

Birmingham City Council

Report to Cabinet

9th February 2021



Subject: Housing Rent, Service Charges and Other Charges 2021/22

Report of: Director of Neighbourhoods (Acting)

Relevant Cabinet Member: Cllr Sharon Thompson – Cabinet Member for Homes and Neighbourhoods
Cllr Tristan Chatfield – Cabinet Member Finance and Resources

Relevant O &S Chair(s): Cllr Sir Albert Bore – Resources
Cllr Penny Holbrook – Housing and Neighbourhoods

Report author: Julie Griffin, Acting Assistant Director – Housing
Tel: 0121 464 7699
Julie.griffin@birmingham.gov.uk

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: 008399/2021		
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 The report seeks approval for the council housing rent and service charges and garage rents to be implemented from 5 April 2021.
- 1.2 The report also seeks approval to reduce the dispersed Temporary Accommodation (TA) charges dependent on property size and as detailed in the table in Appendix 2.

- 1.3 It is recommended that there is a 2% increase in homeless centre charges as described in paragraph 3.12 and that there is no change to charges for Bed and Breakfast and Private Sector leased properties as these are fixed rates capped at Local Housing Allowance rates since 2011.
- 1.4 The proposals are subject to the approval of the Budget for 2021/22 by Council on 23 February 2021 and are consistent with the HRA Business Plan 2021+ and the proposed HRA Budget for 2021/22.

2 Recommendations

That Cabinet:-

- 2.1 approves the changes to HRA rents, service charges and garage rents to be implemented from 5 April 2021 (as set out in paragraphs 3.4, 3.5, 3.8 and 3.10).
- 2.2 approves that there is a reduction in the 2021/22 TA charges for dispersed properties as set out in Appendix 2 and a 2% increase in homeless centre charges as set out in paragraphs 3.12.

3 Background

- 3.1 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.
- 3.2 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.
- 3.3 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.

Birmingham City Council Rent and Service Charge Proposals for 2021/22

- 3.4 It is proposed that social and affordable rents for existing tenants are increased by CPI+1% in line government policy, with effect from 5 April 2021. The increase is calculated by reference to inflation in September 2020, and both calculations result in an increase of 1.5%. The average weekly rent to be implemented as a result of this revision will be £90.62 (representing the weekly rent payable over a 48 week cycle, with 4 weeks rent payment holidays, 2 weeks in each of December 2021 and March 2022). This weekly rent over 48 weeks is equivalent to an annualised average rent over 52 weeks of £83.67. 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).

Appendix 1 sets out proposed typical rent levels on a 52 week basis for the main property types and sizes.

3.5 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 £2.74 per week (representing an increase of 1.5% from 2020/21), with the overall rent charged representing approximately 70% of market rents in Birmingham.

3.6 The table below shows the key elements of expenditure funded from the weekly rent, including a comparison between the budget for 2020/21 and the proposed budget for 2021/22. The movements reflect wider budget allocation assumptions as per the Business Plan, but as a proportion of the average weekly rent. The primary changes being:

- The budget for bad debt provision has been increased following increasing arrears trends due to the impact of Covid-19
- Contributions to capital investment have increased in line with the profile of capital investment in the programme
- The debt repayment profile has been reviewed in order to manage pressures in the short term and support capital investment

	2020/21	2021/22	Change	%
	£pw	£pw	£pw	
Repairs	19.99	20.34	0.35	1.8%
Local Housing Costs*	22.52	22.86	0.34	1.5%
Voids & Arrears	2.68	3.82	1.14	42.5%
Debt Financing Costs	16.23	16.15	(0.08)	-0.5%
Debt Repayment	4.18	1.13	(3.05)	-73.0%
Contributions for Capital Investment	16.83	19.37	2.54	15.1%
Average Weekly Rent (52 wk basis)	82.43	83.67	1.24	1.5%

* Includes corporate overheads and recharges

3.7 It is proposed that service charges are set to reflect the full cost of service delivery including pay and price inflation. The reduction in service charges for cleaning is not as a result of a reduction in service provision in this area. The Caretaking service charge has moved to a Citywide charge to reflect the provision of a standard service across the City. 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 2020 Average Charge	April 2021 Average Charge	Change from 2020/21
Door Entry / Night-time Security	£9.84	£10.52	+6.9%
Traditional Concierge / Night-time Security (Bloomsbury EMB only)	£21.13	£21.66	+2.5%
Cleaning	£2.85	£2.81	-1.4%
Multi-Storey Communal Areas	£6.90	£7.07	+2.5%
Caretaking	£9.67	£9.78	+1.1%
Careline	£2.03	£2.82	+38.9%
CAT 1 / High Rise	£7.43	£8.03	+8.1%
CAT 2 / Extra Care	£10.07	£10.62	+5.5%

- 3.8 The rent and service charge increase proposals will ensure that the debt allocation to Birmingham City Council through the implementation of Self-Financing from 1 April 2012 remains affordable, whilst ensuring that services to tenants can be maintained at an appropriate level.

