



# Service Charge Policy

---

## Prepared By

Document Owner(s)	Organisation Role
Steph Rushton	Head of Finance

## Manual Version Control

Version	Date	Author	Change Description
1.0	Sept 2018	HB	New Policy 2018
2.0	Jan 2020	LH / SK	Review
3.0	Jan 2021	LH / SK	Review
4.0	Feb 2022	LH / SK	Review
5.0	Feb 2023	LH / SR	Review
5.0	Feb 2024	LH / SR	Review

## **SERVICE CHARGE POLICY**

---

### **INTRODUCTION**

As part of its responsibilities and duties, Pickering and Ferens Homes (PFH) is required to ensure that it provides a range of services aimed at managing and maintaining its property. This includes the maintenance and management of shared and common areas at its schemes.

These services are provided for the wider benefit of all the residents and PFH is required to recover the costs from all users and beneficiaries of these services.

The Service Charge Policy is intended to clarify where, when and how PFH will apply service charges and to put in place a framework for ensuring that the costs are recharged to residents in a consistent, transparent and fair manner.

### **LEGAL FRAMEWORK**

In all aspects of the process of setting and charging service charges, PFH will seek to conform and comply with all legislation, performance standards, guidance and good practice that directly or indirectly affect the process.

Whilst there are no specific laws, regulatory requirements or statutory guidance for the setting of service charges by an Almshouse, guidance will be sought from the National Housing Federation Service Charges Handbook to ensure good practice. Clause 22 of PFH's Charity Commission Scheme (14 March 2022) will also be considered in the setting of service charges.

#### *Clause 22 – Contributions*

*The trustees (i.e. the Corporate Trustee) may make it a condition of appointing a resident that the resident must:*

- (1) contribute a weekly sum (which must not cause the resident hardship) towards the cost of maintaining the homes and essential services in them;*
- (2) contribute towards the cost of lighting and heating the homes and providing hot water in them.*

### **AIMS AND OBJECTIVES**

The primary objective of the Service Charge Policy is to provide guidance and clarification on how PFH will calculate and apply service charges to ensure that all residents are charged fairly and consistently for the additional services they receive.

The Service Charge Policy is intended to ensure:

- PFH's approach is fair, open and transparent, and reflects best practice.
- PFH covers its costs and it aims to secure value for money when procuring services.
- PFH meets contractual, regulatory and legal requirements.
- Residents are provided with sufficient information on the setting and charging of the service charges applicable to their own scheme.
- All residents in a scheme contribute to the costs of providing services that they benefit from.

### **DEFINITION OF A SERVICE CHARGE**

A service charge is the amount recharged to residents for housing related services that are not covered by the rent charge but are:

- Required to keep common areas and open spaces safe.
- Necessary for the good management of schemes.

- Legal requirements.
- Considered good housing management practice.

Individual schemes will require different additional services and not every service will be provided to each scheme. PFH will endeavour to provide appropriate services to meet the needs of residents in its schemes.

Examples of some of the services that may be provided and recovered through the service charges are:

- The landscape maintenance of open areas, common grassed areas and shrub beds.
- Cleaning of internal common areas (e.g. shared stairwells, communal lounges).
- Electricity and gas consumption in provision of communal lighting and heating (e.g. shared stairwells, communal lounges).
- Scheme manager
- Door entry systems
- Depreciation of furniture and furnishings

### **SETTING SERVICE CHARGES**

Service charges will normally be reviewed and set annually.

Service charges are set in two ways;

- Fixed service charges
- Variable service charges

### **FIXED SERVICE CHARGES**

For a number of service charges, PFH will levy 'fixed service charges'. A fixed service charge is determined by PFH estimating what it considers it will cost to provide the service and will often be based on previous costs. With a fixed service charge, PFH will carry the risk of any overspend and where the actual cost of providing the service is more than the amount charged to residents, PFH will not recover this from residents.

PFH will not be able to recover any overspends from the previous accounting period but will be able to increase the amount to reflect the accurate costs of delivering the service in the following years' service charge calculations.

If there are underspends, PFH reserves the right to keep and reuse any surplus created.

Examples of fixed service charges are grounds maintenance, cleaning and site security.

Please see Appendix 1 for full classification of service charges.

### **VARIABLE SERVICE CHARGES**

Variable service charges are based on both the actual and estimated costs of the service with any surpluses or deficits carried forward as an adjustment to the next accounting period.

