

Committee Name and Date of Committee Meeting

Cabinet – 22 January 2024

Report Title

HRA Business Plan, Rent Setting and Service Charges 2024-25

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the report

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Report Author(s)

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Ward(s) Affected

Borough-Wide – all wards

Report Summary

The Housing Revenue Account (HRA) records all expenditure and income relating to the provision of Council housing and related services, and the Council is required to produce an HRA Business Plan setting out its investment priorities over a 30-year period. Following the introduction of HRA self-financing in 2012, the Council was awarded control over its HRA in return for taking on a proportion of national housing debt.

The proposed 2024/25 HRA Business Plan makes funding provision of £126m for hundreds more Council homes by 2026 and commits £856m to investment in the housing stock, alongside day-to-day housing management and repairs and maintenance costs. Over the short to medium term forecast, the Business Plan is operating at or around the minimum balance, with a small surplus of £9.432m by Year 30 of the Business Plan period. However, it is likely that investment in decency and energy efficiency will need to increase over the coming years: the Business Plan makes provision for enhanced stock condition surveys which will support future investment decisions.

Alongside providing the draft HRA budget for 2024/25, the report recommends proposed increases in housing rents, non-dwelling rents, District Heating charges and other service charges. It is recommended that Council dwelling rents are increased by 7.7%.

Recommendations

That Cabinet recommends to Council to: -

1. Approve the proposed 2024-25 Base Case Option C for the HRA Business Plan.
2. Note that the Business Plan will be reviewed annually to provide an updated financial position.
3. Agree that Council dwelling rents are increased by 7.7% in 2024/25 (Option 3).
4. Agree that the Council should retain the policy of realigning rents on properties at below formula rent to the formula rent level when the property is re-let to a new tenant.
5. Agree that shared ownership rents are increased by 9.4% in 2024/25.
6. Agree that charges for garages and parking spaces, communal facilities, cooking gas and use of laundry facilities are increased by 6% in 2024/25.
7. Agree that the District Heating unit charge per Kwh is set at 15.27 pence per kwh, a decrease of 4.2% (0.67 pence per khw).
8. Agrees that the decision to reduce the price of District Heating Charges further during 2024-25 be delegated to the Assistant Director of Housing in conjunction with the Assistant Director of Financial Services following consultation with the Cabinet Member for Housing. The delegation would only be used to respond to a change in Government policy or a significant change in the Ofgem price cap that has the effect of necessitating a lower unit price.
9. Approve the draft Housing Revenue Account budget for 2024/25 as shown in Appendix 6.

List of Appendices Included

- Appendix 1 HRA Operating Statement
- Appendix 2 Rent payable by number of bedrooms
- Appendix 3 HRA Business Planning assumptions
- Appendix 4 Summary of Modelled Business Plan Scenarios
- Appendix 5 Non-dwelling rent, service charges and Furnished Homes charges 2024/25
- Appendix 6 Housing Revenue Account Budget 2024/25
- Appendix 7 Affordability Analysis
- Appendix 8 Equalities Assessment
- Appendix 9 Carbon Impact Assessment

Background Papers

HRA Business Plan 2024/25

Rent Setting and Service Charges 2024/25

DCLG Guidance on Rents for Social Housing
Annual Housing Development Report to Cabinet

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Council Approval Required

Yes

Exempt from the Press and Public

No

HRA Business Plan 2024/25

1. Background

- 1.1 This report sets out the proposals for the HRA Business Plan alongside proposed rents, service charges and fees for 2024/25 and presents the draft HRA budget for 2024/25. The HRA is a self-financing, ring-fenced account which retains and uses housing rental income to fund landlord services, deliver the capital programme and invest in new housing.
- 1.2 As in previous years, the HRA Business Plan seeks to drive housing growth to assist in meeting the Council's housing objectives, which includes delivering hundreds of new Council homes by 2026. The overall approach is to ensure Council homes are safe, good quality and well-managed, while protecting surpluses as far as possible so these can be invested in new affordable housing, and to ensure the HRA is well-placed to respond to ongoing inflationary and future cost pressures as they arise.
- 1.3 The HRA Business Plan is updated annually to ensure it reflects the current operating environment. This year's Business Plan prioritises investment in the following areas:
- Continued delivery of housing growth
 - Safety and quality of the housing stock, including damp and mould
 - Preparation for proactive consumer regulation from April 2024
 - Meeting statutory minimum energy performance standards in the housing stock by 2030
 - Refreshing the Council's stock condition data by 2026.
- 1.4 The overall position remains challenging. Substantial inflationary pressures are evident in some costs increasing by more than 15% over the last two years, pressures felt most acutely in the Housing Delivery Programme. The Government's decision to limit rent increases in 2022/23, led to a permanent reduction of financial capacity within the Business Plan. It is likely that investment in the quality and energy efficiency of the council stock will need to increase over the coming years, putting further strain on the Business Plan. At the same time, the Council wishes to support tenants to manage their finances during a cost-of-living crisis, recognising that housing costs are often the largest single financial outgoing residents face.
- 1.5 Set against these challenges, day to day financial performance remains strong in key areas of the business, resulting in high income collection rates and value for money services for Council tenants. This allows the Council to invest HRA resources in housing growth so that more residents can enjoy the benefits of a well-managed, affordable, good quality home.
- 1.6 The policy of Right to Buy means there is the potential for HRA income to drop while the housing debt position remains static. This means Housing Services must continue to become more efficient and the Council should aim that new build housing schemes break even over the long term. This will

ensure there are sufficient resources to service the debt to ensure long term viability of the Business Plan.

