

<b>Report To:</b>	<b>CABINET</b>
<b>Date:</b>	<b>25<sup>th</sup> JANUARY 2022</b>
<b>Heading:</b>	<b>INTRODUCTION OF SERVICE CHARGES FOR SHELTERED SCHEMES AND GENERAL NEEDS FLATS (COUNCIL OWNED HOUSING STOCK)</b>
<b>Portfolio Holder:</b>	<b>DEPUTY LEADER AND PORTFOLIO HOLDER FOR COUNCIL AND SOCIAL HOUSING – CLLR TOM HOLLIS</b>
<b>Ward/s:</b>	<b>ALL</b>
<b>Key Decision:</b>	<b>YES</b>
<b>Subject to Call-In:</b>	<b>YES</b>

## **Purpose of Report**

To seek approval to introduce service charges at 9 sheltered schemes and 21 blocks of general needs flats from 4th April 2022.

This report sets out the background for the proposed introduction of service charges to 688 properties that are owned by Ashfield District Council. The service charges are to recover partial costs for a range of services to tenants which have not been recovered in the past including: -

- Electricity for communal lighting
- Cleaning of communal rooms, areas, hallways, corridors and staircases
- Window cleaning in communal areas
- Fire alarm systems

## **Recommendation(s)**

Members are requested to:

1. Note the content of this report and the consultation undertaken with tenants.
2. Agree to vary the Tenancy Agreement.
3. Approve the introduction of a service of £3.00 per week to be collected over 48 weeks in line with the rent collection, for communal housing court schemes (addresses specified in appendix 1).
4. Note that the charge will be reviewed annually in line with operating costs and inflation.

## **Reasons for Recommendation(s)**

- To introduce a service charge to recover some of the costs of managing, maintaining and providing specific services in addition to the basic rent at the addresses specified in appendix 1.
- To meet the requirements of the Regulator of Social Housing as set out in the “Neighbourhood Standard” and the Rent Regulations.

## **Alternative Options Considered**

The introduction of the service charge is to recover costs from the specific tenanted properties for extra services they specifically receive in the communal areas of the properties they occupy. To not introduce the service charge would mean that the communal costs of these properties are being subsidised by other tenants not in receipt of those services. i.e., other rent payers with no communal charges.

A further alternative consideration would be to recover the full cost of communal services as provided to specific blocks and/or schemes. The highest potential service charge under this criterion is £25.66 per week. This is deemed unsuitable in the current economic climate and may place a disproportionate burden on the more elderly and vulnerable tenants. **Not recommended**

## **Detailed Information**

### **1. Background**

- 1.1 A service charge is a payment made by a resident towards the cost of providing and maintaining communal areas and facilities.
- 1.2 Tenants in sheltered schemes and general needs flats benefit from the provision of a range of services including: -
  - Communal Lighting
  - Cleaning of communal rooms, areas, hallways, corridors and staircases
  - Window cleaning in communal areas
  - Fire alarm systems

N.B. The above may vary dependent on whether a tenant lives in a general needs flat or sheltered scheme.

- 1.3 The introduction of stand-alone service charges for tenants is a new approach for Ashfield. The actual costs of the communal facilities do not form part of the rent charged to tenants (as the rent only covers the curtilage of the individual property) and they have not been recovered from tenants/leaseholders in the past; nationally service charges are used extensively in the private sector whilst a significant number of Councils and Housing Associations have already introduced greater flexibility to their rent setting structures through the introduction of service charging.
- 1.4 It should be noted that the income and expenditure of service charges comes under the Housing Revenue Account and that the Council has a duty to maintain (and achieve) a viable 30-year HRA business plan to ensure that it can maintain its existing housing stock in a

decent and safe manner across the duration of the plan. The increasing financial pressures on the Council, particularly relating to inflation, material costs and additional regulatory and climate change compliance, means that it is now necessary to consider applying service charges to new and existing tenants who live in blocks of flats and courts. The Council's rents are comparatively cheaper than other rented properties in the District, whilst equally they are also below the general average rent regionally. As per the latest official data published by the Government Department MHCLG (year 2019/20), the average rent for a Council property (before any service charges are added) in the East Midlands is £7.44 per week more than in Ashfield. Mansfield District Council's average rent is £6.11 per week more and Newark and Sherwood District Council's average rent is £11.16 per week more.

