

Report to Cabinet

15 December 2021

Subject:	Review of council tenant rents and housing related property charges.
Cabinet Member:	Cabinet Member for Housing Councillor Zahoor Ahmed
Director:	Director of Housing Gillian Douglas
Key Decision:	Yes Significant in terms of its effect on communities living or working in an area comprising two or more wards of the borough.
Contact Officer:	Nigel Collumbell Service Manager Housing Management

1 Recommendations

In relation to council tenant rents and housing related charges for 2022/23, that the Cabinet authorises the Director of Housing to:

- 1.1 Increase housing service charges by the consumer price increase (CPI) which is 3.1% plus 1% which is equivalent to a 4.1% increase.
- 1.2 Increase rent at the traveller's pitch site in Hillside View, Tipton, by the lower level of either 2% or the consumer price increase (CPI) plus 1%. For 2022/23, this will be an increase of 2%. This increase to be implemented subject to consultation with residents of the site
- 1.3 That rental charges for garage sites be increased by £4.13 to £11 per week.
- 1.4 That properties managed by Riverside under the Private Finance Initiative (PFI) agreement be subject to a 2% rental increase and 4.1% increase in service charges.



- 1.5 That properties that sit outside the Housing Revenue Account (including service tenants for Parks, Sandwell Valley and Caretaking) receive a 4.1% increase in rental charges and service charges. This is equivalent to CPI plus 1%.
- 1.6 That the leaseholder annual fee be increased by CPI plus 1% in 2022/23 to £104.10.

2 Reasons for Recommendations

- 2.1 On an annual basis council tenants, leaseholders and other residents are notified of the rent and other related housing charges to be set from April. The purpose of this report is to agree the revision of these charges for the new financial year 2022/23.
- 2.2 The rental income is essential to the financial robustness of the Housing Revenue Account (HRA). Rental income offsets operational costs and financial charges, and the surplus is used to invest in capital improvements; in particular to fund the council's affordable homes new build programme.
- 2.3 Approval has already been granted by Cabinet on 8th January 2020 to increase rents by 2% in each of 3 financial years: 2020/21, 2021/22 and 2022/23. This report seeks approval for service charges and other rental charges only.
- 2.4 Service charges were frozen during 2021/22 as some of the services were interrupted during the pandemic. Service charges are outside of the government's legislative changes. The principle continues to be to recover the costs associated with the service provided.
- 2.5 The recommendation is to increase service charges by 4.1% (CPI+1%). This will reduce the gap between actual costs incurred and the amount currently recovered. A full review of service charges will be undertaken during the next 12-18 months.
- 2.6 Garages are within the council's general fund property portfolio. A large proportion of garages are rented by private homeowners although council tenants represent 44%. It is proposed that weekly rental is increased by £4.13 to £11 per week to bring garage rents up to a reasonable level that is comparable to charges in other areas.



Rents

- 2.7 Cabinet provided approval on 13th January 2021 to increase rents to HRA properties by the lower level of 2% or the movement in the consumer price increase (CPI) + 1% per annum for the financial years 2021/22 to 2023/24.
- 2.8 Appendix 1 sets out the proposed typical weekly rent levels for the main property types and sizes.
- 2.9 The additional income generated of £2.3 million will allow continued investment into HRA properties and to fund additional works relating to climate change in order to meet the council's ambition to reduce carbon emissions. It will also enable more high-quality housing to be built to meet the needs of our residents.
- 2.10 The rents for new tenants in existing council stock are set on a Sandwell social rent formula basis and it is proposed that this policy continues.
- 2.11 Affordable rents will be charged on any newly built or acquired properties in line with any funding conditions attached to grants received. A 2% increase in affordable rents was approved in January 2020. Please refer to Appendix 2.
- 2.12 As at 31 March 2021 there are 990 properties in Wednesbury currently managed by Riverside under the Private Finance Initiative (PFI) agreement. It is proposed that PFI property rents are increased by 2% and service charges by 4.1% from April 2022. This is in line with properties managed by the council.
- 2.13 There are a small number of properties that sit outside the Housing Revenue Account and their rental income contributes to the council's general fund. This includes service tenants for Parks, Sandwell Valley and Caretaking. It is proposed that rent and service charges on these properties are increased by 4.1% (CPI +1%) from April 2022.