- 1.7 The Government's rent setting policy allows social housing providers to increase rents by Consumer Price Inflation (CPI) plus 1%, i.e. 7.7% in 2024-25. Around two thirds of tenants in Rotherham are in receipt of Housing Benefit or Universal Credit which wholly or partially covers their rent. Given the rate of inflation in 2023-24, a one-off rent cap was introduced for one year and was set at 7%, which the Council followed.

2. Key Issues

- 2.1 As at 31 March 2023 the Council owned 19,963 homes, 614 leasehold homes, 108 shared ownership homes and 3,406 garages with a turnover from rents and other sources approaching £96.7m per annum (excluding the sale of new properties).

- 2.2 The overall financial strategy for the proposed HRA Business Plan is focused on:

- Supporting more new affordable housing – £126m investment concentrated in 2024-2026 including expected grant income, Right to Buy receipts and commuted sums, subject to Cabinet approval of the Housing Development Programme.
- Ensuring rent-setting policy supports a sustainable Business Plan while taking into account cost of living pressures.
- Keeping tenants safe and well-housed through robust management of landlord compliance duties including damp and mould, maintaining the Decent Homes standard and achieving EPC by 2030.

- 2.3 Notable investments contained within the proposed 2024-25 Business Plan include increasing to c£111m the funding allocated to capital investment in the housing stock over the life of the Plan. Additional investments are proposed to ensure the Housing Service is well-placed to respond to the introduction of proactive consumer regulation in April 2024, and stock condition surveys to build the evidence base to support a thorough review of capital investment priorities.

- 2.4 A full review of the HRA Business Plan is proposed to take place in 2024-25. This will include reviewing the capital programme, debt management strategy, reserves position and underlying assumptions.

2.5 Housing Rents and Service Charges

- 2.5.1 There are three rent types within the HRA – Social Rent, Affordable Rent and Shared Ownership Rent.

2.6 Social Rent

- 2.6.1 The amount the Council can increase rents by is governed by the Rent Standard which is published by Government to ensure all social housing is

affordable and follows the same rules and regulations. This formula allows social housing rent to be increased by a maximum of CPI (6.7% as at September 2023) plus 1% each year until 2024-25. Three options for rent increases in 2024/25 have been considered and are set out from paragraph 2.10.

2.7 Affordable Rent

2.7.1 Where the Council has been successful in securing grant income from Homes England to deliver Affordable Rent properties, the new properties will be managed in line with existing policies, for example mutual exchange, succession, subletting etc. The key difference for grant funded properties, compared to Social Rent properties, is the method of managing the rent values which is prescribed by the Government. These are contained within the Capital Funding Guide for Homes England grant and the Rent Standard.

2.7.2 The Council is required to rebase (revalue) the Affordable Rent value on each occasion that a new Affordable Rent tenancy is issued (or renewed) for a particular property; and ensure that the rent remains at no more than 80% of gross market rent (inclusive of service charges) as of the date the property is re-let.

2.7.3 All Affordable Rent properties are revalued in October and March each year to provide a valid rent value for when Affordable Rent properties are re-let. The rebased Affordable Rent will only apply to new tenants or tenancies.

2.7.4 The actual rents for existing tenants in Affordable Rent properties will only be adjusted in April each year as per the existing annual rent and charges review process.

2.8 Shared Ownership Rent

2.8.1 The Council is the landlord for 108 Shared Ownership properties. Rent increases for shared ownership properties are subject to a different formula than Social Rents or Affordable Rents. The formula is Retail Price Index (RPI) (as at September 2023 = 8.9%) plus 0.5%, an increase of 9.4%. Applying this formula means rents would increase on average by £20.79 per month from £221.18 to £241.97. This is the recommended approach for Shared Ownership rents.

2.9 Housing rent options and the impact on the HRA Business Plan

2.9.1 Three rent increase options have been modelled for business planning purposes and are detailed below. A 6% increase in service charges is assumed. For the purposes of comparison, the proposed capital investments outlined in this report are consistent across all rent setting options.

2.9.2 An overview of the Business Plan's underlying assumptions including total investment in repairs and maintenance, capital investment and supervision and management detailed later in this report and at Appendix 3.

