

*Creating affordable
homes and empowering
communities*

Service Charge Policy



CONTROLLING AUTHORITY: Director of Finance		
ISSUE NO: 2	STATUS: LIVE	DATE: January 2015
AMENDED: Routine Review		REVIEW DATE: January 2016



making a splash
in the areas we serve

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1.0 POLICY STATEMENT

- 1.1 The purpose of this policy is to set out how Boston Mayflower Ltd will calculate and recover the cost of services or amenities provided to householders (either tenants or freeholders) by way of a service charge. Leaseholder service charges are subject to a separate Leaseholder Service Charge Policy Statement.
- 1.2 Freeholders can only be charged in accordance with the relevant covenant (if any) in the Right to Buy or Right to Acquire contract.
- 1.3 A service charge is a payment made by a householder towards the cost of providing and maintaining services and benefits beyond the benefit of enjoying the occupation of their own home. For example a lift in a block of flats is a service that is eligible as a service charge because it is available to all residents and is outside of the home.
- 1.4 The general principal of service charges is that they should be self financing, covering the actual cost of providing them. Boston Mayflower will comply with this principal by seeking not to make a profit or a loss on any service provided. A further principle is that householders should have clear, easily understood information about what the costs are for, how they are made up and who they are sharing them with.
- 1.5 Charges will be made in accordance with relevant legislation and guidance and in line with either the tenancy agreement or Right to Buy/Right to Acquire contract.
- 1.6 Boston Mayflower operates a Fixed Service Charge.
- 1.7 There is no statutory definition of a fixed service charge. Fixed charges are those where the landlord fixes the charge according to its own estimates and costs, normally each year. If the landlord's estimate is too high the landlord keeps the surplus, if too low the landlord has to fund the deficit. Fixed charges are not subject to the same statutory controls as variable charges.

2.0 RELATED DOCUMENTS

- 2.1 Other documents which relate to or are relevant to this policy are:
 - Rent Setting Policy
 - Leaseholder Policy Statement
 - Income Management Policy
 - Complaints Policy
 - Consultation Policy
 - Equality and Diversity Policy
 - Financial Regulations
 - Rechargeable Repairs Policy
 - Standing Orders
 - Standing Orders Procurement Regulations

3.0 SERVICES FOR WHICH A CHARGE CAN BE MADE

3.1 Boston Mayflower will recover the costs of services to sheltered housing and other supported housing schemes, blocks of flats, dwellings on estates where services are provided to land in the surrounding area and private sewerage treatment plants. Householders will only pay service charges for the services and work to their own supported housing scheme, estate or block.

3.2 The following are examples of service charges:-

- Greenspace Management (grass cutting, tree maintenance etc)
- Cleaning of communal areas
- Lighting and utility costs to communal areas including streets and footpaths
- Door entry/lift maintenance
- Fire alarm testing
- Communal Aerials
- Maintenance and decoration of communal rooms

Examples of items not considered to be services:-

- Insurance for the fabric of the building
- Management costs except those relating to the management of the services

A comprehensive list of services which can and cannot be classed as a service charge is attached as **Appendix A**

4.0 CHARGING METHODS AND MISCELLANEOUS COSTS

4.1 Apportionment of costs

The cost of the service will be apportioned on an equitable basis using an appropriate measure.

For estate based services such as grounds maintenance this will be charged to all of the eligible properties on the estate.

In blocks, sheltered housing schemes and in hostels the costs will generally be apportioned between the number of flats but in some instances, the number of rooms or floor space may also be used to ensure fairer charging.

A list of the various charges and method of charging is listed at **Appendix B**

4.2 Depreciation

This is the method of recovering the cost of an asset by writing off its costs over its estimated useful life. Therefore it is usual to collect a depreciation allowance (the cost of the installation divided by its estimated useful life) annually. The problem with depreciation is that the funds which accumulate will not be sufficient to replace the worn out element, because of the effects of inflation. Interest which accrues to the fund should be added to make up the shortfall.

Items which are usually depreciated are: -

Lifts
Rubbish paladins
Mowers
Carpets to common parts
Emergency lighting
Fire alarms and equipment
Door entry systems
TV aerials
Warden call systems

5.3 Sinking Funds

Sinking funds are to provide for items which will only need replacing once or twice in the life of a building, such as a pitched roof. Sinking funds are calculated in the same way as depreciation of items following a full property survey and estimation of the life of the components. Interest should be added into the fund at the prevailing rate.

