

Report to Cabinet

6 December 2023

Subject:	The review of council tenant rents and housing related property charges
Cabinet Member:	Cabinet Member for Housing Councillor Laura Rollins
Director:	Dean Epton Interim Director of Housing
Key Decision:	Yes
Contact Officer:	Nigel Collumbell Assistant Director of Housing

1 Recommendations

That Full Council be recommended to authorise the Interim Director of Housing to adjust council rents and housing related charges with effect from 1 April 2024 as follows:

- 1.1 That the housing rental charges is increased by 7.7% which is the consumer price index 6.7% (September 2023) plus 1%, which is equivalent to a 7.7% increase.
- 1.2 That the housing service charges increase by the consumer price index (CPI)+ 1%, equivalent to a 7.7% increase.
- 1.3 That housing service charge is implemented on properties not currently being charged but are receiving the service in line with similar properties receiving the service provision, including heating, water and laundry facility following consultation with residents.
- 1.4 That subject to consultation with the residents of the site, to increase rent at the traveller's pitch in Hills View, Tipton by 7.7%.
- 1.5 That rental charges for garage sites be increased in line with other council fees and charges agreed by Cabinet and Council.




- 1.6 That properties managed by Riverside under the Private Finance Initiative (PFI) agreement receive a 7.7% rental increase and a 7.7% increase in service charges to match the council's rent and service charge increase.
- 1.7 That properties that sit outside the Housing Revenue Account (including service tenants for Parks, Sandwell Valley and Caretaking) receive a 7.7% increase in rental charges and service charges equivalent to CPI plus 1%.
- 1.8 That the leaseholder annual management fee be increased by 7.7%, CPI + 1% in 2024/25 from £115.66 to £124.57.
- 1.9 That the Director of Housing be authorised to implement adjustments to council rents and housing related charges as set out in this report with effect from 1 April 2024; and
- 1.10 That the Director of Housing be authorised to introduce associated service charges in respect of Building Safety Regulation requirements for Leasehold properties.


2 Reasons for Recommendations

- 2.1 Each year council tenants, leaseholders and other residents are notified of the rent and other related housing charges to be set from the following April. The purpose of this report is to seek approval to implement these charges for the new financial year 2024/25.
- 2.2 The council has to achieve the right balance between supporting tenants to mitigate the continued cost of living pressures and protecting the Housing Revenue Account (HRA) to ensure we can continue to provide affordable social housing for our residents.

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>
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	Rental income contributes to the maintenance and repairs of existing housing stock to become a decent standard and meet the requirements of the Building Safety Act 2022.
	<p>A strong and inclusive economy</p> <p>Funds from rental and housing related charges will maintain / increase the capacity to build more affordable housing.</p> <p>Implementing a rental increase below the rate of inflation has a significant impact on our ability to deliver on new build schemes and maintain the quality of our existing housing stock.</p> <p>The requirements of the Building Safety Act will put pressures on the HRA. The significant of this will be identified when the stock condition surveys are complete.</p> <p>We will have fewer financial resources to deliver proposals within the 30year business plan. Every 1% 'lost' from rental income equates to a reduction in next year's rental income, estimated at £1.29m in year 1 (due to a 53 week rent year) and £37.98m over the 30 years, based on a 52 week rent year.</p>

4 Context and Key Issues

Background

- 4.1 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 2019/20.
- 4.2 In 2019, the government set a rent policy for social housing that would permit rents to increase by up to CPI+1% per annum and made clear its intention to leave this policy in place until 2025.
- 4.3 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.



- 4.4 In 2023, CPI was 10.1%, which would have permitted social landlords to increase rents by 11.1% (CPI+1%). However, the government amended the rent policy for 2023/2024 and imposed a rent cap of 7% for social housing. Sandwell made the decision to set rent at 5% to help support residents during the exceptional time of inflationary pressures and cost of living. Due to the rising supplier costs, other stock owned local authorities and social landlords took the decision to increase rents by the maximum 7%.
- 4.5 There is a recognition that the council needs to maintain the existing housing stock to a good standard and cover operational costs and to achieve the right balance between protecting our tenants, protecting tax payers (by limiting the welfare costs associated with housing rents) and ensuring the council can deliver on its commitments to build new social homes.
- 4.6 For 2024/25, the government have not announced a rent cap, therefore the council are permitted to increase rents by CPI+1% in line with the Rent Standard and Policy Statement on Rents for Social Housing issued annually in April.

Rents

- 4.7 The Council applies two types of rents on its housing stock; Social Housing Rents (Formula) and Affordable Rent.
- 4.7.1 Formula rents take account various attributes such as post code area, type of property, local earnings and number of bedrooms; this ensures similar rents are charged for similar properties. The rents for new tenants letting existing stock are set using formula rent and it is proposed that this policy continues.
- 4.7.2 Affordable Rents are set at 80% of the market rent, inclusive of service charges. Affordable rent is charged on new builds under the affordable homes programme and any additional stock such as buy backs from previous Right to Buy or private acquisitions, or appropriated stock from the general fund. The proposal is to increase affordable rents by 7.7% in line with other rental increases.



