

LONDON BOROUGH OF CROYDON

REPORT:	CABINET	
DATE OF DECISION	14 February 2024	
REPORT TITLE:	HRA Rent Setting 2024-25	
CORPORATE DIRECTOR	Susmita Sen, Corporate Director of Housing	
LEAD OFFICER:	Orlagh Guarnori, Head of Finance - Housing	
LEAD MEMBER:	Councillor Lynne Hale, Cabinet Member for Homes	
KEY DECISION?	Yes	<p>Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates</p> <p style="text-align: right;">and</p> <p>Decision significantly impacts on communities living or working in an area comprising two or more Wards</p>
CONTAINS EXEMPT INFORMATION?	NO	
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1 The report sets out for approval the Council’s HRA rent setting arrangements for council tenants from 1 April 2024 to 31 March 2025.

2 RECOMMENDATIONS

For the reasons set out in the report the Executive Mayor in Cabinet, is recommended:

- 2.1 to agree the social rents increase of 7.7% from April 2024 based on the current final year of the government’s Social Housing Rent Policy, (applying September 2023 CPI + 1%)
- 2.2 to agree the request to set the tenants service charges increase at the same level as the rents (7.7%) for the financial year 2024-25

- 2.3 to agree the continuation of the Housing Revenue Account (HRA) hardship fund aimed at assisting tenants who are financially impacted by the 2024-25 rent increase, subject to obtaining a further Direction in appropriate terms from the Secretary of State.
- 2.4 to agree, the nil increase to the garage rents on the proviso that a full review of the viability of assets is carried out in 2024-25 and reported back to Cabinet.
- 2.5 to agree the request to set the increase in the caravan site plot charges in line with September CPI of 6.7%

3 REASONS FOR RECOMMENDATIONS

- 3.1 To meet the legal requirement to set the HRA tenant rents and other charges for the financial year 2024-25.
- 3.2 To meet the tenant's aspirations and requirements which they voiced in their responses to the Tenants Survey issued in November 2023.
- 3.3 To adhere to the legal requirement as a landlord, Croydon Council must provide its tenants a notice of variation with details about the increase a minimum of 28 days before the increase takes effect.

4 BACKGROUND

- 4.1 Under Section 74 of the Local Government and Housing Act 1989, Croydon has a statutory requirement to account separately for the accounts related to its local authority housing provision (Housing Revenue Account). This landlord account is ring-fenced and is in place solely to meet the costs arising from the provision and management of the councils housing stock.
- 4.2 In April 2012 the localised system of self-financing commenced. Each local authority in a settlement agreement inherited a level of debt from the government in return for the right to all future rental income streams. These rental streams have subsequently been impacted by government with directions on social rent levels.
- 4.3 Over a period of four years rents for social housing tenants were reduced by 1% from 2016-17. By 2019-20 the result is an estimated 12% reduction in average rents.
- 4.4 The government set out the Social Housing Rents Policy from 2020 that local authorities can increase rents to a ceiling of Consumer Price Index (CPI) + 1% each year to 2024-25.
- 4.5 In 2022 government issued a variation to the policy and directed providers to cap social rents for 2023-24 at 7% with the option to cap again in 2024/25 should CPI remain at the levels of 2022.

4.6 The autumn statement 2023 announcement confirmed no variation to the policy. Therefore September CPI 6.7% + 1% = 7.7% is the recommended increase for 2024-25.

5 RENT

5.1 A 7.7% increase in the average weekly rents and tenants charges equates to an average weekly increase of £7.19 on a one bedroom property. Table 1 sets out the average weekly rents per unit. The service charge increase is per property type and rises to £12.56 for flats (table 2).

Table 1 Average weekly rents

Bedroom Size	Average rent 2023-24	<u>7.7%</u> - Average rent 2024-25	Increase vs 2023-24
	£p/w	£p/w	£p/w
0 Bedsit	85.82	92.43	6.61
1	102.76	109.95	7.19
2	122.34	130.90	8.56
3	147.71	158.05	10.34
4	167.43	179.15	11.72
5	183.16	195.98	12.82
>5	205.10	219.46	14.36

Table 2 Average weekly service charges

Property Type	Tenants charge 2023-24	<u>7.7%</u> Average charge 2024-25	Increase vs 2023-24
	£p/w	£p/w	£p/w
Flats	11.74	12.64	0.90
Estate Houses	2.41	2.60	0.19

5.2 It is estimated that 67.9% of tenants are eligible for some form of Housing Benefit. The remaining 32.1% receive no benefits and these self-payers would potentially be at some financial risk as a result of the increases.

