

# Report to Cabinet

**4 December 2024**

<b>Subject:</b>	The Review of Council Housing Rents and Housing Related Property Charges
<b>Cabinet Member:</b>	Cabinet Member Housing and Sustainable Development Councillor Vicki Smith
<b>Director:</b>	Executive Director – Place Alan Lunt
<b>Key Decision:</b>	Yes To be significant in terms of its effect on communities living or working on an area comprising two or more wards of the Borough of Sandwell.
<b>Contact Officer:</b>	Assistant Director - Housing, Nigel Collumbell <a href="mailto:nigel_collumbell@sandwell.gov.uk">nigel_collumbell@sandwell.gov.uk</a>

## 1 Recommendations

For the reasons set out in the report, it is recommended that Cabinet endorse the proposals set out in the report and recommend to Full Council that the Executive Director of Place be authorised to adjust council rents and housing related charges with effect from 7 April 2025 as follows:

- 1.1 that the housing rental charges is increased by 2.7% which is the consumer price index 1.7% (September 2024) plus 1%, which is equivalent to a 2.7% increase.
- 1.2 that the housing service charges increase by the consumer price index (CPI)+ 1%, equivalent to a 2.7% increase.

- 1.3 that a weekly service charge of £2.26 is implemented from April 2025 in blocks that have retained provision of laundry facilities for temporary accommodation, supported housing and extra care facilities.
- 1.4 that the weekly heating charge is increased by 20% from April 2025 to properties that received heating and hot water through a shared scheme.
- 1.5 that subject to consultation with the residents of the site, to increase fees at the traveller's pitch in Hills View, Tipton at CPI (announced in month proceeding variation notices being issued), in line with Legislation on Mobile Homes (Pitch Fees Act 2023).
- 1.6 that rental charges for garage sites be increased in line with other council fees and charges agreed by Cabinet and Council.
- 1.7 that properties managed by Riverside under the Private Finance Initiative (PFI) agreement receive a 2.7% rental increase and a 2.7% increase in service charges to match the council's rent and service charge increase.
- 1.8 that properties that sit outside the Housing Revenue Account (including service tenants for Parks, Sandwell Valley, and Caretaking) receive a 5% increase on rent and 2.7% for service charges.
- 1.9 that the leaseholder annual management fee be increased in 2025/26 from £124.57 to £167.13.
- 1.10 that rent and housing related service charges in subsequent years, will be set in line with the Rent Standard and Policy Statement on Rents for Social Housing as published by the Regulator of Social Housing. This will be for at least five years from 1 April 2026 to 31 March 2031.

## **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 2025/26.
- 2.2 The council must 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.

- 2.3 On 30 October 2024, the Government announced their commitment of at least a 5 year rent settlement from April 2026, following consultation with housing providers.
- 2.4 The Ministry of Housing, Communities and Local Government (MHCLG) opened the 'Future social housing rent policy' consultation on 30 October 2024. The consultation is seeking views on alternative lengths of settlement, including a longer 7 or 10 year rent settlement, or a rolling 5 year settlement. The consultation closes on 23 December 2024.

### 3 How does this deliver objectives of the Council Plan?

Growing Up in Sandwell	Quality Homes in Thriving Neighbourhoods.  The rent increase contributes to the investment in housing stock for council residents, encouraging residents to live in Sandwell and supporting tenancy sustainability.
Living in Sandwell	Quality Homes in Thriving Neighbourhoods.  The rent increase contributes to the investment in housing stock to improve the existing homes in terms of making our properties safe and comply with fire and building safety requirements and they are energy efficient.
Healthy in Sandwell	Quality Homes in Thriving Neighbourhoods.  The rent increase contributes to the investment in housing stock for council residents, encouraging residents to live in Sandwell and supporting a healthy and sustainable tenancy.

## 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 Ministry of Housing, Communities and Local Government (MHCLG) Rent 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 the rent increase at 5% to help support residents during the exceptional time of inflationary pressures and cost of living. Due to the rising supplier costs, most other stock owning local authorities and social landlords took the decision to increase rents by the maximum 7%.
- 4.5 In 2024, CPI was 6.7%, which permitted social landlords to increase rents by 7.7% (CPI+1%). Sandwell made the decision to increase rents by 7.7%.
- 4.6 There is a regulatory requirement for the council 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 taxpayers (by limiting the welfare costs associated with housing rents) and ensuring the council can deliver on its commitments to build new social homes, as well as ensure all homes achieve the 'Decent Homes' standard.
- 4.7 For 2025/26, the government have confirmed that social landlords 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

- 4.8 The Council applies two types of rents on its housing stock: Social Housing Rents (Formula) and Affordable Rent.
- 4.9 Formula rents consider 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.
- 4.10 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 2.7% in line with other rental increases.
- 4.11 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
- 4.12 Appendix 1 sets out the proposed typical rent levels at 52 weeks for the main property types and sizes.
- 4.13 It is estimated that 74.6% of our customers are in receipt of full or partial benefits. This represents a mix of customers on Housing Benefit and Universal Credit.

