

Public Report

Birmingham City Council

Report to Cabinet

12th February 2019



Subject: Housing Rent, Service Charges and Other Charges 2019/20

Report of: Acting Director - Neighbourhoods

Relevant Cabinet Member: Cllr Sharon Thompson – Cabinet Member for Homes and Neighbourhoods
Cllr Brett O'Reilly – Finance and Resources

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

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

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: 006035/2019		
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

The report seeks approval for the council housing rent and service charges and garage rents to be implemented from 1 April 2019.

- 1.1 The report also seeks approval to revised charges for Temporary Accommodation, to be implemented from the same date.

- 1.2 The proposals are subject to the approval of the Budget for 2019/20 by Council on 26 February 2019 and are consistent with the HRA Business Plan 2019+ and the proposed HRA Budget for 2019/20.

2 Recommendations

That Cabinet:-

- 2.1 Approves the changes to rents, service charges and garage rents to be implemented from 1 April 2019 (as set out in paragraphs 3.4, 3.5, 3.8 and 3.11).
- 2.2 Approves the changes to charges for temporary accommodation to be implemented from 1 April 2019 (as set out in paragraphs 3.13 to 3.15).

3 Background

- 3.1 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 a substantial change, as set out below.
- 3.2 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 City Council estimated to increase to £42m per annum by 2019/20.
- 3.3 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 2019/20

- 3.4 It is proposed that social rents for existing tenants are reduced by 1% in line with the new policy, with effect from 1 April 2019. The average weekly rent to be implemented as a result of this revision will be £86.62 (representing the weekly rent payable over a 48 week cycle, with 4 weeks rent payment holidays, 2 weeks in each of December 2019 and March 2020). This weekly rent over 48 weeks is equivalent to an annualised average rent over 52 weeks of £79.96. 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 2 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 above, with an uplift on a 52 week basis of £2.61 per week (representing a reduction of 1% from 2018/19), 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 2018/19 and the proposed budget for 2019/20.

	2018/19	2019/20	Change	%
	£pw	£pw	£pw	
Repairs	18.73	18.74	+0.01	+0.4%
Local Housing Costs*	20.82	21.31	+0.49	+2.4%
Voids & Arrears	2.51	3.14	+0.63	+25.3%
Debt Financing Costs	15.62	15.67	+0.05	+0.3%
Debt Repayment	12.23	5.54	-6.69	-54.7%
Contributions for Capital Investment	10.80	15.56	+4.76	+44.1%
Average Weekly Rent (52 wk basis)	80.71	79.96	-0.75	-0.9%

* Includes corporate overheads and recharges

- 3.7 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 below:
- Rents for existing tenants are proposed to be reduced by 1% (as set out in paragraph 3.4).
 - Rents for new tenants (including for BMHT properties) are proposed to be set at formula rents (as described in paragraph 5.4). These rents continue to be higher than those charged for existing tenants due to the removal of rent convergence increases since April 2015.
- 3.8 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 by area 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 2018 Average Charge	April 2019 Average Charge	Change from 2018/19
Door Entry / Night-time Security	£9.37	£9.60	+2.5%
Traditional Concierge / Night-time Security (Bloomsbury EMB only)	£20.11	£20.61	+2.5%
Cleaning	£2.71	£2.78	+2.5%
Multi-Storey Communal Areas	£6.57	£6.73	+2.5%
Caretaking	£9.20	£9.43	+2.5%
Careline	£1.94	£1.98	+2.5%
CAT 1 / High Rise	£7.07	£7.25	+2.5%
CAT 2 / Extra Care	£9.58	£9.82	+2.5%

- 3.9 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, which also has a 2.5% increase as set out above.
- 3.10 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.
- 3.11 It is proposed to increase garage rents from 1 April 2019 to £8.39 per week (currently £7.68 per week) over a 52 week cycle, equivalent to an increase of 9.2%. This represents the eighth 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

- 3.12 The majority of Temporary Accommodation provided in discharge of the Council's statutory duty is accommodation leased from private sector landlords, dispersed properties and hostels. The proposed changes to charges are set out in paragraphs 3.14 to 3.16.
- 3.13 A full review of Temporary Accommodation services will be done over the next 6 months and will be reported back to Cabinet member.

