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**Housing Association Service Charges for
General Needs Housing,
2003/04–2007/08**

Housing Association Service Charges for General Needs Housing, 2003/04–2007/08

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1. Introduction

Service charges are set by housing associations (HAs) to cover the cost of providing various services to their tenants. Previously these charges were included in the gross HA rent, but they have now been separated to provide tenants with clearer information about their rents and charges. Service charges are most usually applicable to flats, where services like caretaking and lift maintenance are more common, but can be applied to any tenants in receipt of services such as communal lighting, concierge, neighbourhood warden service, estate cleaning, grounds maintenance, etc. Most service charges are eligible for Housing Benefit (HB) payments.¹ The government introduced a target rent formula for setting social rents across HAs and local authority housing in 2000, but excluded service charges within this formula, leaving HAs the responsibility to set service charges including any increases to cover costs. Service charges have become a sensitive issue for many tenants where ownership of their home has transferred from local authorities to HAs (known as Large Scale Voluntary Transfer or LSVT), as service charges (before transfer) are included in council rents and covered by the rent formula, but after transfer these charges are not covered.

The main objective of this paper is to identify the pattern of service charges for HA housing and how service charges vary between different property sizes and property types, areas and types of HAs – Large Scale Voluntary Transfer HAs (LSVT HAs) and non-LSVT HAs. The study focuses on general needs self-contained dwellings only as the majority of HA housing falls within this category.² The Tenant Services Authority has collected the weighted average service charges for general needs housing from the Regulatory and Statistical Return (RSR) and service charges for each new-let or re-let general needs housing from the COntinuous REcording (CORE) system. Using data from the RSR, the first part of the paper gives a picture of service charges for general needs housing and how they changed between 2004/05 and 2007/08 by bedsize and by region, and then between LSVT HAs and non-LSVT HAs in 2007/08. The second part looks at the pattern of service charges eligible for HB in London, using both RSR and CORE, to identify which type of property in 2007/08 had high service charges and where these were located.

2. General Picture of Service Charges

2.1 Service charges eligible for HB and not eligible for HB for general needs housing by bedsize, 2003/04–2007/08

Table 1 shows average weekly rents and service charges by eligibility for HB as reported by HAs in the RSRs for 2003/04 to 2007/08. In general, fewer than half of general needs tenants paid a separate service charge (Table 1a). For service charges eligible for HB, 48% of general needs tenants paid this charge in 2003/04, and this proportion fell to 41% in 2004/05 but increased to 44% in 2005/06, 46% in

¹ Service charges which are not eligible to be met by HB include sewerage charges, heating and hot water charges, charges for fuel except where this is charged for communal areas, charges for personal services such as meals, laundry and other day-to-day living expenses, and charges for counselling or other support services. For details on what service charges are ineligible for HB, see the Housing Benefit (General) Regulations 1987 (Statutory Instrument 1987 no. 1971; http://www.opsi.gov.uk/si/si1987/Uksi_19871971_en_22.htm#sdiv1).

² In 2007/08, 76% of owned rental stock was general needs housing. Another 18% was for supported housing or housing for older people, and the remaining 6% was leasehold properties, including shared ownership and Right to Buy/Right to Acquire, where leaseholders have not acquired 100% equity (Tang 2009, p.2).

2006/07 and 2007/08. The reduction in the proportion of general needs tenants paying an HB-eligible service charge between 2003/04 and 2005/06 was mainly due to the re-categorisation of general needs and supported sheltered housing as "housing for older people". Starting from 1 April 2004, properties for older people with no designated support purpose or special design feature were categorised as "general needs" housing, but those with "designated supported housing for older people", were re-categorised as "supported" not "general needs" housing in the 2005 RSR return. This shift in definition where some general needs sheltered housing was re-categorised as supported "housing for older people" had a significant effect on the total number of general needs tenants paying a non-HB eligible service charge that were connected with the provision of personal and support services. Eleven percent of general needs tenants paid this charge in 2003/04 and fell to 6% in 2004/05, 2005/06 and 2006/07 but rose slightly to 7% in 2007/08.

General needs tenants living in smaller-size dwellings are more likely to pay service charges (Table 1a). With respect to service charges eligible for HB, 82% of tenants in bedsits and 68% in one-bedroom properties in 2003/04 paid this charge. These proportions fell to 79% and 66%, respectively, in 2007/08 mainly as a result of the re-categorisation of some general needs sheltered housing to the supported "housing for older people". For other bedsizes, 45% of tenants in two-bedroom properties, 29% in three-bedroom properties and 38% in properties with four or more bedrooms paid this charge in 2003/04. These proportions increased slightly to 49%, 31% and 40%, respectively, in 2007/08. The total numbers increased the most in three-bedroom properties (24%) and properties with four or more bedrooms (22%).

