

Report to Safer Neighbourhoods and Active Communities Scrutiny Board

13 September 2022

Subject:	Options for Rent and Service Charge Increases Review 2023/24
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1 Recommendations

- 1.1 That the Safer Neighbourhoods and Active Communities Scrutiny Board considers and comments upon the options illustrated within this report and the attached document Options for Rent and Service Charge Increases 2023/24.
- 1.2 To consider the options to increase housing rents for 2023/24 either by 2%, 5% or 9%, these percentage increases are below the current rate of inflation, which is at 10.1%.
- 1.3 Consider the options to increase Service Charges at the September 2022 Consumer Price Index (CPI) plus 1% rate, inflation currently stands at 10.1%, (it is forecasted that the current inflation rate of 10.1% may increase further in September).
- 1.4 To consider the following options of increasing garage rents for 2023/24:
 - In line with inflation at the September 2022 CPI rate



- In line with the September 2022 CPI plus 1% rate
- Increase these charges in line with other Council Fees and Charges annual uplifts.

2 Reasons for Recommendations:



- 2.1 In line with the Welfare Reform and Work Act 2016, Sandwell Council reduced housing rents by 1% per year for four years, between 2016/2017 and 2019/2020.
- 2.2 From 2020 Sandwell Council has had control over its own rent setting in line with the Department for Levelling Up, Housing and Communities (DLUHC) Rents Standard, and Policy Statement on Rents for Social Housing.
- 2.3 The DLUHC's policy allows social landlords to increase their annual rents by CPI (at September of the previous year) plus 1% from 2020, for a period of at least five years.
- 2.4 The Council applies two types of rents on its housing stock these being:
- Social Housing Rents (Formula). Formula rents take account of various attributes such as; condition of property, local earnings, number of bedrooms and postcode based, this ensures similar rents are charged for similar properties.
 - Affordable Rents (up to 80% of the market rent, inclusive of service charges). These are charged on new builds under the affordable homes programme.
- 2.4 Rents are charged for the following council properties and buildings:
- Council tenant properties
 - Properties managed by Riverside under the PFI
 - Travellers Pitch – Travellers at Hillside View, Tipton
 - Garages let to council tenants and private homeowners, which supports the General Fund
 - There are a small number of properties that sit outside of the HRA and their income contributes to the General Fund
- 2.5 Service charges are charged to tenants living in flated accommodation, and other properties having communal areas which require services such as:



- Cleaning, for internal and external cleaning of high and low rise flatted accommodation
- Security, for CCTV, Concierge and Door Entry
- Aerials, for a digital aerial service
- Heating and other charges relating specifically to some blocks, an estimated charge is set to recover costs but there may be retrospective adjustments between years to reflect actual costs

2.6 Leaseholders are also charged service charges, in addition to services mentioned above there is a recharge for the management and administration functions.

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 (HRA). Income generation is critical to support:</p> <ul style="list-style-type: none"> • The viability of the 30 Year HRA Business Plan • The Council's ambition to build more new and affordable council homes • To support the corporate climate change priorities • Rental income contributes to the maintenance and repairs of existing housing stock.
	<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 All social landlords are currently having to make difficult decisions when deciding on rent and service charge setting for 2023/24, due to the current rising costs of living and energy crisis.
- 4.2 Benchmarking against other Local Authorities indicate that due to the current climate, an increase for housing rents between 5% to 6% would be a reasonable increase, which will be considerably below the allowable increase at CPI plus 1%.



- 4.3 Housing Quality Network (HQN) are hosting the annual Rent Compliance conference in September, this will provide Sandwell a further opportunity to benchmark against housing providers nationally.
- 4.4 Although service charges are annually reviewed and included in the rent review report to Cabinet, traditionally they have only been uplifted annually by inflation. The income generated from service charges contributes significantly to the HRA, but the costs of service provision is subsidised by the HRA as some charges do not cover actual costs. As these charges have not been reviewed for a considerable number of years a root and branch review will ensure the Council applies charges efficiently which in turn will mitigate the heavy burden on the HRA.
- 4.5 A commitment was made in the Rent Review Cabinet Report in December 2021 to review all services charges to ensure charges applied cover the full cost of service delivery. This work has commenced however, due to the complexities involved the review will continue into 2023/24.
- 4.6 Whilst drafting this report the Government's DLUHC department has published their consultation paper which seeks views from social housing tenants and landlords on their proposed rent increase cap, with options at 3%, 5% and 7% for 2023/24. The DLUHC have considered a balanced view on rent increases which will support social landlords with their rental incomes, which will also have a lesser impact on tenants who pay full or partial rent by suggesting a cap at 5% rent increases for 2023/24 and further consideration given for 2024/25. The consultation is open for a six-week period commencing 31 August 2022 to 12 October 2022.

5 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)</p>
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	<p>following the COVID-19 pandemic and the current energy crises 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 30 Year HRA Business Plan is currently being undertaken 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 CPI plus 1%, current inflation figure is 10.1%. Prior to the pandemic it was agreed that a rent increase of 2% would be applied in 2022/23 & 2023/24. Applying rent increases lower than the CPI plus 1% cap is a risk to the Council as this results in a significant income loss to the HRA.</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>Appropriate measures will be put in place to mitigate any risks identified up to acceptable levels once a decision is made what increases are to be applied.</p>



Equality:	As above.
Health and Wellbeing	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.
Social Value	Mobysoft Limited, suppliers of the RentSense software, made an offer to annually donate to a charity of the Council's choice. It is proposed that such donations are linked to mitigating risks of poverty or social deprivation in the Borough. These donations can be targeted to support those who are currently impacted by the energy crisis.

6 Appendices

Link to Social Housing Consultation Paper

<https://www.gov.uk/government/consultations/social-housing-rents-consultation>

7. Background Papers

See the Rent and Service Charge Options 2023/24 document.

