

19 December 2017		ITEM: 5
Housing Overview and Scrutiny Committee		
Grounds Maintenance Service Charge Review		
Wards and communities affected: All	Key Decision: Non-Key	
Report of: John Knight, Assistant Director of Housing		
Accountable Assistant Director: John Knight, Assistant Director of Housing		
Accountable Director: Roger Harris, Corporate Director of Adults, Housing and Health		
This report is Public		

Executive Summary

This report summarises the review of the proposed grounds maintenance charge which has been carried out in light of the decision in September to suspend its introduction, and sets out the main options for resolving this issue prior to the beginning of the next financial year.

1. Recommendation(s)

- 1.1 That the Committee comments on the options outlined in the report regarding the grounds maintenance charge.**
- 1.2 That the Committee makes a recommendation to Cabinet based on its consideration of the report.**

2. Introduction and Background

- 2.1 A previous report to the Committee in October outlined the history of the proposed grounds maintenance charge, which was scheduled to be implemented in October. The service has reviewed the charge in light of the decision taken in September to suspend its introduction.
- 2.2 The rationale for the introduction of a dedicated grounds maintenance charge for general needs tenants is essentially unchanged since being set out in earlier reports in the context of the HRA Business Plan. The grounds maintenance service is an identified cost to the HRA (servicing and maintaining grounds, alleyways, hard areas, play spaces, trees and other HRA designated land) for which no separate charge is currently being made, despite the Council as a landlord being entitled to charge for such services

under legislation and within the terms of our tenancy agreement. The overall cost of the service in 2016/17 was £1.7 million, comprising £1.4 million paid under a Service Level Agreement with Environment and Place and a small number of other one-off elements which were separately costed.

- 2.3 As there is no dedicated charge for the service, the required revenue is in effect collected from the overall `pool' of income in the HRA, mainly derived from basic rents as paid by all tenants, regardless of the individual services they receive (and including tenants in sheltered housing). The overall level of revenue for other purposes available in the HRA is correspondingly reduced. This means that less money is available to maintain and improve the housing stock within the parameters of the HRA as a ring-fenced account. The committee did previously comment on whether consideration could be given to the transfer of land between the HRA and the General Fund. This is a much bigger piece of work beyond the scope of this exercise and in effect would only be transferring costs between different parts of the Council and potentially result in an increase in the Council tax.
- 2.4 The benefits to all tenants of increasing the revenue in the HRA can be seen by considering the findings of the Stock Condition Survey – which is a later item on the agenda for tonight's meeting and which was recently completed. This empirical data clearly illustrates the ongoing shortfall between the optimum investments requirements for Council properties and the allocations for capital improvements which it is possible to make within the current budget constraints.
- 2.5 For example, an additional £1 million p.a. would enable the service to achieve greater energy efficiency in around 150 homes each year, reducing future bills and moving more quickly towards our overall target of achieving Band C ratings in all our homes. Similarly, the priorities identified in the survey for the installation of new boilers and the refurbishment of external elements could be completed in a shorter time period. Freeing up revenue of up to £1 million p.a. would serve to reduce year on year the ongoing gap between capital requirements and available resources, and contribute to the avoidance of future costs for both the Council and our tenants. The detailed modelling carried out for the new HRA Business Plan also shows that the `investment gap' is likely to increase over time.
- 2.6 Specific charges are now included in the rents paid by tenants for a range of other services, including caretaking, the enhanced housing management service for sheltered housing residents, and communal heating and lighting. Where properties are occupied by leaseholders rather than tenants, charges are made for all these services and also for grounds maintenance.
- 2.7 In this context the review has considered the range of alternative courses of action available to address the ongoing need to meet the costs of the ground maintenance service from the HRA. The remainder of this report provides a summary of the main options, and some indications the potential cost benefit

analysis associated with each option from the perspective of the Council as a social landlord.

3. Options for Grounds Maintenance Charge.

Outlined below are some of the potential options for the committee to consider. These are the main options but the committee may consider a hybrid of those listed or create new options. However, any different options will need to fully consider the financial and service impacts.

3.1 Proceed with suspended standard charge for all selected tenants –

This option is clearly available, and would if implemented, yield a high level of revenue compared to most of the alternative options set out below. In the view of the service however, it is more appropriate for the review to result in some amendments to the proposed model.

In particular, it is possible to collect the charge in a more targeted way, and to exclude from it those tenants who benefit directly only through the maintenance of a relatively small area, such as a grass verge or footpath close to their property (and where the majority of other residents in the area are freeholders or private tenants rather than Council tenants) For these reason the review has focussed on the alternative models below.

Summary of advantages/disadvantages

- Advantages – Maximises revenue into the HRA.
- Disadvantages – Concerns which led to the suspension would not have been addressed.

