



Name of meeting: Cabinet

Date: 12th December 2023

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 in December, and by Council in March 2024 for approval.

This report is for a decision for the annual rent and service charge increases for 2024-25, which will form part of the budget proposals.

Key Decision - Is it likely to result in spending or saving £500k or more, or to have a significant effect on two or more electoral wards?	Yes Proposed total increase is in excess of £500k 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: 25 October 2023 Isabel Brittain: 27 November 2023 Julie Muscroft: 1 December 2023
Cabinet member portfolio	Cllr Moses Crook Housing and Highways

Electoral wards affected: All

Ward councillors consulted: No

Public or private: Public

Has GDPR been considered? Yes

1. Summary

- 1.1 This report sets out the approach to the annual rent and service charge increase for council tenants for the 2024/25 financial year. The Housing Revenue Account is a ring-fenced account set up to account for the income and expenditure on council housing services, separate to the General Fund. It is the responsibility of all councils with an HRA to ensure it sets a balanced budget and make provision for 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 based on the government formula of CPI + 1% for five years from April 2020 to March 2025, where the CPI rate is taken from September each year. This year the rate of inflation at the end of September 2023 was 6.7% which means a proposed increase of 7.7%. For increases for the previous year from 1st April 2023, following consultation with the sector and due to high inflation, the government agreed a one-year ceiling of 7%. We have not been notified of any proposed ceiling being agreed for 2024-25 and so we are proposing the 7.7% increase. If however, a ceiling was agreed for all registered providers, we would have to respond accordingly. The Council needs to increase rents and service charges by this amount to continue to invest in tenants' homes. The Council is also proposing a 7.7% increase for the extra care - Intensive Housing Management service and night-time security service charges.
- 1.3 Following a government consultation, rent increases for 2023-24 were capped at 7% instead of the agreed formula of CPI + 1% which would have meant an increase of 11.1%. This meant a reduction in income for 2023-24 of £3.3m and a cumulative reduction over the 30-year business plan of £130m. This means that in order to continue to invest and deliver the same level of service an additional £197m of borrowing is required. This has a direct impact on revenue budgets as the increased interest payable has to be provided for.
- 1.4 The average weekly social rent for Kirklees for 2022-23 was £74.09 which compares to an average rent across the country of £93.10 and for Yorkshire and Humberside of £78.43 (Local Authority registered provider social housing stock and rents in England – 2022-23). The Yorkshire and Humberside region reports the lowest average social rent across the country. The average weekly social rent being proposed for 2024-25 is £85.30.
- 1.5 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, meeting the Decent Homes Standard, decarbonising the council's housing stock and building new council homes, there is a requirement to propose a rent and service charge increase of 7.7% for the financial year 2024-25. The report aims to provide context in terms of the key challenges for the Housing Revenue Account even with the proposed 7.7% 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 2024/25, noting that these will be calculated on a basis that matches the billing period to the number of weeks in the year (i.e., 53 weeks for 2024/25) 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 and an increase of 7.7% is required to be able to fund all its commitments in the capital plan and support a minimum reserve balance of £15m. A minimum reserve of £15m is considered prudent and provides for unexpected costs or economic shocks.
- 2.3 Following the outcome of the capital review carried out by ARK consultancy, a backlog of works has been identified that will be required to make council homes decent and the current capital plan is forecast to invest £278m over the next five years. The proposed budgets for 2024-25 are as follow:

For the baseline capital budget there is £35.5m made up as follows:

- Planned Maintenance of £18.3m, which includes the cyclical replacement programme including kitchens and bathrooms including extractor fans, windows, and doors, rewires and any other capital related components and estate improvements.
- Building Safety of £11.7m, which includes capital works relating to fire, Asbestos, water hygiene and refurbishment of six storey blocks, low rise blocks and retirement living schemes.
- Decarbonisation of £1.8m, which is the resource to be used to match fund resources to bring council properties to an efficiency level of C or above.

For adaptations there is a budget of £3.7m, which relates to works needed to adapt a property for tenants with additional needs, including handrails, ramps, and other adaptations.

For Strategic Priorities there is a budget of £20.4m which is made up as follows:

- Council Housing Building and Housing Growth of £11.9m, which relates to existing committed schemes on site and in development and buybacks, where we are buying back properties previously sold through the right to buy scheme.

- New build extra care scheme, Ashview of £3.4m, which is a development of fifty units.
- Remodeling high rise project of £4.3m (total £57m), which includes works and related costs to Buxton House, Harold Wilson Court, and Berry Brow
- IT system replacement of £0.8m

For responsive works there is a budget of £30m which includes responsive repairs, cyclical works, and servicing.

- 2.4 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 to complete the works and deliver the service to tenants.
- 2.5 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.
- 2.6 A budget for fuel poverty of £1.8m has been provided, matching funding resources accessed through West Yorkshire Combined Authority. We plan to complete 200 EPCs for Fuel Poverty this year with a further 2500 for 2024-25 with the aim to increase the efficiency rating of properties to C or above.
- 2.7 There has been a proposed pay award for 2023-24 for all public sector employees of £1,925, which for Homes & Neighbourhoods equates to an average increase of just over 6% 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 relating to the customer journey, where a number of reviews have been carried out with 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 £6.10 per week, which will be an average increase of £5.36 per week for a one-bedroom property, £6.36 per week for a two-bed property, £7.16 per week for a three-bedroom property and £7.57 per week for a four-bedroom property.
- 2.10 There are 66% 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 34% 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 40% of tenants that are currently reported as having some arrears of which 62% 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 to us can be made if the tenant is reported to have more than eight weeks arrears. There are 41% of tenants who pay by direct debit and 59% 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 2023-24 and 2024-25. 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 7.7% 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 7.7% is proposed.
- 2.15 Proposed savings of £2.995m have been agreed for 2024-25, which includes 5% management cost savings, which will be achieved through efficiencies and better ways of working, a reduction in the time it takes to repair and relet a property, which will reduce the rent lost and through recovery of service charge income, where the council provide a service which is not currently charged for.

