

SLOUGH BOROUGH COUNCIL

REPORT TO: Neighbourhoods & Community Services Scrutiny Panel
DATE: 6th January 2021
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PART I

FOR COMMENT AND CONSIDERATION

2021/22 HOUSING RENTS AND SERVICE CHARGES

1 Purpose of Report

- (a) To present the changes in the Housing rents and service charges for 2021/22.
- (b) To provide the Panel with information relating to the coverage of tenant service charges and water charging.

2 Recommendation(s)/Proposed Action

The Panel is requested to note the contents of the report and for item (a) comment prior to its submission to Cabinet and Council for full decision on 26th January 2021.

- (a) Council house dwelling rents for 2021/22 **to increase by 1.5% (Consumer Price Index (CPI) + 1%)** over the 2020/21 rent with effect from Monday 5th April 2021. This is in line with current government guidelines and legislation.
- (b) Garage rents, heating, utility and ancillary charges to **increase by 0.5%** with effect from Monday 5th April 2021. This is based upon the September CPI figure.
- (c) Service charges to **increase by 0.5%** with effect from Monday 5th April 2021. This is based upon the September CPI figure.
- (d) 'Other committee' property rents to increase by an average of **0.5%** from Monday 5th April 2021 in line with the September CPI figure.
- (e) Properties leased from James Elliman Homes to **increase by 1.5% (CPI + 1%)** from Monday 5th April 2021 This is based upon the September CPI figure.
- (f) DISH property rents are recommended to increase by **1.5% (CPI + 1%)** over the 2020/21 rent and service charges to **increase by 0.5%** both with effect from Monday 5th April 2021. This is as per the Council's recommendation to the DISH Board.

3 The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

3.1. Slough Joint Wellbeing Strategy Priorities

This report sets out the context and implications for the council over the setting of housing rents and service charges for the next four years and impact upon the local community.

3.2. Five Year Plan Outcomes

This report will primarily have implications for Outcome 4 in the delivery of future social and affordable homes by the council, and the maximisation of the rental stream and asset value to the Housing Revenue Account (HRA).

4 Other Implications

(a) Financial

The financial implications are contained within this report.

(b) Risk Management

If the Council follows Government guidance and legislation in the setting of its dwelling rents, then the risk to the Council will be mitigated.

Risk	Mitigating action	Opportunities
Legal	Ensure the council responds to the recent court decisions and acts swiftly to deliver required outcomes.	Nil – the majority of council tenants now account directly with the water provider.
Property		
Human Rights		
Health and Safety		
Employment Issues	n/a	
Equalities Issues		
Community Support		
Communications		
Community Safety		
Financial	Ensure that the Council sets a balanced HRA annual budget and matches the capital programme to the available resources.	
Timetable for delivery		Approval in January of the new rents will enable tenants to receive notification well within the statutory timescales.
Project Capacity		
Other		

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(d) Equalities Impact Assessment

There is no identified need for the completion of an EIA.

5 Supporting Information

- 5.1 From April 2020, the Regulator of Social Housing introduced the new Rent Standard, which is to apply to all registered local authority providers of social housing and primarily affects the calculation of HRA social and affordable rents.

The Rent Standard does not apply to James Elliman Homes as it is not a registered provider of social housing, but JEH aims to follow council principles for rent reviews.

- 5.2 The new rent standard follows the end of the four year rent reduction period introduced by the Welfare Reform and Work Act 2016.
- 5.3 The new standard continues the principle of setting new social rents using a formula based on location, size and value and relative local earnings. This will continue be known as the formula rent. For existing properties, the rent charged at the end of the 2019/20 became their Limit Rent, and is the value that becomes the starting point for those properties under the standard.
- 5.4 The setting of affordable rents remains unchanged and can be set up to a maximum of 80% of local market rents, however, rents for new council affordable rent properties are set using Slough Living Rent, which aims to achieve rents around 70% of market rent.

6 Next Four Years

- 6.1 For a period of 5 years commencing in 2020/21, the setting of rent increases for HRA social and affordable rent properties is to be capped at CPI + 1%. The September CPI figure is to be used. The 2021/22 financial year will be the second year of this five year period.
- 6.2 Whereas the previous rent restructuring regime intended to provide for rents that were below their target or formula rent to increase gradually to its maximum allowable charge, current government policy of allowing both the current rent and the formula rent to increase by the same value each year will mean that rent convergence is paused until the rent increase percentage is greater than the formula rent increase percentage.

