

Housing Revenue Account (HRA)

Fees and Charges 2023/24

Background

SWT Council has recently engaged the services of Altair Consultancy and Advisory Services to independently review our approach to service charges to give assurance on whether they are set and applied appropriately. This has resulted in some clear findings and recommendations to ensure fairness and transparency and includes the following:

- SWT Service charges are very low compared to other Housing Providers in our area and not all service charge recoverable expenditure is being identified. Service Charges should be set to fully recover the costs of the service they deliver and currently this is not happening (with any shortfall needing to be covered from rent)
- Service charges should be based on actual expenditure rather than inflationary uplifts, where these costs are known. We have applied this approach to the Communal Charges this year.
- Greater transparency should be offered by separating out charges to give greater granular detail. For example, they recommend we separate out utilities costs from the communal charges.
- Application of service charges should be tenure blind (charge the same level for the same service for leasehold and tenants) to ensure fairness and consistency.
- 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%.
- 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 allow the Council to implement change carefully and accurately; ensure that future price changes are not too significant at any time and also consider how SWT and Homes in Sedgemoor better align our approaches.

Further Background

- The fees and charges for the HRA will be approved by Full Council on the 22nd of February 2023.
- The September 2022 CPI figure is 10.1% as published by the Office for National Statistics in October 2022.

- 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.
- The government Policy Statement on rents for social housing* sets out that service charges are not governed by the same factors as rent. Registered providers are expected to set reasonable and transparent service charges which reflect the service being provided to tenants. The guidance recommends housing providers should endeavour to keep increases for service charges within the limit on rent changes (7%).

* <https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing>

Legal Authority

- Through Section 2 Part 24 of the Housing Act 1985 (as amended by Local Government & Housing Act 1989) SWT are permitted to make the charges detailed.

Equality Impact Assessment

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 regular surgeries across the District for tenants, specialist Debt and Benefit drop-in sessions, access to Case Managers who are experienced at debt and benefit advice, as well as signposting to external agencies for support i.e. CAB).

We are aware of the impact of inflation and how some tenants are struggling with the cost of living and have considered this in setting our 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 operating in our District (along with the private rented sector average) is shown in **Appendix C** and **Appendix D**.

The 7% level set by the government is justified within their own equality impact assessment to “protect households” as it is well below inflation. We have carefully set our service charges for 2023/24 to ensure we collect the income required to cover costs incurred and therefore 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)

We can continue providing services such as additional debt and benefit advisors, commissioned ‘Money Matters’ service such Citizens Advice and Mental Health support through MIND to help support some of our most vulnerable tenants, many of whom will have protected characteristics.

Apart from Deane Helpline, all service charges levied on tenants are HB eligible and therefore those tenants on HB or UC will have these costs paid for them through these benefits. Currently 56% of tenants are on benefits (rising to 71% for Sheltered Tenants and 76% for Extra Care tenants). As a rule, although tenants with disabilities tend to have lower average incomes, they will almost certainly 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, none of these tenants will be affected by the increase in service charges. The Deane Helpline price increases are well below inflation and the lowest increases this year and therefore despite not being HB eligible, the impact will be minimal.

Further steps we have taken to mitigate the impact of cost increases to our tenants is to create a hardship fund of £50,000 for next year which we will target to those tenants that are most in need of financial support

Fees & Charges

- The proposal is to increase private garage rents by 10.1% in line with CPI. Council tenanted garages to increase by 7% in line with Service Charges increase for 2023/24
- For council garage tenants the weekly rental will increase from £6.91 per week to £7.39 per week – an increase of £0.48 per week.
- For private tenants and owner occupiers the weekly garage rental will increase from £12.68 (including VAT) per week to £13.96 per week – an increase of £1.28 per week.
- The fees levied for 2023/24 for meeting room hire will be increased by CPI and then rounded to the nearest 10p as requested by tenants during feedback provided in 2017/18.
- The fees levied for 2023/24 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.
- Rents for Temporary Accommodation properties will be at the September CPI rate of 10.1% increase. Please see **Appendix B** – Charges for Temporary Accommodation.
- Shared Ownership properties will also have the 7% cap applied.
- For 2023/24 a new charge of a 10% Management Fee will be applied 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 includes service charge queries, managing services, performing inspections, processing budget setting and financial accounts and administrative duties. This charge is only to recover our costs and not make profit from the money we collect. This service charge is covered by Housing Benefit where the tenant is eligible. The service charges included in the 10% calculation are Grounds Maintenance,

Communal Areas, Laundry, Door Entry and Sewerage. We have opted to exclude some areas 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. The average management fee will equate to 26p a week (dependent on which service charges are applicable to that property.)