Table 1 shows that 25.4% of our customers pay their rent in full.

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

Table 1

Overall Summary	No. Customers	% Customers
Total properties	26,406	
Customers on benefits (UC/HB)	19,704	74.6%
Customers on full benefits (UC/HB)	13,053	49.4%
Customers on partial benefits	6,651	25.2%
Customers that pay full rent	6,702	25.4%

4.14 Customers who pay all of their rent and those on partial housing benefits will be impacted by a rental increase, however 49.4% of our customers who receive full benefits will be unaffected.

4.15 To demonstrate the impact a 2.7% 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 £0.85 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 2.7% increase in rent (pays 80% of rent)**

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
3	£2.39	£1.93	£2.77	£2.26	£2.25

**Example 2 - Customers on 50% Housing Benefits - Impact of a 2.7% increase in rent (pay 50% rent)**

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
3	£1.49	£1.21	£1.32	£1.41	£1.41

**Example 3 - Customers on 70% Housing Benefits - Impact of a 2.7% increase in rent (pays 30% of rent)**

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
3	£0.90	£0.72	£0.79	£0.85	£0.84

**Example 4 - Customers not in receipt of any benefits Impact of a 2.7% increase in rents (customers paying full rent)**

Bedrooms	Bungalow	Flat High Rise	Flat Low Rise/Medium Rise	House	Grand Total
3	£2.98	£2.41	£2.63	£2.82	£2.81

- 4.16 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.
- 4.17 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.
- 4.18 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.
- 4.19 Proactive use of Discretionary Housing Payment (DHP) by applying to MHCLG to use funds from the HRA to off-set any shortfalls from the DHP fund for 2025/26. Sandwell's overall limit for 2024/25 is £1.786m.
- 4.20 Additional funds have been secured from the Housing Support Fund (HSF); £400k for the first six months of 2024/25 and £600k for the next six months. The funds from the HSF will be utilised to support residents (council tenants and private tenants) who are referred from the Welfare

Rights Team, Cost of Living Support Team, Citizens Advice and Sandwell Consortium.

- 4.21 The Council needs to get the right balance between protecting its tenants from rental increases and minimising lost income to achieve the necessary regulatory standards and maintain and repair its homes in accordance with the adopted 30-year HRA business plan.
- 4.22 The rental income is vital to the financial well-being of the 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.
- 4.23 The additional income generated from a 2.7% increase of £3.65 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.
- 4.24 The HRA has high priority capital investment to fund to meet: health and safety requirements (as part of Building Safety Regulations), achieving EPC rating C by 2030 (in accordance with government requirements), housing decency, aids and adaptations and our committed high-rise refurbishment.
- 4.25 There are additional activities that are being undertaken, that may identify additional expenditure and need for investment. Over the next 12 months, Asset Management will be collating as much information as possible to understand the housing stock and develop a 5-year investment programme required to meet the necessary standards. This will include:
- Stock Condition Survey (Additional pressure on the revenue budget)
  - Intrusive Cladding Survey (Additional pressure on the revenue budget)
- 4.26 As of 31 March 2024 there are 962 properties in Wednesbury currently managed by Riverside under the Private Finance Initiative (PFI) agreement. It is proposed that PFI property rents are increased by 2.7%



and service charges are increased by CPI+1%. This is in line with properties managed by the council.

4.27 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 2025. These properties are heavily discounted as they are provided as part of a contract of employment.

### Service Charges

4.28 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. Since then, service charges have been increased each year by CPI+1%.

4.29 Analysis undertaken by consultants on the council's behalf has highlighted a low level of service charge income in Sandwell (based on 2020/21 outturn) when benchmarking against other authorities. The service charge freeze from previous years has had a detrimental impact on Sandwell's lower comparable service charges. Service charges are outside of the government's legislative changes. The principle continues to be to recover the cost-of-service provision.

4.30 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.

4.31 Service charges are annually reviewed, traditionally they have only been uplifted annually by CPI+1%. The income generated from service charges contributes significantly to the HRA. On 4 December 2023 (minutes 148/23), Cabinet approved that following consultation with residents,

service charges not currently being charged for heating, water and the laundry could be implemented. Consultation has been completed and it is proposed that charges are implemented to these properties from April 2025/26.

