

Report to the Cabinet

Report reference: C-004-2020/21
11 June 2020



Portfolio: Housing & Community – Cllr H Whitbread
Subject: Review of Service Charges
Responsible Officer: Deborah Fenton (01992 564221).
Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) The Cabinet are asked to note the requirement to carry out a full review of service charges across the District;
- (2) That Cabinet receive a further paper in September to agree the proposals on introducing a fair and consistent approach to service charges for tenants living in blocks; and
- (3) Cabinet are asked to approve the development of our new scheme '*more than bricks and mortar*' '*EFDC Creating great places where people want to live*'.

Executive Summary

The Council charge for additional services, to tenants living in blocks of flats based on a CPI increase yearly. An example of these services are the cleaning of blocks and communal utility costs such as electric for lighting. EFDC's charging approach follows the government guidance to separate service charges from rents which took place in 2003. This approach has become challenging for most organisations over the years as some costs have risen above the rate of CPI. A recent analysis, by Housing Management of cost against income has ascertained that the under recovery of service charges stands at £1.3m for EFDC 2019/20. As the Council made a decision regarding the approach to charging in 2003, the shortfall is not identified as a deficit in the HRA account. Most organisations have changed their approach and charge out the actual cost of services.

Councils are now subject to rent regulations via the Regulator for Social Housing. The Regulations clearly state that social housing providers need to charge for services in a fair and consistent way which can be accounted for. This translates to charging the actual cost for the services broken down to each individual property. From a legal standpoint this protects us from challenge regarding fair and accurate charging.

Any increase in service charge needs to be approached with care and compassion, as such a further paper will be presented to Cabinet in September setting out the options.

It is proposed that income raised (over and above current service charge income) in the first 4 years is ringfenced to pay for estate improvements under our proposed scheme '*more than bricks and mortar*' our mission is; '*EFDC creating great places where people want to live*'. Our estates would benefit from a cash injection, this strategically, would be a benefit to the whole district in terms of communities, place and customer satisfaction. A presentation has

been prepared to highlight the benefits for communities.

Reasons for Proposed Decision:

The development of a fair and accurate and fair charging regime for service charges supports the overall aspirations of the Councils Corporate Plan – Stronger Communities, Stronger Council

Other Options for Action:

Not to develop a fair and accurate charging regime. This would leave us potentially in breach of the newly published Rent Regulations and at risk of legal challenge around fair charging.

Report:

1. Historical Context

Under the rent restructuring mechanism, (1999) local authorities were urged by government to separate the elements of the rent relating to the provision of communal services such as grounds maintenance, caretaking, door entry systems, concierge service etc, to make it more transparent to tenants which services they pay for (this is known as depooling). In effect this meant that tenants would be paying a separate charge for additional services. EFDC undertook this exercise, however at the time it was decided not to review the charges, in terms of developing a charging regime which considered the size of each unit, the actual cost of the service and apportioning the cost per property accordingly. EFDC took the approach of continuing to increase service charges by applying a yearly CPI uplift. This has resulted in an increasing deficit year on year. The amount for 2019/20 was £1.3m. (not accumulative)

2. Regulation

The recent change in Regulatory Governance for Councils requires EFDC to meet the requirements of the Regulatory Framework (set out by the Regulator of Social Housing). The Regulatory Standard for rents states as follows:

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.

To meet the regulatory standards, a fair and transparent charging regime needs to be implemented. There are several ways this could be approached. Options will be provided in the follow up paper.

3. EFDC – current charging regime

Service charges are worked out by working from the 'unpooled' service charge (2003) and increasing the charge by CPI, which is then agreed by Cabinet. The current charging methodology does not provide a fair and consistent approach, particularly in our newly regulated position. The cost is not proportionate with the size of property. Furthermore, the service costs have not kept in line with actual costs, leaving a deficit of £1.3m in 2019/20. This deficit is funded from the HRA account.

4. EFDC – Future approach

To develop a fair and consistent approach to charging, it is proposed to carry out a review to understand our expenditure block by block, as well as an analysis to ascertain the actual cost of the services. This would then be further analysed to break down charges to a property level. This would mean that each property was receiving a charge which represented the cost to EFDC. Our tenancy agreement allows us to charge tenants for services. These charges are called 'property' charges. All property charges are subject to Housing Benefit relief.

It is important to ensure that the cost apportionment for communal areas is accurate and based on evidence, to this end, a time and motion exercise will be carried out. This information will also allow us to consult with residents to understand their level of satisfaction with the services provided. This gives us the option to offer a variation in our cleaning service in the future should residents require it.

Following this review, options will be presented to Cabinet to recommend how future costs can be recovered in a sensitive manner. This will include creating a ringfence around the revenue for 4 years to improve our communities 'EFDC creating great places where people want to live'

Resource Implications:

The review will be resourced using inhouse resources.

Legal and Governance Implications:

The review will be carried out in line with legal and government guidelines.

Safer, Cleaner and Greener Implications:

The review sets the opportunity to tweak our services to enhance our communities, making places where people want to live.

Consultation Undertaken:

Initially consultation has been undertaken with the Portfolio holder.

Background Papers:

NA

Risk Management:

There is no risk in carrying out the review

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided as an Appendix to this report.

