

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 9 March 2006
AUTHOR: Finance and Resources Director

ALARM SYSTEM SERVICE CHARGES

Purpose

1. For Cabinet to revisit the various alarm system services charges for 2006-07 (apart from the alarm charge for Group Schemes) considered by Cabinet on 9 February 2006 and recommended to Council.

Effect on Corporate Objectives

2.

Quality, Accessible Services	To ensure that the charges provide resources for the Council to continue and improve its services.
Village Life	
Sustainability	
Partnership	

Background

3. A report relating to the setting of housing rents and charges was presented to Cabinet on the 9 February 2006. Cabinet recommended the setting of charges for 2006-07 at the levels proposed in the report.
4. The Council considered the recommendation on 23 February 2006 and approved the increases to dwelling rents, garage rents, sheltered housing service and the alarm charges for Group Schemes. However, Members did not approve the proposed charge for the alarm system service to owner occupiers and tenants not on a sheltered housing scheme.
5. The Council deferred making any decision on the setting of the non Group Scheme alarm charges and requested that additional options should be brought forward for consideration.

Considerations

6. At present there is both a full charge for lifelines and a reduced charge for those in receipt of benefit. The reduced charge was introduced some years ago to assist those on low incomes because the charges for lifelines were not eligible for benefit.
7. The Office of the Deputy Prime Minister (ODPM) would like authorities to move towards a situation where Housing Revenue Account (HRA) services are fully paid for by the user, rather than subsidised by tenants in general. The reduced charge is insufficient to cover the costs of the service and both the Portfolio Holder and the Housing and Environmental Services Director have indicated their preference for the service to break even by charging users the full cost in line with the expectations of the ODPM.

8. The service is subsidised from both the HRA and the General Fund based on the proportion of tenants and owner-occupiers and, as a consequence, approximately 70% of the net cost is met from the General Fund. Last year it was agreed that the reduced charge would be phased out over a four year period; however, at the meeting held on 27 October 2005 the Council decided, as part of the General Fund savings exercise, that from 2006-07 all users would be asked to pay the full charge.
9. At the beginning of February there were almost 690 users paying for this service of which around 35% qualified for the reduced charge
10. The estimates have been prepared on the basis that, as recommended by the Portfolio Holder, the full charge for lifelines is increased by 2.5% (in line with inflationary increase used throughout the Council's estimates) to £3.61 and the reduced charge is abolished from 1 April 2006 (as decided by Council last October). As a result, to give effect to the Council's earlier decision, all users would be required to pay the full charge of £3.61 per week from 1 April.
11. The net expenditure figure of £2,560 included in the 2006-07 estimates for alarm systems allows for the possibility that the proposed increase in charges will result in some reduction in demand. The full impact of other charging options on the net expenditure figure cannot be easily quantified. Consequently, no allowance for the effect on demand for the service has been made in arriving at the estimated financial impact on the General Fund and the HRA of the various alternative charging options considered in this report.
12. In order to give sufficient notice to tenants and other users it is proposed that if any increase is agreed by Members it will only come into effect from 1 May 2006. As a result, even if the charges originally recommended to Council on 23 February are agreed by Members, there will still be a small impact on the General Fund and HRA, because of the one month delay.

Options

13. In addition to the charges used for the purpose of the estimates, 7 other options are considered below, with the financial implications summarised in the table at paragraph 21.

1 – Not to increase the full charge and remove the subsidised reduced charge.

14. Not to increase the full charge by the 9 pence a week, but to leave this charge at £3.52, whilst still abolishing the subsidised reduced charge.

2 – Not to increase any charges and to continue with the reduced charge (i.e. status quo).

15. Another option is not to abolish the reduced charge and to peg the charges at this year's level. The cost of staff, which is the main element of the estimated expenditure on the alarm service, is generally expected to increase by more than inflation. Therefore, even if efficiency savings are achieved, without some uplift being applied to charges, the level of the deficit is likely to grow. Pressure on the General Fund in future years may result in a need to control the deficit by increasing charges. If inflationary uplifts are not made to the charges year on year, then a situation could arise where a substantial increase is required. Under this option the charges would remain at £3.52 per week for the full charge and £2.24 per week for the reduced charge.

3 – Not to increase any charges, continue with the reduced charge and restrict the subsidised scheme to existing participants.

16. As in option 2 but only those who pay the reduced charge at 31 March 2006 would be eligible for the reduction after that date. This would allow the subsidised rate to be phased out gradually with no financial impact on the existing users.

4 – To increase all charges by 2.5% for inflation and to continue with the reduced charge.

17. Another option is not to abolish the reduced charge and to increase all charges by 2.5% for inflation. By applying an inflationary uplift the deficit should be contained at around the current year's level. Under this option the full charge would increase by 9 pence a week to £3.61 and the reduced charge by 6 pence to £2.30.

5 – To increase charges for inflation, continue with the reduced charge and restrict the subsidised scheme to existing participants.

18. As in the previous option but with only those who pay the reduced charge at 31 March 2006 being eligible for the reduction after that date.

6 – To increase charges by 2.5% for inflation and to continue to phase out the reduced charge.

