

# Policy

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# **CONTENTS PAGE**

<b>Introduction</b>	<b>3</b>
<b>Aims / Objectives</b>	<b>3</b>
<b>Scope</b>	<b>4</b>
<b>Policy Statement</b>	<b>4</b>
<b>Responsibility</b>	<b>6</b>
<b>Service Standards</b>	<b>6</b>
<b>Performance Measures / Monitoring</b>	<b>7</b>
<b>Consultation Arrangements</b>	<b>7</b>
<b>Benchmark Analysis</b>	<b>7</b>
<b>Regulatory and/or Legal Compliance</b>	<b>7</b>
<b>Key Lines of Enquiry (KLOEs) Affected</b>	<b>8</b>
<b>Diversity Considerations</b>	<b>8</b>
<b>Links to Strategies, Procedures and Associated Documents</b>	<b>9</b>
<b>Business Impact</b>	<b>9</b>

## **Introduction**

A service charge is a payment made by a customer, leaseholder or freeholder towards the cost of providing and maintaining services and benefits provided for them beyond the benefit of enjoying occupation of their home.

The Trust recognises that it needs to make appropriate charges to cover the costs of providing services to customers to maintain its financial viability.

For the majority of the Trusts homes that are let to customers on a social rent, service charges are currently 'pooled' within the rent that is charged. This Policy is being introduced to enable the disaggregation of those charges. As a result customers will be much clearer on the cost of the services that are provided to them and the rent that they are paying on their home.

The service charges for any new build properties for which a social rent will be charged are identified as part of the scheme development. These charges will be levied from the date that the first customer takes up a tenancy in one of the Trust's new homes in addition to the rent that is charged on that property.

Service charges are included in the definition of market and intermediate rents. New build properties or existing void properties that are let or re-let on an affordable rent basis will not be subject to service charges in addition to the rent.

## **Aims / Objectives**

The rents that the Trust currently charges to the majority of its customers currently include an element for services that are provided. This is often described as a 'pooled' rent structure whereby the costs of various services are pooled across the entire stock and paid for from each customers rent. The process to move from 'pooled' to 'disaggregated' service charges will be carried out as part of the implementation of this Policy.

The aim of disaggregation of service charges from the current 'pooled' rents that most customers are charged is to create a much more open and transparent system for customers which will encourage more scrutiny of the provision of services, the service levels that are provided and the cost of those services.

This Policy aims to set out clear guidelines for service charges to customers, the methodology behind their calculations and the types of services that may be charged. This will facilitate the disaggregation exercise and will also provide the basis for the assessment and calculation of service charges in the future.

This will give the Trust the ability to provide additional services (or remove existing services) to customers as requested by them at a price that they are prepared to pay based on the cost and quality of the service.

## **Scope**

This policy covers the method for calculating the cost of service charges on customer's homes that are let on a social rent.

Whilst this Policy covers the principles behind the calculation of service charges for leasehold and non leasehold customers, it does not cover the methodology for applying the services to leaseholders and the processes associated with their annual accounts.

This Policy does not cover the services that are charged on shops and other commercial services that are delivered by the Trust.

This Policy does not apply to those homes that are based on a market or intermediate rent.

This Policy does not cover the Trust's approach to rent setting or income collection.

## **Policy Statement**

The Trust is committed to understanding customers (current and future) and tailoring services to meet their individual needs and aspirations against a clear set of service standards and enhancing their role in shaping and determining those services. In doing this the Trust must raise the necessary income and demonstrate that the provision of those services meet customer expectations and value for money.

For those customers for whom the rent and services are 'pooled' into one weekly charge the Trust will identify the costs associated with providing the services that they receive. The process to move from 'pooled' to 'disaggregated' service charges will be carried out as part of the implementation of this Policy.

Once the disaggregation exercise has been completed this Policy will be applied to the ongoing identification and calculation of all service charges to customers.

Fixed service charges are those where the charge is fixed in line with estimates and costs. If the estimates prove to be too low, any deficit will have to be funded. If the estimate is too high, any surplus can be retained.

If variable service charges are in place then any surpluses and deficits can be carried forward to the next accounting period and can therefore be utilised to refund overcharges to Customers or recouped undercharges from customers.

The Trust will charge for its services on a fixed basis. The charges will be reviewed on at least a two yearly basis.

An indication of the services that are considered to be separately chargeable to customers and the eligibility to receive housing benefit on those services are listed below. The Trust will charge for those services that are not eligible for housing benefit unless there are extenuating circumstances.

<b>Service Charge</b>	<b>Basis of Charge</b>	<b>Cost allocation</b>	<b>HB Eligible</b>
Grounds Maintenance	Fixed	Neighbourhood	Yes
Estate Services Team	Fixed	Block	Yes
Communal Utilities in common areas for heating and lighting	Fixed with annual review	Scheme	Yes
Communal Utilities in common areas for water	Fixed	Scheme	Yes
Communal Utilities in private flats including such as heating, lighting and water	Fixed	Block	Yes
Un-adopted Street Lighting	Fixed	Street	Yes
Door Entry Maintenance	Fixed	Block	Yes
Adapts Maintenance	Fixed	Property	No
Lift Maintenance	Fixed	Block	Yes
Fire detection systems	Fixed	Block	Yes
Medical and hygiene supplies	Fixed	Scheme	Yes
Telephone	Fixed	Scheme/Block	Yes
Window Cleaning	Fixed	Scheme/Block	Yes
Communal kitchen & Laundry	Fixed	Scheme	Yes

The charges for services to customers will be based on the estimated cost of providing the services to customers from the financial statements and the housing management system. Customers will be better placed to ascertain the value for money of the services that they are receiving and paying for.

