

## HOUSING COMMITTEE

9 APRIL 2019

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<b>Report Title</b>	<b>DE-POOLING OF RENTS AND SERVICE CHARGES</b>
<b>Purpose of Report</b>	To inform members of the potential to consider areas for improvement and transparency in the way we identify set and recover service charges and rents through de-pooling. To gain the approval of the Committee to carry out further investigation into implications of de-pooling.
<b>Decision(s)</b>	<b>The Committee RESOLVES to Authorise officers to carry out further investigation and bring a report back to Committee setting out potential options at a later date.</b>
<b>Consultation and Feedback</b>	<ul style="list-style-type: none"> <li>• Working group established and consulted with on 21 February 2019</li> <li>• Chair and Vice Chair of Housing Committee</li> </ul>
<b>Financial Implications and Risk Assessment</b>	<p>The proposed method of implementing de-pooling would protect existing tenants from any overall increase in cost by reducing rents by the same amount as the new service charges. Therefore there would be little impact on the HRA over the short to medium term.</p> <p>There would be a gradual increase in income over the long term as social rented properties are re-let, with services charges and rents charged in full.</p> <p>The resource needed for investigating and implementing de-pooling is largely officer time. There are, however, additional costs for external specialist consultants, the cost of consultation with tenants, and provision to amend the tenancy agreement for all tenants. This will need to be considered as part of budget setting for 2020/21.</p> <p>Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: <a href="mailto:lucy.clothier@stroud.gov.uk">lucy.clothier@stroud.gov.uk</a></p> <p>Continued interrogation of systems and associated charges both internally and externally will ensure that committee makes their decision with all of the relevant information presented.</p>

<b>Legal Implications</b>	There are no legal implications at this stage, but if there is a proposal to de-pool charges in the future, consultation will need to be carried out with affected tenants.
<b>Report Author</b>	Patricia Andrade – Tenancy Operations Manager Tel: 01453 756143 Email: <a href="mailto:patricia.andrade@stroud.gov.uk">patricia.andrade@stroud.gov.uk</a>
<b>Background Papers/ Appendices</b>	Appendix A List of service charge elements that currently attract Housing Benefit Appendix B Ward Map

## 1. Background

- 1.1 Whilst we currently levy service charges to tenants of flats, sheltered schemes and leaseholders, there are a number of charges we incur in the delivery of our housing service which are funded not as a service charge but as part of our rental income, grounds maintenance for example.
- 1.2 This has been the case for many decades, being very much a legacy of a common standard of practice. This; however, is not an ideal situation, indeed rent is expected by government to cover a charge for the occupation of a home including its management and in many cases, its repair, whilst charges for services, such as: communal facilities, car parking, grounds maintenance, communal area heating, cleaning, communal area fire detection and many other costs being regarded as a service charge.
- 1.3 This presents problems to social landlords in terms of how these charges are apportioned, for example, the use of communal areas on an estate, when use is not clearly identified for any specific tenants. As a result, for these and many other reasons, many such charges have been pooled and funded via rental income.
- 1.4 There is a strong argument that this situation should change, the issues associated with this being:
- We should be charging them separately anyway
  - We will be charging more specifically for services people receive
  - We will be avoiding cross subsidy where others pay through a pooled system for services they do not receive separating them
  - We are being transparent about what people are paying for enabling tenants to see the cost of a service received and are better placed and informed to assess value for money
- 1.5 It should be noted that charging separately for services creates a fairer charging basis and costs are not subsidised by the wider tenant body, this does create the issue that those tenants who receive services may have to pay more or decide that the services are not something they wish to receive.

- 1.6 Some services will have to continue to be delivered, for example the grounds maintenance cutting regime, we could (subject to consultation) reduce the number of cuts per year to reduce the cost.
- 1.7 Certain services are subsidised by the wider HRA, and funded through rental income. Therefore, tenants are not able to see how much they are paying for the service or what they are paying for. It may also mean that through their rent some tenants are contributing towards services, which they do not receive.
- 1.8 Consideration is always given to affordability and as such we would not be imposing any service charges that place tenants at financial risk. A list of service charge items that fall within Housing Benefit is available at Appendix B.

