

Appendix C: Report on the Proposed Fees and Charges for the In-House Service for 2025/26

1 Background

1.1 The Somerset Council in-house Housing Service reviewed its approach to setting service charges in 2023/24 to ensure that charges are applied to accurately reflect costs and allow the recovery of legitimate expenditure not covered through rent. To this end Altair Consultancy and Advisory Services (Altair) were engaged to work with the Council team. In 2024/25 Homes in Sedgemoor were engaged to independently review the approach, developed with Altair for fairness and transparency. This is an evolving piece of work, and a further project is planned for 2025/26 to align service charge methodology more closely with Homes in Sedgemoor.

1.2 Findings from the Altair work included:

- The Council's service charges were very low compared to other Housing Providers in our area and not all service charge recoverable expenditure was being identified. Service Charges should be set to fully recover the costs of the service they deliver.
- Service charges should be based on actual expenditure as far as possible, rather than inflationary uplifts, where these costs are known.
- Greater transparency should be offered by separating out charges to give greater granular detail and a hierarchy of costs should be created that ultimately provides costs at scheme level.
- Introduce a management fee to reflect the costs of managing and delivering service charge work and the related back-office costs. The Housing Sector standard is 10-15% and in 2023/24 we introduced one at 10%.
- Make further changes in a phased approach over time (e.g. more detailed review of staff activities and charging; creating a sinking fund for capital works on communal areas; and de-pooling charges from rent). This incremental approach will be developed as part of a project with Homes in Sedgemoor in 2025/26 and will allow the Council to implement change carefully and accurately; ensure that future price changes are not too significant at any time and better align our approaches between the council's two operational management models.

1.3 Further Background

1.4 The fees and charges for the HRA will be approved by Full Council on the 12 February 2025.

1.5 Housing Service Charges are made to housing tenants for the services that they use. Service Charges are set locally each year and are in addition to the Social Rent

Charges.

- 1.6 The September 2024 CPI figure is 1.7% as published by the Office for National Statistics in October 2024.
- 1.7 Social Housing normally follows the rent setting standard as set out in the 'Policy statement on rents for social housing'¹, which stated that social housing rents would rise by CPI+1% between 2020 and 2025. This has since been extended to 2026. The government has confirmed that this will apply for 2025/26 meaning that our rent will increase by 2.7% next year. Some service charge increases have been aligned to this.

Legal Authority

- 1.8 Section 2 of the Housing Act 1985 (as amended) allows a local housing authority to make such reasonable charges as they may determine for the tenancy or occupation of their houses.

Equality Impact Assessment

- 1.9 An Equality Impact Assessment form has been completed and Housing Services will continue to provide several initiatives to enable tenants to manage their finances and maximise their income (such as bespoke housing debt and benefit officers to provide support to tenants; access to Case Managers who are experienced at debt and benefit advice, as well as signposting to external agencies for support i.e. CAB and the Money Matters service that the Housing Service funds). Furthermore, for those tenants who are struggling with debt and hardship, there is access to a hardship fund that can be used to support some tenants.
- 1.10 The impact of inflation is resulting in some tenants struggling with the cost of living and this has been considered in setting service charges. Charges have been set to ensure compliance with the government policy statement whilst considering the need to set an affordable budget for the Housing Service for next year and balancing this with affordability pressures of tenants. A comparison of SWT rents and service charges against other social landlords in the past has shown that these are lower than other social landlords in the area.
- 1.11 The 2.7% level set by the Council is in line with the policy statement on rents for social housing. Service charges for 2025/26 have been set carefully to ensure that income collected is sufficient to cover costs incurred. This aims to minimise the need to make cuts to non-statutory HRA services (which tend to be those that support the most vulnerable tenants and those with protected characteristics – such as commissioned services for mental health support, community groups and financial advice).
- 1.12 Services such as additional debt and benefit advisors, commissioned 'Money Matters' service such Citizens Advice and Mental Health support through MIND will continue to be provided to help support some of the most vulnerable tenants, many of whom will

¹ [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/social-housing)

have protected characteristics.

