

Service Charge Policy

Policy Reference:

HM005

Approved by:

Senior Management Team

Date approved:

9 January 2019

A Scope and Objectives

This policy is intended to outline the process for setting and managing service charges.

Service charges are levied for additional services which bpha provide to residents that are in addition to our normal landlord services, and which are not included as part of the rent.

We may provide these services as they are necessary for good housing management, they are required as part of our legal and regulatory obligations as the landlord or they may be the result of customer consultation – ALL of which should provide good value for money.

The policy sets out how the full cost of providing these additional services (including VAT) must be recovered from our residents in order for bpha to remain in a strong financial position.

This policy should be read in conjunction with the rent setting and review policy which sets out the principles by which the association approaches rent setting and rent reviews for its residents.

B Policy Statement

The service charge policy is established upon several principles: -

1. Governance

The service charge administration process is the responsibility of the Head of Finance. The setting of service charges is managed via the annual budget setting process and is the responsibility of the budget holders delivering the service that is being charged.

The management of services delivered is, in the main, the responsibility of the Head of Property Services.

2. Definition of a Service Charge

A service charge is a payment made by a resident, leaseholder, shared owner or freeholder towards the costs of providing and maintaining services and benefits beyond that of enjoying occupation of their home. For example, a lift in a block of flats is a service that should be covered by a service charge because it is available to all residents and is situated outside their individual homes in the common area. Service charges can be fixed or variable and bpha have fixed service charges for rented properties and variable service charges for shared ownership and leasehold properties.

2.1 Fixed Service Charges

Fixed service charges are based on an estimate of the costs of delivering a service and are based on the budgets set for that service. We use the performance of the budget from the previous year along with set contract costs to establish the budget for the next year which the service charge is based upon.

Fixed service charges are pooled across all bpha rented stock and the same charge will usually be levied for a service in all of our rented properties enjoying a particular service.

2.2 Variable Service Charges

In the case of variable service charges, surpluses and deficits will be carried forward into the next accounting period and additional payments sought where there is a deficit or credits made where there is a surplus. Variable service charges usually apply to shared ownership properties.

2.3 Personal Service Charges for Water, Heating and Lighting

Where an individual receives services inside their dwelling which come from the landlord's supply and are paid for by bpha these costs will be passed onto the tenant using a fixed methodology on a scheme by scheme basis so that the charges reflect the usage in the scheme. The previous year's bill will be used to estimate the next year's cost with usage broken down into personal area and communal areas by an estimate of floor area occupied. Any known uplifts to costs of utilities will also be added.

2.4 Service Charges in Supported and Retirement Housing Schemes

Where supported housing schemes are provided with standard services also provided to other residents and at the same level, such as basic grounds maintenance, provision of communal laundries, etc., service charges will be set and administered in the same way as general needs properties. This will be the case on the whole for most sheltered and extra care housing.

However, as supported housing becomes more specialist with more tailored services being provided, these charges will be calculated as a specialist fixed service charge across the pool of properties that have the special service so that the more expensive specialist provision is only funded by those who receive the service and not spread across a wide body of tenants who do not benefit from these more tailored services.

The principle will be that where services are the same as for general tenancies these fixed service charges will be used. Where the service is more specialist in nature and more tailored to the client group this will be a fixed specialist service charge and calculated

over the pool of specialist housing services.

Specialist housing schemes treated in this way will include:

- Supported living schemes for people with learning disabilities
- Supported living schemes for people with mental health problems
- Women's refuges
- Care home provision
- Other specialist supported housing

In all of these schemes, services above standard are provided and our aim is to fund these services from the tenants/licensees enjoying them and not the wider tenant population.

2.5 Properties Managed by Others

For properties managed by other organisations, the service charge will be reviewed in accordance with the lease or management agreement. This will be the responsibility of the Partnership Manager or Head of Retirement Living dependent on the property.

3. List of Services

Details of all services provided to a property will be provided annually at each review in the charge.

Where residents live in a property which is part of a block, an estate or group of properties which receives any additional service, their property will be considered to benefit from the provision of the service and will be included in the calculation of the service charge. The charge will apply if the property benefits from the services and is not dependent on the residents making use of the service.

4. Residents

bpha provide residents with information about the cost of services relating to their property. This is given to new tenants on the tenancy schedule and annually on the rent notice and increase letter to existing residents who pay for services in addition to their rent. For tenancies where the rent and service charge is inclusive, for example, Affordable or Intermediate rented properties, the details of the service will be provided but not the individual element cost.

bpha service charges will be delivered with an emphasis on value for money in order to effectively manage and maintain our schemes and estates.

5. Changes in Services Provided

bpha will consult with residents before introducing a new service which will result in a charge. We will accept any comments prior to implementing any new services however this consultation does not require a consensus of residents.

Where a new service is needed to meet health and safety requirements or is required to fulfil a regulatory need we will consult with residents and listen to their feedback but may need to introduce the service to meet other requirements.

For variable service charges section 20 consultations will take place for qualifying major works and qualifying long-term agreements.

6. Annual Reviews

Service charge expenditure will be closely monitored and charges reviewed at the same time as the rent is reviewed. New fixed charges are set as part of the annual review, but the variable charges are an estimate that is reconciled later in the year (September). Charges will be set at a level that will cover the costs of services provided.

7. New Development Service Charge Setting

New development service charges will be set to reflect realistic anticipated costs that will ultimately be levied as a service charge. This will include where applicable reasonable allowances for anticipated future expenditure based on asset life cycles.

C Regulatory and Legal Considerations

Housing Acts 1985, 1988
Leasehold and Commonhold Reform Act 2002

D Monitoring, Reviews and Evaluation

This policy will be kept up to date and amended accordingly to reflect any changes in response to revised legislation, regulatory guidelines and standards.

E Associated Documents and Procedures

Rent Setting & Review Policy

Status	Version – Issue 4
Responsible	George Parkinson, Head of Housing Operations
Equality impact issues	None
Next review date	21 December 2019