

Minutes



Name of meeting: Rents and Service Charge Review Project

Date: Light Buffet 18:00-18:30 | Meeting 18:30-20:45

Venue: In-person @ Milton Keynes City Council, Civic Offices, 1 Saxon Gate East, MK9 3EJ

<p>Attendees</p> <p>Residents David Locke (DL), Jean Ison-Anderson (JIA), Jean Harry (JH), Julian Cross (JC), Lee Hall(LH), Michael Roberts(MR), Jane Osayimwen (JO), Tamara Lysenko (TL)</p> <p>Milton Keynes City Council Andrew Hodgson (AH), Roz Duffy (RD), Catherine Arnold (CA), Sebastian Kulig (SK)</p>	
Guests: Natasha Hutchin (NH)	
Apologies: Barbara Cliffe, Roger Hankey, Melanie Carey	
Note taker: Seb Kulig	

REF	ACTION	RESP
1	<p>Welcome and Apologies AH welcomed all to the meeting, advised fire and security arrangements, and introduced MKCC staff attending and their roles: NH, RD, CA, and SK</p> <p>Note: Barbara Cliffe, Roger Hankey, Melanie Carey emailed before the meeting to give their apologies.</p>	AH
2 2.1	<p>Approval of minutes</p> <p>Updates on actions from previous minutes</p> <ul style="list-style-type: none"> AH had prepared a document for the group in respect of the working definitions of rents and service charges as requested in the previous meeting. AH suggested that if the group agreed he would prepare a MKCC definition which could then be added to this document and shared on the website. 	AH

	<p>Decision 1 Definitions Agreed that MKCC should provide a definition for approval at next meeting to include in the rents & service charge document and then posted to the Housing Consultation web pages.</p> <ul style="list-style-type: none"> AH asked if the group would like to see more detail on service charge estimate calculations, especially around gas and electricity costs. Whilst we have published a detailed standard answer on our website, would the group like us to go one step further and publish the actual calculations as well? <p>Decision 2 Gas and electricity estimate data The group agreed that the service charge estimate data for gas and electricity should be uploaded to the Housing Consultation website</p> <ul style="list-style-type: none"> BH asked about the process in which MKCC buys energy. NH advised that Laser is our intermediary which buys energy directly from energy supplier in the wholesale markets. We buy long-term, but we review the contract regularly, as do Laser which are looking for the best deals on the market. NH briefly discussed housing stock profile in terms of years build, EPC ratings, and approach to regeneration and the challenges that comes with the characteristic of our stock. NH introduced Housing Systems & Business Improvement Team, and how they sit within the wider context of the housing NH explained why service charge changes are needed in this point in time: <ul style="list-style-type: none"> Existing and new regulatory requirements (e.g., Fire Safety regulations, compulsory training for housing staff, addressing mould issues) NH has recently taken responsibility also for leading Housing Systems service, with the aim to improve the efficiency of housing systems and in particular customer relationship management system NEC Housing, which comes at a considerate cost. Some of the big contracts are coming to end, hence it is crucial to review them now in terms of the services that are being delivered and how much they cost. War in Ukraine additionally affected MKCC's situation. It is not just about costs of energy, but also a number of other products that are coming from there. 	<p>AH/SK</p>
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	<ul style="list-style-type: none"> ○ Spikes in inflation across the country, with potential of recession in the UK in 2023/2024. ○ Also, political priorities continue to change nationally. ○ Housing rents and service charges go to MKCC's Housing Revenue Account and nowhere else. This is our legal responsibility. But this also mean this is councils only source of income. At the same time cost of borrowing is very expensive. Repairs costs have increased by around 30%. Cost of building new housing has also increased substantially, meaning less new homes for more investment. ○ Councils across the country are also restricted on how much they can increase rent. ○ It is not just MK, but characteristic of our stock (new town) makes it even more challenging for MKCC. All this means it is important for MKCC to review how much various services cost the residents, to ensure the money is properly allocated and any inefficiencies are found. <p>More information on this can be found in 2022/2023 Rent affordability and market context report -</p> <p>https://www.milton-keynes.gov.uk/file/11732/download?token=sgR9-8UG</p>	
<p>3</p> <p>3.1</p>	<p>Main Activities</p> <ul style="list-style-type: none"> • Overview of accountancy functions: <p>Apportionments – AH gave a short presentation on what apportionments are and how they work. MKCC leaseholders have schedules of apportionments noted in leases and historically some of these may now not be appropriate. AH asked the group if they would be happy to take any opportunities that arise as a result of this consultation to fix any issues.</p> <div style="background-color: #008080; color: white; padding: 10px; margin: 10px 0;"> <p>Decision 3 Apportionments of service charges #1 Agreed that apportionment of service charges, where possible can be resolved, and that a new tenants panel could be established to review any service charge queries raised by customers in the future.</p> </div> <p>Apportionments can vary based on the service in question. The most appropriate way is based on the number of units in a building. This is simply as we can't charge different sizes different amounts e.g. fire</p>	<p>AH/ALL</p>

safety as more people living in flat won't use more fire safety. There will be more examples like that.

