

# Consulting with our members – rent and service charge setting

Chris Blackett

Chair of the Gateway Membership Team



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# Welcome - Chris Blackett

- We want to thank our members for joining us here and virtually
- The Gateway Membership Team (GMT) have requested this consultation and will be making recommendations to the Group Board on your behalf
- Members of GMT are here this evening – come and talk to us!



Contact GMT at [GMT@wcht.org.uk](mailto:GMT@wcht.org.uk)

# Consultation process

- The purpose of this evening is to share information about the government's proposals and our options
- Your views this evening will shape a resident survey which will be on our website from **16 December**. You can also request to do this survey over the phone with a member of staff
- GMT will be reviewing the results in January and making recommendations to the Group Board

Contact [communities@wcht.org.uk](mailto:communities@wcht.org.uk)

# Setting the scene – the economic and political environment

Paul Richmond  
Deputy Chief Executive



# Summary of recent events

- Fiscal statement – 23 September – led to market turmoil
- Prime Minister and Chancellor both exit roles during October
- Major U-turn – emergency statement 14 October 2022
  - Energy Price Guarantee until April 2023 (previously 2 years)
  - £400 flat reduction on energy bills (October to March)
  - Extra payments for those on certain benefits, those with disabilities, and pensioners
- Market turmoil – base rate 3% (3 November 2022)

**This led to an Autumn Statement on 17 November**

# Current economic challenges

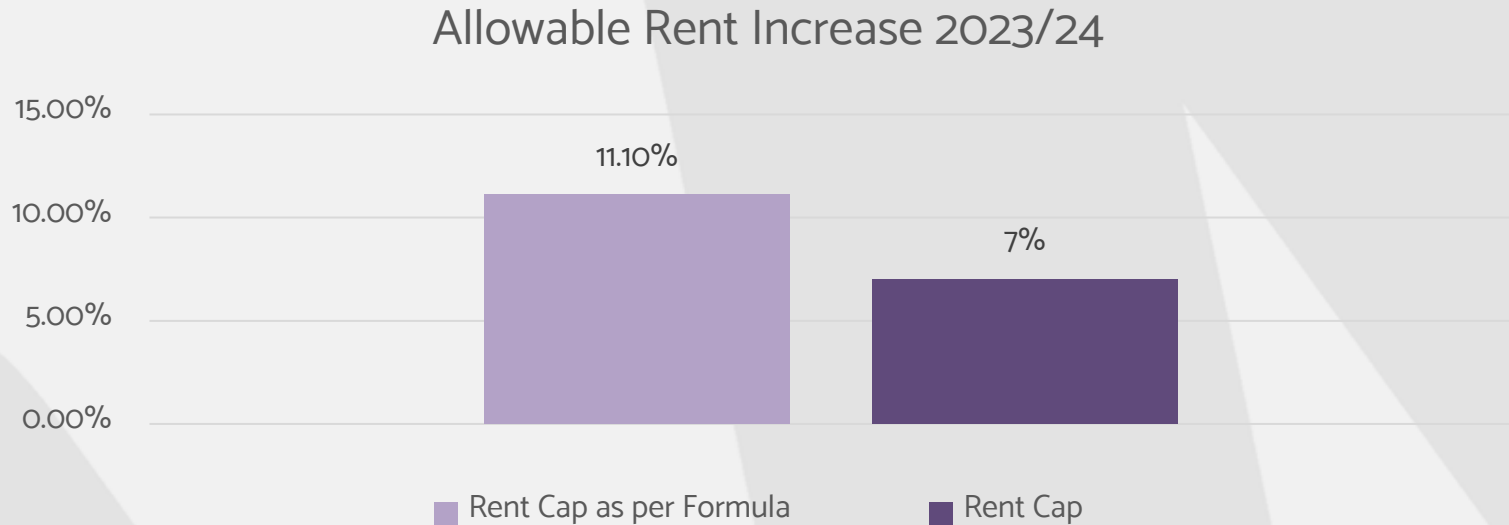
We have five significant challenges to our performance in 2023/24 and beyond:

1. High interest rates impacting borrowing costs
2. High inflation impacting our cost base
3. Energy costs substantially increasing
4. Absorbing rent increases for 2023/24 (where rent is lower than the cost of inflation)
5. Economic hardship from wider economy will create pressures for both our customers and our staff

# Key updates from Autumn Statement

- A rent cap was announced at 7% which is to apply from April 2023 – this is 4.1% lower than the rent policy would have allowed
- The energy cap has been extended for a further year to support households, but with the cap moving from £2,500 per annum to £3,000
- Benefits (and also the benefit cap) will be uplifted in line with inflation (10.1%), however, the Local Housing Allowance (LHA) will remain frozen at the same level for another year
- Minimum wage increasing by 9.7% to £10.42 per hour and the State Pension also had the “triple lock” confirmed, meaning it will rise by 10.1% in April next year

