

Appendix C – Service Charge Policy Cap Amendment

Scrutiny Committee Outcome/Recommendations:-

- to recommend to the Cabinet that **Option 2** be adopted as the Councils future Service Charge Policy but that it be subject to regular review.
- That the Committee's concerns on the potential impact the current economic climate, cost of living crisis and the new policy could have on tenants' ability to pay/fall into arrears be conveyed to Cabinet and that officers provide assistance /support to tenants to manage their budgets where necessary.

The below table outlines the recommended option available to consider for amendment in the existing Policy.

Option 2: Gradual incremental removal of the cap	
Summary	<p>Review and amend the existing policy with a view to introducing incremental increases to bring us up to full cost recovery and to ensure we are recovering all eligible service charges.</p> <p>The option could propose an increase of the cap over a 3-year period.</p> <ul style="list-style-type: none"> * Raise the cap yearly over 3 years by a third = £1 per year * Remove the cap completely in the fourth year <p>Rent & service charges financial years</p> <ul style="list-style-type: none"> * 2025/2026 = maximum increase of £4.40 per week (£4 +40p admin fee of 10% (amended policy) * 2026/2027 = maximum increase of £5.50 per week (£5 +50p admin fee of 10% (amended policy) * 2027/2028 = maximum increase of £6.60 per week (£6 +60p admin fee of 10% (amended policy) * 2028/2027 = Remove cap (amended policy) <p>The cap will only come into effect where charges exceed the agreed weekly cap amount.</p>
Benefits	<p>The contract-holders will remain protected with an incremental increase in the cap gradually increasing by a third over 3 years.</p> <p>Inflation has hit almost every sector, and with overheads and supply costs increasing, everyone can expect last year's charges to be higher this time around, however with the cap remaining in place for 3 years this will soften the impact.</p> <p>The benefit to the wider tenants is that charges are applied equally across the board based on usage.</p> <p>Further education of Contract holders to understand usage and billing through our Tenancy Support and Pre-Accommodation Teams.</p>

Disadvantages	Some contract holders may see increased charges over and above the current £3 per week cap
Risks	<p>All increases must be “reasonable”. Price rises linked to inflation may be considered fair, as the costs of delivering these services have gone up.</p> <p>The average UK service charge is £1,500 a year according to the Home Owners Alliance. Inflation has hit almost every sector, and with overheads and supply costs increasing, everyone can expect last year’s charges to be higher this time around.</p> <p>Having an incremental arrangement will reduce the gap gradually and help maintain the HRA Business Plan income and expenditure. This is similar to how we close the gap for tenancies that are below target rent and up to a £2 progression can be applied.</p>
Timeline	Review the Policy to assess the current economic climate (potentially full removal of the cap by 28/27)

We also considered the following the options for the application or level of a service charge cap moving forward for council tenants.

- Option 1: Do Nothing - Keep the existing Service Charge Policy in place with a cap of any possible annual increase in its overall rental charge (including Service Charges) to a maximum rise of £3 per week.
- Option 3: Remove the Cap - Remove the cap completely from the existing policy with contract holders meeting the full cost of usage from 2024/25.

All policy documents will be explicit and reflect clear guidelines as to how we calculate rent and service charges. The service charge policy reflects what is utilised by our contract holders. All policies will align with one another.

- Rent Setting Policy
- HRA Business Plan
- Service Charge Policy