

Report of the Chief Executive

INDEPENDENT LIVING SERVICE CHARGE REVIEW1. Purpose of report

To seek Committee approval to implement a new approach service charges in our Independent Living Stock.

2. Background

In 2017 HQN was appointed to undertake a review of the Council's Retirement Living Service (now known as the Independent Living Service). The report identified that the Housing Revenue Account (HRA) was subsidising the Independent Living Service by a significant amount and the report suggested that the subsidy could be limiting the Council's ability to provide other services through the HRA.

3. Detail

The initial 2017 work on costs have been updated to show the up to date costs associated with the Independent Living Service using the actual expenditure from 2019/2020. Initial calculations show that the Housing Revenue Account is significantly subsidising the accommodation and services of Independent Living tenants by £759,773 per annum.

It is not proposed that the Council seeks to recover all of this additional cost immediately, but rather that a new approach is taken which will make the charging system fairer and will gradually reduce the subsidy over a number of years. The report offers two options:

Option 1: Fixed Service Charge based on the scheme category type with an annual increase to be decided on an annual basis.

Option 2: Variable Service Charge based on actual costs and an increase is based on actual costs.

Further information is available in the appendix.

4. Financial implications

Both options would increase the income into the HRA but the amount would vary depending on which option is chosen and how a yearly increase was implemented.

Recommendation

The Committee is asked to RESOLVE that:

- 1. An option for how Independent Living Service charges will be set, be approved.**
- 2. An annual increase will be applied, subject to an agreed cap on any increase in charges.**

Background papers: nil

APPENDIXBackground

In 2017 HQN was appointed to undertake a review of the Council's Retirement Living Service (now known as the Independent Living Service). The report looked at the costs of providing the Retirement Living Service and suggested changes that could be made to improve the service.

The new Independent Living Service was launched in December 2018 and included many of the suggestions made by HQN including the introduction of two Activity Coordinators, a dedicated Lifeline Coordinator and a Facilities Officer. The service is now based round a personalised I-plan which is flexible and tailored to the individual.

The initial assessment on the costs of the Retirement Living Service completed in 2017 was based on the 2018/2019 proposed budget and 2017/2018 actual staffing costs to calculate the cost of the service. Work has been undertaken using 2019/2020 actual costs to determine the current subsidy of £759,773 per annum.

Current Service Charges and Expenditure

Each Independent Living tenancy has a service charge added to the rent to reflect its Independent Living status and the additional services provided to tenants. There are currently two levels of charge, A and B. The charge is based depending on whether the tenant has access to a communal lounge and facilities. These service charges were set at least eight years ago and the original basis for the charge cannot now be located. The service charges have never been increased since they were set.

- The A charge is £11.11 per rent week: this equates to £10.26 per calendar week (due to rent only being charged for 48 weeks of the year)
- The B charge is £9.47 per rent week: this equates to £8.74 per calendar week (due to rent only being charged for 48 weeks of the year)

It is understood that the difference between the two charges was meant to represent the additional cost of heating and lighting for schemes with communal facilities.

The A and B charges have become shorthand to describe the type of scheme. However, this is not a useful description as some of A units are ordinary flats and bungalows with no distinguishing features, and no communal lounges.

When considering the stock, it would be more helpful and descriptive to use terms from 1970s housing classification that is still prevalent in most local authorities. This is further discussed in the Independent Living Stock Options report which is also on the committee agenda.

The table below describes the category types and gives examples of some Broxtowe Borough Council schemes that fit into each category.

Table 1: Category types and example schemes

Category Type:	Definition:	Scheme Examples
Category 2	'Classic' sheltered housing built specifically for older people with carpeted and heated internal corridors; lift to upper floors, community room and laundry and often other communal facilities. Usually step-free access around the site.	<ul style="list-style-type: none"> • Cloverlands Court • Greenwood Court • Humberlodge • Templar Lodge • Venn Court
Category 1	Ordinary housing; usually no lifts or communal facilities; rarely step-free access. May have been built to house older people, particularly bungalows, but would suit applicants of any age in need of that property size.	<ul style="list-style-type: none"> • Aldene Court • Bradley Court • Jessamine Court • Hall Drive • Birch Close
Category 1 with community room	Properties originally intended for older people sometimes have a community room in the area.	<ul style="list-style-type: none"> • Scalby Close • Phoenix Court • Main Street • Church Close • Linwood Crescent

Income from the current Independent Living Service Charges

The table below shows the income from the current service charge if all the properties were let. In reality the income will be less due to the number of Independent living voids.

Income from current charges	Units	Current charge (per rent week - 48 per year) £	Total income at 100% occupancy £
A schemes	947	11.11	505,016.16
B schemes	464	9.47	210,915.84
Total income from current charges			715,932

Options for a new service charge

It is proposed that a new approach to service charges is introduced in 2021/2022 at Independent Living Schemes and that an annual increase to the service charge would be applied. The increase would either be fixed or variable depending on which option below is approved.

As there is no change to services offered at Independent Living scheme there will be no impact on housing benefit claims as the services offered continue to be housing benefit eligible. There are currently 58% of tenants claiming housing benefit.

Option 1: Fixed Service Charge based on the scheme category type with an annual increase to be decided on an annual basis.

This option would involve a four tier service charge based on the categories described earlier in the report. It would be based on an agreed initial charge linked to the category of property and would be increased annually through a similar process to the rent increase. Therefore, a suitable percentage increase would be decided annually and Committee approval would be required each year. As part of this process Committee would also agree a cap on the maximum increase that could be applied to ensure that any increases are not substantial.

Level	Category Description
Level 1 Charge	Category 1 units with no communal facilities
Level 2 Charge	Category 1 units with a communal lounge only
Level 3 Charge	Category 1 units with communal facilities and laundry
Level 4 Charge	Category 2 units in main buildings

Option 2: Variable Service Charge based on actual costs

The most accurate way to charge tenants is to calculate a charge for each scheme based on the actual charges incurred the previous year. This option would mean that the service charge would be different for each scheme. This is the preferred option for many social landlords.

This option would require an additional resource to administer as the work to calculate so many different service charges could not be accommodated within the existing Income team.

Although Committee would not agree the annual increase, due to the charge being based on actual figures, a cap on the maximum increase will still be approved each year to protect tenants from substantial increases.