

Notice of:	EXECUTIVE
Decision Number:	EX1/2022
Relevant Officers:	Antony Lockley, Director of Strategy and Assistant Chief Executive, and Steve Thompson, Director of Resources
Relevant Cabinet Member:	Councillor Ivan Taylor, Deputy Leader of the Council and Cabinet Member for Partnerships and Performance
Date of Meeting:	24 January 2022

PROPOSED RENT REVIEW 2022/23

1.0 Purpose of the report:

1.1 To consider recommending to the Council the level of rents and service charges to be charged in connection with Housing Revenue Account dwellings during 2022/23.

2.0 Recommendation(s):

To recommend to the Council:

2.1 That rents for all Housing Revenue account properties are increased by 4.1% in 2022/23.

2.2 That the minimum level of Housing Revenue Account balances remain protected at £1 million, as previously agreed.

2.3 That Housing Revenue Account service charges (as detailed in Appendix 2b, to the Executive report) and that other General Fund service charges (as detailed in Appendix 2c, to the Executive report) are charged as outlined.

3.0 Reasons for recommendation(s):

3.1 To ensure that rent levels are appropriate and the Housing Revenue Account is financially secure as the Council Homes Investment Plan is delivered over the next few years. The proposed budget for 2022/23 will ensure the necessary investment to maintain and grow the Council's stock can continue.

Retaining the previously agreed minimum reserves level of £1 million ensures that prudent balances are maintained in the Housing Revenue Account.

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|-----|--|--|
| 3.2 | Is the recommendation contrary to a plan or strategy adopted or approved by the Council? | No |
| 3.3 | Is the recommendation in accordance with the Council's approved budget? | Not applicable
- the report once approved will be part of the Council's new approved budget |

4.0 Other alternative options to be considered:

4.1 Rents could be set at a lower level but increases are required to enable investment in new Council homes and decarbonisation of existing stock and because of inflationary pressures.

5.0 Council priority:

5.1 The relevant Council priority is: "Communities: Creating stronger communities and increasing resilience".

6.0 Background information

6.1 Introduction

As part of the preparation of the draft 2022/2023 Housing Revenue Account (HRA) Budget, Members are asked to consider and approve the level of rents and service charges to be set in connection with Council Housing dwellings during the next financial year.

The provision of good quality, affordable housing is a key priority for the Council. It is therefore essential that the Council maintains a strong and healthy Housing Revenue Account, so that the Council can invest in Blackpool's existing housing stock and develop new homes, delivering quality and value for current and future tenants.

As explained in detail in Section 6.11 below, it is proposed to increase rents in 2022/23 in line with Government policy. This increase is essential in order to deliver the level of investment needed in our existing and future social housing stock, meeting the needs and expectations of our tenants as part of Blackpool's Council Housing Investment Programme. Rents in Blackpool will remain the lowest in the North West, and those most in need will have any increase in rent covered by benefit entitlement.

Attached at Appendix 2a, to the Executive report, is the draft Budget for the Housing Revenue Account for the year 2022/23. This is after the proposed changes to rents and charges.

6.2 **Projected Outturn 2021/2022**

The projected outturn position for the Housing Revenue Account is also detailed at Appendix 2a. The main reason for the variation against budget in 2021/22 is the impact of pandemic related delays in construction of new properties at the former Troutbeck Crescent on Mereside. Collection levels for rents due have been only marginally below budget in the period. Increases in the Blackpool Coastal Housing management fee in year related to new services provided, and agreed capacity building relating to the ability to deliver fully against the requirements of the Government's White Paper on Social Housing.

There is a projected in year contribution from balances of £1,821k, compared to a budgeted deficit of £1,460k; this is a negative variation of £361k. Audited balances brought forward on 1 April 2021 were £3,032k, therefore projected balances on 31 March 2022 are £1,211k.

The reasons for any variations against budgets have been reported at quarterly intervals to the board of Blackpool Coastal Housing (BCH), which includes three of the Council's elected members. The Council's Director of Resources, and Director of Strategy and Assistant Chief Executive, also receive quarterly budget information on the Housing Revenue Account and explanations for any significant variances in performance. In addition the Shareholder Committee of the Council considers the performance of Blackpool Coastal Housing including overview of financial management.

6.3 **Housing Revenue Account Budget 2022/23**

6.4 **Blackpool Coastal Housing Management Fee and Management Agreement**

The management fee for Blackpool Coastal Housing in 2022/23 will be £11,119k. There is an uplift from the fee in 2020/21 largely for new services agreed with the Council's Housing Client, and to ensure key activities identified in the White Paper referred to at 2.1 are implemented. Remaining increases relate to direct cost increases including staff wage uplift, goods and services procured and changes to service level agreements for support provided by Council departments.

