

EAST RENFREWSHIRE COUNCILCABINET12 March 2020Report by Director of EnvironmentINCREASE CHARGES FOR FACTORING SERVICE**PURPOSE OF REPORT**

1. To seek Cabinet approval for an increase in the annual factor fee charged to factored customers in return for factoring services.

RECOMMENDATIONS

2. It is recommended that the Cabinet approve an increase in the factor fee to £99 plus VAT per annum from April 2020.

BACKGROUND

3. The Property Factors (Scotland) Act 2011 came into force in October 2012. East Renfrewshire Council have to comply with the three main elements of the Act. They are:

- Compulsory register of property factors
- Code of Conduct
- First Tier Tribunal (formerly Homeowners Housing Panel)

4. Since the introduction of the Right to Buy (RTB), some Council properties were sold with factoring agreements. This placed an obligation on East Renfrewshire Council as a property factor and the Council to comply with the Act.

5. In order to meet these duties, it is essential that adequate staffing resources are in place. Historically owners paid a small service charge for repair works which did not cover the costs to deliver the service. The remaining costs were met by the Housing Revenue Account.

6. In February 2015, the Cabinet recognised the need to introduce a factoring service and a requirement for the introduction of:

- a) An annual fee for factored owners of £90 plus VAT
- b) A call out fee for non-factored owners who requested a service of £30 plus VAT

7. The number of factored customers changes with the addition and removal of properties from time to time. On average, there are at least 750 factoring customers each year.

REPORT

8. As a property factor East Renfrewshire Council provides essential services to homeowners in mixed tenure flatted accommodation. In order to ensure the service is provided and that the Council complies with the Code of Conduct, key roles must be resourced to:

- Address repair requests from tenants and owners
- Pre-inspect any required works
- Prepare estimates and seek costs from contractors
- Contact owners regarding required works and associated costs
- Post inspect works undertaken

9. In addition, the factoring service also undertakes work that is not re-charged to owners for example exploratory and investigative works for drainage issues or boundary walls. These investigations are often expensive yet only the cost of any final agreed repair costs are passed onto owners.

10. Since the factoring service was introduced in 2015 the fee has remained unchanged even though staff costs and inflation have risen. The factor fee has remained at £90 plus VAT from April 2015.

11. The current fee can generate an income of approximately £70,000 excluding VAT each year, whilst gross staffing costs for the factoring service are approximately £83,000 in 2019-20. A contribution from the General Fund of £13,000 has been required to cover the staffing costs of the service. For 2020-21, the staffing costs are budgeted at £85,500 and with an increased fee of £99 plus VAT an income of around £78,000 will be received. Therefore a contribution of £7,500 will still be required from the General Fund to maintain the service.

FINANCE AND EFFICIENCY

12. Increasing the factoring fee to £99 plus VAT per annum will generate extra income which will contribute to the rise in staffing costs associated with running the factoring service.

13. There is no plan to increase the £30 call out fee charged to non-factored customers.

CONSULTATION

14. A total of 784 factored customers were consulted during January 2020 on the increase in factor fees and were asked to choose from the following three options:

Option A: a phased increase over the next three years	2020-21: £97.50 2021-22: £99.00 2022-23: £100.50
Option B: a fixed increase over the next three years	2020-21: £99 2021-22: £99 2022-23: £99
Option C: a fixed increase over the next three years which includes a contribution for cyclical maintenance	2020-21: £124 2021-22: £124 2022-23: £124

15. A total of 147 responses were received with the majority of customers (84 in total) choosing Option B (i.e. a fixed increase over the next three years of £99 plus VAT).

PARTNERSHIP WORKING

16. There are no partnerships with external organisations. Housing Services is however working in partnership with internal services such as Customer First, Revenue Services, Legal Services and Creditors to deliver the factoring service.

IMPLICATIONS OF THE PROPOSALS

17. There are no specific legal implications of the proposal for East Renfrewshire Council. East Renfrewshire Council has the authority to charge a factor fee within the terms of the title deeds of customers' properties or scheme decisions made within the terms of the Tenement (Scotland) Act 2004.

18. There are no equality implications of the proposal. All processes are in line with the Property Factors (Scotland) Act 2011.

19. There are no implications of the proposal in terms of staffing, property, IT, State Aid or sustainability.

CONCLUSIONS

20. Increasing the factor fee to £99 plus VAT per annum for the next three years will generate extra income to ensure East Renfrewshire Council can continue to provide an efficient and customer focused service and meet the Code of Conduct as set out in the Property Factors (Scotland) Act 2011.

RECOMMENDATIONS

21. It is recommended that the Cabinet approve an increase in the factor fee to £99 plus VAT per annum from April 2020.

Director of Environment

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