Council dwelling rents can therefore only reach their maximum formula rent upon change of tenancy. This does mean that similar neighbouring properties could have different rents if one been moved up to the maximum formula rent at relet.

- 6.3 Government still intends to issue annual Rent Caps that set maximum rent levels by property size. There will also be an average rent for Slough that also cannot be exceeded. In the 2021/22 year, no property breaches its singular Rent Cap limit

and overall the average proposed rents for council properties will remain under the average rent limit.

Number of Bedrooms	2020/21 Rent Cap per week	2021/22 Rent Cap per week
1 and bedsits	145.96	148.88
2	154.53	157.62
3	163.12	166.38
4	171.69	175.12
5	180.28	183.89
6 or More	188.86	192.64

6.4 In terms of Service Charges the government’s Policy Statement states that

“Service charges are not governed by the same factors as rent. However, registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable.”

“Where new or extended services are introduced, and an additional charge may need to be made, registered providers should consult with tenants.”

6.5 Service charges have been increased at only CPI (0.5%) for 2021/22 and is proposed to be the last financial year where service charges will be reviewed by a standard percentage figure as the implementation of the new Northgate Housing solution is intended to provide an amended approach to service charging for council tenants and leaseholders.

6.7 In terms of Affordable Rents the government’s Policy Statement states that

“When a tenancy of affordable rent housing is let to a new tenant (or re-let to an existing tenant), registered providers must re-set the rent based on a new valuation, to ensure that the new rent is no more than 80% of the relevant market rent.”

“Where a registered provider is re-setting the rent as a result of re-letting affordable rent housing to an existing tenant, the provider may not increase the rent by more than CPI + 1 percentage point. ‘Existing tenant’ in this context means an existing tenant of the specific property concerned.”

7 Impact

7.1 The estimated average weekly rent for 2020/21 was £103.78 and for 21/22 will be £105.41 an increase of 1.55%.

7.2 The HRA 30 year financial business plan has been updated to reflect the introduction of the CPI+1% increase for the next 5 years starting on 6/4/2020. The impact on the 2021/22 forecast is an estimated increase in rental income of £32.708m taking into account a voids rate of 1.5% and adjustment for Right to Buy and new build properties. This compares with a projected outturn income of £32.179m giving an increase of £0.529m.

8 Service charges for housing tenants

- 8.1 As a landlord, the council is responsible for maintaining and servicing the fabric of its housing stock. This ensures that it complies with all relevant legislation designed to keep occupiers and visitors safe and to provide residents and the wider community with safe and attractive homes and estates upon which to live.
- 8.2 Landlords are entitled to apply service charges to recover the cost of providing additional services that are over and above the basic provision of the home and that property's repair and maintenance.
- 8.3 There are two systems for operating service charge regimes:
- Fixed service charges are where the amount set is charged based on estimated expenditure and if the cost is higher than estimated, the council meets the shortfall. If the costs are lower, the council is allowed to keep the surplus.
- Variable service charges are where costs are estimated for a fixed period and at the end of that period if expenditure is higher or lower than the estimated amount, the council will request further payment from the occupier or refund the overcharge, whichever is appropriate.
- 8.4 Which service charge mechanism and how they are applied depends on the tenure of the occupier:
- (a) HRA socially rented property service charges are calculated on a weekly basis and added to the basic rent of a property. These charges use the fixed service charge regime.
- (b) HRA affordable rent (Slough Living Rent), James Elliman Homes Slough Living Rent, Market Rent and Key Worker Initiative property service charges are calculated on a weekly basis but are inclusive within the total charge. These charges use the fixed service charge regime.
- (c) Leaseholder service charges are calculated on an annual basis. Leaseholders are asked to pay based on estimates for the coming year via two six-monthly invoices. Following the end of that year credit or debit adjustments are made to leaseholders depending on the final expenditure incurred for that year. These charges use the variable service charge regime.
- 8.5 The council is able to provide services itself through its various departments. It should not make any profit from any service charge related arrangements and should ensure that costs incurred are reasonable, legitimately incurred, and subject to regulation for certain tenure types, are procured in an open and transparent manner when they are to be delivered through a contract with a third party organisation or supplier.
- 8.6 Service charges are only recoverable if they are listed in either the tenancy agreement or lease. The council takes a pragmatic approach to the management of its stock and the financial exposure to residents by opting to not recover the cost or cap the recovery of costs for some services on a case by case or project basis.
- 8.7 New services are normally introduced following consultation with residents and upon their agreement to the service being proposed and its additional charge. The

council may implement a new service charge in response to statutory or regulatory change covering the management of estates and blocks.