2.10 **Option 1 - 5% rent increase (CPI minus 1.7%)**

- 2.10.1 This option would result in an average rent increase of £4.25 per week from £84.98 to £89.23 per week. A summary of average rent payable by number of bedrooms is attached at Appendix 2.
- 2.10.2 The average Affordable Rent in 2023/24 is £109.32 when aggregated over 52 weeks. The 2024/25 average weekly rent based on an increase of 5% would be £114.78, an average increase of £5.47 per week.
- 2.10.3 This option would generate £4.43m additional income in 2024/25 when compared to 2023/24. This is equivalent to the funding required for 630 new kitchens or 800 new heating systems each year.
- 2.10.4 This option would not cover the inflationary increase in HRA costs expected in 2024/25.
- 2.10.5 Savings of £67.1m would be required over the life of the Business Plan. This includes a £2.7m saving from Year 3 (2026/27) and then an average saving of £2.4m every year for rest of the Plan period. This scale of savings would require a significant reduction in operating costs and smaller capital programme, which would mean revisiting service standards and putting at risk achievement of minimum decency and environmental efficiency standards.
- 2.10.6 This option would result in a reduction in the scale of the housing delivery programme alongside a reduction in the specification and space standards of the Council's new build properties.

2.11 **Option 2 – 6.7% rent increase (CPI)**

- 2.11.1 This option would result in an average rent increase of £5.69 per week from £84.98 to £90.67 per week. A summary of average rent payable by number of bedrooms is attached at Appendix 2.
- 2.11.2 The average Affordable Rent in 2023/24 is £109.32 when aggregated over 52 weeks. The 2024/25 average weekly rent based on an increase of 6.7% would be £116.64, an average increase of £7.32 per week.
- 2.11.3 This would generate £5.9m additional income in 2024/25 when compared to 2023/24 and £3.6bn income over the life of the plan. This is equivalent to 850 new kitchens or 1080 heating systems per year.
- 2.11.4 This option would not cover the inflationary increase in HRA costs for 2024/25.
- 2.11.5 To balance the Business Plan, savings of £45.4m would be required including a £2.3m saving in year 4 (2027/28) of the Plan which would mean a reduction in the capital programme that year. Savings from year 9 (2032/33) would need to be managed through a combination of lower repairs and maintenance or supervision and management costs, and / or a reduced capital programme.

2.12 **Option 3 – 7.7% rent increase (CPI plus 1%) – recommended**

- 2.12.1 This option would result in an average rent increase of £6.54 per week from £84.98 to £91.52 per week. A summary of average rent payable by number of bedrooms is attached at Appendix 2.
- 2.12.2 The average Affordable Rent in 2023/24 is £109.32 when aggregated over 52 weeks. The 2024/25 average weekly rent based an increase of 7.7% would be £117.73, an average increase of £8.42 per week.
- 2.12.3 This option would generate £6.82m additional income in 2024-25 when compared to 2023-24 and £3,668m over the life of the Plan. This is equivalent to 960 new kitchens or 1,240 heating systems per year.
- 2.12.4 This option would come closest to covering the inflationary increases in HRA costs and it would enable all of the investments described in this report to go ahead, requiring no further savings in the medium term. In order to balance the Plan, savings of £33.5m would be required across years 20-30 of the Business Plan period (2044-54).
- 2.12.5 This option is consistent with recent decisions made by the Council to increase rents by the limit imposed in the Government's Rent Standard and is the recommended approach for this year. Whilst it appears a significant increase, it is against a back-drop of significant cost inflation in the HRA of around 17.8% over the past two years.
- 2.12.6 Any lowering of the base rent will have a permanent effect on the money available to support the HRA as future increases will be from the lower rent level. This will lead to a long-term risk that reserves will be lower and future shocks, such as the unforeseen energy increase of the last year, and the impact of flooding, will be more difficult to weather.

2.13 **Formula Rent**

- 2.13.1 Since 2015 the Council's policy has been when a property is re-let, or first let in the case of an acquisition or new build, rent is set at the formula rent. It is proposed this policy continues for 2024-25 given the additional income this generates over the life of the Business Plan. The amount raised through this policy depends on which rent increase option is selected:
- If rents were increased by 5% in 2024/25 the policy to re-let at formula rent would generate £111m over 30 years
 - If rents were increased by 6.7% in 2024/25 the policy to re-let at formula rent would generate £85m over 30 years
 - If, as recommended, rents were increased by 7.7% in 2024/25 the policy would generate approximately £69m over 30 years.
- 2.13.2 Government policy is that the formula rent will increase by 7.7%. Therefore, the additional income generated is higher at 6.7% and higher still at 5% as the base rental income is lower due to the lower rent increases and therefore the differential between rents and formula rent is greater. The average weekly rent for new lets at formula will be £97.34 per week.

2.14 **Furnished Tenancy Charges**

2.14.1 The recommended option for dwelling rents will also apply to tenants with a Furnished Tenancy. As such, Furnished Homes charges are subject to the same inflationary increase as standard rents (5% for Option 1, 6.7% for Option 2 or 7.7% for Option 3). If Option 3 is approved these charges will increase by 7.7%. This would generate additional income of £724k in 2024/25. A full list of Furnished Homes charges and proposed values for 2024/25 is included in Appendix 4.