Service Charges

- 2.14 Service charges were frozen during 2021/22 as some of the services were interrupted during the pandemic.



- 2.15 Service charges are outside of the government's legislative changes. The principle continues to be to recover the costs associated with the service. The recommendation is to increase service charges by 4.1% (CPI+1%). Even with this level of increase, the costs of service provision are still being subsidised by the HRA and do not cover actual costs. This will be addressed by a fuller review of service charges in 2022/23.
- 2.16 Cleaning charges relate to internal cleaning within blocks and other shared facilities, and the external cleaning of paths and gardens. There are higher costs associated with high rise blocks as they require more frequent inspections and cleaning.
- 2.17 Security charges are applicable in high and low-rise blocks. Most properties have a secure door entry service with a fob key and intercom / buzzer link. Full provision includes a door entry service with additional CCTV at the entrance and around the block, with a direct link to the control room at Roway Lane, which is monitored 24/7. The proposed block expansion project will increase this facility and ensure all residents in high-rise blocks benefit from the safety and security provided by a monitored CCTV system.
- 2.18 Aerial service charge relates to a digital aerial service provided to 10,125 tenants. There is a contract to maintain and repair this service. The service charge contributes to a replacement fund for when these are renewed or replaced.
- 2.19 Other service charges for specific schemes include furniture costs, warden services and lifts. It is proposed that these charges increase by CPI + 1% in line with other service charges.
- 2.20 There are other charges that relate specifically to some blocks such as heating and water costs. An estimate charge is set to recover the costs but there may be a retrospective adjustment between years to reflect actual costs. It is recommended that this policy continues to be adopted.

Garages

- 2.21 Garages are within the council's general fund property portfolio. As of October 2021, 56% of garages were rented by private home owners or by tenants as a second garage.



- 2.22 Increased revenue from garage rental would support the general fund and charges are currently set at £6.87 per week, exclusive of VAT. Garages that are rented by non-tenants or tenants that have a second garage are charged a higher rate as VAT is applied.
- 2.23 A large proportion of garage tenants use this facility as a much cheaper alternative to storage costs. It is recommended that the weekly garage rental is increased by £4.13 to £11.
- 2.24 Private garage rental is estimated at £24 per week which is significantly lower than a charge of £39 per square metre for a same size storage unit.

Leaseholder Management Fee

- 2.25 Leaseholders are charged a management fee to cover the resource costs of running the services. This includes employee costs, training, ICT costs, postage, printing. The charge is currently £100 per annum and has not been reviewed since 2014.
- 2.26 It is proposed that the leaseholder annual fee be increase by CPI + 1% in 2022/23 to £104.10.

3 How does this deliver objectives of the Corporate Plan?

	<p>Quality homes in thriving neighbourhoods</p> <p>Rental income is a key component of the financial wellbeing of the Housing Revenue Account. Funds support the council’s ambition to build more new and affordable council homes</p> <p>Rental income contributes to the maintenance and repairs of existing housing stock.</p>
	<p>A strong and inclusive economy</p> <p>Additional funds from rental and housing related charges will increase the capacity to build more affordable housing.</p>



4 Context and Key Issues

- 4.1 In line with the Welfare Reform and Work Act 2016, Sandwell Council reduced housing rent by 1% per annum in each of 4 years between 2016/17 to 2019/20.
- 4.2 From 2020 Sandwell Council has had control over its rent setting in line with the Ministry of Housing Communities and Local Government (MHCLG) Rent Standards, and Policy Statement on Rents for Social Housing. The MHCLG is now known as the Department for Levelling Up, Housing and Communities (DLUHC)
- 4.3 The DLUHC policy allows social landlords to increase their annual rents by Consumer Price Index (CPI) plus 1% from 2020 for a period of at least 5 years.
- 4.4 Cabinet provided approval in January 2021 to increase rents by 2% per annum for the next 3 financial years (2020/21- 2022/23).
- 4.5 Due to the pandemic, annual CPI fell to 0.5% (September 2020). In line with the allowable parameters set by DLUHC, rent increased by 1.5% (CPI +1%) for 2021/22.
- 4.6 Annual CPI has now risen to 3.1% (September 2021). Rents could be increased in line with Government policy by up to 4.1%.
- 4.7 A rental increase of 2% will be applied in 2022/23 as approved by Cabinet in January 2020 (Appendix 2)
- 4.8 Appendix 1 sets out the proposed typical rent levels for the main property types and sizes.
- 4.9 The additional income generated by increasing the rent charge is approximately £2.3 million. This will allow more investment in HRA funded initiatives.
- 4.10 Properties managed under Private Finance Initiative (PFI) arrangements are considered separately.



