

12 July 2017		ITEM: 13 (Decision 01104434)
Cabinet		
Proposed Housing Revenue Account Service Charges		
Wards and communities affected: All	Key Decision: No	
Report of: Councillor Rob Gledhill, Portfolio Holder for Housing		
Accountable Head of Service: John Knight, Head of Housing		
Accountable Director: Roger Harris, Corporate Director of Adults, Housing and Health		

Executive Summary:

This report follows up on the Cabinet report of February 2017 which agreed to go out to consultation on proposed extensions to service charges in both general tenancies and sheltered tenancies.

This report proposes to extend charges in sheltered accommodation to all tenants but at a reduced rate from that proposed in February and phased over three years reaching £ 10 p.w. by April 2019.

For general needs tenancies the proposal is to extend the charges listed in 2.15.

A summary of the responses to the consultation is provided in section 5.

1. Recommendations:

- 1.1 That Cabinet notes the responses to the consultation carried out from March 1st to March 28th 2017 on the proposed changes to service charges for Council tenants.**
- 1.2 That Cabinet notes the actions which are planned as an outcome of the consultation to improve the service for sheltered housing tenants.**
- 1.3 That Cabinet agrees to the proposed changes to service charges for sheltered housing, starting at £ 5.00 pw from 1st October 2017, increasing to £ 8.00 pw from 1st April 2018 and then for all sheltered tenants to £ 10 pw from 1st April 2019.**
- 1.4 That Cabinet agrees to the proposed introduction of specific service charges for general needs tenants which are currently only paid by leaseholders, as detailed in 2.15**

2. Rationale for proposed changes

- 2.1 The report presented to Cabinet in February 2017 dealing with the Housing Revenue Account (HRA) budget as a whole included a recommendation that changes to the service charges model for current tenancies should be considered, and a consultation carried out in relation to the proposed changes. The consultation has since been completed, and this report summarises the results, and the options available to the Council.
- 2.2 As outlined in the February 2017 Cabinet report there are two main reasons for introducing these charges. First, to achieve a fairer system overall whereby those groups of tenants actually receiving a specific service are charged for them rather than the cost being borne by all tenants. Secondly, to secure extra revenue for the HRA overall which is seeing its income reduced by the 1% pa rent reduction and an increase in costs e.g. repairs costs increasing due the age and condition of some of the Council stock.
- 2.3 The proposals have been to Scrutiny on two occasions and Scrutiny Committee expressed its concerns over the proposals – in particular the extension of the charges for sheltered tenants. In recognition of this and in recognition of the comments received during the consultation the maximum charge by April 2019 has been reduced from £ 15pw to £ 10pw.

Sheltered Needs Housing:

- 2.4 A sheltered housing charge of £8.00 per week was introduced in October 2014 for new tenants only. As a result only a small number of tenants currently pay the charge (181 out of 1,256) although new and existing sheltered tenants receive identical services. The shortfall between the money collected from those currently paying and the full cost of the specialist service (i.e. mainly the Sheltered Housing Officers – SHOs) has to be met from overall rent revenue paid by all tenants including general needs tenants.
- 2.5 As stated above a charge for the enhanced housing management service to sheltered tenants was introduced for new tenants only in 2014. Extending this charge to all tenants and increasing it to £10.00p.w. by 2019/20 will enable the specialist service to sheltered tenants to be maintained at the current level and become self-funding, ending the current situation where rents collected from general needs tenants who do not receive the service are used to fund it.
- 2.6 The proposed charges are eligible for Housing Benefit and currently 72% of tenants in sheltered accommodation are on full or partial HB and so will not be affected by this proposal. So that means out of a total of 1,256 sheltered tenants the proposal will only affect approx. 300 households directly.

General Needs Housing:

- 2.7 In general needs housing, leaseholders are charged individually for the following housing management services - a) grounds maintenance, b) heating and lighting of communal areas, and c) lift maintenance and repair. However,

Council tenants do not pay these charges. As with the sheltered charge, other tenants who do not receive these services are effectively being charged for them, as their rents contribute to bridging the gap between the cost of these services and the amount charged to leaseholders.

