

Birmingham City Council
Report to Cabinet
8th February 2022



Subject: Housing Revenue Account Business Plan 2022/23

Report of: Managing Director – City Housing

Relevant Cabinet Member: Cllr Shabrana Hussain – Cabinet Member for Homes and Neighbourhoods
Cllr Tristan Chatfield – Cabinet Member Finance and Resources

Relevant O &S Chair(s): Cllr Mohammed Aikhlaq – Resources
Cllr Kate Booth – Housing and Neighbourhoods Overview and Scrutiny Committee

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference:009665/2022		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1. Executive Summary

- 1.1 This plan sets out how Birmingham City Council seeks to manage its Housing Revenue Accounts to deliver high quality services. The plan provides an updated position on the Council's housing portfolio and the Council's priorities for investing in homes and services to meet the needs of our customers across the city.
- 1.2 Birmingham City Council seeks to be the 'best in class' across all services especially how it works with its tenants as citizens of the city to deliver these services. As a Council we are mirroring government and are refining our focus towards 'levelling up' our services.
- 1.3 Part of that work involves delivering a robust business plan in relation to how we strategically invest in our stock through the Housing Revenue Account (HRA). As the largest Landlord in Europe, Birmingham City Council faces significant challenge navigating and an ever-changing landscape and implementing the recommendations of the Social Housing White Paper, Domestic Abuse Bill, Fire Safety Act and the pending Building Safety Bill.
- 1.4 The Social Housing White Paper and Building Safer Futures agenda have confirmed the intention to adopt a more rigorous and regulatory approach to housing management, particularly in relation to high-risk properties and high-rise blocks. Future business planning will need to consider how we respond to both the anticipated and confirmed changes; this is likely to impact the way we invest the funds from the HRA going forward.
- 1.5 As a Council, we are also responding to large scale changes such as Covid-19 recovery, Brexit and our response to government strategies such as the Rough Sleeping Strategy.
- 1.6 This plan presents an expansion on our current processes in relation to the HRA and how it is used. The Business Plan is a response to the broader challenges facing the social housing sector which demonstrates a need for planned investment and a clear understanding of what lies ahead for the organisation.
- 1.7 The purpose of this report is to set out our priorities and seek endorsement, with the view to develop a future comprehensive, strategically focused HRA Business Plan for 2023/24. This plan will be a much more comprehensive version and will focus on a detailed breakdown of our priorities, performance and investment, providing transparency around how the HRA will be managed in the longer-term.
- 1.8 This plan seeks to ensure Birmingham City Council is a forward thinking, proactive organisation who utilises the HRA in the most shrewd, efficient, and appropriate way. As a Landlord, we will play our part in strengthening Birmingham's position as a thriving, young and diverse global city, looking to be the 'best in class.' Our ambitious approach is based heavily on the priorities set out in our Corporate Plan, moving towards a Bolder, Brighter Birmingham:

- A Bold Prosperous Birmingham

- A Bold Green Birmingham
- A Bold Inclusive Birmingham
- A Bold Healthy Birmingham
- A Bold Safe Birmingham

1.9 This plan is developed in conjunction with several other key documents:

- Birmingham's Levelling Up Strategy
- Birmingham City Corporate Plan 2022-2026
- The Budget 2022/2023
- Housing Transformation Programme
- Housing Strategy (to be reviewed)

2 Recommendations

That Cabinet:

- 2.1 Endorses the priorities set out in this HRA Business Plan 2022/23 to support the delivery of fundamental initiatives within the City Housing Directorate.
- 2.2 Approves proposed changes to the rent and service charges, enabling the Council to support this HRA Business Plan 2022/2023 (see section 8).
- 2.3 Approves the rent charges for temporary dispersed accommodation, enabling the Council to support this HRA Business Plan 2022/2023 (see section 9).
- 2.4 Endorses the proposed Capital Investment programme set out in Appendix 1, supporting the continued investment, and improving our stock for our customers.

3 Background

- 3.1 Birmingham City Council is the largest Landlord in Europe, holding 60,000 units of stock, acting as a pillar to those on low incomes across the city. The Council's operation and management of its housing stock has an important role to play in delivering the Council's six priority outcomes, reaching far beyond its pure statutory housing responsibilities.
- 3.2 Most of the Council's portfolio is managed 'in house' with a small percentage managed by registered providers. The stock is ageing, and numbers have continued to reduce because of the Right to Buy initiative and rate of sales. Our 60,000 units are made up of traditional properties, non-traditional properties, sheltered schemes and 213 high rise tower blocks which have been the focus of significant development following the Grenfell disaster in 2017.
- 3.3 It is important to understand, acknowledge and address some major challenges facing the City. More than 1 in 8 of our working age people have no qualifications.

