

## **Report to the Cabinet**

**Report reference:** C-042-2020/21  
**Date of meeting:** 03 December  
2020



**Portfolio:** Housing and Communities – Cllr H Whitbread  
**Subject:** Recommendations following Review of Service Charges  
**Responsible Officer:** Deborah Fenton (01992 564221).  
**Democratic Services:** Adrian Hendry (01992 564246).

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### **Recommendations/Decisions Required:**

#### **Executive Summary:**

- (1) Cabinet are asked to approve the recommendation to increase service charges using an incremental approach. This follows the review regarding the level of service charges across the district and the requirement to introduce a fair and consistent approach to service charges for tenants living in blocks.
- (2) That Cabinet agree to limit the increase in year 1 to no more than 40% (maximum £3.50 per week) and 70% in year 2.

#### **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 electricity for lighting. EFDC's charging approach follows the government guidance to separate service charge 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 of cost against income is as follows:

**Income - £590,662.40**

**Income expected based on costs - £1,265,905.77**

**Short fall against current charges - £675,243.30**

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. Service charges are subject to housing payment support for tenants who are in receipt of benefit. Although it is difficult to be 100% accurate our data indicates that approximately 70% are currently receiving housing payment support, thus the new charges will be covered by the benefit. It should be noted that the income and expenditure of service charges comes under the Housing Revenue

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Officers undertook a large-scale review. The costs of services provided has now been established and applied to each individual property. This paper provides details of the review and the methodology used.

It is proposed that the increase will be implemented using an incremental approach over 3 years. This would seem fairer, particularly during these unprecedented times.

### **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. Furthermore, if not addressed will add pressure to the HRA

### **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 19/20 was £675,243.30. (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 the following:

*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. Furthermore, tenants are not currently informed as to the amount of service charged applied, as it is supplied as one charge.

### 3. Review Methodology

The process for understanding the true cost of services against the actual cost charged involved an exercise of taking each service element and then working out the cost for that element for each block. Two options were considered when developing the method for working out the individual charge per property. The first was using number of bedrooms. When the calculation using this method was run through, it was decided that the overall apportionment of costs looked unfair with the 3-bed charge being 3 times that of a 1 bed. The second option was to use the gross rateable value. This, when applied created a charging regime which was much fairer.

### 4. Utility cost and the Impact

Whilst this paper discusses the increase in charges there are steps which can be taken which reduce elements of service charge. Utility cost represent one of those elements. Communal gas and electric represents a sizable portion of service charge costs. This is particularly notable in sheltered housing and temporary accommodation where the charges are higher than general needs blocks. It is normal practice for housing providers to negotiate bulk contracts with single utility providers for communal supplies to ensure best value for residents. As such officers will be reviewing the options for procuring cheaper energy during the year 21/22. This can then be reflected in the service charges

### 5. New Charges – General needs

The table below evidences the highest, lowest and average differentials in terms of what is being charged now and the revised new charge (although the increase will be limited in year 1 and 2) 228 properties will see a reduction in service charge, these properties have not been included in the data table below. Properties have been anonymised to maintain confidentiality for individuals. It should be noted that the charges in subsequent years may increase/decrease slightly depending on actual costs. Furthermore, residents receiving support for housing costs will not pay for the increased costs. Support will be offered across the board to these tenants in the way of a review to assist them to maximising benefits.

Property	Old charge per week	New Charge per week
1	£4.02	£4.13
3	£2.82	£5.35
4	£0.42	£4.52
5	£0.33	£4.62

It is proposed that, as mentioned in the executive summary the increase is limited to a increase in year 1 to no more than 40% (maximum £3.50 per week) and 70% in year 2.

### 6. Consultation

Consultation has been carried out with the tenant's panel; no specific concerns were raised. However, officers plan to consult with the local resident groups over the next few months. This is viewed as an important exercise particularly as it is important to work with tenants to maximise their benefits, furthermore it is an additional opportunity to talk to residents about the actions we are taking to create places where people want to live.

**Resource Implications:**

None

**Legal and Governance Implications:**

The review has been 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, creating places where people want to live.

**Consultation Undertaken:**

Consultation has been undertaken with the Tenants Panel

**Background Papers:**

NA

**Risk Management:**

None

**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.