# Rents - what does a rent cap mean for Watford Community Housing?



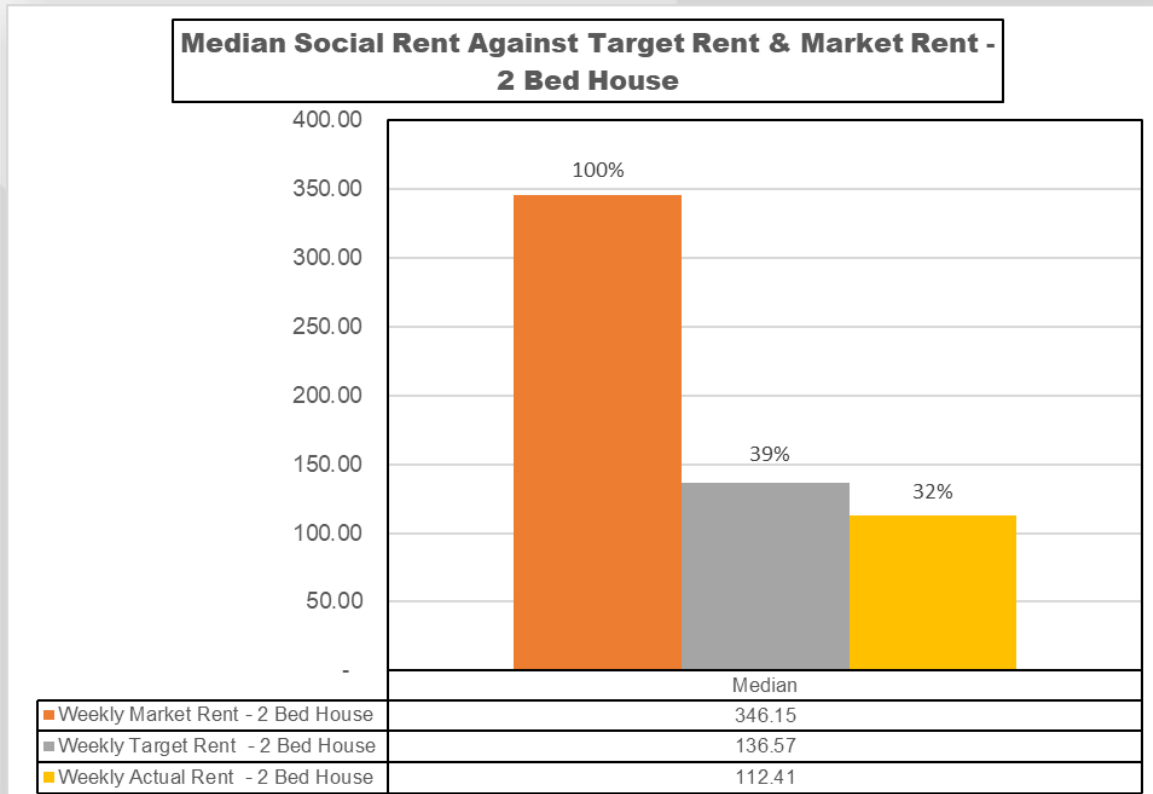
The current formula for rent increases would have allowed a rent increase of 11.1% in 2023/24. The government announced a rent cap for social and affordable housing which limits the increase to 7% (a 4.1% reduction)