In the case of service charges not eligible for HB, the majority of those payees were tenants living in bedsits (Table 1a). In 2003/04, tenants in 54% of bedsits and 22% of one-bedroom properties paid this charge. This reduced significantly to 18% and 9%, respectively, in 2007/08. For other bedsizes, tenants paid such charges in less than 8% of two-bedroom properties, 6% of three-bedroom properties and 5% of properties with four or more bedrooms between 2003/04 and 2007/08.

Table 1b shows that the national average weekly HB-eligible service charge among general needs properties in 2003/04 was £6.13 per week. This fell to £4.35 in 2005/06 but rose slightly to £4.83 in 2007/08. This large reduction in the average service charge between 2003/04 and 2005/06 was due to the large decrease in the number of bedsits after the exclusion of some of the general needs sheltered housing in 2004/05. In 2003/04 the national average weekly HB-eligible service charge among bedsits was £12.84, more than twice the average for all property sizes. It fell substantially to £6.41 in 2005/06, but still remained 48% above the average for all properties. For one-bedroom properties, the average HB-eligible service charge fell from £8.45 in 2003/04 to £5.39 in 2005/06. But after 2005/06, service charges for bedsits and one-bedroom properties followed the same increasing trends as those in other bedsizes. Average HB-eligible service charges for two-bedroom properties experienced the largest increase of 12% between 2005/06 and 2007/08 while those for properties with four or more bedrooms had the smallest increase of 7%.

Table 1 Weekly net rent and service charges for general needs housing, 2003/04 to 2007/08

a) *No. of households*

	Bedsit	1-bed	2-bed	3-bed	4+ bed	Self-contained	All
2003/04							

Rent	52,248	454,233	526,075	485,976	48,968	1,567,500	1,571,401
Service charge eligible for HB	42,757	310,305	238,420	142,904	18,473	752,859	755,523
Service charge not eligible for HB	28,392	98,850	30,767	17,524	1,082	176,615	179,198
2004/05							
Rent	31,053	325,003	526,870	522,622	52,446	1,457,994	1,460,052
Service charge eligible for HB	24,304	195,821	220,741	142,341	19,022	602,229	603,545
Service charge not eligible for HB	13,086	34,003	23,999	16,996	1,256	89,340	90,547
2005/06							
Rent	22,118	321,133	545,244	537,693	54,357	1,480,545	1,482,655
Service charge eligible for HB	15,473	200,049	250,902	163,224	21,125	650,773	652,180
Service charge not eligible for HB	3,546	27,600	33,426	23,964	1,496	90,032	91,139
2006/07							
Rent	20,856	329,610	564,795	556,113	54,599	1,525,973	1,527,619
Service charge eligible for HB	16,336	215,341	272,389	175,110	21,934	701,110	702,054
Service charge not eligible for HB	3,732	30,257	35,532	23,543	1,716	94,780	95,807
2007/08							
Rent	21,186	347,548	597,431	594,567	58,381	1,619,113	1,620,259
Service charge eligible for HB	16,725	228,498	291,036	186,972	23,562	746,793	747,707
Service charge not eligible for HB	3,860	32,385	42,676	32,113	2,299	113,333	113,995

b) *Per week*

	Bedsit	1-bed	2-bed	3-bed	4+ bed	Self-contained	All
2003/04							
Rent	£43.60	£51.11	£58.90	£64.10	£76.08	£58.28	£58.24
Service charge eligible for HB	£12.84	£8.45	£4.23	£2.50	£2.98	£6.10	£6.13
Service charge not eligible for HB	£7.73	£6.61	£4.80	£3.86	£4.14	£6.19	£6.17
2004/05							
Rent	£46.25	£53.70	£61.13	£65.83	£79.12	£61.49	£61.46
Service charge eligible for HB	£12.07	£6.08	£4.36	£2.74	£3.19	£4.81	£4.83
Service charge not eligible for HB	£10.56	£7.35	£4.09	£3.89	£4.04	£6.24	£6.22
2005/06							
Rent	£51.43	£56.33	£63.73	£68.54	£80.95	£64.32	£64.29
Service charge eligible for HB	£6.41	£5.39	£4.46	£2.78	£3.34	£4.34	£4.35
Service charge not eligible for HB	£3.86	£3.48	£3.71	£4.05	£4.57	£3.75	£3.75
2006/07							
Rent	£53.05	£58.37	£65.97	£71.16	£83.67	£66.67	£66.66
Service charge eligible for HB	£6.81	£5.60	£4.72	£2.85	£3.38	£4.53	£4.54
Service charge not eligible for HB	£4.93	£4.03	£4.15	£4.67	£4.87	£4.29	£4.29
2007/08							
Rent	£55.37	£61.25	£69.10	£74.69	£87.83	£69.96	£69.95
Service charge eligible for HB	£7.16	£5.90	£5.06	£3.07	£3.60	£4.82	£4.83
Service charge not eligible for HB	£5.55	£4.89	£4.91	£5.46	£6.23	£5.11	£5.11