Health inequalities remain stark and unemployment rates in the City are higher than the national average.

- 3.4 Many of the challenges stem from historic and structural inequalities within our society and economy, and the Covid-19 pandemic has exposed and compounded the difficulties our most vulnerable citizens face in their daily lives.

4 Options Considered and Recommended Proposal

- 4.1 As part of the annual Budget setting process, the Council is required to consider the appropriate level of increase to be implemented for rents and service charges to ensure that expenditure plans are affordable.
- 4.2 The proposed rent increase for 2022/23 is consistent with national rent setting policy. Average HRA rents will continue to be below 70% of market rents in Birmingham and compare favourably with those charged by Registered Providers.
- 4.3 Following the lifting of the previous government rent freeze, from 2020/21 Birmingham City Council have implemented a rent increase of a maximum of CPI plus 1%. For 2022/23 it is recommended that the increase remains at just CPI. Implementing a higher rent increase than proposed, would have an adverse impact on the ability of HRA tenants to pay their rent and have a consequential adverse impact on levels of arrears. Taken together with the impact on tenants' financial wellbeing, this option is not considered appropriate.
- 4.4 Implementing a lower rent increase than proposed would create additional financial pressures on the HRA and result in a reduction in levels of service provided to tenants. This represents a substantial risk to the effective management of council housing and is not recommended.
- 4.5 The annual changes to the rent and service charges are a key decision and require the approval of Cabinet. The changes are consistent with the proposed HRA Business Plan and General Fund Medium Term Financial Plan (MTFP) proposals informing the 2022/23 budget.
- 4.6 The rent and service charge income is a key component of the ring-fenced HRA Budget that is scheduled for consideration as part of the overall Budget for 2022/23. The additional income that will be generated in the HRA in 2022/23 and future years from the proposed changes, when taken alongside other budget proposals, will ensure that the HRA Self-Financing Settlement continues to be affordable in 2022/23.

5 Priorities

5.1 Continue to deliver our building safety programme

The Grenfell disaster and subsequent Building Safer Futures report accelerated obligations on Birmingham City Council to ensure our 213 high rise buildings met the new standards of building safety derived from the review.

The ongoing fire safety programme is essential but comes at significant cost. A combination of the current legislation (actual and proposed) and the Grenfell Inquiry's findings will undoubtedly involve substantial additional costs, both capital and revenue. There has been no grant support to date from Central Government and any recovery from tenants / leaseholders will be limited.

It is our commitment to continue to invest in building safety measures for all our high-risk buildings to achieve compliance with both current and future legislative requirements.

5.2 Undertake a full review of our stock to ensure conditions are fit for purpose

Our commitment to building safety since the Grenfell disaster in 2017 has understandably had a knock-on effect on the ability to cyclically improve the standard of our properties and respond to repairs. City Housing needs to respond to these challenges and create a more responsive and sustainable service in the widest possible sense. We need to ensure our tenant's homes meet their needs and standards for now and the future.

We will commit to delivering a stock conditions survey across the full portfolio to enable the Council to assess future expenditure and to prioritise the maintenance of customer's homes.

5.3 Recommissioning of repairs and maintenance contracts

Providing a responsive repairs and maintenance service to our tenants is one of our key priorities as a Landlord. As a Council, we need to ensure that our commissioning arrangements are robust and give our customers value for money.

The procurement of HRA repairs and maintenance contracts in 2024 provides a real opportunity to revisit the way such work is currently delivered, maximising the Council's buying power in the marketplace, and taking a longer-term view of stock investment. We aim to work closely with procurement colleagues to ensure that we have explored all possible opportunities and will involve key stakeholder in our decisions to achieve a high quality and value for money service.

We relentlessly seek the best possible contractors for our tenants and in line with our aspiration to be the 'best in class,' we commit to ensuring we are entering into contractual arrangements with organisations who will support us to achieve our aspiration.

5.4 Improve the way we engage with our tenants

Our tenants are at the heart of everything we do. Given the recommendations of the Social Housing White Paper and further consultation around potential Tenant Satisfaction Measures, the Council recognises the need to refresh our approach to tenant engagement, making sure they have a clear voice in the decisions we make.