5.3 Engagement with tenants on these issues began in October 2023 through the Tenants and Leaseholder Panel (TLP) meeting. Officers set out models of potential rent increases and the rationale as to why the income gain is required to continue to increase the standards of our properties. Follow up meetings in early January were also well represented by TLP and resulted in their overall understanding for the rationale for the rent increase.

- 5.4** Enhanced engagement with tenants in this financial year will be continued going forward. With a range of initiatives being undertaken to support tenants, including the success of Welfare Officers Team who identified residents not in receipt of benefits and have supported in excess of 100 residents to claim additional support.
- 5.5** The HRA specific discretionary fund to assist households that experience severe financial difficulties was set up in 2023-24 following an application to the Secretary of State to allow for the provision. Payments have been made to 97 residents totalling £48,000 to date. An application to the Secretary of State has again been requested by officers to continue this fund to assist households. There is also a review underway to determine if the fund can be further strengthened, due to the marked increase in applications being received in the latter part of this year.
- 5.6** Non-dwelling charges such as garage-rents requires additional analysis of the condition of the assets and their best use prior to any recommendation to increase the current average weekly charges of £16.75. The review will be conducted and will inform an element of the Asset Management Strategy which will be reported to Cabinet 2024
- 5.7** Caravan site plots are charged at £63.63. It is proposed that an increase in line with the September CPI 6.7% should be made.

6 EXPENDITURE

- 6.1** The increased HRA expenditure budget 2024-25 is being sought to fund tenants top priorities of repairs and planned maintenance, anti-social behaviour, caretaking functions, grounds maintenance and parking. These were made clear in tenants responses to the November 2023 survey. Specifically, a 33% growth in responsive repairs will seek to address:
- An increased volume of repairs that have been received from tenants as a consequence of historical under investment in the stock including insufficient growth in responsive repair budgets.
 - The significant works undertaken to tackle reports of damp and mould.
 - To enhance capacity to meet the needs of The Social Housing (Regulation) Act 2023, including the Awaab's Law amendment to ensure social landlords fix damp and mould within strict time limits.
 - The ongoing work to manage the legacy voids and ensure that we are turning around our stock and bringing it to a "decent" standard for our tenants.
 - To continue to address the issues above that have led to a significant increase in legal disrepair claims and compensation payments.
- 6.2** The additional annual income gain is sought to also fund the implementation of HRA specific elements of the Housing Strategy such as the requirements of the new Building

Safety Act. This also includes looking at staffing structures, with potential growth in specific areas to ensure we have the capacity to achieve the key aims in the Housing Strategy and to deliver the housing service in line with resident expectations and engagement feedback, and performance targets set by the Housing Improvement Board.

6.3 There is also a requirement for the service to meet the requirements set out by the Regulator for Social Housing (RSH) of four new proposed standards:

- The Safety and Quality Standard will require landlords to provide safe and good-quality homes for their tenants, along with good-quality landlord services.
- The Transparency, Influence and Accountability Standard will require landlords to be open with tenants and treat them with fairness and respect so they can access services, raise concerns when necessary, influence decision making and hold their landlord to account.
- The Neighbourhood and Community Standard will require landlords to engage with other relevant parties so that tenants can live in safe and well-maintained neighbourhoods and feel safe in their homes.
- The Tenancy Standard sets requirements for the fair allocation and letting of homes, as well as requirements for how tenancies are managed by landlords.

7 ALTERNATIVE OPTIONS CONSIDERED

7.1 Modelling of rent levels below that of the Social Housing Rent Policy has been carried out previously as a result of the rent cap in 2023-24. The 7% cap represents a loss to the HRA of £3.3m for 2023-24.

7.2 No mechanism was implemented to recoup the lost £3.3m revenue from 2023-24. At a Net Present Value (NPV) rate of 4%, over the 30-year business plan life cycle this equates to lost income of £57.1m to the HRA. This significantly impacts on the ability of HRA to meet its long term commitments and legislative requirements and the commitments made in the Improvement Plan. As a direct result there are no alternative options proposed for the 2024-25 rent increase other than continued compliance with the Social Housing Rent Policy.

7.3 The proposed increase is in line with the vast majority of Councils who are also seeking to implement increases to the maximum value, in this the final year of the Social Housing Rent Policy.

