



Decision Maker:	Cabinet Member for Housing, Councillor Andrew Smith
Date:	21 st February 2019
Classification:	General Release
Title:	Addendum to 'Annual Review of Housing Revenue Account (HRA) Rent and associated HRA charges 2019-20' dated 1 st February 2019 – Service Charges
Wards Affected:	Council Wide
Policy Context	Service Planning Cycle and Budget Strategy Framework set by the Cabinet
Key Decision:	No
Financial Summary:	<p>The Cabinet Member decision dated 1st February 2019 recommended that tenant service charges be varied in line with estimated actual costs for 2019/20 from Monday 1st April 2019.</p> <p>The proposed award of a new contract for cleaning scheduled to commence on 1 April 2019 has resulted in increases of over 50% in block cleaning charges for 1,427 tenants, despite the overall contract price only increasing by 0.02%</p> <p>To mitigate against the impact of these increases, it is recommended that the overall increase for this service only is equalised among tenants, resulting in a £0.02 increase to be applied to the 18/19 charge for all WCC tenants who are already in receipt of the service.</p>

This will result in no net impact on the total amount recoverable for this proportion of the contract price.

Report of: The Executive Director of Growth, Planning and Housing – Barbara Brownlee

1. Executive Summary

- 1.1 The Cabinet Member decision dated 1st February 2019 recommended that tenant service charges be varied in line with estimated actual costs for 2019/20 from Monday 1st April 2019.
- 1.2 This addendum sets out the context of the new cleaning contract for the Council's blocks and estates which is scheduled to commence on 1 April 2019, and highlights an issue of increases of over 50% for 1,427 tenanted households, providing explanations for this and a recommendation to address this.
- 1.3 The recommendation will result in no net impact on the recoverability of the tenant proportion of the overall contract price for block cleaning, while at the same time, alleviating the impact of some significant increases in costs for tenants, many of whom will be low income households.
- 1.4 Leaseholders have already received notification of their proposed charges through the section 20 consultation process. Notices of proposals were issued to all leaseholders in receipt of the service on 4 January 2019, providing them with the opportunity to make observations in accordance with statutory consultation provisions. There are no proposed changes to the leasehold proportion of this charge and leaseholders will therefore be charged on the estimates provided, with any subsequent amendments being applied in their actual bills.

2. Recommendations

- 2.1 That the increase in the tenant proportion of the overall contract price for block cleaning is equalised across all tenants, resulting in a £0.02 increase on the service charge for block cleaning, for those Council tenants who are already in receipt of the service.

3. Reasons for Decision

- 3.1 To mitigate against the impact of significant increases in block cleaning charges for Council tenants, many of whom are low income households.

4. Background

- 4.1 A contract for the delivery of block and estate cleaning services across all the City's housing estates is due to commence on 1 April 2019.

4.2 Tenders were received and evaluated and the following award recommended:

	Current price	Recommended award	Tendered price
Estate and block cleaning	£3,195,076	Pinnacle	£3,200,447

4.3 There is an increase of 0.02% in the overall contract price for cleaning.

4.4 On 1 February 2019, the Cabinet Member Report for the “Annual Review of Housing Revenue Account (HRA) Rent and associated HRA charges 2019-20” was published.

The report stated at 6.2:

“It is proposed that the service charges payable by tenants are increased in line with actual costs. The final 2019/20 charges to tenants will be dependent upon a complete analysis of costs and may change from those indicated but will be based upon full recovery of costs therefore resulting in no net benefit to the HRA. In addition, there have been some changes to the categorisation of charges alongside movement in tenant numbers however, overall charges remain fairly constant.”

4.5 In preparation for the ‘load’ of charges onto the Orchard system and for notification letters, these costs were subsequently broken down to individual property level. This activity took place in January and commonly post-dates the drafting of the annual Cabinet Member report on rent and service charges. This is in order to ensure the report’s scrutiny and publication in time for letters to be printed and posted within statutory timescales.

4.6 Due to the proposed award of a new contract for cleaning with new prices on this occasion however, the process revealed that while costs overall are within the budget envelope, in some cases, there are large increases and decreases between current costs and proposed costs. These are mostly related to block cleaning costs.

4.7 Appendix A sets out the most significant variances in charges for tenants.

5. Explanations

5.1 Tender prices were evaluated against a single coverall contract sum. While there was only one tender received for cleaning, this was very close to current contract price and so well within the budget envelope.

5.2 Pricing schedules for this tender were made more accurate than during previous tender exercises. Whereas previously, tenderers were asked only to provide block costs, this exercise included a ‘drill down’ for each block and estate in which tenderers provided specific resources for each area and an hourly rate (including all

overheads). This means that tender prices can be broken down to the resources to be provided and specific identifiable costs.

- 5.3 As the proposed award is to the incumbent provider who has been providing the service for a number of years prior, it is likely that they have gained a more accurate insight into the resources required during the preceding contract period.
- 5.4 In locations where there has been a significant increase, the tenderer has advised that the prices submitted are accurate reflections of the resources required, and it is likely that they were 'under-priced' at the previous tender.
- 5.5 In some locations, cleaning prices have altered in ratios between estate and block costs. This also reflects the current provider's knowledge of the estates and blocks and an adjustment of resourcing required as result.
- 5.6 The proposed contract award represents a very minor increase of 0.02% in the overall price. This demonstrates that the larger increases are not part of an attempt to inflate prices to generate more income.

6. Financial Implications

- 6.1 As per the 2019/20 HRA rent report this recommendation will still result in full cost recovery for the HRA. This will therefore have no net impact on the total amount recoverable for the tenant proportion of the contract price.
- 6.2 This proposal is to manage the introduction of the new block cleaning contract. The principle of charges being in line with activity will be maintained.

7. Legal Implications

- 7.1 Section 47 of the Housing Act 1985 provides that relevant costs shall be taken into account in determining the amount of a service charge payable for a period only to the extent that those costs are reasonably incurred and where they are incurred on the provision of services or the carrying out of works, only if the services or works are of a reasonable standard and the amount can be limited accordingly.
- 7.2 No greater costs than are reasonable are payable and after the relevant costs have been incurred any necessary adjustment can be made by repayment, reduction of subsequent charges or otherwise.
- 7.3 Section 105 of the Housing Act 1985 provides that there is no requirement for consultation on charges for services or facilities provided by the Council.

**If you have any queries about this Report, please contact:
Jon Lock, Acting Head of Housing Operations, CityWest Homes
jlock@cwh.org.uk (020 7245 2074)**

For completion by the **Cabinet Member for Housing Services**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: **Councillor Andrew Smith, Cabinet Member for Housing Services**

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendations in the report entitled **Addendum to ‘Annual Review of Housing Revenue Account (HRA) Rent and associated HRA charges 2019-20’ dated 1st February 2019 – Service Charges** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Andrew Smith, Cabinet Member for Housing Services

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the City

Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.