5 Alternative Options

- 5.1 It is recommended from April 2022 to increase rents by 2% for tenants within the Riverside managed PFI estate of Wednesbury. The council does have the discretion to set PFI rents. This increase is consistent with the increase in the council's rents.
- 5.2 The Department for Levelling up Housing and Communities (DLUHC) policy allows social landlords to increase their annual rents by Consumer Price Index (CPI) plus 1%. This would be a 4.1% increase for our tenants. The lower 2% increase proposed in January 2020 was agreed by Cabinet. The lower increase recognises the impact of the rise in fuel costs, the ending of furlough and ending of the universal credit uplift, on our tenants.
- 5.3 An alternative to increasing rental and service charges would be to reduce services where costs cannot be met through operational budgets.

6 Implications

Resources:	<p>Rent income is a key component of the HRA finances. As a ringfenced account, all costs must be met from this revenue source. This includes all day to day running costs and any financing costs associated with capital investment.</p> <p>In order to continue the investment in the Housing stock, rent increases are inevitably required. With increases in CPI and Building Cost Indices (BCI) following the COVID-19 pandemic, more pressure is being put on HRA finances to continue to deliver services to tenants and continue improvements to the stock to ensure high quality homes and services are provided to tenants.</p> <p>A review of the business plan will be undertaken during 2022 to ensure that the HRA can continue to meet its commitments to tenants and continue to provide the homes and services required.</p>
-------------------	--



	<p>Government policy allows an increase of up to 4.1% in 2022/23. However, prior to the pandemic it was agreed that a rent increase of 2% would be applied in 2022/23 & 2023/24.</p> <p>Included within this report are increases to garage rents. These properties are held outside the HRA within the council's general fund.</p> <p>When compared with neighbouring authorities, garage rents in Sandwell are significantly lower. Residents appear to be using these facilities as storage rather than garages and therefore it is felt that rents should reflect this use. When compared to the cost of self-storage units it is felt that the rent charged is not in line with the market and an increase to this is required. It will also generate an additional income to the general fund of approx. £398K. The income generated will support budget reductions and is not part of an investment strategy.</p>
<p>Legal and Governance:</p>	<p>The Local Government and Housing Act 1989 sets out the obligations for annual reviews of rent and service charges and to ensure that there is a balanced budget for the ring-fenced HRA.</p> <p>The Council has power under section 24 of the Housing Act 1985 to make reasonable charges for the tenancy or occupation of its flats and houses. The Council is required to review from time to time that the rents and service charges that it charges for the tenancy or occupation of its dwellings are fair and reasonable. The review of rents is now subject to further restrictions arising from the provisions of the Welfare Reform and Work Act 2016.</p> <p>The Council may amend the rent for its tenants by giving at least 28 days notice. The notice period arises from section 102 (1)(b) of the Housing Act 1985 and in the terms of the Council's standard tenancy agreement.</p>



<p>Risk:</p>	<p>The corporate risk management strategy has been complied with identify and assess the risks associated with the decisions being sought. This has concluded that there are no significant risks. For all risks identified, there are measures in place to mitigate these to acceptable levels.</p> <p>There is a risk that increasing garage rental by £4.13 per week will impact demand. To mitigate this risk, a proactive marketing campaign will be launched to increase garage lettings</p>
<p>Equality:</p>	<p>There are no significant equality issues arising from this report</p> <p>With service charges there is a difficult and sensitive balance between charges and recovering costs and maintaining and improving services. The increases have been considered fair and it is appreciated full cost recovery in some instances is not possible since it would cause too onerous, and significant rises to tenants' current charges.</p>
<p>Health and Wellbeing and Social value</p>	<p>There are no direct implications from this report but rent and service charge income will continue to be used to protect residents such as through the funding of support for the anti-social behaviour service, cleaning of estates, fire protection measures and CCTV.</p>

7. Appendices

7.1 Appendix 1 – Average Rents and Service Charges

7.2 Appendix 2 – Cabinet report, Rents and Service Charges, January 2020

8. Background Papers

None

