

# Rent and Service Charges Options 2023/24

## Rent Review Options

The table below highlights the income to be generated by the percentage increases indicated, which are below the current rate of inflation, the Consumer Price Index (CPI) currently is at 10.1%. The cumulative additional income over 30 years highlights the risks to the HRA, if we continue to uplift rents at the 2% rate.

	Annual Income (2021/22)	Additional Income	Additional cumulative income over 30years (HRA Business Plan)
Rental Income	£118,208,739		
2% Increase	£120,572,914	£2,364,175	£70,925,244
5% Increase	£124,119,176	£5,910,437	£177,313,109
9% Increase	£128,847,526	£10,638,787	£319,163,596



## Rent Increase Options – Gross Rent (Exc. Service Charged)

### Current Rents

The table below shows the current average rent for each property type and size, excluding any services charges applicable.

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
0	£65.09	£56.75	£61.14	£0.00	£59.85
1	£77.77	£66.12	£71.77	£75.85	£72.32
2	£95.14	£72.87	£79.58	£86.10	£80.52
3	£97.72	£80.12	£85.93	£92.46	£92.10
4	£111.32	£0.00	£0.00	£103.33	£103.36
5	£0.00	£0.00	£0.00	£112.65	£112.65
6	£0.00	£0.00	£0.00	£113.31	£113.31
8	£0.00	£0.00	£0.00	£120.31	£120.31
Grand Total	£79.96	£71.59	£74.87	£91.63	£83.67



- Base rent figures extracted from NROSH submission for 2021/22 and a 2% adjustment has been made to include the rent increase applied for 2022/23



## Rent Increase Options – Gross Rent (Exc. Service Charged)

Average Rent - 2% Increase

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
0	£66.39	£57.89	£62.37	£0.00	£61.05
1	£79.33	£67.44	£73.21	£77.36	£73.77
2	£97.04	£74.32	£81.17	£87.83	£82.13
3	£99.67	£81.72	£87.65	£94.31	£93.94
4	£113.54	£0.00	£0.00	£105.40	£105.42
5	£0.00	£0.00	£0.00	£114.90	£114.90
6	£0.00	£0.00	£0.00	£115.58	£115.58
8	£0.00	£0.00	£0.00	£122.72	£122.72
Grand Total	£81.56	£73.02	£76.37	£93.46	£85.34

1 bed flat increase by £1.32 per week

3 bed house increase by £1.85 per week



- Base rent figures extracted from NROSH submission for 2021/22 and a 2% adjustment has been made to include the rent increase applied for 2022/23



# Rent Increase Options – Gross Rent (Exc. Service Charged)

Average Rent - 5% Increase

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
0	£68.34	£59.59	£64.20	£0.00	£62.85
1	£81.66	£69.42	£75.36	£79.64	£75.94
2	£99.90	£76.51	£83.56	£90.41	£84.54
3	£102.60	£84.13	£90.23	£97.09	£96.70
4	£116.88	£0.00	£0.00	£108.50	£108.52
5	£0.00	£0.00	£0.00	£118.28	£118.28
6	£0.00	£0.00	£0.00	£118.98	£118.98
8	£0.00	£0.00	£0.00	£126.32	£126.32
Grand Total	£83.96	£75.16	£78.61	£96.21	£87.85

1 bed flat increase by £3.30 per week  
 3 bed house increase by £4.63 per week



- Base rent figures extracted from NROSH submission for 2021/22 and a 2% adjustment has been made to include the rent increase applied for 2022/23



# Rent Increase Options – Gross Rent (Exc. Service Charged)

Average Rent - 9% Increase

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
0	£70.94	£61.86	£66.65	£0.00	£65.24
1	£84.77	£72.07	£78.23	£82.67	£78.83
2	£103.70	£79.42	£86.74	£93.85	£87.76
3	£106.51	£87.33	£93.67	£100.78	£100.39
4	£121.34	£0.00	£0.00	£112.63	£112.66
5	£0.00	£0.00	£0.00	£122.78	£122.78
6	£0.00	£0.00	£0.00	£123.51	£123.51
8	£0.00	£0.00	£0.00	£131.14	£131.14
Grand Total	£87.16	£78.03	£81.61	£99.87	£91.20

1 bed flat increase by £5.95 per week

3 bed house increase by £8.32 per week



- Base rent figures extracted from NROSH submission for 2021/22 and a 2% adjustment has been made to include the rent increase applied for 2022/23



## Rent Increase Options – Gross Rent (Exc. Service Charges)

Benchmarking by Savills indicates Sandwell's current rents are comparable at a regional level and lower than the national average.