We have already engaged the services of TPAS, the tenant participation advisory service to begin preliminary discussions on the best way to engage with our tenants, based on the variety and vast amount of customers living within the portfolio.

We will undertake a full analysis of complaints received by the service to understand what lessons can be learned from our tenants in line with the corporate Customer Service Strategy to achieve our aspirations.

We commit to fully explore new and innovative ways which we can engage with our tenants with the view to develop a full Tenant Engagement Strategy and communications plan.

5.5 Deliver the City Housing retrofit programme, honouring our commitment to Route to Zero

To ensure City Housing meaningfully contributes to the Council's commitment to make Birmingham Carbon Neutral by 2030, we must invest in a significant retrofit programme within our portfolio to enable this. Whilst we anticipate some grant funding to support this, meeting the 2030 objective will require investment from the HRA, bolstered by other funding options.

Delivering objectives in relation to the route to zero agenda is not just about reducing our net zero emissions but it puts us on a trajectory to achieve our levelling up goals. This priority enables us to deliver a range of benefits for years ahead, bringing warmer, cheaper to run homes that in turn supports healthier outcomes. This is a vital piece of work, particularly in communities with some of the worst health outcomes and high levels of fuel poverty.

We commit to ensuring that City Housing are a key player in the climate change agenda and will deliver a programme of works that accelerates the Council's route to zero. This will be delivered in conjunction with Birmingham City Council's Levelling Up Strategy, where a clear commitment to a full housing retrofit programme has already been defined.

5.6 Develop innovative ways in which to increase the supply of affordable housing

We will explore options for the way the current programme is delivered, particularly through Birmingham Municipal Housing Trust (BMHT). It is possible that HRA resources can be released for the stock investment purposes while achieving better value for money through an alternative approach to new build – still under Council control but outside the HRA. This will feed into the wider agenda on accelerating affordable housing delivery overseen by an affordable housing delivery board.

We commit to building new homes for local people, ensuring everyone has a safe and sustainable place to live.

6 Financial Implications

- 6.1 The purpose of the Financial Plan is to detail the level of resource available to deliver the priorities outlined in this Business Plan. The HRA includes all expenditure and income incurred in managing the Council's housing stock and, in accordance with government legislation, operates as a self-financed, ring-fenced account.

6.2 Investing in the Housing Stock remains a priority, ensuring our tenants live in properties that are high quality. The Council remains committed to prioritising resources and to replace homes lost through Right to Buy. The Council aims to maintain a consistent level of capital expenditure with a view to improving the condition of stock. Appendix 1 shows the ongoing planned investment within the HRA.

6.3 The proposals within this report are consistent with the budget position and Medium-Term Financial Plan (MTFP) as presented within the Budget Report 2022/23. Income generated through the HRA proposals are factored into the HRA Business Plan alongside corresponding spend commitments delivering a sustainable and affordable HRA.

7 Capital Investment Resource

7.1 Appendix 1 details the draft capital investment resource plan for 2021/2022 and provides a forecast to 2025.

7.2 This document details the budgeted spend on the Council's stock and highlights the significant spend on building safety in line with our priorities. It is predicted that works directed to fire safety will reduce as a considerable proportion of works have already been undertaken.

7.3 One of the key objectives of this HRA Business Plan is to provide a framework within which the Council's capital investment and financing decisions can be aligned with the Council's corporate priorities over the medium term. The investment set out in Appendix 1 demonstrates our commitment to investing in our customers and making sure the homes they live in are looked after.

8 Rents and Service Charges

8.1 In October 2017 the government announced its intention to set a long-term rent deal for local authority landlords and housing associations from 2020/21 onwards.

8.2 The long-term rent deal, which was confirmed in the Policy statement on rents for social housing (February 2019), allows local authority landlords to increase rents on both social rent and affordable rent properties on an annual basis by up to CPI +1% from 2020, for a period of at least 5 years. For the year 2022/23 it is recommended that the increase for rents remains at just CPI which is currently 3.1%, with no additional percentage increase.

8.3 For service charges the principle continues for the recovery of the cost of services provided, including an appropriate proportion of overhead costs. This policy will continue to be applied by the Council.