- 1.5 It is important that the Council recovers expenditure attributed to service charges to enable delivery of services as well as support and meet the HRA's 30-year Business Plan assumptions. Despite significant efficiencies and service modifications achieved over recent years the service still cannot produce a fully funded 30-year plan incorporating all known future regulatory requirements without looking towards maximising its income. The service charge items represent a significant cost to the business plan, and it is anomalous not to recover some or all of these costs.
- 1.6 The expanding (sector wide) role of the Regulator for Social Housing means that Councils are now subject to rent regulations. The regulations clearly state that social housing providers need to charge for services in a fair and consistent way which can be accounted for.
- 1.7 It also the case that under the Regulator for Social Housing's "Neighbourhood Standard" a review of standards in communal areas is required; specifically, the cleaning of communal areas needs to be considered for enhancement based on current service provided, along with the production of a service standard for tenants supported by regular inspections of communal areas to check that the standards are being achieved. Note all social housing landlords must comply with the Regulator for Social Housing's "Neighbourhood Standard".
- 1.8 A variation of the tenancy agreement is required to permit the introduction of new service charges.

## **2. Current position**

- 2.1 All Council tenants pay a weekly rent under the terms of their tenancy agreement. The cost of services delivered are recovered through the HRA across all rents.
- 2.2 The budgets provided for current services to courts and blocks stands at £243,116 per annum. Currently these services are not being charged specifically to tenants who are in receipt of them.
- 2.3 It is proposed to levy a service charge of £3.00 per week from 4<sup>th</sup> April 2022. This will generate an annual income of £99,072 which will contribute to the costs of the following: -
  - *Communal electricity*
  - *Communal cleaning (windows and generally)*
  - *Provision and maintenance of fire alarm systems (where applicable)*
- 2.4 Positively most service charges qualify for Housing Benefit/Universal Credit and in most cases, welfare benefits will meet the charges that our tenants have to pay as a condition of occupying their home. With the introduction of Universal Credit (which is paid directly to

tenants) it is difficult to specifically determine what proportion of tenants will receive support with their service charge, it is estimated that around 71.9% of tenants affected by the charge will receive some form of state support for the payment of any new charge brought in. This proportion may well be higher as the estimate is purely based on those tenants that we know are in receipt of benefits. (Data extracted from the Housing Capita system Oct 2021).

