



Name of meeting: Cabinet

Date: 21st December 2022

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 February 2022.

This report is for a decision for the annual rent and service charge increases for 2023-24, which will form part of the budget proposals.

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?	Yes If yes give the reason why Proposed total increase is in excess of £250k and affects all electoral wards
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?	Key Decision – Yes Private Report/Private Appendix – No
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name Is it also signed off by the Service Director for Finance? Is it also signed off by the Service Director for Legal Governance and Commissioning?	David Shepherd: 9th December 2022 Eamonn Croston: 9th December 2022 Julie Muscroft: 9th December 2022
Cabinet member portfolio	Give name of Portfolio Holder/s Cllr Cathy Scott - Housing and Democracy

Electoral wards affected: All

Ward councillors consulted: NO

Public or private: Public

Has GDPR been considered? Yes

1. Summary

- 1.1** The Council is acutely aware of the current cost of living and inflationary pressures and the affordability impact this is having for some tenants. However, the Council also needs to ensure that there are adequate resources to invest in council properties to keep tenants safe and ensure that they are living in properties that meet a decent home standard including energy efficiency to support tenants with the cost of living.
- 1.2** The annual proposed increase to social housing rents and service charges is usually based on the government formula of CPI + 1%, where the CPI rate is taken from September each year, but this year the rate of inflation at the end of September 2022 was 10.1% which would have meant a proposed increase of 11.1%. Following a government consultation about the increase a cap of 7% has been agreed and the Council needs to increase rents and service charges by this amount to continue to invest in tenants' homes. Alternative options of 5% and 6% were considered, but this left an unfunded capital shortfall across the 30-year business plan. The Council is also proposing a 7% increase for the extra care - Intensive Housing Management service and night-time security service charges.
- 1.3** Where new properties are being developed for rent there will be the consideration to charge an affordable rent, which is 80% of the market rental charge. This would be less than the agreed local housing allowance and supports the published rent standard

2. Information required to take a decision

- 2.1** Given the need to invest in Tenant Safety, High Rise remediation and regeneration, decarbonising the council's housing stock and building new council homes, there is a requirement to propose a rent and service charge increase of 7% for the financial year 2023-24. The report aims to provide context in terms of the key challenges for the Housing Revenue Account even with the proposed 7% rent increase. The appendix to the report sets out the full schedule of proposed weekly dwelling rent, service and other charge increases to Council tenants for 2023/24, 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 2023/24) Appendix 1.
- 2.2** The Council needs to deliver a balanced 30-year business plan. The HRA (Housing Revenue Account) business plan has been modelled based on a number of scenarios, ranging from a 3% increase to a 7% increase and all scenarios except for a 7% increase left an unfunded balance. The scenario modelled based on a 5% rent and service charge increase left an unfunded capital position of £59m. This is pending the outcome of the ongoing capital plan review, which is being carried out by ARK consultancy where the Council is anticipating that there will be additional costs for decarbonisation which will need to be provided for. The scenario modelled with a 7% rent and service charge increase currently breaks even and supports a minimum reserve balance of £15m each year, but prior to transfer this balancing figure was in the

region of £60m. A minimum reserve of £15m is considered prudent and provides for unexpected costs or economic shocks.

2.3 For 2023-24 the Council have budgeted to provide investment in the following areas:

- Planned Maintenance of £13.5m, which includes the cyclical replacement programme including kitchens and bathrooms including extractor fans, windows, and doors, rewires and any other capital related components.
- Building Safety of £5.5m, which includes capital works relating to fire, Asbestos, water hygiene and other related capital works
- Fuel Poverty of £2.4m, which is the resource to be used to match fund resources to bring council properties to an efficiency level of C or above.
- Adaptations of £3.8m, which relates to works required to adapt a property for tenants with additional needs, including handrails, ramps, and other adaptations.
- Strategic Priorities of £21m, which includes £4.3m relating to the high rise project (totaling £57m), £6m relating to council housing building where the Council need to invest in new properties to replace the 200 properties which are sold through right to buy each year, investment of £6m for the Ashbrow scheme, there is £4m to support the buyback of properties previously sold through the right to buy and resource for new systems which are required to improve the management, processing and reporting of information.

2.4 Where new properties are developed for rent, an affordable rent will be charged, which is 80% of the market rental charge and is inclusive of service charges. This is supported by the rent standard published by the regulator of social housing.

2.5 Most planned and responsive repair works are carried out by the council's in-house property team, and they have experienced inflationary increases for the cost of building materials in some cases more than 20%, and these materials must be procured in order to complete the works and deliver the service to tenants.