8.4 It is proposed that social and affordable rents for existing tenants are increased by CPI with effect from 4th April 2022. The increase is calculated by reference to inflation in September 2021. The average weekly rent to be implemented because of this revision will be £93.51 (representing the weekly rent payable over a 48-week

cycle, with 4 weeks rent payment holidays, 2 weeks in each of December 2022 and March 2023).

8.5 The table below shows the key elements of expenditure funded from the weekly rent, including a comparison between the budget for 2021/22 and the proposed budget for 2022/23.

	2021/22	2022/23	Change	Change
	£pw	£pw	£pw	%
Repairs	20.34	23.50	3.16	15.5%
Local Housing Costs*	22.86	23.38	0.52	2.3%
Voids & Arrears	3.82	3.10	(0.72)	-18.8%
Debt Financing Costs	16.15	14.93	(1.22)	-7.6%
Debt Repayment	1.13	0.00	(1.13)	-100.0%
Contributions for Capital Investment	19.37	21.43	2.06	10.6%
Average Weekly Rent (52 wk basis)	83.67	86.34	2.67	3.1%

8.6 This weekly rent over 48 weeks is equivalent to an annualised average rent over 52 weeks of £86.34. It is further proposed that social rents for new tenants are set at formula rents as set out in the “Policy statement on rents for social housing” (February 2019).

8.7 It is proposed that rents charged for properties let at affordable rents continue to be calculated by reference to formula rents, as set out in the “Policy statement on rents for social housing” (February 2019), with an uplift on a 52-week basis of £2.82 per week (representing an increase of 3.1% from 2021/22), with the overall rent charged representing approximately 70% of market rents in Birmingham.

8.8 It is proposed that service charges are increased to reflect changes in costs of service delivery because of pay and price inflation. The Low-Rise Cleaning service charge has moved to a Citywide charge to reflect the provision of a standard service across the City.

8.9 The implementation of the change to a standard Citywide charge will be introduced over 2 years. Service Charges will be levied over a 48-week cycle alongside the weekly rent, with the major average charges on a 52-week basis as follows.

Service Charge	April 2021	April 2022	Change
	Average Charge	Average Charge	from 2021/22
Door Entry / Night-time Security	£10.52	£10.56	+0.4%
Traditional Concierge / Night-time Security (Bloomsbury EMB only)	£21.66	£22.18	+2.4%

Cleaning	£2.81	£2.89	+3.2%
Multi-Storey Communal Areas	£7.07	£7.07	0%
Caretaking	£9.78	£9.88	+1.0%
Careline	£2.82	£2.87	+1.8%
CAT 1 / High Rise	£8.03	£8.18	+1.9%
CAT 2 / Extra Care	£10.62	£10.79	+1.6%

9 Charges in Temporary Accommodation

- 9.1 Most of the TA accommodation provided in discharge of the Council's statutory duty is accommodation leased from private sector landlords, the Council's own dispersed properties and homeless hostels.
- 9.2 The Current Temporary Accommodation charging policy has been in place for several years and is signed off annually by Benefits Service. Rents are based on a cost recovery basis as set out in 2014/15 charging methodology.
- 9.3 In 2021 Cabinet approved the general principle to reduce the Council's dispersed properties rents, in 2021/22 and 2022/23, dependent on property size. The proposal for 2022/23 is to freeze the dispersed rents at the current rate for 12 months as detailed in Appendix 4.
- 9.4 For the Bed and Breakfast and Private sector leased properties these are fixed rates, capped at Local Housing Allowance level 2011 and therefore are not subject to any changes.
- 9.5 There will be a 3.1% increase on homeless centres, in line with MTFP inflation assumptions, to reflect the change in officer roles within the homeless centres in line with the emerging new operating model within Housing Options.
- 9.6 It will further assist in mitigating the budget pressure due to the change in use at Barry Jackson Tower and Northbrook from single units to multiple occupancy units.

See below table for figures:

		2021/22 Current Charge £	2022/23 Proposed Charge £	% Change £
Flat	0 bedroom	168.82	168.82	0.00
	1 bedroom	176.66	176.66	0.00
	2 bedroom	201.17	201.17	0.00
	3 bedroom	221.47	221.47	0.00
	4 bedroom	230.68	230.68	0.00
Bungalow	0 bedroom	158.28	158.28	0.00
	1 bedroom	166.29	166.29	0.00
	2 bedroom	173.11	173.11	0.00