Blackpool Coastal Housing continues to operate under the terms of the extension to the management agreement referred to in last year's rent report. The Council and Blackpool Coastal Housing are aware of the requirements coming out of the White Paper and are taking preparatory steps in the areas of building safety compliance, ensuring adequate customer involvement and maintaining appropriate levels of governance and oversight.

6.5 **Treasury Management**

Treasury Management costs have been calculated with regard to the present and projected levels of interest rates, anticipated borrowing requirements and depreciation. Housing Revenue Account loans are managed by the Council's Accountancy team, but are kept separate from General Fund loans and investments as legally required. The Director of Resources of Blackpool Coastal Housing is a member of the Council's Treasury Management Panel. The Housing Revenue Account will be taking on significant new borrowing to fund the cost of the new developments on Grange Park and will act on the advice of the Panel on this.

6.6 **Income**

As referred to above, rental income has been impacted by the impacts of the pandemic on customers, but overall rent collection rates were still high in 2021/22 and this is expected to continue. Rent collection arrangements are externally reviewed annually to ensure they are in line with industry practice, and earlier in the current year an internal performance review was undertaken to identify further improvements that can be made. New software to assist with the collection of former tenant arrears has been implemented and the board and senior management team of Blackpool Coastal Housing is looking at void turnaround times to ensure that this element of income maximisation is also robust.

6.7 **Value for Money (VFM)**

The Housing Revenue Account operates with a view to generating ongoing operational efficiencies. This has been reflected in procurement activities that have driven down costs and increased the levels of social value generated. Benchmarking with peer organisations also confirms that Blackpool Coastal Housing back office costs continue to be low. The most recent external review of Blackpool Coastal Housing was favourable in its assessment of the value for money of Blackpool Coastal Housing and the Council housing client function. This should stand the Council in good stead in terms of the extension of some regulation to Arms Length Management Organisations and Council landlords in the Social Housing White Paper as mentioned above.

Blackpool Coastal Housing is exploring options relating to accommodation in line with the anticipated increase in agile working following the experience in the pandemic. A number of contracts are also due out for re-tendering and it is anticipated further efficiencies will be generated from these to continue to drive out further value in the Housing Revenue Account.

6.8 **Capital Programme**

The revenue contribution to the capital programme is expected to be in the region of £7,154k in 2022/23 (compared with £8,380k budget and projected outturn in 2021/22). This is to fund agreed redevelopment referred to earlier in this report whilst retaining Housing Revenue Account balances above the agreed minimum level of £1,000,000. Revenue contributions to the capital programme are the preferred option to minimise external borrowing costs, however it is anticipated that external borrowing will be required during the year to fund the Grange Park redevelopment in particular.

Whilst the Housing Revenue Account continues to be characterised by relatively low levels of borrowing, Blackpool's Council Housing Investment Programme reflects a commitment to prudent external borrowing to finance additional council housing development. In addition, whilst the exact costs of addressing the social housing costs in relation to Blackpool's climate emergency action plan are still being assessed, it is clear that there will be a significant capital outlay required in the years ahead to retrofit existing properties and ensure new properties are more environmentally friendly and sustainable.

6.9 **Housing Revenue Account self-financing for Council Housing**

Since 1 April 2012 self-financing has been in place for local authority housing provision. This replaced the previous subsidy system with a requirement for Councils retaining a Housing Revenue Account to maintain viable 30 year Housing Revenue Account business plans on a rolling basis. At the onset of self-financing the Council received a one-off capital sum of £41,523,000 offset against the housing related debt held at that time. A maximum debt cap of £35,739,000 was also imposed on Blackpool's Housing Revenue Account.

In 2018 the government announced the abolition of the debt caps on local authority Housing Revenue Accounts. In practice this puts the Housing Revenue Account into a similar position to the General Fund with regard to capital investment appraisal, in that there is no maximum level of borrowing that can be undertaken but a robust assessment needs to be undertaken to ensure that proposed schemes cover their costs. In exceptional circumstances it could be justifiable to undertake individual investments that do not break even in the required timeframe, but these would need to be offset by surpluses from other schemes.

6.10 **National Social Housing Rent Policy**

Since 2001, social rents have been set by a formula set by the Government. This creates a 'formula rent' for each property, calculated based on local income levels and property size

and value. The aim is to ensure similar rents are charged for similar social rent properties.

In 2011, the Government introduced 'affordable rents', permitting some rents (inclusive of service charges), to be set at up to 80% of market rents, where specific permission has been granted under the terms of the Government's affordable homes programmes.