- For 2023/24 a new Utility charge will be applied for communal blocks to cover the cost of energy usage in communal areas, this has been costed back to the expenditure in 2022/23 and will continue to be paid one year in arrears. The charge for 2023/24 is a standard charge of £0.86 for all applicable dwellings. This will improve fairness and transparency and ensure that the cost is picked up by tenants who benefit from this facility rather than spread across all tenants who also pay their own utility bills.
- Communal door entry systems. Some of our communal properties benefit from electronic key fobs which we incur an annual charge for connection, webhosting, and maintenance (as well as key replacement, enabling new keys and disabling old keys). This has been shared equally across all properties that benefit from this system at £0.23 per week.
- The average net impact in terms of additional weekly costs for a typical tenant would be:

Tenant (example of typical case)	Average weekly Service Chg <u>increase</u> including management fee
General Needs tenant just benefitting from grounds maintenance	0.36
As above, plus communal areas with lighting and automated door opening.	1.98
As above, but also receiving Sheltered Housing Service	3.05
Tenant receiving grounds maintenance, communal areas with lighting, door opening and Extra Care Housing Service	3.88

Note – 56% of general needs tenants, 71% of Sheltered tenants and 76% of Extra Care tenants will have these costs covered through Benefits.

Appendix E below provides further detail of the net impact to tenants, the increases range from an additional £5.79 per week (for both rent and service charges) for a one-bedroom dwelling receiving only the Grounds Maintenance Service to an increase of £10.10 for a 2-bedroom dwelling eligible for all Extra Care and Communal Charges.

Supported accommodation properties will see a maximum increase of £9.39 per week for a 2-bedroom property eligible for Supported Accommodation accommodation services as well as communal services, utilities, door entry, piper lifeline, support services and grounds maintenance.

Extra Care accommodation properties will see a maximum increase of £10.10 per week for a two-bedroom property eligible for all Extra Care accommodation services

as well as communal services, utilities, door entry, piper lifeline, support services and grounds maintenance.

Please see **Appendix A** for further detail – Table of Service Charges.

Exceptions

Charges for properties not on mains sewerage.

- These properties charges for sewerage will be increased in line with the Wessex Water increases for 2023/24 once known. Wessex Water rates for sewerage standing charge per annum and poundage charges are used in the system calculation.
- For 2021-22 these are £7.00 per annum for unmetered sewerage standing charge and £1.57 for the poundage charge payable per £ of rateable value of the property.
- Wessex Water will publish their new charges in February 2023 (available from their website) for 2023/24.

Piper Lifeline

- Piper lifeline will be increased by 3% in line with separate fees and charges report for approval.

Communal Areas

- Communal Areas have now been costed back to expenditure following a place hold of £1.00 in year 2022/23. Expenses for insurance, fire safety and maintenance have been divided between eligible properties. This charge is applicable to any property which has a communal area, and all pay the same rate regardless of what specific services they get. This increase is due to a costing back exercise which has been done in 2022/23 against the expenditure and now accurately reflects the costs incurred by the service.

Budget Impact

In accordance with the 30-year Housing Business Plan, it is proposed to increase Housing (non-rent) Fees and Charges by the 7% Social Rent Cap with the following exceptions:

- Water rates and non mains sewerage rates
- Piper Lifeline
- Communal charge

Appendix A – Table of Service Charges

Charge description	22/23	23/24	Increase
Council Garage	£ 6.91	£ 7.39	£ 0.48
Private Garage ex VAT	£ 10.57	£ 11.64	£ 1.07
Private Garage inc VAT	£ 12.68	£ 13.96	£ 1.28
Communal Areas	£ 1.00	£ 1.37	£ 0.37
Grounds Maintenance	£ 2.06	£ 2.20	£ 0.14
Heating charge	£ 5.67	£ 6.07	£ 0.40
Laundry charge	£ 1.72	£ 1.84	£ 0.12
Piper line for Sheltered Housing	£ 5.49	£ 5.65	£ 0.16
Supported Housing Management	£ 12.97	£ 13.88	£ 0.91
Piper Line for Extra Care Housing	£ 6.34	£ 6.53	£ 0.19
Extra Care Housing Management	£ 24.36	£ 26.07	£ 1.71
Management Fee	N/A	10% of combined Service Charges.	Average £0.24
Utility for Communal Internal Areas	N/A	£0.86	N/A
Door Entry System	N/A	£0.23	N/A

Appendix B – Charges for Temporary Accommodation

Bedroom weight	Current 22/23 Charge £	23/24 Charge £	Actual increase £
1 Bedroom	16.53	18.20	1.67
2 Bedrooms	20.82	22.92	2.10

3 Bedrooms	24.37	26.83	2.46
4 Bedrooms	29.84	32.85	3.01

Appendix C – Table showing average weekly rent and service charges of Housing Providers in Somerset West and Taunton with housing stock of >100 (for period 2021/22)

The following table shows rent and service charges applied by social landlords in our District with stock of more than 100 properties during 2021/22. Rents would typically have increased by 4.1% in 2022/23 and a further 7% in 2023.24. For illustration this would put expected average rent (excluding service charges) for SWT general needs 2 beds at £92.72pw and the equivalent at Magna (the next landlord with most stock) at £105.38pw. Landlords have different service offers and new-build housing programmes and some Supported Housing may be of a more specialist nature, so services may not always be directly comparable.

