

CABINET



URN: 23-069

Report Title: HRA Service Charge Review

Report to: ELT 23rd August 2023
Cabinet 11th September 2023

Responsible Cabinet Member: Cllr Graham Plant

Responsible Director/Officer: Justin Gibbs, (Tenancy Services Manager)

Is this a Key decision? No

Date added to Forward Plan of Key Decisions if a Key Decision: N/A

EXECUTIVE SUMMARY / INTRODUCTION FROM CABINET MEMBER

This report outlines proposed revised approach to charging for Council Tenants and Leaseholders with a focus on caretaking and gardening services in communal areas. Currently tenants pay the same charge for caretaking services despite a range of service levels being delivered in different locations. All tenants and leaseholders pay for gardening services as part of the overall rental/lease charge, including tenants who don't reside in communal areas. This proposal sets out a revised approach with only tenants and leaseholders who receive a service being charged and the level of charge reflecting the frequency of works delivered.

RECOMMENDATIONS:

That Cabinet:

- 1) Note the report and approve consultation with tenants/leaseholders on de-pooling service charges and levying charges in accordance with the different level of services delivered in each area.

1 Introduction

1.1 The Council provides a range of caretaking and gardening services that support the management and provision of a clean, safe environment for residents accessing communal areas adjacent to the Council's social housing homes. Service charges to tenant/leaseholders contribute to the cost of providing these services.

1.2 This report provides a summary of the current approaches delivered and explores the fairest way to charge tenants/leaseholders for future service delivery.

2 Estate Services

2.1 The Council provide estate services through caretaking and gardening to communal areas accessed by approximately 4500 properties including homes sold freehold or leasehold through the Right to Buy scheme. The caretaking service is split into two defined areas with outcome based standards:

- Internal Lifts/Stairwells – routine safety checks and cleaning delivered where required to flooring; windows; railings and other internal communal areas to provide a clean, safe environment.
- External Areas – litter picking, and estate monitoring supported by reporting defects for resolution and communication with residents regarding issues that are impacting the area.

2.2 Caretaking services are delivered in accordance to service need. Cleaning frequencies range between fortnightly to four weekly in stairwells/lifts and twice a week to four weekly in external communal areas. This ensures a clean, safe and well maintained environment is provided for all residents. Tenants/leaseholders in some areas do receive a significantly more frequent service than others. This is due to the number of residents accessing an area linked to property numbers or the behaviour of some users.

2.3 The gardening service includes grass cutting, shrub/hedge maintenance, weeding and cleansing and is carried out across the Council's estates and not just the communal areas of flatted schemes. Some areas only receive cleansing (sweeping and weeding of hard standing areas). Each area is visited every 3 weeks (subject to service demands) between March – end October, with two further visits in the winter months to undertake major winter pruning; refurbishment works and cleansing.

2.4 Customer satisfaction with how the Council keeps communal areas clean, safe and well maintained is high. The recent STAR survey resulted in an outcome of 78% tenants/leaseholders very satisfied/satisfied with how the landlord keeps communal areas clean, safe and well maintained. This compares favourably with other organisations and placed the Council in the top quartile in terms of performance.

3 Service Charges

3.1 The Landlord and Tenant Act 1985 (as amended) sets out the approach how and when landlords can levy service charges. This includes service costs relating to caretaking and gardening. Service charges are only able to recover the costs that have been reasonably incurred by a landlord.

- 3.2 The Council currently applies a caretaking service charge that is broken down into two areas (internal; external) for tenants/leaseholders. The charge is set at the same level for each area.
- 3.3 A service charge for leaseholders is currently levied for the gardening service. However, the remaining costs of the gardening service are paid for by the HRA with the cost met by all Council tenants. Consequently, tenants who have no communal areas are contributing to the overall costs.
- 3.4 This report sets out an approach for service charges to be in place and only be charged to those tenants and leaseholders who receive the service. It will include a review of other areas where services are provided to some tenants but no service charge is charged. This approach is called de-pooling. For existing social rent tenants, the impact of de-pooling means that changing the approach to levy a service charge or introducing new service charges will see their rent proportionally reduce so there is no change in the overall cost to them. However, new tenants can be charged the service charges on top of their rent.
- 3.5 This means that whilst de-pooling will mean a fairer and more transparent charging basis for services, the increase in HRA income will be gradual as the new charges can only be added to rent as existing tenancies end and the properties are relet. New tenants will be charged more than existing tenants for services delivered. The approach includes the provision of services through:
- Setting service charges linked to service frequency and type rather than one overall charge for caretaking regardless of where tenants/leaseholders live. This would result in tenants and leaseholders having a higher service charge if they received a more frequent service delivered or receive more than one service. It would also result in tenants who don't receive the service no longer contributing to service costs that are currently partly met by the HRA.
 - Introducing a service charge for gardening rather than all tenants including those without communal areas paying for the service from rental income received. This means separating the charge from the rent account so only those tenant households who receive the gardening service pay for this service, similar to leaseholders currently.
 - Reviewing other landlord services to identify costs which should be recovered via service charges. For example, a service charge for communal lighting, as like gardening services, this cost is currently met from the overall HRA rental income.
- 3.6 Tenants who purchased their home through the Right to Buy scheme and purchased a freehold house or bungalow, currently don't contribute to the ongoing costs of maintenance in communal areas where they reside. The new approach will change this, with an annual grounds maintenance to be charged. This will bring the Council in to line with our landlords and also private housing estates.

4.0 Next Steps and Implementation

- 4.1 To support a fairer charging approach, consult all tenants and leaseholders on the approach of introducing service charges for all services provided such as communal lighting, gardening services which are currently paid for via rental income and that charges reflect service levels.
- 4.2 The new approach to service charges is implemented from April 2024, with the service charge rates reviewed to reflect the 2024/5 budget and approved as part of the 2024/5 HRA Budget unless significant concerns are raised by tenants/leaseholders through the consultation.
- 4.3 To minimise the service costs for tenants and leaseholders, future Right to Buy sales involving the freehold of a property will include a clause in the sale covenant re levying service charges for communal areas.
- 4.4 The Portfolio for Operational Property and Housing Assets will be briefed on this report and the consultation approach prior to consultation commencing. Following consultation, an updated report will be presented to ELT and Cabinet for approval.

5.0 Financial Implications

- 5.1 The total budget for providing the caretaking and gardening services to housing communal areas in 2023/24 is £1,023,358. Full consultation with tenants and leaseholders will inform a review of the current approach and will be set out in a subsequent paper to ELT and Cabinet for approval.

6.0 Risk Implications

- 6.1 This approach will provide all tenants and leaseholders with clear breakdown of the level of services delivered and charges made to support delivery. This may lead to some dissatisfaction that they are receiving a reduced service compared to other tenants and leaseholders.

7.0 Legal Implications

- 7.1 The Housing Act 1985 and Landlord and Tenant Act 1985 legislate a requirement for landlords to consult on all major changes to a tenant/leaseholders tenancy/lease agreements. All tenants/leaseholders have been informed the Council are reviewing its approach to how we charge for caretaking and gardening services. If this proposal is approved a full consultation will be delivered to clearly outline the proposed changes and provide residents with a range of opportunities to provide their views for consideration.

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

| Consultations | Comment |
|-----------------------------------|--|
| Monitoring Officer Consultation: | Pre-circulated for comment |
| Section 151 Officer Consultation: | Pre-circulated for comment |
| Existing Council Policies: | N/A |
| Equality Issues/EQIA assessment: | Survey results will support meeting the needs of vulnerable groups |