

Report to the Stronger Place Select Committee

Date of meeting: 29 September 2020



Portfolio: Housing Portfolio Holder – Councillor H Whitbread

Subject: Update on Review of Service Charges

Responsible Officer: Deborah Fenton (01992 564221)

Democratic Services: V Messenger (01992 564246)

Recommendations/Decisions Required:

- (1) That the update on the ongoing review of services charges across the District is noted; and**
- (2) That the development of our new scheme ‘more than bricks and mortar’ EFDC Creating great places where people want to live’ is noted.**

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 updated analysis of cost against income has ascertained that the under recovery of service charges stands at approximately £600k for EFDC 2019/20. Most organisations have changed their approach and charge out the actual cost of services.

At its meeting of 20 July 2020 Cabinet recommended that a review of services charges be carried out. 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.

It was agreed that a paper recommending options would be presented later in the year. This is due to be presented to Cabinet in December 2020.

It is proposed that additional income raised 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’. A presentation was prepared for Cabinet to highlight the benefits for communities, on 20 July where the scheme was approved to move into the development stage.

Reasons for Proposed Decision:

The development of a fair and accurate 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 £600K (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 £600K 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 was 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.

5. Update on review

Officers have carried out a comprehensive review of services which are provided to tenants

which are subject to a charge. The list below sets out to provide an example as to what some of those elements are:

Communal Electric
Grounds Maintenance
Lift Maintenance Cleaning

The work has established that the difference in the cost to the Council and what is charged out to tenants is approximately £600K. Officers are now working up a scheme to increase the service charges to cover this cost. This is a particularly sensitive matter, and although these costs are covered by Housing Benefit/UC, it is recognised that for some tenants there will be an increase which will need to be applied and paid for. In order to reduce the impact on tenants the options presented to Cabinet will include staggering the increases over a 3 – 4 -year period

This project will be delivered on time and on budget.

Cabinet also agreed at its meeting on 20 July 2020 that the income from the review of service charges would kick start our new project ***more than bricks and mortar'*** ***EFDC Creating great places where people want to live.*** The development of this project followed the publication of *The Social Housing Green Paper : A "new deal' for social housing*, published on the 14 August 2018, aims to rebalance the relationship between landlords and residents, tackle stigma and ensure social housing can act as a stable base and support social mobility. The Green Paper states that *"the homes we live in are so much more than bricks and mortar. They're where we raise our families, put down roots and build communities. Everyone in this country deserves not just a roof over their head, but a safe, secure and affordable place to call their own – and social housing has a vital role to play in making sure they do"*, furthermore *"the design and quality of homes and their surrounding area is important to wellbeing, integration and tackling stigma.*

The project will be delivered on time and on budget.

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.