It is proposed to increase garage rents from 5 April 2021 to £10.00 per week (currently £9.15 per week) over a 52 week cycle, equivalent to an increase of 9.3%. This represents the tenth year of a 10-year programme to improve the Council's garage provision, including a rationalisation of holdings, improvements to retained garages and a realignment of garage rents to become closer to market levels and garage rents levied by other local authorities.

Charges for Temporary Accommodation (TA)

- 3.9 The majority of 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. The Current Temporary Accommodation charging policy has been in place for a number of 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.
- 3.10 The general principle is to reduce the Council's dispersed properties rents, by between £11 and £33 in 2021/22 and 2022/23, dependent on property size as detailed in the table in Appendix 2. This reduction is based on the increased length of stay in TA and the creation of a dedicated support service which will lead to reduced costs for management of these properties.

- 3.11 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.
- 3.12 There will be a 2% 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. 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.

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 2021/22 is consistent with national rent setting policy. Average HRA rents will continue to be below 70% of market rents in Birmingham, and also compare favourably with those charged by Registered Providers.
- 4.3 Following the lifting of the previous government rent freeze, from 2020/21 they have implemented a rent increase of CPI plus 1%. 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 2021/22 budget
- 4.6 The rent and service charge income is a key component of the ring fenced HRA Budget that is scheduled for consideration of the overall Budget for 2021/22. The additional income that will be generated in the HRA in 2021/22 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 2021/22.

5 Consultation

- 5.1 City Housing Liaison Board have been consulted on the contents of this report.

6 Risk Management

- 6.1 The timetable for the introduction of the updates to housing rent, service charges and other charges is in-line with changes in previous years. A project management timetable, with associated responsibilities, has been produced and communicated with all relevant officers. The project will be reviewed regularly to ensure that tenants will be communicated, and that the Northgate Housing IT system will be updated in time for the introduction of the changes on 5 April 2021.

7 Compliance Issues:

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

7.1.1 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.

7.1.2 This decision is consistent with the housing priorities set out in the Council Business Plan and Budget 2021+ and the HRA Business Plan 2021+.

7.2 Legal Implications

7.2.1 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. This is supplemented by the national rent restructuring policy and the HRA Self-Financing Determination.

7.2.2 Under the provision of Section 206 (1) of the Housing Act 1996, this states that

7.2.3 (1) A local housing authority may discharge their housing functions under this part only in the following ways-

- 7.2.4 (a) by securing that suitable accommodation provided by them is available,
(b) by securing that he obtains suitable accommodation from some other person when discharging its functions under Part 7 Housing Act 1996,
(c) by giving him such advice and assistance as will secure that suitable accommodation is available from some other person.

Section 206(2) a local housing authority may require a person in relation to whom they are discharging such function-

(a) - to pay "such reasonable charges as they may determine" in respect of accommodation which they secure , by itself or by another person. "In determining what constitutes a reasonable charge or amount, regard will be had

to the type, nature and extent of the accommodation and personal circumstances of the applicant.”

7.3 Financial Implications

- 7.3.1 The proposals within this report are consistent with the budget position and MTFP as presented within the Budget Report 2021/22. Income generated through the HRA proposals are factored into the HRA Business Plan alongside corresponding spend commitments delivering a sustainable and affordable HRA. The temporary accommodation proposal results in a net reduction in income of £3.5m per year. In 2021/22 a number of mitigations have been identified to reduce this pressure to £1m. A corresponding budget proposal is included in the General Fund MTFP to manage this pressure of £1m in 2021/22, and £3.5m thereafter due to the phased approach. The proposals within this report must be considered alongside the corresponding budget proposals and HRA Business Plan as per the Budget Report 2021/22 as they are directly related.

7.4 Public Sector Equality Duty

- 7.4.1 A copy of the initial screening is attached at Appendix 2b of this report. 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 5 April 2021 as they are eligible for support towards their housing costs through housing benefit or universal credit. Those tenants who require assistance will continue to be offered additional financial planning advice through the Central Housing Rents Team and Debt Advice Services in order to reassess and maximise benefit entitlement, and to help tenants to budget effectively.

8 Background Documents

- 8.1 Report to Cabinet Member for Housing (16 January 2012) – HRA Municipal Garage Strategy
- 8.2 CLG Publication – HRA Self-Financing Determination (February 2012)
- 8.3 CLG Publication – A Guide to Social Rent Reforms in the Local Authority Sector (February 2002)
- 8.4 CLG Publication – Guidance on Rents for Social Housing (May 2014)
- 8.5 Council Business Plan and Budget 2021+ (including HRA Business Plan 2021+)
- 8.6 Policy statement on rents for social housing (February 2019)
- 8.7 Regulating the Standards (March 2019) – Regulator of Social Housing

9 Appendices

- 9.1 Appendix 1 Average rent by property type and number of bedrooms
- 9.2 Appendix 2 Table showing changes to TA rents
- 9.3 Appendix 2a Public Sector Equality Duty Statement
- 9.4 Appendix 2b Equality Assessment
- 9.5 Appendix 3 Risk Assessment