## **2. Impact of De-pooling**

### **2.1 Older Persons Strategy**

- 2.1 The work embraced within the older persons strategy regarding future projects and development of sheltered housing is a crucial link to this project where clear service charging applies to all sites but the offer of what services are available and indeed wanted are clearly defined by each location.
- 2.2 This enables the development of bespoke charging elements that meets the need of tenants at each site and moves away from the blanket charge that currently applies (£25.22 plus subsidy from the HRA) and has been a matter of some issue for a number of our tenants who have been quite vocal about the unfairness of a blanket charge.
- 2.3 The strategy emphasis is very much based upon enabling older persons to live in their homes independently fitting in with the current strategic approach of Gloucestershire County Council and their development of the Housing with Care Strategy.

## **3. Central Government Advice**

- 3.1 The Ministry of Housing, Communities and Local Government (MHCLG) state that local authorities should consider apportioning the costs to individual homes. It is recommended that charges be de-pooled because this makes the charging structure equitable and fair for all
- 3.2 Government issued guidance on De-pooling in 2002 entitled “A Guide to Social Rent Reforms in the Local Authority Sector” states that rents are generally taken to include all charges associated with the occupation of a dwelling, such as maintenance and general housing management services.
- 3.3 Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal

facilities rather than particular to the occupation of a dwelling. Examples are cleaning, caretaking, communal electricity.

- 3.4 MHCLG did not make de-pooling compulsory but approximately 95% of local authorities and Registered Providers nationally have de-pooled their charges, although it is worth noting that compulsory de-pooling was introduced in Wales in 2016.

#### 4. Property Profiling

- 4.1 De-pooling will apply only to those who have shared common areas. The Council has 5,044 properties, of which 1,509 are flats, where a minority of service charges are currently applied, and 790 sheltered properties where service charges have been partially de-pooled.
- 4.2 There is no legal definition for an estate, therefore, Stroud District Council can determine the parameters for this. Appendix B is an example of the estate boundaries, which could exist.

#### 5. General needs

- 5.1 De-pooling involves separating out these costs and charging them as a service charge. For example, current tenants who live in dwellings with communal, shared areas would be charged on the following basis.

<b>Example of de-pooling on rents</b>			
Before de-pooling	£	After de-pooling	£
Rent	80.00	Rent	74.00
		Communal Electricity	2.00
		Communal Cleaning	2.00
		Block Grounds Maintenance	1.00
		Estate Maintenance	1.00
<b>Total Weekly Charge</b>	<b>80.00</b>	<b>Total Weekly Charge</b>	<b>80.00</b>

- 5.2 At present, all tenants regardless of whether they receive these services or not share the costs. Current types of costs, which some are partially subsidised by the HRA are:

- Sheltered housing
- Communal cleaning
- TV relay (communal aerial)
- District heating
- Water Charges

5.3 Examples of services, which are currently provided, but not charged separately:

- Door entry systems
- Electricity in communal areas
- Window cleaning in communal areas (and flat blocks)
- Communal grounds maintenance (surrounding flat blocks)
- Estate grounds maintenance (grassed areas, play areas, trees, rubbish removal/fly tipping in HRA estates)
- Street lighting (where provided by the HRA)
- Septic tanks

## **6. Summary**

6.1 Further work is needed to look in greater detail at precisely what can be reasonably de-pooled, the costs of this, impact on the HRA, and impact on tenants in terms of revised charges and rents.

6.2 It is proposed that we continue this review during 2019, with a report brought back to this committee on findings and recommendations.

