

Cambridge City Council

Record of Executive Councillor Decision

Social Rents and Service Charges Recalculations 2024

Decision of: Councillor Gerri Bird, Executive Councillor for Housing

Reference: 24/URGENCY/HSC/1

Date of decision: 26.2.2024 Published: 27.2.2024

Decision Type: Key

Matter for Decision:

1. To combine separate charges made to Council tenants for gas and electrical and mechanical maintenance, into the total rent payable for each property, from April 2024. For most tenants this will simplify their rent statements.
2. To delegate to officers the ability to reduce individual property rents, either where including these charges would otherwise mean the total rent is greater than the legally determined Formula (or Target) rent for the property or where the charge has been added mid-tenancy causing too high an increase in one year.
3. To authorise officers to draw on HRA reserves to create a budget to allow the employment of staff and other resources to complete this work, with the draw down to be approved by the Chief Finance Officer and Director of Communities.
4. To request that officers report back to Housing Scrutiny Committee with more details of the financial impact of these rent reductions, and of the scale of refunds due to tenants whose rent has breached formula rent or been increased by too great a sum in previous years, along with proposals for a refund scheme.

Why the Decision had to be made (and any alternative options):

The Council has been labelling some property costs as “service charges” when they should have properly been included in the rent. These charges relate to maintenance

of gas and electrical / mechanical installations, but do not relate to the supply of utilities.

For some tenants, combining these charges into the rent, means their rent breaches levels set by government, and they have therefore been overcharged (or would be overcharged from April 2024). The Council is not permitted to charge more than the Formula rent for each property so is legally required to refund any overpayments that have been made, either to the tenant or to the Department of Work and Pensions, depending on who paid the charge. For others the charge has been added mid-tenancy resulting in a rent increase in the relevant year which will have exceeded the allowable maximum. These will also need to be refunded as above.

The Council has sought legal advice on this matter from two independent sources. Keeping the charges separate from rent means that the Council is overcharging some customers and the Council has no option but to reduce rents to prevent further overcharging. The Council will need to refund customers, but further work is required before the details of a refund scheme can be approved.

The Council could have decided to remove all the charges from rent accounts irrespective of whether a rent breach has occurred, but the income is required to support services to tenants. For many tenants an overcharge has not occurred with no financial detriment to the tenant. Removing all charges would significantly reduce the income to the Council's Housing Revenue Account which is used only for housing purposes including repairs, maintenance, and retrofit works for tenants' benefit.

Further details about the decision, and risks considered, are set out in a briefing paper [Document 240226 Briefing Paper on Rents and Service Charge Recalculations 2024 - Cambridge Council](#).

The Executive Councillor's decision:

To approve

1. Combining separate charges made to Council tenants for gas and electrical and mechanical maintenance, into the total rent payable for each property, from April 2024.
2. To delegate to officers the ability to reduce individual property rents, either where including these charges would otherwise mean the total rent is greater than the legally determined Formula (or Target) rent for the property or where the charge has been added mid-tenancy causing too high an increase in one year.

3. Authorisation to officers to draw on HRA reserves to create a budget to allow the employment of staff and other resources to complete this work.
4. To request that officers report back to Housing Scrutiny Committee with more details of the financial impact of these rent reductions, and of the scale of refunds due to tenants whose rent has breached formula rent or been increased by too great a sum in previous years, along with proposals for a refund scheme. combining previously separate charges for gas and electrical and mechanical maintenance, into the total rent payable for each property,

Reason for the decision: As set out in the officer's briefing note. [Document 240226Briefing Paper on Rents and Service Charge Recalculations 2024 - Cambridge Council](#)

Scrutiny Consideration: The Chair and Spokes Councillors and Vice-Chair Tenant Representative of Housing Scrutiny Committee were consulted prior to the action being authorised.

Report: [Document 240226Briefing Paper on Rents and Service Charge Recalculations 2024 - Cambridge Council](#)

Conflict of interest: None.

Comments: Consultees noted the proactive notification of the matter with the Housing Regulator and steps taken by officers to correct the issues. It was noted that the urgent decision would be published on the council's website and would be reported back to the 12 March 2024 Housing Scrutiny Committee. Officers would provide a verbal update to Housing Scrutiny Committee and Housing Scrutiny Committee could ask questions on the urgent decision at the meeting.