
REPORT TO:	Finance & Management Committee	AGENDA ITEM: 14
DATE OF MEETING:	18th June 2009	CATEGORY: Delegated
REPORT FROM:	Director of Community Services	OPEN
MEMBERS' CONTACT POINT:	Richard Knott, Performance & Business Manager (ext 5940)	DOC:
SUBJECT:	Rechargeable Repairs	REF: HCS01
WARD(S) AFFECTED:	All	

1. Purpose of Report

- 1.1 To amend the % administration fee applicable to raising a rechargeable repair and to define the VAT rules applicable to rechargeable repairs.

2. Recommendations

- 2.1 To approve an amendment to the administration charge for processing a rechargeable repair from 15% to 10%. This amendment will bring the rechargeable administration fee in line with the Fees & Charges 2009/10 policy. Please note this administration fee is likely to change each year as it is linked to the mortgage redemption fee.
- 2.2 To apply VAT at the standard rate only in instances where the tenant is still in residence.
- 2.3 To not apply VAT for any rechargeable repairs and the cost of making good where the tenant has vacated the property and left it in an unfit condition.
- 2.4 To not apply VAT for rechargeable repairs and the cost of making good where a third party (i.e. not the tenant) is the party liable for paying the rechargeable repair costs.

3. Detail

- 3.1 The Council's current Repairs Policy, including rechargeable repairs, was originally approved in June 2004. It has been subject to several reviews since that time and much work was done last year (September 2008) through the Repairs Working Group which includes tenant representation. Essentially though it is the 2004 policy we are working to with some amendments.

- 3.2 Around 7,000 responsive repairs a year are carried out, primarily by the Housing Service's in-house workforce. Tenants receive repairs 'free' at the point of delivery but pay for the service through the weekly rent charge. Each year a very small percentage of repairs are deemed to be directly rechargeable to specific tenants primarily as a result of wilful damage or neglect. The number of repairs involved is consistently less than 100 per annum.
- 3.3 Although such rechargeable work is, in percentage terms, a very small part of the repair business operation it is important that the Council has an efficient system for implementing and processing what are known as 'rechargeable repairs' to prevent unnecessary charges falling on other tenants via the HRA.
- 3.2 Having recently reviewed the procedure for the recovery of debt for such work in order to achieve consistency with the 'non-rechargeable' administration fee detailed in the 2009/10 Fees and Charges Policy it has become clear that the administration fee for rechargeable repairs needs to be amended from 15% to 10%.
- 3.3 The rechargeable repairs policy has been updated to comply with HMRC Section 33 VAT regulations. Where a rechargeable repair is charged to a tenant who is still in residence, then there is a supply of services to the tenant that is liable to VAT at the standard rate.
- 3.4 Charges for repairs and making good when a tenant has vacated the property and left it in an unfit condition are regarded as compensation. Therefore, no VAT is due on the charges made.
- 3.5 Charges for rechargeable repairs to third parties (i.e. not tenants) to recover costs of damage to Council dwellings are also regarded as compensation. Therefore no VAT is due on the charges made.

4. Financial Implications

- 4.1 Housing rechargeable debts can be extremely difficult to collect. However, as highlighted in the report, all reasonable steps should be taken to recover this debt rather than increase the burden of these costs on other housing tenants. In principle, these costs should be recovered.
- 4.2 In addition, these costs should be recovered as speedily as possible. Bills for rechargeable work should be sent out within 12 working days to help facilitate their payment. Subsequently, any decisions on instigating legal action or proceeding with write-offs should ideally be made within four months maximum. This is to ensure that the income from rechargeable repairs does not inordinately mask the available resources for housing repairs

5. Corporate Implications

- 5.1 Raising rechargeable repairs has implications for the Finance Service which takes on the role of chasing the debt if the charge is not initially paid. The Debt Recovery Team pursues the debt in the long term.

6. Community Implications

- 6.1 The above conditions will be applied equally to all tenants.
- 6.2 Training of staff will be launched following the decision of Committee.

7.0 SDTF Comment

- 7.1 The scheduling of SDTF meetings has not coincided with the production of reports for this committee