



## Affordable Rents and Service Charges

### **Applicable to ProVal XL & ProVal LS**

When setting rents for the Affordable Rent (AR) tenure, its easy to get confused over the treatment of service charges.

Common practice when dealing with services is to exclude them altogether, on the basis that the cost of providing the service and the charge levied on the tenant are usually expected to be the same, so therefore have a neutral impact on the appraisal viability results.

In ProVal XL and LS, the cost of providing a service is set as a Services Cost in the Allowances section and the income is set separately as a Service Charge in the Rents section.

The definition of rent for an AR unit is that it is inclusive of any service charges. Accordingly, it would be incorrect to set a service charge in addition to the rent. However, you must set the cost of providing any services as a rent allowance.

For other social rented tenure units, setting a service cost and a service charge would be correct, or you may choose to omit both inputs. But don't include a service charge and then forget to input the cost.

Be careful that in completing your appraisals you don't end up with a one-legged or three-legged chicken, i.e. ending up where the cost is omitted, or that the service charge is added twice.

Service costs and charges are a common source of problems and mistakes in appraisals. For the treatment of services as applicable to major repairs please see the relevant article on our website.