

CABINET – 6 FEBRUARY 2019

REVIEW OF SERVICE CHARGES

1. INTRODUCTION

- 1.1 The Council has carried out a review of the service charges it charges tenants of extra-care, hostels and age restricted accommodation.
- 1.2 Such accommodation has service charges that tenants and occupants are liable to pay to cover the costs of services received that are over and above the basic housing provision.
- 1.3 The last service charge review took place in 2004, so it is appropriate to carry out a review to ensure charges are applicable.

2. BACKGROUND

- 2.1 General service charges are for services provided for shared facilities and/or communal areas, regardless of actual use. Charges cover:

- utilities for the building (but not domestic use);
- internal/external cleaning and grounds maintenance;
- furniture and equipment; and
- any generic costs linked to the building.

Housing Benefit/Universal Credit can be paid to cover some or all of any general service charges that are due, if tenants are eligible to receive such support.

- 2.2 Domestic service charges are for heating, lighting and water supplied to individual dwellings, but not separately metered.

The Council deals directly with the utility suppliers and costs incurred are recovered through the applied domestic service charges. They are not covered by housing benefit, even if tenants are eligible to receive such support.

- 2.3 640 tenanted properties pay some form of service charge. These include
 - a. all three 'extra care' schemes (116 dwellings),
 - b. age restricted properties (460 dwellings),
 - c. general needs properties (43 dwellings)
 - d. licensed hostels (21 dwellings).
- 2.4 In addition, following the decommissioning of sheltered schemes in 2007, 23 tenants at this time opted to be 'linked-in' to nearby schemes and retained access to and use of communal facilities separate from their main residence.
- 2.5 An annual inflation based uplift has been applied in recent years to cover any increased costs attributed to the delivery of services. The fundamental principle is that service charges recover the costs incurred.

2.6 Separate charges are invoiced annually to all leasehold properties (119 dwellings) but are outside the scope of this review.

3. CURRENT REVIEW

3.1 A project team consisting of Housing senior management, Rent Accounting, Finance and Housing Estates Management have been involved with the review.

3.2 Housing Estates have commenced the remodelling of former sheltered housing schemes, removing communal and shared facilities at some sites to replace these areas with additional accommodation.

3.3 It is no longer appropriate to budget for the replacement of items in communal lounges due to remodelling and therefore the general office budget will reduce from £70,000 to £10,000.

3.4 General service charges will be applied on a site-by-site basis, other than extra care schemes and licenced hostels where charges will be applied equally across the type of establishment.

- **Extra care schemes:** Barfields, Gore Grange and Winfrid House
- **Hostels:** Merriemead, Parsonage Barn Lane, Tourlands and Waverley Road.

3.5 For domestic utility use by each household, the Council proposes to apply the same weighting as used for rent determination, so that charges are representative of usage. The weightings are 0.8 for bedsits, 0.9 for one-bed properties, 1.0 for two-bed and 1.1 for three-bed.

3.6 Tenants of the 23 households identified in 2.4 above will have all service charges removed to reflect the removal of communal facilities in associated external sites. With the planned removal of these facilities, all attributed future costs recoverable within service charges will no longer be applicable.

3.7 Currently there is no service charge applied to former warden accommodation at decommissioned sheltered schemes. For the Council to continue to provide a fair and transparent charging structure it is proposed that charges are introduced and applied. At the time of this report this will apply to five households.

3.8 The proposed 2019/20 charges are shown in Appendix 1.

3.9 For the 576 households in extra care and age restricted accommodation, the proposed changes will mean that 373 households (65%) will see a reduction. Overall the proposals are:

Number	Implication	Proposal
373 (65%)	Reduction in charges	New charges to apply from 1 st April 2019
5 (1%)	A charge for the first time	New charges to apply from 1 st April 2019
85 (15%)	Less than £2 per week increase	New charges to apply from 1 st April 2019
113 (19%)	Greater than £2 per week increase, to be implemented on a phased basis	Phased approach of up to £2 per week, to apply from 1 st April 2019, up to a maximum of three years.