This is the same as c.£250 saving per typical household



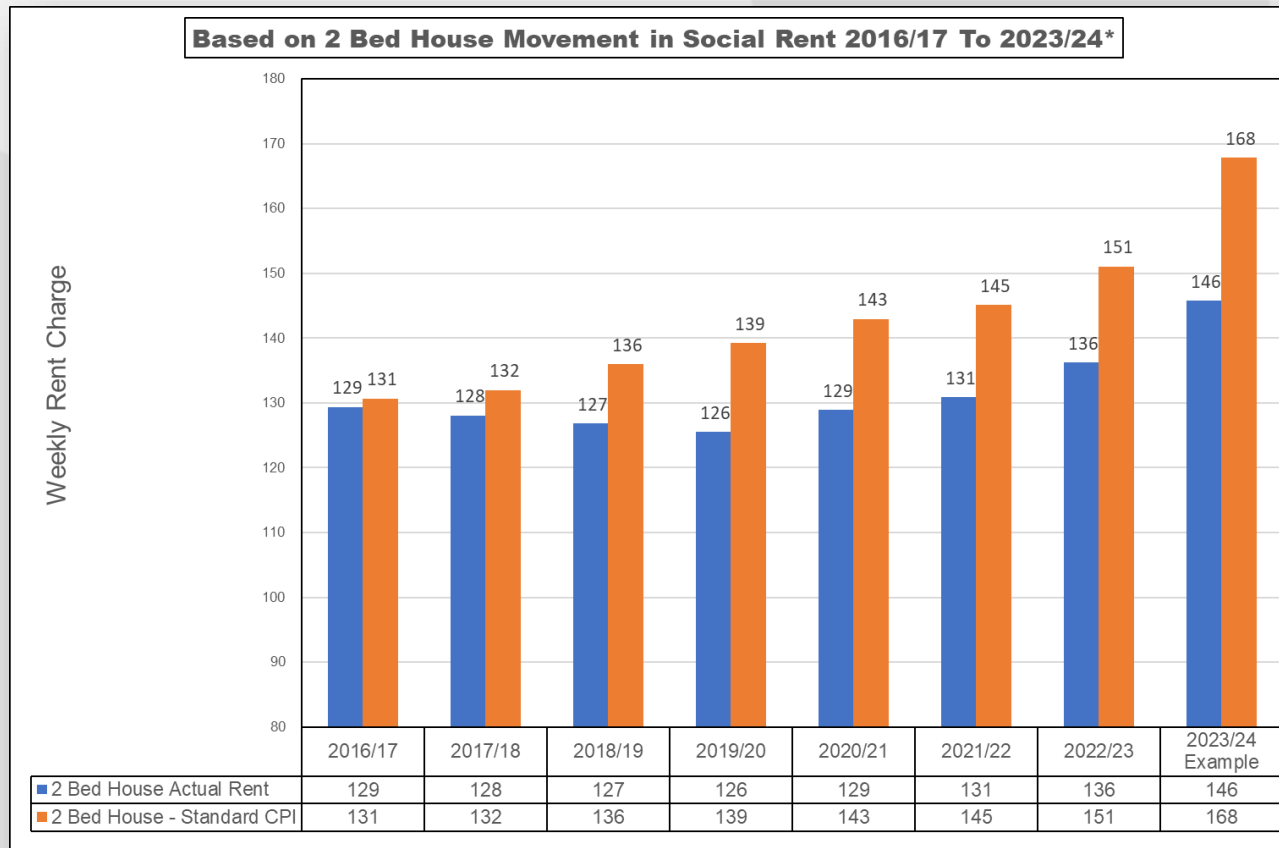
# Summary of Watford Community Housing rents

- On average, Watford Community Housing's social rents are 32% of market rent and 7% less than target rent set by the government's Rent Standard



# Summary of inflation over last eight years

- On average, Watford Community Housing's social rents have moved less than inflation since 2016/17 and now at least £22 lower than CPI link in 2023/24



# Rents – the option is to increase up to 7% for 2023/24

## Challenges for 2023/24 for our costs:

- Cost inflation for many parts of our organisation will be 10% next year
- Our interest payments will increase next year as interest rates increase
- Energy prices will increase for our offices/community hubs
- We need to continue investing in our services to support our customers – including repairs/customer services
- We will need to consider ongoing support for residents, through a welfare fund
- We need to continue investing in our homes

**Any questions about  
the rent increase?**



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# Key policy decisions – service charges

Ishmail Saccoh  
Assistant Director of Finance



# Introduction

As a landlord, Watford Community Housing is obliged to provide various services to tenants, shared owners and leaseholders, including:

- Upkeep of the common areas of blocks and flats, such as paths, driveways and communal gardens
- Lift maintenance, fire alarms and testing of water systems
- General maintenance of the exterior of the block of flats or individual dwellings, such as painting corridors, stairwells and general lounges
- Provision of Scheme Managers or Mobile Estates Services Officers

# Summary of total service charges

- Service charges are defined as “an amount that tenants pay to cover the cost of providing communal or shared services to a building and, if applicable, the surrounding estate”.
- Service charge income for the Group is c.£1.5m per annum.
- c.2,200 Watford Community Housing properties incur service charges.
  - 250 shared ownership – fully recovered
  - 350 leaseholders – fully recovered
  - 500 independent living
  - 1,100 general needs

# Illustration of key costs within service charges

• Caretaking/security (inc. CCTV)	£100k
• Cleaning	£350k
• Communal areas	£100k
• Fire safety/Fire Risk Assessment	£50k
• Lighting costs and testing	£300k
• Ground maintenance	£200k
• Heating costs *	£200k
• Intensive housing management *	£200k
• Insurance *	£50k

\* Examples of personal service charges and not covered by the service charge cap





# Core decisions to resolve by January 2023

Given that we now know the rent cap for 2023/24 and the inflationary pressures facing both Watford Community Housing and the wider economy, there are several issues we need to address regarding our service charges:

- Should we keep the service charge cap – if so at what level?
- How can we flex/amend the services we offer to support affordability for our residents?
- Which services do we “need” to have – which ones are “nice” to have?



