

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET
Report of:	Acting Strategic Director of Place
Date of Decision:	14 February 2017
SUBJECT:	Housing Rent, Service Charges and other Charges 2017/18
Key Decision: Yes	Relevant Forward Plan Ref: 002984/2017
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
Relevant Cabinet Member(s):	Cllr Ian Ward - Deputy Leader of the Council Cllr Peter Griffiths – Cabinet Member for Housing and Homes
Relevant O&S Chairman:	Councillor Victoria Quinn – Housing and Homes
Wards affected:	All

1. Purpose of Report:
<p>1.1 The report seeks approval for the council housing rent and service charges and garage rents that will be implemented from 3 April 2017.</p> <p>1.2 The report also seeks approval to revised charges for Temporary Accommodation, to be implemented from the same date.</p> <p>1.3 The proposals are subject to the approval of the Budget for 2017/18 by Council on 28 February 2017 and are consistent with the HRA Business Plan 2017+ and the proposed HRA Budget for 2017/18.</p>

2. Decision(s) Recommended:
<p>Cabinet is requested to:</p> <p>2.1 Approve the changes to rents, service charges and garage rents to be implemented from 3 April 2017 (as set out in paragraphs 5.6, 5.7, 5.9, 5.12 and 5.14).</p> <p>2.2 Approve the changes to charges for temporary accommodation to be implemented from 3 April 2017 (as set out in paragraphs 5.16 to 5.18)</p>

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3. Consultation

3.1 Internal:

The Director of Finance has been fully consulted and is supportive of the recommendations. Officers from City Finance and Legal Services have been involved in the drafting of this report.

3.2 External:

City Housing Liaison Board considered the rent proposals contained within this report at their meeting on 19 January 2017.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

This decision is consistent with the housing priorities set out in the Council Business Plan and Budget 2017+ and the HRA Business Plan 2017+.

4.2 Financial Implications

The revised charges will be implemented through existing approved resources for staffing and IT.

The net reduction in income as a result of the proposed revised charges amounts to £2.4million and is included in the proposed HRA Budget for 2016/17.

4.3 Legal Implications

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

4.4 Public Sector Equality Duty

A copy of the initial screening is attached at Appendix 1 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 75% of council tenants will be insulated from the full impact of the revised charges from 3 April 2017 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.

5. Relevant Background/Chronology of Key Events:

National Rent and Service Charge Policy – Council Housing

- 5.1 A summary of the national rent setting framework that applied prior to April 2016 is set out in Appendix 2.
- 5.2 On 8 July 2015 the Chancellor of the Exchequer set out a substantial revision to the National Rent Policy to be implemented from April 2016, with these changes subsequently confirmed as a part of the Autumn Statement in November 2015. This new Policy included two substantial changes, as set out below.
- 5.3 Firstly, rents are required to reduce by 1% per annum for four years commencing from April 2016, replacing the previous regime of annual increases of CPI + 1%. Over the four years to 2019/20 and after the impact of lettings to new tenants at formula rents, this will result in average tenants' rents being approximately 13% lower than would have been the case under the previous policy. The resources available to each local authority's HRA will be reduced on an ongoing basis as a result of this change, with the cost to Birmingham estimated to increase to £42m per annum by 2019/20.
- 5.4 Secondly, local authorities and housing associations were to be required to charge market rents to tenants where household income exceeds £31,000. Following substantial feedback from the social housing sector, it was announced in November 2016 that this element of the revised policy would not be implemented, and the discretion to charge higher rents as set out in the previous policy would be retained.
- 5.5 There are no changes to the existing national guidelines in respect of service charges to tenants. The principle continues to be 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 2017/18