Benchmarking at a local level also demonstrates that Sandwell's rents are comparable with Dudley MBC, however, we cannot form a view that this comparison applies across the West Midlands, we are currently awaiting data to verify this.

	Stock	Average Rent	Maximum Rent	Minimum Rent
Dudley	21180	£83.32	£166.70	£54.18
SMBC	27364	£83.67	£165.71	£56.75
Diff	<b>6184</b>	<b>£0.35</b>	<b>-£0.99</b>	<b>£2.57</b>

Most members of the West Midlands Best Practice Group are currently having discussions on increasing their rents between 5% and 6%, it is anticipated that nationally there will be variances some social landlords are looking to apply higher increases.



## Rent Increase Options – Gross Rent (Exc. Service Charged)

The table below shows the variation between Sandwell Rents and the Local Housing Allowance (LHA) awarded to tenants in the Private Rented Sector

Property Size	Sandwell Rents	Local Housing Allowance (LHA)
1 Bed	£75.85	£91.82
2 Bed	£86.10	£117.37
3 Bed	£92.46	£136.93
4 Bed	£103.33	£172.60



## Government Rent Increase Consultation Options

The proposal outlined by Government on 31 August 2022 are similar in approach to the options put forward for debate and consideration in Sandwell.

The Government's proposal highlights the significant impact on social landlords in terms of their rental income and business viability if a 3% rent increase is applied. The proposal also considers the lesser protection against rent increases for tenants responsible for paying full or partial rent if a 7% rent increase is applied. Therefore, they suggest a balance approach is undertaken when deciding on rent increases for 2023/24 with recommendation of a ceiling at 5%.

When responding to the consultation social landlords will need to consider and answer the following questions:

- Whether rent increases for 2023/24 should be subject to a specific ceiling in addition to the existing CPI plus 1% limit
- To what extent would we likely to increase rents if the Government did not impose a specific ceiling
- Do we agree with the Government imposing a ceiling of 5%
- Are there alternative percentages that would be preferable, such as a 3% or 7% ceiling





## Government Rent Increase Consultation Options

- Do we agree that the ceiling should only apply to social housing rent increases for 2023/24 or should it be also be applied for 2024/25
- Should the proposed ceiling apply to existing tenancies only and not when setting rents for the first time on new build and acquired properties or when re-letting a property whether setting formula or affordable rents
- Do we think the Government should allow for exceptions for any categories of rented properties

The consultation is open for a six-week period commencing 31 August 2022 to 12 October 2022.

It should be noted that social landlords will need to defer making decisions on the annual rent increase until the Government publishes the outcome from the consultation with their recommendation. However, this provides an opportunity for discussions to take place with Members which will support Sandwell's response to the consultation.



# Garage Charges 2023/24

Garage	Occupied	Void	Grand Total
Access	4	5	9
Plots	47	181	228
Garages	1807	894	2701
Grand Total	1858	1080	2938

- Garage rent charges are linked to the General Fund
- These charges increased from £6.87 to £11 per week, for the current financial year 2022/23
- The garage review process has identified some inconsistencies with arrears processes, billing and payment methods for our customers
- Proposal to consider the suggested annual uplift of charges as outlined within the report



# Review of Service Charges 2023/24

- Analysis undertaken by Savills has highlighted a low level of service charges in Sandwell (based on 2020/21 outturn) when benchmarking against other authorities:
  - Sandwell charge an average £100 service charges per property, per year
  - West Midlands – 14 LA's - £205 per property, per year
  - Peer group – 17 LA's - £215 per property, per year
  - Service charges were frozen for Sandwell tenants during 2020/21 which has contributed to this gap
  - Sandwell need to generate additional income to support the ambitious capital build programme

## *Notes:*

*Savills - per unit annual charge is calculated by taking the published level of total service charge income divided by the stock holding (which excludes leaseholders). Therefore the following factors will influence the comparison with peer groups and regional LAs such as:*

- *The percentage of flats to total stock*
- *The number of leaseholders*
- *If full recovery is achieved (or if the LA has not separated service charges from rents)*
- *The peer group is based on similar type of LAs to Sandwell to enable a broad comparison*

# Charges 2023/24

## Services Charges Current Position

Services charges contribute significantly to the HRA however, currently the HRA is subsidising the cost of service provision. A full root and branch review of Sandwell's Service Charges is required, a commitment to do this was provided to Cabinet in December 2021.

