Management (Extra Care Only)	20.37		21.21		4.1
R&M Com fac&ut cost	4.78 to 10.92		4.98 to 11.37		4.1
<b>Other Charges</b>					
Parking Spaces	4.59		4.78		4.1
Other Utilities charges	13.55, 18.93		14.11, 19.71		4.1
Older People Support	6.95, 19.53		6.95, 20.33		4.1
Council Tax	4.59, 7.20		4.73, 7.42		2.99
Gardening	3.06		3.19		4.1
<b>Sheltered heating :</b>					
Bedsit	9.63		10.02		4.1
1 bed	11.03		11.48		4.1
2 bed	12.37		12.88		4.1
3 bed	13.58		14.14		4.1

**HRA INCOME (Based on current 2021-22 budget)**



**HRA EXPENDITURE (Based on current 2021-22 budget)**