2.6 The Council has seen a sharp increase in energy prices, where for 2022-23 forecasts have increased by 415% for gas and 115% for electricity and there are inflationary increases for other utility charges. A budget for fuel poverty of at least £1.8m has been provided, matching funding resources accessed through West Yorkshire Combined Authority where the green doctor is used to provide energy advice. The Council is aiming to increase the efficiency rating of properties to C or above, which will include carrying out, this year around 3500 surveys with follow up works.

2.7 There has also been a pay award for 2022-23 for all public sector employees of £1,925, which for Homes and Neighbourhoods equates to an average increase of 6.45% for payroll costs.

- 2.8 The Council is implementing a new housing management system (CX) which includes an integrated customer contact/relationship module. This will support the ongoing transformation work, which includes end to end process reviews, a focus on compliance, statutory, legislative, and regulatory and a culture review. This will be supported by better insight/data provided by more efficient systems and processes.
- 2.9 The proposed increase will mean an average increase across all tenancies of £5.19 per week, which will be an average increase of £4.58 per week for a one-bedroom property, £5.40 per week for a two-bed property, £6.08 per week for a three-bedroom property and £6.45 per week for a four-bedroom property.
- 2.10 There are 71% of council tenants that are currently in receipt of some benefit either Universal Credit or Housing Benefit and so the Council needs to ensure that they consider the impact of the proposed increase for the 29% of tenants who are not in receipt of any benefits. The council have a dedicated Income Management and Money Advice Team who will work with these tenants to support them with completing claims for benefits and signposting them to other agencies. Tenants can also access Kirklees corporate support Local Welfare Provision | Kirklees Council
- 2.11 There are 42% of tenants that are currently reported as having some arrears of which 25% are in receipt of Universal Credit and so it cannot be guaranteed that payments will be made because the benefit goes direct to the tenant, although claims to have the benefits paid direct can be made if the tenant is reported to have more than eight weeks arrears. There are 46.1% of tenants who pay by direct debit and 53.9% who pay by alternative methods of payment and so tenants are encouraged to sign up for direct debit arrangements.
- 2.12 The Council is working across services to achieve efficiencies to address the cost-of-living inflationary increases and have agreed savings for 2022-23. These anticipated savings are being closely monitored and included in monthly monitoring forecasts to ensure there is budgetary control and accountability.
- 2.13 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. Of the total cost of this service tenants pay for 80% and the charge is also eligible for housing benefit. An increase of 7% is proposed.
- 2.14 There are two service charges which are commissioned by the Council's Adult Social Care. The Night-time 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 will increase due to an uplift to the National Living Wage. An increase of 7% is proposed.

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 35% of tenants currently in receipt of UC, 36% partial or full Housing Benefit (HB) and 29% in receipt of no benefits and so there are dedicated staff to supporting tenants transitioning from Housing Benefit to Universal Credit. As of 30th September 2022, there were 5943 tenants who were not in receipt of any benefits of which 4470 (75%) of those tenants who 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, will support them to claim any entitlements and to put in place an arrangement to pay by Direct Debit. Contact details for support and additional information 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. Assessments are made on specific need.

3.2 Working with Partners

- 3.2.1 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 14,782 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 teamwork 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

- 3.3.1 Engagement proposals are informed by intelligence and evidence gathered from previous successful place-based engagement programmes delivered by Homes and Neighbourhoods and other partner services. This includes consultation at the high-rise blocks at Berry Brow and Harold Wilson Court in 2021 to inform full regeneration and fire safety improvement programmes, working with ward members and tailored to the needs of Kirklees as a place and the individual needs of its distinct communities.

3.4 Climate Change and Air Quality

- 3.4.1 If schemes such as Sycamore Grange are redeveloped, this would see the removal of an existing building heated by fossil fuelled gas boilers built to the building standards and requirements of the early 1970s. In removing the

existing and outdated building, and combining new heat and power technologies, any future scheme is likely to lead to a net reduction in carbon emissions over its lifetime.

3.5 Improving outcomes for children

3.5.1 The current baseline capital plan is forecast to invest £164m over the next five years, which includes resources set aside for component replacements, estate improvements, compliance, fuel poverty and adaptations. Investing in council properties will improve living conditions by providing a warm and safe home for 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 Financial Implications for the people living or working in Kirklees

3.6.1 People living or working in Kirklees will have access to the Kirklees local welfare provision: [Local Welfare Provision | Kirklees Council](#)

3.7 Other (e.g., Integrated Impact Assessment (IIA)/Legal/Financial or Human Resources) Consultees and their opinions

3.7.1 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 2023/24-2025/26 result from a review of the HRA with the key objective to deliver a balanced 30-year HRA business plan.

