

Committee	Brockley Residents Panel		Item No	
Report Title	Leasehold and Tenant Charges Consultation			
Contributor	Regenter Brockley Operations Manager			
Class	Decision	Date	13th December 2016	

1 Summary

- 1.1 The report sets out proposals to increase service charges to ensure full cost recovery in line with Lewisham Council's budget strategy.
- 1.2 The report requests Brockley Residents Panel members to consider the proposals to increase service charges based on an uplift of 3.00% for 2017/18 on specific elements. This is based on full cost recovery in line with previous years' proposals.

2 Policy Context

- 2.1 The policy context for leasehold and tenant service charges is a mixture of statutory and Council Policy.
- 2.2 The Council's Housing Revenue Account is a ringfenced revenue account. The account is required to contain only those charges directly related to the management of the Council's Housing stock. This requires that leaseholder charges reflect the true cost of maintaining their properties where the provision of their lease allows. This prevents the situation occurring where tenants are subsidising the cost of leaseholders who have purchased their properties.

3. Recommendations

- 3.1 The Brockley Residents Panel is requested to consider and comment on the proposals contained in this report and the feedback from the residents will be presented to Mayor and Cabinet as part of the wider rent setting report.

4. Purpose

- 4.1 The purpose of the report is to:
 - outline the proposals for increases in service charges in line with the contract arrangements for leaseholders and tenants to recover costs incurred for providing these services

5. Housing Revenue Account Charges

5.1 There are a number of charges made to residents which are not covered through rents. These charges are principally:

- Leasehold Service Charges
- Tenant Service Charges

5.2 A service charge levy is applied to Tenants for caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning. Tenants also pay a Tenants Fund Levy which is passed onto the Tenants Fund as a grant.

5.3 The key principles that should be considered when setting service charges are that:

- The charge should be fair and be no more or less than the cost of providing the service
- The charge can be easily explained
- The charge represents value for money
- The charging basis allocates costs fairly amongst those receiving the service
- The charge to all residents living in a block will be the same

5.4 The principle of full cost recovery ensures that residents pay for services consumed and minimises any pressures in the Housing Revenue Account in providing these services. This is in line with the current budget strategy.

5.5 In the current economic environment it must however be recognised that for some residents this may represent a significant financial strain. Those in receipt of housing benefit will receive housing benefit on increased service charges. Approximately 50% of council tenants are in receipt of housing benefit.

6. Analysis of full cost recovery

6.1 The following section provides analysis on the impact on individuals of increasing charges to the level required to ensure full cost recovery. The tables indicate the overall level of increases.

6.2 Leasehold service charges

The basis of the leasehold management charge has been reviewed and externally audited this summer to reflect the actual cost of the service. In line with best practice in the sector this is now a fixed cost rather than a variable cost. The management charge is £53.00 for street properties and £145.30 for blocks.

6.2.1 The uplift in leaseholder charges should reflect full cost recovery for the type of service undertaken. It is proposed that any uplift is applied at 3.00% [RPI (September 2016) +1.00%].

6.2.2 The following table sets out the average weekly increase for the current services provided by Regenter Brockley:

Service	Leasehold No.	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (%)
Caretaking	371	£3.61	£0.11	£3.72	3%
Grounds Maintenance	368	£2.04	£0.06	£2.10	3%
Lighting	389	£0.75	£0.02	£0.77	3%
Bulk Waste	362	£1.23	£0.04	£1.27	3%
Window Cleaning	221	£0.09	£0.00	£0.09	3%
Resident Involvement	549	£0.24	£0.01	£0.25	3%
Customer Services	549	£0.35	£0.01	£0.36	3%
Ground Rent	549	£0.19	£0.01	£0.20	3%
General Repairs	237	£0.55	£0.02	£0.57	3%
Technical Repairs	400	£0.33	£0.01	£0.34	3%
Entry Phone	139	£0.05	£0.00	£0.05	3%
Lift	235	£0.30	£0.01	£0.31	3%
Management Fee	549	£1.65	£0.05	£1.70	3%
Total		£11.38	£0.34	£11.72	3%

6.3 Tenant service charges

6.3.1 Tenant service charges were separated out from rent (unpooled) in 2003/04, and have been increased by inflation since then. RB3 took over the provision of the caretaking and grounds maintenance services in 2007/08. Both tenants and leaseholders pay caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning service charges.

6.3.2 In addition, tenants pay a contribution of £0.10pw to the Lewisham Tenants Fund. At present there are no plans to increase the Tenants Fund charges.

6.3.3 In order to ensure full cost recovery, tenant's service charges for caretaking, grounds maintenance and other services should be

increased in line with the percentage increase applied to leaseholder service charges. Overall, charges are suggested to be increased by an average of £0.25 pw which would move the current average weekly charge from £8.47 to £8.72.

6.3.4 The effect of increases in tenant service charges to a level that covers the full cost of providing the service is set out in the table below.

Service	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (%)
Caretaking	£4.18	£0.13	£4.31	3%
Grounds Maintenance	£2.03	£0.06	£2.09	3%
Communal Lighting	£0.75	£0.02	£0.77	3%
Bulk Waste	£1.23	£0.04	£1.27	3%
Window Cleaning	£0.18	£0.01	£0.19	3%
Tenants fund	£0.10	£0.00	£0.10	0%
Total	£8.47	£0.25	£8.72	3%

6.3.5 The RB3 Board is asked for their views on these charges from April 2017 to March 2018. Results of the consultation will be presented to Mayor and Cabinet for approval in

7. Financial implications

The main financial implications are set out in the body of the report.

8. Legal implications

8.1. Section 24 of the Housing Act 1985 provides that a local housing authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Authority must review rents from time to time and make such changes as circumstances require. Within this discretion there is no one lawful option and any reasonable option may be looked at. The consequences of each option must be explained fully so that Members understand the implications of their decisions.

8.2 Section 76 of the Local Government and Housing Act 1989 provides that local housing authorities are under a duty to prevent a debit balance in the HRA. Rents must therefore be set to avoid such a debit.

8.3 Section 103 of the Housing Act 1985 sets out the terms under which secure tenancies may be varied. This requires: -

- the Council to serve a Notice of Variation at least 4 weeks before the effective date;
- the provision of sufficient information to explain the variation;
- an opportunity for the tenant to serve a Notice to Quit terminating their tenancy.

8.4 The timetable for the consideration of the 2016/17 rent levels provides an adequate period to ensure that legislative requirements are met.

8.5 Part III of Schedule 4 of the Local Government and Housing Act 1989 provides that where benefits or amenities arising out of the exercise of a Housing Authority's functions, are provided for persons housed by the authority, but are shared by the community as a whole, the authority shall make such contribution to their HRA from their other revenue accounts to properly reflect the community's share of the benefits or amenities.

8.6 Where as an outcome of the rent setting process, there are to be significant changes in housing management practice or policy, further consultation may be required with the tenants affected in accordance with section 105 of the Housing Act 1985.

9. Crime and disorder implications

There are no specific crime and disorder implications in respect of this report paragraph.

10. Equalities implications

The general principle of ensuring that residents pay the same charge for the same service is promoting the principle that services are provided to residents in a fair and equal manner.

11. Environmental implications

There are no specific environmental implications in respect of this report.

12. Conclusion

12.1 Revising the level of charges ensures that the charges are fair and residents are paying for the services they use.

12.2 The additional resources generated will relieve some of the current pressures within Housing Revenue Account and will contribute to the funding of the PFI contract which is contained within the authorities Housing Revenue Account.

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