

## Report for Resolution

**Report to** Cabinet  
24 November 2010  
**Report of** Head of neighbourhood and strategic housing  
**Subject** Housing service charges

---

8

### Purpose

To update members on the review of housing service charges.

### Recommendations

To agree the following proposals for housing service charges;

**Sheltered housing service charge.** No change in the current service charge and to review this charge in April 2011 following the outcome of a sheltered housing service review.

**Premises management.** The shortfall from 2009/10 be not recovered and the current service charge for static premises management service be increased by £2.86 per week, and by 70p per week for the mobile premises management service. The new charge to be applied from January 2011 and reviewed in October 2011.

**District heating.** The weekly cost be increased by 28p. The new charge to be applied from January 2011 and reviewed in October 2011 following a review of the apportionment of the district heating charge.

### Financial Consequences

Sheltered Housing: The cost of not recovering the 2009/10 shortfall is £160,212. The cost of not recovering the anticipated 2010/11 deficit is £44,269 although this could be incorporated into a review in April 2011.

Premises Management: The cost of not recovering 2009/10 shortfall for static charges is £56,618 and £61,508 for mobile charges.

District Heating: The proposed change would result in nil cost.

All costs would fall upon the HRA.

### Risk Assessment

If charges are not increased to cover the costs of services provided, the council may receive criticism from tenants, auditors, and inspectors, since the service costs will be being subsidised by tenants not in receipt of those services. However this will be mitigated by the progress being made to achieve full recovery.

If costs are (as recommended) moved toward covering the costs of services, the council may receive criticism for the levels of costs and efficiency underlying the higher charges. The resulting higher charges may increase

benefit dependency amongst service recipients, and/or lead to increasing levels of arrears and bad debts.

Risks will be mitigated by continuing consultation with tenants to address concerns over value for money

### **Strategic Priority and Outcome/Service Priorities**

The report helps to meet the strategic priority “Safe and healthy neighbourhoods – working in partnership with residents to create neighbourhoods where people feel secure, where the streets are clean and well maintained, where there is good quality housing and local amenities and where there are active local communities” and the service plan priorities value for money review of sheltered housing and income maximisation objectives within the housing improvement plan.

**Executive Member:** Councillor Arthur - Housing and Adult Services

**Ward:** All

### **Contact Officers**

Tracy John  
Paul Sutton

01603 212939  
01603 212785

### **Background Documents**

None

## **Report**

### **Background**

1. Service charges are applied for services provided to groups of tenants, rather than services provided to all tenants. This is in line with the government's expectation that the costs of such services are met by those benefiting from them, rather than by tenants as a whole.
2. In recent years, service charge increases have been based on affordability issues rather than on the costs of the services provided. A review, prompted by Audit Commission recommendations, has revealed that there are costs not currently being met by service charge income.
3. Following an initial review and round of increases in April 2010 it was intended to complete the review, consult with tenants and leaseholders and implement further increases to recover all costs, by October 2010. However this work was delayed and the now completed financial work has revealed the need for some increases in charges.
4. Some Tenants and Leaseholders could potentially incur two of the three following service charges;

### **Background to proposals**

5. Service charges for sheltered housing, premises management and district heating were initially subject to review as part of year 1 of the housing improvement plan. When the initial work was completed in January 2010, the scale of increases that would have been required to cover the current levels of costs on some services, were significant and posed considerable affordability issues for tenants. Therefore Executive agreed an interim range of increases and decreases in service charges to apply from 5 April 2010, on the basis that the level of service charges be re-considered in September 2010.

### **Current position**

6. Various factors have delayed this review and now the financial work has been completed it is clear that there is a need to increase charges above the level previously envisaged.
7. Detailed below is the proposed way forward for service charges for sheltered housing, premises management and district heating. Sheltered housing service and premises management service charges are eligible for housing benefit. An allowance for heating is included in other income related benefits. A summary of these interim average increases is provided in appendix 1. Appendix 2 outlines the proposed timetable for completing full reviews of these charges.
8. These proposals have been discussed with the Citywide Board HRA sub group who broadly approve of the principles outlined.

## **Sheltered services charges**

9. There are 24 sheltered housing schemes comprising 857 properties and 4 good neighbour schemes comprising 129 properties. The sheltered housing service charges consist chiefly of employee and material costs for cleaning, energy and heating and fixtures and fittings for communal areas.
10. Although sheltered housing service charges are defined on a basis of individual scheme costs these no longer reflect actual costs. There are variations in cost between schemes due mainly to the varying numbers of residents. Full recovery of current costs would require an average 63% increase on top of the 30% increase applied in April 2010.
11. To regularise this situation and ensure full recovery, tenants need to be fully consulted on the options available to apportion these costs. i.e. are cost pooled across the city or charged by individual schemes?
12. However, due to the proximity of the sheltered housing review which it is anticipated will result in significant cost reductions, it is considered inappropriate to impose further increases which should be unnecessary in the coming year. There will however, be a continuing cost of under-recovery to the housing revenue account of £44,000 in line with current budgets.
13. It is recommended that charges should not be increased at present (there was a 30% increase in April 2010) and wait for the sheltered housing review findings due in December 10, with a view to implementing reviewed charges in April and October 2011 based on revised staffing structures.