- 3.14 Under the provision of Section 206 (2) of the Housing Act 1996, the local housing authority has power to require the applicant to pay “such reasonable charges as they may determine” in respect of the accommodation secured, 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.”
- 3.15 It is proposed to increase hostel accommodation charges by 3.7% per week from 1 April 2019. 1 room accommodation will now be £230.07, 2 rooms £273.07, 3 rooms £316.25 and 4 rooms will be £359.33, compared to £221.86, £263.33, £304.97 and £346.51 respectively in 2018/19.
- 3.16 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.
- 3.17 It is proposed to increase dispersed temporary accommodation charges for properties up to 2 bedrooms by 2.3% inclusive of the management fee element. No increase is proposed for 3 and 4 bedroom properties. The proposed charges for rent are detailed below according to property type.

Property type	Property Size	Total Rent For 2018/19	Total Rent For 2019/20	Increase %
Flat	0 bedroom	181.23	185.40	+2.3%
	1 bedroom	187.83	192.15	+2.3%
	2 bedroom	221.58	226.68	+2.3%
	3 bedroom	249.53	249.53	+0%
House	2 bedroom	200.61	205.23	+2.3%
	3 bedroom	229.97	229.97	+0%
	4 bedroom	260.81	260.81	+0%
Maisonette	2 bedroom	194.43	198.90	+2.3%
	3 bedroom	218.88	218.88	+0%

- 3.18 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.
- 3.19 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 2019/20. The reduced income that will be generated in the HRA in 2019/20 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.

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 reduction for 2019/20 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 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.
- 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.

5 Consultation

Internal

- 5.1 The Chief Finance Officer has been fully consulted and is supportive of the recommendations. Officers from Finance and Legal Services have been involved in the drafting of this report.

External

- 5.2 City Housing Liaison Board considered the rent proposals contained within this report at their meeting on 24 January 2019.

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 1st April 2019.

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 2019+ and the HRA Business Plan 2019+.

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.

7.3 Financial Implications

- 7.3.1 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 £4.2 million and is included in the proposed HRA Budget for 2019/20.
- 7.3.2 It was announced in October that Government intends to abolish the HRA borrowing cap, with the level of borrowing to be in accordance with the Prudential Code. This removes the restriction on the specific amount that can be borrowed, and gives the ability to fund additional new build properties. However, the rent from a new property is only sufficient to fund a proportion of the total cost of a new property, based on the borrowing that can be financed from the rent income. Therefore it will be necessary to identify additional resources in order to ensure that the new build activity does not undermine the long term financial viability of the HRA

Public Sector Equality Duty

- 7.3.3 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 1 April 2019 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 2019+ (including HRA Business Plan 2019+)
- 8.6 List of Appendices accompanying this report
 - Appendix 1a – Public Sector Equality statement
 - Appendix 1b – Equalities Impact Assessment
 - Exemplification 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 The Council must, in the exercise of its functions, have due regard to the need to:
 - (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 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:
 - (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 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.
- 4 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:
 - (a) tackle prejudice, and
 - (b) promote understanding.
- 5 The relevant protected characteristics are:
 - (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

Housing Rents, Service Charges and Other Charges

<p>Reference No EA is in support of Review Frequency Date of first review Directorate Division Service Area</p> <p>Responsible Officer Quality Control Officer Accountable Officer</p>	<p>EQUA223 Amended Policy Annually 01/10/2019 Place Housing Housing Revenue Account and Housing Options Nick Ward Lesley Ariss Jim Crawshaw</p>
--	---

<p>Purpose of proposal</p>	<p>The proposal is to update housing rents, service charges and other charges from 1st April 2019.</p>
----------------------------	--