2.15 **Fees and Service Charges**

2.15.1 This report also considers the potential increase in HRA non dwelling rent fees and charges for 2024/25 and proposes a 6% increase. A full list of Fees and Service charges for the HRA for 2024/25 is included at Appendix 4.

The proposed increase of 6% would generate additional income of approximately £43.7k in 2024/25 compared with current charges.

2.15.2

There are a number of leasehold management charges that are based on the full recovery of actual costs. These are excluded from this report as they are

2.15.3

not standard charges that are subject to an inflationary increase. These are included for information in Appendix 4.

2.16 **District Heating**

2.16.1 There are currently 18 different schemes and approximately 1,260 properties which receive heat through the council's District Heating service.

2.16.2 During 2017/18 there was an extensive review of District Heating pricing to ensure that charges are fair and reasonable to all tenants. A revised schedule of charges was approved by the Council on 13th December 2017. Scheme charges remained unchanged until April 2022, when a tapered increase over four years was agreed.

2.16.3 In early 2023 the energy market saw unprecedented increases in prices for gas and electricity and this had a significant impact on the costs of operating the Council's District Heating scheme into 2023/24. In 2023/24 the deficit was cushioned by Energy Bill Discount Scheme (EBDS) income of c£1.2m, which meant the service operated at a deficit of c£200k rather than £1.4m had EBDS income not been available. It is not yet known whether EBDS will be available in 2024/25.

2.16.4 Given the volatility of energy prices the Council took the decision in July 2023 to match the average District Heating bill to the Ofgem price cap for July – September 2023.

2.16.5 It is proposed to continue this approach into 2024-25 and match the average District Heating bill to the Ofgem price cap for January – March 2024. The annual cost to customers will depend on their actual usage, therefore the

annual cost could be higher or lower than the Ofgem price cap. A series of options for District heating pricing have been modelled in the table below. The options are expanded from paragraph 2.16 onwards.

2.16.6 A tapered increase to the weekly pre-payment charges has been applied based on property size to ensure the charges are reasonable. Customers will be advised of their usual annual usage so that they can consider their payment options.

Table 1 – Options for District Heating pricing 2024-25

District Heating Schemes	Current Charges	Option 1 Retain Current Charge	Option 2 Full cost recovery (utilities only)	Option 3 Ofgem Cap (Jan-Mar24)
	2023/24	2024/25	2024/25	2024/25
Expenditure (Fuel only)	1,635,844	1,701,105	1,701,105	1,701,105
Net Income	-1,440,494	-1,400,348	-1,700,817	-1,348,466
Deficit	195,350	300,757	288	352,639
Unit Rate KWh (inc VAT)	15.94p	15.94p	19.81p	15.27p
Increase/(decrease) 23/24 vs 24/25	0.00	0.00	3.87	-0.67
Percentage change to unit rate		0.00%	24.28%	-4.20%
Pooled Schemes Weekly Pre-payment Charge (inc VAT)	£	£	£	£
Bedsit	9.50	9.50	13.50	9.50
1 Bed	17.50	17.50	20.50	16.50
2 Bed	21.50	21.50	26.50	20.50
3/4 Bed	28.50	28.50	34.50	26.50
Weekly repayment charge % increase		0.00	+17% to +42%	-0% to -7%
Annual Prepayment Charges (incl. VAT) **	£	£	£	£
Bedsit	494.00	503.50	715.50	503.50
1 Bed	910.00	927.50	1,086.50	874.50
2 Bed	1,118.00	1,139.50	1,404.50	1,086.50
3/4 Bed	1,482.00	1,510.50	1,828.50	1,404.50
Average annual bill	1,074	1,002	1,246	960
** 2023/24 is a 52 week year, 2024/25 is a 53 week year				

2.16.7 The prepayment charge is the amount a customer would pay to their rent account on an annual basis. Customers will be advised of their average annual usage.

2.16.8 Customers who require assistance can access the Council's Energy Crisis scheme to receive further cash support and are able to access ongoing support through the financial inclusion team.

2.16.9 As in 2023-24, it is recommended that authority be delegated to the Assistant Director for Housing in consultation with the Cabinet Member for Housing and the Assistant Director for Finance to amend District Heating pricing should there be a significant movement in the Ofgem price cap.

2.17 **Option 1 – Retain existing charges**

2.17.1 This option would see the unit rate remain unchanged at 15.94 pence per kwh and would mean an average annual cost per user of £1,074. There would be an average deficit of £155 per user as full cost recovery would not be achieved. This would result in a potential pressure on District Heating budgets of £195k.

2.17.2 Legislation allows full cost recovery of fuel costs. However, the proposed option maintains average costs for customers at the price set by Council in July 2023, which was equivalent to the Ofgem price cap for July – September 2023, but will be higher than the Ofgem price cap for January – March 2024.

2.17.3 Table 1 shows the impact of this proposal in terms of the actual unit charge, weekly and annual prepayment charges per type of property, and the HRA deficit position.