- 1.13 Apart from the Somerset Lifeline service charge and the element of the heating charge for Tenants own accommodation at Broomfield House (through the communal heating system), all service charges levied on tenants are benefit eligible and therefore those tenants on benefits will have these costs paid for them. 65% of tenants are in receipt of benefits (63% of general need tenants, rising to 72% for Sheltered Tenants and 77% for Extra Care tenants). As a rule, although tenants with disabilities tend to have lower average incomes, they will usually qualify for Housing Benefit or Universal Credit and in addition, people with difficulties with daily activities or mobility may qualify for Disability Living Allowance or Personal Independence Payments. Therefore, most tenants will not be affected by the increase in service charges.
- 1.14 Although the Lifeline service is not eligible for benefits, the Council previously decided that the Housing Revenue Account would pay lifeline costs for existing tenants on benefits, thereby ensuring most tenants are subsidised and do not pay for this service. That said, new tenants from 2025/26 will be charged the weekly £3.65 a week for the lifeline and emergency response service. This practice of charging tenants is universal across all other social landlords in Somerset. Extra Care Housing tenants also pay a maintenance charge for the lifeline system (which links directly to the onsite carers) and this additional charge is benefit eligible.
- 1.15 We have recently renegotiated the contract for the lifelines with Somerset Lifeline Services and have secured a more competitive rate for tenants. The service is now provided to the Council as one single landlord responsible for nearly 10,000 homes (including Homes in Sedgemoor). This provides economies of scale reducing the cost for the inhouse landlord by £2.38 to £3.65 per week. Inhouse tenants that self-fund and have lifelines will benefit from this reduction. The level of saving is lower for those in Extra Care Housing who use a hard-wired lifeline system that connects directly to the onsite carers, and which requires additional servicing, maintenance and call-out costs.
- 1.16 As can be seen further in the report, the tenants that are particularly impacted by increased service charges are those at the Kilkenny Court, Extra Care Housing scheme (44 tenants of which 12 are self funders) and those at Broomfield House, sheltered housing scheme (19 tenants of which 4 are self funders). It is these 16 tenants (and some others that will be on partial benefits) that are most impacted by the increase in rent and service charges next year and our equalities impact assessment focuses primarily on how we can reach out and support these tenants.
- 1.17 It should be noted that despite an increase in service charges for tenants in the Kilkenny Extra Care Scheme, that at the same time, there will be a significant weekly reduction in charge from the Care Provider who will no longer be directly providing housing related support, which will be provided by the landlord instead from April. The paper taken to Executive on 2/12/24 included an agenda item on 'Award Contract for Extra Care Services' which included a recommendation to "equalise the charge for the core support in all schemes at a rate of £29.27 from 01/04/2025, removing the rate of £59.04 that is currently being paid by residents of those schemes where housing related support is currently commissioned from care providers, but will be directly provided by social landlords under the new model." Therefore with this reduction in weekly charge for the

onsite care service, tenants at Kilkenny should benefit from an overall reduction in charges for care and housing related support.

Fees & Charges

- 1.18 The fees levied for 2024/25 for guest room hire will be increased by CPI and then rounded to the nearest 50p as requested by tenants during feedback provided in 2017/18. Guest Rooms are currently not available due to works required to bring to rentable standard and we will need to take a decision on their future use.
- 1.19 Daily rents for Temporary Accommodation properties will be at the September CPI rate of 1.7% increase. Please see **Table 1** below– Charges for Temporary Accommodation.

Table 1: Charges for Temporary Accommodation for 2025/26

Bedroom weight	Current 2024/25 Charge £	Proposed 2025/26 Charge £	Actual increase £
1 Bedroom	19.42	19.75	0.33
2 Bedrooms	24.46	24.88	0.42
3 Bedrooms	28.63	29.11	0.48
4 Bedrooms	35.05	35.65	0.60

