



Housing and Growth Committee 17 January 2023

Title	Annual Review of Council Dwelling Rents and Service Charges and Temporary Accommodation Rents for 2023/24
Report of	Chair of the Housing and Growth Committee
Wards	All
Status	Public
Urgent	No
Key	Yes
Enclosures	Appendix 1 – Annual Review of Council Dwelling Rents and Service Charges and TA Rents Equality Impact Assessment
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Summary

The report seeks approval of proposed changes to council dwelling rents and service charges, including temporary accommodation rents, to take effect from 1 April 2023.

Officers Recommendations

1. The committee notes and agrees for recommendation to the Policy and Resources Committee, and to be noted by Full Council:
 - The proposed rent increase in line with government policy for existing council tenants, as set out in paragraph 1.9 for social rent dwellings and 1.11 for Affordable Rent dwellings;
 - The proposed rent increase for temporary accommodation, as set out in paragraph 1.13; and
 - The proposed service charges and garage rents as set out in paragraph 1.18;all to take effect from 1 April 2023.

1. Why this report is needed

- 1.1 The council is required to set council dwelling rents and associated service charges for council tenants on an annual basis. These are set out in a formal rent notice issued to all tenants before the start of the financial year.
- 1.2 The Local Government and Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account and prescribes the debits and credits to be applied to it. The principal items of expenditure within the HRA are management and maintenance costs, together with charges for capital expenditure (depreciation and interest). This is substantially met by rent and service charge income from dwellings, garages, and commercial premises.

Background

- 1.3 Following the implementation of a rent policy which saw social housing rents reduced by 1% a year for five years, from 1 April 2020 the then Department for Communities and Local Government introduced a new five-year rent setting regime that allowed social housing rents to be increased by up to CPI (taken as of September of the previous year) +1%. The purpose of this announcement was to give councils and other social housing providers some certainty and security to plan investment in existing stock and the building of new social housing. For the year 2022/23, the council increased rents by CPI+1%, which was +4.1%.
- 1.4 In 2019 when the Government sent the new Direction on the Rent Standard from April 2020, inflation was forecast to be around 2% in 2022 and 2023; however, CPI was 10.1% in September 2022. Under the Rent Policy Statement, this would permit social housing rent increases from 1 April 2023 to 31 March 2024 of up to 11.1%. This much higher than expected rate of inflation would place considerable pressure on many households, including those living in social housing, at a time when general cost of living pressures are acute.
- 1.5 The Secretary of State for Levelling Up, Housing, and Communities recently consulted on making a temporary amendment to the rent policy for 2023/24 to provide a backstop of protection for social housing tenants from significant nominal-terms rent increases. The council submitted a response to the consultation. Following a review of all the responses, on 17 November 2022 the Chancellor announced in his Autumn Statement a 7% ceiling to social housing rent increases from 1 April 2023.
- 1.6 Temporary accommodation is let at Local Housing Allowance (LHA) rates. From 1 April 2020, following a freeze between 2016 and 2020, LHA was increased to equal the 30th percentile of rents in each local area. The Office for Budget Responsibility's Economic and Fiscal Outlook of November 2020 confirmed LHA rates will be frozen in cash terms from 2021/22 onwards.
- 1.7 All newly let Barnet temporary accommodation properties are let at the applicable LHA rate. Where temporary accommodation was already occupied prior to April 2021, the rents are charged at the LHA rate that was applicable at the time of the letting, as adjusted by any subsequent approved rent increases which were capped at the then-current LHA rate. In 2022/23, the council increased those temporary accommodation rents that were not then at LHA rates by the same formula as the council dwellings; this was CPI+1% or 4.1%.

1.8 The rent and service charges review comes at a time when there are multiple and growing pressures on cost of living which are generally understood to have a disproportionate impact on those who are already financially disadvantaged. The aim of the review is to ensure that essential income is maintained to minimise the impact on the General Fund and allow the HRA to continue essential investment in safety, property condition, and development of new social housing that benefits both existing tenants and those who are in housing need. To facilitate this, increases to rents and service charges are proposed, with the recognition that this will have a high impact on many households, and it is therefore vital that support is in place for those who need it. The direct impact on a high proportion of tenants is mitigated by receipt of full or partial Housing Benefit or the housing element of Universal Credit; however, this paper includes information about the various services and financial and other types of support that are available to tenants who may be experiencing difficulties paying their rent or service charges.

Barnet Council social housing rent proposals for 2023/24

1.9 It is proposed that from 1 April 2023 the council increases social housing rents by the national cap of 7% for existing tenants. All new tenancies will be let at target rent, which can continue to be set at CPI+1%; this is recommended for new tenancies, which are subject to affordability assessments prior to letting. The table below shows examples of how the weekly average and formula rents would change in 2023/24.

Scenario	2022/23	2023/24 increase applied
Average current rent (for existing tenants) ^{1, 2}	£118.75	£127.05
Average formula rent (for new tenant on re-let) ^{1, 2}	£120.88	£134.30

1.10 The majority of social housing dwellings within the HRA are charged at a social rent; however, there is also a small proportion (2.5%, or 226) of newly developed properties that are charged an Affordable Rent level, meaning they cannot exceed 80% of the equivalent market rent, inclusive of service charges. New homes being delivered on the council's land will be subject to rents set at 50% of average private sector market rent levels or lower in accordance with the Administration's commitment to providing more low-cost rented social housing (or, where the council could not afford to build new homes if rents were limited to 50%, will be subject to rents set at Affordable Rent levels of 65% of average private sector market rent levels or the Local Housing Allowance (LHA), whichever is lower as per the previous year), or they will be set at an alternative rent level such as London Affordable Rent if Greater London Authority (GLA) conditions dictate this. This ensures these properties generate sufficient revenue to offset their ongoing associated costs without a wider impact on the HRA.