House	1 bedroom	166.72	166.72	0.00
	2 bedroom	181.81	181.81	0.00
	3 bedroom	201.55	201.55	0.00
	4 bedroom	228.22	228.22	0.00
Maisonette	2 bedroom	176.88	176.88	0.00
	3 bedroom	193.02	193.02	0.00
	4 bedroom	207.25	207.25	0.00

		2021/22	2022/23	
		Current	Proposed	3.1%
		Charge	Charge	Increase
		£	£	£
Hostels	1 Room	234.67	241.95	7.28
	2 Rooms	278.53	287.17	8.64
	3 Rooms	322.58	332.58	10.00
	4 Rooms	366.51	377.88	11.37

10 Risk Management

10.1 There are several risks which may impact HRA resources; changes in legislation post Grenfell means significant investment is required which has been predominately supported by the HRA.

10.2 Whilst legislative changes cannot always be anticipated, it is vital that Birmingham City Council continues to establish strong relationships with policy makers and actively consults around any proposed changes to prepare for these in advance where possible. We continue to engage with the Department for Levelling Up, Housing and Communities (DLUHC) to ensure we remain proactive

10.3 Any change to the current government rent policy could impact on the level of resources available to the HRA and in turn the level of investment we can make in our properties.

10.4 A reduction in the qualifying period after which tenants can apply to purchase a council house through the government's Right to Buy legislation continues to sustain an increase in the number of sales with a subsequent reduction in the amount of rent receivable.

10.5 Birmingham City Council currently delivers affordable housing through an ageing stock. There is a risk that the rate of deterioration within the stock cannot be managed and this impacts on the investment budgeted. This will have a significant impact on the quality of our stock and will impact customer satisfaction.

10.6 The supply of affordable housing far outweighs the demand, the forecasted growth is 89,000 by 2031 with significant pressure coming from larger families with a bedroom need of 4+ which cannot be sustained within existing stock. It is

anticipated that the demand for social housing will continue to outweigh the supply despite best efforts to increase the portfolio.

10.7 Renewed focus on tenant engagement and consultation on pre-defined Tenant Satisfaction Measures, comes at a time where complaints and MP enquiries have increased, and we are facing a considerable backlog. Additional resource will be deployed to address this in line with our commitment to our customers.

10.8 Whilst the commitment to route to zero is unwavering, it is anticipated there will be considerable difficulty phasing out the installation of high-carbon fossil fuel heating systems and reduce emissions from our stock. Fuel poverty will need to be tackled in both the private and social sector and will require considerable investment, some of which may not yet be fully understood.

11 Consultation

11.1 City Housing Liaison Board have been consulted on the contents of this report and were supportive of the approach.

12 Legal Implications

12.1 The Local Government and Housing Act 1989, Part 6 sets out the obligations for keeping of the HRA and how to manage annual reviews of rent and service charges and to ensure that there is a balanced budget for the ring-fenced HRA. This is supplemented by the national rent restructuring policy and the HRA Self-Financing Determination.

13 Compliance Issues

13.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

13.2 The changes to Housing rents, service charges and other charges support the City's priority of having appropriate housing to meet the needs of our citizens.

13.3 This decision is consistent with the housing priorities set out in the Council Business Plan and Budget 2022+ and the HRA Business Plan 2022+.

14 Public Sector Equality Duty

14.1 There are no specific issues identified, as the changes will be implemented for all tenants of the Council and all service users. It is estimated that 77% of council tenants will be insulated from the full impact of the revised charges from 4th April 2022 as they are eligible for support towards their housing costs through housing benefit or universal credit.

14.2 Those tenants who require assistance will continue to be offered additional financial planning advice through the Central Housing Rents Team and Debt Advice Services to reassess and maximise benefit entitlement, and to help tenants to budget effectively.

15 Background Documents

- 15.1 Report to Cabinet Member for Housing (16 January 2012) – HRA Municipal Garage Strategy
- 15.2 CLG Publication – HRA Self-Financing Determination (February 2012)
- 15.3 CLG Publication – A Guide to Social Rent Reforms in the Local Authority Sector (February 2002)
- 15.4 CLG Publication – Guidance on Rents for Social Housing (May 2014)
- 15.5 Council Business Plan and Budget 2022+ (including HRA Business Plan 2022+)
- 15.6 Policy statement on rents for social housing (February 2019)
- 15.7 Regulating the Standards (March 2019) – Regulator of Social Housing

16 Appendices

- 16.1 Appendix 1, copy of HRA budget and capital investment
- 16.2 Appendix 2, Equality Assessment