2.18 **Option 2 – Full cost recovery (utilities only)**

2.18.1 This option would see the unit rate increase to 19.81 pence per kwh and would mean an average annual cost per user of £1,246. There would be no deficit as full cost recovery would be achieved.

2.18.2 Legislation allows full cost recovery of fuel costs. However, the option is not recommended as it would mean customers on District Heating would be paying more than other residents who are protected by the Ofgem price cap.

2.18.3 Table 1 shows the impact of this proposal in terms of the actual unit charge, weekly and annual prepayment charges per type of property, and the HRA deficit position.

2.19 **Option 3 – Match to Ofgem Price Cap Jan to March 2024 (recommended)**

2.19.1 This option would see a reduction in the unit rate to 15.27 pence per kwh and would mean an average annual cost per user of £960. There would be an average deficit of £280 per user as full cost recovery would not be achieved. This will mean the HRA will be paying c£353k in 2024/25 towards the cost of District Heating. This is c£1m lower than the contribution in 2023/24 would be had the Council not received EBDS income.

2.19.2 The proposed option maintains the link to the Ofgem price cap and means the average District Heating bill will be equivalent to that of a resident on mains gas.

2.19.3 Table 1 shows the impact of this proposal in terms of the actual unit charge, weekly and annual prepayment charges per type of property, and the HRA deficit position.

2.20 **Housing Development Programme**

2.20.1 The Council has been very successful in using HRA land and finances to build and acquire new Council homes. The Council has recently acquired its 500th Council home added to the housing stock since 2018 and the Business Plan includes c.£126m additional investment to deliver hundreds of new Council homes by the end of 2025/26. The precise mix of schemes, number and types of homes and levels of investments are all subject to separate Cabinet approvals or officer delegations where these are in place. For the purposes of the Business Plan, investment is assumed to support delivery of an additional 565 new homes from 2024/25 onwards.

2.20.2 The modelling makes assumptions about the level of grant income available from Homes England and other agencies, which in practice must be negotiated scheme by scheme. While it makes an allowance for the cost pressures facing the housing development industry, all costs remain projections as actuals will be highly dependent on the nature of the sites, the construction method, specifications, and property types. Options to reduce costs may need to be explored. This could include switching rent types, delivering more smaller properties and amending specifications.

2.21 **Repairs and maintenance**

2.21.1 Ensuring adequate investment in the repair and maintenance of the housing stock is essential to keep tenants safe, provide good quality homes, and mitigate against more substantial costs later. The Housing Property Service and its contractors complete approximately 90,000 repairs and servicing visits every year.

2.21.2 To reflect the importance of this service, the Business Plan proposes an increase in spending by £1.9m to £24.5m in 2024-25 and by a further £1m per year from 2026-27 to reflect expected future cost inflation.

2.21.3 Key investments in 2024-25 include:

- Further strengthening the Council's property compliance functions reflecting the increasingly complex landscape of regulation and legislation, and to ensure our tenants are kept safe in their homes and the Council retains a tight grip on this high-risk area of the business.
- Damp and mould: the Council has seen a two-fold increase in damp and mould enquiries over the past year and costs have increased significantly. As a result, the budget for 2024/25 is increased by £800k to £2m.
- Planned repairs budget will increase from £2m to £3m to reduce a backlog of works for fascia's, soffits, rainwater goods and front doors.
- £500k has been set aside to start a 2–3-year programme of stock condition surveys to ensure the Council has a firm grip of the quality and condition of its homes, and so potential future investment needs can be clarified.
- £50k has been allocated to support the maintenance of children's play areas that are located on housing land.

2.22 **Capital investment in existing homes**

2.22.1 Ensuring adequate capital investment in the housing stock ensures that the repairs and maintenance service is focused on day-to-day minor repairs and cyclical servicing. It is also required to ensure the Council's housing stock is decent, energy efficient and safe to live in. Over the life of the Business Plan £881m capital investment has been allocated to ensure our housing stock is well maintained. This is an increase of £120m since the last iteration of the plan.

2.22.2 In 2024/25 it is planned to invest £31.9m in the housing stock. This will pay for items such as new kitchens, bathrooms, boilers and roofs where it is far more cost effective to do these on a planned programme of works. As referenced in 2.22 it is the intention to significantly expand surveying capacity in 2024-25 to improve our understanding of the housing stock and the level of investment that may be required in the future.

2.22.3 Based on current stock condition data the priorities for investment in 2024-25 are:

- Achieve EPC C by 2030 across the housing stock.
- Maintain the Decent homes standard.
- Increase the budget for major voids by £2.6m to £6.8m (this is partly offset by an anticipated reduction in the minor voids budget by £1m).
- Boilers and central heating - £4.5m will be spent replacing old and inefficient central heating systems.
- Flood remedial works at Catcliffe have been budgeted at c£1.2m.
- Aids and Adaptations will reduce by £300k to £2.6m as historical backlogs have now started to reduce.
- Almost £1m for environmental works schemes, including funding for replacement of play equipment on housing land.