1.11 It is proposed that for existing households, the council increase Affordable Rents by 7% from 1 April 2023. The table below shows examples of how weekly average Affordable Rents would change in 2023/24 upon the application of the 7% increase.

¹ All charges in this table are shown on a 52-weeks basis and show an average of the rents charged across the stock. Note that Barnet charges on a 48-week basis with 4 rent-free weeks; the increase as illustrated has been calculated by 52 weeks in line with the Rent Standard. Based on 48 weeks, the average rent for existing tenants will therefore be £137.64 per week, with 4 weeks rent-free.

² Existing tenant rents increased by 7%; formula rents for re-lets increased by 11.1% (CPI + 1%).

Scenario	2022/23	2023/24 with 7% increase applied
Average Affordable Rent ¹	£229.12	£245.16

Barnet Council temporary accommodation rent proposals for 2023/24

- 1.12 As of 8 December 2022, there are 1,304 households subject to temporary accommodation rents, for which 708 properties are currently set at full LHA rates, and the remaining 530 are let below LHA rates.
- 1.13 It is proposed that those temporary accommodation rents for 2023/24 that are charged less than current LHA rates are increased in line with the rent increase proposal for council dwellings of 7%, up to a maximum of the applicable LHA level.
- 1.14 For those properties currently being charged below LHA rates, the proposed increase would result in an average rent increase of £15.68 per week from £316.46 to £322.14. Due to the LHA cap, the average rent increase applied would be 5.07%. Following the rent increase, 164 properties' rent would remain below the April 2020 LHA rate. The average increases have been broken down by broad rental market area below:

Scenario	Broad Market Rental Area: +7%		
	Outer and North-West London	Inner London	Out of London
Number of rents increased	419	85	26
Average weekly rent increase	£16.02	£16.18	£6.92
Average % increase	5.43%	3.88%	3.38%

Service charges and garage rents

- 1.15 Service charges usually reflect additional services that may not be provided to every tenant, or that may relate to communal facilities. For properties let at social rents, service charges are subject to separate legal requirements and are limited to covering the cost of providing the services. For Affordable Rent properties, the rent is inclusive of service charges.
- 1.16 Approximately 3,500 leasehold properties are also affected by service charges; these properties are a mix of owner-occupiers or second / portfolio properties that are let privately. Where service charges do not currently recover the costs of providing services or utilities, the service charges for these properties are being subsidised by social housing rental income that could otherwise fund investment in safety measures, property condition, and new social housing.
- 1.17 Inflation has a significant impact on the costs of providing services to council properties, and it is likely the proposed service charge increases will place additional financial pressure upon many households. Whilst some of the impact of this will be mitigated as many service charges are covered by Housing Benefit or the housing element of Universal Credit, and over two thirds of council tenants are in receipt of either full or partial Housing Benefit or Universal Credit, nearly a third will not receive this support and additionally the proposed increases to heating and hot water charges and alarm services charges are not covered. It is therefore essential that adequate support is in place and targeted to help those who may experience difficulty

paying their service charges or experience significant pressure due to the overall cost of living crisis. Section 5.6 of this report includes information about the support that is available.

- 1.18 Service charges and garage rents have been reviewed to ensure costs can be fully recovered or better recovered. The most significant impact is in energy costs, for which households paying service charges have largely been protected from significant cost increases that have affected other households. It is recommended that service charges are not kept artificially low, as this is detrimental to the council's ability to recover its costs, provide essential services, and invest in existing properties and new social housing. Rather than subsidise those who may not need additional support, it is recommended that the council aim to maximise the recovery of costs while ensuring support is in place for those who may need it. It is proposed that service charges are increased from 1 April 2023 to reflect the increased costs of providing the services, as outlined in the table below.

Service ³	2022/23	2023/24	£ Increase	% Increase
Covered by Housing Benefit / UC				
Caretaking (quarterly)	£1.45	£1.59	£0.14	9%
Caretaking (weekly)	£6.49	£7.07	£0.58	9%
Digital TV	£1.76	£1.83	£0.07	4.4%
Door entry systems	£2.67	£2.79	£0.12	4.4%
Enhanced housing management (sheltered housing)	£23.72	£26.09	£2.37	10%
Fire safety equipment	1 Bed £4.26 2 Beds £5.00 3 Beds £5.55	1 Bed £4.77 2 Beds £5.60 3 Beds £6.82	1 Bed £0.51 2 Beds £0.60 3 Beds £1.27	12%
Grounds Maintenance	£3.17	£3.49	£0.32	10%
Lighting	£1.52	£3.04	£1.52	100%
Not covered by Housing Benefit / UC				
Alarm services (sheltered housing)	£3.22	£3.54	£0.32	10%
Garage rents	7% increase applied to existing rent			
Heating and hot water (Grahame Park)	1 Bed £13.28 2 Beds £18.40 3 Beds £19.87	1 Bed £33.81 2 Beds £46.84 3 Beds £50.59	1 Bed £20.53 2 Beds £28.44 3 Beds £30.72	254.6%
Heating and hot water (excluding Grahame Park)	254.6% increase applied to existing variable charges			

³ All charges in this table are shown on a 48-weeks basis and are rounded to the nearest penny.

