

## SERVICE CHARGE POLICY

Date Reviewed	January 2022	Next Review Date	January 2024
Reviewed By	Director of Finance	Approval By	BCHG Board
Equality Impact Assessment	N/A	Responsible Officer	Head of Housing & Head of Finance
Distribution	Extranet/Teams/Schemes	Version No.	03

### 1. Purpose

The purpose of this policy is to set out how we will charge and recover service charges linked to our properties within the legal, regulatory and good practice requirements.

### 2. Scope

This policy applies to all properties and residents where additional services are provided by BCHG. Additional detail for leaseholders is provided within the Leasehold Management Policy.

### 3. Definition

For the purpose of this policy a service charge is defined as a payment made by a resident towards the cost of providing and maintaining services and benefits, provided for them beyond the benefit of enjoying occupation of their own home. These are often referred to as communal facilities and are subject to the actual terms of the particular lease/tenancy agreement.

When the service charges are variable, the Landlord and Tenant Act 1985 gives rise to a duty on BCHG to make a reasonable and accurate assessment of service charges and consult with residents and rights of residents to challenge BCHG through the First Tier Tribunal (Property Chamber) (the "Tribunal") and request various information.

Fixed service charges are part of the rent and BCHG has agreed in the tenancy agreement that the total rent will not be more than the amount that a Tribunal could determine (a market rent inclusive of services). Tenants do not have the right to refer the rent to the Tribunal.

The Regulatory Framework as set out by the Regulator of Social Housing requires BCHG to achieve VFM in respect of the services it delivers.

### 4. Related policy and procedures

- Rent Setting Policy
- Leasehold Management Policy

## **5. Principles**

We will take account of the following principles in setting service charges:

- **Affordability** – We will endeavour to keep social rent service charge increases to within the limit on rent increases of CPI+1%, where this is not possible we will evidence a clear rationale for the increase. We will continue to explore the best way of delivering services as well ensuring that prices remain competitive to keep costs affordable and achieve good value for money.
- **Transparency** - Service charges levied to tenants will be based on reasonable costs incurred in providing the services during previous years, or estimates for future years. The way in which charges are set will be clear to residents and communicated in a transparent format.
- **Viability** - Service charges should be set at levels that seek to maintain financial viability by generating sufficient income to cover the costs associated with providing services.

Affordable rents are inclusive of service charges for the purposes of rent regulation and are therefore restricted to a maximum increase of CPI+1% in accordance with the 2020 Rent Standard.

Social rent service charges are excluded from the Rent Standard's CPI+1% limit on increases (however providers should endeavour to remain within this).

A Fixed service charge applies to tenants in our general needs and supported housing rented properties as set out in the Tenancy Agreement. Charges are reviewed and adjusted annually in accordance with their tenancy agreements however any under or overspends are not carried forward into the following financial year and remain with BCHG as the Landlord.

A Variable service charge applies to leaseholders and shared ownership properties. Under a variable service charge any under or overspends must be carried forward into the following financial year.

## **6. Policy**

- a. We will comply with relevant legislation and regulatory requirements for setting, presenting and collecting service charges seeking the full recovery of the costs of additional services provided by BCHG.

- b. We will remain within the CPI+1% limit for social rents service charges subject to increases in specification or exceptional increases in costs.
- c. Where a duty arises we will consult within the legal framework defined within sections 18-30 of the Landlord and Tenant Act 1985. Where there is no legal obligation, we will consult as a matter of best practice. (See Leasehold Management Policy for more detail)
- d. We will charge an administration fee for managing services where we are permitted to do so under the terms of the lease agreement.
- e. We will apply service charges fairly in line with the requirements of lease.
- f. We will apply a usage charge to cover the cost of providing eligible capital works and items such as door entry systems etc where we are permitted to do so under the terms of the lease/tenancy agreement. We will not request any sinking fund contribution in respect of a facility where we levy a usage charge.
- g. Where we design new developments we will seek to minimise service charges. Charges in the first year will be based on a best estimate of costs. In subsequent years charges will be based on actual costs (notwithstanding the restrictions around Affordable Rent service charges).
- h. We will give a minimum notice period of 4 weeks prior to any change to either a service or its associated charge (or the term defined in the lease if this requires a longer notice period).
- i. We will provide a clear statement of service charges annually to variable service charge payers.