2.23 **The transition to Net Zero**

2.23.1 The current iteration of the Business Plan does not take account of any costs associated with the Council achieving net zero carbon by 2050 other than those required to achieve at least EPC C by 2030, for which £11m is set aside. Work carried out last year suggested the total costs of achieving net zero could be c. £585m or more, which is unaffordable.

2.23.2 As a result, this means that attracting external funding to progress net zero commitments becomes even more significant. In 2023/24 the Council completed its first major retrofit scheme in Maltby, funded in part by the Social Housing Decarbonisation Fund. To support further funding applications and the development of a comprehensive investment plan for retrofit, it is proposed that a new Housing Retrofit Officer post is created during 2024/25.

2.24 Supervision and management

2.24.1 A budget of £32.15m is proposed for 2024-25. This is a decrease of £1.15m from last year due to lower utility costs.

2.24.2 A summary of the proposed supervision and management budgets is detailed in the table below:

<u>Supervision and management expenditure</u>	24/25	23/24	Difference
Contributions to General Fund	13,051,791	12,088,100	963,691
Salaries	12,329,533	11,200,000	1,129,533
Utilities	2,159,519	6,000,000	-3,840,481
Contracted services	1,326,798	1,250,000	76,798
Computer software and maintenance	499,260	525,000	-25,740
Pension strain	396,000	400,000	-4,000
Other items <£100k	2,384,009	1,832,610	551,399
	32,146,910	33,295,710	-1,148,800

2.24.3 The supervision and management budget reflects additional posts to support expanded repairs and maintenance and housing development programmes. It also includes new regulatory fees proposed by the Regulator of Social Housing and makes an allowance for likely salary and other costs that may be incurred to prepare for an inspection of the Housing Service and increased regulatory and data collection obligations.

2.24.4 Additional salary budget has been set aside to support proposals that could enhance the Council's housing management and tenancy sustainment activities in light of the increase in the number of Council tenants who require support to sustain their tenancies.

2.24.5 The Business Plan assumes continuation of Ward Housing Hub funding at the same levels as 2021-24, at approximately £216k per year. A review of the delivery model for Ward Housing Hubs will be undertaken owing to recurring underspends. One of the objectives of the review will be to simplify funding streams available to ward councillors.

2.25 **Impact on tenants**

2.25.1 There are 14,447 tenancies in receipt of Housing Benefit or Universal Credit who would not be directly affected by an increase in rent and approximately 5,250 tenancies that would be directly affected by a rent increase, as they would pay themselves from their household income. The tenants in receipt of benefits (Housing Benefit or UC) who would see their benefit entitlement adjusted to meet an increase in rent are:

- 7,548 households who are on Universal Credit
- 4,228 households who are on full Housing Benefit entitlement
- 2,671 households who are on part Housing Benefit entitlement

Affordability

2.25.2 An affordability analysis shows that based on a 5%, 6.7% or 7.7% rent increase, those aged under 25 and on benefits would struggle to meet housing affordability tests given working age benefits are lower for this age group. Irrespective of rent increase, the affordability challenge is the same as it is the non-housing element that is less. This is an issue which has existed for a number of years. Other age groups would meet affordability tests assuming they only spent on essential items.

2.25.3 Tenants in part time work (assumed 20 hours for modelling purposes) and in receipt of the National Living Wage would still be in receipt of Universal credit and so in all scenarios their rent would be covered in full by an increase in Universal Credit.

2.25.4 Tenants working full time and paid the National Living Wage would see a slight drop in affordability. Their disposable income after rent, TV licence, Council tax, utilities, food and transport would reduce by £4.53 to £32.37 per month depending on the size of the property.

2.25.5 Affordability modelling has been undertaken using Policy in Practice software. This software is used to assess all new tenants' ability to afford properties they have been offered, prior to signing a tenancy agreement. A detailed analysis of affordability is attached at Appendix 7.

2.25.6 With the increase in tenants on Universal Credit there was a risk that arrears would rise as the monies would be paid directly to the tenant. As arrears have fallen over the past five years, this risk does not appear to have materialised. However, a tenant in receipt of Universal Credit will still have on average a higher arrears balance than other tenants. As a result, the Council's Tenancy Support Team continue to work intensively with tenants on Universal Credit to mitigate any potential arrears.

Supporting tenants with financial pressures

2.25.7 A key priority is the ongoing work to mitigate the effects of the cost-of-living crisis. The Council is committed to supporting tenants and will do this through continuing early intervention and arrears prevention. Work will continue to

support tenants to pay their rent, including offering additional support to vulnerable tenants to help with money, benefits and debt advice.

