

PROPOSED REVISIONS TO SHELTERED HOUSING SERVICE CHARGES

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Executive Summary

The council is determined to continue to provide a high-quality sheltered housing service in Milton Keynes, to support residents to live independently. This means that we need to ensure that the service is financially viable, and that sheltered housing tenants are contributing fair and affordable amounts towards the costs of the service.

This report proposes new and revised landlord charges, which will over the course of time cover in full the costs incurred on their homes. These charges have been designed so that no tenant will be charged more next year in rent and landlords service charges than they currently are. These proposed changes will result in more Housing Benefit eligibility, and consequently provide savings to claimants which will partly offset the proposed decrease in subsidy for housing related support charges.

Currently, tenants in receipt of Housing Benefit receive a subsidy which covers the whole of the charges for housing related support provided to Sheltered Housing tenants. To increase the proportion of costs recovered through housing related support charges, and so to ensure that the service can be maintained at current levels, it is proposed to reduce this subsidy.

Sheltered Housing tenants have been consulted on these proposals, details and results of which are set out in the report.

Councillor Nigel Long, Cabinet Member for Adult Social Care and Housing

1. Recommendation(s)

1.1 That the results of the consultation be considered

1.2 That new and revised charges and the subsidy for Sheltered Housing tenants be approved.

2. Report

2.1 Consultation

2.2 A delegated decision was taken on 8 November to formally consult Sheltered Housing tenants on the proposed changes, as is required in respect of landlord service charges by clause 2.5 of the tenancy agreement.

2.3 The consultation, consisting of a letter to each tenant, a page on the council's website, and a supporting document setting out the detail of the proposed changes, opened on 28 November.

2.4 Responses were invited by telephone, by email, and by return of a response slip through Sheltered Housing Officers, with a closing date of 31 December.

2.5 Responses to the consultation as at 20 December 2016 can be summarised as:

I agree with the council's proposals	111	82%
I do not agree with the council's proposals	25	18%
Total agree/disagree responses	136	100%

2.6 This represents a response rate [to date] of 14% of the total of 942 tenants consulted.

2.7 The final outcome of the consultation will be circulated after the closing date of 31 December 2016.

2.8 Analysis of the response by Sheltered Scheme will be shown in Annex A.

2.9 Comments received during the consultation will be shown in Annex B, together with responses from the Council.

2.10 The response to the consultation [to date] is generally very positive. The responses indicate that tenants are supportive of the council's aim to sustain the services offered through the Sheltered Housing Officers, and while concerned about the financial implications of the proposals, are appreciative of the council's plan to revise charges and subsidy simultaneously so as to mitigate adverse financial impacts.

2.11 On the basis of the consultation responses [to date], tenants appear supportive of the proposals, and it is therefore recommended that they are approved unchanged.

2.12 Landlord Service Charges

2.13 These service charges are intended to recover the cost of landlord services provided to specific groups of tenants. Recovery of service charges minimises any subsidy from the rents of tenants who do not receive those services. There are significant variances on the recovery of existing service charges to Sheltered Housing tenants due to actual costs having increased over the past few years at a different rate to the annual increases applied.

- 2.14 Not all Sheltered Housing tenants receive all services. There are schemes where tenants have their own utility meters for personal use charges but make no contribution to the costs incurred by MKC for communal area costs.
- 2.15 The council proposes to cover the variances by revising existing service charges, so that they cover the costs of each utility, and where the utilities cover individual properties as well as communal areas, to separate the charges into individual and communal elements. Communal charges will be covered by Housing Benefit; individual charges will not be covered by Housing Benefit. This will improve affordability for tenants in receipt of Housing Benefit, since existing charges are not eligible.
- 2.16 Sheltered Housing tenants receive, through the Sheltered Housing Officers, a more intensive landlord service than General Needs tenants do; there is a higher staff/tenants ratio, some additional functions are provided that are not provided for General Needs tenants and some functions are provided to a higher standard (e.g., fire alarm testing weekly rather than monthly). A new service charge is proposed to cover these enhanced landlord services.
- 2.17 The Welfare Reform & Work Act 2016 introduced a 1% rent cut which will apply to sheltered housing from 2017 to 2019. It is proposed that the differences on existing utilities service charges are recovered from this 1% saving in each of the three years. This means that no tenant will be charged more in rent and service charge than they do currently.
- 2.18 Charges on properties that are re-let will immediately be set at full rates and not be subject to the transition process.
- 2.19 The costs of these services may increase or decrease (by inflation or otherwise), but any resulting increase in service charges will be covered by the cap at the level of rent reduction during this three-year period.
- 2.20 The council will need to consider, before the end of the three-year period, any subsequent capping of increases remaining outstanding owing to the operation of the cap. This consideration will need to take into account any government direction and/or guidance on rent levels following on from the capped period.
- 2.21 New charges for cleaning and enhanced landlord services will be de-pooled from current rent, so there will be no additional cost to tenants at present. These charges will be increased (or decreased) in future proportionately to the relevant service costs, rather than included within the general rent increase (or decrease).
- 2.22 Support Charges
- 2.23 Currently, tenants in receipt of Housing Benefit receive a subsidy which covers the whole of the charges for the support provided to Sheltered Housing tenants, which is not part of the landlord service and not covered by Housing Benefit.
- 2.24 To increase the proportion of costs recovered through support charges, and so to ensure that the service can be maintained at current levels, the council proposes to reduce this subsidy by £5 per week.

2.25 Tenants in receipt of Housing Benefit will therefore be paying £5 per week, though this may be mitigated by savings on landlord service charges. There will be no change to the charges paid by tenants not receiving Housing Benefit.

3. Implications

3.1 Charges for communal services (communal utilities, cleaning, enhanced landlord services) will be covered by Housing Benefit, which will improve affordability since current charges are ineligible. Charges for individual utility supplies and support charges will not be covered by Housing Benefit.

3.2 Modelling shows that most tenants will benefit from the net change to landlord charges, taking into account increased Housing Benefit eligibility. For those on Housing Benefit, increased eligibility may mitigate the cost of the new support charges.

4. Resources and Risk

4.1 Resources

4.2 The financial implications of the proposals for the council have been incorporated into the proposed 2017-18 budget and Financial Sustainability Plan 2017-18 to 2020-21.

4.3 Risks

4.4 The risks, and the relevant mitigation, are set out below:

- (a) Bad debts – service charges are collected together with rent. Not all service charges are covered by Housing Benefit. There is therefore a risk that the proposed service charges will impact on the level of arrears or bad debt, though Housing Benefit eligibility increases will mitigate the risk.
- (b) Challenge – interested parties may challenge the implementation of these proposed service charges. This risk is managed and mitigated by the documentation of the evidence, processes, and consultation.

N	Capital	Y	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	N	Asset Management

4.5 Carbon and Energy Management

4.6 There are no consequences in respect of carbon and energy management.

4.7 Legal

4.8 Service charges are recoverable from tenants only where their tenancy agreement so provides. The council's tenancy agreement requires that tenants are consulted before making a decision over new services or service charges. As reported above, this consultation will be carried out.

4.9 Tenants will individually be given 28 days' notice of the proposed charges as part of the annual rent review letter.

4.10 Other Implications

4.11 There are no other implications of this report.

N	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

5. **Background Papers**

5.1 Service Charge review working papers held by Housing Finance.

5.2 [Delegated Decision report 8 November 2016](#)

5.3 [Consultation document](#)

5.4 Consultation responses held by Housing Finance

Annexes: A and B to follow:

A. Responses to Consultation by Scheme

B. Comments received during consultation