- 1.19 **Alarm services (sheltered housing)** – Costs have been reviewed and consist predominantly of labour costs and incidental costs. Pay increases⁴ in the current financial year were nearly 5% higher than budgets; this shortfall plus a budgeted 5% pay increase in 2023/24 means that a 9% increase is proposed.
- 1.20 **Caretaking** – Costs have been reviewed and consist predominantly of labour costs and incidental costs. Pay increases⁴ in the current financial year were nearly 5% higher than budgets; this shortfall plus a budgeted 5% pay increase in 2023/24 means that a 9% increase is proposed.
- 1.21 **Digital TV and door entry systems** – The Royal Institute of Chartered Surveyors' (RICS) Building Cost Information Service (BCIS) guidance provides guidance on the cost of rebuilding houses and flats and is commonly used across the housing sector used to facilitate accurate cost planning. It is the nearest and most reliable reference to trade costs in the round, and can reasonably be applied to servicing and repair works to installations such as digital TV and door entry systems. The BCIS guidance indicates a 4.4% inflationary adjustment; the proposed 4.4% increase to service charges therefore reflects this.
- 1.22 **Enhanced housing management (sheltered housing)** – Costs have been reviewed and consist predominantly of labour costs and incidental costs. Pay increases⁴ in the current financial year were nearly 5% higher than budgets; this shortfall plus a budgeted 5% pay increase in 2023/24 means that a 9% increase is proposed.
- 1.23 **Fire safety** – Tender returns for these contracts that were received in 2022 were extremely wide-ranging, reflecting the current volatile market, and following tender analysis it was decided to retender for these servicing and inspection works. Barnet Homes' cost consultants expect revised tender returns to be c.12% higher and this increase should be applied to service charges for 2023/24. For future years, we will be better informed based on the new contract being in place for 12 months. Service charges for any new installations will be charged in line with successful tender. It should be noted that no increase in tenants' service charges was applied in 2021/22, the year following the first installations of the fire safety equipment.
- 1.24 **Garage rents** – The rental costs of garages are proposed to increase by 7% in line with the council dwellings rent increase proposal. Costs associated with managing the garages are largely related to labour, in addition to materials and costs associated with maintaining property condition. Barnet Council has 1,200 garages of which 557 are occupied, and which are let at an average weekly rent of £17.30.
- 1.25 **Grounds maintenance** – These costs relate to labour, materials, and fuel and fleet expenses. Pay increases⁴ in the current financial year were nearly 5% higher than budgets; this shortfall plus a budgeted 5% pay increase in 2023/24 along with significantly increases in fuel and fleet costs means that a 10% increase is proposed.
- 1.26 **Heating and hot water (Grahame Park) and heating and hot water (excluding Grahame Park)** – Due to the significant uncertainty regarding energy prices in November 2021 when service charge adjustments were last proposed, only a 3.5%

⁴ Pay increases relate to Barnet Homes employees, many of whom were TUPE transferred from Barnet Council and so retain council Terms and Conditions. Pay increases therefore are as per nationally negotiated Greater London Provincial Council rates.

increase was applied for the year April 2022 to March 2023. Actual cost to the council has increased by 207%, meaning that the council, via the HRA, is subsidising those residents living on Grahame Park, and those in other properties who have heating and hot water charges, by more than £1m in 2022/23. The energy price cap in April 2021 was £1,138 per home; this will be £3,000 (with government support) from April 2023, meaning a 263.6% increase in the last 2 years, and this is what all other social housing tenants will have been subject to over the period.

The provision of heating and hot water at Grahame Park is considered to be a commercial supply, and therefore is not subject to the price cap. These costs are forecast to increase by another 200% in 2023/24. Whilst it will mean the council will not be able to fully recover the costs incurred, it is recommended that the properties are treated as if they were subject to the consumer price cap, and therefore it is proposed to increase these service charges in line with the recent two-year increase, adjusted by the 3.5% increase that was applied in 2022/23. This means a proposed 254.6% increase. If actual costs are lower than the estimated charges, the service charges could be reviewed and adjusted during the year with committee approval.

Without increases of this scale, the cost pressure on the HRA will be in excess of £2.5m and will mean a limited number of households are receiving support that nearly 8,500 other council households, in addition to private tenants and owner-occupiers in the borough, are not able to access. For many tenants, other service charge increases they may be affected by will be covered by Housing Benefit or the housing element of Universal Credit. If tenants find it more difficult to pay their rent and/or service charges there is support available from Barnet Homes and the council, as set out in paragraphs 2.8 and 5.6 of this paper.