8 CONSULTATION

- 8.1 Engagement with our tenants began in October 2023 through the Tenants and Leaseholder Panel (TLP) meeting and continued into January 2024.
- 8.2 A Tenants Survey was launched on 6 November 2023. The survey requested respondents to prioritise services that matter most to them the survey closed on 15 December 2023, over 830 responses have been received. Tenants have been clear they want to see improvements to services provided and have prioritised repairs and planned maintenance, action to tackle anti-social behaviour, greater emphasis on caretaking functions, improvement to grounds maintenance and tackle parking violations on estates.
- 8.3 The feedback from the surveys has been used to inform the budget allocation.

7. CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1 The HRA Business Plan and Budget Update 2024-25 report supports the Mayor's Business Plan 2022-2026 Objective one "The council balances its books, listens to residents and delivers good sustainable services"
- 7.2 The report also supports the Council to achieve Outcome four of the Mayor's Business Plan 2022-26 to "Invest in council homes to drive up standards and develop a more responsive and effective housing service"

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

- 8.1.1 The financial impacts to the HRA have been outlined in the report showing that an increase in annual income of circa £6.7m from the proposed 7.7% increase is required to meet the revenue pressures that have been evidenced since Period 5 reporting to cabinet of a £12m overspend against the current 2023-24 budget.
- 8.1.2 Further controls and reporting of pressures will be required in 2024-25 to ensure that costs are maintained within the revised budget.
- 8.1.3 The proposed increase in rent and tenant service charges will fund both the required revenue costs of providing services (including inflationary pressures) and funding the revenue borrowing costs of required capital improvements to properties.
- 8.1.4 Comments approved by Allister Bannin, Director of Finance. (Date 04/01/2024)

8.2 LEGAL IMPLICATIONS

- 8.2.1** Section 24 of the Housing Act 1985 provides that a local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses, and that the authority must from time to time review rents and make such changes as circumstances may require. However, in exercising these functions, local housing authorities must have regard in particular to any relevant standards set for them by the Social Housing Regulator.
- 8.2.2** The government's Policy Statement on rents for social housing (updated 14 December 2022) sets out the government's policy on rents for social housing from 1 April 2020 onwards. Paragraph 2.15 of the Policy Statement provides "from 1 April 2020, registered providers may not increase rents by more than CPI (as at September of the previous year) + 1 percentage point in any year. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that year, registered providers may not increase rents by more than 7%. The 7% ceiling does not apply to supported housing accommodation". The government has also issued Directions on the Rent Standard to the Regulator of Social Housing requiring the Regulator to have regard to the Policy Statement when setting its Rent Standard for registered providers of social housing (including local authorities). Although no Rent Standard has yet been set for rent periods that begin in the 12 months from 1 April 2024 to 31 March 2025, it is anticipated that that Standard will reflect the limit on rent increases as specified in the Policy Statement, and will require all registered providers, including local authorities to set rents in accordance with the Policy Statement.
- 8.2.3** In relation to changes to rents, paragraph 2.16 of the Policy Statement provides "providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so. Providers should consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties".
- 8.2.4** In relation to varying the terms of secure tenancy agreements in respect of rents and service charges, the Council must comply with the provisions of Sections 102 & 103 of the Housing Act 1985.
- 8.2.5** A further Direction will be needed from the Secretary of State which will permit the Council to make certain additional credits and debits to the HRA under Item 9 Part I and Item 10 Part II of Schedule 4 of the 1989 Act in relation to Discretionary Housing Payments. Guidance from the Secretary of State indicates that as there is no express provision in the 1989 Act relating to the funding of DHPs from the HRA, the Secretary of State is prepared to issue Directions to individual authorities to put the matter beyond doubt, subject to certain rules and limits.
- 8.2.6** Comments approved by Sandra Herbert, Head of Litigation & Corporate Law on behalf of the Director of Legal Services and Monitoring Officer. (Date 15/12/2023)

8.3 EQUALITIES IMPLICATIONS

8.3.1 As a public body, the Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to:

eliminate discrimination,

advance equality of opportunity and

foster good relations between different people when carrying out their activities.

8.3.2 Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.

8.3.3 The Council's data indicates that the proposed change will have an impact on certain protected characteristic groups (age, gender, ethnicity). We will proactively engage with tenants to decide what mitigations would be appropriate to reduce the likelihood of a negative impact on these groups. Plans are also in place to improve our protected characteristic groups to more accurately assess negative impacts on other groups. The analysis of the data has provided us with confidence that no intentional discrimination of the protected characteristics groups. The mitigation outlines above and our engagement intentions during the 2024 year will support the council to ensure that we continue to adhere to this.

8.3.4 Comments approved by Naseer Ahmad on behalf of the Equalities Manager. (Date 13/12/2023)

9. APPENDICES

9.1 Appendix A: Equalities Impact Assessment

10 **Background Documents** – N/A