Sources: 2003/04–2007/08 RSR Part Ia.

For those who paid service charges in 2007/08, the average HB-eligible service charge represented 11% of all bedsits' gross rent (i.e., rent including an HB-eligible service charge), 9% for one-bedroom properties and 7% for two-bedroom properties. In the case of larger-size properties, the HB-eligible service charge accounted for a very small proportion (less than 0%) of the average gross rent.

The shift of some of general needs sheltered housing to supported housing also led to a downward shift of the average service charge for general needs housing that were not covered by HB payments. Nationally the average weekly non-HB-eligible service charge for all general needs units was £7.73 in 2003/04, and it fell to £5.11 in 2007/08 (Table 1b). The greatest decline was found in bedsits in 2003/04 which reduced by 39% to £7.16 in 2007/08. The average non-HB eligible service charge for one-bedroom properties also fell by 35% in this period. On the other hand, average non-HB eligible service charges for properties with two or more bedrooms increased substantially, particularly those with four or more bedrooms which increased by 34% over the period. However, as these large properties accounted for a very small proportion of properties that had non-HB-eligible service charges their increases had no effect on the overall average for all properties.

Given that nearly half of all general needs tenant households paid a service charge eligible for HB but fewer than 10% of such households paid a service charge not eligible for HB, the remaining analyses in this study excludes service charges that are not covered by HB payments.

2.2 Service charges eligible for HB for self-contained units by region, 2003/04–2007/08

Table 2 gives a regional breakdown of HB-eligible service charges for general needs self-contained units. London had the largest proportion of general needs self-contained units where a service charge was payable (58% in 2003/04 rising to 62% in 2007/08)(Table 2a). In contrast, the North East had the smallest proportion of properties where this charge was applicable (40% in 2003/04 falling to 36% in 2007/08).

With regard to the total number of properties in England with an HB-eligible service charge, London also accounted for the largest proportion, 22% in 2007/08. This was followed by the North West (16%) and the South East (15%). The East Midlands and the North East had the smallest proportions, both 5%.

Average HB-eligible service charges for all general needs self-contained units were always the highest in London which was also the only region which saw increases in the charge had between 2003/04 and 2007/08 (Table 2b). In 2003/04, London's HB-eligible service charge was £7.25 per week, 19% higher than the national average for all general needs self-contained units with an HB-eligible service charge. It fell to £6.39 in 2004/05 mainly because of some general needs sheltered housing being recategorised as supported housing. By 2007/08 it increased again to £7.52, 56% above the national average for all general needs self-contained units with an HB-eligible service charge. Other than London, all regions had a fall in this service charge over the period, with the North West experiencing the greatest fall of 38%. By 2007/08, the North West had the lowest level of HB-eligible service charges. In 2003/04 its average had been 4% above than the national average for all general needs self-contained units with an HB-eligible service charge but by 2007/08, it was 18% below.

Table 2 Weekly net rent and service charge eligible for HB for self-contained general needs housing by region, 2003/04 to 2007/08*a) No. of households*