- 1.27 **Lighting** - Barnet Homes' electricity rates have been fixed until May 2023. No certainty on pricing can be achieved but we do know prices will be substantially higher than they are currently, and therefore it is recommended an increase of 100% is applied. Whilst significant, this would be at a similar rate to that which other social housing households will have been subject to.
- 1.28 Improvement works and new technologies are being implemented that may have a positive impact on the costs incurred by residents; however, it should be noted may be more likely to offset the present level of subsidy the council is providing on service charges. Barnet Homes has been delivering an Electrical Rising Mains programme since 2012 which is now nearing completion, with the final blocks to be completed in 2023/24; this has incorporated lighting sensors at all locations. On completion, this will affect over 900 blocks and their communal areas.
- 1.29 In February 2023, Barnet Homes also expects to be notified of its success or otherwise in gaining grant funding from the Social Housing Decarbonisation Fund (Wave 2 bid). Barnet Homes' sustainability budget is primarily intended to match this funding, and works completed will be 'fabric first' including insulation to internals and externals. Barnet Homes plans to pilot some different approaches using the remainder of this budget in 2023/24 and 2024/25, which may include solar panels / photovoltaics and heat pumps.

2. Reasons for recommendations

- 2.1 The proposed rent changes for council dwellings are in line with government policy, the council's Housing Strategy 2019 to 2024, and the HRA's 30-year Business Plan assumptions, and will assist Barnet Council to generate sufficient income to carry out needed essential investment works in properties, such as those relating to fire safety, and to plan and support the delivery of further affordable homes in the borough through the maintenance of a viable HRA. The service charges have been reviewed to ensure the revenue raised covers, or is closer to covering, the estimated cost of providing these services.
- 2.2 The maximum permissible rent increase under the Government's policy is recommended to support the aims of the Housing Strategy to deliver more homes that people can afford, promote independence, tackle homelessness and rough sleeping in Barnet, and provide safe and secure homes by investing in planned improvements, day-to-day repairs, dealing with damp and mould issues, and fire safety measures. This will directly benefit all council tenants as the rental income for council homes is ring-fenced to the HRA, ensuring it is used for no other purpose. The proposed approach will also optimise the council's and Barnet Homes' ability to deliver the HRA Business Plan and implement the objectives and outcomes of the council's Local Plan, Corporate Plan, Homelessness and Rough Sleeping Strategy, and Joint Health and Wellbeing Strategy.
- 2.3 The amended HRA Business Plan in November 2022 advised the committee that the council's response to the rent cap consultation was for a 7% cap and then no further cap, and the revised Business Plan was modelled on the assumption that the Government would proceed with the 5% cap for two years from 2023/24 that was originally proposed in its consultation. Whilst a 7% increase is higher than planned, additional cost pressures continue to be identified, such as damp and mould costs, which means the additional income will ensure no undue financial pressure on the General Fund. Income from council rents will help to secure the delivery of new affordable homes built or acquired through the HRA, which will help to reduce costs to the General Fund by providing an alternative to short-term temporary accommodation. The delivery of extra care housing and wheelchair-adapted homes will also help the council to meet savings targets for social care budgets by providing a more affordable alternative to residential care whilst also delivering a better outcome for vulnerable residents.
- 2.4 The council has made fire safety a top priority for its investment programme and has committed to going beyond its statutory obligations to meet best practice in fire safety measures. The introduction of the Fire Safety Act 2021 and the Building Safety Bill are also expected to bring additional requirements for other enhanced aspects of building and fire safety, and ongoing management of the council's housing stock. £52m has already been spent on an investment programme that is in part dependent upon additional income through annual rent increases, and there are further approved plans to invest £26m capital in medium- and low-rise buildings and c.£850k revenue annually in the Building a Safer Future programme.
- 2.5 Other activities to be supported through the HRA Business Plan include investment in existing homes to ensure the Decent Homes Standard continues to be met and environmental targets are met including achieving EPC C targets by 2030 and the Government's Clean Growth Strategy. The investment programme also includes provision for environmental works in shared and communal spaces, as well as

contributing towards achieving carbon neutrality across the stock by 2050 which is estimated to cost in excess of £150m.

- 2.6 The proposed increase of 7% to temporary accommodation rents that are currently charged below LHA will generate an additional £432k for the General Fund in 2023/24, which will support the provision of temporary accommodation and homelessness services at a time when there is a shortage of social housing and temporary accommodation within the borough.
- 2.7 The proposed rent and service charge increases coincide with an ongoing rise in living costs that is expected to affect tenants, particularly those who are already experiencing socio-economic disadvantage, and particularly those tenants living in larger properties which will be more greatly impacted by the proposed rent increase due to the higher rent charges for those properties. The direct impact on tenants will be mitigated in part due to the majority of council tenants (69.8%) and tenants living in temporary accommodation (81.6%) being in receipt of either full or partial Housing Benefit or the housing element of Universal Credit; the majority of service charges are also covered by Housing Benefit or Universal Credit.
- 2.8 If tenants do find it more difficult to pay their rent and/or service charges, a range of services are provided to support them to maximise their income, sustain their tenancies, and manage more generally with the rising cost of living. These include support with benefit entitlement and income maximisation, access to financial support including Discretionary Housing Payments, Council Tax support, the Resident Support Fund, the Major's Benevolent Fund, and DWP budgeting loan, and support services providing practical assistance to help people maintain their tenancies and with training and employment. Households are also expected to experience benefits from the continued impact of £80k in funding support from the Homelessness Prevention Grant and Household Support Fund which currently must be spent by March 2023. Preventative measures to increase tenancy sustainment are deployed to ensure that the need for tenancy enforcement measures remains very low, and a tailored approach is delivered by Barnet Homes to ensure individual needs are met. The support available is covered in more detail in section 5.6 of this paper.