3.2 Introduce a standard charge for all tenants

This option would potentially provide a full cost recovery model, in that the cost of the service could be distributed among a wider group of tenants. The weekly charge could potentially reduce to for example circa £3.20 if applied to all general needs tenants (excluding sheltered).

As previously outlined the full amount of any charge can be included in tenants' rents for the purposes of assessing both Housing Benefit and the housing element of Universal Credit, so those on low incomes will receive additional support through the benefits system.

Whilst providing sufficient revenue to meet the entire cost of the grounds maintenance service, maximising the amount available to meet costs elsewhere, this option would arguably not be consistent with the targeted approach applied to other service charges.

Summary of advantages/disadvantages

- Advantages – No ‘winners and losers’ among tenants ; revenue maximised.
- Disadvantages – Could be viewed as inconsistent with the targeted approach to all other service charges; some tenants likely to appeal on the basis they receive no clear benefit.

3.3 Withdraw the charge in full

This option would mean that the full cost of the grounds maintenance service would have to be met as now from the general HRA budget. As set out in previous reports this would necessarily lead to a reduced priority being given to some items of capital expenditure which are keen to deliver.

The overall financial context of the HRA remains challenging, with the asset base and associated revenue being incrementally reduced by stock sales under Right to Buy, and limited financial flexibility overall given the need to continually invest in properties and to provide improved services whilst achieving a balanced outturn every year.

Although basic rents will be permitted to increase once more from 2020/21 onwards, there are two further years of the mandatory 1% reduction before this takes effect. The effect of any increases thereafter will also be cumulative, meaning the revenue from basic rents will only increase gradually, and will be offset by stock sales and other increasing costs.

Summary of advantages/disadvantages

- Advantages – Resolves concerns raised about the introduction of any charge.
- Disadvantages – No additional revenue to relieve HRA budget pressures; all tenants in effect contributing through the rents ‘pool’, including those with little or no direct benefit from the service; could be viewed as poor financial management; reduced accountability for staff delivering the service.

3.4 Implement a lower standard charge for the same selected tenants

The introduction of the charge at a lower level would reduce the overall revenue which could be obtained. Applying a lower charge to the same group of tenants who were identified before the suspension would mean that those receiving a relatively low level of service would still be charged at the same rate as other tenants.

Summary of advantages/disadvantages

- Advantages – Simple to apply; no new ‘winners and losers’ among those affected.
- Disadvantages – Reduction in revenue; concerns about those receiving lower level of service compared to others would not be addressed.

3.5 Introduce a variegated charge

To address the issue of differential levels of service (excluding tenants already excluded as they are deemed not to have any direct benefit from the service close to their property), one option would be to operate a range of charges according to the level of service provided. Whilst this is similar in principle to the model in place for caretaking – i.e. a ‘gold, silver or bronze’ level of service – that approach is very clearly based on different numbers of visits to a given block, and can be broken down simply into the three levels of provision.

Making clear distinctions between different groups of tenants would be more difficult in respect of grounds maintenance, as the frequency of service is not a variable which could be used (all maintained areas are visited with the same frequency depending on the time of year), and there are more possible gradations between the level of service provided. This model would be administratively difficult, as well as possibly contentious due to the presence of ‘winners and losers’ at the end of any exercise to vary the charge based on level of service whilst still collecting as much revenue as from a standard charge.

Summary of advantages/disadvantages

- Advantages – Could be viewed as fairest way of distributing cost; may provide scope for more revenue than some other options.
- Disadvantages – Administratively complex; likely to generate concerns and high number of individual queries/appeals.

3.6 Charging tenants in certain types of property

The grounds maintenance service covers a wide variety of locations across the borough. In some areas the number of Council tenants is relatively low and/or the amount of maintained grass and other features is very small compared to larger areas included in the service. The second category includes spaces on clearly delineated estates, around low rise blocks, and in certain parts of the borough where there are large amenity greens and green spaces maintained under the HRA.

Applying a targeted approach so that only the second category of tenants identified above were individually charged would mean that a large proportion of the street properties included under the methodology used to arrive at the previous data-set of benefitting tenants would be excluded.

The logical corollary of such an approach would be to move away from the principle of full cost recovery from all tenants receiving some individual benefit, however small in context, towards a model through which only tenants receiving a significant benefit would be charged, while the remaining costs would be met as now through the general rents pool.

A binary approach based on property type alone would present difficulties given the presence on estates – which are clearly in receipt of a significant level of service overall – of the full range of property types. i.e. houses, flats, bungalows and maisonettes.

Summary of advantages/disadvantages

- Advantages – Would remove from the charge large numbers of tenants where there is a perception of relatively low level of service and/or unfairness created by surrounding occupiers not also being Council tenants.
- Disadvantages – Likely to be seen as creating new examples of unfairness, especially where charge would be applied to occupiers of one class of property and not another where service is clearly comparable, i.e. on estates.