- 1.20 A 10% Management Fee will continue to apply to service charges. This fee has been set at the lower end of the sector norm (10-15%) and is to recover costs of managing and administering service charges. These costs that need to be recovered include service charge queries, managing services, performing inspections, processing budget setting and financial accounts and administrative duties. This charge is only to recover Council costs and not make profit from the money collected. This service charge is covered by Housing Benefit where the tenant is eligible. The service charges included in the 10% calculation are Grounds Maintenance, Exceptional Street Cleaning, Communal Areas, Laundry, Lifts, Door Entry and Sewerage. Some elements have been excluded from this management fee including Sheltered, Extra Care, Lifeline and heating and utility charges. This is to help ensure that service charges remain affordable for tenants.
- 1.21 Costs for Grounds Maintenance have been confirmed by the Open Spaces team as needing to increase by CPI. This will mean an increase from £2.37 per week to £2.41 (4p per week) for tenants.
- 1.22 The average net impact in terms of additional weekly costs for a typical tenant would

be:

Table 2: Average weekly Service Charge increase including management fee

Tenant (example of typical case) <i>(Note there are around 5,650 properties in total). Not all permutation scenarios shown.</i>	Ave weekly Service Chg inc mgt fee £	Notes
General Needs tenant just benefitting from grounds maintenance and exceptional street cleaning (approx. 4,150 properties)	0.04	
As above, plus communal areas with utilities and automated door opening.	1.70	Main increase due to new improved cleaning contract for communal areas
As above, but also receiving Sheltered Housing Service	(0.29)	Reduction in service charge for Lifeline Service
As scenario 2, plus laundry and Extra Care Housing Service – Lodge Close (42 tenants)	(2.50)	Re-baselined and reduced charge for extra care housing service. Those in bungalows will pay less.
As scenario 2, plus getting laundry, lifts and Extra Care Housing Service – Kilkenny Court (44 tenants; 12 self funders)	19.06	Reduced charge for extra care housing service but significant increase in charge for utilities and cleaning (both based on a nominal amount last year which did not reflect costs); plus included lifts.
Tenant receiving grounds maintenance, communal areas with utilities, door opening, laundry and Sheltered Housing – Broomfield House (19 tenants; 4 self funders)	7.94	Increase mostly due to utilities and some due to cleaning. £13.76pw of charge is not benefit eligible (personal heating and lifeline).

Note: 65% of tenants are in receipt of benefits (63% of general need tenants, rising to 72% for Sheltered Tenants and 77% for Extra Care tenants)

- 1.23 **Table 4** at the end of this report provides further detail of the net impact to tenants, the increases for those in general need properties range from £2.45 per week for a tenant living in a one bedroom property receiving grounds maintenance and exceptional street cleaning, through to £4.69 per week for a 3-bedroom flat benefiting from grounds maintenance, exceptional street cleaning, communal cleaning and door entry system and utilities.
- 1.24 Sheltered accommodation properties will see a maximum increase of £2.53 per week for a 2-bedroom property eligible for Sheltered Housing services as well as communal services, utilities, door entry, piper lifeline, support services and grounds maintenance. The exception to this is Broomfield House which has its own Communal Heating system which heats both communal areas and the flats themselves. The

increase here is mostly due to increasing utility bills and equates to £10.76 for a two-bed flat.

- 1.25 Extra Care accommodation properties at Kilkenny Court will see a maximum increase (rent and service charges) of £21.60 per week for a one-bedroom property eligible for all Extra Care accommodation services as well as communal services, utilities, door entry, piper lifeline, lifts and laundry, support services and grounds maintenance. The vast majority of this increase was due to the non-availability of the proper costs last year for utilities and for cleaning. The correct charges have now been applied for next year and this has resulted in a significant increase despite other costs (extra care housing service and lifeline) reducing.
- 1.26 As referenced in para 1.17, the increase in service charge that tenants experience at Kilkenny Court should be more than offset by a reduction in charge from the Care Provider whose charges will reduce from £59.04 to £29.27 per week from 1/4/25. This is as per the recommendation of the Executive on 2/12/24 as outlined in the agenda item to 'Award Contract for Extra Care Services'. This is due to housing related support no longer being provided by the Care Provider, but instead will be provided by the landlord. The landlords charge increase is reflected in the previous paragraph.
- 1.27 It is proposed not to increase rent on garages for 2025/26 due to a drop-off in demand for garages. This will be further reviewed during 2025/26.
- 1.28 Please see **Table 3** below for further detail.