	London	South East	South West	East Midlands	East	West Midlands	Yorkshire & Humber	North East	North West
2003/04									
Rent	256,378	239,138	146,717	88,000	142,741	206,296	110,583	98,685	278,670
Service charge	148,193	111,703	70,651	45,329	62,904	82,713	63,989	39,546	127,665
2004/05									
Rent	243,180	210,082	122,052	72,198	138,077	182,569	128,492	99,056	261,994
Service charge	135,477	84,387	52,904	32,275	48,547	68,574	47,357	34,974	97,568
2005/06									
Rent	248,377	210,384	126,722	70,892	144,811	184,325	126,970	93,916	274,148
Service charge	148,736	94,659	55,211	31,601	55,332	77,941	44,121	31,772	111,400
2006/07									
Rent	246,894	217,478	132,408	68,948	153,305	181,979	136,764	98,528	289,669
Service charge	150,426	100,560	59,265	32,112	58,953	93,865	54,751	33,907	117,271
2007/08									
Rent	259,001	230,713	135,626	78,031	176,711	183,502	139,574	106,673	309,282
Service charge	161,545	114,108	61,167	34,256	67,773	95,352	55,311	37,928	119,353

b) Per week

	London	South East	South West	East Midlands	East	West Midlands	Yorkshire & Humber	North East	North West
2003/04									
Rent	£70.01	£66.79	£58.40	£52.54	£60.54	£52.40	£50.43	£48.86	£51.60
Service charge	£7.25	£6.18	£5.00	£5.62	£5.83	£5.23	£5.61	£6.27	£6.35
2004/05									
Rent	£74.67	£71.37	£62.02	£55.96	£63.54	£55.50	£51.07	£51.51	£54.59
Service charge	£6.39	£4.61	£3.57	£4.02	£4.04	£4.02	£4.32	£5.31	£4.71
2005/06									
Rent	£78.07	£74.69	£64.59	£58.90	£66.16	£58.16	£53.90	£54.47	£56.56
Service charge	£6.48	£4.08	£3.37	£3.63	£3.68	£3.59	£3.70	£3.91	£3.59
2006/07									
Rent	£81.59	£77.40	£66.77	£61.36	£68.78	£60.68	£54.81	£55.92	£59.04
Service charge	£6.93	£4.18	£3.42	£4.06	£3.91	£3.58	£4.02	£4.46	£3.78
2007/08									
Rent	£85.64	£80.67	£70.11	£64.14	£72.24	£64.22	£58.02	£58.25	£61.78
Service charge	£7.52	£4.46	£3.62	£4.11	£4.08	£3.83	£4.32	£4.19	£3.96

Sources: 2003/04–2007/08 RSR Part Ia.

2.3 Service charges eligible for HB between LSVT HAs and non-LSVT HAs, 2007/08

Between 1 April 2007 and 31 March 2008, 90,061 units were acquired by HAs through LSVT programmes. Table 3 compares the stock profiles, average weekly rents and service charges eligible for HB between LSVT HAs and non-LSVT HAs in 2007/08. LSVT HAs generally have a higher proportion of dwellings with more than two bedrooms, 46% in 2007/08 as compared with 34% in non-LSVT HAs. The average LSVT HA rent is also lower (11% in 2007/08) than that of non-LSVT HAs.

Table 3 Weekly net rent and service charge eligible for HB for self-contained general needs housing by HA type, 2007/08

	LSVT HAs				non-LSVT HAs			
	No.	Rent	No.	Service charge	No.	Rent	No.	Service charge
Bedsit	9,054	£51.81	6,244	£5.41	12,132	£58.03	10,481	£8.20
1 bedroom	163,484	£57.14	79,936	£4.33	184,064	£64.90	148,562	£6.74
2 bedrooms	308,604	£65.02	110,322	£4.30	288,827	£73.46	180,714	£5.53
3 bedrooms	377,929	£70.77	80,707	£2.36	216,638	£81.52	106,265	£3.60
4+ bedrooms	23,951	£79.35	5,951	£2.68	34,430	£93.73	17,611	£3.91
All bedsizes	883,022	£66.28	283,160	£3.75	736,091	£74.38	463,633	£5.47

Sources: 2007/08 RSR Part Ia.

Because LSVT HAs have a larger proportion of properties with three or more bedrooms, their tenants are less likely to pay an HB-eligible service charge. In 2007/08, 32% of all self-contained general need units owned by LSVT HAs had this charge applied in contrast to 63% of stock owned by non-LSVT HAs. Tenants living in bedsits and one-bedroom properties owned by LSVT HAs, like their counterparts in non-LSVT HAs, are more likely to pay this charge, but the numbers of these small properties are far fewer among LSVT HAs. Table 3 shows that less than 70% of bedsits and fewer than half of all one-bedroom properties owned by LSVT HAs had a service charge applied. The comparative figures for non-LSVT HAs were 86% and 81%, respectively.

Average weekly service charges eligible for HB are also lower in LSVT HAs. In 2007/08 their average HB-eligible service charge for general needs self-contained stock was 32% lower than that of non-LSVT HAs (Table 3). However, the pattern of HB-eligible service charges in LSVT HAs is similar to that for non-LSVT HAs, with smaller size properties having a higher service charge.