Examples of variable service charges are electricity, heating and water.

Please see Appendix 1 for full classification of service charges.

### **DEPRECIATION SERVICE CHARGE**

A depreciation service charge will be payable for the costs of items that have been purchased in

providing for example furniture and carpets in communal lounges. The cost of the furniture and carpets will be apportioned over their expected life expectancy rather than recovering the full cost of the furniture and carpets in the year they were purchased. The depreciation service charge will be apportioned between those residents with access to the communal lounges.

### **RESERVE FUNDS**

The reserve fund will be used to save money to pay for future long term renewals and maintenance required to keep the property maintained. Examples would include repairs to a lift; redecoration costs or new furnishings for communal rooms. It provides a way to spread the cost of expensive repairs. Any balance (debit or credit) on the reserve fund will be carried forward. The reserve funds will be reviewed annually.

Please see Appendix 1 for service charges with a linked reserve fund.

### **APPORTIONMENT**

Costs of providing services will be apportioned between residents in each scheme in a fair, reasonable and consistent manner. Charges for internal communal areas will be apportioned between those residents with access to these areas.

### **MANAGEMENT FEES**

Once the scheme service charges are apportioned, a management fee is added. Management fees cover PFH's costs associated with managing properties, administering service charges and rent accounts, income collection and providing customer services. A 10% management fee will continue to be applied to each service charge.

### **VOID CHARGES**

Void charges for 2024/25 will not apply. However, this will be monitored in case there is a need for void charges to be applied in future years.

### **NOTIFICATION OF SERVICE CHARGES**

Service charges will be implemented at the same time as the rent increases in April. Residents will be issued with a breakdown of the services that will be provided to their property during the next financial year along with a breakdown of costs. This schedule of service and costs will form part of the annual rent review notification letter which is issued in late February each year. New residents will be informed of service charges at the viewing of a property and a copy of the service charges will be given on signing of the Licence Agreement.

### **RECONCILIATION OF SERVICE CHARGES**

All service charges whether fixed or variable are reconciled following the year end to ensure cost recovery is in line with expenditure. The actual service charges collected are compared with the cost of the service provided. Any variances for variable service charges are carried forward to following years' service charges. For example, an under/over recovery of 2022/23 service charges will be identified in July/August 2023 and an adjustment made in 2024/25 service charges.

Service charges collected which relate to fixed service charges are compared against the actual cost of providing the service. For any under/over recovery of costs from the previous financial year, PFH is not able to recover/credit anything from/to the residents but will be able to increase/decrease the amount to reflect the accurate costs of delivering the service in a following year. For example, an under recovery of 2022/23 service charges would be identified in July/August 2023 and 2024/25 service charges would be increased/decreased.

Residents will be informed of any variable service charge adjustments and also of any fixed service

charges which will need to be altered. This will be carried out through PFH's residents' consultation process.

As part of their commitment to transparency, PFH will meet with the residents of the schemes on a regular basis to present the current position regarding service charge recovery. This will be no less than twice a year, with a full-year update happening at the end of the first quarter following the year-end.

### **HOUSING BENEFIT / UNIVERSAL CREDIT**

Some service charge elements are eligible for Housing Benefit or Universal Credit and are known as 'eligible charges'. Eligible charges will include communal services that residents are unable to opt out of as these are applied to all residents on the scheme. Ineligible services charges are non-communal services, such as heating and water to individual properties or a service that the resident is able to opt out of, such as gardening, which we are not obliged to provide. Most charges will be classed as eligible charges. PFH will ensure that any ineligible charges are necessary, appropriate and proportionate. When considering which services to provide, the Head of Finance will consider if the charges will be eligible for payment under Housing Benefit or Universal Credit criteria to ensure they remain affordable, and our properties remain desirable.

When PFH sends out estimates of what next year's charges are going to be, information on services that are either 'eligible' or 'non-eligible' will be provided. In addition, PFH will ensure that residents are aware that Housing Benefit (HB) or Universal Credit (UC) will not pay for 'non-eligible' or personal charges, with only 'eligible' charges being considered for benefit purposes.

### **SUBSIDISING SERVICE CHARGES**

Subject to Board approval, PFH may choose to subsidise some service charges on a temporary basis in order to minimise the impact on residents of an initial or sudden increase in cost, for example: following the introduction of new services or renewed contract arrangements (e.g. telecare costs and utility contracts).