Table 3: Service Charges for 2024/25

Charge description	2024/25 £	2025/26 £	Increase £
Council Garage	7.96	7.96	-
Private Garage ex VAT	12.54	12.54	-
Private Garage inc VAT	15.05	15.05	-
Grounds Maintenance	2.37	2.41	0.04
Exceptional Street Cleaning	0.08	0.08	-
Communal Areas (blocks of flats)	0.73	2.15	1.42
Utility bill for Communal Internal Areas (General and Sheltered)	0.86	0.86	-
Door Entry System (blocks of flats)	0.33	0.41	0.08
Somerset Lifeline for Sheltered Housing	6.03	3.65	(2.38)
Sheltered Housing Management	14.95	15.35	0.40
Extra Care Housing Management	28.08	18.67	(9.41)
Somerset Lifeline for Extra Care Housing inc maintenance charge	6.97	6.80	(0.17)
Communal Areas (Kilkenny Court)	0.73	11.87	11.14
Communal Areas (Lodge Close)	0.73	1.90	1.17

Charge description	2024/25 £	2025/26 £	Increase £
Bungalows only: Flats:	0.73	4.05	3.32
Utilities for Communal (Kilkenny Court)	0.86	13.79	12.93
Utilities for Communal (Lodge Close) Bungalows only: Flats:	0.86 0.86	1.63 3.91	0.77 3.05
Laundry charge (Extra Care schemes)	Not charged	0.22	0.22
Lift maintenance (Extra Care schemes)	Not charged	2.80	2.80
Laundry charge (Broomfield House)	2.80	0.58	(2.22)
Utilities charge (Broomfield House)	6.59	18.12	11.53
Management Fee (Average)	0.29	0.34	0.05

Explanation of Charges

Garages

- 1.29 There has been a year-on-year decrease in demand for council garages and further price increases are likely to result in a further drop in income. Therefore it is proposed that prices are frozen for 2025/26 a review and option appraisal for future use of our garages will undertake during 2025/26.

Grounds Maintenance

- 1.30 The Council's Open Spaces team have increased their charge to the Landlord Service for 2025/26 by CPI and therefore this is the increase that has been passed onto tenants.

Exceptional Street Cleaning

- 1.31 These costs are related to provision of skips as well as removal of fly tipping and white goods that occur on the Council's housing estates and are eligible to be service charged. Although the charge is increased by CPI+1%, due to the negligible value, the weekly charge remains unchanged.

Communal Areas

- 1.32 Communal Areas have now been costed back to expenditure. This charge is for the cleaning contract for all tenants that live in communal areas. The reason for the increase next year is that following tenant consultation, the Council went out to tender for a new cleaning contract. This was due to poor satisfaction with the previous cleaning regime. The new improved contract will commence in April 2025 and is more comprehensive and will lead to a better service but has resulted in the communal service charge increasing.

Although the actual cost is higher for tenants in Sheltered Housing than general needs,

as the cleaning undertaken for sheltered tenants includes a charge of 73p a week to clean all the meeting halls, this meeting hall element is already built into the charge applied to Sheltered Housing Management and therefore this element will not be increased for sheltered housing tenants next year.

For 2024/25, it was not possible to separate out the charge for cleaning of the two Extra Care Schemes as it was not possible to extract invoices from the council management system. Instead a nominal rate has been applied based on cleaning of communal areas in normal general need flat blocks. However, there is now a costed contract for 2025/26 for both Kilkenny Court (which has very large communal areas) and Lodge Close (which has less significant communal areas). This has resulted in a sizeable uplift in service charge for communal cleaning, particularly for Kilkenny Court.

