

## SLOUGH BOROUGH COUNCIL

**REPORT TO:** Customer & Community Scrutiny Panel

**DATE:** 25<sup>th</sup> January 2022

**SUBJECT:** Housing Rents and Charges for 2022/23

**CHIEF OFFICER:** Richard West  
Executive Director, place and community

**CONTACT OFFICER:** Trevor Costello  
Interim Housing Specialist

**WARD(S):** All

**EXEMPT:** NO

**APPENDICES:** Appendix A – Draft HRA Summary Financial Statement

### 1 Summary and Recommendations

1.1 This report sets out the changes in Housing rents and charges for 2022/23 which were considered by the Cabinet on 17<sup>th</sup> January 2022.

#### **Recommendations:**

The Panel is requested to scrutinise and comment on following decisions considered by the Cabinet on 17<sup>th</sup> January 2022:-

- (a) Council house dwelling rents for 2022/23 to **increase by 4.1% (CPI + 1%)** with effect from Monday 4<sup>th</sup> April 2022. This is in line with current government guidelines and legislation.
- (b) Garage rents, heating, utility and ancillary charges to **increase by 4.1% (CPI + 1%)** with effect from Monday 4<sup>th</sup> April 2022. This is based upon the September CPI figure.
- (c) Service charges to **increase by 4.1% (CPI + 1%)** with effect from Monday 4<sup>th</sup> April 2022. This is based upon the September CPI figure.

**Reason:** The proposed increases are in line with the government's policy statement of rents for social housing and the Regulator of Social Housing's in its Rent Standard 2020 – 2025.

The review of rents and subsequent increase in rental stream income stream is fundamental to the delivery of the HRA 30 year business plan.

## **Comments of the Commissioners to Cabinet**

*“The report is supported. It is essential that the service improvement identified in paragraphs 2.19 – 2.21 are implemented within the timeframe indicated to deliver efficiencies and service improvements indicated.”*

### **2 Report**

2.1 This report sets out the context and implications for the council over the setting of housing rents and service charges for 2022/23.

2.2 The Slough Wellbeing Strategy aims to increase levels of satisfaction with local place and improve levels of happiness. It also aims to improve life chances of residents, by focusing on housing, poverty, education and employment.

The provision of high quality affordable homes and housing management services to residents will improve the strength and sustainability of communities. Through delivering the 30 business plan, the council is committed to maintaining and investing in its current stock and to enable delivery of new homes to continue to meet housing need and customers’ aspirations.

2.3 Outcome 4 of the Five Year Plan 2020-2025 will be supported by the maximising of the rental income stream and asset value to the HRA and providing good quality, well maintained homes.

### **Options considered**

2.4 It’s a contractual term within the council’s periodic tenancy agreements and licences that rents and charges are to be reviewed on an annual basis. The process and extent of any review is governed by the Regulator of Social Housing’s Regulatory Framework and Standards.

2.5 The council is entitled to review rents up to the maximum level of CPI + 1%. It is also entitled to recover reasonable expenditure incurred in delivering additional services to tenants in the management and maintenance of blocks and estates where they live. The council must maintain a level of rental and service charge income that enables it to continue to deliver good quality homes and neighbourhoods for residents to live in.

2.6 The council’s medium term financial strategy requires that the maximum rental increase allowable be utilised and that service charge income is also increased to support the council’s 30 year business plan and medium term financial strategy.

### **Background**

2.7 The council is a local housing authority. From April 2020, the implementation of annual rent reviews for local authorities came under the jurisdiction of the Regulator of Social Housing’s Rent Standard 2020-25.

2.8 The Rent 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 to 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.

- 2.9 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.
- 2.10 As a result of this change, some council rents will not reach their formula (or target) rent. Those properties can only reach their maximum formula rent upon change of tenancy.
- 2.11 Government still issues annual Rent Caps that set maximum rent levels by property size. There is no longer the average rent cap across all properties.

The figures for the 2022/23 year are shown in the table below alongside those for 2021/22 for comparison. It is confirmed that no property will breach its relative Rent Cap limit.

Number of Bedrooms	2021/22 Rent Cap per week	2022/23 Rent Cap per week
1 and bedsits	148.88	150.90
2	157.62	159.76
3	166.38	168.64
4	175.12	177.51
5	183.89	186.38
6 or More	192.64	195.25

- 2.12 As at 31<sup>st</sup> December 2021, the council's HRA housing stock comprises:

Number of bedrooms	Number of dwellings
Bedsit/Studio	248
1	2106
2	1632
3	1883
4	154
5	33
6	6
Total	6059

- 2.13 The council is committed to setting rents using the Rent Standard guidance and proposes rent increases at no more than the CPI + 1% allowed by the Standard.
- 2.14 In terms of Service Charges the Policy Statement (on Rents for Social Housing) 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.”*

- 2.15 Service charges should be set to cover the cost of those services that are only provided to a proportion of tenants and leaseholders and are often connected with communal facilities.
- 2.16 The council has historically applied a percentage-based uplift to service charge costs to reflect the increasing costs of providing services. Government expectation is that providers should try to limit increases in line with the basic rent figure, however, it recognises that there is a statutory entitlement to recover the reasonable costs of services that are provided. Costs for delivering services to tenants are increasing at an above-inflation rate through general market, labour and materials price.
- 2.17 In the 2020/21 financial year, for which figures were finalised in September 2021 for calculating leasehold end of year service charges, the council’s income and expenditure summary was as follows:

Service Category	Spent	Income by tenure		Variance
		Tenants	Leasehold	
Cleaning and Estate Services	£846,917	£806,353	£146,326	£105,762
Health & Safety and Maintenance	£709,428	£255,988	£150,272	(£303,168)
Heating and Lighting	£191,523	£143,489	£29,871	(£18,163)
Totals	£1,747,868	£1,205,830	£326,469	(£215,569)