<p>What sources of data have been used to produce the screening of this policy / proposal</p>	<p>Relevant reports and the Chancellor of the Exchequer's Autumn Statement in November 2015.</p>
---	--

PLEASE ASSESS THE POTENTIAL IMPACT ON THE FOLLOWING PROTECTED CHARACTERISTICS

Protected characteristic: Age Age details:	Not Applicable
Protected characteristic: Disability Disability details:	Not Applicable
Protected characteristic: Gender Gender details:	Not Applicable
Protected characteristics: Gender Reassignment Gender reassignment details:	Not Applicable
Protected characteristics: Marriage and Civil Partnership Marriage and civil partnership details:	Not Applicable

Protected characteristics: Pregnancy and Maternity Pregnancy and maternity details:	Not Applicable
Protected characteristics: Race Race details:	Not Applicable
Protected characteristics: Religion or Beliefs Religion or beliefs details:	Not Applicable
Protected characteristics: Sexual Orientation Sexual orientation details:	Not Applicable

Please indicate whether a full impact assessment is recommended

No

Are there any adverse impacts on any particular group(s)

No

Consulted People or Groups

City Housing Liaison Board considered the rent proposals contained within this report at their meeting on 24 January 2019.

Informed People or Groups

The Chief Finance Officer has been fully consulted and is supportive of the recommendations.

Summary and evidence of findings from your EIA

These proposals for 2019/20 do not propose to alter the ring-fenced HRA's core activity which is to provide and support the delivery of Council housing as part of an overall balanced budget. These proposals for 2019/20 also do not propose to alter the core activity of the Housing Options Service.

The objectives are fully consistent with the housing priorities set out in the Council Business Plan and Budget 2019+ and the HRA Business Plan 2019+ to provide affordable and sustainable housing for residents, and to provide a Housing Options Service.

The rent and service charge income is the key component of the HRA Budget and the revised income that will be generated for both 2019/20 and future years from these

proposals, when taken alongside other budget proposals, will ensure that the HRA Self-Financing Settlement continues to be affordable.

The proposals are consistent with the revised National Rent Policy that was confirmed in July 2015 for implementation from April 2016.

Temporary Accommodation rent income is a key component of the Housing Options Service Budget and the revised income that will be generated for both 2019/20 and future years from these proposals, when taken alongside other budget proposals, will ensure that the Housing Options Service continues to be affordable.

The proposals will ensure that services to Council tenants can continue to be maintained at an appropriate level and also may provide potential regeneration opportunities. Proposals will ensure that the Housing Options Service can continue to be maintained at an appropriate level.

The Housing Rent Charges for 2019/20 will be applied, without exception, to all tenants of the Council. The other charges reviewed as a part of this report will be applied for all service users in receipt of the underlying services. Additionally, the Service Charges are subject to regular reviews to ensure they remain appropriate and that they offer value for money for all users of these services.

There will be no negative effect on people in respect of age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or beliefs, and sexual orientation as a result of these proposals.

Appendix 2

		Existing Tenants				New Tenants
Property type	Property Size	2018/19	2019/20	Decrease		Formula Rent 2019/20
		£ per week	£ per week	£ per week	%	£ per week
Flat	1 bedroom	67.88	67.20	(0.68)	1.0%	68.54
	2 bedroom	73.45	72.72	(0.73)	1.0%	74.08
	3 bedroom	83.84	83.00	(0.84)	1.0%	84.55
House	2 bedroom	83.89	83.05	(0.84)	1.0%	84.09
	3 bedroom	93.12	92.19	(0.93)	1.0%	94.03
	4 bedroom	103.96	102.92	(1.04)	1.0%	104.15
Bungalow	1 bedroom	75.00	74.25	(0.75)	1.0%	75.74
	2 bedroom	87.90	87.02	(0.88)	1.0%	88.21
Maisonette	2 bedroom	78.24	77.45	(0.79)	1.0%	79.26
	3 bedroom	84.42	83.57	(0.85)	1.0%	85.52

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).