- 5.6 It is proposed that social rents for existing tenants are reduced by 1% in line with the new policy, with effect from 3 April 2017. The average weekly rent to be implemented as a result of this revision will be £87.94 (representing the weekly rent payable over a 48 week cycle, with 4 weeks rent payment holidays, 2 weeks in each of December 2017 and March 2018). This weekly rent over 48 weeks is equivalent to an annualised average rent over 52 weeks of £81.19. It is further proposed that social rents for new tenants are set at formula rents as set out in the Government publication "Guidance on Rents for Social Housing" as published in May 2014. Appendix 3 sets out proposed typical rent levels on a 52 week basis for the main property types and sizes.
- 5.7 It is proposed that rents charged for properties let at affordable rents continue to be calculated by reference to formula rents as set out above, with an uplift on a 52 week basis of £2.67 per week (representing a reduction of 1% from 2016/17), with the overall rent charged representing approximately 70% of market rents in Birmingham.

5.8 The table below shows the key elements of expenditure funded from the weekly rent, including a comparison between the budget for 2016/17 and the proposed budget for 2017/18.

	2016/17 £pw	2017/18 £pw	Change £pw	%
Repairs	19.31	18.86	(0.45)	-2.3%
Local Housing Costs	18.80	20.20	1.40	+7.4%
Voids & Arrears	2.29	2.08	(0.21)	-9.2%
Debt Financing Costs	15.76	15.62	(0.14)	-0.9%
Debt Repayment	0.34	7.37	7.03	
Contributions for Capital Investment	22.83	16.04	(6.79)	-29.7%
Other	2.45	1.02	(1.43)	-58.4%
Average Weekly Rent (52 wk basis)	81.78	81.19	(0.59)	-0.7%

It should be noted that the budget comparison shows an overall reduction of less than 1% in average rents. This is as a result of the average rent change comprising two elements as set out in paragraph 5.13:

- Rents for existing tenants are proposed to be reduced by 1% (as set out in paragraph 5.10)
- Rents for new tenants (including for BMHT properties) are proposed to be set at formula rents (as described in paragraph 5.7). These rents continue to be higher than those charged for existing tenants due to the removal of rent convergence increases since April 2015.

5.9 It is proposed that service charges are increased to reflect changes in costs of service delivery as a result of pay and price inflation. The service charges are separately calculated for each District for Caretaking and Cleaning charges, with other charges calculated on a Citywide basis and in all cases 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 2016 Average Charge	April 2017 Average Charge	Change from 2016/17
Door Entry / Night-time Security	£9.05	£9.14	+1%
Traditional Concierge / Night-time Security (Bloomsbury EMB only)	£19.43	£19.62	+1%
Cleaning	£2.58	£2.64	+2.5%
Multi-Storey Communal Areas	£6.35	£6.41	+1%
Caretaking	£8.89	£8.98	+1%
Careline	£1.87	£1.89	+1%

5.10 The charges for Cleaning are proposed to increase by 2.5% to reflect increases in the cost of delivery of this Service. This service is delivered through external contracts, with an expected increase in contract costs of 2.5%, reflecting general inflationary pressures and the impact of increases in the Living Wage. Other services are substantially delivered through internal resources, allowing charges to be limited to a 1% increase as set out above.

- 5.11 The charges for the Careline service have historically been complex, with various service users being charged different amounts, despite there being no variation in the service provided. Following the transfer of the Telecare service (previously provided by Tunstall) to Careline, the opportunity has been taken to rationalise the charging structure, with all tenants to be charged the same amount from April 2017, as set out above.
- 5.12 The sheltered housing service is undergoing a substantial service redesign (considered by Cabinet in January 2017), resulting in a change to the charging structure for this service. For 2016/17, weekly charges to tenants were levied at two separate levels (on a 52 week basis):
- sheltered housing – high rise - £4.59 per week
 - sheltered housing – low rise - £6.71 per week
- Under the revised service, these charges will be replaced for 2017/18, as follows:
- CAT 1 / High Rise - £6.90 per week
 - CAT 2 / Extra Care - £9.35 per week
- 5.13 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.
- 5.14 It is proposed to increase garage rents from 3 April 2017 to £7.04 per week (currently £6.45 per week) over a 52 week cycle, equivalent to an increase of 9.1% This represents the sixth 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