3. Alternative options considered and not recommended

- 3.1 Alternative options considered include not raising the rent levels and/or service charges or raising them by a lower amount than has been proposed in this paper. However, these are not recommended as the proposed rent changes are in line with government policy, and any lower increase would create financial pressure on the HRA that could lead to its reduced viability and potentially have a detrimental impact on services or condition of homes and/or a reduced capacity to fund the delivery of additional homes.
- 3.2 Were a lower increase than 7% applied to the council rents, this would impact upon the HRA Business Plan as illustrated below; were any properties to be re-let in that period, the impact would be reduced as any rents currently charged below formula rent would be adjusted upon re-let.

Alternative Option	2023/24 HRA Impact £000	30-Year Cumulative HRA Impact £000
No rent increase	-£3,579	-£143,041
+3% rent increase	-£2,050	-£81,898
+5% rent increase	-£1,027	-£41,013

- 3.3 Similarly, if temporary accommodation rents that are currently below the LHA level were not increased and the properties continue to be occupied by the same households, this would reduce General Fund revenues by c.£432k in 2023/24, an increase of 3% only would reduce General Fund revenues by c.£196k in 2023/24, and an increase of 5% only would reduce General Fund revenues by c.£70k in 2023/24.
- 3.4 The proposed service charge changes are to ensure that costs are recovered, and any alternative would result in an inability to recover the full cost of providing essential services to tenants.

4. Post decision implementation

- 4.1 As per the council's Constitution, changes to fees and charges approved by theme committees are submitted to the Policy and Resources Committee to make a recommendation to Full Council for approval as part of the budget. Full Council will be asked to note the proposed changes as part of this process.
- 4.2 Statutory notices of rent increases must be sent to tenants a month in advance of them coming into effect, and these will be sent out after the Full Council meeting in February 2023, assuming that this committee and the Policy and Resources Committee approve the rent and service charges.
- 4.3 Following approval at Full Council in February, the council will instruct Barnet Homes, the council's Arm's-Length Management Organisation, to issue a statutory notice of variation to council tenants a month in advance of the rent increase being applied.

5. Implications of decision

5.1 Corporate Priorities and Performance

- 5.1.1 Reviews of rent levels and service charges help ensure resources are in place to deliver housing services to council tenants, homelessness and temporary accommodation services to those who are in need, and new supply to meet growing demand for affordable housing. There are strong links to the below corporate priorities.
- 5.1.2 The council is developing a new Corporate Plan that is centred around being a council that cares for people, its places, and the planet. Under the People priority, it aims to be family friendly, tackle inequality, and support health and independence. Under the Place priority, it aims to ensure safe, attractive neighbourhoods, sustainable growth, and thriving town centres and a fun place to visit.
- 5.1.3 The Housing Strategy 2019 to 2024 sets out how the council and its partners will improve the quality of housing available and deliver the additional housing that is

required in the borough due to the growing population. The strategy details delivering more housing that people can afford, including the use of Affordable Rents to provide more homes for rent on council land. A new housing strategy is currently in development, and will focus on similar core aims. Income from rents will also be used to maintain the condition of the existing housing stock.

5.1.4 The Health and Wellbeing Strategy 2021 to 2025 recognises that the condition of and access to local housing has an important role in the quality of life and health of both individuals and communities.

5.1.5 The Growth Strategy 2020 to 2030 includes priorities to increase the supply of housing, deliver more homes that people can afford, deliver homes on public sector land, and support our growing older population.

5.1.6 Barnet's Joint Strategic Needs Assessment highlights the fact that there is a long-term shift in housing tenure towards renting and away from owner occupancy (either outright or with a mortgage), reflecting a sustained reduction in housing affordability and an imbalance between housing demand and supply.

5.2 **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 Barnet Homes will administer the rents and service charges for council tenants and the rents for tenants living in temporary accommodation.

5.2.2 Income raised from the service charges will be used to recover the costs of providing the services within the HRA. Income from dwelling rents is a key driver of the total income available to the HRA, making up 86% of total income budget in 2022/23.

5.2.3 Existing council rents are on average 27.5% of private sector rents, so charging Affordable Rents at 65% of average private sector rents for new council homes delivered on its own land (for any schemes in which the council could not afford to build the homes if the rents were limited to 50% or lower in line with the Administration's commitment to building more low-cost affordable social housing) will raise additional income for the Housing Revenue Account that will contribute to the HRA Business Plan.

5.2.4 If the council were to increase rents only by 5% and not the additional permissible 2%, this would reduce HRA revenues by £41,013,237 over the 30-year Business Plan. This would mean an additional £44m of borrowings and associated interest costs would be required to deliver the major works programme, environmental works, and de-carbonisation works planned within the Business Plan and partly reliant on the additional income.

5.2.5 Income from council rents will help to secure the delivery of new affordable homes built or acquired through the HRA, which will help to reduce costs to the General Fund by providing an alternative to short-term temporary accommodation. The delivery of extra care housing and wheelchair-adapted homes will help the council to meet savings targets for social care budgets by providing a more affordable alternative to residential care as well as delivering a better outcome for vulnerable residents.

