

AGENDA ITEM NO.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to	Executive Committee
Date	04/11/13
Subject	Service Charges for Tenants and Leaseholders
Portfolio Holder(s)	Councillor Ken P Hughes
Lead Officer(s)	Shan L Williams, Head of Housing Services
Contact Officer	Darren Gerrard, Financial Systems Manager, Housing Services
Nature and reason for reporting The report outlines the current arrangements of the Council for raising service charges, the scope for introducing service charges as well as highlighting some of the issues involved. A Service Charge is an amount paid by a tenant for extra landlord services, such as communal heating and lighting, which are not covered by the rent. Most Service charges, apart from those which relate to individual properties, can be met by Housing Benefit if the Tenants qualify for assistance. All other Registered Social Landlords and stock-retaining Local Authorities across Wales are already charging service charges on their Tenants. Now is an opportune time to look at introducing the service charges, as part of a collaborative project with Denbighshire, Flintshire and Wrexham Councils, and through jointly sharing the cost of expert assistance and support from HQN [Housing Quality Network], will result in the uniform and transparent process of developing the approach. Until March 2012, grass cutting for all Council Tenants aged over 60 years of age and those registered as disabled was funded from a particular grant, which has now come to an end. This meant that Housing Services paid for grass cutting during 2013/2014, from its rental income. Continuing this in future years is clearly not sustainable. To this end, this work will look at limiting the free grass cutting service to those over 70 years of age and those registered as disabled. Before any service charges are introduced, there will be a formal consultation period with our Tenants and with Leaseholders [in the event of any new or additional charges being introduced for Leaseholders].	

A – Introduction / Background / Issues

The Council has 3,805 tenancies and 120 leaseholders which receive a variety of services, including, but not limited to:

- Sewerage
- Other utilities
- Grounds maintenance
- Grass cutting
- Cleaning
- Lifts
- Door entry systems
- TV aerials
- Fire safety equipment.

The Council currently charges service charges to 61 leaseholders for grounds maintenance services. Leasehold service charges sit within the Council's Finance Service.

The possible timescale for introducing service charges for grass cutting is in April 2014, and other services in September 2014.

The approach will be as follows:

The Project will be divided the work into three stages:

Stage one – review and assessment of available documentation, structures and IT [the subject of this report]

Stage two – implementation and roll out

Stage three – post implementation review.

B - Considerations

Stage one of the Service Charge project has identified the following issues for consideration:

Rent policy

Current rents are below target rent and therefore there is limited scope for reducing rents prior to the introduction of service charges. HQN has been advised that the Welsh Government new rent policy will be published in the next two weeks. The Welsh Government has also indicated that the timescale for the introduction of the new rent policy has not yet been finalised. In addition it is not yet clear whether the new rent policy will include guidance on depooling of service charges.

Tenancy Agreements

All tenants have very similar tenancy agreements covering secure, non-secure and introductory tenancies. The tenancy agreements allow for service charges under clause 4.1 and do not restrict the Council to an annual increase in charges.

Practical implementation

Service charges are currently added to tenancy agreements manually by housing officers. The Council uses the Orchard Housing Management system. The Orchard Service Charge module has not yet been implemented. Implementation of the service charge module will be key to achieving the proposed timescales for service charges.

The Civica finance system will, in the future, interface with the Orchard system. The Council's draft arrears policy, which has not yet been implemented, will need to be reviewed to ensure it includes service charges.

Grounds maintenance and grass cutting

The Council currently has three contracts (with one contractor) in place for grounds maintenance and grass cutting:

Sheltered – providing 13 cuts a year to private and communal gardens to 491 properties

Council – covering ten cuts a year to 700 private gardens of tenants who are over 60 or disabled or where no one in the household is capable of cutting the grass

Urban – providing grass cutting service for communal spaces and Highways.

Housing Services are charged in excess of £100k for the above contract.

The Council's service contract for tenants' private gardens is based on a workload of 700 gardens. The introduction of charges for this service, which is currently free, is likely to mean some tenants will decide that they no longer require/cannot afford the service. This potentially has implications for the cost per garden, which will increase if significant numbers of tenants decide they no longer need the service, or the contract may need to be renegotiated, at the first possible break period specified in the contract. The Council will need to review the Urban contract to identify the land which comes under the HRA and the land which falls under the general fund. This will also involve identifying those properties which benefit from HRA land and need to be included in the service charges.

The ability to recover grounds maintenance and grass cutting charges from leaseholders and freeholders of properties purchased from the Council under the Right to Buy [RTB] depends on the lease or conveyancing agreements. The Council have supplied a copy of the current RTB lease which will be reviewed in due course by HQN. The Council will need to take advice from Legal Services with regard to whether charges can to be levied on the freehold purchased properties.

Tenant satisfaction

From the 2012 tenant satisfaction survey 5.4% were dissatisfied with the value for money of overall estate services provided by housing services and the same percentage are dissatisfied that the rent is value for money. In addition 11.9% are dissatisfied with the cleaning and upkeep of communal areas, 9.9% are dissatisfied with repairs to communal areas, 10.5% are dissatisfied with the overall appearance of their neighbourhood.

