

SERVICE CHARGES UPDATE

Report of the Director & Company Secretary

1. SUMMARY OF REPORT

To update the local board on progress with the review of service charges and the implications for tenants and funding.

2. RECOMMENDATION

That the local board discuss and provide feedback, as well as noting the wider consultation process.

3. MATTER FOR CONSIDERATION

- 3.1 A report was presented at the Local Housing Boards in September 2009 which explained the principle of 'unpooling' costs from rents and introducing service charges for specific services.
- 3.2 There are two main benefits to un-pooling service charges:
1. The calculation of housing element subsidy ignores service charges. This means service charge income remains within the Council's Housing Revenue Account and is available to meet the cost of the relevant services. Introducing the proposed service charges will release further funding to the Housing Revenue Account.
 2. The costs for a specific service will only be charged to those properties receiving the service which is a fairer method of calculating both rents and service charges.
- 3.3 In some cases, where a new charge is introduced to unpool costs, the rent for that home is reduced. So when the charge is brought in the tenant should see little or no difference to the overall amount they pay. We expect new 'unpooled' charges to be eligible for Housing Benefit.
- 3.4 A detailed exercise has now been completed to calculate the charges for the first phase of the project. A report was presented to Derby Homes Board on 26 November 2009 and the proposed charges are included in the appendices.
- 3.5 Service charges are being introduced in phases, with phase 1 planned to be implemented from April 2010:
- Grounds maintenance (not including tree maintenance at this stage)
 - Smoke alarms (to provide, maintain and replace)

- Review of domestic energy/water usage for Whitecross House, Rebecca House and Kestrel House, to bring in line with current energy costs.
- 3.6 Detailed costing exercises are currently being completed for the second phase of service charges. These are:

Review of cleaning and caretaking charges for communal areas

The service is being reviewed and an enhanced service is planned to be introduced for certain blocks of flats and sheltered schemes. It is proposed to replace any existing communal cleaning service charges with new charges which clearly reflect the cost of the service being provided.

Communal facilities for flats and sheltered schemes

This will be a charge for the energy costs for communal areas and any additional costs of providing communal facilities. This is a new charge which will be introduced for flats. There are existing accommodation charges for sheltered schemes which will be replaced by this new charge.

Review of furnished tenancies

This review will ensure the service charges reflect the current cost of providing furnished tenancies.

- 3.7 The decision to implement changes to service charges will be taken by the Council. Derby Homes Board has approved the methodology for calculating the charges in phase 1 and recommended Council Cabinet approve the introduction of phase 1 charges from 6 April 2010. This report seeks to update Local Housing Board on progress towards implementation.

4. CONSULTATION IMPLICATIONS

- 4.1 Unpooling of service charge costs will have a significant positive impact on the HRA. It will help to make up the gap between the income we receive and the higher cost of providing the level of service that tenants expect.
- 4.2 Presentations have been given and discussions held at Housing Focus Groups and SHOUT meetings in September 2009.

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

- 5.1 The proposed new charges for Grounds Maintenance are detailed in Appendix 1. The proposed new charges for Smoke Alarms are detailed in Appendix 2.
- 5.2 Derby City Council Benefits team have indicated the service charges for grounds maintenance and smoke alarms will be eligible for Housing Benefit subject to any legislative changes
- 5.3 The proposed revised charges for domestic energy/water are detailed in Appendix 3. This charge relates to domestic use within sheltered properties and is not eligible for housing benefit. The increases will be paid by tenants.

The areas listed below have no implications directly arising from this report

- Legal and Confidentiality
- Environmental
- Equalities Impact Assessment
- Health & Safety

If local board members or others would like to discuss this report ahead of the meeting please contact the author, or the Chief Executive, phil.davies@derbyhomes.org - Tel 01332 711010

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Background Information: None

Supporting Information: None