Housing Provider	Ave weekly social rents in SWT area for 2 bed home	General Needs Units with Service Charges	Average General Needs Service Charges	Average weekly rent – 2 bed Supported Housing	Sheltered/ Extra Care units with service Charges	Average Supported Housing service charge (all bedroom sizes)	Total rent and Service Charges (General Needs)	Total rent and Service Charges (Supported Housing)
Somerset West and Taunton Council	£83.24	4,633	£3.06	£86.94	945	£21.23	£86.30	£108.17
Magna Housing	£94.70	1,088	£12.49	£103.30	510	£23.10	£107.19	£126.40
LiveWest	£95.34	1,008	£5.73	£95.23	79	£53.73	£101.07	£148.96
Sanctuary	£96.13	272	£7.11	£91.36*	36	£96.00	£103.24	£187.36
Abri Group	£103.32	145	£4.58		-	-	£107.90	-
Stonewater	£98.68	127	£7.56		-	-	£106.24	-

Source: - RSH 2022 NROSH SDR Data Rents and Service Charges, General Needs and Supported Housing (Oct 2022)

* The service charge cost applied is an average service charge (rather than specifically for a 2 bedroom size)

** Sanctuary only have one bedroom Supported Housing in our area, so not directly comparable. Hence cheaper than other RPs.

Appendix D – Table showing average private sector rent in Somerset West and Taunton District as at January 2023

The following table is a useful comparator showing the current average cost of renting properties in the private rented sector. The Local Housing Allowance is shown for information purposes only but illustrates that all general needs social housing is within local housing allowance levels. The average 2 bed property private sector rental is now £166.84 a month which is around twice the cost of rent for equivalent SWT social housing.

Property Type	Monthly rent	Weekly Equivalent	Local Housing Allowance Limit
Room in shared house	£459	£105.92	£84.50
Studio	£485	£111.92	£103.50
1 bed	£563	£129.92	£103.50
2 bed	£723	£166.84	£136.93
3 bed	£885	£204.23	£164.55
4 bed or above	£1226	£282.92	£207.12

Source: ONS and DirectGov websites

Appendix E – Table showing the gross impact of rent and service charge increase for different scenarios

The table below illustrates the net impact to tenants between current year and the proposals for 2023/24, the key below explains the different scenarios being illustrated. The charges for both years have been broken down into Rent and Service Charges as well as totalled with the difference highlighted in the column coloured blue.

Bedrooms	Scenario	2022/23			2023/24			Difference
		Rent	Service Charge	Total	Rent	Service Charge	Total	
1	A	£77.53	£2.06	£79.59	£82.96	£2.42	£85.38	£5.79
1	B	£77.53	£3.06	£80.59	£82.96	£3.92	£86.88	£6.29
1	C	£77.53	£3.06	£80.59	£82.96	£5.04	£88.00	£7.41
1	D	£81.05	£21.52	£102.57	£86.72	£24.57	£111.29	£8.72
1	E	£81.72	£33.76	£115.48	£87.44	£37.64	£125.08	£9.60
2	A	£86.67	£2.06	£88.73	£92.74	£2.42	£95.16	£6.43
2	B	£86.67	£3.06	£89.73	£92.74	£3.92	£96.66	£6.93
2	C	£86.67	£3.06	£89.73	£92.74	£5.04	£97.78	£8.05
2	D	£90.59	£21.52	£112.11	£96.93	£24.57	£121.50	£9.39
2	E	£88.86	£33.76	£122.62	£95.08	£37.64	£132.72	£10.10
3	A	£96.37	£2.06	£98.43	£103.12	£2.42	£105.54	£7.11
4	A	£106.21	£2.06	£108.27	£113.64	£2.42	£116.06	£7.79
5	A	£116.71	£2.06	£118.77	£124.88	£2.42	£127.30	£8.53
6	A	£128.36	£2.06	£130.42	£137.35	£2.42	£139.77	£9.35

Scenario A - Tenant only eligible for Grounds Maintenance.

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

Scenario C - Tenant eligible for Grounds Maintenance, Communal Areas, Utilities and Door entry.

Scenario D - Sheltered Housing Tenant eligible for Grounds Maintenance, Communal Areas, Utilities and Door Entry

Scenario E - Extra Care Tenant eligible for Grounds Maintenance, Communal Areas, Utilities and Door Entry