- 3.10 For the 64 households identified in licenced hostels and general needs accommodation, the proposed changes will mean that 29 households (45%) will see a reduction or no change to their charge. Overall the proposals are:

Number	Implication	Proposal
29 (45%)	No change or reduction in charges	New charges to apply from 1 st April 2019
28 (44%)	Less than £2 per week increase	New charges to apply from 1 st April 2019
7 (11%)	Greater than £2 per week increase, to be implemented on a phased basis	Phased approach of up to £2 per week, to apply from 1 st April 2019, up to a maximum of three years.

4 CONSULTATION

- 4.1 Consultation commenced in Summer 2017 with representatives of the Housing Tenants' Involvement Group. They reviewed the service provision across a number of establishments.
- 4.2 Further consultation with the Housing Tenants' Involvement Group took place on 18 January 2019. They agreed the Service Charge Review had been carried out thoroughly and they supported the changes made.

5. FINANCIAL IMPLICATIONS

- 5.1 The proposals will result in an estimated reduction of £71,000 in service charge income, but in accordance with the policy of cost recovery, this is due to a reduction in expenditure budgets.

6. EQUALITIES IMPLICATIONS

- 6.1 Pursuant to the Equality Act 2010 ("the Act"), in the exercise of its functions, the Council has to have "due regard" to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are: age, race, disability, gender reassignment, pregnancy, and maternity, religion or belief, sex and sexual orientation and marriage and civil partnership.
- 6.2 In assessing the potential equality implications, the Council has taken into consideration the implications (both positive and negative) on those with protected characteristics and any mitigating actions to be taken, or where appropriate, the reason why a provision is the most proportionate means of achieving the Council's objectives.

- 6.3 The proposed changes will have a predominately positive impact on all occupants of extra care, hostel and age restricted accommodation, as seen at paragraphs 3.9 and 3.10; with 65% of those in extra care and age restricted accommodation having a reduction in the amounts they pay and 45% of those in general needs and licenced hostels seeing no change or a reduction in the amounts they currently pay. The Council recognises that occupants of its extra care and age restricted accommodation will normally fall within the protected characteristic of age and disability.
- 6.4 Whilst some of the Council's occupants will have an increase in the amounts they pay; the increase has been kept to a minimum; an increase of less than £2 per week for 44% of general need and licenced hostels and 15% for extra care and age restricted accommodation. Where the increase is more than £2 per week the Council has sought to mitigate the adverse impact by introducing a phased approach of up to £2 per week from April 2019. The Council has also ensured that there has been consultation with representatives of its Housing Tenant Involvement Group throughout the review process.
- 6.5 The Council recognises there will be an adverse impact on the 5 (1%) of occupants who will now have to pay a service charge for the first time and note that 4 out of the 5 occupants fall within the protected characteristic of age. However, the Council's objective in introducing these charges is to ensure that there is a fair and transparent charging structure. The Council considers that the introduction of these charges for all occupants is the most proportionate means of achieving this objective. The Council also notes that there will be social welfare payments available to support occupants who fall within a protected characteristic group, and where there is not, the Council recognises the need to keep under review the impact of these proposed changes to ensure that equality of opportunity is achieved.

7. HOUSING OVERVIEW AND SCRUTINY PANEL'S COMMENTS

- 7.1 The Panel considered and supported the proposals to change the service charges that tenants and occupants of extra-care, hostels and age restricted accommodation pay. The proposed structure and charges were felt to be fairer and more transparent. It was noted that the last review had been carried out in 2004 and the Panel were pleased to hear that service charges would be regularly reviewed in the future.

8. PORTFOLIO HOLDER COMMENTS

- 8.1 I am very pleased that an up to date review of Service Charges has taken place to ensure that our Service Charges remain appropriate and fair for our tenants. As the report shows, the majority of our tenants will see a reduction in Service Charges. Increases of £2 or more will be phased to ensure that our tenants have time to make the necessary adjustments. I know that the new management in Housing will keep Service Charges under review to ensure that we offer value for money for our tenants whilst fairly and reasonably apportioning Service Charges across the board.

9. CRIME AND DISORDER, ENVIRONMENT AND EQUALITY & DIVERSITY IMPLICATIONS

9.1 No direct implications.

10. RECOMMENDATIONS

10.1 That the service charges set out in Appendix 1 be approved and to be introduced in accordance with the timescales set out in section 3.

Further Information:

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