5.4 Compliance with Section 20 LTA 1985 Consultation Requirements

Boston Mayflower will consult with householders on any qualifying works or long term agreements costing them in excess of £100 per year or £250 per resident respectively. In such cases the full cost will be charged.

5.5 Estimated/Actual Utility Costs

Where individual meters are not supplied, costs for the communal usage of utilities in a block or scheme will be apportioned according to the size of accommodation which may be by number of bedrooms or floor area.

5.6 Management Costs

Boston Mayflower will apply a 10% management charge for the cost of administering services.

5.7 Value Added Tax (VAT)

V.A.T. will be charged in accordance with current legislation where applicable.

5.8 Audit Fees

The cost of any independent audit will be charged equally across all householders.

5.0 PROCEDURES

5.1 Comprehensive procedures will be maintained for the administration of service charges. A brief summary of these is as follows:-

- Full accounting records will be maintained for each householder who receives chargeable services
- In advance of each financial year (1st April – 31st March) an annual schedule of estimated costs will be calculated for each supported housing scheme, block

of flats and to individual dwellings based on the actual costs of the previous financial year plus any assumed inflation. A notification of these costs will be sent to each householder at the same time as the annual rent increase notification, normally in March.

6.0 CONSULTATION ON CHANGES TO SERVICES OR CHARGES

- 6.1 Boston Mayflower is committed to consulting with customers not only to comply with legislation and regulation but because it believes that the involvement of customers is essential to providing quality services that give value for money.
- 6.2 As a minimum we will consult in relation to service charges when any of the following takes place:-
- Introduction of new services or charges
 - Removal of an existing service
 - A change to the standard of an existing service
 - Any changes in the way services are apportioned between different householders
 - When appointing contractors under the requirements of Section 20 of the Landlord and Tenant Act 1985
 - Any significant changes in Government legislation which may affect services or charges for services or any changes in services eligible for housing benefit.
- 6.3 Consultation can take many forms, such as but not limited to, writing individually to each householder, newsletter and newspaper articles, open meetings, via the company's website, drop in events or individual home visits etc.
- 6.4 The views of householders during consultation will be taken into consideration before any decision is taken. Once a decision has been taken those affected will be notified of the decision and the reasons for it in writing.

8.0 REMOVAL OF SERVICES

- 8.1 If an individual customer requests the removal of a service which is provided to a group, permission will be refused.
- 8.2 If a group requests the removal of a service to that group, Boston Mayflower will consider any such requests and consult with all those affected and be guided by the majority view. 75% of the recipients of the service will need to be in favour of removal for permission to be granted. Only one vote per household will apply even where more than one person is the tenant or owner. Satisfactory alternative provisions for the service will need to be defined along with the request and be viable and acceptable to Boston Mayflower. There must be no detriment to the premises be it a building, land or equipment which belong to Boston Mayflower. Where Boston Mayflower agrees to remove a service the charge will be deleted from the date the service is removed.
- 8.3 Should the group fail to make adequate provisions or fail in their obligations to provide

the service to the required standard as set out by Boston Mayflower, the removed service will be reinstated by Boston Mayflower and all those who benefit from the service will be charged the cost from the date of reinstatement.

9.0 SERVICE CONTRACTS AND PROCUREMENT OF SUPPLIERS

- 9.1 Boston Mayflower will endeavour to ensure that all service contracts, whether provided internally or externally, are cost effective, offer a high quality and are reviewed regularly and represent value for money.
- 9.2 New Contracts will be subject to procurement rules as described in Boston Mayflower's Standing Orders and Financial Regulations

10.0 APPEALS AND COMPLAINTS

- 10.1 Where a householder is unhappy with service provided or is dissatisfied with any aspect of the way their service charge account has been administered, Boston Mayflower's complaints procedure should be followed in the first instance.
- 10.2 If this process fails to resolve the complaint the Housing Ombudsman Service should be utilised.
- 10.3 In addition The Leasehold Valuation Tribunal can deal with disputes for those paying variable service charges, if they consider services have not been provided at a reasonable cost or to a reasonable standard.

11.0 MONITORING

- 11.1 Regular monitoring of service provision, costs, and Boston Mayflower's performance in collecting service charges will be undertaken.
- 11.2 An annual report will be provided to Board setting out the collection performance in relation to service charges for leaseholders and freeholders. Collection performance in relation to tenanted properties will be included with rent collection performance reporting.
- 11.3 Customer will have the opportunity to review and influence services and performance by way of involvement in the various 'Mayflower Voice' groups, in particular, Area Panels, Scrutiny Panels and Service Voice.