2.25.8 The Council and its partners provide a comprehensive package of support to tenants and residents facing crisis. Current support offered in Rotherham includes:

- RMBC Tenancy Support Service – provides practical support on all tenancy related issues including debt and budgeting. The team has access to funds to support people in crisis i.e., no gas/ electric. Tenants must be willing to engage with the service in order to receive financial benefit.
- Age UK Age Related Benefit Advisory Service – provides support and guidance to residents aged 65 and over to claim all age-related benefits to maximise income. The service also provides holistic support in other areas of concern i.e., fuel poverty/ home insulation etc.
- Council’s Discretionary Housing Payment Fund (DHP Fund) – residents with rent arrears can apply to the Fund for assistance to clear or reduce their debt, subject to qualifying criteria.
- Employment Solutions – provides support and assistance to people looking to access training and employment in order to better their financial situation. The team also has access to funding to help people in crisis i.e., no food/ heating. Participants must be willing to engage with the service in order to receive financial benefit.
- Council’s Energy Crisis support fund – offering one-off grants of £250 to help with energy costs.
- Council’s Advocacy and Appeals Team – providing people with practical support to maximise their income by claiming any benefits they are entitled to. The Team can assist with applications and with mandatory reconsideration and appeals/ tribunals.
- Foodbanks – provided through Liberty Church, the Trussell Trust and Rotherham Foodbank. Vulnerable tenants can be supported through the provision of free food parcels in times of crisis.
- Social Supermarket – Rotherham Minster and VAR support residents through the provision of a social supermarket that allows members to pay £3 a week for a maximum of 3 months to allow them to shop in their store. This service transitions people from foodbank dependency and promotes empowerment through teaching budgeting skills.
- Rotherfed ‘Making your money go further’ project – this project works with communities to deliver bespoke advice on how tenants and residents can save money and manage on a limited income.

- Citizens Advice Rotherham – provides advice and guidance to all residents on money management and debt solutions, enabling clients to resolve the cycle of debt.

2.26 Private Sector Rents

2.26.1 Even with the proposed rent increase of 7.7% Council rents will still offer far better value than those in the private sector. The table below illustrates the average Council rent to the average Private sector rent in Rotherham.

	1 Bed	2 Bed	3 Bed	4 Bed
Average weekly Council rent £ (assuming 7.7% increase)	82.91	90.31	97.61	108.14
Average weekly Private sector rent £	115	150	178	276

3. Options considered and recommended proposal

3.1 A series of options were considered as part of scenario modelling, and these are detailed at Appendix 3 of the report. Options for rent increases are outlined in the main body of the report.

3.2 The recommended option results in an Operating Surplus at Year 30 of £9.4m and ensures expenditure is affordable throughout the life of the Business Plan assuming there is a reduction in expenditure of £3.04m on average per year in repairs and maintenance from Year 20 of the Plan.

3.3 The recommended option enables delivery of the housing growth delivery programme, ensures all statutory compliance functions are met alongside resources to meet requirements of the new social housing regulations.

4. Consultation on proposal

4.1 The Council has an active tenant engagement service supported by a Tenant Engagement Framework and a commissioned Tenant Federation contract. The HRA Business Plan proposes increased investment in Tenant Involvement Services and increased capacity in housing management teams which should enable further strengthening of these service areas.

4.2 Members have been consulted on various aspects of the components that make up the HRA Business Plan.

4.3 Consultation on services provided by Housing are undertaken throughout the year via the Housing Involvement Panel. This panel meets bi-monthly. The Housing Service also hold numerous tenant consultation events throughout the year, for instance the annual tenants conference. These provide an insight into tenant priorities and inform development of the business plan.

5. **Timetable and Accountability for Implementing this Decision**

5.1 The table below shows the approval timeline:

Date	Meeting
22/01/24	Cabinet decision making meeting
28/02/23	Council
1/03/24	Rent and Service charge letters posts
1/04/24	New charges take effect

6. **Financial and Procurement Advice and Implications**

6.1 In developing the HRA Business Plan the CIPFA / CIH code of practice for a self- financed housing revenue account; the Financial Viability principle has been considered which states that: -

- The housing authority has arrangements in place to monitor the viability of the housing business and take appropriate actions to maintain viability.

6.2 The HRA Business Plan is reviewed and updated annually to take account of changes to all income streams and the revenue and capital costs of managing and maintaining HRA properties and tenancies. It also considers Capital investment in new build and housing acquisitions for affordability.

6.3 Financial Position of the Housing Revenue Account

The table below demonstrates the current financial position with a general revenue reserve balance forecast to be £13.980m, a forecast major repair reserve of £5.051m and a forecast 'One for One' Right to Buy receipt balance of £4.954m as at 1 April 2024. A summary of the proposed income and expenditure for 2024-25 is below:

Based on the recommended 7.7% increase in dwelling rent income and an increase in service charges of 6%, budgeted income of £104.3m is anticipated to be collected in 2024/25 and this is reduced by £97.2m of budgeted expenditure, which represents the net cost of delivering the service.

As budgeted income is greater than the net cost of delivering the service, there is an overall net income of £7.4m to the service after interest received. This will be used to part-fund the Housing Growth Programme.