- 5.15 Temporary Accommodation provided in discharge of the Council's statutory duty falls into three distinct categories, being accommodation leased from private sector landlords, dispersed properties and hostels. The proposed changes to charges are set out in paragraphs 5.16 to 5.18.
- 5.16 It is proposed to increase hostel accommodation charges by 3% per week from 3 April 2017. 1 room accommodation will now be £216.87, 2 rooms £257.41, 3 rooms £298.11 and 4 rooms will be £338.72, compared to £210.55, £249.91, £289.43 and £328.85 respectively in 2016/17.
- 5.17 The charges for accommodation leased from private sector landlords (inclusive of a contribution for management and administration costs) will continue to be in line with the contractual agreements. These properties are leased to the Council on a call-off basis and allow the council to discharge its statutory obligations for homeless people.

5.18 It is proposed to increase dispersed temporary accommodation charges by 3%, inclusive of the management fee element. The proposed charges for rent are detailed below according to property type.

Property type	Property Size	Total Rent For 2017/18	2016/17	Increase %
Flat	1 bedroom	183.61	178.26	3.0%
	2 bedroom	216.60	210.29	3.0%
	3 bedroom	243.92	236.82	3.0%
House	2 bedroom	196.10	190.39	3.0%
	3 bedroom	224.80	218.25	3.0%
	4 bedroom	254.95	247.52	3.0%
Maisonette	2 bedroom	190.06	184.52	3.0%
	3 bedroom	213.96	207.73	3.0%

6. Evaluation of Alternative Option(s):

- 6.1 As a 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.
- 6.2 The proposed rent reduction for 2017/18 is consistent with national rent setting policy. HRA rents will continue to be around 70% of market rents in Birmingham, and also compare favourably with those charged by Registered Providers.
- 6.3 Implementing a higher rent increase than proposed may be unlawful and would be likely to 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.
- 6.4 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.

7. Reasons for Decision(s):

- 7.1 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 approved HRA Business Plan.
- 7.2 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 2017/18. The reduced income that will be generated in the HRA in 2017/18 and future years from the proposed changes, when taken alongside other compensating budget savings proposals, will ensure that the HRA Self-Financing Settlement continues to be affordable.

Signatures

Date

Cllr Ian Ward
Deputy Leader of the Council

Cllr Peter Griffiths
Cabinet Member for Housing and Homes

Jacqui Kennedy:
Acting Strategic Director for Place

List of Background Documents used to compile this Report:

Report to Cabinet Member for Housing (16 January 2012) – HRA Municipal Garage Strategy
CLG Publication – HRA Self-Financing Determination (February 2012)
CLG Publication – A Guide to Social Rent Reforms in the Local Authority Sector (February 2002)
CLG Publication – Guidance on Rents for Social Housing (May 2014)

Council Business Plan and Budget 2017+ (including HRA Business Plan 2017+)

List of Appendices accompanying this Report (if any):

1. Appendix 1A – Public Sector Equality Statement
2. Appendix 1B – Equalities Assessment
3. Appendix 2 – Former National Rent Policy
4. Appendix 3 – Exemplifications of typical rents by property type and size

Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

1	<p>The Council must, in the exercise of its functions, have due regard to the need to:</p> <ul style="list-style-type: none"> (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
2	<p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none"> (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
3	<p>The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.</p>
4	<p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none"> (a) tackle prejudice, and (b) promote understanding.
5	<p>The relevant protected characteristics are:</p> <ul style="list-style-type: none"> (a) marriage & civil partnership (b) age (c) disability (d) gender reassignment (e) pregnancy and maternity (f) race (g) religion or belief (h) sex (i) sexual orientation