In October 2017 the Government announced that at the end of the four year period of 1% rent cuts in March 2020 there would be a five year period where maximum increases would return to Consumer Price Index (CPI) plus 1%. This remains the current policy. The CPI figure is based on the twelve month rate as at the preceding September, as this was 3.1% the maximum rent increase allowed in 2021/22 for social rent properties is 4.1%.

6.11 **Rent Change for 2022/23**

It is proposed that rents for all Housing Revenue Account homes increase at 4.1% (CPI+1%) in 2022/23 in line with Government policy. This increase is viewed as essential in order to deliver the level of investment needed in our existing and future social housing stock, meeting the needs and expectations of our tenants.

As a consequence of Government policy from 2016/17 to 2019/20, when rents were reduced by 1% each year, there has been a significant fall in the amount of funding available for potential investment in council housing in Blackpool.

Such was the impact of the enforced rent reductions from 16/17 to 19/20, even with the proposed 4.1% increase in 22/23, rents in our social housing stock will still be lower in real terms than they were in 15/16. For example, a £70 weekly rent charge in 2015/16 would be £78.50 in 22/23 if rents had increased in line with CPI; however, the actual weekly charge in 22/23 will be £72.97, including the proposed 4.1% rise. As the Housing Revenue Account is now self-financing, continued real terms reductions in the rent roll reduces the amount of money available for investment.

Blackpool rents will continue to be below the level at which they are expected to be, and on the last information available, were the lowest in the North West with only five authorities nationally having lower average rents for council homes.

A 4.1% increase would generate £713k of additional income in the Housing Revenue Account in 2022/23. This additional money is essential to deliver the investment needed in both existing and new homes for Blackpool. Indeed, any new social housing development we wish to undertake must meet the test of viability, and having no rent increase or a very low one will jeopardise the viability of the new build programmes we are undertaking and important work to improve existing stock. There are a number of areas where stock needs to be modernised, and there are structural issues with steel framed properties on Hawes Side for example that will require solutions beyond the existing preventative maintenance. Such

essential works must be funded properly from the Housing Revenue Account.

The long term health and strength of the Housing Revenue Account is also crucial to deliver on wider important commitments. Regarding the Climate Emergency declared by the Council and the objective of being carbon neutral by 2030, there are significant costs involved in delivering this for the Housing Revenue Account. Best estimates are an additional £25k per property needs to be found to do the remedial work required in the years ahead. It is hoped grants will become available but the reality is that the Housing Revenue Account will need to contribute a significant proportion of the required investment.

The Council has in previous budgets taken a prudent approach in both managing the Housing Revenue Account and approving the Council Housing Investment Programme which will both maintain and enhance the quality of existing stock while building new social homes for local families. The proposed budget for 2022/23 will ensure the necessary investment to maintain and grow the Council's stock can continue.

Even with a 4.1% increase, the cost of renting almost all of our council housing will remain significantly below Local Housing Allowance (LHA) rates. As the majority of tenants in Council property are in receipt of full or partial benefit, and any increase in rents and eligible service charges will be eligible for benefit, those in need will see little or no impact on household budgets. It is also the case that much of the investment being made in the existing and new stock meets ever stringent sustainability targets which in turn are reducing the running costs of properties for tenants.

The proposed increase is in line with the previously agreed investment plan and the national formula. The level of increase is higher than in the previous year because of inflationary pressures which are reflected in the costs of maintaining the Housing Revenue Account.

Vacant properties will continue to be let at the formula/target rent. This is a policy that Blackpool has adopted for several years now.

6.12 **Other Charges**

Service Charges

Councils can charge separately for services such as cleaning communal areas and gardening. These charges should reflect the level of costs to provide the services including any administration and should not be used to make a profit on these charges. Government policy states that councils should provide tenants with a breakdown of the additional services they receive and the charges for them, so they can see how much they pay for rent and services on an individual basis.

Listed below are the services currently provided:

- Communal Lighting
- Alarm Systems
- 'Satellite' Television Systems
- Communal Cleaning
- Door Entry Systems
- Sheltered Community Centres
- Grounds Maintenance
- Intensive Housing Management
- Community Centres
- Fitted Furnishings

All of these service charges are eligible for Housing Benefit / Universal Credit in general needs stock, some ineligible services are provided within hostel accommodation.

Attached at Appendix 2b, to the Executive report, is the proposed service charges for 2022/23 relating to Housing Revenue Account services. Existing service charges are shown for each service, with a proposed new charge based on cost of provision. It is proposed to increase all service charges for the financial year 2022/23 by 4.1%. This is to ensure that the ongoing costs of providing the services are recouped.