### **REVIEW OF SERVICES**

PFH will review the services it provides annually to ensure that they remain appropriate to each scheme, they represent Value for Money and PFH continues to meet all health and safety regulations.

### **AFFORDABILITY, QUALITY & VALUE FOR MONEY (VFM)**

PFH aims to:

- Provide good quality services for our residents that demonstrate good housing management practice and are value for money.
- Continuously improve challenge, manage and monitor the efficiency and effectiveness of services.
- Ensure that the cost of supplying services is always competitive and offers best value for money through benchmarking exercises against other peers.
- When considering which services to provide, PFH will consider if the charges will be eligible for payment under Housing Benefit or Universal Credit criteria to ensure they remain affordable and our properties remain desirable.

### **CONSULTATION**

In accordance with a customer focused approach PFH will consult with and listen to residents' views about service provision and the service charges as appropriate. Meetings will take place in January / February each year to consult with sheltered and non-sheltered residents about any service charge

increases. Residents will also be consulted prior to any changes in service provision.

A copy of this policy will be included in the Residents' Handbook and also on PFH's website.

It is anticipated that some service charges will be increased for 2024-25. PFH consults with residents prior to any increase being implemented, and that any proposed increase would be delayed until the consultation process has taken place. Specifically, this may relate to services which are currently being procured and where anticipated costings have not yet been determined but could be significantly higher.

A Customer Satisfaction survey was undertaken in October 2022. We engaged with residents on their views around whether our offer represents Value for Money. 86% of residents felt satisfied that the service charge represents Value for Money. 6% of residents felt dissatisfied and it was noted that 12% of all respondents were from sheltered schemes. Whilst overall, we are encouraged that many residents feel that PFH does provide Value for Money, it is also recognised that improvements can be made.

In response, we will:

- look for opportunities to pass savings back to the resident, whilst not eroding the service that is provided, and
- keeping residents informed about the work we are doing to keep their service charges at the optimal level of price and quality.
- Continue to undertake further Value for Money Satisfaction surveys

#### **APPEALS AND COMPLAINTS**

Any appeals or complaints in relation to the setting or charging of service charges will be dealt in line with PFH's appeals procedures or its complaints procedures as appropriate.

#### **PUBLICATION AND REVIEW OF THE POLICY**

A copy of this policy will be included in the Residents' Handbook and also on PFH's website.

The full Service Charge Policy will be reviewed by PFH each year.

## Pickering and Ferens Homes Summary of Service Charges

Description	Retirement Living (Sheltered) Schemes	Fixed or Variable	Reserve Fund
	(Y/N)	(F/V)	(Y/N)
24hr Responsive Call Service	N	F	N
Housing Proactive: Debit (Schemes)	Y	F	N
Housing Proactive: Debit (Bungalows)	N	F	N
Security Systems	Y	F	N
Manned site security: Broadway (Schemes)	Y	F	N
Manned site security: Broadway (Bungalows)	N	F	N
Manned site security: Westgarth	N	F	N
Cleaning (Communal Flats)	N	F	N
Cleaning Materials & Services	Y	F	N
Communal Utilities - Electric	Y	V	N
Communal Utilities - Heating	Y	V	N
Non-Communal Utilities - Electric	Y	V	N
Non-Communal Utilities - Heating	Y	V	N
Non-Communal Utilities - Water	Y	V	N
Grounds Maintenance - Communal (Schemes)	Y	F	N
Grounds Maintenance - Communal (Bungalows)	N	F	N
Grounds Maintenance - Ind	N	F	N
Pest Control	Y	F	N
Health & Safety	N	F	N
Housing Management Employee Costs	Y	F	N
Estate Management (Schemes & 'Village' Bungalows)	Y	F	N
Management Costs	Y	F	N
Maintenance & Servicing - Employee Costs	Y	F	N
Maintenance & Servicing - Communal Repairs	Y	F	N
Maintenance & Servicing - Fire Fighting Equipment	Y	F	N
Maintenance & Servicing - Heating & Electrical systems	Y	F	N
Provision of Communal Furnishings	Y	F	Y
Provision of Communal White Goods	Y	F	Y
Provision of Fire Fighting Equipment	Y	F	Y
Provision of Floor Coverings & Curtains	Y	F	Y
Provision of Laundry Equipment	Y	F	Y
Provision and Maintenance of Lifts, TV Aerials etc.	Y	F	Y
Decoration Costs	Y	F	Y