A review of the costs of providing those services will be undertaken at least every two years.

Where fixtures and fittings are provided to customers in communal areas, the cost of these items that will be included as a service charge will be spread across its 'life expectancy'. This charge is known as depreciation and aims to recover the cost of the fixture or fitting evenly over the expected life. Each fixture or fitting will be appraised to ascertain a fair depreciation period.

Service charges that have previously been separately identified and are currently charged to customers in addition to their rent will continue to be charged on that basis. These charges relate to a small range of services, such as district heating schemes, the 'Lifeline'/warden service and the tenants' contents insurance scheme.

The cost of any new services that are subsequently requested by customers will be ascertained and charged to those customers who have requested the service in addition to those that have already been identified.

The Trust will charge an administration charge for the calculation and administration of each customer's service charge as permitted by legislation.

Service charges may be uplifted by a percentage or decreased by a percentage each year to reflect the anticipated cost of that service over the forthcoming financial year.

Services will be charged for 48 weeks of each 52 week financial year or for 49 weeks of each 53 week financial year.

Service charges are payable on the Monday of each week it is due and should be paid within the week it is due.

Service charges will only be increased or decreased once in any calendar year which will usually be the first Monday in April.

The Trust's Board will be asked to approve any increases or decreases of service charges on an annual basis.

## **Responsibility**

The Executive Director of Business Services is responsible for the effective implementation of this Policy.

The Executive Director of Business Services is also responsible for ensuring that all appropriate staff are aware of and are trained in this Policy and associated procedures.

It is the responsibility of the Board to take the appropriate decisions in relation to rent setting in accordance with recommendations from the Executive Director of Business Services and the Chief Executive.

The Board of the Trust will receive reports which will consider whether procedures are being correctly followed by employees

## **Service Standards**

Customers will be informed of any increase or decrease to their service charge or in accordance with the statutory 28 day notice period that is required.

Service charges will only be increased or decreased once in any calendar year which will usually be the first Monday in April.

## **Performance Measures / Monitoring**

The Trust will on an annual basis review the cost of providing services to customers against the income that is charged for those services. This will identify those services that are costing more or less than was anticipated.

The impact of service charges as calculated are used to update the Trust's 30 year business plan. Sensitivities and scenarios are tested as part of the business planning process.

The Trust will monitor the effectiveness and implementation of this Policy to ensure that statutory requirements are adhered to.

This Policy will be reviewed regularly to ensure that it continues to take account of Business Plan considerations, legislative changes and Regulatory requirements.

## **Consultation arrangements**

The proposals to disaggregate the rent charge have been taken to the Customer Forum. They have been consulted on the communication methods that will be used to notify customers. They agreed that there will be a series of newsletter articles, letters, surgeries and a leaflet designed to explain the process that is being undertaken.

Customers who are on the customer panel and those in sheltered schemes have been written to directly to ascertain that the services that the Trust believes that they are receiving and is proposing to disaggregate from their rent charge are accurate.

Customer feedback is being sought throughout this process.

## **Benchmark Analysis**

The Trust will benchmark against levels of rent and service charges levied by other comparative housing associations in the area and provide this information to its customers and the Board.

Information is available through benchmarking groups and online regulatory facilities such as the RSR data from organisations

## **Regulatory and/or Legal Compliance**

The Trust is fully compliant with all the Standards within the Regulatory Code that came into force in April 2010, with the exception of the Tenant Empowerment and

Involvement Standard. This is due to the ongoing development of the disaggregation of service charges. The Standard states

Registered providers shall provide tenants with accessible, relevant and timely information about:

- how tenants can access services
- the standards of housing services their tenants can expect
- how they are performing against those standards
- the service choices available to tenants, including any additional costs that are relevant to specific choices
- progress of any repairs work
- how tenants can communicate with them and provide feedback
- the responsibilities of the tenant and provider
- arrangements for tenant involvement and scrutiny

The Trust will always look to ensure that the implementation of this Policy meets the above regulatory requirements.

The Trust will always look to ensure that this Policy is compliant to the terms set out in its Tenancy Agreement

The Trust will also take into account the terms held within individual lease agreements with leasehold customers.

## **Key Lines Of Enquiry (KLOE)s Affected**

As the Audit Commission's housing inspection framework ceased with effect from April 2011, a full assessment against each of the KLOE's has not been undertaken. However the Policy outcomes will feed into the Trust's ongoing update of its self assessment documents as well as the input to our Service Improvement Framework.

The key areas covered by this Policy include:

- Access and Customer Care
- Diversity
- Value for Money
- Housing Regeneration and Neighbourhood Renewal
- Stock Investment

## **Diversity Considerations**

An Equality Impact Assessment was carried out on this Policy in December 2010. It concluded that the Policy is not directly or indirectly discriminatory and there are no additional measures that can be adopted which would further enhance the equality of opportunity in the context of this Policy

## **Links to Strategies, Procedures and Associated Documents**

- Finance Strategy
- Rents Setting Policy (Social Rents)
- Rents Setting Policy (Affordable Rents)
- Rent Collection & Payments Policy
- Rent Arrears Recovery Policy
- Write-off of Bad Debts & Credits Policy

## **Business Impact**

This Policy is directly linked to the Trust's Business Plan and the way in which the cost of and charges for its service charges to customers are set.