Leaseholder Charges

The Leaseholder Charge, including a management charge, has been calculated to reflect the actual cost of providing the service. Whilst charges to leaseholders are a sensitive area the need to ensure that this customer group is not treated unfairly needs to be balanced against the risk of genuine costs relating to the upkeep of their properties being subsidised by the wider tenant group.

Non-Housing Revenue Account Properties

These rents are outside of the national social housing rent policy set out in section 6.9. It is recommended that these charges be increased by 3.1% in 2022/23 in line with inflation rates.

6.13 Does the information submitted include any exempt information? No

7.0 List of Appendices:

7.1 Appendix 2a: Housing Revenue Account Draft Budget 2022/23
 Appendix 2b: Housing Revenue Account charges
 Appendix 2c: General Fund housing charges

8.0 Financial considerations:

8.1 These are set out in the report at Appendix 2a to the Executive report.

9.0 Legal considerations:

9.1 The proposed rent increase is line with the rent increase allowed by Government for 2021/22, as it has been set at the Consumer Price Index (CPI) plus 1%.

10.0 Risk management considerations:

10.1 These are set out in the background information section.

11.0 Equalities considerations:

11.1 None.

12.0 Sustainability, climate change and environmental considerations:

12.1 The Council is committed to achieving climate change targets by 2030 and there are also national policies requiring decarbonisation of housing stock. In common with all other stock holding local authorities Blackpool has many units currently heated by carbon derived options and investment in new technologies and solutions is required.

13.0 Internal/external consultation undertaken:

13.1 The rent report is shared with the board of Blackpool Coastal Housing, which includes tenant and leasehold representatives and independent members.

14.0 Background papers:

14.1 None.

15.0 Key decision information:

15.1 Is this a key decision? Yes

15.2 If so, Forward Plan reference number: 22/2021

15.3 If a key decision, is the decision required in less than five days? No

15.4 If **yes**, please describe the reason for urgency:

16.0 Call-in information:

16.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

16.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

17.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 14 January 2022 Date approved:

18.0 Declarations of interest (if applicable):

18.1 Councillors Brookes and Hobson both declared personal interests, the nature of the interest being that they were both Non-Executive directors of Blackpool Coastal Housing Limited

19.0 Summary of Discussion:

19.1 Councillor Ivan Taylor, Deputy Leader of the Council and Deputy Leader of the Council and Cabinet Member for Partnerships and Performance presented the item to the Executive. While emphasising the Executive's reluctance to recommend such a rent increase to the Council, Councillor Taylor explained that the decision had been forced upon the Council due to central government cuts and the need to maintain a balanced budget. The rent increase would allow the Council to make the necessary investment to continue to maintain and grow the Council's housing stock.

Mr Steve Thompson, Director of Resources spoke briefly he emphasised the need to set a balanced Housing Revenue Account and to ensure that prudent reserves were maintained. As a point of clarification Mr Thompson explained that at Appendix 2a the cost of garages would increase by 4.1% and this would result in a charge of £7.45.

20.0 Executive decision:

20.1 The Executive resolved as follows:

To recommend to the Council:

1. That rents for all Housing Revenue account properties are increased by 4.1% in 2022/23.
2. That the minimum level of Housing Revenue Account balances remain protected at £1 million, as previously agreed.
3. That Housing Revenue Account service charges (as detailed in Appendix 2b, to the Executive report) and that other General Fund service charges (as detailed in Appendix 2c, to the Executive report) are charged as outlined.

21.0 Date of Decision:

21.1 24 January 2022

22.0 Reason(s) for decision:

22.1 To ensure that rent levels are appropriate and the Housing Revenue Account is financially secure as the Council Homes Investment Plan is delivered over the next few years. The proposed budget for 2022/23 will ensure the necessary investment to maintain and grow the Council's stock can continue.

Retaining the previously agreed minimum reserves level of £1 million ensures that prudent balances are maintained in the Housing Revenue Account.

23.0 Date Decision published:

23.1 25 January 2022

24.0 Alternative Options Considered and Rejected:

24.1 The Executive noted that there were no other realistic options that would ensure a balanced and prudent Housing Revenue Account budget and also enable investment in new Council homes and decarbonisation of existing stock.

25.0 Executive Members in attendance:

25.1 Councillor L Williams

Councillor Benson, Brookes, Farrell, Hobson, Hugo, Smith and Taylor.

26.0 Call-in:

26.1

27.0 Notes:

27.1 The following non-Executive member was in attendance: Councillor Hunter.