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 39% of tenants currently in receipt of UC, 33% partial or full Housing Benefit (HB) and 28% 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 2023, there were 5719 tenants who were not in receipt of any benefits of which 4497 (79%) 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 & 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 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 & 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

3.3.1 Engagement proposals are informed by intelligence and evidence gathered from previous successful place-based engagement programmes delivered by Homes & 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 £256m 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 2024/25 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 & Neighbourhoods' Tenants Voice Panel, who supported the proposed increase based on the need for continued investment into council properties. From a previous recommendation from the Tenant Advisory & Grants Panel, direct contact details to access support and a summary breakdown of budget expenditure will be included with the rent increase notifications. The proposal was also reported to Growth and Regeneration SLT, Executive Leadership Team, Housing Portfolio Holder, Executive Board and H&N Improvement Board, where members proposed that right sizing work is carried out to ensure that tenants living in properties sized appropriate to need.

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 7.7% subject to Cabinet approval, Council officers will prepare for the implementation of rents and service charge changes from 1st April 2024 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 £6.10 per week (7.7%) and service charges payable by between 0.08p and £1.52 per week (7.7%) for social housing from 1st April 2024, which are contained within this report.
- 5.2 That Members approve the charges for Extra Care Services – Intensive Housing Management to increase by between £2.05 and £5.22 (7.7%) and Extra Care Services – Night Care Service to increase by £1.58 per week (7.7%).
- 5.3 That Members note the national and local financial challenges outlined above in preparation for the HRA budget discussions in January 2024.

6 Cabinet Portfolio Holder's recommendations

- 6.1 The Cabinet Portfolio Holder Cllr Moses Crook agrees with the officer recommendations at 5.1, 5.2 and 5.3 of this report.

7 Background Papers and History of Decisions

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

8 Contact officer

Jacqui Fieldhouse, Head of Finance – Homes & Neighbourhoods
Tel: 01484 221000 ext 79267
Mobile: 07795 080474
Email: jacqui.fieldhouse@kirklees.com

9 Service Director responsible

Naz Parkar for Homes & Neighbourhoods
Tel: 01484 221000 ext 75312
Email: naz.parkar@kirklees.gov.uk

Appendix 1

Schedule of Weekly Rent and Service Charges for 2024/25

	Schedule as at 3 April 2023 £	Schedule as at 1 April 2024 £	Increase %
RENTS			
Average Dwelling Rent	79.20	85.30	7.7
Split:			
Average 1 Bedroom Rent	69.97	75.33	7.7
Average 2 Bedroom Rent	82.58	88.94	7.7
Average 3 Bedroom Rent	93.03	100.19	7.7
Average 4 and Over Bedroom Rent	98.30	105.87	7.7
Garage Rents (Excl VAT)	5.94	6.40	7.7
51			
Housing Benefitable Service Charges			
Concierge	2.51 to 16.38	2.70 to 17.64	7.7
Door Entry Systems	0.45	0.48	7.7
Communal Cleaning	1.02 to 7.86	1.10 to 8.47	7.7
Communal Cleaning (contract extension)	1.73	1.86	7.7
Window Cleaning	0.22 to 2.61	0.24 to 2.81	7.7
<u>Sheltered Housing:</u>			
Scheme Management	14.42	15.53	7.7
Scheme Coordinator	5.32	5.73	7.7
Furnishings	18.58, 19.80	20.01, 21.32	7.7
PFI Service Charges			
Communal Cleaning	11.14 to 15.16	12.00 to 16.33	7.7
Communal Utilities	2.28 to 12.14	2.46 to 13.07	7.7
External Lighting (General Needs Only)	1.79 to 2.65	1.93 to 2.85	7.7
Grounds Maintenance	3.00 to 7.79	3.23 to 8.39	7.7
Intensive Housing Management (Extra Care Only)	26.60 to 67.85	28.65 to 73.07	7.7
Management and Admin	1.35 to 1.36	1.45 to 1.46	7.7
Night Time Security (Extra Care Only)	20.57	22.15	7.7 tbc
Property Management (Extra Care Only)	22.69	24.44	7.7
R&M Com fac&ut cost	5.33 to 12.17	5.74 to 13.11	7.7
Other Charges			
Parking Spaces	5.11	5.50	7.7
Other Utilities charges	15.10, 21.09	16.26, 22.71	7.7
Older People Support	6.95, 21.75	6.95, 23.42	7.7
Council Tax	5.06, 7.94	5.45, 8.55	7.7 tbc
Gardening	3.41	3.67	7.7
Sheltered heating :			
Bedsit	10.72	11.55	7.7
1 bed	12.28	13.23	7.7
2 bed	13.78	14.84	7.7
3 bed	15.13	16.30	7.7