The average HB-eligible service charge for bedsits among LSVT HAs was 44% higher than the average for all property sizes; 16% higher for one-bedroom properties, and 15% higher for two-bedroom properties. The comparative figures for non-LSVT HAs was 50% higher, for bedsits, than the average of all non-LSVT self-contained general needs units with an HB-eligible service charge; 23% higher for one-bedroom properties; and only 1% higher for two-bedroom properties.

Table 4 shows the relationship between weekly net rents and HB-eligible service charges for all self-contained general needs units with an HB-eligible service charge by bedsize in 2007/08. It is apparent that as net rents increase, service charges have also increased in every bedsize category.³ The strength of the positive relationship between rents and HB-eligible service charges was weaker in LSVT HAs than that for non-LSVT HAs. For LSVT HAs, this relationship was the strongest in bedsits, closely followed by one-bedroom properties and properties with six or more bedrooms. For non-LSVT HAs, this relationship was the strongest in one-bedroom properties, followed by properties with six or more bedrooms and five-bedroom properties. Three-bedroom properties were the only bedsize category where this relationship was the weakest for both LSVT and non-LSVT HAs.

³ Pearson's correlation reflects the degree of a linear relationship between two variables (X and Y). It ranges from +1 to -1. A correlation of +1 means that there is a perfect positive linear relationship between variables, i.e., large values of X tend to be associated with large values of Y and small values of X tend to be associated with small values of Y. A negative value implies a negative or inverse association, i.e., large values of X tend to be associated with small values of Y and vice versa.

Table 4 Pearson correlations between weekly net rent and service charge eligible for HB for self-contained general needs housing* between LSVT HAs and non-LSVT HAs by bedsize, 2007/08

	LSVT HAs	non-LSVT HAs
Bedsit	0.534	0.495
1 bedroom	0.452	0.613
2 bedrooms	0.233	0.366
3 bedrooms	0.150	0.307
4 bedrooms	0.217	0.460
5 bedrooms	0.355	0.505
6+ bedrooms	0.405	0.593

Note: Exclude self-contained general needs housing that did not have an HB-eligible service charge.
Sources: 2007/08 RSR Part Ia.

Overall, given that only one-third of tenants in self-contained general needs units owned by LSVT HAs paid a service charge eligible for HB and also the LSVT average HB-eligible service charge was generally lower, the high HB-eligible service charge is more of an issue for non-LSVT HAs. Furthermore, as one out of two general needs self-contained units in London's had this service charge applied and London's average HB-eligible service charge was also the highest in England, the next section concentrates on London.

3. Service Charges Eligible for HB, London

3.1 Service charges for *existing* tenancies by bedsize, 2003/04–2007/08

Looking exclusively at London, Table 5 shows that there was an increasing number of self-contained general needs properties where tenants were paying an HB eligible service charge over the period of 2003/04–2007/08. This increase was due to the rise in properties with two or more bedrooms. In contrast, because of the shift of some general needs sheltered housing to supported housing, the total number of bedsits where tenants would pay an HB-eligible service charge fell by 77% between 2003/04 and 2007/08 while that for one-bedroom properties, fell by 11%. Thus, by 2007/08, 78% of bedsits and 67% of one-bedroom properties had an HB-eligible service charge. For other bedsizes, between 2003/04 and 2007/08 proportions of properties where a service charge was applied were: 57% increased to 66% of two-bedroom properties; 45% to 53% of three-bedroom properties; and 48% to 57% of properties with four or more bedrooms, respectively. The proportional increases in properties with service charges eligible for HB between 2003/04 and 2007/08 were the largest in those with two-bedrooms. In fact, two-bedroom properties accounted for the largest proportion of all properties with HB-eligible service charges in London, 33% in 2003/04 and increased to 39% in 2007/08.