3.7 Lower standard charge for fewer selected tenants

When the relevant data-sets are considered in detail it is clear that, although a large proportion of all general needs tenants can be described as deriving some individual benefit from the service, it would be possible to set an appropriate threshold below which a charge would not be paid, but above which a charge – set at an appropriate level – would be reasonable.

One potentially viable application of this principle would be to include in the charge a) all properties within estates, b) properties in low-rise blocks with maintained grounds, and c) properties close to large maintained areas of green space, i.e. over 1,400 square metres. This would result in an estimated 3,800 tenants falling within the charge, occupying flats (2,640), houses (635), maisonettes (400) and bungalows (125). The majority of the houses previously identified for inclusion would be excluded as being below the threshold for inclusion under this model.

Summary of advantages/disadvantages

- Advantages – Reduced impact on finances of those still included; could be viewed as fairer than previous proposal, as clearly based on provision of a meaningful level of service to all tenants included; simple to administer.
- Disadvantages – Potential revenue reduced as large numbers of tenants no longer included; could be viewed as disproportionately impacting on certain tenants, including those already paying other charges.

3.8 Phased introduction

It may also be seen as appropriate to introduce any agreed charge over a period rather than as a single increase. This will reduce the amount of

revenue collected in the years before full implementation, but give tenants a longer period within which to adjust to the additional cost of their tenancy. This could be seen as the right approach in if the charge is being applied to a smaller group of tenants than first envisaged. It also aligns with the overall approach of seeking a contribution from some tenants above the threshold, rather than trying to achieve full cost recovery by distributing the total cost among all the tenants who could be viewed as receiving an individual benefit.

Summary of advantages/disadvantages

- Advantages – Reduced impact in first year on finances of included tenants; consistent with approach taken to sheltered housing charge after consultation.
- Disadvantages – Reduced revenue in first year of introduction.

3.9 Worked example – option 3.7 phased over 2 years

The table below shows the impact of option 3.7 if set at some different levels and phased in over two years, i.e. in 2018/19 and 2019/20. The overall annual revenue from each variation appears in the final righthand column.

The maximum total used in this model is £1 million, based on excluding from the cost of the service a) some of the elements which are of more general benefit (tree-pruning etc.) and b) the cost of servicing those areas across the range of sites which would be below the threshold as set out above.

Number of selected tenants		– 3,800	
Rental weeks		- 50 p.a.	
Weekly charge multiplier for £p.a. figure		- 190,000	
Charge p.w.18/19	Revenue 18/19 (phase one)	Charge p.w. 19/20	Revenue 2019/20 (phase two)
£2.60	£500,000	£5.25	£1,000,000
£2.35	£450,000	£4.75	£900,000
£2.10	£400,000	£4.20	£800k
£1.85	£350,000	£3.70	£700k
£1.60	£300,000	£3.20	£600k
£1.30	£250,000	£2.65	£500k

- 3.10 Prior to any final recommendation to Cabinet more detailed work can be undertaken where necessary to reconcile all costings to the schedules of tasks and locations used by the grounds maintenance service.

A consultation will be carried out with those tenants potentially included, and with residents more widely through Tenants and Residents Associations, the Tenants Excellence Panel, community hubs etc. as well as online and by phone and letter. We will also continue to work with colleagues in

Environment to improve the monitoring of the contract and to reduce costs wherever possible.

4. Impact on corporate policies, priorities, performance and community impact

- None.

5. Implications

5.1 Financial

Implications verified by: **Julie Curtis**
HRA and Development Accountant

As set out in the main body of the report the Housing Revenue Account is subject to a range of financial pressures. The collection of additional revenue through service charges will mitigate these to the degree commensurate with the number of tenants affected and the level at which the charges are set.

5.2 Legal

Implications verified by: **Martin Hall**
Principal Solicitor

As a landlord the Council is entitled to apply charges for specific services to the rent paid by tenants. The tenancy agreement issued to all tenants expressly provides for this, so new charges can be introduced within the terms of current tenancies. The process requires a preliminary notice of variation and the opportunity for tenants to make representations to the Council if they do not agree with the proposed charges. The Legal team will provide the Housing service with any guidance necessary to ensure that the process is compliant in the event of any new introduction of charges being approved.

5.3 Diversity and Equality

Implications verified by: **Rebecca Price**
Community Development Officer

No direct implications from this report.

5.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- None.

6. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- HRA Business Planning reports to Housing Overview and Scrutiny Committee, December 2016 and February 2017
- Service charges – report to Cabinet, July 2017
- Service charge update – report to Housing Overview and Scrutiny Committee, October 2017

7. Appendices

- None.

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