- 8.8 The list of works and services that are included with service charge calculation are shown in the following table along with the current contracted or chosen service partner:

Table of Services

Service Category	Service Name	Provider
Block Services	Communal repairs and servicing - Emergency Lighting testing - Door Entry Maintenance - Fire Alarm Maintenance - Specialist pump, electricity boards or inverter installations - Lift maintenance - Drains	Osborne and their specialist sub-contractor supply chain.
	Web-based door entry control systems	Key Management Systems
	Statutory compliance services - Asbestos inspections - Emergency Lighting testing - Fire Risk Assessments	Osborne and their supply chain. Savills
	Caretaking / Cleaning	Osborne
	Window Cleaning	Osborne (sub-contracted)
	Communal Electricity	Opus Energy *
	Communal Gas	Total Gas & Power *
	Communal Water	Castle Water
	Alarm / Lift telephone lines	BT
	Buildings Insurance	Avid Insurance
Estate Services	Grounds Maintenance - Grass cutting, hedges and planted areas - Ivy and moss removal - Tree maintenance - Mechanical/manual sweeping and clearance from unadopted footpaths and highways - Fly-tip and graffiti removal	SBC DSO
Management and Administration	Leasehold Service Management fee (leaseholders only)	SBC Leasehold Services
	Management and Administration fee (tenants only)	SBC Finance / Housing (People) Service.

* These are included with the council's corporate energy contract.

- 8.9 Leaseholders are provided with a breakdown of costs on an annual basis that are categorised as Block Repairs, Estate Repairs, Electricity, Caretaking, Buildings Insurance and Management Fee.
- 8.10 Tenant service charges are broken down using four group codes. Each code is aimed at describing the category of service provided. Not every service is delivered at every block or scheme, so the value for each code will vary.

Table of tenant service charge codes

Code	Description	Services provided
SCHCES	Communal Estate Services	Caretaking / Cleaning Window Cleaning Tree maintenance Grounds Maintenance Fly-tip removal Estate repairs (fencing, external lighting, play equipment and other shared estate equipment or installations)
SCHCHS	Communal Health & Safety	Block Repairs and Servicing Statutory compliance services Door Entry Maintenance Lift Maintenance Telephone lines
SCHHAL	Heating and Lighting	Electricity Gas Water (charges related to communal area provision only)
SCHADM	Administration	A fixed 15% charge of all of the costs incurred above to cover management and administration.

8.11 The management of service delivery in each service area broadly falls into two categories.

Housing Services are responsible for monitoring and enforcing service standards for all block and estate services **except** for those provided by the Osborne contract.

Housing Services respond to residents' concerns about the quality of services provided by the RMI contract, but it is the RMI contract management team who hold responsibility of service quality, contract performance and payment.

9 Service Charges – A Way Forward

9.1 The council has been planning a significant change to service charge management so that the calculation methods for tenants and leaseholders can be harmonised.

9.2 The intention was to implement a new service charge module within the current Capita Housing System. Preparation work for this module was completed in 2019 and testing and preparations were taking place to consult formally and go live from April 2021.

9.3 However, owing to the decision to replace the end of life Capita system with a new housing management solution, Northgate Housing. The consultation and delivery of the new service charge process was postponed to align the work already prepared for Capita to be migrated to Northgate Housing and this will now commence in the 2021/22 financial year. The launch of the new housing system will enable the commencement of harmonised service charges for tenants and leaseholders from April 2022.

- 9.4 It is likely that the fixed and variable service charge scheme statuses will remain as maintaining variable service charges in the rented housing stock is difficult to administer when turnover is continuous; however, the council will be looking to consult on a range of options for improving service charge calculation and the provision of costs information to substantiate charges.

10 Water Charging

- 10.1 Between 2002 and 2019 the council was party to an agreement with Thames Water to collect water charges from tenants on its behalf.

