

Report to: Executive Board – 22nd July 2002
Housing Overview & Scrutiny Committee – 18th July

ODPM Consultation on Rent Restructuring & Service Charges

<p>Report of: <i>Financial Management</i></p> <p>Report Author: <i>Sarah Fogden Housing Accountant Tel no. 01865 252708 Email: sfogden@oxford.gov.uk</i></p> <p>Lead Member Responsible: <i>Housing Portfolio Member</i></p> <p>Overview and Committee Responsibility: <i>Housing Scrutiny Committee</i></p> <p>Key Decision: <i>No</i></p>	<p>WARDS AFFECTED ALL</p>
--	--------------------------------------

SUMMARY AND RECOMMENDATIONS

This report summarises the latest ODPM Consultation paper on Rent Restructuring & Service Charges.

Executive Board and Scrutiny Committee are asked whether they wish to respond formally to the Consultation Paper. The closing date is 9th September 2002.

1. The consultation paper makes proposals on:
 - a) Adjusting HRA Subsidy for caps on formula rents
 - b) The caps on formula rents for certain property types
 - c) Handling service charges within the HRA and subsidy
 - d) Transitional arrangements relating to the Supporting People programme

2. This briefing concentrates on the consultation for Service Charges. The other areas for consultation affect levels of Housing Subsidy due to the authority and this requires more analysis over which option is best for the Council. A further report before the consultation deadline can be brought to this meeting or can be discussed with relevant members.

3. Service Charges

The consultation paper notes that different approaches to Service Charges are taken between different authorities and between RSLs and Local authorities. Oxford "pools" service charges in all aspects apart from Warden services. This means that those tenants receiving services such as cleaning, caretaking and window cleaning do not pay for the services received as the services are pooled and paid from the rent stream of the HRA. The cost of providing Warden Services is charged to those tenants who receive the service.

Rent restructuring moves rents towards a "formula" rent that takes no account of service charges. RSLs will charge the "formula" rent + a service charge. The consultation paper suggests that Local authorities move towards the RSL approach in order to ensure the closest possible convergence between local authority and RSL rents (one of the key aims of rent restructuring).

The paper proposes that:

- a) Local authorities should have the discretion to decide what services it is appropriate to charge for within a broad definition of what may be classified as a service charge.
- b) Housing subsidy ignores any service charges made as the proceeds of service charge remain within the HRA, meet the cost of the services in question
- c) Rent Rebate Subsidy Limitation is adjusted so that Local Authorities benefit progressively from separating out service charges.
- d) In a year in which a service charge is unpooled, the total of the rent plus service charge that any individual tenant is required to pay should not increase by more than $RPI + \frac{1}{2}\%$ +/- £2 per week (unless a new service is introduced in which case an additional charge equal to the cost of the new service may be made).
- e) In subsequent years, the unpooled service charge to any tenant should not increase by more than $RPI + \frac{1}{2}\%$ in any year whilst rents should not change by more than $RPI + \frac{1}{2}\%$ +/- £2 per week in any year.

The paper recognises the problems with service charges in high-rise flats. If all the possible service charges were levied, it would cost more for a tenant to live in the property than a street property that the tenant would find more attractive. The paper does not consider it appropriate to levy service charges such as lifts that are essential to high-rise flats. The paper leaves decisions other what should or should not be included in service charges to Local judgement with the promise of re-visiting the issue as part of the 3 year review of rent restructuring.

The incentive for authorities to move towards the introduction of Service Charges is a change in the Rent Rebate Subsidy limitation formula that will reward authorities by reducing the amount of Rent Rebate Subsidy lost. Again this is a detailed calculation and a further report can be produced if Members wish.

The Key Consultation questions of the paper are:

- a) views on the proposal as a whole
- b) how service charges should be defined for the purpose of setting an upper limit to what may be charged for as a service in addition to the rent

Officers will now undertake further research into the Service Charges levied by other Local Authorities and the local RSLs in order to present members with options as part of the HRA budget setting.

Rent Caps

The paper confirms the rent caps as:

Bedsit £85
1 bedroom £85
2 bedroom £90
3 bedroom £95
4 bedroom and larger £100

These are the maximum rents that can be charged. They will be increased each year by RPI + 1%.

THIS REPORT HAS BEEN SEEN AND APPROVED BY:
The Housing Portfolio Member, The S151 Officer, and the Group Accountant

Background papers:

Rent Restructuring: Housing Committee 25th September 2001
S&R 2nd October 2001

[HRA Budget Report - Executive Board 26th February 2002]