Table 5 Weekly net rent and service charge eligible for HB of existing tenancies for self-contained general needs housing in London, 2003/04 to 2007/08*a) No. of households*

	Bedsit	1-bed	2-bed	3-bed	4+ bed	Self-contained
2003/04						
Rent	11,614	84,156	86,128	60,605	13,875	256,378
Service charge	9,243	55,352	49,316	27,573	6,709	148,193
2004/05						
Rent	8,064	71,526	87,826	61,407	14,357	243,180
Service charge	5,822	43,635	50,499	28,375	7,146	135,477
2005/06						
Rent	8,217	71,785	90,429	63,161	14,785	248,377
Service charge	5,324	45,844	56,996	32,665	7,907	148,736
2006/07						
Rent	6,834	71,935	90,918	62,723	14,484	246,894
Service charge	5,191	46,351	58,308	32,612	7,964	150,426
2007/08						
Rent	6,734	74,902	95,246	66,504	15,615	259,001
Service charge	5,225	49,882	62,677	34,922	8,839	161,545

b) Per week

	Bedsit	1-bed	2-bed	3-bed	4+ bed	Self-contained
2003/04						
Rent	£50.52	£59.73	£70.65	£81.76	£93.28	£70.01
Service charge	£11.02	£9.38	£6.14	£4.43	£4.19	£7.25
2004/05						
Rent	£54.58	£63.63	£74.49	£85.16	£97.25	£74.67
Service charge	£8.53	£7.11	£6.63	£4.91	£4.54	£6.39
2005/06						
Rent	£58.93	£67.03	£77.69	£88.45	£100.34	£78.07
Service charge	£6.60	£6.99	£7.01	£5.18	£4.96	£6.48
2006/07						
Rent	£61.73	£70.62	£81.11	£91.97	£103.55	£81.59
Service charge	£7.12	£7.50	£7.48	£5.53	£5.11	£6.93
2007/08						
Rent	£64.51	£74.29	£85.02	£96.10	£108.34	£85.64
Service charge	£7.83	£7.94	£8.20	£6.20	£5.39	£7.52

Sources: 2004/05–2007/08 RSR Part Ia.

Table 5 also shows a significantly different pattern of the average HB-eligible service charge by bedsize as compared to the national pattern as shown in Table 1. For England, it was the bedsits having the highest average HB-eligible service charges for each year in 2003/04 to 2007/08. But for London, Table 5 shows that in 2003/04, the average HB-eligible service charge for all bedsits was the highest at £11.02 per week (52% higher than the average for all self-contained units with an HB-eligible service charge in London), but the gradual contraction of the bedsit stock due to the shift of general needs sheltered housing to the supported housing resulted in a dramatic decline of 41% to £7.83 (only 4% above the average for all self-contained units with an HB-eligible service charge in London), the third highest in 2007/08. The highest average HB-eligible service charge was among two-bedroom properties, which increased by 25% from £6.14 in 2003/04 to £8.20 (68% above the average for all self-contained units with an HB-eligible service charge in London) in 2007/08. One-bedroom properties had the second highest which was 42% above the average for all self-contained units with an HB-eligible service charge in London.

It is clear that London's pattern of average service charges eligible for HB is very different from other regions. However, the regional average masks a wider profile of HB-eligible service charges at local authority level. The first section below will therefore use the 2007/08 CORE data to identify which sizes and types of properties in the capital have particularly high levels of HB-eligible service charges for new tenancies. The next section will then use the 2007/08 RSR data for existing tenancies to find where these particularly high HB-eligible service charges are located.

3.2 Service charges for new tenancies, 2007/08

In 2007/08, the turnover of general needs housing in London was 9% (Tang 2009, Table 3). Table 6a shows that tenants in new tenancies were more likely to pay an HB-eligible service charge than those in existing tenancies: 75% for new tenants compared with 62% for existing tenants (Table 5a) and 46% for all existing tenants in England (Table 1a). As expected, the proportion of new tenants paying this service charge was higher in bedsits (80%), followed by two-bedroom properties (79%), one-bedroom properties (76%), properties of four or more bedrooms (70%) and three-bedroom properties (66%). Similar to the pattern in existing tenancies, the majority of new tenants paying the HB-eligible service charge were in smaller size properties, with two-bedroom properties having the largest proportion of 40%. Comparatively, a smaller proportion of new tenants in larger size properties (a total of 19% in properties with three or more bedrooms) paid an HB-eligible service charge than that of existing tenancies (27%), reflecting the relatively lower turnover rate of larger size properties.

The average HB-eligible service charge for all new tenants living in dwellings with this service charge in London was £9.24 per week (Table 6a), which was 23% higher than that for existing tenancies (£7.52; Table 5b) and nearly double of the average for all existing tenants in England (£4.83; Table 1b). The range of average HB-eligible service charges for new tenants among all bedsizes (from £7.56 to £9.87) was also narrower than that for existing tenants living in dwellings with this service charge (£5.39 to £8.20). Despite these differences, average HB-eligible service charges for new tenancies followed the same pattern for existing tenancies with those in two-bedroom properties paying the highest average HB-eligible service charge (7% above the average for all properties with an HB-eligible service charge) and those in properties with four or more bedrooms paying the lowest (18% below). Thus, the pattern of average HB-eligible service charges in new tenancies mirrored that of existing tenancies and once again confirmed the distinctive pattern of London from other regions.

