



Service Charge Strategy 2017-2020

Housing Services

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Introduction

Brentwood Borough Council ('the Council') is committed to ensuring both the quality of service provision to tenants and leaseholders and to providing a financially sustainable model for this.

Historically service charges have not been charged at a rate that reflects the true operational impact to the Council. All Local Authorities are currently having to overcome huge financial hurdles presented by central Government, funding cuts and the economic background at this time. A targeted approach to the application of service charges is therefore required to ensure service sustainability.

Consequently a cohesive and strategic approach to service charges is now required and this strategy document seeks to set out the context in which this operates, the scope and purpose of the strategy and an outline as to how the strategy will be applied. A *Service Charge Policy* will sit under this Strategy and will fully outline relevant procedures and financial details.

This strategy is intended to provide a more transparent set of procedures and service standards to underpin our focus and commitment to service users.

Mrs Angela Williams
Interim Head of Housing

Scope and Purpose

Why have a Service Charge strategy?



This strategy deals with the budgeting and charging for annual recurring service charges. The strategy gives guidance to the service charge process and determines departmental responsibility.

All residents should have information about their service charges including costs that their charges cover, how charges are budgeted and increases/decreases calculated.

Service charges apply only to leaseholders and tenants who live in blocks (whether general needs or sheltered housing). Currently the service charge for tenants is included in a single global figure and is not clearly separated out from the rental sum.



All Councils must operate viable businesses with adequate recourse to financial resources to meet current and future business and financial commitments.



The Council seeks to continue to provide good-quality housing services for residents and prospective residents. We must aim to deliver continuous improvements and value for money in our services. Service provision is subject to challenge and change. The wishes of residents and others must be balanced against available resources within a clear framework.

Strategy Objectives

What are our objectives?

- **To Reduce** loss of income. Currently the Government requirement of a 1% annual rent reduction is being applied by the Council to the global rent figure. In effect this is also reducing service charge income by 1% as well. We do not need to do this. By treating service charges separately to rent income this 1% will be recoverable, principally from Housing Benefit.
- **To Enable** service provision to continue at a high-standard during periods of unprecedented funding cuts.
- **To Protect** against service reductions.
- **To Manage** competing demands within the Housing Service to produce a fair and balanced approach for all.
- **To Recover** the real economic costs to running each scheme/block in a responsible manner and subject to legislation for the benefit of current and future service users.
- **To Review** where there is a large difference between what is being charged and what could and should be charged; the Council will move towards full recovery subject to financial controls and annual Committee approval.
- **To Provide** a quality financially sustainable housing service to our customers.
- **To Create** the annual timetable for estimated charges to ensure prompt notification and collection. To ensure all tenants and leaseholders know what services they are paying for so that they can hold their Landlord (the Council) properly to account.

The Legal Background

- ✓ Brentwood Borough Council has to service and maintain the blocks and schemes which it owns. As with any property the value is linked to its condition. Value is considered not only financially for the Council but practically and socially for the resident.
- ✓ The rights of leaseholders and the duties of the Council are contained in the Landlord & Tenant Act 1985. This sets out the 'rules' which will apply to variable service charges and it applies to both houses and flats.
- ✓ The Council operates fixed service charges for its general needs and sheltered accommodations. There is no legal definition of a fixed service charge. Fixed service charges remain constant throughout the year and will be subject to change at the time of each rent review.

The Annual Timetable

- ❖ The Council will produce a budget for the annual service charges for both leaseholders and tenants in financial quarter 3 (October-December) each year. For leaseholders it will be an estimated service charge and for tenants it is a fixed charge. These will be reported to Council committees the following quarter for approval and then notified to tenants and leaseholders for the following year.
- ❖ The Council's Financial Services Department initially prepare the service charge budget for tenants (General Needs and Sheltered stock) and Housing Services prepare the budget for leasehold properties. The final budget for both tenants/leaseholders should be signed off by the Head of Housing prior to presentation to Committee for approval.