Utilities

- 1.33 In 2023/24 the Utility charge has been separated out from 'communal areas' in recognition of the rapidly changing energy market and the increase in costs. This is applied to those tenants that have communal blocks to cover the cost of energy usage in communal areas. The calculation of the charge for utilities has shown that this cost will remain the same for next year for communal areas in the general needs and sheltered housing properties. However, it was not possible to extract all of the cost data from Microsoft Dynamics for spend on communal areas for Broomfield House, Kilkenny Court and Lodge Close and therefore we based the charge for Kilkenny and Lodge at the same level as general need tenants. This was known to be a significant under-charge. Similarly, the charge for Broomfield House was based on the invoices that were extractable but did not cover the whole year. However, this year it has been possible to extract all of the relevant invoices from the financial system for the past year these costs are being applied as the basis for the recharge for next year. This has resulted in a significant increase in charges which reflects the true utility costs of these premises which benefit from significant communal areas.

Communal door entry systems

- 1.34 Some communal properties benefit from electronic key fobs which incur an annual charge for connection, webhosting, and maintenance (as well as key replacement, enabling new keys and disabling old keys). This has been calculated at cost from the supplier and shared equally across all properties that benefit from this system at £0.41 per week.

Somerset Lifeline

- 1.35 Somerset lifeline has been re-baselined following a review with the Somerset Lifeline Service Manager, including setting one charge for all of Somerset landlord stock which has allowed economies of scale. Weekly costs for 2025/26 will be £3.65 a week which is a reduction on the charge for 2024/25. All existing tenants on benefits will continue to have this charge subsidised by the landlord as historically agreed by Somerset West and Taunton Council members. Although the monitoring and emergency response charge is the same as for all tenants, lifeline charges for the Extra Care schemes are higher due to the additional costs of maintenance and servicing of the emergency alarm equipment which is hard-wired into the property and links directly to the on-site care

staff. Overall, there is also a reduction in charge for Extra Care Housing tenants.

Sheltered Housing Management

- 1.36 Sheltered Housing tenants receive an enhanced housing service, which includes additional staffing to provide greater support. This service charge reflects the cost of that service and is increased annually by CPI+1% in line with the rent standard. As referenced earlier, this charge also covers the meeting hall cleaning element of the cleaning contract.

Extra Care Housing Management

- 1.37 Extra Care Housing Management receive a higher level of enhanced housing management in the two schemes, and this is reflected in higher service charges. The contract for Care provision for these two schemes has been retendered for 2025/26 by Adults Social Care and as a result, the Enhanced Housing Management service will be delivered directly by the landlord from next year. Consequently, the cost of this service has been re-baselined to apply accurate charges from next year that reflect the new service provision. This has resulted in a recategorization of some charges (e.g. lifts now has a separate line and cleaning has been separated out) resulting in a reduction in this charge but increases in some other areas.

Laundry

- 1.38 Both Kilkenny Court and Lodge Close as well as Broomfield House have their own laundry facilities. This charge has been separated out from the Extra Care Housing Service charge to have clearer visibility of this charge. Laundry machines are regularly serviced and a service charge is applied to tenants to cover the cost of annual maintenance and call outs.

Lifts

- 1.39 Kilkenny Court is the only scheme that benefits from lifts and this charge has been separated out from the Extra Care Housing Service charge to have clearer visibility. Each of the blocks at Kilkenny has lifts which require annual maintenance and this is recharged back to tenants along with servicing of hoists in the communal bathrooms.

Broomfield House

- 1.40 Last year, we a limited number of actual invoices were accessible for cost data for electricity, gas and water when setting service charges for Broomfield House, which resulted in undercharging tenants. However, this year all of the relevant invoices have been identified to enable recharges to be calculated. Unfortunately, this will result in a significant uplift in utilities charges for tenants of Broomfield House. Usage statistics also show that usage went up and the costs also increased. Broomfield House has a communal heating system that heats individual tenant properties as well as the communal areas. There is also communal electricity and water. The main element of the gas charge is for the communal heating system which provides heating into the individual flats as well as communal areas. The calculations have split the charges into those for personal flat heating (which is ineligible for benefits) and charges for communal

areas which is benefit eligible. The communal charges pay for significant communal areas including a meeting room with a kitchen, toilets, communal corridors, staircases, landings and a laundry room.