4.7.3 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
- There are a small number of properties that sit outside of the HRA and their income contributes to the General Fund

4.7.4 Appendix 1 sets out the proposed typical rent levels at 53 weeks for the main property types and sizes

4.7.5 It is estimated that 70% of our customers are full or partial benefits. This represents a mix of customers on Housing Benefit and Universal Credit.

Table 1 shows that 30% of our customers pay their rent in full.

Table 1 Customers in Receipt of Housing related benefits for Rents and Service Charges

Overall Summary	No. Customers	% Customers
Total properties	26,616	
Customers on benefits (UC/HB)	18,644	70.0%
Customers on full benefits (UC/HB)	12,112	45.5%
Customers on partial benefits	6,532	24.5%
Customers that pay full rent	7,972	30.0%

4.9 Customers who pay all of their rent and those on partial housing benefits will be impacted by a rental increase, however 45.5% of our customers who receive full benefits will be unaffected.

4.10 To demonstrate the impact a 7.7% rental increase would have, Table 2 below shows the financial impact for customers living in a 3-bedroom property in receipt of housing benefits for 20%, 50% or 70% of their rent.

For example, a customer living in a 3-bed house in receipt of 70% benefits would see a rental increase of £2.24 per week (example 3 below). Please see Appendix 2 for full details of all property types.



Table 2

Example 1 - Customers on 20% Housing Benefits - Impact of a 7.7% increase in rent (pays 80% of rent)

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
3	£6.32	£5.18	£5.57	£5.98	£5.96

Example 2 - Customers on 50% Housing Benefits - Impact of a 7.7% increase in rent (pay 50% rent)

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
3	£3.95	£3.24	£3.48	£3.74	£3.72

Example 3 - Customers on 70% Housing Benefits - Impact of a 7.7% increase in rent (pays 30% of rent)

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
3	£2.37	£1.94	£2.09	£2.24	£2.23

Example 4 - Customers not in receipt of any benefits Impact of a 7.7% increase in rents (customers paying full rent)

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
3	£7.90	£6.48	£6.96	£7.48	£7.45

4.11 The Income and Money Advice Service have implemented positive initiatives to support tenants that contribute towards their rental payment. The Welfare Rights Team assist the residents of Sandwell to claim the benefits that they are entitled to through benefit maximisation, representing clients where claims have failed.



- 4.12 The Housing Income and Money Advice Services actively promote and signpost customers to services provided through the partnership work with agencies such as; Citizens Advice Sandwell, SCVO, Think Sandwell Employment and Skills Team, Connexions Sandwell and proactive promotion of these services.
- 4.13 Additional funds have been sought through the Local Welfare Provision (LWP) to purchase furniture and white goods. Where customers are not eligible to be supported via the LWP, the HRA Hardship Fund will be utilised where customers are eligible for support. The current hardship fund available is £100k.
- 4.14 Proactive use of Discretionary Housing Payment (DHP) by applying to the Department of Levelling Up, Homes and Communities (DLUHC) to use funds from the HRA to off-set any shortfalls from the DHP fund for 2024/25. Sandwell's overall limit for 2023/24 is £1.786m.
- 4.15 The Council needs to get the right balance between protecting its tenants from rental increases and minimising lost income in order to achieve comments within the 30-year business plan.
- 4.16 The rental income is vital to the financial well-being of the Housing Revenue Account (HRA). Rental income offsets operational costs and financial charges, and the surplus is used to invest in capital improvements to the housing stock. This includes delivering the major works programme on our high-rise accommodation to meet the requirements of the Building Safety Act 2022 and provisions to fund the council's affordable homes new build scheme.
- 4.17 The additional income generated from a 7.7% increase of £9.9 million will contribute to the upkeep of our existing stock as well as enabling us to build more high-quality housing to meet the needs of our residents. A rental increase lower than CPI+1% would have a detrimental impact on the council's ability to maintain and improve and increase our social housing stock.



4.18 As at 31 March 2023 there are 974 properties in Wednesbury currently managed by Riverside under the Private Finance Initiative (PFI) agreement. It is proposed that PFI property rents are increased by 7.7% and service charges are increased by CPI+1%. This is in line with properties managed by the council.

4.19 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 finances. This includes service tenants for Parks, Sandwell Valley and Caretaking. It is proposed that rent and service charges on these properties are increased by CPI+1% from April 2024. These properties are heavily discounted.

Service Charges

4.20 A decision was made to freeze service charges for council tenants during 2021/22. This was following the COVID pandemic as there was an interruption to some services provided.

4.21 Service charges were increase by CPI+1% in 2022/23 which was a 4.1% increase

4.22 Service charges were increased by CPI+1% in 2023/24 which was a 11.1% increase.

4.23 Analysis undertaken by Savills has highlighted a low level of service charge income in Sandwell (based on 2020/21 outturn) when benchmarking against other authorities.

4.24 The service charge freeze from previous years has had a detrimental impact on Sandwell's lower comparable service charges.

4.25 Service charges are outside of the government's legislative changes. The principle continues to be to recover the cost of service provision.