- 5.2.6 Additional income of c.£432k in 2023/24 from temporary accommodation rents will help to secure the delivery of temporary accommodation and homelessness services through the General Fund. This income will come in a period during which demand for services is expected to increase significantly as a result of COVID-19-related factors such as the end of the evictions ban.
- 5.2.7 The temporary accommodation subsidy cap means that properties that are let at rents above this, up to the LHA level, will result in a temporary accommodation subsidy loss. The proposed temporary accommodation rent increase will result in a greater subsidy loss; however, this will be offset by increased revenue for temporary accommodation and the Flexible Homelessness Support Grant (FHSG). In 2021/22, the total subsidy loss was £2,988,983 with receipt of £5,666,770 in FHSG to offset this.

5.2 Legal and Constitutional References

- 5.3.1 The Localism Act 2011 introduced self-funding for council housing. The national subsidy system has been abolished and a new funding regime introduced giving local authorities more autonomy to set council rents.
- 5.3.2 Under section 24 of the Housing Act 1985, a local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses. They shall from time-to-time review rents and make such changes, either of rents generally or of particular rents, as circumstances may require.
- 5.3.3 Under section 13 of the Housing Act 1988, for the purpose of securing an increase in the rent under an assured or assured shorthold tenancy, the landlord may serve on the tenant a notice in the prescribed form proposing a new rent to take effect at the beginning of a new period of the tenancy specified in the notice.
- 5.3.4 Under section 103 of the Housing Act 1985, the terms of a secure tenancy which is a periodic tenancy may be varied by the landlord by a notice of variation served on the tenant. The landlord authority is required to serve a preliminary notice on a secure tenant giving them advance notification of any change proposed to be made to the terms of their tenancy and inviting their comments. The landlord authority shall consider any comments made by the tenant within a specified time. A preliminary notice is not, however, required for variation of rent or payments in respect of services or facilities provided by the landlord; however, a notice of variation must be provided, and must set out what the change is and the date on which it takes effect. The period between the date on which the notice is served and the date on which it takes effect must be at least four weeks or the rental period, whichever is the longer.
- 5.3.5 Section 105 of the Housing Act 1985 requires a landlord authority to maintain such arrangements as it considers appropriate to enable those secure tenants who are likely to be substantially affected by matters of housing management to be informed and consulted about the proposals, and before deciding on the matter, the landlord authority must consider any representations made. The legislation sets out the matters of housing management this relates to; however, this does not extend to the rent payable under a secure tenancy or to charges for services.

- 5.3.6 The Local Government and Housing Act 1989 requires the council to prevent a debit balance within the Housing Revenue Account, and to act reasonably in making assumptions and estimates and to act prudently.
- 5.3.7 Under section 23 of the Welfare Reform and Work Act 2016, registered providers of social housing were obliged to reduce social rent by at least 1% from the rent payable by the tenant in the preceding 12 months for the years beginning 1st April 2016 to 1st April 2019. In October 2017, the then-Ministry of Housing, Communities, and Local Government (now the DLUHC) announced its intention to set a long-term rent deal for local authorities and housing associations. This permitted annual rent increases of up to (the preceding September's) CPI + 1% from 2020 for a period of up to 5 years. Registered providers must set rents from 1 April 2022 in accordance with the DLUHC's Direction on the Rent Standard and Rent Policy Statement. In making reasonable charges officers have given consideration to the Government's policy aims of introducing social housing rents that will ultimately produce rents being set on a nationally determined basis, whilst taking into account local factors. This aim is not prescriptive in so much it remains the responsibility of the local housing authority to set rents. In the Autumn Statement of 2022, the Chancellor of the Exchequer confirmed that a 7% cap would apply to social housing rent increases for 2023/24 due to high inflation.
- 5.3.8 Section 18 of the Landlord and Tenant Act 1985 sets out the basic ground rules for service charges, defining what is considered a service charge, these are defined as 'an amount payable by a tenant of a dwelling as part of or in addition to the rent which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management; and the whole or part of which varies or may vary according to the relevant costs'.
- 5.3.9 The main duties upon local authorities as landlords in relation to fire safety are covered by the Regulatory Reform (Fire Safety) Order 2005, Fire Safety Act 2021, and the Housing Act 2004. Local housing authorities as landlords also need to comply with other statutory requirements that are set out in the Gas Safety (Installation and Use) Regulations 1998, the Electrical Equipment (Safety) Regulations 1994, and the Furniture and Furnishings Act 1988.
- 5.3.10 The council's Constitution (Article 7 – Committees, Forums, Working Groups, and Partnerships) sets out the responsibilities of the Housing and Growth Committee which include:
- (1) Responsibility for:
- housing (including housing strategy, homelessness, social housing and housing grants, private sector housing and leasing, housing licencing and enforcement, HRA Revenue Account and Capital Programme).
 - Regeneration Strategy and overseeing Major Regeneration Schemes
 - Asset Management
 - Development of Council Land
 - Fire Safety
 - [...]
- (2) To submit to the Policy and Resources Committee proposals relating to the Committee's budget (including fees and charges) for the following year in accordance with the budget timetable.

5.2.11 The council's Constitution (Article 17 - Financial Regulations) also states:

- 2.3.6 - Changes to fees and charges should be included in the budget proposals submitted by theme Committees or the relevant committee as part of the budget setting process. Theme Committees and other committees refer all fees and charges to the Policy and Resources Committee. The Policy and Resources Committee reviews all fees and charges which then form part of the budget that is subject to public consultation. Subject to public consultation outcomes and equality impact assessments, the Policy and Resources Committee recommends all fees and charges to Full Council for approval as part of the council's overall budget.