- 2.8 Charges for some housing management services such as caretaking and concierge services are already in place and tenants and leaseholders both pay for those. The proposal contained within this report is that this principle, of paying for the services received, is extended to other services delivered to some tenants which are funded in future by charging only those that receive them.
- 2.9 As well as creating a more equitable charging model, the proposed extension of these charges will bring in some additional revenue. The resilience of the HRA is key to achieving the Council's ambitions to deliver new homes, maintain and improve the existing stock, and carry out the regeneration of the borough's social housing estates.
- 2.10 The pressures on the Housing Revenue Account (HRA) at the start of this new financial year from 1 April 2017 are significant. As reported in the February Cabinet report there are particular pressures in responsive repairs, where a 'stand-still' position in terms of expenditure would result in a £1m budget pressure. This is principally due to the quality of some of the existing Council housing stock. There are a number of priority areas in relation to both repairs and planned maintenance, including the loft insulation programme, the refurbishment of non-traditional properties on the Flowers estate, a selective programme to replace and upgrade defective and obsolete boilers, and a targeted programme to address damp and mould.
- 2.11 The proposed charges are all for specific housing management services which can be treated as part of the 'eligible rent' for Housing Benefit purposes and as part of the housing element of Universal Credit. 48% of general needs tenants overall are currently in receipt of full or partial housing benefit and so will not be affected by these proposals.
- 2.12 The earlier report also recommended a consultation exercise to give those tenants who would be affected an opportunity to comment on the proposal, and this exercise was carried out during March.
- 2.13 At present, charges are already made for caretaking services for all tenants receiving them, and for the concierge service in some high-rise blocks so the principle of applying specific charges is already established. In the case of other housing management services including grounds maintenance, lift maintenance, door entry systems, and electricity in communal areas, there are no individual charges, meaning that the rent collected from all tenants is used to fund services which only some of them receive.
- 2.14 As stated above a further inconsistency is created by the fact that leaseholders are already being charged individually for these items. The overall cost of providing these services is estimated at £2m. Charges to the

current 823 leaseholders contribute £60k, meaning that rents from all tenants, including those who do not receive these services, are used to fund the remaining £1.94m.

- 2.15 Using the cost of each service as the basis for the charges, the figures below show the amounts which would be charged in 2017/18 for general need tenants receiving each service. Only those tenants that receive the service e.g. people in a tower block with a lift, will be charged for that service. These charges will be reviewed annually.

The maximum weekly increase for a tenant not entitled to any Housing Benefit will, therefore, be £7.65.

General needs – service charge	Charge p.w. in 2017/18 (£) wef 1.10.17
Lift maintenance	1.05
Door entry system	1.11
Communal heating/lighting	0.49
Grounds maintenance	5.00
Total	7.65

This should be set against the fact that all tenants are seeing a reduction in their basic rent of 1% p.a. in the four years starting in 2016/17, when the HRA Business Plan projected increases in each year of CPI plus 1%. The positive impact on tenants of the adjustments to reduce basic rents is shown below. (Figures in column 3 reflect the application of the formula leading to increases of 1% in 2016/17, 2% in 2017/18 and 3.5% in both 2018/19 and 2019/20, based on the last confirmed CPI rate, for May 2017).

	Average Base Rent £ p.w.	After 1% Reduction £ p.w.	With increase projected in HRA Bus. Plan £ p.w.	Average Saving to Tenant £ p.w.
2016/17	87.34	86.46	88.21	1.75
2017/18	86.46	85.62	89.97	3.51
2018/19	85.62	84.76	93.12	8.36
2019/20	84.76	83.91	96.38	11.62

3. Results of the consultation exercise :

- 3.1 The Council consulted all tenants identified as being subject to the new charges during March 2017, using an online portal, a dedicated email address, traditional mail, and a dedicated telephone number in the Contact Centre. For tenants of sheltered housing a full programme of consultation meetings was also carried out, with every tenant invited to an open forum with a senior manager from the Adults, Housing and Health Directorate.