4.26 Service charges are charged to tenants living in flatted 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, water and laundry services - 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

4.27 Service charges are annually reviewed, traditionally they have only been uplifted annually by inflation. The income generated from service charges contributes significantly to the HRA; however, the costs of service provision is subsidised by rental income as some charges do not cover actual costs.

4.28 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 been completed; the review has identified a small number of properties are not being charged for the provision of services for heating and water where there is no independent metering for the property, and laundry facilities in a limited number of low and high-rise blocks. Consultation has commenced with residents and it is proposed that charges are implemented to these properties from 2023/24.

4.29 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 will receive more frequent inspections and cleaning.

4.30 Security charges are applicable in low and high-rise blocks. Most properties receive a secure door entry service with a fob key and intercom / buzzer link. Full provision includes CCTV at the entrance and around the block, a door entry service with a direct link to the 24/7 CCTV control room at Roway Lane. The 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.

4.31 Aerial service charge relates to a digital aerial service provided to 10,163 properties. 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.



- 4.32 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.
- 4.33 Leaseholders are also charged service charges, in addition to services mentioned above there is a recharge for the management and administration functions.
- 4.34 The proposal is to increase service charges by CPI+1%. Appendix 3 shows how this will impact current charges. Customers who are in receipt of Housing Benefit or Universal Credit will largely not be affected by this increase.
- 4.35 In response to the requirements of the Building Safety Act 2022, additional services will be introduced to discharge new duties which can be recovered through the introduction of new service charges.

Garages

- 4.36 Garages are within the council's general fund property portfolio. As of October 2023, 62% of garages were rented by private home owners or by tenants with more than one garage.
- 4.37 Increased revenue from garage rental would support the general fund. Garages rented by customers that are not tenants or leaseholders will be charged a higher rate as VAT is applied as a requirement of His Majesty's Revenues and Customs (HMRC).
- 4.38 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 in line with the council's fees and charges approved annual by Cabinet.

Leaseholder Management fee

- 4.39 Leaseholders are charged a management fee to cover the resource costs of running the service. This includes employee costs, training, ICT costs, management of the billing process, repairs statements, printing and postage. The charge is currently £115.66 per annum.



4.40 It is proposed that the leaseholder annual fee be increase by CPI+1% in 2024/25 to £124.57. The council's leaseholder charges are significantly lower than neighbouring authorities; as a comparable, Dudley MBC increased their management fee from £140.00 per annum in 2022/23 to £230.00 per annum from 2023/24 following a review of the service provision to leaseholders.

4.41 A full review of the leasehold management fee will be undertaken during the next 12-18 months.

5 Alternative Options

5.1 It has been recommended from April 2024 to increase rents by 7.7% for tenants within the Riverside managed PFI estate of Wednesbury. The council does have the discretion to set PFI rent. It would be unfair and inconsistent for customers in council properties if PFI tenants did not receive the same increase.

5.2 Increasing rents below the rate of inflation creates financial pressures for the council to deliver key services. The provision of good quality Housing and Neighbourhoods are key to improving lives and life chances for our residents. Reducing the level of income to the HRA will seriously impact our 30-year business plans and less funding for maintenance of our own stock and funding for new homes.

5.3 An alternative would be to increase rents by a lower percentage. The budgetary pressures from this would significantly impact our ability to deliver key services and may result in reduced services where costs can't be met through operational budgets. The challenges presented through the Consumer Regulation Act and the Building Safety Act put financial pressures on the HRA to reshape our services to meet the requirements. Appendix 4 shows the rental impact on budgets.



6 Implications

<p>Resources:</p>	<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) 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>Government policy allows an increase of up to CPI plus 1%, current inflation figure is 6.7% Applying rent increases lower than the CPI+1% is a risk to the Council as this results in a significant income loss to the HRA of £1.29m for every 1% reduction.</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>



	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.
Risk:	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.
Equality:	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.
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 and building safety measures and CCTV.
Social Value:	There is not direct impact resulting from this report.
Climate Change:	The requirement to retro-fit properties to achieve net zero targets for our housing stock will require significant investment which the HRA currently doesn't have capacity to deliver. Any rent increases below the current levels of inflation will increase further the budget pressures on the HRA in future years putting at risk our ability to deliver on these targets.
Corporate Parenting:	<p>The Council has a duty under the Children (Leaving Care) Act 2000, to ensure that children leaving care and entering adulthood are not isolated and are able to participate social an economically in society.</p> <p>The council provides training flats for care leavers aged 16 to 18 and access to social housing register as a care leaver of Sandwell Children's Trust aged 25 or below.</p> <p>Apprentice opportunities are being successfully explored within Housing and the Income Management Team have successfully appointed the first care leaver into an apprentice role.</p>



7. Appendices

Appendix 1 – Impact of Rental Increase on Average Weekly Rents

Appendix 2 – Impact of Rental Increase to Customers on Partial Housing Benefits

Appendix 3 – Rental from Service charges and Impact on weekly charges

Appendix 4 – Rental Increase and the Impact on Budgets

8. Background Papers

None.