Using the 2007/08 CORE dataset again, Table 6b shows average weekly rents and service charges eligible for HB paid by new tenants in London for each property type. Not surprisingly, new tenants in flats/maisonettes (including shared) are most likely to pay HB-eligible service charges than those in houses/bungalows (including shared). Approximately 76% of new tenants in flats/maisonettes with one-bedroom and 85% in two or more bedroom flats/maisonettes paid this charge (Table 6c). Average HB-eligible service charges are also consistently high in flats/maisonettes than those in houses/bungalows. New tenants sharing with others in flats/maisonettes paid a particularly high HB-eligible average service charge, 26% higher than the average for all properties with this service charge (Table 6b). The average HB-eligible service charge was the highest for new tenants in two-bedroom flats/maisonettes (Table 6c). Those who lived by themselves in flats/maisonettes paid an HB-eligible service charge that was 9% above the average for all properties with this service charge. In contrast, new tenants in houses/bungalows paid less than half the average for all

properties with an HB-eligible service charge, while those sharing with others, paid 68% of the average for all properties with this charge.

Table 6 Weekly net rent and service charge eligible for HB of new tenancies for self-contained general needs housing in London, 2007/08

a) By bedsize

	No.	Rent	No.	Service charge
Bedsit	554	£69.44	441	£9.22
1 bedroom	5,020	£78.15	3,802	£9.11
2 bedrooms	5,143	£88.73	4,084	£9.87
3 bedrooms	2,334	£100.63	1,534	£8.42
4+ bedrooms	626	£113.65	437	£7.56
All bedsizes	13,677	£87.24	10,298	£9.24

b) By property type

	No.	Rent	No.	Service charge
Flat/maisonette	10,516	£84.90	8,478	£10.08
Shared flat/maisonette	42	£83.71	32	£11.68
House/bungalow	2,542	£100.86	1,328	£3.92
Shared house/bungalow	14	£88.18	11	£6.31

c) By bedsize and property type – properties with 1 bedroom and 2 bedrooms

	No.	Rent	No.	Service charge
1 bedroom				
Flat/maisonette (including shared)	4,892	£78.10	3,719	£9.22
House/bungalow (including shared)	122	£80.18	78	£4.02
2 bedrooms				
Flat/maisonette (including shared)	4,380	£87.92	3,727	£10.47
House/bungalow (including shared)	761	£93.42	355	£3.55

Source: 2007/08 CORE.

The next section will focus on these smaller size properties and locate where these high-HB-eligible-service-charged bedsits and one and two-bedroom properties are.

3.3 Smaller size dwellings having particularly high service charges for existing tenancies, 2007/08

Calculated from weighted averages for each HA in the 2007/08 RSR, Table 7 shows the top ten local authority (LA) areas in London that had the highest average weekly HB-eligible service charges for bedsits, one- and two-bedroom properties. These smaller size dwellings with a high HB-eligible service charge represented approximately 1% of the total number of units with a HB-eligible service charge for each bedsize category. They were most likely newly-built units and tended to locate at Inner London, in which Southwark had the largest number of one and two-bedroom properties having particularly higher average service charges eligible for HB. It was also found that none of these HAs in these top ten LA areas were transferred associations. Like regional averages, LA averages mask a wider profile of HB-eligible service charges at individual property level. Nevertheless, the evidence so far indicates that HA tenants occupying smaller properties in the Inner London area paid a much higher level of HB-eligible service charge than other tenants elsewhere.

Table 7 Top ten LA areas in London with the highest average weekly service charge eligible for HB for self-contained general needs housing, 2007/08

