

APPENDIX X3: Leasehold and Tenants Charges 2022/23 Brockley

Committee	Brockley Residents Panel	Item No	
Report Title	Leasehold and Tenant Charges Consultation		
Contributor	Regenter Brockley Operations Manager		
Class	Proposal	Date	10th November 2021

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 the service charges for Leasehold and tenanted properties who are receiving the same service in the same block. The service charges will be increased in line with the September 2021 RPI (Retail Price Index) of 4.9% plus 1% (uplift under RegenterB3 contract) making a total increase of 5.9%. This percentage will be applied to the actual cost of each service element of the 2020/2021 figures. These costs have been audited and the actual cost of each service arrived at.

2 Policy Context

- 2.1 The contents of this report are consistent with the Council's policy framework. It supports the achievements of the Corporate Strategy objectives;
 - 2.1.1 Tackling the housing crises – Everyone has a decent home that is secure and affordable.
- 2.2 The contents of this report support the achievement of the following Housing Strategy 2020-26 objectives;
 - 2.2.1 Preventing Homelessness and meeting housing need.
- 2.3 The Council's Housing Revenue Account is a ring-fenced 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 or leaseholders subsidising tenants in the same block.

3. Recommendations

3.1 The Brockley Residents Panel is requested to consider and comment on the proposals contained in this report and the feedback 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 several 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.

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. Within Brockley PFI managed stock, there are approximately 384 tenants in receipt of Housing Benefits and 354 tenants in receipt of Universal Credit. Those not eligible to claim benefits are offered private consultation with income collection team and welfare advice officers to discuss any financial difficulties they may have. These facilities are also offered to all residents.

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. The management charge now incorporates Resident Engagement and Customer Service charges which makes this combination £86.22 for street properties and £183.05 for blocks.

- 6.2.1 The following table sets out the current average weekly charge and the proposed increase for the current services provided by Regenter B3:

6.3 Leasehold service charges

Service	Leasehold No.	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (5.9%)
Caretaking	419	£4.84	£0.29	£5.13	5.90%
Grounds Maintenance	425	£2.16	£0.13	£2.29	5.90%
Communal Lighting	397	£1.32	£0.08	£1.40	5.90%
Bulk Waste	419	£1.53	£0.09	£1.62	5.90%
Window Cleaning	222	£0.12	£0.01	£0.13	5.90%
Resident Involvement	568	£0.24	£0.01	£0.25	5.90%
Customer Services	568	£0.39	£0.02	£0.41	5.90%
General Repairs	568	£3.56	£0.21	£3.77	5.90%
Technical Repairs	401	£0.00	£0.00	£0.00	5.90%
Entry Phone	140	£0.05	£0.00	£0.05	5.90%
Lift	237	£0.94	£0.05	£0.99	5.90%
Management Fee	568	£3.05	£0.18	£3.23	5.90%
Total		£18.20	£1.07	£19.27	5.90%

* One leasehold property is also required to pay a £10 ground rent charge per annum

- 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 £0.15pw to the Lewisham Tenants Fund. At present there are no plans to increase the Tenants Fund charges.
- 6.3.3 As outlined in this report, the principle to be applied to service charges is that full cost recovery should be maintained wherever possible. The service charge increase applied for 2022/23 will be set in November 2021 to be applied from 1st April 2022. Pinnacle review service charges on a regular basis to ensure they are appropriately set and will continue to do so.
- 6.3.4 The data in the table for tenants have been calculated to reflect the charge applied for inflation as allowed for within the contract at a rate of 5.9% (September 2021 RPI of 4.9% + 1.0%) Overall, charges are suggested to be increased by an average of 59pence per week which would move the current average weekly charge from £10.12 to £10.71.
- 6.3.5 The increases have also been applied to the tenant service charges and are shown in the table below

Service	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (5.9%)
Caretaking	£4.84	£0.29	£5.13	5.90%
Grounds Maintenance	£2.16	£0.13	£2.29	5.90%
Communal Lighting	£1.32	£0.08	£1.40	5.90%
Bulk Waste	£1.53	£0.09	£1.62	5.90%
Window Cleaning	£0.12	£0.01	£0.13	5.90%
Tenants fund	£0.15	no increase	0.15	
Total	£10.12	£0.59	£10.71	

- 6.3.6 The RB3 Resident Panel is asked for their views on these charges from April 2022 to March 2023. Results of the consultation will be presented to Mayor and Cabinet for approval in December 2021.

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 enough 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 2022/23 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. Whereas 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.

If you require any further information on this report, please contact

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