- 3.2 The results of the online portal exercise were collated in April. The responses recorded in this way include those tenants who called the dedicated phone line, where a Customer Services Officer entered responses on the portal on their behalf. A total of 125 responses were received during the 28-day consultation period, representing 1.5% of all those invited to participate (6,913 general needs tenants and 1,256 in sheltered accommodation)
- 3.3 Of the 125 respondents, 106 are in general needs properties, constituting 1.5% of the 6,913 general needs tenants contacted. Between 80 and 91 of this group were opposed to the introduction of each of the 4 specific charges referred to in the consultation (lift maintenance/repair, door entry, communal heating/lighting and grounds maintenance), while between 31 and 42 stated that they agreed the charges should be made. Taking the highest of these figures as an example, 91 tenants opposed the charge for grounds maintenance, representing 85% of those who took part and 1.3% of those contacted.
- 3.4 In addition to this, 4 general needs tenants responded via email, all of whom were opposed to the charges. No hard-copy letters were received from tenants in general needs stock. (A small number of enquires have also been received via members, mainly relating to exemptions from the grounds maintenance charge on the basis that a service is not being provided in their locale – one of these has already been conceded, while others are being further investigated to assess if the charge would apply)
- 3.5 Turning to tenants of sheltered accommodation, 18 responded online or by phone, which is 1.4% of the 1,256 tenants in the sheltered estate. The number opposed to the charge was 9, or 0.7% of those consulted. In response to the question, *'should the Council consider not providing the enhanced housing management service for sheltered housing tenants ?'*, 6 tenants replied 'Yes', which is 0.5% of sheltered tenants.
- 3.6 Attendance at the consultation meetings held in sheltered schemes was relatively high, with a total of 350 tenants participating - 27% of all sheltered tenants. A range of issues were discussed at these meetings, with the consensus of those present often being that the proposed charges were being set at too high a level, and that the impact would fall disproportionately on those tenants who do not qualify for Housing Benefit on the grounds that their income and/or other financial resources exceed the minimum levels set within the Housing Benefit scheme. Assurances were provided to these tenants that if they encounter difficulties paying their rent in future a full support package is available from the existing Rents and Financial Inclusion officers in the Housing service.
- 3.7 There were also a number of comments about the quality of the enhanced housing management service and the overall experience of living in sheltered housing. Whilst a high number of tenants spoke favourably of their Sheltered Housing Officers, others were concerned at their availability and at their responsiveness in responding to issues raised by residents. The discussions in a number of schemes made clear that many tenants remain attached to

some degree to the former service model whereby resident wardens were based in each individual complex. The costs and risks of this model were discussed in some meetings as part of setting out the full context of the proposal.

- 3.8 A commitment was given by senior management at these meetings to address the concerns of residents whether directly related to the proposal or not, and full details of all the issues raised under this heading were captured in every meeting. Work has begun to address a number of these 'burning issues' – for example at Jack Evans Court in South Ockenden new wooden doors have been ordered to replace the current glass doors, which tenants raised as a serious security concern. Officers are also bringing together an action plan to ensure that a consistent and responsive service is delivered by all staff working in the complexes.
- 3.9 Another main feature of these productive discussions was the condition of some of the communal spaces in the sheltered complexes. The Council will be working with one of the Transforming Homes contractors, Wates Ltd., to address this through a short-term project which will deliver on the company's commitment to delivering lasting social value in Thurrock. Full details of the Sheltered Housing Improvement Project ('SHIP') are being finalised, following consultation with tenants. The project will focus on gardens, communal halls, mobility sheds, and other 'shared spaces' to provide a benefit to all sheltered housing tenants. Individual repairs and planned maintenance issues identified during the consultation are being pursued separately with the relevant contractors.
- 3.10 A similar initiative is also being discussed with Mears Ltd., the responsive repairs contractor, to improve some of the shared areas in estates and elsewhere for the benefit of general needs tenants.
- 3.11 In light of the views of sheltered tenants as gathered through the consultation process, the service has modelled a reduction to the original proposal which would reduce the highest proposed level for the sheltered housing management charge from £15.00 per week in the second full year after introduction (i.e. 2019-20). The charges would be introduced in a phased way - £ 5.00 1st October 2017; £ 8.00 in April 2018; £ 10.00 1st April 2019. A review of budgets has been undertaken to achieve these reductions while preserving the principle that the cost of each specific housing management service should be borne by those tenants receiving it, rather than by the tenant body as a whole.

4. Options and recommendations

4.1 Option 1 – continue with the current arrangements

- 4.1.1 Retaining the current arrangements would mean that the anomalies set out above would continue, and would perpetuate a situation where some tenants are in effect subsidising, through their basic rents, the provision of services to other tenants which they do not themselves receive.

- 4.1.2 This would restrict our ability to support and develop our plans for the improvements in the repairs service, loft insulation programme and boiler replacements - reflecting both the cost of maintaining the stock at an acceptable standard and the financial impact of the imposed rent reduction, which has reduced the income previously projected from basic rents by over £2m since its introduction. (Current projections assume that the reduction is applied each year until 2019/20, with a 1% p.a. increase thereafter). By 2019/20 additional revenue from the proposed charges will be £3.12m, providing the opportunity for some key lines of expenditure to be maintained.
- 4.1.3 As an illustration of the value of the proposed charges, the overall cost of the three new-build schemes yet to commence (Calcutta Road, Claudian Way and Tops Club) is estimated at £33.9 million. The schemes will deliver a total of 117 units at an average unit cost of £200k. The amount to be collected through the revised proposal can thus be seen as representing the approximate cost of 8.5 new Council homes. In the context of the overall financial position facing the Council, and the large number of uncertainties confronting housing services in particular, the opportunity to augment the main revenue stream through this relatively predictable mechanism will assist in long-term planning and the building of more Council properties in the future.

