

## **Appendix C: Proposed Fees and Charges for the In-House Service for 2024/25**

### **1 Background**

1.1 The Somerset Council in-house Housing Service reviewed its approach to setting service charges to ensure that we can apply charges that accurately reflect our costs and allow us to recover legitimate expenditure not covered through rent. To this end we engaged Altair Consultancy and Advisory Services last year and this year jointly engaged a consultant through Homes in Sedgemoor to independently review our approach, fairness and transparency.

1.2 Findings from this work included:

- Our 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), although we improved our position in 2023/24.
- 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.
- 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% and last year we introduced one at 10% but want to review this again to ensure it is fair and meets best practice.
- 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. The intent is to progress this work further in 2024/25.

### **1.3 Further Background**

1.4 The fees and charges for the HRA will be approved by Full Council on the 20 February 2024.

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 2023 CPI figure is 6.7% as published by the Office for National Statistics in October 2023.
- 1.7 Social Housing normally follows the rent setting standard as set out in the 'Policy statement on rents for social housing'<sup>1</sup>, which stated that social housing rents would rise by CPI+1% between 2020 and 2025. Last year, due to high inflation, the government capped rent increases at 7%, however the government has confirmed in the autumn statement that rents will go back to the rents standard for 2024/25 which is set at an increase of CPI+1% (i.e. 7.7%). We have aligned some of our service charge increases to this.

## Legal Authority

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

## 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 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).
- 1.10 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 Table 4 and Table 5 (at the end of this Appendix D).
- 1.11 The 7.7% level set by the council is in line with the policy statement on rents for social housing and is marginally above inflation. We have carefully set our service charges for 2024/25 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).
- 1.12 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

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<sup>1</sup> [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 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. 52.1% of tenants are in receipt of benefits (48.7% of general need tenants, rising to 68.5% for Sheltered Tenants and 61.1% 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, none of these tenants will be affected by the increase in service charges. Although Deane Helpline is not eligible for HB, the Council previously decided that the Housing Revenue Account would pay for lifeline costs for tenants on benefits, therefore ensuring the majority of tenants will not pay for this service, due to the subsidy the Housing Revenue Account pays.

### **Fees & Charges**

- 1.14 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.
- 1.15 Rents for Temporary Accommodation properties will be at the September CPI rate of 6.7% increase. Please see **Table 1** below– Charges for Temporary Accommodation.

**Table 1: Charges for Temporary Accommodation for 2024/25**

<b>Bedroom weight</b>	<b>Current 2023/24 Charge £</b>	<b>Proposed 2024/25 Charge £</b>	<b>Actual increase £</b>
1 Bedroom	£18.20	£19.42	£1.22
2 Bedrooms	£22.92	£24.46	£1.54
3 Bedrooms	£26.83	£28.63	£1.80
4 Bedrooms	£32.85	£35.05	£2.20

- 1.16 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 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, Exceptional Street Cleaning, 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.
- 1.17 Cost pressures for Grounds Maintenance have been significant with wage inflation and

other inflation putting pressure on the budget. The Housing Service has agreed cost increases with the Open Spaces team to be limited to CPI+1% and to limit the impact on the service standard provided. Although there will be some reduction in weed spraying and edging works, the service delivered will be largely identical to the current year, with a cost increase of 7.7% (in line with rent increases). This will mean an increase from £2.20 per week to £2.37 (17p per week) for tenants.

- 1.18 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)	Average weekly Service Charge increase including management fee
General Needs tenant just benefitting from grounds maintenance and exceptional street cleaning	£0.28
As above, plus communal areas with lighting and automated door opening.	-£0.32
As above, but also receiving Sheltered Housing Service	£1.13
Tenant receiving grounds maintenance, communal areas with lighting, door opening and Extra Care Housing Service	£2.13

Note – 52.1% of tenants are in receipt of benefits (48.7% of general need tenants, rising to 68.5% for Sheltered Tenants and 61.1% for Extra Care tenants).

- 1.19 **Table 6** at the end of this Appendix D below provides further detail of the net impact to tenants, the increases range from an increase of £5.97 a week (for both rent and service charges) for a one-bedroom dwelling receiving Grounds Maintenance, Exceptional Street Cleaning and Grounds Maintenance to an increase of £10.85 for a 6-bedroom dwelling eligible for all Grounds Maintenance and Exceptional Street Cleaning.
- 1.20 Supported accommodation properties will see a maximum increase of £8.59 per week for a 2-bedroom property eligible for Supported Accommodation services as well as communal services, utilities, door entry, piper lifeline, support services and grounds maintenance.
- 1.21 Extra Care accommodation properties will see a maximum increase of £9.45 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.