The council currently under-recovers actual service charge expenditure by £215,569 or 12.33%. The under-recovery is reduced when the administration charge levied to tenants for service charges administration is included – see below – which reduces the shortfall to £15,543, or 0.89% of expenditure. This under recovery supports the need to increase charges by 4.1% (CPI + 1%)

Service Category	Spent	Tenants	Leasehold	Variance
Administration charge		£200,349	£0	
Revised total	£1,747,868	£1,405,836	£326,489	(£15,543)

- 2.18 For the 2022/23 year, it is proposed to implement an increase in service charges of 4.1%, being the September CPI figure plus 1%. This is in line with increases to rents and is necessary to track increasing costs of services being provided and to prevent any increase in the under-recovery of service charge expenditure net of the council’s administration charge.
- 2.19 Following the implementation of the new housing system in 2022/23, the council intends to fully review the cost of providing additional services to its stock and to identify proposals to address any variances with service charge recovery versus

cost of providing services on a block by block basis and to consult on proposals for changes to take effect from the 2023/24 rent year.

- 2.20 The implementation of the new NEC Housing IT System (formerly Northgate) has been delayed due to issues with staffing. The project team has been affected by vacancies arising from the departure of staff within service areas and challenges working as a dispersed project team as a result of covid restrictions. Progress with implementation has been delayed and the new housing system is anticipated to be live by Quarter 3 in the 2022/23 year.
- 2.21 Once implemented the new IT system will bring significant efficiencies as to how the council implements its rent and service charge changes. It will enable the council to provide greater detail on service charge calculation to all tenants and leaseholders and will support the comprehensive review of service charge setting processes 2023/24.

### **3. Implications of the Recommendation**

#### **3.1 Financial implications**

- 3.1.1 The proposals help to ensure that the council sets a balanced HRA annual budget and can deliver a capital programme within available resources.
- 3.1.2 A provisional financial statement for the 2022/23 HRA account is appended to this report. The council will publish a final statement in early 2022 as part of the ongoing work to stabilise the council's financial position and the completion of a revised medium term financial strategy for the HRA.
- 3.1.3 Rent setting contributes towards the council setting a balanced HRA annual budget and matches the capital programme to the available resources.
- 3.1.4 The HRA 30 year financial business plan has been updated to reflect the introduction of the CPI+1% increase for the 5 years starting on 6 April 2020. The impact on the 2022/23 forecast is an estimated rental income of £35.262m 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 £34.063m for 2021/22, giving an increase of £1.197m.
- 3.1.5 The proposed average weekly rent for HRA socially rented tenancies 2022/23 is £109.76. In 2021/22 it was £105.41. This represents an overall average increase for all council rents for 2022/23 of 4.1%.

#### **3.2 Legal implications**

- 3.2.1 Whilst a preliminary notice under Section 103 of the Housing Act 1985 is not required for periodic secure tenancies, the council is required to issue a Notice giving details of the proposed changes to rent and service charges (if any) and the date upon which those changes are to take effect. The council will issue Notice of changes to rent and service charges (if any) giving no less than four weeks' notice of the change. The change of rent and service charges is not considered a housing management matter, the changing of which would require a consultation process to take place. Consequently, Section 105 of the Housing Act 1985 does not apply.

- 3.2.2 The Local Government and Housing Act 1989 requires the council to maintain a ring-fenced budget for its housing stock related income and expenditure, known as the Housing Revenue Account. Section 76 requires the council during the months of January and February to formulate proposals which satisfy the requirements of this section relating to the income of the authority for the following year from rents and other charges and the expenditure in respect of the repair, maintenance, supervision and management of such properties.
- 3.2.3 Compliance with the Rent Standard 2020-2025 is required under the Regulator of Social Housing's regulatory framework. The council's rent review process continues to follow government's original rent restructuring and affordable rent setting policy and those of the Standard, which commenced in April 2020.
- 3.2.4 The timetable for implementation of the rent review allows for the requirement to issue four weeks' notice of review in line with the terms and conditions of the council's various tenancy and occupancy agreements.
- 3.2.5 The Policy statement on rents for social housing states the following on setting of service charges:

"2.34 In addition to their rent, tenants may also pay service charges. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to the occupation of a dwelling. Service charges are subject to separate legal requirements and are limited to covering the cost of providing the services.

2.35 Registered providers are expected to set reasonable and transparent service charges which reflect the service being provided to tenants. Tenants should be supplied with clear information on how service charges are set. In the case of social rent properties, providers are expected to identify service charges separately from the rent charge.

2.36 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.

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

### 3.3 Risk management implications

- 3.3.1 The issuing of rent review notices in late February/early March 2022 and implementation of the rent review on the first Monday in April will ensure the rent review is actioned correctly and within prescribed timescales in order to deliver the projected increased rental stream income.
- 3.3.2 There are no other risk management implications.

### 3.4 Environmental implications

3.4.1 There are no environmental implications as a result of this report.

### 3.5 Equality implications

3.5.1 Pursuant to the Equality Act 2010 (“the Act”), the Council, in the exercise of its functions, has to have due regard to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

When making decisions, the Council must take account of the equality duty and in particular any potential impact on protected groups.

### 3.6 Procurement implications

3.6.1 There are no procurement implications as a result of this report.

### 3.7 Workforce implications

3.7.1 There are no workforce implications as a result of this report. Tasks and workflows already sit within existing teams with no anticipated resource issues affecting delivery of the proposals.

### 3.8 Property implications

3.8.1 There are no physical property implications as a result of this report.

## **4. Background Papers**

4.1 Draft Financial Statement of HRA Expenditure – 2022/23