



## REPORT TO CABINET

09 December 2020

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| <b>Subject:</b>                                       | <b>The review of council tenant rents and housing related property charges 2021/22-2023/24</b>  |
| <b>Presenting Cabinet Member:</b>                     | <b>Councillor Keith Allcock Cabinet Member for Housing</b>  |
| <b>Director:</b>                                      | <b>Acting S151 Officer– Rebecca Maher<br/>Executive Director - Neighbourhoods - Alison Knight</b>   |
| <b>Contribution towards Vision 2030:</b>              |   |
| <b>Key Decision:</b>                                  | Yes   |
| <b>Cabinet Member Approval and Date:</b>              | Councillor Keith Allcock 17/11/20<br>Councillor Wasim Ali 26/11/20  |
| <b>Director Approval:</b>                             | Alison Knight   |
| <b>Reason for Urgency</b>                             | Urgency provisions do not apply   |
| <b>Exempt Information Ref</b>                         | Exemption provisions do not apply   |
| <b>Ward Councillor (s) Consulted (if applicable):</b> | Boroughwide   |
| <b>Scrutiny Consultation Considered?</b>              | Scrutiny has not been consulted   |
| <b>Contact Officer(s):</b>                            | Sundeep Sangha, Principal Accountant  |

## **DECISION RECOMMENDATIONS**

That in connection with the council tenant rents and housing related property charges for 2021/22-2023/24, the Cabinet authorise the Executive Director – Neighbourhoods to:-:

1. increase council tenant rents by 1.5% in 2021/22 with effect from 1 April 2021 as set out in Appendix 1;
2. increase rent at the lower level of 2% or the movement in the consumer price increase + 1% in financial years 2022/23 and 2023/24 as set out in Appendix 1;
3. freeze housing service charges for 2021/22;
4. that subject to negotiations with the residents of the site, to increase rent at the travellers pitch site in Hillside View, Tipton by 1.5% per annum with effect from 1 April 2021.

### **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 1 April. This report is to agree the revision of those charges.

### **2 IMPLICATION FOR THE COUNCIL'S PRIORITIES**

- 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 Ministry of Housing, Communities and Local Government (MHCLG) has permitted the annual rent increase of up to Consumer Price Index (CPI) +1%.
- 3.2 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.

- 3.3 Properties managed by organisations under Private Finance Initiative (PFI) arrangements will be separately considered.
- 3.4 There are other properties and garages within the General Fund portfolio which can also be considered separately outside of the government restraints.
- 3.5 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 2021**

### **Rents**

- 4.1 Cabinet provided approval in January 2020 to increase rent by 2% per annum for the next three financial years (2020/21- 2022/23).
- 4.2 Ministry of Housing, Communities & Local Government (MHCLG) has permitted an annual rent increase of CPI +1%. With the current pandemic Consumer Price Index (CPI) has reduced to 0.5% (September 2020), last year CPI was at a rate of 1.7%.
- 4.3 As the current annual CPI is 0.5%, the council is permitted to increase rent up to 1.5%. In line with the allowable parameters set by MHCLG it is proposed that rent is increased by 1.5% for 2021/22.
- 4.4 It is proposed that rental increases for 2022/23 & 2023/24 are approved at the lower of 2% or the movement in the consumer price increase + 1%.
- 4.5 Appendix 1 sets out the proposed typical rent levels at 52 weeks for the main property types and sizes.
- 4.6 The additional income generated by increasing the rent charge of approx. £1.7 million will allow more investment into the HRA funded programme to build new houses to meet the demands of current and future tenants.
- 4.7 In line with the medium-term strategy for business plans it is proposed that rent increases are set for a 3-year period as long as it remains in line with government policy. This will allow improved operational planning and provide certainty for tenants on what their rent is going to be over the period.

- 4.8 If CPI increases considerably within this period, the increase of 2% per year will be reviewed to assess whether it is still feasible. If it is deemed not feasible a report will be submitted to Cabinet to approve the proposed increase.
- 4.9 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.
- 4.10 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 by 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.
- 4.11 As at 31 March 2020 there are 1,008 properties in Wednesbury currently managed by Riverside under the Private Finance Initiative (PFI) agreement. It is proposed that PFI property rents are increased by 1.5% from April 2021.

### **Service Charges**

- 4.12 It is proposed that there is a freeze on housing service charges for 2021/22 to mitigate the disruption to service delivery resulting from the Council's response and mitigation to COVID19 in the current financial year.

### **4.13 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 1.5% per annum, subject to the negotiations with the residents of the site.

## **Garages**

- 4.14 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 not increased from April 2021 to reflect the council's budget assumptions for external income in 2021/22.

## **Leaseholders**

- 4.15 As at 31 March 2020 there are 1,228 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.
- 4.16 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 2021.

## **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 2021 to increase rents by 1.5% 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 £115.2m of income in 2020/21 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 2020/21 a projected contribution of £3.7m 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 2021-2024 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 £2.5m 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 Rental increases for 2021/22, 2022/23 & 2023/24 are approved at the lower of 2% or the movement in the consumer price increase + 1%.
- 16.2 MHCLG have permitted an increase of CPI+1%. The increase of 1.5% on social rent falls within this policy as current annual CPI is 0.5%. The income generated by increasing the rent charge will allow more investment into the HRA funded programme to build new and affordable council homes.
- 16.3 There is a freeze on housing service charges for 2021/22 to mitigate the disruption to service delivery resulting from the Council's response and mitigation to COVID19 in the current financial year.
- 16.4 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 are not increased in line with the council's external income assumptions for 2021/22.

## **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

**Rebecca Maher**  
**Acting S151 Officer**

**Alison Knight**  
**Executive Director – Neighbourhoods**