In the section on 'your neighbourhood', rubbish and litter received the second highest rating when ranking issues as a major problem with 14.9% believing it is a major problem. 16% said they were dissatisfied with the grounds maintenance service and 7.4% were dissatisfied with estate services overall. These tenant satisfaction survey results present a challenge to the Council when introducing service charges. This satisfaction survey was being conducted when tenants were not paying directly for these services and show dissatisfaction with the current service exists.

Approach to implementation

The outcomes from stage one will be the development of an approach and financial model that could be used by the Council to administer and calculate the administration and service costs for tenants and leaseholders for the 2014/15 estimated accounts.

A detailed implementation plan for the roll-out will be developed. This will be based on the findings from stage one and most importantly the risk assessment. One of the things that the the Service will need to consider and agree is whether a pilot should be undertaken prior to full roll out. There are a number of benefits of running a pilot. Project management across all four local authorities will be provided by HQN. A project team has been established within the Housing Services which also includes the Housing Accountant and an officer from Revenues and Benefits.

C – Implications and Impacts		
1	Finance / Section 151	Awaiting comments
2	Legal / Monitoring Officer	No comment
3	Human Resources	No comment
4	Property Services (see notes – seperate document)	No comment
5	Information and Communications Technology (ICT)	
6	Equality (see notes – seperate document)	
7	Anti-poverty and Social (see notes – seperate document)	
8	Communication (see notes – seperate document)	
9	Consultation (see notes – seperate document)	The consultation process with Tenants and Leseholders will take place during stage two of the Project.
10	Economic	
11	Environmental (see notes – seperate document)	
12	Crime and Disorder (see notes – seperate document)	
13	Outcome Agreements	

CH - Summary

The report outlines the current arrangements of the Council for raising service charges, the scope for introducing service charges as well as highlighting some of the issues involved.

D - Recommendation

R1 that the Executive Committee gives approval for the Head of Housing Services to enter into the collaborative project with other North Wales stock-retaining Authorities

R2 that the Executive Committee accept the findings and recommendations from stage one [this Report]

R3 that the Executive Committee approves that the Housing Services proceed to stage two, implementation and roll-out

R4 that a further report detailing costs is presented to the Executive Committee, post consultation with Tenants and Leaseholders.

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Job Title

Date: 17/10/13

Appendices:

Appendix 1: Types of service charge

Background papers

Appendix one

Type of service charges

Below are the broad headings for types of service charge:

- Staffing costs (eg, cleaners)
- Heating and hot water fuel charges
- Light and power to communal areas
- Cleaning and refuse disposal
- Carpets and furnishings
- Laundry equipment, white goods and specialist equipment
- Building plant, equipment and installations
- Television systems
- Leisure facilities
- Gardens and grounds
- Roads and car parking
- Water supplies and sewerage charges
- Management costs
- Audit fees.

Eligibility for Housing Benefit

Most service charges qualify for Housing Benefit. Full details are set out in the Housing Benefit Regulations 2006, Statutory Instrument 2006 No 213, as amended. Under Regulation 12 Housing Benefit will meet the charges that a tenant has to pay as a condition of occupying their home except those charges that are ineligible. Regulation 12(e) in particular states: *Payments of, or by way of, service charges, payment of which is a condition on which the right to occupy the dwelling depends.*

Schedule 1 (and Part 1) lists those costs that are ineligible for Housing Benefit:

- Most charges in respect of food
- Laundry (other than the provision of premises or equipment to enable a person to do his or her own laundry)
- Leisure items such as either sports facilities (except a children's play area) or television rental and licence fees (unless it is the only practicable means of receiving the standard TV channels)
- Cleaning of rooms and windows except cleaning of communal areas
- The exterior of any windows where neither the claimant nor any member of his or her household is able to clean them where payment is not made in respect of such cleaning by a local authority (including in relation to England, a county council) or the National Assembly for Wales to the claimant or his or her partner or to another person on their behalf
- Transport
- Charges in respect of furniture or household equipment and the use of such furniture or equipment where it will become the property of the claimant by virtue of an agreement with the landlord
- Charges in respect of the provision of an emergency alarm system
- Charges in respect of medical expenses (including cost of counselling relating to mental disorder, mental handicap, physical disablement or past or present alcohol or drug dependence)
- Charges in respect of the provision of nursing or personal care (including assistance at meal-times, or with personal appearance or hygiene)
- Charges in respect of general counselling or any other support services
- Charges in respect of any services not specified above which are not connected with the provision of adequate accommodation.

Schedule 1 and Part 2 (Payments in respect of fuel charges)

A service charge for fuel except a charge in respect of services for communal areas shall be ineligible to be met by Housing Benefit. 'Communal areas' means areas (other than rooms) of common access (including halls and, passageways) and rooms of common use in sheltered accommodation.