1.22 Please see **Table 3** below for further detail.

**Table 3: Service Charges for 2024/25**

<b>Charge description</b>	<b>23/24</b>	<b>24/25</b>	<b>Increase</b>
Council Garage	£ 7.39	£ 7.96	£ 0.57
Private Garage ex VAT	£ 11.64	£ 12.54	£ 0.90
Private Garage inc VAT	£ 13.97	£ 15.05	£ 1.08
Communal Areas	£ 1.37	£ 0.73	£ (0.64)
Exceptional Street Cleaning	£ 0.00	£ 0.08	£ 0.08
Grounds Maintenance	£ 2.20	£ 2.37	£ 0.17
Heating charge	£ 6.07	£ 6.59	£ 0.52
Laundry charge	£ 1.84	£ 2.80	£ 0.96
Piper line for Sheltered Housing	£ 5.65	£ 6.03	£ 0.38
Supported Housing Management	£ 13.88	£ 14.95	£ 1.07
Piper Line for Extra Care Housing	£ 6.53	£ 6.97	£ 0.44
Extra Care Housing Management	£ 26.07	£ 28.08	£ 2.01
Management Fee (Average)	£ 0.26	£ 0.29	£ 0.03
Utility bill for Communal Internal Areas	£ 0.86	£ 0.86	£ 0.00
Door Entry System	£ 0.23	£ 0.33	10p (note 2022/23 undercharged in error)

**Exceptions (to increasing by CPI +1%)**

1.23 Charges for properties not on mains sewerage.

1.24 These properties charges for sewerage will be increased in line with the Wessex Water increases for 2024/25 once known. Wessex Water rates for sewerage standing charge per annum and poundage charges are used in the system calculation. We will also be sending bills to freehold owners where we have undertaken sewerage maintenance works to recover costs of maintenance attributable to their address.

1.25 For 2023/24 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.

1.26 Wessex Water will publish their new charges in February 2024 (available from their

website) for 2024/25.

### **Shared Ownership properties**

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

### **Piper Lifeline**

- 1.28 Piper lifeline will be increased by 6.8% in line with separate fees and charges report for approval.

### **Utilities**

- 1.29 In 2023/24 we separated out the Utility charge from 'communal areas' in recognition of the changeable costs of this. This is applied to those tenants that have communal blocks to cover the cost of energy usage in communal areas. We are unable to extract cost data from Microsoft Dynamics for spend on communal areas for 2023/24 to base our charge on for 2024/25 and therefore have frozen last years charge and will apply this again for next year. We will look to revert back to actual cost data for future years service charge setting.

### **Communal door entry systems**

- 1.30 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 calculated at cost from the supplier and shared equally across all properties that benefit from this system at £0.33 per week.

### **Communal Areas**

- 1.31 Communal Areas have now been costed back to expenditure. Expenses did reduce in some areas including planned and responsive maintenance and cleaning. This charge has been divided between eligible properties and is applicable to any property which has a communal area, and all pay the same rate regardless of what specific services they get. It should be noted that we will be going to tender in 2024 for a new cleaning contract following consultation with tenants and this is likely to lead to an increased cleaning service charge for 2025/26.

### **Exceptional Street Cleaning**

- 1.32 These costs are related to provision of skips as well as removal of fly tipping and white goods that occur on our housing estates and are eligible to be service charged. These costs have been applied equally to all tenants.

### **Broomfield House**

- 1.33 We have been able to source actual invoice cost data for both electricity and gas for 2023/24 for Broomfield House and have extrapolated for the whole year to set these charges for next year. This shows an increase for cost of the laundry room from £1.84 to £2.80 for 2024/25, however this is because we did not have actual cost data last year

and had just updated the previous years bills by CPI+1%. We have excluded the cost of Utilities which is shown separately. We are confident in our charges this time as we are using actual data.

