

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Equity Share Advisory Group 19 December 2002
AUTHOR/S: Director of Housing and Community Services

FURTHER INVESTIGATIONS

Introduction

The first meeting of the Advisory Group requested that seven points be investigated:

- 1) To check whether it would be legitimate to charge equity share residents.
- 2) To evaluate the effect of suspending the equity share system.
- 3) To evaluate the effect of abolishing the equity share system.
- 4) To evaluate the effect on the HRA of abolishing the charges.
- 5) To further examine the possibility of charging equity share tenants a full service charge.
- 6) To examine the possibility of carrying out compulsory repairs and servicing of the gas boilers in equity share accommodation.
- 7) To examine the possibility of using a quota system for the allocation of equity share housing.

In addition a Member of the Advisory Group wrote to the Director after the meeting to ask:

- 8) How much private warden controlled accommodation there is in the District.

The object of this report is to provide Members with the information requested:

1) To check whether it would be legitimate to charge equity share residents.

Charges can be levied for services and insurance. The full wording of the lease is appended (Appendix I). (Appended Pages 19, 20 and 21).

The issue to date has been one of practicality. Charges could be made for all services including:

- (a) The Warden – salary emoluments and all other costs.
- (b) Repairs to the structure exterior of the dwelling.
- (c) Repairs to the common parts

- (d) Grass cutting and landscaping
- (e) Decorations to the exterior
- (f) Furniture and equipment in the hall
- (g) TV aerial
- (h) Tunstall alarm system
- (i) Energy costs to the common parts
- (j) Rates and Council tax to common parts
- (k) Management costs (up to 10% of the total levied)
- (l) Other costs
- (m) Reserves for future bills.

In an average property the tenant pays £13 per week for the above whereas the full cost is approximately £30. The lost income amounts to just under £200,000 million. A worked example will be presented at the meeting.

2) To evaluate the effect of suspending the equity share system.

To suspend the system would require the Council to find an alternative way of housing owner occupiers.

Options would include:

- (i) To provide standard tenancies.
- (ii) To provide tenancies for life (evaluated below)

The process would also mean that the capital reserves of the Council would be depleted as clearly the surrender of leases would continue – but without further sales until a replacement scheme was found.

3) To evaluate the effect of abolishing the equity share scheme.

To abolish the system would require the Council to find an alternative way of housing owner occupiers.

Options would include:

- (i) To provide standard tenancies.
- (ii) To provide tenancies for life (evaluated below)

The process would also mean that the capital reserves of the Council would be depleted as clearly the surrender of leases would continue – but without further sales.

4) To evaluate the effect on the HRA of abolishing the charges.

The current charge amounts to approximately $237 \times 52 \times £13 = £160,212$.
The full cost is approximately £370,000 and therefore the under collection is about £210,000.

5) To further examine the possibility of charging equity share tenants a full service charge – Evaluated above in Section (1).

6) To examine the possibility of carrying out compulsory repairs and servicing of the gas boiler in equity share accommodation.

Unilateral changes to the lease are not possible. Both parties must consent to changes. The lease states:

Repairing Covenant

The owner or occupier thereof during the said term

(3) (a) At all times during the said term well and substantially to repair cleanse and keep in good and substantial repair and condition the interior of the demised premises (except insofar as sit is the Landlord's responsibility under clause 3 (1) hereof) and all additions thereto and the Landlord's fixtures and fittings therein including all tanks cisterns drains sanitary and water apparatus pipes cables and wires incorporated in and exclusively serving the demised premises and regularly to clean the windows both inside and out.

(b) Once in every year of the said term to arrange for the central heating system in the demised premises to be serviced at the Tenant's expense.

It is possible therefore to enforce this condition by inspecting the property annually and checking that a suitable service has been undertaken.

7) To examine the possibility of using a quota system for the allocation of equity share housing.

Kari Greaves will speak on this item at the meeting. It should be noted that for any quota system to be effective, it is essential to predict demand. Growth in Equity Share would mitigate against this.

8) How much Private Warden Controlled accommodation there is in the District:

Gretton Court, Girton	60 units	Barton Housing Association
Barnabus Court, Milton	25 units	Cambridge Housing Society
Churchfield Court, Girton	27 units	English Courtyard Association (L)
33-45 Comberton Road, Barton	7 units	Gardeners Royal Benevolent Society
Cottenham Court, High St, Cottenham	10 units	Goldsborough Estates (L)
Hanover Close, Bar Hill	28 units	Hanover Housing Association
The Spinney, Bar Hill	23 units	Hanover Property Management (L)
Windmill Lane, Histon	47 units	Peverel Management Services (L)
5-19 Vicarage Close, Melbourn	8 units	The Foundation of Edward Storey (units included in SCDC scheme at same site)
1-15 Bishops Way, Impington	15 units	Suffolk Housing Society

Note: L = Leasehold

A further scheme of Lifetime tenancies is currently being evaluated and will be reported to the meeting.

Supplementary Information

The investigations have un-earthed further information which is of direct relevance to this Group.

- 1) The Housing Accountant has advised that the under-charge was agreed between the former Chief Executive of the Council and the former Internal Auditors. No documentation has been found, but it is understood that the low charge was made as an expedient to avoid leaseholder challenges as set out in the Housing Acts.
- 2) In essence, leaseholders have the right to have their service charges explained and justified to the penny. Councils must show, if required, detailed receipts and estimates of costs.
- 2) When the Equity Share Scheme was in its infancy it would have been administratively inefficient to employ an officer (even part time) to manage this service for so few customers.
- 3) It was also difficult to computerise the records on the software in use at the time.
- 5) Both these problems are no longer relevant. An officer in the Sheltered Housing Section has set up a system using Microsoft programmes and the lost income is now a substantial issue.

- 6) There will however be other issues to face should accurate charges be introduced.
 - a) Some Equity Share Leaseholders will have fixed incomes. To treble their expenditure on service charges may cause hardship.
 - b) The issue will be political.
 - c) People in severe hardship will be able to claim benefits but this will fall into the “Supporting People” net.
 - d) Doing nothing will not be an option given the advice of previous auditors.

Tenancies for Life

Another concept examined was the idea of breaking the cycle of leasehold capital tied into the Council’s accounts. Essentially the £15 million liabilities would be a major impediment should the Council wish to consider the sale of its housing stock.

Options would include:

- (a) Reducing the amount purchasable from the current 75% to say 20%; and
- (b) Introducing a complementary 80% charge for the tenancy element; and
- (c) Charging the full amount for services.

Background Papers: the following background papers were used in the preparation of this report:

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