Decision 4 Apportionments of service charges #2

Agreed the group will look at each service and decide the basis of apportionment. A starting point will be the number of units and be varied as found necessary

- 3.2 **Full recovery of service charges** – AH explained to the group what full recovery means and asked them whether they would be prepared to allow MKCC to complete full recovery of service charges.

There were a number of differing views across the group. In principle there was agreement that a landlord should be able to ensure they collect the full cost of service charges, but one concern was how much could be collected which resulted from poor management of lettings and void properties, especially for long term voids for things like major works.

Decision 5 Full recovery of service charges

Agreed that MKCC can operate full recovery, with a vote being placed on the website to agree on the number of weeks which can be collected, after which MKCC will meet the shortfall.

- 3.3 **Deficits and surpluses** – This is where there is a difference between the original estimate and the actual spend in any year. AH gave an example and asked the group to consider how MKCC should treat shared owners, who are leaseholders in law, but also have a rent liability.

The group would like more time to discuss this and will revisit this subject at a later meeting to be agreed.

- 3.4 **Administration of sinking funds and reserve funds** – AH highlighted that asking leaseholders to agree to the introduction of these would be pointless as they already pay for everything, including all major works, so it would be highly unlikely that leaseholders would agree. Several members of the group agreed wholeheartedly.

	<p>AH gave an example of how funds can be operated and asked the group to consider what should be prioritised if a fund had an insufficient balance to meet a required piece of work.</p> <p>Decision 6 Administration of sinking funds and reserve funds Agreed that there was no point in MKCC approaching leaseholders to see if they wanted sinking funds to be established. Subject to further information being provided, it was thought that a single fund for tenants for each block would be better than multiple smaller funds.</p> <p>3.5 Leaseholder calendar changes: AH asked the group how they wanted MKCC to implement the change in administration periods for leaseholders from September - August to April – March.</p> <p>Decision 7 Leaseholder calendar changes Those leaseholders present agreed that MKCC proposal made sense, and to implement as outlined, as it brought leaseholders service charges in line with tenants, which is part of this consultation.</p> <p>AH suggested that we place more information on the Housing Consultation website and see if more leaseholders wish to participate in MKCC Consultation C on the matter.</p> <p>SK to check with Leaseholders who are part of the working group if they will be ready to meet separately to discuss the above matters in more details, and to arrange meeting as needed.</p> <p>3.6 How do we treat shared owners, like tenants or leaseholders? What do we do with any arrears' balances at end of March 2024?</p> <p>AH said that with only a 7-month payment period in 2023-2024 would allowing leaseholders to use up prepayment of service charges be sensible, to smooth the transitions in admin periods.</p> <p>Decision 8 Leaseholder calendar changes #2 Regarding decisions to be made in respect to <u>Consultation C</u> affecting RTB Leaseholders only, the group thought that MKCC should come up with some proposals and consult leaseholders through voting on the Housing Consultation website.</p>	<p>SK</p>
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<p>3.7</p> <p>3.8</p> <p>3.9</p>	<p>Building insurance – AH told the group that currently we don't know if all our leasehold / shared ownership properties are covered by adequate and current buildings insurance. Historic arrangements allow leaseholders to be responsible for insurance if their mortgage provider demanded it as part of their borrowing arrangements. Those without a mortgage should have MKCC policy cover.</p> <p>How do MKCC go about ensuring assets are adequately insured? Should we start to insist on all leasehold properties and shared ownership properties are covered by our contract?</p> <p>The group asked that more information be provided to them at a later meeting</p> <p>What do you think we should do with large account credit balances?</p> <p>The group asked that more information be provided to them at a later meeting</p> <p>AH had circulated to the group a number of pictures of various properties each highlighting a decision needing to be made around service charges. Due to a lack of time this will be brought to the next meeting.</p>	
<p>4</p>	<p>Any other Business</p> <p>Voting tool</p> <ul style="list-style-type: none"> • SK demonstrated a tool to be used for voting on the bigger decisions. The tool has been approved by the participants. The group will decide when in their view there is a decision that should be sent to as many residents as possible. In such situation, SK and RA will create a voting form with the relevant question, and those residents who have their contact details (mobile number or email) recorded in our system will be invited to vote. • Those residents who are not sure if their contact details are up to date, should use MKCC Tenancy Changes online form • SK and RA to create a short video guide on how the voting process will look like. 	<p>SK, RA, FO</p> <p>SK, RA</p>
<p>Date of Next Meeting: 10 May 2023</p>		