12.0 RESPONSIBILITIES

- 7.1 The Director of Finance will
- Ensure a comprehensive system of collecting and apportioning costs is maintained with external audit undertaken when legally required to do so and in line with Company policy
 - Ensure that correspondence is sent to customers in accordance with legislation

7.2 The Director of Operations will

- Undertake consultation activities as required by legislation and this policy
- Monitor the performance of contractors
- Undertake estimations of service charges in development and refurbishment schemes.

Appendix A

ITEMS WHICH MAY BE CLASSIFIED AS SERVICES

Heating and Hot water

Insurance of boilers, tanks and other plant (see exemption)
Repairs/maintenance contracts – boilers, heat exchangers, hot water tanks
Communal radiators and pipes (see exemption)
Depreciation of plant etc.
Fees for energy saving consultants
Fuel (gas, oil, electricity etc.)

Common Parts and Communal Services

Cleaner's wages including holiday relief
Cleaning materials
Electricity for lighting, power for vacuum cleaners etc
Replacement lamps
Window cleaning in communal parts
Refuse sacks, provision, hire of refuse containers
Emergency Lighting Maintenance
Communal television aerials/entry-phones etc and licence fee for communal TV
Smoke/fire alarm equipment and maintenance
Smoke dispersal equipment maintenance
Fire fighting equipment maintenance
Pesticides and pest control contracts
Communal TV rental
Maintenance of common parts, grounds and car parks
Gardner's wages/contractors charge
Repair/maintenance of gardening tools and equipment
Plants for gardens, shrubs and tree lopping (including annual provision if appropriate)
Employer's liability and third part insurance
Depreciation of equipment (fire, door entry system)
Ventilation and air conditioning equipment maintenance
Maintenance of water softening and purification systems
Plant and equipment testing required by statute. (see exemption)

Porters, Wardens & Caretakers

Salaries of wardens, caretakers etc. usually excluding a percentage for the landlord's management functions.
Employers pension contributions
Employer's N.I. contributions
Council tax water and sewerage rates on accommodation
Uniforms/overalls allowance
Gas and electricity allowances on accommodation
Decoration allowance on accommodation
Notional reasonable rental value of rent free accommodation
Depreciation of office furniture

Lifts

Electricity
Repairs and maintenance contracts
Insurance
Depreciation of plant

Special Facilities

Electricity for lighting and cooking etc. in communal rooms, laundry rooms etc.
Cleaning and repair of communal furniture, carpets etc.
Insurance of furniture

Depreciation & maintenance of fridges, water heaters, cookers in communal kitchens, laundry equipment, communal room furniture and carpets.

Maintenance & depreciation of burglar alarms and security lighting.

Maintenance & depreciation of cookers, fridges, and washing machines within the dwelling if repaired and maintained by the landlord

Special facilities for the disabled

Charges for services provided under 'The Supporting People' scheme

Administration/Supervision and Profit on services

Management charges and profit is usually calculated at between 10-15% of actual costs. This however is not applicable where a landlord's subsidiary company carries out the work and includes such costs in its charge to the landlord company, as it would be a duplication of charges to the tenant. Likewise such additions are not applicable on notional items such as the rent for the accommodation.

No allowance for profit or depreciation is allowable.

ITEMS WHICH MAY NOT BE INCLUDED AS SERVICES

- Repairs and maintenance and insurance of the dwelling structure, fixtures and fittings and installations covered by Section 11 landlord & Tenant Act 1985
- Provision, repair and maintenance of common halls, stairways and passages.
- Provision of fixtures and fittings within the dwelling including radiators, pipes etc. (see exemption)
- Fridges, cookers, washing machines within the dwelling if provided by the landlord with no covenant to keep in repair or maintain (usually treated as furniture). However, cookers provided to common parts kitchens are services
- Voids
- Decoration of common parts other than communal rooms
- Interior decoration of dwellings, including provision of decorating materials
- Management costs for items other than services
- Staff training costs
- Deficits and surpluses arising from previous years costs

Exemptions

For all tenancy agreements of less than 7 years entered into after 15th January 1989 the provisions of Section 11 of the landlord and tenant Act 1985 apply (as amended by S116 of the Housing Act 1988). This means that provision, repair and maintenance of a centrally provided heating system or hot water boiler is an implied landlord's statutory repairing obligation and therefore would not be eligible as a service charge.

Source: National Housing Federation – Service Charges