### **3. Consultation**

- 3.1 Any significant change to the Tenancy Agreement is accompanied by a requirement to consult. The process, requirements and timeframe for consultation are set out as a prescribed process in Section 103 of the Housing Act 1985.
- 3.2 The two primary areas to be noted are the issuing of a 'Preliminary Variation Notice' and a 'Variation Notice'. The Preliminary Variation Notice must be served on all Council tenants holding secure and introductory Tenancies.
- 3.3 The Preliminary Notice informs the tenant of the Council's intention to serve a Notice of Variation and is the primary method of consulting each tenant to obtain their views on the changes proposed to the Tenancy Agreement.
- 3.4 The Preliminary Notice along with a frequently asked questions summary sheet (please see appendix 2) was posted out prior to the formal consultation commencement date (6<sup>th</sup> December 2021). The Notice outlined the proposed change, the effect of the change and the reason for the change. Feedback on the proposal was invited and a 4- week period was allowed for responses to be made. In addition to the Preliminary Variation Notice additional consultation also included holding 9 drop-in sessions at sheltered housing schemes, giving tenants an opportunity to ask any questions.
- 3.5 All tenant feedback received has been collected and formally considered in a minuted meeting providing a record showing that the comments were considered. Please see appendix 3 for a summary of the feedback received.
- 3.6 The next stage, if the service charge is approved, is to serve a formal Notice of Variation on all affected tenants. The Notice will again detail the changes and will also include a date no less than 4 weeks following service of the Notice, when the change will become effective. The Notice will also formally notify tenants where to find the service standard and cleaning rotas for their block or scheme i.e., sheltered housing schemes (notice boards) and general blocks (on the Council's website) along with details of how to report any concerns.
- 3.7 The communal cleaning service standard will detail the standards that residents can expect include type of cleaning and frequency. The cleaning standards will be subject to monitoring and audit, through regular site inspections to ensure that the cleaning is satisfactory. Surveys of residents will also be undertaken to assess the level of satisfaction with the cleaning.
- 3.8 Service charge expenditure will be closely monitored, and charges reviewed at the same time as the rent is reviewed (annually). Where possible charges will be set at a level that will cover the costs of services provided. For the first-year charges have been capped at £3 per week, this is below the actual costs of the services. If the Service Charge is approved, the change to the existing tenancy agreement and all new tenancy agreements will automatically take effect on the 4th April 2022.

## **Implications**

### **Corporate Plan:**

The introduction of service charges contributes to the Council's objectives in generating income. The financial position of the HRA has a direct impact on delivery of key objectives in the Corporate Plan. Sustainability of the HRA will assist in maintaining existing homes and increase the supply of affordable homes in the District in the future.

### **Legal: [RD 10/01/2022]**

The Council is required to comply with the Housing Act 1985 section 103 in relation to Notice of Variation of the tenancy. The recommendations contained in this report ensure compliance with the Housing Act 1985 and the requirement to consult with tenants.

### **Finance: [PH 05/01/2022].**

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	N/A
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	The increasing financial pressures on the Council means that it is necessary to consider how to apply service charges to new and existing tenants who live in blocks of flats. The introduction of service charges will raise additional income for the Housing Revenue Account (HRA). The proposed £3 per week Service Charge will generate circa £99k additional income per annum.
Housing Revenue Account – Capital Programme	N/A

### **Risk:**

<b>Risk</b>	<b>Mitigation</b>
Rents do not cover the cost in delivering services to tenants.	Service charges to be introduced and reviewed annually.
The Council does not comply with the Neighbourhood Standard as set out by the Regulator of Social Housing	Cleaning based on a defined service standard introduced in communal areas (general needs flats) as outlined in this report.

### **Human Resources:**

No adverse Human Resources implications have been identified.

## **Environmental/Sustainability:**

Introduction of the service charge will improve the environment for tenants and will also ensure compliance with the Regulator for Social Housing's "Neighbourhood Standard".

## **Equalities:**

An equality impact assessment has been undertaken. This assessment identified that there will be a minimal impact on a small number of tenants (Socio Economic – Deprivation), although through consultation tenants' have not raised this as a major issue. If tenants are on low income, they can apply for assistance for Housing Benefit/Universal Credit as the charge is means tested. Where affordability is an issue, Housing's Money Management Advisors can undertake financial assessments with tenants and look to maximise income where possible.

## **Other Implications:**

There are no IT implications. The required changes to recent accounts can be made using existing software.

## **Reason(s) for Urgency**

*Not applicable*

## **Reason(s) for Exemption**

*Not applicable*

## **Background Papers**

Please see the Appendices to the report.

## **Report Author and Contact Officer**

### **Report Author:**

**Nicky Moss**

**Assistant Director – Housing Management and Tenancy Services**

**01623 608877**

**[nicky.moss@ashfield.gov.uk](mailto:nicky.moss@ashfield.gov.uk)**

### **Sponsoring Director:**

**Paul Parkinson**

**Director of Housing and Assets**

**[Paul.parkinson@ashfield.gov.uk](mailto:Paul.parkinson@ashfield.gov.uk)**