# The service charge cap

- In 2016/17, Watford Community Housing moved to a position of looking to recover 100% of service charges incurred.
- To support affordability for residents, a service charge cap is in place. This cap is currently at £24 per week.
- The effect of the service charge cap is to make some properties affordable, but ultimately any service charge not recovered is a strain on Watford Community Housing's resources and is effectively spread across the whole organisation's cost base and all customers.
- It is likely that service charges will increase at inflation in many areas next year (10%+) and some areas (e.g. energy costs) will increase significantly more.
- Any cap applied to our residents will generate some level of unrecovered cost (further financial strain) but it will support affordability.

# The service charge cap

2022-23		
Social Rent		
Weekly Cap (£)	Number of affected residents (out of 1,104)	Annual Cost Absorbed by Group (£)
20	173	75,636
22	166	57,958
24	89	46,418
26	89	37,162
28	89	27,906
No CAP	1104	0
IL		
Weekly Cap (£)	Number of affected residents (out of 474)	Annual Cost Absorbed by Group (£)
20	333	231,936
22	328	199,030
24	278	151,541
26	217	126,957
28	185	107,015
No CAP	474	0

- In 2022/23, the service charge cap of £24 was breached by 89 general needs customers with a subsidy of £47k
- It was breached by 278 independent living customers with a subsidy of £150k

# Q1. Do we retain the service charge cap and at what level?

- **Current cap** - The cap remaining at £24 could mean the amount that residents subsidise other residents growing from £200k per annum to £500k+, as the cost of services increase.
- **Increased cap** - An increase in the cap would reduce the amount that some tenants are subsidised by the wider rents received by the organisation.
- **No cap** - If there was no cap, this would mean that all service charges are only paid by those residents that receive them. This would further reduce the amount that some tenants are subsidised by the wider rents received by the organisation.

# How do I know what my service charges are?

**Rent Statement** - lists the weekly charge for rent and service charges

**Digital Tenancy Services** - shows the weekly rent charges

**Rent increase letter (Feb)** - shows the weekly rent charges and service charge

**Annual Service charge statement (Sept)** - details everything in full for the year

Description	2022/23 Estimate Charges
Caretaking Services	106.60
Cleaning & Cleaning Supplies	98.36
Communal Area Repairs & Furnishings	15.00
Communal Keys, Fobs, Door Entry	17.11
Electrical Testing & Maintenance	0.00
Emergency Lighting	25.65
FRA and Fire Safety	0.00
Lift Servicing	0.00
Lighting	62.43
Bulk Refuse Collection	11.51
Window Cleaning	13.58
Building Insurance	62.58
Sinking Fund	50.00
Grounds Maintenance	234.37
<b>Sub-Total</b>	<b>697.19</b>
Management Fee (10%)	69.72
<b>Total service charge (communal)</b>	<b>766.91</b>

## Q2. What services are most important to residents?

**Mandatory services** provided through service charges:

- Compliance, Fire safety and Legionella testing
- Essential communal repairs
- Emergency lighting
- Lift servicing
- Building insurance

**Discretionary services** provided through service charges:

- Communal cleaning
- Grounds Maintenance work
- Spending on communal areas
- CCTV and Concierge

## Q3. How can we flex these services?

- Making changes to how some of our services are delivered e.g. making it easier to do things online rather than over the phone
- Reducing the frequency or specification for these services e.g. communal cleaning
- Reducing how much we spend on community investment projects e.g. Community Development Fund

**What do you feel are our best options?**

## Q4. What ideas have our residents already suggested to reduce spend on services?

- **Lighting** - Dusk till dawn sensors
- **Lighting** - Communal sensors and LED bulbs
- **Lighting** - Solar outdoor lighting
- **Heating costs** - Reducing temperature on communal systems
- **Heating costs** - Delay switch on communal systems
- **Cleaning** - Reduction from weekly to fortnightly cleaning

Is there anything else you think we have missed?



## Q5. How can we offer additional support to our residents in these difficult times?

- **Dedicated Welfare Fund** – currently offering £150k this financial year to those who need it the most
- **Financial Inclusion team** – dedicated team who can maximise benefits and income for those experiencing financial challenges
- **Local partnerships** – ensuring residents have access to Citizens Advice, debt charities and food bank referrals
- **Accessing additional external funding** – such as Household Support Fund from local government partners
- **Eviction as a last resort** – we are committed to work with those who engage with us

**Is there anything else you think we have missed?**

**Any final questions?**



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# **Members from our teams are here to take your feedback and capture any ideas about their service areas and this consultation**

If you have a service query or complaint not related to the consultation, please let us know and we will arrange for our Customer Relations team to call you back this week.