Housing Revenue Account	Current Budget 2023/24	Proposed Budget 2024/25	Difference
	£'000	£'000	£'000
Expenditure	94,972	97,265	2,293
Income (including service charges)	-96,701	-104,344	-7,643
Net Cost of Service	-1,729	-7,079	-5,350
Interest Received	-200	-350	-150
Net Operating Expenditure	-1,929	-7,429	-5,500
Revenue Contribution to Capital Outlay	1,929	6,000	4,071
Transfer to Reserves	0	1,429	1,429
Surplus/Deficit for the Year	0	0	0
HRA Reserve Balance	13,980	15,409	1,429

A copy of the proposed draft detailed HRA budget 2024-25 is attached at Appendix 6.

- 6.4 The HRA operating balance is forecast to reduce to the minimum sustainable level for Years 4-5 in the Business Plan and from year 18 onwards. The minimum balance is £5.0m in Year 1 and uplifted by CPI annually and is the minimum level required to manage financial risk.
- 6.5 To maintain adequate operating balance levels Housing Growth projects will need to breakeven. This will support the overarching strategy for the Business Plan to promote growth rather than manage decline. This will be managed via existing capital governance routes.
- 6.6 No additional borrowing is required to fund Housing Growth. The BP model assumes funding will be available from existing capital receipts and from new capital grants, Right-to-Buy one-for-one receipts and existing Right to buy Receipts.
- 6.7 The HRA BP model has been balanced by the inclusion of potential savings. These are shown in the table at Appendix 3.
- 6.8 There are no direct procurement implications arising from this report.

7. Legal Advice and Implications

- 7.1 It is vital that the Council has and maintains a robust HRA Business Plan, which is subject to regular review and scrutiny to enable the Council to comply with the duties placed upon it. The HRA provisions in the Local Government and Housing Act 1989 include the duty in January or February each year to formulate proposals relating to HRA income and expenditure. Those proposals are contained in this report.
- 7.2 The HRA specifically accounts for revenue expenditure and income relating to the Council's own housing stock and is ring-fenced from the Council's General Fund as required by the Local Government and Housing Act 1989, which specifies the items that can be charged and credited to it. The account

must include all costs and income relating to the Council's landlord role. The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.

7.3 Under Section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine, and the Council must from time-to-time review rents and make such changes as circumstances may require.

7.4 The duty to review rents and make changes is itself subject to the requirements for notice of a variation set out in Section 103 of the 1985 Act. This will follow any Council decision following a recommendation from Cabinet.

7.5 Local authorities must set rents from 1 April 2020 in accordance with the Governance Policy Statement on Rents for Social Housing 2019.

8. **Human Resources Advice and Implications**

8.1 There are no immediate human resource implications.

9. **Implications for Children and Young People and Vulnerable Adults**

9.1 There are no implications for CYPS or Vulnerable Adults.

10. **Equalities and Human Rights Advice and Implications**

10.1 The Local Authority is aware of its duties under the Equality Act 2010 to promote equality, diversity, cohesion and integration and has ensured that the HRA Business Plan is compliant with that duty. An initial equalities screening has been carried out to assess the impact of these proposals and due to the scale of investment and nature of households affected the Council has completed an Equality Impact Assessment for this plan. This will ensure the Council continues to promote positive impact and reduce or remove negative impact as a result of the proposed investments. An Equalities Analysis is attached at Appendix 8.

11. **Implications for CO2 Emissions and Climate Change**

11.1 The HRA Business Plan sets out the proposed value of investment in the housing service for the next 30 years. Given the Government's commitment for the UK to achieve net zero carbon by 2050 this will require substantial investment in the Council's housing stock over the life of the Business Plan. Initial estimates put the cost of this at circa £600m which represents a formidable challenge to the HRA. As a result, this means that drawing in external funding to progress net zero commitments becomes even more significant. Participation in national grant funding schemes will be prioritised.

11.2 A copy of Carbon impact assessment is attached at Appendix 9.

12. Implications for Partners

12.1 This proposal is about making effective use of Council assets and managing them to best effect. It contributes to the sustainable neighbourhood's agenda by addressing future investment needs and will help deliver a better quality of affordable housing to the community.

13. Risks and Mitigation

13.1 Self-financing involved a significant transfer of risk from Central Government to the Council. Variables such as interest rates, cost inflation, number of homes owned etc. are all risks managed by the Council.

13.2 Any adverse changes in rental income (for example as a result of welfare reform or changes in the number of Right to Buy sales) must be managed locally.

13.3 The risk management plan follows the Council's risk management methodology and approach. It includes a clear description of the risk, an assessment of probability and impact of the risk, a summary of controls and information on when the risk will be reviewed.

13.4 Significant risks will be placed on the Corporate Risk Register and risk issues will be escalated as necessary.

13.5 The Council has risk-based reserves to ensure that HRA reserves are maintained at the appropriate level. The reserves will be maintained at the appropriate level to fund potential future financial pressures from risks such as welfare reform and investment requirements.

14. Accountable Officers

Ian Spicer, Strategic Director for Adult Care, Housing and Public Health

Approvals obtained on behalf of Statutory Officers: -

	Named Officer	Date
Chief Executive	Sharon Kemp	8/01/2024
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	04/01/2024
Assistant Director, Legal Services (Monitoring Officer)	Phil Horsfield	03/01/2024

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