The review has commenced however, due to the complexities involved it is highly unlikely that the review will be completed in time to apply the reviewed charges for 2023/24. The following slides show examples of services provided where current service charges do not cover the full cost of service delivery.

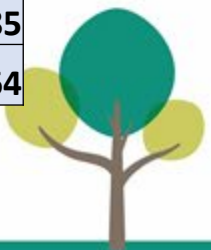
Therefore, to ensure the gap between services charges in comparison to other landlords does not increase further it is critical that service charges are uplifted for 2023/24 by CPI plus 1% at the September 2022 rate.



# Review of Service Charges 2023/24

The table below illustrates the current annual income for each service provision. All service charges are HB applicable unless they relate to personal services such as heating and water within a tenants property . All communal service charges are HB applicable

<u>Charge</u>	<u>Description</u>	<u>Annual Income 2020/21</u>
CLEAN	Communal Cleaning	£1,229,695
CCTV ALL	CCTV/Concierge/Door - All	£1,099,206
AERIAL	Aerial	£222,821
Heating	Heating	£101,098
GAP	Gap Service	£44,834
FURNI	Furniture	£38,494
Willow Gardens	Willow Gardens	£36,420
COMFA	Communal Facility	£15,682
WATER	Water (Walker Grange)	£7,322
SPWARD	Supporting People Warden	£6,842
LIFT	Lift Maintenance	£6,398
WARD	Warden	£3,366
GRND	Grounds Maintenance	£1,985
<b>Total</b>		<b>£2,814,164</b>



# Review of Service Charges 2023/24

			Additional Income	Additional Income	Additional Income
<u>Charge</u>	<u>Description</u>	<u>Annual Income 2021/22</u>	<u>2% increase</u>	<u>5% Increase</u>	<u>9% Increase</u>
CLEAN	Communal Cleaning	£1,229,695	£24,593.90	£61,484.76	£110,672.57
CCTV ALL	CCTV/Concierge/Door - All	£1,099,206	£21,984.12	£54,960.29	£98,928.53
AERIAL	Aerial	£222,821	£4,456.42	£11,141.04	£20,053.87
Heating	Heating	£101,098	£2,021.96	£5,054.91	£9,098.84
GAP	Gap Service	£44,834	£896.69	£2,241.72	£4,035.10
FURNI	Furniture	£38,494	£769.88	£1,924.71	£3,464.47
Willow Gardens	Willow Gardens	£36,420	£728.41	£1,821.02	£3,277.84
COMFA	Communal Facility	£15,682	£313.64	£784.09	£1,411.37
WATER	Water (Walker Grange)	£7,322	£146.43	£366.08	£658.94
SPWARD	Supporting People Warden	£6,842	£136.84	£342.11	£615.79
LIFT	Lift Maintenance	£6,398	£127.97	£319.91	£575.84
WARD	Warden	£3,366	£67.32	£168.30	£302.94
GRND	Grounds Maintenance	£1,985	£39.71	£99.27	£178.68
Total		£2,814,164	£56,283.28	£140,708.21	£253,274.78

The above table shows the potential income to be generated for each percentage increase for each type of service provision.