### **Budget Impact**

1.34 In accordance with the 30-year Housing Business Plan, it is proposed to increase Housing (non-rent) Fees and Charges by the CPI+1% aligned to rent increases as set out in the Policy Statement on rents for social housing, with the following exceptions:

- Water rates and non mains sewerage rates
- Shared ownership properties in accordance with the Lease agreement.
- Piper Lifeline (based on charges applied to Housing from this service)
- Utilities (based on last years costs without inflation)
- Communal Door entry systems (based on actual billed to Council for 2023/24)
- Communal areas based on actuals

**Table 4 – 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 and then 7.7% in 2024/25. For illustration this would put expected average rent (excluding service charges) for SWT general needs 2 beds at £99.85pw for 2024/25 and the equivalent at Magna (the next landlord with most stock) at £113.60pw. 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 (2021/22)	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)
SCC retained landlord housing rent	£83.24	4,633	£3.06	£86.94	945	£21.23	<b>£86.30</b>	<b>£108.17</b>
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.

**Table 5 – Average private sector rent in Somerset West and Taunton District as at October 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 £224.08 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	Gov't proposed LHA rates 2024/25
Room in shared house	£610 (55 properties ave)	£140.77	£84.50	£93.00
1 bed	£723 (5 properties ave)	£166.84	£103.50	£132.33
<b>2 bed</b>	£971 (16 properties ave)	<b>£224.08</b>	<b>£136.93</b>	<b>£166.85</b>
3 bed	£1373 (13 properties ave)	£316.85	£164.55	£195.62
4 bed or above	£1708 (6 properties ave)	£394.15	£207.12	£230.14

Source: ONS and DirectGov websites [www.Rightmove.co.uk](http://www.Rightmove.co.uk) (based on average cost of rental of properties advertised at Oct 2023) and [www.spareroom.co.uk](http://www.spareroom.co.uk) (October 2023).

The good news for tenants of the private rented sector is that the government is planning to uplift local housing allowance rates in 2024/25 for the first time in a while which will reduce the affordability gap. [indicative-local-housing-allowance-rates-for-2024-25.ods \(live.com\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118442/indicative-local-housing-allowance-rates-for-2024-25.ods)

**Table 6 – 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.

		2023/24			2024/25			
Bedrooms	Scenario	Rent	Service Charge	Total	Rent	Service Charge	Total	Difference
1	A	£82.96	£2.42	£85.38	£89.35	£2.70	£92.04	£6.66
1	B	£82.96	£3.92	£86.88	£89.35	£3.50	£92.85	£5.97
1	C	£82.96	£5.04	£88.00	£89.35	£4.72	£94.07	£6.07
1	D	£86.72	£24.57	£111.29	£93.40	£25.70	£119.10	£7.81
1	E	£87.44	£37.64	£125.08	£94.17	£39.77	£133.94	£8.86
2	A	£92.74	£2.42	£95.16	£99.88	£2.70	£102.58	£7.42
2	B	£92.74	£3.92	£96.66	£99.88	£3.50	£103.38	£6.72
2	C	£92.74	£5.04	£97.78	£99.88	£4.72	£104.60	£6.82
2	D	£96.93	£24.57	£121.50	£104.39	£25.70	£130.09	£8.59
2	E	£95.08	£37.64	£132.72	£102.40	£39.77	£142.17	£9.45
3	A	£103.12	£2.42	£105.54	£111.06	£2.70	£113.76	£8.22
3	B	£103.12	£3.92	£107.04	£111.06	£3.50	£114.56	£7.52
3	C	£103.12	£5.04	£108.16	£111.06	£4.72	£115.78	£7.62
4	A	£113.64	£2.42	£116.06	£122.39	£2.70	£125.09	£9.03
4	B	£113.64	£3.92	£117.56	£122.39	£3.50	£125.89	£8.33
4	C	£113.64	£5.04	£118.68	£122.39	£4.72	£127.11	£8.43
5	A	£124.88	£2.42	£127.30	£134.50	£2.70	£137.19	£9.89
5	B	£124.88	£3.92	£128.80	£134.50	£3.50	£137.99	£9.19
5	C	£124.88	£5.04	£129.92	£134.50	£4.72	£139.22	£9.30
6	A	£137.35	£2.42	£139.77	£147.93	£2.70	£150.62	£10.85
6	B	£137.35	£3.92	£141.27	£147.93	£3.50	£151.42	£10.15
6	C	£137.35	£5.04	£142.39	£147.93	£4.72	£152.65	£10.26

Key:

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