Chargeable Items

- ❖ For Secure and Flexible Tenancies, there should be a schedule of services attached to the Tenancy Agreement listing the services provided to the property or development.
- ❖ Only services provided to each block will be payable by those residents. For example, if a block does not require grounds maintenance then this will not be included as part of those residents service charge.
- ❖ Service charge elements can include:
 - ❖ Caretaking & refuse
 - ❖ Security & CCTV
 - ❖ Heating
 - ❖ Communal Lighting
 - ❖ Water
 - ❖ Housing Support Officers (sheltered blocks only)
 - ❖ Window cleaning
 - ❖ Grounds maintenance
 - ❖ Management fees (e.g. Homeless temporary accommodation)
- ❖ Housing Benefit is applicable to all service charge elements, other than heating which is currently calculated separately.
- ❖ As a general rule the service charges payable by tenants/leaseholders living in one block using the same services should be the same. If they are considered too high or unaffordable for either leaseholders or tenants then the Council should consult with those service users and consider retendering that service or changing the frequency.
- ❖ Where services are not provided in a consistent manner to tenants/leaseholders, the level of service actually provided should be used to calculate the charge. This is particularly relevant where schemes may receive different levels of management support, for example across the sheltered housing schemes.
- ❖ The amount of service charges must be reasonable. Although fixed service charges are not subject to sections 18-30 of the Landlord and Tenant Act 1985 the Council must ensure that service charge costs have been reasonably incurred and the services or works must be to a reasonable standard.

Service Standards

Brentwood Borough Council Housing Services will:

- **Provide efficient, value for money services to tenants and leaseholders ensuring that service charges are reasonably incurred and that all services are provided to a reasonable standard.**
- Collect from tenants and leaseholders all monies due from them under the terms of their Tenancy or Leasehold Agreement. (For tenants any 'Major Works' (for example block roof repairs) would not form part of the service charge).
- **Prepare timely and accurate information about the cost of services for which service charges are due.**
- Monitor all contracts for supplying services such as building cleaning and ground maintenance on a regular basis. Any variations in the service or the standards achieved will be recorded and will be used to build the budget for the following year.
- **Determine an appropriate level of Management Fees.**
- Create and manage reserve and depreciation funds based on information stored on the Asset Register maintained by Property Services.
- **Begin preparatory work for the service charge process each Autumn. Tenants will be provided with a breakdown of the following year's charges once the budget for that year's expenditure has been agreed as part of the Council's consultation process. Although there is not a statutory requirement to consult on the proposed service charge it is considered to be good practice and will be adopted accordingly.**

Monitoring & Performance

How do we achieve this?

- ❖ Report to Members
- ❖ Financial Audits
- ❖ Scrutiny Committee
- ❖ Tenant Talkback
- ❖ Housing Committee
- ❖ Benchmarking with other Local Authorities
- ❖ Annual Review
- ❖ Finance Committee
- ❖ Budgetary Audits
- ❖ Internal Departmental Review

Procedure

The service charge process is dealt with by a number of Managers and Officers (both within Housing Services and other departments). Those roles within Housing Services are summarised below.

Ultimately Housing Services is responsible for General Needs, Community Housing (sheltered) and Leasehold properties, and therefore will have overall responsibility for the service charge process including:

- Calculation of the annual service charge estimates (Leaseholders only)
- Setting of fixed service charges (Tenants only)

Managers:

- ☐ Create and implement service charge strategy, policy and procedures.
- ☐ Maintain the service charge strategy and policy and ensure both are updated in accordance with legal and/or regulatory changes.
- ☐ Consult with Tenant Talkback, customers, staff and Members.
- ☐ Produce recommendations and advise to Committee concerning service charging.
- ☐ Review affordability and reasonableness issues on proposed estimated service charges.
- ☐ Ensuring the annual timetable and responsible departments contribute to the procedure.
- ☐ Ensure reconciliation of budget to scheme and sign off as completed.
- ☐ Approve level of management charges for leasehold and tenanted properties.
- ☐ Ensuring all complaints and queries about services are investigated and a response provided.

