

REPORT TO CABINET

08 January 2020

Subject:	The review of council tenant rents and housing related property charges over 3 year period commencing 2020/21
Presenting Cabinet Member:	Councillor Joanne Hadley
Director:	Executive Director – Resources – Darren Carter Executive Director - Neighbourhoods - Alison Knight
Contribution towards Vision 2030:	 
Key Decision:	Yes
Cabinet Member Approval and Date:	Councillor Joanne Hadley 19/09/19
Director Approval:	Alan Caddick
Reason for Urgency	Urgency provisions do not apply
Exempt Information Ref	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Not applicable
Scrutiny Consultation Considered?	Scrutiny has not been consulted
Contact Officer(s):	Sundeep Sangha, Principal Accountant, 0121 569 2373

DECISION RECOMMENDATIONS

That Cabinet:

1. Approve the proposals for council tenant rents and housing related property charges from 2020/21 as set out in Appendix 1, to take effect from April 2020.

1 PURPOSE OF THE REPORT

- 1.1 Every year council tenants, leaseholders and other residents are notified of the rent and other related housing charges to be set from April. This report is to agree the revision of those charges.

2 IMPLICATION FOR THE VISION 2030

- 2.1 Rent income is a key component of the financial well-being of the Housing Revenue Account (HRA). Rent income more than offsets operational expenditure and financing charges and the surplus can then be used to invest in capital improvements, in particular the council's ambition to build more new and affordable council homes.
- 2.2 The council receives income towards the cost of providing CCTV and other security measures at blocks across the borough which are important in preventing crime and anti-social behaviour.

3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 In March 2016 central government passed the Welfare Reform and Work Act which included the direction that all social housing providers must reduce their housing rents by 1% per year. This policy was agreed for four years and it commenced in 2016/17.
- 3.2 As 2019/20 was the last year of reduction, the council now has the control to set its own rent charge.
- 3.3 Service charges are outside of the government legislative changes. The principle continues to be the recovery of cost associated with the service including an appropriate proportion of overhead costs. This policy will continue to be applied by the council.
- 3.4 Properties managed by organisations under Private Finance Initiative (PFI) arrangements will be separately considered.
- 3.5 There are other properties and garages within the General Fund portfolio which can also be considered separately outside of the government restraints.
- 3.6 There are agreements with leaseholders for the recharge of council services and administration costs. These charges are annually reviewed in terms of operational costs at the relevant blocks and properties.

4 THE CURRENT POSITION AND PROPOSED FROM 1 APRIL 2020.

Rents

- 4.1 As at 31st March 2019 there were 28,765 council tenancies in the borough and while tenants are charged for 52 weeks this is collected over 48 weeks. The average rent per week at 48 weeks is currently £82.03.
- 4.2 It is proposed that rent is collected over 52 weeks from 2020/21. The removal of the 4 rent free weeks does not change the yearly chargeable rent debit, but reduces the amount paid per week over the 52-week period. Currently, the average rent per week over 52 weeks is £75.72.
- 4.3 In February 2019 Ministry of Housing, Communities and Local Government (MHCLG) has permitted the annual rent increase of up to Consumer Price Index (CPI) (as of September of the previous year) +1%. The current annual CPI as of September 2019 is 1.7%, which would allow an increase of up to 2.7%.
- 4.4 In line with the medium-term strategy for business plans is it proposed that rent increases are set for a 3-year period as long as it remains in line with government policy set. This will allow improved operational planning and provide certainty for tenants on what their rent is going to be over the period.
- 4.5 It is proposed that rents for existing tenants are increased by 2% each year for the 3-year period. In year one, the average 52-week rent will increase from £75.72 per week to £77.23. The average annual increase to tenants will be £78.52. Appendix 1 sets out the proposed typical rent levels at 52 weeks for the main property types and sizes.
- 4.6 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.
- 4.7 As confirmed by Cabinet in December 2017 the council will continue to charge affordable rents for some properties. These are either new property acquisitions (including new sheltered housing accommodation) or former council house/flat properties, sold under Right to Buy, bought back into the council stock. An affordable rent can be up to 80% of market rent (inclusive of service charges) in the area and will be higher than the council housing social rent. It is proposed that current affordable rents are increased in to 2% in line with social housing rent. These rents will also be reviewed upon changes in tenancies to ensure that they remain in line with any fluctuations in market rents.

