

EXECUTIVE - 23rd OCTOBER 2002

Report of the Housing Manager - Operations

(This matter is the responsibility of Councillor P Stone)

THE INTRODUCTION OF SERVICE CHARGES

1. **Purpose of Report**

1.1 The purpose of the report is to propose a way forward for the introduction of service charges for the services that tenants receive. Members are aware that Rent Restructuring was implemented by the Council from April of this year and the introduction of service charges is another facet of the Government's attempt to make rents more comparable between social housing tenures and more open to scrutiny.

2. **Background**

2.1 Whilst the Government wants local authorities to implement service charges, there is no mandatory duty to do so. It has been made clear from the advice of the consultants, HACAS Chapman Hendy, who are assisting the Housing Service with its forward financial planning and stock options appraisal, however, that there are clear financial advantages to the introduction of service charges in that additional income will accrue to the Housing Revenue Account which would not otherwise be available.

2.2 The rent cap process protects tenants from excessive increases, however, in that year on year increases can be no more than RPI plus ½% plus £2 per week, and service charges are included with the rent for that calculation.

3. **The Proposals**

3.1 It is proposed that, subject to further guidance being issued by the ODPM, the following principles be applied to the introduction of service charges:-

3.1.1 That the range of service charges created be restricted to a sensible level - we do not intend to confront tenants with a vast array of minor charges.

3.1.2 That any service charges introduced (apart from those which relate to Supporting People, which will be separately means tested) will currently be eligible for housing benefit application.

3.1.3 That the framework of the Rent Indices system, which was the means by which rents in Taunton Deane were calculated prior to the introduction of Rent Restructuring from April 2002, be utilised in the calculation of service charges where appropriate.

3.2 The following proposals for the introduction of individual service charges have been prepared by a working group of Officers according to the principles outlined above:-

3.2.1 Supporting People Service Charge(s)

As Members will be aware, the 'support charges' for older and vulnerable people will be removed from the rent from April 2003, and must be identified separately. It is proposed that the charges in this category be calculated according to the formula identified in the Rent Indices System:-

Sheltered Housing This covers various types of housing linked to a Scheme Manager Service, together with other amenities.

- (i) Specialised Sheltered Housing Schemes (to include Scheme Manager Services, laundry, dining area and communal facilities).
- (ii) Traditional Sheltered Housing Scheme with Scheme Manager on site.
- (iii) Dwelling linked to Sheltered Housing Scheme and Control Centre with non-resident Scheme Manager cover and weekly Scheme Manager visit/personal contact
- (iv) Dwelling linked to Control Centre but with weekly Scheme Manager visit/personal contact.

Deane Helpline This covers the Piper communication facilities available to a dwelling.

- (i) Piper communication link to Sheltered Housing Scheme Manager and Control Centre.
- (ii) Piper communication link to Control Centre (includes Piper Solo and hardwire schemes).
- (iii) Monitoring charge (equipment purchased).

3.2.2 Communal Areas Service Charge

This would include the cleaning of communal flat block windows, cleaning communal areas of flat blocks, maintenance of stair lighting and the energy consumed. It is proposed that these properties are identified by reference to Rent Indices (5)(v):-

Maisonette or flat accessible only by a communal entrance/stairwell and that charges are levied equally irrespective of floor level, i.e. whether ground, first, second floor, etc.

3.2.3 Grounds Maintenance

It is possible that one service charge, divided equally between all tenants, may be the only achievable option in the limited timescale available prior to April 2003. There is a Rent Indices element relating to the 'Environment', however, which may be appropriate and which is reproduced below, but further research is required to explore whether it accurately and appropriately reflects the services delivered:-

Environment This takes into account the surrounding area and how this relates to the property.

- (i) The dwelling is in a country location with a rural outlook.
- (ii) The dwelling is situated on the edge of a town or village.
- (iii) The dwelling is situated within a landscaped estate layout. This can include open plan amenity areas and landscape features. Typically, it will include all new estates that have been built since 1965, unless they are categorised under (i) and (ii) above.
- (iv) The dwelling is situated within an estate which benefits from a well designed environment. This may typically apply to pre-1965 dwellings.
- (v) The dwelling is situated within a town estate but is closed in by housing, usually of an older type, without variation or break.
- (vi) The dwelling is situated in a town estate with a commercial or industrial land use nearby.

4. **The Decisions to be Taken**

4.1 The major decision to be taken is whether the authority is to choose to introduce service charges from April 2003. (NB: Any decision will not affect a Supporting People service charge, which has to be introduced.)

4.2 The Tenants Forum recommendation (from their meeting of 2nd October) is that the authority should introduce service charges from April 2003. The Forum welcomed the opportunity the introduction of service charges will give to examine and challenge the levels of service they are receiving and the price they pay. They see this as an opportunity to drive up standards and would like a Working Group set up in April 2003 to examine service charges.

4.3 The Housing Review Panel on 9th October 2002 put forward the following recommendation:-

“(i) In principle, and for reasons of transparency, the Panel supports the proposed introduction of service charges.

“(ii) The Panel also supports the creation of a Working Group in April 2003 to examine the value for money of service charges and suggests a joint Panel/Forum membership.”

4.4 If Members decide that the introduction of service charges is to proceed, the following two options are available:-

- (1) Introduce them ‘afresh’ from April 2003 on top of the restructured rent.

- (2) Remove them from the present restructured rent - the pure rent element will reduce but rents will need to rise more quickly to achieve the target rent in nine years' time.

Option 1 will mean a slightly higher average increase in rent in April 2003 of, according to the estimate of the Principal Accountant - Housing, approximately £0.70 per week per dwelling.

Option 2 will result in rents rising more sharply to achieve the target rent and any small initial gain produced by Option 2 will be transitory.

Both the Tenants Forum and the Housing Review Panel expressed a preference for Option 1.

5. **Recommendations**

5.1 Members are therefore recommended to:-

- i) Approve the introduction of service charges from April 2003.
- ii) Approve Option 1 (para. 4.4), i.e. the introduction of service charges from April 2003 on top of the restructured rent.

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