Leasehold Officer(s)

- ❑ Notifying Finance to set up the leaseholder's account on the rents system following an assignment.
- ❑ Maintaining the databases, spread sheets and information systems which are needed for service charge functions.
- ❑ Setting the annual budget of service charges on a scheme by scheme basis in line with the agreed timetable using the service charge template. This will involve:
 - Reviewing the service charge budgets on a scheme basis.
 - Reviewing the estimates for the annual recurring service charges on a scheme basis.
 - Ensuring that costs are correctly coded and allocated to each property/set of properties.
 - Producing additional information for tenants to accompany service charge demands.
 - Sending out the service charge estimates and service charge demands to tenants in line with legislation.
- ❑ Providing timely explanations on any major over or under-spends to assist Finance in producing reports.
- ❑ Dealing with leaseholder enquiries about estimates.
- ❑ Dealing with queries and complaints about reasonableness of the charge, standards of service or failure to provide the services charged for.
- ❑ Review management accounts provided by the finance department to identify spend against budget on a scheme by scheme basis.
- ❑ Obtaining the actual costs for services after the close of annual accounts and using them as part of the process in to setting future charges and relaying this to Management.
- ❑ Assisting Management to decide on and implement any appropriate uplift from previous budgeted figures where actual figures are not known (such as proposed contract re-tendering or new services where actual costs have not had time to accrue).
- ❑ Providing the finalised costs in the agreed format to the relevant IT-systems consultant.

Equality, Diversity and Well-Being

- ❖ Brentwood Borough Council actively works to ensure that its tenants and leaseholders receive the services that are appropriate to them. The Council also strives to ensure that additional services can be provided to enable customers to access services which may be beneficial to their wellbeing and quality of life.

Publicising the Strategy

- ❖ A leaflet explaining service charges and how they are calculated will be available for tenants and is sent out as part of the annual service charge review. Information will also be made available online at www.brentwood.gov.uk.

Address for Service

- ❖ As per sections 47 and 48 of the Landlord and Tenant Act 1985 a demand for rent or service charges must contain the name and address of the landlord. For the sake of certainty this is:

Brentwood Borough Council
Town Hall, Ingrave Road, Brentwood, Essex, CM15 8AY

Glossary

Flexible tenancies

A specific type of fixed term tenancy that is granted by the Council as the result of the Localism Act 2011.

General Fund

The Council's primary account or fund which records all assets and liabilities that are not assigned to a special purpose fund, such as the Housing Revenue Account (HRA).

Housing Revenue Account ('HRA')

The account which Council rents and service charges are paid into. It is kept separate from other Council accounts, such as the General Fund. There are rules and restrictions on how money in the account can be spent and on how much the Council can borrow against it.

Leaseholder

Named person(s) who hold a legal interest in land, mostly flats, for a set period of time. Ownership of the property returns to the freeholder (landlord) when the lease come to the end. The freeholder may be a private owner or the Council.

Service Charges

A financial charge to tenants and leaseholders for specific services to blocks/schemes. These might include cleaning of communal areas, or in the case of leaseholders, repairs to communal areas or equipment.

Tenant

Named person(s) who hold a legal tenancy with the Council, which includes requirements to occupy the dwelling and to pay rent and service charges. Tenants do not own the property in which they reside.

The Council

Brentwood Borough Council

Version Control

Item	Reason for Change	Version	Author	Date

Last Review Date: June 2017

Next Review Date: January 2020

Scope	All General Needs, Community Housing and Supported Housing Tenants and Leaseholders
Effective date	TBC
Review date	TBC
Signed Off	Interim Head of Housing – Angela Williams
Author	Interim Housing Policy Manager – Stuart Morris
STRATEGY Owner	Housing Services
Legislation	Landlord and Tenant Act 1985 Commonhold and Leasehold Reform Act 2002
Consultation	Annual estimated service charges should be agreed in consultation with Leaseholders in the Autumn prior to issue.

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