4.2 Option 2 – proceed with original proposal

- 4.2.1 The previous Cabinet report envisaged a higher sheltered housing charge in future years (£15.00pw) than the revised proposal in this report (£10 pw) . While proceeding with the original proposal would maximise revenue, revisions to the original modelling means the overall package can be modified to address the concerns of some sheltered tenants without reducing the overall amount of income assumed in the original report. In light of this it is recommended that the opportunity is taken to mitigate the impact on sheltered tenants.

4.3 Option 3 – proceed with the modified proposal

- 4.3.1 This is the recommended option. The creation of a more consistent charging regime will address the features of the current arrangements which can be seen as inequitable, with leaseholders but not tenants paying some individual levies, and general needs tenants in effect partly subsidising the provision in sheltered housing of a specialist service they do not themselves receive. The limited data from the consultation exercise suggests that the principle that as a tenant you should *'pay for what you get'* is understood, and by no means universally opposed.
- 4.3.2 The service fully accepts that the corollary of this principle is that tenants also *'get what they pay for'*. In addition to the action plan mentioned above to improve the sheltered housing service, the changes to the charging regime will be used as a driver to improve the standards of all the relevant services provided to general needs tenants, and to give tenants clear guarantees for maximum response times and other performance measures.

5. Implementation

- 5.1 If either Option 2 or Option 3 above is approved, it is proposed that the council will proceed to implement the first phase of the charges during the current financial year to maximise revenue (without any backdating). Formal notices of variation will be sent to all affected tenants giving them 28 days to raise any objections to the inclusion of the charges on their account. Following the completion of this exercise, and changes to the Northgate housing database which will be made in the same period, we expect to be in a position to implement the revised charging arrangements on October 1st 2017.

6. Implications

6.1 Financial

Implications verified by: **Julie Curtis**
HRA and Development Accountant

As outlined in earlier reports the HRA is under pressure due to a range of internal and external factors. The proposed changes to the Council's approach to service charges will have the effect of increasing the level of revenue coming into the HRA to maintain expenditure in key areas.

The financial estimates given in earlier reports have been subject to further investigation and now reflect more accurate data about the number of tenants paying each specific charge in future. Based on the phasing proposed in this report (and assuming a void rate across all stock of 1.5%) the combined effect will be to increase revenue by the following amounts each year :

2017/18 : £ 1,157,626

2018/19 : £ 2,722,418

2019/20 : £ 3,112,036

6.2 Legal

Implications verified by: **Chima Obichukwu**
Housing solicitor

The Council has a legal obligation to review the Housing Revenue Account and ensure that it does not go into deficit. In addition, determinations made under the Local Government and Housing Act 1989 prescribe what can be charged to the HRA and the calculations of those charges.

The current tenancy agreement includes provision for the Council to introduce reasonable charges for specific housing management services. If the proposed changes are agreed each tenant will be entitled to receive an individual Notice of Variation giving them at least 28 days' notice of the change and allowing them to appeal. Officers from legal services were involved in taking the proposal through consultation and will continue to work

closely with Housing staff to ensure full compliance with the statutory framework at every stage.

6.3 **Diversity and Equality**

Implications verified by: **Rebecca Price**
Community Development Officer

The HRA Business Plan and budgets for 2017/18 reflect the Council's policy in relation to the provision of social housing with particular regard to the use of its own stock. In addition to the provision of general housing, the HRA incorporates a number of budgetary provisions aimed at providing assistance to residents with protected characteristics. This includes adaptations to the stock for residents with disabilities.

The proposed changes to service charges in sheltered housing will affect those elderly, disabled and/or vulnerable residents occupying this form of accommodation; however, this reflects the nature of some housing provision as set out above.

The impact on individual tenants in both sheltered and general needs units has been assessed through an equality impact assessment, informed by the feedback from tenants through consultation and engagement as set out in section 5. This has identified future actions for monitoring as the scheme is implemented, depending on the options agreed by Cabinet.

Report Author:

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