## Weekly Service Charges Per Property – Increase Options

Average Charges	Details	2022/23	2% increase	2% Inc Diff	5% Increase	5% Inc. Diff.	9% Increase	9% Inc. Diff
Cleaning	High rise flats	£9.57	£9.76	£0.19	£10.05	£0.48	£10.43	£0.86
Cleaning	Low rise flat	£4.06	£4.14	£0.08	£4.26	£0.20	£4.43	£0.37
Cleaning	Supported Accommodation	£15.96	£16.28	£0.32	£16.76	£0.80	£17.40	£1.44
Communal cleaning	Medium rise	£0.66	£0.67	£0.01	£0.69	£0.03	£0.72	£0.06
Aerial	Charge	£0.44	£0.45	£0.01	£0.46	£0.02	£0.48	£0.04
Furniture		£7.65	£7.80	£0.15	£8.03	£0.38	£8.34	£0.69
Lift	Scribbans Place	£7.15	£7.29	£0.14	£7.51	£0.36	£7.79	£0.64
Water	Walker Grange	£3.66	£3.73	£0.07	£3.84	£0.18	£3.99	£0.33
Security - CCTV		£3.84	£3.92	£0.08	£4.03	£0.19	£4.19	£0.35
Security - Concierge & CCTV		£8.92	£9.10	£0.18	£9.37	£0.45	£9.72	£0.80
Security - Door entry and CCTV		£5.61	£5.72	£0.11	£5.89	£0.28	£6.11	£0.50
Security - security door		£1.77	£1.81	£0.04	£1.86	£0.09	£1.93	£0.16
Warden	Walker Grange	£0.85	£0.87	£0.02	£0.89	£0.04	£0.93	£0.08
<u>Willow gardens</u>								
Furniture		£2.83	£2.89	£0.06	£2.97	£0.14	£3.08	£0.25
Guttering		£0.14	£0.14	£0.00	£0.15	£0.01	£0.15	£0.01
Management Fee		£7.70	£7.85	£0.15	£8.09	£0.39	£8.39	£0.69
Oven / Hob		£1.79	£1.83	£0.04	£1.88	£0.09	£1.95	£0.16
Utilities (communal)		£8.26	£8.43	£0.17	£8.67	£0.41	£9.00	£0.74
Windows		£0.70	£0.71	£0.01	£0.74	£0.04	£0.76	£0.06
Grounds		£3.34	£3.41	£0.07	£3.51	£0.17	£3.64	£0.30
Cleaning		£8.94	£9.12	£0.18	£9.39	£0.45	£9.74	£0.80
Cleaning materials		£0.80	£0.82	£0.02	£0.84	£0.04	£0.87	£0.07
Lift		£0.45	£0.46	£0.01	£0.47	£0.02	£0.49	£0.04
<u>Other service charges</u>								
Gap	Gap	£29.92	£30.52	£0.60	£31.42	£1.50	£32.61	£2.69
Grounds	Parkside/ scribbans Place	£1.08	£1.10	£0.02	£1.13	£0.05	£1.18	£0.10
Grounds	Norma Close	£0.56	£0.57	£0.01	£0.59	£0.03	£0.61	£0.05
Heating	Selby House	£6.48	£6.61	£0.13	£6.80	£0.32	£7.06	£0.58
Heating	Selby House	£6.61	£6.74	£0.13	£6.94	£0.33	£7.20	£0.59
Leaseholder charges	Per annum	£104.00	£106.08	£2.08	£109.20	£5.20	£113.36	£9.36



<b>Customers Impacted by Rent and Services Charge Increases</b>		
Overall Summary	No. Customers	% Customers
Total properties	26,827	
Number of tenants paying at least one service charge	5,538	20.6%
Customers on benefits (UC/HB)	18,829	70.2%
Customers on full benefits (UC/HB)	12,792	47.7%
Customers on partial benefits	6,037	22.5%
Customers that pay full rent	7,998	29.8%

The biggest impact will be on the 30% of Sandwell’s tenants who are responsible for paying full rent.





## Customers Impacted by Rent and Service Charge Increases

### **Mitigations to support anyone impacted by the increase will include but not limited to the following:**

- Impact assessments by analysing data held on individual income and expenditure
- Proactive use of Discretionary Housing Payment (DHP) by applying to DLUHC to use funds from the HRA to off set any shortfalls from the DHP fund for 2023/24, Sandwell's overall limit for 2022/23 is £1.7m
- Encourage tenants to build up a credit on their current accounts in line with the new tenancy condition approved by Cabinet – 'Rent on Time' by paying an extra amount on their rents, this will act as a buffer if tenant falls into hardship pending other intervention for support
- Ensure effective and regular communications of internal and external Advice Services available which support tenants to enable full maximisation of household budgets
- To continue the work of encouraging rental payments by direct debits which is the most safest and easiest way to make payments



## Customers Impacted by Rent and Service Increases

**Mitigations to support anyone impacted by the increase will include but not limited to the following:**

- To actively continue the partnership work with agencies such as; Think Sandwell Employment and Skills Team, Connexions Sandwell and proactive promotion of these services
- Continue working with charitable organisations to support tenants to obtain household items such as, white goods, furniture etc
- 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.