Charges were set by Thames Water and the council simply applied water charges to tenants' rent accounts so that water would be paid as part of the total weekly charge. The council then forwarded on these charges to Thames Water through regular instalment payments.

- 10.2 This was an easy and manageable way for tenants to keep some of their regular household costs under one payment and this arrangement covered all unmetered water supplies to 98% of council HRA dwellings.
- 10.3 In late 2018, Thames Water advised the council that it intended to end all of its contracts with housing providers by the end of 2021/22. Slough was to be in the first tranche of agreements to be ended, so from April 2019 all affected tenants transferred to Thames Water and now account and pay their water charges directly to them.
- 10.4 The council undertook a significant joint transition project with Thames Water to assist tenants with moving to Thames and to provide support, assistance and information about how the change affected their rent payments. The transition from council collection of water charges was successfully completed by April 2019.
- 10.5 There are 159 properties that still retain water charges from the council. These properties were not included in the above contract and were therefore excluded from the project that transferred everyone else to Thames Water.

Sites

- Armstrong House, Wexham
 - Brook House, Chalvey
 - Foxborough Close mobile home site, Foxborough
 - Poyle Park mobile home site, Colnbrook
 - Kennedy House, Cippenham
 - Pendeen Court (James Elliman Homes)
 - 1-16 Springfield, Upton
- 10.6 These properties were excluded from the Thames Water switch because these buildings are metered, with water being supplied through one point of entry. There is a direct supply contract of water for these buildings between Thames Water and the council and the council pays the bills for these properties on a regular basis.
- 10.7 This continuing arrangement with Thames Water directly places the council in the position of water reseller. The charges for these properties are therefore calculated

directly from the amount paid for water in the previous year, divided by the number of flats in each scheme. Charges are influenced by property size to ensure that the cost per property is appropriate to the number of potential occupants in the home and tenants continue to be able to pay their water charges as part of the normal weekly charge for the property.

11 Water Charges – challenge to Thames Water agreements

- 11.1 In October 2020, the Court of Appeal upheld a judgement against a London local authority relating to its agreement with Thames Water (TW) to collect water charges on TW's behalf.
- 11.2 The appeal judgement confirmed an earlier decision that the agreement between TW and the authority did not amount simply to a collection arrangement and created a situation of supplier and customer between TW and the authority. Accordingly, the passing on of water charges to the authority's tenants was one of water re-sale and the requirements of the Water Resale Orders 2001 and 2006 should apply.

The Water Re-sale Order is legislation that sets out that the maximum amount tenants should pay for supply be no more than the council has paid the water authority for it in the first place, save a small charge for administration purposes.

The issue with this case is that there were provisions in the collection agreement for organisations to retain a percentage of the overall value of the water bills to cover bad debts (i.e. non payment of charges by tenants) and voids (the amount not collected for all properties that were empty throughout the year). Consequently, the weekly amount tenants should have been paid was their value of the entire annual cost **minus** the bad debts and void elements deducted by the council.

- 11.3 SBC's agreement with Thames Water is broadly the same agreement that was in place with the authority concerned.
- 11.4 The council is now affected by the outcome of the Court of Appeal decision and is actively considering how it needs to respond to the decision. There is little prospect of any further appeal against the latest decision. It is the position that the council now has to consider water charge refunding to tenants going back several years.
- 11.5 The council is currently receiving ongoing legal advice as to the scope of refunding requirements and calculation processes and at this time is unable to set out its intended approach. A further progress report on this matter will be provided once the impact assessment and preparations for this project has been completed.

12 Conclusion

Service Charges

- 12.1 The council intends to apply a capped rent increase to its properties of no more than CPI + 1% in line with government guidance. No property will exceed the maximum rent chargeable for the property size set out by government, nor its maximum formula rent.
- 12.2 The council also intends to carry out a significant review of service charging to tenants during 2021/22. This review will lead to improved information to tenants

about how their service charges have been calculated and the costs used to reach such charges. Charges will be based on a block by block basis rather than a mix of block and pooled charges. Tenants will be able to request details about the individual costs used towards their charges and assist the council in improving service delivery monitoring by our contractors and third party suppliers.

Water Charges

- 12.3 The council will be responding to the Court of Appeal judgement in due course after full and careful consideration of legal advice still in progress.