Former National Rent Policy

Former National Rent Policy – Effective from April 2002

- 1 In 2001, the national government proposed a new policy framework for rents and service charges for social housing providers. Following a period of consultation, the new framework was implemented from April 2002 and this national policy has subsequently effectively determined local authority annual rent and service charge changes.
- 2 The major principle established was that rent levels (formula rents) would be determined with respect to a formula based on affordability (70%) and capital values (30%) with due regard to the size of the property (i.e. number of bedrooms). Service Charges were also required to be calculated by reference to the costs of service delivery.
- 3 The national objective of the new policy was that rent levels for social housing providers (registered social landlords and local authorities) would converge by 2012/13 so that rent levels for similar properties in similar areas would be similar.
- 4 In practice, rent convergence of actual rents charged by different landlords was not achieved nationally by 2012/13 as originally envisaged due to the 5% limit on average rent increases introduced for 2006/07 and 2007/08 and 3.1% limits in both 2009/10 and 2010/11. The HRA Self-Financing Settlement confirmed that convergence was then expected to be substantially achieved by 2015/16.

Revised National Rent Policy – Effective from April 2015

- 5 A revised framework for social rents was confirmed in May 2014, setting out revised guidance to be followed by local authorities for a 10 year period from April 2015, to give certainty within the social rented sector. Whilst not mandatory, there was a firm expectation from central government that the guidance will be followed, and this is necessary to ensure that there are no consequential adverse impacts in relation to housing benefit regulations (if rents are increased above the government guidance then there is a loss of housing benefit reimbursement to the Council equivalent to 77% of the additional rent charged to tenants). This revised framework affected rent setting in three ways, as set out below.
- 6 Firstly, the annual rent increase was changed from RPI + 0.5% to CPI + 1% (for 2015/16 – the first year of operation of this revised framework - the increase was calculated by reference to inflation in September 2014, and both of these calculations would result in an increase of 2.2%). This amendment was consistent with the increasing adoption of CPI as the inflation measure for welfare benefits.
- 7 Secondly, “across the board” rent convergence increases were removed, with rents instead only increased to formula rents when a property is relet. This represented a substantial reduction in future rent levels for the Council, as the previous rent policy required convergence increases in both 2015/16 and 2016/17 to achieve formula rent levels. It is estimated that this resulted in an annual cost to the HRA of up to £10million per annum, and that it would be likely to take in excess of 20 years for all rents to be increased to formula rents on relet.
- 8 Thirdly, the revised policy allowed local authorities the flexibility, but not the obligation, to charge market rents for properties with a household income in excess of £60,000. Whilst this would result in higher rents being charged for those properties affected, this element of the revised guidance in Birmingham was not implemented as it was considered that the costs of administering such a system would outweigh the additional income that might be collected.

Exemplification of Typical Rent by Property Type and Size

Property type	Property Size	Existing Tenants				New Tenants
		2016/17	2017/18	Decrease		Formula Rent 2017/18
		£ per week	£ per week	£ per week	%	£ per week
Flat	1 bedroom	68.42	67.74	0.68	1.0%	69.02
	2 bedroom	73.99	73.25	0.74	1.0%	74.93
	3 bedroom	84.49	83.65	0.84	1.0%	86.65
House	2 bedroom	84.46	83.62	0.84	1.0%	86.10
	3 bedroom	94.21	93.27	0.94	1.0%	97.80
	4 bedroom	102.38	101.36	1.02	1.0%	104.13
Bungalow	1 bedroom	76.05	75.29	0.86	1.0%	77.08
	2 bedroom	86.41	85.55	0.86	1.0%	88.78
Maisonette	2 bedroom	78.88	78.09	0.79	1.0%	80.72
	3 bedroom	85.31	84.46	0.85	1.0%	95.40

Note: the above table sets out the proposed rent charges (excluding service charges) on a 52 week basis, for the main categories of property held within the HRA (representing in excess of 98% of the homes held within the HRA).