- 4.8 As at 31 March 2019 there are 1,015 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% from April 2020.

Service Charges

- 4.9 Currently service charges are collected over a 48-week period. It is proposed that this is changed to 52 weeks in line with the rent charge.

Service Charges – Cleaning

- 4.10 These charges relate to both an internal cleaning service within the block and the external cleaning of paths and garden areas outside. There are two charges in place, one for high rise and one for low rise blocks.
- 4.11 There is a higher cost in cleaning high rise blocks than low rise since they will receive more frequent daily inspections and cleans. A review of cleaning frequencies and hourly charge rates has indicated a higher average cost for high rise than currently recharged rates. However, rather than an excessive increase it is proposed to raise charges for high rise by 1.7% from April 2020. This would be a rise in line with the Consumer Price Index current annual increase. It will raise the weekly charge from £4.55 to £4.63 at 52 weeks.
- 4.12 The charges for low rise blocks are proposed to increase 3% from April 2020 in line with current projected staff pay awards. This would increase charges from £4.06 to £4.18 per week at 52 weeks. Similarly, for tenants within supported accommodation it is proposed their cleaning charges increase 3%.

Service Charges - Security

- 4.13 Most low and high rise tenants will receive either a secure door entry service with fob key and intercom/buzzer link or the door entry but with additional CCTV at entrance and around the block with a direct link to the control room centre at Roway Lane providing 24 hour monitoring.
- 4.14 Service charge income is currently covering the costs of the door entry system and it is proposed that these charges are frozen from April 2020.
- 4.15 The costs of providing the concierge, CCTV cameras and control room has reduced in recent years with restructuring and other contractual maintenance savings but it is still a subsidised service to clients. The total estimated costs are £1.4 million with expected income of £1.3 million. It is proposed that charges for these three services are increased 1.7% which would be a rise in line with the current annual consumer price index. The security charges for all categories are detailed in appendix 1.

Service Charges - Aerials

- 4.16 This charge relates to a digital aerial service provided to 10,315 tenants. There is a contract to maintain and repair this service and the current service charges recover all costs. It is proposed that the current weekly charge of £0.42 per week at 52 weeks continues from April 2020.

Service Charges – Heating and other

- 4.17 There are other charges that relate specifically to some blocks such as heating and water costs. An estimated charge is set to recover costs but there may be retrospective adjustments between years to reflect actual costs. It is recommended that this policy continues to be adopted.

Other Property Rents

- 4.18 There are a small number of properties that sit outside of the Housing Revenue Account and their rent income contributes to the council's general fund finances. It is proposed for these properties that rents are increased 2% from April 2020 in line with the average rise in income built into general fund 20/21 budget assumptions.

Travellers Pitch Fees

The council provides a permanent site for Travellers at Hillside View, Tipton. Rental is payable on the pitches at this site and is subject to separate terms and conditions to council housing tenancies. Any increase to these pitch fees must be negotiated with and accepted by the tenants in line with these terms and conditions. It is proposed that these fees are increased by 2% per annum, subject to the negotiations with the residents of the site.

Garages

- 4.20 These properties are within the council's general fund property portfolio. The majority of garages are rented by private homeowners although council tenants represent approximately 40% of those let. The rent is used to maintain and manage the sites but also for potential investment and renovation. It is proposed that garage rents are increased 2% from April 2020 to reflect the council's budget assumptions for external income in 2020/21.
- 4.21 The current weekly rent for garages is £6.74 per week at 52 weeks and with a 2% rise this will increase to £6.87 per week from April 2020. For private homeowners the cost inclusive of VAT will rise to £8.25 per week from April 2020.
- 4.22 Due to the new government initiative of making tax digital, private homeowners who rent garages will be invoiced through the councils accounts receivables system from 20/21.

Leaseholders

- 4.23 As at 31 March 2019 there are 1,193 leaseholders in ex-council stock. Leaseholders are charged for cleaning and security services on a similar basis as council tenants but they will be charged for other services and maintenance relevant to their property block. The authority must be able to substantiate all charges and they must be seen as reasonable and fair.
- 4.24 There is a separate recharge to leaseholders for management and administration. This is either set at £100 or higher at 10% of all the elements within the service charges if that is greater than £100. It is proposed to leave the administration recharge as it is from April 2020.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 5.1 All tenants must be given 4 weeks notice of the intention to amend rents and service charges and all tenants will be notified by letter in the new year of proposed changes. In addition this will be communicated at any tenant management forums and tenant review panel.

