

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Equity Share Working Party

27<sup>th</sup> April 2004

**AUTHOR/S:** Kari Greaves; Head of Shire Homes

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### EQUITY SHARE CHARGING POLICY

#### Purpose

1. To consider how best to review the recommendations made by the Equity Share Advisory Group, and agreed by Cabinet on 5<sup>th</sup> June 2003 in the light of new circumstances emerging from the introduction of the Supporting People regime.

#### Effect on Corporate Objectives

2.	Quality, Accessible Services	Equity Share properties offer owner-occupiers access to suitable accommodation from the Council when they have an income or capital sufficient to exclude them from renting a Council home under current policy.
	Village Life	The policy encourages mixed tenure in the Councils village communities.
	Sustainability	As above
	Partnership	-

#### Background

3. The Equity Share Advisory Group ran from the 7<sup>th</sup> November 2002 until the last meeting on the 6<sup>th</sup> March 2003. The Group considered a wide range of issues in relation to the Equity Share Scheme and its future.
4. On the 6<sup>th</sup> March 2003 the- Equity Share Advisory Group recommended that;  
Full cost be dealt with on a scheme-by-scheme basis and that lessees be charged the full respective costs upon the following basis;
  - a. New lessees, from the outset;
  - b. Existing lessees, by increments of £2 per week per annum over the present base charge.
  - b) Leaseholders be formally notified as soon as the decision is made, with an appropriate letter explaining the position.
  - c) The amount of the annual increment in respect of those schemes will not by then have reached full cost be reviewed after 5 years.

## Considerations

5. During the course of its work the Advisory Group considered the following written and verbal reports;
  - Options for the future of Equity Share Schemes for the elderly
  - A description of Leasehold Equity Share Schemes
  - A case history
  - Investigations requested at the first meeting.
  - Legislative implications
  - Financial implications
6. It was agreed at the last meeting of the Equity Share Working Group that a letter of explanation would have to be sent out to all members of the Equity Share Scheme, as this was a controversial issue and the reasons for the increases in charges needed to be carefully explained. The Director of Housing and Community Services agreed to draft a letter and circulate it to members of the Group. This letter was never drafted, circulated or sent.
7. During the intervening period the Director of Housing and Community Services has left the Council and the responsibility for the management of the Equity Share Service has transferred from the Head of Housing Strategic Services previously the Acting Assistant Director of Strategic Services to, the Head of Shire Homes.
8. The organisational and personnel changes caused the implementation of the new charges to be delayed. When the practical implications of the new charging regime were examined it was found that the base data for implementation was not comprehensive. This was compounded by the difficulty of calculating the charges on an individual basis for so many shareholders.
9. In addition Officers have been unable to confirm the implications on the future allowances from Supporting People. When the Advisory Group met it was anticipated that allowances would be calculated individually and that a standard allowance would not be payable from the Supporting People fund. On the inception of the Supporting People Scheme the actual contribution finally agreed was standard across all sheltered housing schemes, in recognition of the complexity of individual allowances. This position was supported by the Councils finance staff as a pragmatic solution, and will be open to challenge if individual charging is introduced for the Equity Share occupiers.
10. It was noted by Cabinet on the 16<sup>th</sup> February 2004 that 'the proposed sheltered housing services and facilities charges to equity share shareholders were not in accordance with Council's decision arising from the Equity Share Advisory Group but that further work by the Housing and Environmental Services Department was needed on the practicalities of implementing that decision. The recommended charges were therefore based on the existing formula and Cabinet was asked to endorse these, while recognising that they might have to be revisited during the year'.
11. In order to try to identify the information gap and the extent of ongoing work and the data collection commitment associated with individual charging the internal auditors were asked to provide a brief to carry out an investigation. This brief is included as appendix A and stands as a possible way forward to determine the full implications of the proposed charging system.

### Options

12. On reviewing the current position it is not considered an option to implement the proposed charging structure without further investigation into the implications, particularly in relation to Supporting People allowances.
13. It is the Officers view that the internal auditors could provide an independent perspective on the requirements of the proposed charging system. It may be that the brief attached appendix A is more detailed than required for the purposes of the Council and combined with some internal resources this could be paired down to a more focused and shorter exercise.
14. It remains an option to retain the current system for charging that was applied this year and has the benefit of simplicity and operates easily in conjunction with the Supporting People allowances structure.

### Financial Implications

15. The financial implications relate to the cost of engaging the internal auditors to undertake the work identified in appendix A. At the time of writing it is estimated that the work will take 15 days but no daily rate is available. Further information will be sought for the meeting and presented verbally.

### Legal Implications

16. There are no legal implications to this report.

### Staffing Implications

17. There are no staffing implications to this report

### Risk Management Implications

18. It is intended that the involvement of the internal auditors will ensure that the Council has a full evaluation of the implications of applying a new charging structure.

### Consultations

19. Initial consultations have taken place with the internal auditors and the brief supplied by them is attached at appendix A.

### Conclusions/Summary

20. The Equity Share Advisory Group considered a wide range of issues over the course of the Group meetings. Unfortunately it was not possible to predict the impact of the introduction of the Supporting People regime. The proposals of the Group are in conflict with the principals of the Supporting People allowances structure and it is not possible at this time to assess how they can be reconciled with the proposed individual charging structure for Equity Share occupiers.
21. It is necessary for a piece of work to be carried out to evaluate the most effective and appropriate way forward, that recognises the wishes of Members of the Equity Share Advisory Group and the practicalities and wider financial factors influencing charging and allowance structures for tenants and equity share occupiers. This can be achieved best by incorporating it into the work to be carried out in reviewing the Sheltered Housing Service over the coming 12 months.

### Recommendations

22. The Director of Housing and Environmental Services oversees a re-examination of the proposed charging structure for Equity Share occupiers and the findings are presented as part of the review of Sheltered Housing to be undertaken over the next 12 months.

**Background Papers:** the following background papers were used in the preparation of this report: Cabinet Minutes 16<sup>th</sup> February 2004  
Cabinet Report 5<sup>th</sup> June 2003 – The Report of the Cabinet Advisory Group on Equity Share Schemes for the Elderly.  
Minutes Equity Share Advisory Group 6<sup>th</sup> March 2003

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**Audit Number:SCDC331**

### **1. INTRODUCTION**

**This audit is in addition to the 2003/2004 audit plan and entails an assessment of the impact of the newly proposed system for property charging under the Equity Share Schemes administered by the Council.**

Management have expressed concerns to audit over the viability of the proposed charging scheme. As such this audit will review the proposal for revising the charging structure on an individual property basis, to determine the impact on current working practices and assess whether existing resources are sufficient to meet the changes.

### **2. METHOD**

**Details of the proposed systems and procedures will be obtained from interviews with key staff. Where applicable, random samples of source documents will be selected to evaluate the impact of the proposed controls.**

**The results of this evaluation will then be assessed and reported to Management.**

### **3. SCOPE AND OBJECTIVES**

The review will cover:-

- The elements of cost to be incorporated into the charge (ground rent, service charge, buildings insurance, and supporting people);
- The ease of apportionment and calculation of costs within the property charge, i.e. the cost of warden services and how this will be split across a scheme and it's residents;
- The effect on scheme preferences of the variation of charges across schemes and potentially across villages;
- The ability of the Authority to create robust systems to ensure that charges are calculated and processed accurately; and
- Seek to obtain information of similar schemes administered by other Authorities.

We anticipate this piece of work to take 15 days, however any variation to this estimated timescale will be discussed with management before proceeding.