

**18<sup>th</sup> September 2017**

**Community, Health & Housing Committee**

**Service Charge Policy 2017**

**Report of:** *Angela Williams, Interim Head of Housing*

**Wards Affected:** *All*

**This report is:** *Public*

**1. Executive Summary**

- 1.1 This report sets out the background and recommendation to adopt a formal written *Service Charge Policy*, following the approval of the *Service Charge Strategy 2017* ('the Strategy') by the Committee (June 2017).
- 1.2 The Strategy concerned the introduction of stand-alone service charging, relating to the servicing of Council owned HRA blocks/schemes (circa 48 blocks).
- 1.3 The *Service Charge Policy 2017-2020* ('the Policy') provides the framework for achieving the key aims contained within the adopted Strategy.

**2. Recommendation(s)**

- 2.1 That the Committee formally approve the introduction of the '*Service Charge Policy 2017*' (Appendix A).**

**3. Introduction and Background**

- 3.1 The loss of income to the Housing Revenue Account ('HRA') through decreasing social rent by 1% per annum since 2016/17 is projected at £875,000 within the next 5 years.
- 3.2 Housing Services needs to ensure that it is delivering a well-costed, effective and financially sustainable service programme for now and the future.

- 3.3 Tenants have not previously been charged service charges at a rate that reflects the true financial and operational impact to the Council. Whilst service charge income has been collected it has not been clearly defined and separately apportioned.
- 3.4 Currently Leaseholders pay an apportionment of service charges as reflected in their annual 'actual' statement.
- 3.5 The Policy sets out the relevant legal and regulatory framework for service charging. It will allow for distinct service charges to be presented to the Rent Setting Committee annually for approval/variation.

#### **4. Issues, Options and Analysis of Options**

- 4.1 To allow for the effective implementation of service charging and formation of annual 'Schedules of Service' [detailing specific amounts of service charges] an operative policy is required.

##### **Option 1: Non-Approval of Policy - Continue to apply minimal Service Charges:**

- 4.2 Currently service charges which are applied do not represent a reflection of the true cost of services the Tenant/Leaseholder receives. A consequent economic burden is therefore applied to the Council, depleting public financial resources.
- 4.3 Currently service charge income suffers the 1% rent reduction unnecessarily. By not separating the Service Charge from the Rent Charge, and charging 'at cost', the HRA will suffer continued financial loss which is unsustainable.
- 4.4 The Strategy cannot be effected without a transparent and cohesive policy which details the legal and regulatory framework for service charging processes.

##### **Option 2: Policy approval:**

- 4.5 Adoption will allow Financial Services to create annual 'Schedules of Service' detailing the specific economic cost to affected customers. Annual service charge increases/decreases and/or variations will be subject to final Committee approval.

## **5. Reasons for Recommendation:**

- 5.1 Option 2 is recommended as the most financially viable option for the Council and supports the already adopted *Service Charge Strategy*. It also ensures that Financial Services can code charges accurately against the Estates where services have been provided.
- 5.2 Through adopting a policy to ensure that a tailored service charge is billed and accounted for separately to rent charges it will allow for a lessening of the economic impact of the 1% Government rent reductions and loss of related grants.
- 5.3 Taking no further action will fail to advance corporate priorities and would de-stabilise financial resources.
- 5.4 Adopting the Policy will provide ongoing direction for both customers and the Council when implementing Service Charge setting each year. It is also consistent with legal and regulatory requirements.

## **6. Consultation**

- 6.1 Consultation with 'Tenant Talkback' was conducted on the 6<sup>th</sup> September 2017. 'Tenant Talkback' supported the introduction of the Service Charge Policy to achieve the aims of the Service Charge Strategy.

## **7. References to Corporate Plan**

- 7.1 The Council's Corporate Plan aims to:
- To deliver safe and comfortable homes which are efficient and sustainable.
  - Manage our stock to recognise the limited resources available and supporting those in greatest need.
  - Review the future delivery of housing services to provide the best outcomes for Brentwood residents.

- 7.2 Through implementing cost-efficient service charging and by adopting the separate Service Charge Policy each of the aims listed above can be achieved.

## **8. Implications**

### **Financial Implications**

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- 8.1 A documented policy around services charges is the best option for the way forward and represents an improvement on the current procedure. Service charges, which represent real costs to the council, are then apportioned to lease holders in a transparent and robust way which benefits both the lease holder and the council. This mechanism allows the council to recoup costs appropriately from lease holders in respect of charges incurred.

### **Legal Implications**

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- 8.2 The Policy and any of its provisions relating to the calculation of any service charges must comply with section 19 Landlord and Tenant Act 1985 which requires any service charges to be reasonably incurred and any services provided and any works carried out to be of a reasonable standard.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.3 None.

## **9. Background Papers** (include their location and identify whether any are exempt or protected by copyright)

- 9.1 None.

## **10. Appendices to this report**

Appendix A – Draft Service Charge Policy 2017-2020

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