**List of Service Charge elements that current attract Housing Benefits**

**Maintaining the general standard for accommodation**

- Internal areas of communal use such as hallways corridors and rooms include lighting and emergency lighting.
- The external and internal cleaning of windows of communal areas only when the tenant does not live on the ground floor.
- Health and Safety charges for Legionnaires, fire risk assessments, electrical test and pest control

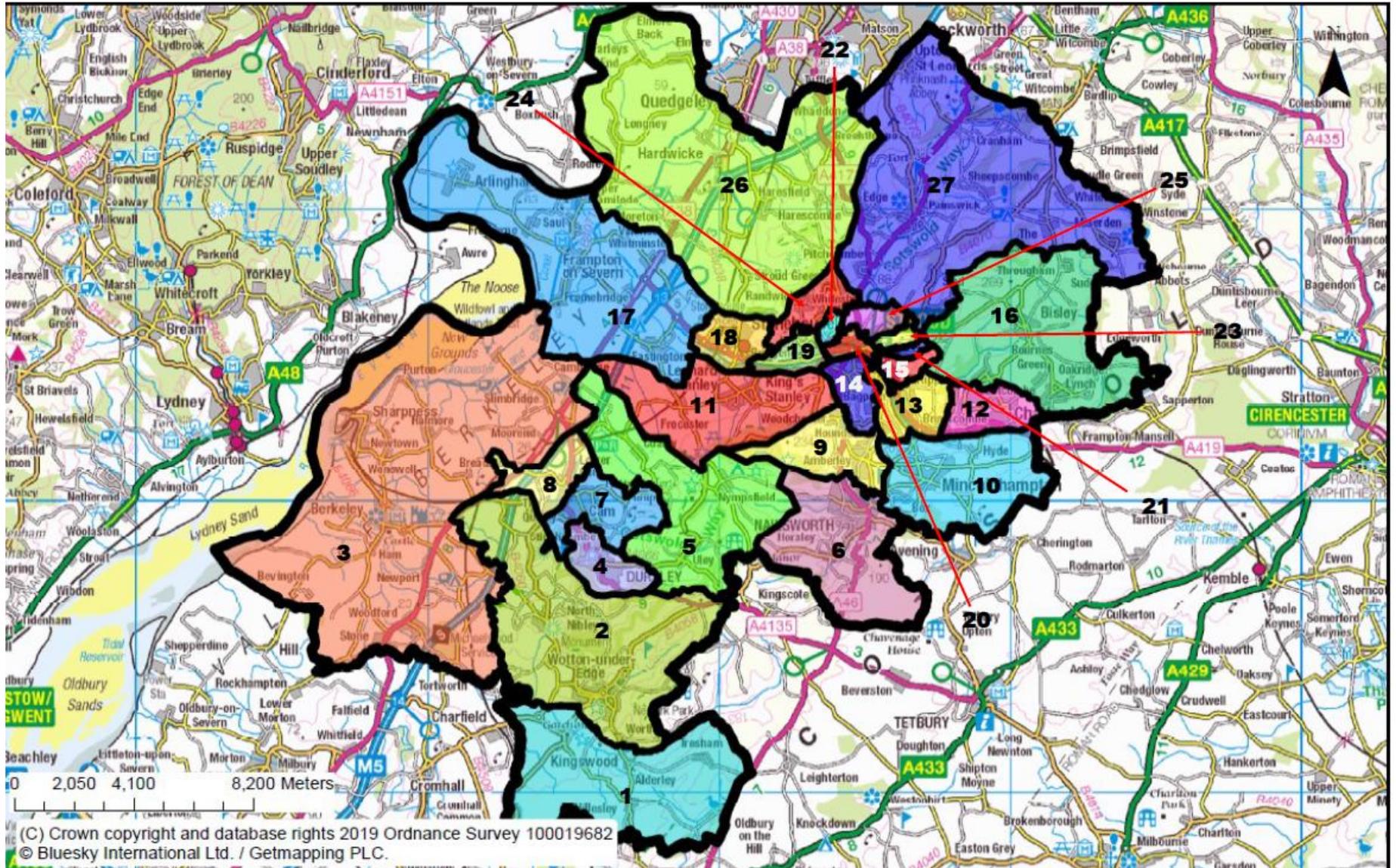
**Ongoing maintenance, which includes repair cleaning and utility**