[...] Changes to annual tenant rents and service charges for the HRA and GF must be referred from Housing & Growth Committee to Policy and Resources Committee before tenants and leaseholders are issued with formal notices and bills ahead of the upcoming financial year.

The budget recommended by Policy and Resources Committee to Full Council will incorporate the latest projection of income from fees and charges. Full Council will approve all fees and charges

5.3 Insight

5.4.1 No specific insight has been used in this report.

5.4 Social Value

5.5.1 There are no specific Social Value aspects to this report.

5.5 Risk Management

5.5.1 The proposed rent and service charge increase is likely to more greatly affect households that are already experiencing socio-economic disadvantage, particularly at a time when general living costs are increasing, and with the greatest impact on larger households where the rent charges are higher. Barnet Homes will work with all tenants who may suffer financial hardship during their tenancy at the earliest opportunity to mitigate the risk of increased hardship.

5.5.2 Of all council tenants, 69.8% are currently in receipt of either full or partial Housing Benefit or the housing element of Universal Credit, and of all tenants living in temporary accommodation, 81.6% are currently in receipt of either full or partial Housing Benefit or the housing element of Universal Credit; as such, we do not expect the majority of individuals to be directly affected by any increase to the rental charge.

5.5.3 There is also a risk that increasing the service charges will make it more difficult for tenants to pay by making service charge collection more difficult. This is considered to be a low risk as for most tenants Housing Benefit or Universal Credit will continue to cover most of the costs, including the costs relating to grounds maintenance, although the cost of alarm services and heating and hot water is not covered.

5.5.4 For those affected, Barnet Homes provides services to manage the range of

demands from council tenants and temporary accommodation clients, including income maximisation and tenancy sustainment. Barnet Homes promotes information to tenants through a variety of mediums about how they can access support, including the quarterly housing newsletter AtHome, the Barnet Homes website, through interactions with Housing Officers and the Income Collection Service, and through advice provided alongside the notice of rent increase that is sent in advance to tenants.

5.5.5 Data modelling is undertaken to ensure early intervention if any tenant is struggling to pay their rent or service charges, and Barnet Homes' Income Collection Service uses an IT system that identifies issues at the earliest opportunity. A range of operational mitigations are in place regarding the risk of unaffordability of rents and service charges, including:

- Raising tenant awareness of their benefit entitlement and supporting them to receive the maximum financial support available depending on their individual circumstances, including accessing as appropriate Discretionary Housing Payments, Council Tax support, Council Tax discretionary relief, Council Tax severe mental impairment exemption, Resident Support Fund, the Mayor's Benevolent Fund, DWP Universal Credit direct housing payments, and DWP Budgeting Loan;
- Referring tenants in need of further assistance to in-house support services where appropriate, including specialist welfare benefit advisors who can help signpost tenants and help them to maximise their benefits;
- Income Collection Service trained on supporting people with financial difficulties, including training from the Credit Union which officers may promote to tenants;
- Early intervention work in partnership with the Department of Work and Pensions to support tenants at risk of or in rent arrears;
- Working in partnership to support tenants at risk of or in rent arrears with the JobCentre Plus, Barnet and Southgate College, and local community organisations through Barnet Homes' BOOST service which assists unemployed residents in local areas to find work, and provides housing support, benefits advice, and training opportunities, including support with digital inclusion and improving tenants' digital capacity;
- Working in partnership with Family Services Welfare Benefit Advisers where those in difficulty have children;
- Provision of floating support services to provide practical assistance and support to help people maintain their homes and their independence;
- Allocation of foodbank vouchers;
- Access to The Barnet Group's £40k Innovation Fund, which is available to staff to promote innovative solutions and projects. Successful bids include securing investment in training webinars and financial inclusion/awareness for residents to help those who are experiencing financial difficulty;
- Advice on and incentives to encourage downsizing to a smaller property, where this is possible;
- Social value investment from Barnet Homes' contractors to help fund projects and activities that will benefit communities and residents who are in need; and
- Implementation of a Sustainable Tenancies Strategy to target early intervention and support for those in most need and maximise income collection.

- 5.6.6 The council has also responded to the cost of living crisis through a range of support that council tenants may be able to access that could assist those currently under financial pressure to sustain their tenancies, and are likely to have a sustained positive impact on household finances into 2023/24. This includes:
- A £2m Barnet Resident Support Fund, which can provide support with furnishings, electrical and gas items, and basic living needs including utilities and food;
 - £80k Household Support Fund for October 2022 to March 2023, which will support households struggling to meet food and energy bills;
 - £80k in Homelessness Prevention Grant to be spent on preventing private tenants from becoming homeless;
 - £240k Community Innovation Fund for Barnet-based voluntary and community projects that aim to improve health and wellbeing, focusing on the cost of living crisis;
 - Warm Spaces scheme, a community-led initiative created to help people who are struggling to keep warm this winter;
 - Signposting to food banks for those in crisis;
 - Signposting to support services and charities that can give advice and support on work, debt, benefits, immigration, housing, and training.
 - Free 12-month fibre broadband offer in partnership with BOOST and Community Fibre;
 - Signposting to government schemes including the Energy Bills Support Scheme's £400 discount to qualifying households, Cold Weather Payments of £25 per week, Winter Fuel Payments to people of pension age and above for £250-£600 to help pay for heating bills including the pensioner cost of living payment, information about social tariffs that may be available from water companies and phone and broadband providers, and Cost of Living Payments.