19. A further option is to increase charges for inflation and to continue phasing out the reduced charge. In February 2005 Members agreed to phase out the reduced charge over a four year period and, if this process had not been superseded by the decision last October to abolish the reduced charge completely, 2006-07 would be the second year of the phasing out scheme. Under this option the full charge would increase by 9 pence to £3.61 (as in options 4 and 5) and the reduced charge would increase by 50 pence a week to £2.74.

7 – To increase charges by 2.5% for inflation, continue to phase out the reduced charge and restrict the subsidised scheme to existing participants.

20. As in the previous option but with only those who pay the reduced charge at 31 March 2006 being eligible for the reduction after that date.
21. The table below sets out the likely impact on the General Fund and the HRA of the various options listed above. The financial implications for 2006-07 of not allowing any more users to pay at the reduced rate after the 31 March 2006 (3, 5 and 7) are both expected to be insignificant and are difficult to gauge. For this reason, no figures have been included in the table for these options. However, there is likely to be a significant impact on the income received in future years should option 3, 5 or 7 be selected in preference to options 2, 4 or 6 as the numbers entitled to pay for the service at the subsidised rate will gradually go down.

Lifeline Alarm System Service Charge*	Current Charge per week	New Charge per week	Increase	Approx Addition to the Deficit Shown in the 2006-07 Approved Estimates		
				General Fund	HRA	
	£.p	£.p	%	£.p	£	£
Option Used for the Approved Estimates					190	80
Full Charge						
- where the Council supplies the alarm	3.52	3.61	3	0.09		
- where the user supplies the alarm	2.85	2.92	3	0.07		
Reduced charge for those in receipt of benefit						
- where the Council supplies the alarm	2.24	No longer available				
- where the tenant supplies the alarm	1.59	No longer available				
Option 1 – Not to increase the full charge and remove the subsidised reduced charge						
Full Charge					2,200	1,000
- where the Council supplies the alarm	3.52	3.52	0	0		
- where the user supplies the alarm	2.85	2.85	0	0		
Reduced charge for those in receipt of benefit						
- where the Council supplies the alarm	2.24	No longer available				
- where the tenant supplies the alarm	1.59	No longer available				
Option 2 – Not to increase any charges and to continue with the reduced charge						
Full Charge					13,440	5,760
- where the Council supplies the alarm	3.52	3.52	0			
- where the user supplies the alarm	2.85	2.85	0			
Reduced charge for those in receipt of benefit						
- where the Council supplies the alarm	2.24	2.24	0			
- where the tenant supplies the alarm	1.59	1.59	0			
Option 3 – Not to increase any charges, continue with the reduced charge and restrict the subsidised scheme to existing participants.						
Option 4 – To increase all charges by 2.5% for inflation and to continue with the reduced charge						
Full Charge					11,570	4,960
- where the Council supplies the alarm	3.52	3.61	3	0.09		
- where the user supplies the alarm	2.85	2.92	3	0.07		
Reduced charge for those in receipt of benefit						
- where the Council supplies the alarm	2.24	2.30	3	0.06		
- where the tenant supplies the alarm	1.59	1.63	3	0.04		
Option 5 – To increase charges for inflation, continue with the reduced charge and restrict the subsidised scheme to existing participants.						
Option 6 – To increase the full charge by 2.5% for inflation and to continue to phase out the reduced charge.						
Full Charge					7,720	3,310
- where the Council supplies the alarm	3.52	3.61	3	0.09		
- where the user supplies the alarm	2.85	2.92	3	0.07		
Reduced charge for those in receipt of benefit						
- where the Council supplies the alarm	2.24	2.74	22	0.50		
- where the tenant supplies the alarm	1.59	2.06	30	0.47		
Option 7 – To increase charges by 2.5% for inflation, continue to phase out the reduced charge and restrict the subsidised scheme to existing participants.						

* Plus VAT where appropriate

Financial Implications

22. The financial implications contained in the body of the report.

Legal Implications

23. There do not appear to be any legal implications.

Staffing Implications

24. There do not appear to be any direct staffing implications.

Risk Management Implications

25. There do not appear to be any risk management implications.

Conclusions/Summary

26. The estimates for the HRA and the General Fund were prepared on the basis that the reduced charge for the lifeline service would be abolished and the full charge would be increased by 2.5% for inflation. As part of the General Fund savings exercise it was hoped that the abolition of the reduced charge from 1 April 2006 would mean that a saving of £15,000 could be made in the General Fund's share of the deficit for the alarm service in 2006-07 (included in the approved estimates) compared to the 2005-06 original estimate figure.
27. At the last Council Meeting, Members requested further information in order to revisit both the decision made on 27 October 2005 to abolish the reduced charge and to consider what inflationary increase, if any, should be applied.
28. Various options together with the likely impact on the General Fund and the HRA have been considered in the report.

Recommendations

29. Cabinet is requested to recommend to Council that from the 1 May 2006 the reduced charge for the lifeline service is abolished, as agreed by the Council on 27 October 2005, and that the full charge is increased by 2.5% for inflation to £3.61 per week (where the Council supplies the alarm) and £2.92 per week (where the user supplies the alarm).

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

The Revenue and Capital Estimates Report presented to the Housing Portfolio Holder on 30 January 2006

Contact Officers:

G. Harlock – Finance and Resources Director Telephone: (01954) 713227
G. Thomas – Principal Accountant (Housing) Telephone: (01954) 713074