3.7.2 The approval of the above recommendations will ensure that a balanced HRA is achieved, which means the Council is compliant with section 76 of the Local Government and Housing Act 1989. Section 24 of the Housing Act 1985 allows the council as a registered provider the discretion to set its own rents but the charges must be reasonable and are subject to legislative rent caps imposed by the government.

3.7.3 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.

3.7.4 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.

- 3.7.5 Consultation has been carried out with the Homes and Neighbourhoods' Tenant and Grants Panel, who supported the proposed increase based on the need for continued investment into council properties. They also requested that direct contact details to access support and a summary breakdown of budget expenditure be included with the rent increase notifications. The proposal was also reported to the Housing Advisory Board, who supported the proposal based on the need for further investment into council properties.

4. Next steps and timelines

- 4.1 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 7% subject to Cabinet approval, Council officers will prepare for the implementation of rents and service charge changes from 3rd April 2023 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

5. Officer recommendations and reasons

- 5.1 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 £5.19 per week (7%) and service charges payable by between 0.03p and £1.30 per week (7%) for social housing from 3rd April 2023, which are contained within this report.
- 5.2 That Members approve the charges for Extra Care Services – Intensive Housing Management to increase by between £1.07 and £4.44 (7%) and Extra Care Services – Night Care Service to increase by £1.35 per week (7%) due to increases to the National Living Wage.
- 5.3 That Members note the national and local financial challenges outlined above in preparation for the HRA budget discussions in January 2023.

6 Cabinet Portfolio Holder's recommendations

The Cabinet Portfolio Holder Councillor Cathy Scott agrees with the officer recommendations at 5.1, 5.2 and 5.3 of this report.

7 Contact officer

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8 Background Papers and History of Decisions

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

9 Service Director responsible

Naz Parkar, Director of Homes and Neighbourhoods.

Appendix 1

	Schedule as at 4th April 2022 £		Schedule as at 3rd April 2023 £		Increase %
RENTS					
Average Dwelling Rent	74.09		79.28		7.0
Split:					
Average 1 Bedroom Rent	65.37		69.95		7.0
Average 2 Bedroom Rent	77.21		82.61		7.0
Average 3 Bedroom Rent	86.92		93.00		7.0
Average 4 and Over Bedroom Rent	92.21		98.66		7.0
Garage Rents (Excl VAT)	5.55		5.94		7.0
51					
Housing Benefitable Service Charges					
Concierge	2.35 to 15.31		2.51 to 16.38		7.0
Door Entry Systems	0.42		0.45		7.0
Communal Cleaning	0.95 to 7.35		1.02 to 7.86		7.0
Communal Cleaning (contract extension)	1.62		1.73		7.0
Window Cleaning	0.21 to 2.44		0.22 to 2.61		7.0
Sheltered Housing:					
Scheme Management	13.48		14.42		7.0
Scheme Coordinator	4.97		5.32		7.0
Furnishings	17.36, 18.50		18.58, 19.80		7.0
PFI Service Charges					
Communal Cleaning	10.41 to 14.17		11.14 to 15.16		7.0
Communal Utilities	2.13 to 11.35		2.28 to 12.14		7.0
External Lighting (General Needs Only)	1.67 to 2.48		1.79 to 2.65		7.0
Grounds Maintenance	2.80 to 7.28		3.00 to 7.79		7.0
Intensive Housing Management (Extra Care Only)	24.86 to 63.41		26.60 to 67.85		7.0
Management and Admin	1.26 to 1.27		1.35 to 1.36		7.0
Night Time Security (Extra Care Only)	19.22		20.57		7.0
Property Management (Extra Care Only)	21.21		22.69		7.0
R&M Com fac&ut cost	4.98 to 11.37		5.33 to 12.17		7.0
Other Charges					
Parking Spaces	4.78		5.11		7.0
Other Utilities charges	14.11, 19.71		15.10, 21.09		7.0
Older People Support	6.95, 20.33		6.95, 21.75		7.0
Council Tax	4.73, 7.42		5.06, 7.94		7.0 tbc
Gardening	3.19		3.41		7.0
Sheltered heating :					
Bedsit	10.02		10.72		7.0
1 bed	11.48		12.28		7.0
2 bed	12.88		13.78		7.0
3 bed	14.14		15.13		7.0