- Grounds Maintenance, which includes garden for communal areas, litter removal, lightning and maintenance cost of area to the external areas.
- Tenant car or bike parking this is the maintenance of these areas only.
- Communal laundry facilities
- Children's play areas equipment such as surface maintenance.
- Maintenance of communal areas internally
- Health and Safety Charges such as for the inspection of Legionnaires, fire risk assessments, electrical equipment checks, pest control and fire prevention.

**This relates the maintenance on repair of Communal Lifts including stair lifts in communal areas, communal telephone excluding the cost of personal calls.**

- Adaptations of the communal areas
- Building security such as key cards, key pad door locking mechanisms.
- Communal equipment such as aerials includes satellite and cable TV or internet connection.
- Refuse collection such as communal refuse collection and disposal
- CCTV - close circuit TV.
- Management Costs for the administration of the service charges

**Appendix B – Ward Map**



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|--|---|--|---|
| 1 – Kingswood Ward;<br>Hillesley<br>Alderley<br>Tresham                                  | 9 - Amberley & Woodchester<br>Ward;<br>North Woodchester<br>South Woodchester       | 18 - Stonehouse Ward;<br>Stonehouse  | 26 - Hardwicke Ward;<br>Haresfield<br>Hardwicke                           |
| 2— Wotton-under-Edge Ward;<br>North Nibley<br>Stintchcombe<br>Wotton-under-Edge          | 10 - Minchinhampton Ward;<br>Minchinhampton   | 19 - Cainscross Ward;<br>Ebley<br>Dudbridge<br>Cashes Green                                | 27 - Painswick & Upton Ward<br>Painswick<br>Upton-st-Leonards<br>Miserden |
| 3— Berkeley Vale Ward;<br>Berkeley<br>Ham<br>Stone<br>Newtown<br>Slimbridge<br>Sharpness | 11 - The Stanleys Ward;<br>Kings Stanley<br>Leonard Stanley<br>Frocester            | 20 - Stroud Central Ward;<br>Stratford Park Centre<br>Stroud College                       |   |
| 4— Dursley Ward;<br>Dursley  | 12 - Chalford Ward;<br>Chalford   | 21 - Stroud Slade Ward;<br>Bisley Old Road<br>Langtoft Road<br>Masons Road<br>Daniels Road |   |
| 5— Coaley & Uley Ward;<br>Coaley<br>Uley<br>Nympsfield                                   | 13 - Thrupp Ward;<br>Thrupp<br>Brimscombe   | 22 - Stroud Farmhill & Paganhill Ward;<br>Farmhill<br>Paganhill                            |   |
| 6— Nailsworth;<br>Forest Green<br>Nailsworth<br>Horsley                                  | 14 - Rodborough Ward;<br>Rodborough<br>Lightpill                                    | 23 - Stroud Valley Ward;<br>Lansdown<br>Summer Street<br>Summer Crescent                   |   |
| 7— Cam East Ward;<br>Upper Cam   | 15 - Stroud Trinity Ward;<br>Stroud South (Highfield Road,<br>Stroud Hospital, etc) | 24 - Randwick, Whiteshill & Ruscombe<br>Ward;<br>Randwick<br>Whiteshill<br>Ruscombe        |   |
| 8— Cam West Ward;<br>Lower Cam   | 16 - Bisley Ward;<br>Eastcombe<br>Bisley  | 25 - Stroud Uplands Ward;<br>Uplands   |   |
|  | 17 - Severn Ward;<br>Arlingham<br>Saul<br>Frampton-on-Severn                        |  |   |