- 4.32 Heating and hot water is provided to six blocks of flats (191 properties) through shared heating scheme. The HRA is heavily subsidising this service, with a shortfall of approx. £135k. It is proposed that the weekly heating charge for these properties is increased by 20% to recover part of the shortfall. From April 2025, this would be an average increase for each property between £2.72 per week and £3.81 per week.
- 4.33 Heating costs are not covered by Housing benefit for individual properties; communal heating costs are covered by Housing Benefit. It is proposed that the heating costs are split by 80% property and 20% communal for the use of a communal space to support customers who are in receipt of benefits.
- 4.34 The provision of laundry services is available at 10 sites. This service is heavily subsidised by the HRA by approx. £68k. Residents in three blocks pay a nominal charge of £0.50 to £1.00 per wash / dry through a token service. It is proposed that the laundry facility is removed from all general needs' blocks (5 blocks). It is also proposed that the laundry facility remains at blocks where it is less likely individual tenancies have the means to wash their own belongings. This includes temporary accommodation, supported and extra care properties (5 blocks), with the implementation of a laundry service charge to these properties. From April 2025, this would be a weekly charge of £2.26 per property.
- 4.37 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.
- 4.38 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.

- 4.39 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.
- 4.40 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.
- 4.41 Leaseholders are also charged service charges, in addition to services mentioned above there is a recharge for the management and administration functions. 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.
- 4.42 On 4 December 2023 (minutes 148/23), Cabinet approved that 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 for leasehold properties. These charges will be implemented from April 2025 based on actual costs from the previous year.

#### Garages

- 4.43 Garages are within the council's general fund property portfolio. As of July 2024, 64% of garages were rented by private homeowners or by tenants with more than one garage. 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).
- 4.44 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

- 4.45 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 £124.57 per annum.

- 4.46 A full review of the leasehold management fee has been completed and to recover all appropriate costs, it is proposed that the leaseholder annual fee be increase by 34% in 2025/26 to £167.13. 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 2024/25 to £276.00 per annum following a review of the service provision to leaseholders. The charges include, staffing, management, print and post, legal fees, training, ICT, and telephony.

### Resident Consultation

- 4.47 Consultation has been undertaken with the Tenant and Leaseholder Scrutiny Group (TLSG). The TLSG acknowledged that money management is a key factor for tenants and leaseholders and recommended promoting the Welfare Rights service to offer advice, support, and benefits checks as required.
- 4.48 For blocks where is it proposed the laundry provision is removed; the TLSG recommended promoting the support available from charitable organisations with purchasing white goods, and details of nearby laundry provisions.

## **5 Alternative Options**

- 5.1 It has been recommended from April 2025 to increase rents by 2.7% 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 cap of CPI+1% 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 HRA business plan 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><b>Resources:</b></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 1.7%. 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 £1.35m for every 1% reduction.</p>
<p><b>Legal and Governance:</b></p>	<p>Local housing authorities are required by s.74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The HRA identifies major elements of housing revenue expenditure, such as maintenance, administration, and contributions to capital costs, and how they are funded by rents and other income.</p>

S.24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting must be seen in the context of the statutory duty to set a balanced HRA budget. In exercising their functions under this section, the Council is required to have regard in particular to any relevant standards set for them under section 193 of the Housing and Regeneration Act 2008 [Standards relating to consumer matters set by the Housing Regulator i.e. maintenance, estate management etc.]. The Council must therefore take account of Government guidance (Guidance on Rents for Social Housing, DCLG, May 2014) and the Rent Standard as set by the regulator of social housing when setting rents.

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. In October 2017, the Government confirmed details for future social rents and from 2020/21, providers are able to increase rents up to a limit of CPI plus 1% each year. This policy is designed to provide more certainty over rent levels.

The Council may amend the rent for its tenants by giving at least 28-days' notice. The notice period arises from s.102 (1)(b) of the Housing Act 1985 and in the terms of the Council's standard tenancy agreement.

The Council is required to act in accordance with the public sector equality duty under the Equality Act 2010 and have due regard to the duty when carrying out its functions, which includes making decisions in the current context. The Council also has a duty to show they have consciously addressed their mind to carrying out an Equality Impact Assessment (EQIA)

	<p>which includes any decision to increase or introduce charges to tenants. This has been done and a relevant EQIA has been carried out and attached to this report.</p> <p>Paragraph 20(A1) of Chapter 2 of Part 1 of Schedule 1 to the Mobile Homes Act 1983 (as amended by the Mobile Homes (Pitch Fees) Act 2023), allows local authorities to vary pitch fees by CPI adjustment as the percentage increase/decrease in the Consumer Prices Index (CPI) over 12 months by reference to the CPI published for the month preceding the variation notice.</p>
<b>Risk:</b>	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.
<b>Equality:</b>	The council sets rent in line with the Rent Standard and Policy Statement on Rents for Social Housing. An Equality Impact Assessment (EIA) has been completed. (Appendix 5).
<b>Health and Wellbeing:</b>	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.
<b>Social Value:</b>	There is not direct impact resulting from this report.
<b>Climate Change:</b>	The requirement to retrofit 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.
<b>Corporate Parenting:</b>	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.

	The Council provides training flats for care experienced young people aged 16 to 18 and access to social housing register as a care experienced young person of Sandwell Children's Trust aged 25 or below.
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## **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

Appendix 5 – Equality Impact Assessment

## **8. Background Papers**

None.