## **Premises manager charges**

14. Currently there are two premises management services, mobile and static, serving differently located tenants and leaseholders.
15. The current weekly mobile charge of £2.45 is payable by 1,094 households. The 3 mobile premises managers provide the following services:
  - Cleaning stairs and landings.
  - Maintaining refuse disposal systems (chutes and bin rooms, for example).
  - Removal of bulky items when notified (not trade or domestic waste).
  - Removing and reporting graffiti.
  - Clearing drains, gullies and paths.
  - Removing litter.
  - Reporting vandalism and anti-social behaviour (ASB).
  - Reporting repairs to communal areas.
  - Security and emergencies.
16. The current weekly static charge of £7.30 is payable by 908 households. The 10 static premises managers are permanently based at four locations and provide the same range of services as the mobile premises managers, but

carry out daily health and safety checks at high risk locations, such as tower blocks and multi-deck blocks. The teams are managed by one manager whose costs are apportioned pro-rata.

17. The costs and charges for each service are currently pooled and apportioned equally between the respective service users. An increase of 33% was applied to the mobile premises management charge in April 2010, whilst the static premises management charge received a small reduction. Notwithstanding these changes there is still an outstanding under recovery of £118,000 for 2009/10. It is considered that it would be unreasonable to seek to recover this sum and in order to keep any increase affordable for tenants, it is proposed to recover the shortfall between the current level of charge and the 2010/11 budget.
18. Therefore it is recommended to increase the static premises management service charge by £2.86 per week or 39% and the mobile premises management service charge by 70p per week or 29%. This charge will be introduced from January 2011 and will be reviewed in October 2011, with no increase in April 2011. This will allow time for a premises management review and will bring annual increases in line with future October reviews for other service charges.

### **District heating**

19. District heating schemes consist of a main boiler, often housed in a separate boiler house, which supply heating and hot water all year round to connected flats and maisonettes. There are 1,222 tenanted and leasehold general needs dwellings and 681 sheltered properties connected to a scheme.
20. The main cost of the schemes is fuel, and with the exception of Normandie Tower, all are now gas fired. Where there is a boiler house, there are additional costs for business rates, water, boiler alarms, insurance and electricity. Although district heating charges are defined on a basis of individual scheme costs for various reasons these no longer reflect actual costs. To regularise this situation and ensure full recovery, tenants need to be consulted on the options available to apportion these costs.
21. It is recommended to increase the weekly district heating charge by 28p or 3.25% from January 2011, pending a full review of charging options. This interim increase is based on there being a small overpayment of fuel costs in 2009/10 and a predicted slight under-payment in 2010/11. The proposed interim increase will ensure full budgeted costs are recovered pending review.
22. The consultation with tenants and leaseholders on the apportionment of district heating charges will focus on the principle of charging options. i.e. charges linked to size of property which could be phased in over 2 or 3 years from October 2011, in order to keep increases affordable.

### Appendix 1 - Housing service charge reviews – proposed increase summary

Charge	Current charge per week (£)	Proposed charge from 3 Jan (£)	Percentage / Actual increase (%/ £)	Under / over recovery 2009 /10 (£)	Anticipated under / over recovery if no change to current charge 2010/ 11 (£)	Net cost to HRA – If proposed changes are implemented. Based on proposed charge (col 3). (£)
<b>Sheltered housing service</b>	9.18 (average across all schemes)	No change until outcome of sheltered housing review available	0 (If costs recovered 63% - £15.00 (average across all schemes)	160,212 under	44,269 under	204,481
<b>Premises management static</b>	7.30	10.16	39% - 2.86	56,618 under	96,248 under	56,618
<b>Premises management mobile</b>	2.45	3.15	29%- 0.70p	61,508 under	28,444 under	61,508
<b>District Heating – 1903 users including 669 sheltered</b>	8.60 (average)	8.88 (average)	3% - 0.28p	37,163 over	58,444 under	0

#### Relevant 2009 Audit Commission recommendations:

- reviewing the way that leaseholders are charged for services ensuring that charges are accurate and timely
- using information in respect of the costs of individual services and to assess whether alternatives could offer improved VFM
- taking steps to maximise VFM by ensuring that all income is collected where possible

