

## REPORT TO CABINET

14 November 2018

<b>Subject:</b>	<b>The review of 2019/20 council tenant rents and housing related property charges</b>
<b>Presenting Cabinet Member:</b>	<b>Councillor Carmichael – Cabinet Member for Housing</b>
<b>Director:</b>	<b>Executive Director – Resources – Darren Carter Executive Director - Neighbourhoods - Alison Knight</b>
<b>Contribution towards Vision 2030:</b>	 
<b>Key Decision:</b>	Yes
<b>Forward Plan (28 day notice) Reference:</b>	SMBC06/11/2018
<b>Cabinet Member Approval and Date:</b>	Councillor Kerrie Carmichael 12/10/18
<b>Director Approval:</b>	Alan Caddick
<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>	This is boroughwide
<b>Scrutiny Consultation Considered?</b>	Scrutiny have not been consulted
<b>Contact Officer(s):</b>	Dave Smith, Principal Accountant, 0121 569 8123

## **DECISION RECOMMENDATIONS**

### **That Cabinet:**

Approve the proposals for council tenant rents and other housing related property charges for 2019/20 as set out in Appendix 1, to take effect from 1 April 2019.

### **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 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 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 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 There are limited exemptions from the government imposed rent reductions for some council housing properties. This includes properties managed by organisations under Private Finance Initiative (PFI) arrangements and these rents 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 2019.**

##### **Rents**

- 4.1 As at 31<sup>st</sup> March 2018 there were 29,037 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 £86.04. It is proposed that rents for existing tenants are reduced by 1% in line with government policy. This will reduce the average 48 week rent to £85.19, an average annual saving to tenants of £40.80. Appendix 1 sets out the proposed typical rent levels at 48 weeks for the main property types and sizes.
- 4.2 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.
- 4.3 As confirmed by Cabinet in December 2017 the council does charge so-called affordable rents for some properties. These are either new build properties (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 in the area and will be higher than the council housing social rent. Affordable rents are tied to government rent reduction legislation so it is proposed to reduce all affordable rents 1% from April 2019.
- 4.4 As at 31 March 2018 there are 1,037 properties in Wednesbury currently managed by Riverside under the Private Finance Initiative (PFI) agreement. The council has obligations for this PFI contract and the government has recognised this and exempted councils, if they wish, from the 1% rent reductions. In Sandwell it is recognised that this would be considered unfair to treat similar neighbouring properties in the borough differently and it is proposed that PFI property rents are reduced 1% from April 2019.

##### **Service Charges - Cleaning**

- 4.5 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.

- 4.6 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 2.3% from April 2019. This would be a rise in line with the Consumer Price Index current annual increase. It will raise the weekly charge from £4.82 to £4.93 at 48 weeks.
- 4.7 The charges for low rise blocks are proposed to increase 2% from April 2019 in line with current projected staff pay awards. This would increase charges from £4.31 to £4.40 per week. Similarly, for tenants within supported accommodation it is proposed their cleaning charges increase 2%.

#### **Service Charges - Security**

- 4.8 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 Rokay Lane providing 24 hour monitoring.
- 4.9 Service charge income is currently covering the costs of the door entry system and it is proposed that these charges are frozen from April 2019.
- 4.10 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 2.3% 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**

- 4.11 This charge relates to a digital aerial service provided to 11,000 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 £0.45 per week continues from April 2019.

#### **Service Charges – Heating and other**

- 4.12 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**

- 4.13 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. These will include the rents on the permanent travellers site in Tipton and the remaining rented parks lodges and the other small number of council properties outside the council housing stock. It is proposed for these properties that rents are increased 2% from April 2019 in line with the average rise in income built into general fund 18/19 budget assumptions.

### **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 increased 2% from April 2019 to reflect the council's budget assumptions for external income in 2019/20.
- 4.15 The current weekly rent for garages is £7.16 per week and with a 2% rise this will increase to £7.30 per week from April 2019. For private homeowners the cost inclusive of VAT will rise to £8.76 per week from April 2019.

### **Leaseholders**

- 4.16 As at 31 March 2018 there are 1,165 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.
- 4.17 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 2019.

## **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.

## **6 ALTERNATIVE OPTIONS**

- 6.1 It has been recommended from April 2019 to reduce rents 1% for tenants within the Riverside managed PFI estate in Wednesbury. The council does have the discretion to increase PFI rents but this would have been seen to be very unfair with other council rents reducing in neighbouring areas in the borough.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 Rent income is important to the funding of the HRA. It is expected to generate £118.9m of income in 2018/19 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 2018/19 a projected contribution of £4.4m is currently forecast to be made from the revenue surplus to directly fund capital improvements and reduce future borrowing costs.
- 7.2 The government 1% annual rent reductions and the proposals in this report are expected to reduce rent income approximately £1.2m in 2019/20 but the 4 year imposed rent reduction, which commenced in 2016/17, has had a significant cumulative impact on the HRA and meant the council's ability to fund capital improvements and new house building has been reduced.
- 7.3 The proposed rents and service charges referred to in this report will be incorporated into the next medium term budget and HRA business plan 2019-2022 which will be presented to Cabinet in February.
- 7.4 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.

## **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. On the whole all tenants are equally affected with a 1% reduction across all council house rents.
- 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 Reviews of rent are driven by government policy to reduce social rents annually 1% for 4 years from 2016/17. There is limited council discretion and this policy is recommended for approval for all social council housing rents from April 2019.

16.2 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 2.3% 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 1% rise with some such as digital aerials and door entry charges frozen at current levels.

16.3 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 19/20.

## **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**  
**Executive Director – Resources**

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