6 ALTERNATIVE OPTIONS

- 6.1 It has been recommended from April 2020 to increase rents by 2% for tenants within the Riverside managed PFI estate in Wednesbury. The council does have the discretion to set PFI rents. It would be seen to be very unfair for other council tenants in neighbouring areas to have council rent increased and not have the same with the PFI estate in Wednesbury.

7 STRATEGIC RESOURCE IMPLICATIONS

- 7.1 Rent income is important to the funding of the HRA. It is expected to generate £116.9m of income in 2019/20 which will more than cover the operational costs of maintenance and supervision of the council stock. The surplus is used to meet debt financing costs but any remaining surplus is used to directly fund capital improvements and the building of new council properties. In 2019/20 a projected contribution of £2.2m is currently forecast to be made from the revenue surplus to directly fund capital improvements and reduce future borrowing costs.
- 7.2 The proposed rents and service charges referred to in this report will be incorporated into the next medium-term budget and HRA business plan 2020-2023 which will be presented to Cabinet in February.

- 7.3 Service charge income contributes towards meeting the operational costs of providing services to tenants. The total service charge income is approximately £2.6m income to the HRA while garage rents generate approximately £0.7m into the council's general fund accounts.
- 7.4 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.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

- 8.1 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.
- 8.2 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.
- 8.3 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.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 There are no significant equality issues arising from this report
- 9.2 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 fairly 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.

10 DATA PROTECTION IMPACT ASSESSMENT

- 10.1 There are no specific data protection issues relating to this report.

11 CRIME AND DISORDER AND RISK ASSESSMENT

11.1 There are no crime and disorder issues needed to be considered as part of this report.

12 SUSTAINABILITY OF PROPOSALS

12.1 The proposals in this report will be included within the funding plans and overview of budgets to be presented within the next business plan to the council. The HRA must be budgeted to be at least self financing over the period of the business plan.

13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE AND IMPACT OF STAFFING ARRANGEMENTS)

13.1 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.

14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

14.1 There are no direct impacts on the council's management and allocation of land from this report

15 IMPACT ON COUNCIL'S ASSET MANAGEMENT PLAN AND/OR REGISTER

15.1 There are no direct implications for the Council's Asset Management Plan arising from this report.

16 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

16.1 Rent will be paid over 52 weeks rather than the current 48 week period. The removal of the four rent 'free' weeks does not change the annual chargeable rent debit. Tenants will still have the option to pay over 48 weeks if they wanted to.

16.2 Rent will increase by 2% each year for the next three financial years; 2020/21, 2021/22 and 2022/23.

- 16.3 MHCLG have permitted an increase of CPI+1%. The increase of 2% on social rent falls below this policy as current annual CPI is 1.7%. Therefore, the increase of 2% for social rents is CPI+0.3%. The income generated by increasing the rent charge will allow more investment into the HRA funded programme to build new and affordable council homes.
- 16.4 Setting the rent increase at 2% each year for the next three years falls in line with the Medium Term Financial Strategy for business plans. This will allow more certainty for the council and tenants on what the increase is going to be over the next three financial years.
- 16.5 There has been a review of current operational costs for providing services to tenants in low and high rise blocks. For some services, such as cleaning and CCTV, costs are not being fully recovered by income but it is appreciated that significant rises will cause hardship to many tenants. It is proposed that a rise of 1.7% from April is set for high rise cleaning and CCTV security charges which is in line with the current consumer price index level of inflation. Other service charges are recommended to be set at a 3% rise with some such as digital aerials and door entry charges frozen at current levels.
- 16.6 Some income from other council properties and garages is outside of the HRA and the council's general fund is facing continuing pressures to make efficiency savings. It is proposed for these properties that rents rise 2% which is the increase being included into council external income assumptions for 20/21.

17 BACKGROUND PAPERS

- 17.1 The latest HRA funded housing investment programme was taken to Cabinet in October 2017. The proposals link in to planned rental income anticipated over the 10 year investment period.

18 APPENDICES:

Appendix 1 – Average rents and service charges

Darren Carter
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