LA area	Inner/Outer London	No. of reported units	Average service charge
<i>a) Bedsit</i>			
Southwark	Inner London – East	3	£22.35
Ealing	Outer London – West and North West	7	£22.02
Lewisham	Inner London – East	8	£21.23
Newham	Inner London – East	1	£20.67
Havering	Outer London – East and North East	1	£19.98
Barnet	Outer London – West and North West	6	£19.97
Hammersmith and Fulham	Inner London – West	6	£19.68
Camden	Inner London – West	20	£19.41
Ealing	Outer London – West and North West	1	£18.37
Islington	Inner London – East	13	£18.36
		66 (1.3%)	
<i>b) 1 bedroom</i>			
Barnet	Outer London – West and North West	1	£33.80
Kensington and Chelsea	Inner London – West	1	£32.44
Redbridge	Outer London – East and North East	4	£30.41
Newham	Inner London – East	5	£27.52
Islington	Inner London – East	165	£25.12
Kensington and Chelsea	Inner London – West	19	£24.88
Southwark	Inner London – East	278	£24.36
Camden	Inner London – West	3	£24.05
Ealing	Outer London – West and North West	14	£24.01
Sutton	Outer London – South	3	£22.36
		493 (1.0%)	
<i>c) 2 bedroom</i>			
Kensington and Chelsea	Inner London – West	2	£38.47
Newham	Inner London – East	14	£27.52
Ealing	Outer London – West and North West	19	£25.72
Kensington and Chelsea	Inner London – West	62	£25.30
Croydon	Outer London – South	2	£24.38
Greenwich	Outer London – East and North East	48	£24.25
Tower Hamlets	Inner London – East	24	£22.70
Southwark	Inner London – East	184	£22.65
Islington	Inner London – East	2	£22.43
Hillingdon	Outer London – West and North West	25	£22.38
		382 (0.6%)	

Note: Figure in italics is the percentage of the total number of units with an HB-eligible service charge for that bedsize.

Sources: 2007/08 RSR Part Ia.

4. Summary

On average, fewer than half of HA tenants in general needs self-contained dwellings paid an HB-eligible service charge in addition to rent. In fact, because of the re-categorisation of some general needs sheltered housing to supported “housing for older people”, there was a decline in the total number of general needs units with an HB-eligible service charge in the period of 2003/04 to 2007/08. Tenants in bedsits and properties with one bedroom are more likely to pay an HB-eligible service charge. In particular, those in bedsits are most likely to pay this charge (78% in 2007/08). Also, tenants in non-LSVT dwellings are more likely to pay this charge than those in dwellings owned by LSVT HAs.

There is a big difference between London and the rest of England. First, at the national level, the study found that, for properties with service charges eligible for HB:

- Service charges account for a small proportion of gross rent for most of general needs tenants. The main exception concerns tenants in bedsits where the average service charge represented 11% of the bedsits’ average gross rent in 2007/08.
- Average HB-eligible service charges experienced a dramatic fall between 2003/04 and 2005/06 because of the shift of some general needs sheltered housing to supported housing. But after 2005/06, the average HB-eligible service charge increased, although the extent of this increase was moderate. Between 2005/06 and 2007/08, the average HB-eligible service charge for two-bedroom properties had the largest increase, 12%.
- Average HB-eligible service charges vary between bedsizes and types of HAs. These service charges for bedsits are always the highest. In 2007/08, it was £7.16 per week, 48% above the average of all properties with an HB-eligible service charge (£4.83). Also, these service charges for LSVT HAs (£3.75 in 2007/08) are lower than those for non-LSVT HAs (£5.47).

London has a different pattern of HB-eligible service charges from the national picture as well as those in other regions:

- Regionally, general needs tenants in self-contained units in London have the highest chance of paying HB-eligible service charges, and they are also more likely to pay the highest service charges in England.
- Unlike the national picture, the number of general needs tenants in self-contained units paying this service charge has increased in London even after the shift of some general needs sheltered housing to supported housing. The largest increase in the number of tenants paying such charges were those living in two-bedroom properties.
- Distinctively different from the national pattern, average HB-eligible service charges for two-bedroom properties tend to be the highest in London. In 2007/08, it was £8.20 per week, 33% higher than the average of all properties with HB-eligible service charges for London.
- For existing tenants, those in Inner London’s two-bedroom properties are more likely to face the problem of high service charges.
- For new tenants, they are more likely to pay higher service charges (23% higher in 2007/08) than existing tenants. New tenants in London’s two-bedroom flats/maisonettes are most likely to pay a high service charge (£10.47 in 2007/08, 13% above the average for all properties with this service charge in new tenancies).

Overall, the study showed clearly that London has the highest level of HB-eligible service charges. Because the RSR only provides the weighted average of HB-eligible service charges for each HA and at the local authority level while CORE provides individual HB-eligible service charges only for new-let or re-let properties, further work is required to evaluate the problem of high service charges at individual property level. Data on individual properties from the National Register of Social Housing could help us to identify the more detailed picture of service charges, especially for specific types of HA property within London.

References

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