5.6.6 Allocation of the council's existing hardship schemes will be monitored, and should they become over-subscribed the council will take to Policy and Resources Committee proposals to make additional funding available.

5.6.7 The risk that increasing rental and service charges could make it more difficult for tenants to pay would impact adversely on the HRA Business Plan as rent and service charge collection may be more difficult and rent and service charges arrears may increase; the support available for tenants that is outlined above should help to mitigate this risk.

5.6 Equalities and Diversity

- 5.7.1 The Equality Act 2010, Section 149 outlines the provisions of the Public Sector Equality Duty which requires Public Bodies to have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant characteristic and persons who do not share it.

- 5.7.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage and civil partnership.
- 5.7.3 Consideration has therefore been given to the report's relevance to equality issues in accordance with the Public Sector Equality Duty, and an Equality Impact Assessment has been undertaken. This report is primarily to set rents and associated charges using a fair method within a viable and sustainable HRA, that will be applied to all council dwellings and will therefore affect all council tenants. The increase being applied is proportionate across all properties, and as the increases are not of a personal nature, it is not considered that they target any group of people based on any of the protected characteristics.
- 5.7.4 Whilst the rent increase does not target any specific protected characteristic, the increase will have more of an impact on households on lower incomes. The potential for a detrimental impact exists in as much as an increase in rent will put pressure on those individuals in, or at risk of, financial hardship. The rent increase will also have more of an impact on households living in larger properties, which will experience a higher increased rental cost per week due to the higher rents that are applied to these properties; this will affect some sub-groups of the tenant population more than others due to the property size generally held more commonly by those sub-groups.
- 5.7.5 However, rents and the majority of tenant service charges are covered by Housing Benefit or Universal Credit (heating and alarm charges are not), and rent levels will remain well below market rent and for the majority of tenants will remain below the LHA level for the borough. In addition, Barnet Homes' in-house Income Collection Service takes a proactive, supportive approach to preventing rent arrears and offering financial inclusion through money advice, referrals for support, and assistance in maximising income (through benefit claims, or advice on management of other debts, for example). This should help to mitigate any detrimental effects that may be experienced.

5.7 Corporate Parenting

- 5.8.1 Foster carers are included in the group that would receive highest priority (if their housing prevents them from being able to start, or continue, to provide foster care) through the council's Housing Allocation Scheme. Council housing also remains the most affordable housing option for care leavers and all rents and the majority of tenant service charges proposed are covered by Housing Benefit or Universal Credit. Care leavers are placed into suitable accommodation when leaving care to allow a successful transition to independent living whilst also developing their skills by providing the right support to help them maintain their tenancies.
- 5.8.2 As a corporate parent to all children in care and care leavers, the council must have regard to the need to act in the best interests and promote the physical and mental health and wellbeing of those children and young people, help them gain access to and make the best use of services provided, promote high aspirations and seek to secure the best outcomes for them, help ensure they are safe and have stability in their home lives, and prepare them for adulthood and independent living.

5.8 Consultation and Engagement

5.9.1 There has not been any specific consultation on the issues arising in this report as consultation is not required under The Direction on the Rent Standard 2023 set by the Secretary of State in line with section 197(a) of the Housing and Regeneration Act 2008.

5.9 Environmental Impact

5.10.1 Implementing the recommendations in this report will lead to a positive impact on the council's carbon and ecology impact.

5.10.2 The current HRA Business Plan includes funding for the delivery of improvements aimed at enhancing the energy efficiency of the stock over the next 30 years. This includes a provision of £13m for the delivery of environmental works to shared and communal spaces on estates along with a provision of an initial £26m towards achieving the Government's Clean Growth Strategy target of reaching EPC C standards by 2030. Further investment will be required from the HRA over time to achieve the Government's 2050 target of carbon neutrality across all housing stock. The HRA rental income derived from the recommendations in this paper will prove necessary to ensure the relevant initiatives can be adequately funded.

6. Background papers

6.1 Relevant previous decisions are listed in the table below

Item	Decision	Link
Item 12, Housing and Growth Committee, 16 November 2022	Housing Revenue Account (HRA) Business Plan	https://barnet.moderngov.co.uk/documents/s75155/HandG%20Cttee%20-%20HRA%20Business%20Plan%20Nov22%20HBP%20ver1.pdf
Item 12, Housing and Growth Committee, 25 October 2022	Housing Strategy and Homelessness and Rough Sleeping Strategy (approval of emerging themes)	https://barnet.moderngov.co.uk/documents/s74637/Housing%20Strategy%20and%20Homelessness%20and%20Rough%20Sleeping%20Strategy%20-%20HG%20251022.pdf
Item 13, Housing and Growth Committee, 16 November 2021	Recommended rents and service charges for council dwellings and temporary accommodation from April 2022	https://barnet.moderngov.co.uk/documents/s68659/Annual%20Review%20of%20Council%20Dwelling%20Rents%20and%20Service%20Charges%20and%20Temporary%20Accommodation%20rents%20202223.pdf
Item 8, Housing Committee, 1 April 2019	Approved Housing Strategy 2019-2024	https://barnet.moderngov.co.uk/ieListDocuments.aspx?Clid=699&MId=9740&Ver=4