### Housing service charge reviews – implementation timeline

<b>2010/11</b>	<b>Sheltered housing service charge</b>	<b>District Heating</b>	<b>Premises Management</b>
<b>April 2010</b>	<ul style="list-style-type: none"> <li>• 30% average increase</li> </ul>	<ul style="list-style-type: none"> <li>• No increase</li> </ul>	<ul style="list-style-type: none"> <li>• 33% increase to the mobile premises management charge static premises management charge a small reduction.</li> </ul>
<b>Summer 2010</b>	<ul style="list-style-type: none"> <li>• Financial data prepared for review</li> </ul>	<ul style="list-style-type: none"> <li>• Financial data prepared for review</li> </ul>	<ul style="list-style-type: none"> <li>• Financial data prepared for review</li> </ul>
<b>Oct 2010</b>	<ul style="list-style-type: none"> <li>• Proposals to CMT</li> </ul>	<ul style="list-style-type: none"> <li>• Proposals to CMT</li> </ul>	<ul style="list-style-type: none"> <li>• Proposals to CMT</li> </ul>
<b>Nov 2010</b>	<ul style="list-style-type: none"> <li>• Proposals to Cabinet – No increase pending review.</li> </ul>	<ul style="list-style-type: none"> <li>• Proposals for revised charges to Cabinet – a 3.25% (28p) increase from January 2011, pending a full review of charging options.</li> </ul>	<ul style="list-style-type: none"> <li>• Proposals for revised charges to Cabinet -static = 39% (£2.86), mobile = 29% (£0.70) increase from January 2011, pending a full review of premises management.</li> </ul>
<b>Dec 2010</b>	<ul style="list-style-type: none"> <li>• Outcomes of sheltered housing review to be available. ( Review to include tenant involvement)</li> </ul>	<ul style="list-style-type: none"> <li>• Tenants notified of revised charges. (If agreed)</li> <li>• Prepare charging options review.</li> </ul>	<ul style="list-style-type: none"> <li>• Tenants notified of revised charges. (If agreed)</li> <li>• Prepare premises management review.</li> </ul>
<b>Jan 2011</b>	<ul style="list-style-type: none"> <li>• Charges for 2011/12 calculated.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement increase 3 Jan</li> <li>• Carry out review with tenants and leaseholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement increase 3 Jan</li> <li>• Carry out review with tenants and leaseholders.</li> </ul>
<b>Feb 2011</b>	<ul style="list-style-type: none"> <li>• Charges to be discussed by Cabinet</li> </ul>	<ul style="list-style-type: none"> <li>• Carry out review with tenants and leaseholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Carry out review with tenants and leaseholders.</li> </ul>
<b>Mar 2011</b>	<ul style="list-style-type: none"> <li>• Tenants notified of revised charges</li> <li>•</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Carry out review with tenants and leaseholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Carry out review with tenants and leaseholders.</li> </ul>

#### Relevant 2009 Audit Commission recommendations:

- reviewing the way that leaseholders are charged for services ensuring that charges are accurate and timely
- using information in respect of the costs of individual services and to assess whether alternatives could offer improved VFM
- taking steps to maximise VFM by ensuring that all income is collected where possible

### Housing service charge reviews – implementation timeline

<b>2011/12</b>	<b>Sheltered housing service charge</b>	<b>District Heating</b>	<b>Premises Management</b>
<b>Apr 2011</b>	<ul style="list-style-type: none"> <li>Revised charges implemented</li> </ul>	<ul style="list-style-type: none"> <li>Carry out review with tenants and leaseholders.</li> </ul>	<ul style="list-style-type: none"> <li>Carry out review with tenants and leaseholders.</li> </ul>
<b>May 2011</b>		<ul style="list-style-type: none"> <li>Collate responses</li> </ul>	<ul style="list-style-type: none"> <li>Collate responses</li> </ul>
<b>June 2011</b>		<ul style="list-style-type: none"> <li>Proposed way forward to be considered by CMT / Cabinet.</li> </ul>	<ul style="list-style-type: none"> <li>Proposed way forward to be considered by CMT / Cabinet.</li> </ul>
<b>Jul 2011</b>			
<b>Aug 2011</b>	<ul style="list-style-type: none"> <li>Charges to be reviewed in light of final 2010/11 accounts</li> </ul>	<ul style="list-style-type: none"> <li>Charges to be reviewed in light of final 2010/11 accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Charges to be reviewed in light of final 2010/11 accounts.</li> </ul>
<b>Sep 2011</b>	<ul style="list-style-type: none"> <li>Any changes to charges to be notified to tenants</li> </ul>	<ul style="list-style-type: none"> <li>Any changes to charges to be notified to tenants</li> </ul>	<ul style="list-style-type: none"> <li>Any changes to charges to be notified to tenants</li> </ul>
<b>Oct 2011</b>	<ul style="list-style-type: none"> <li>Any revised charges implemented</li> </ul>	<ul style="list-style-type: none"> <li>Any revised charges implemented</li> </ul>	<ul style="list-style-type: none"> <li>Any revised charges implemented</li> </ul>
<b>Nov 2011 – Oct 2012</b>	<ul style="list-style-type: none"> <li>Establish annual review and variation cycle</li> </ul>	<ul style="list-style-type: none"> <li>Establish annual review and variation cycle</li> </ul>	<ul style="list-style-type: none"> <li>Establish annual review and variation cycle</li> </ul>

### Relevant 2009 Audit Commission recommendations:

- reviewing the way that leaseholders are charged for services ensuring that charges are accurate and timely
- using information in respect of the costs of individual services and to assess whether alternatives could offer improved VFM
- taking steps to maximise VFM by ensuring that all income is collected where possible