Non-Mains Sewerage

- 1.41 Charges for properties not on mains sewerage will be increased in line with the Wessex Water increases for 2025/26 once known. Wessex Water rates for sewerage standing charge per annum and poundage charges are used in the system calculation. Freehold owners will also be billed where we have undertaken sewerage maintenance works to recover costs of maintenance attributable to their address.
- 1.42 For 2024/25 these are £8.00 per annum for unmetered sewerage standing charge and £2.08 for the poundage charge payable per £ of rateable value of the property.
- 1.43 Wessex Water will publish their new charges in February 2025 (available from their website) for 2025/26.

Shared Ownership properties

- 1.44 Shared ownership service charges will be in accordance with the lease agreement.

Table 4 – The gross impact of rent and service charge increase for different scenarios

The table below illustrates the net weekly impact to tenants between current year and the proposals for 2025/26, the key below explains the different scenarios being illustrated. The charges for both years have been broken down into weekly rent and service charges as well as totalled with the difference highlighted in the purple coloured column.

Scenario Key:

Scenario A - Tenant only eligible for Grounds Maintenance and Exceptional Street Cleaning.

Scenario B - Tenant eligible for Grounds Maintenance, Exceptional Street Cleaning, Communal Areas (no internal lit communal areas or door entry)

Scenario C - Tenant eligible for Grounds Maintenance, Exceptional Street Cleaning, Communal Areas, Utilities and Door Entry maintenance

Scenario D - As above but in Sheltered Housing with Somerset Lifeline

Scenario E - Broomfield House Sheltered Housing Tenant eligible for Grounds Maintenance, Exceptional Street Cleaning, Communal Areas, Utilities, Piper line, Laundry and Door Entry maintenance

Scenario F - Lodge Extra Care Tenant eligible for Grounds Maintenance, Exceptional Street Cleaning, Communal Areas, Utilities, Lifeline service (and related maintenance charges), Laundry and Door Entry maintenance

Scenario G - Kilkenny Extra Care Tenant eligible for Grounds Maintenance, Exceptional Street Cleaning, Communal Areas, Utilities, Lifeline service (and related maintenance charges), Lifts, Laundry and Door Entry maintenance

2024/25					2025/26			
Bedrooms	Scenario	Rent	Service Charge	Total	Rent	Service Charge	Total	Difference
	1 A	£89.35	£2.70	£92.05	£91.76	£2.74	£94.50	£2.45
	1 B	£89.35	£3.50	£92.85	£91.76	£5.10	£96.87	£4.02
	1 C	£89.35	£4.72	£94.07	£91.76	£6.42	£98.18	£4.11
	1 D	£93.40	£25.70	£119.10	£95.92	£25.42	£121.34	£2.24
	1 E	£93.40	£35.37	£128.77	£95.92	£43.31	£139.23	£10.46
	1 F	£94.17	£39.77	£133.94	£96.71	£37.27	£133.98	£0.04
	1 G	£94.17	£39.77	£133.94	£96.71	£58.83	£155.54	£21.60
	2 A	£99.88	£2.70	£102.58	£102.58	£2.74	£105.32	£2.74
	2 B	£99.88	£3.50	£103.38	£102.58	£5.10	£107.68	£4.30
	2 C	£99.88	£4.72	£104.60	£102.58	£6.42	£108.99	£4.39
	2 D	£104.39	£25.70	£130.09	£107.21	£25.42	£132.62	£2.53
	2 E	£104.39	£35.37	£139.76	£107.21	£43.31	£150.52	£10.76
	3 A	£111.06	£2.70	£113.76	£114.06	£2.74	£116.80	£3.04
	3 B	£111.06	£3.50	£114.56	£114.06	£5.10	£119.16	£4.60
	3 C	£111.06	£4.72	£115.78	£114.06	£6.42	£120.47	£4.69
	4 A	£122.39	£2.70	£125.09	£125.69	£2.74	£128.43	£3.34
	5 A	£134.50	£2.70	£137.20	£138.13	£2.74	£140.87	£3.67
	6 A	£147.93	£2.70	£150.63	£151.92	£2.74	£154.66	£4.03