

Service Charge Policy



Reference:	HS_POL_FIN_SCH_4.0	Author:	AD Finance & Procurement
Scope:	Housing Services Finance Asset Management	Approved by:	ET
Legislation:	Landlord and Tenant Act 1985 Landlord and Tenant Act 1987 Commonhold and Leasehold Reform Act 2002 Leasehold Reform, Housing and Urban Development Act 1993 Housing Act 1985 Housing Act 1988 Data Protection Act 2018 GDPR 2018	Date of approval:	June 2024
Regulatory/ Governance:	NHF Service Charges- A Guide for Housing Associations (7th Ed.) The Regulator of Social Housing: Consumer Standards	Date of next review:	June 2027
Related Policies:	Leasehold Forfeiture & Possession Policy Leasehold Management Policy Shared Ownership Management Policy Rent Setting Policy Procurement Policy Current Tenant Arrears Policy Data Protection Policy		

1. Policy Statement

Aims

- 1.1 We will use a consistent approach to setting fair and reasonable service charges that provide value for money.
- 1.2 We will ensure that all residents who pay service charges are provided with details of the costs of services prior to purchase, together with details of how the charge is calculated and reviewed.
- 1.3 We will deliver a high quality service in connection with the provision of service charge information that is cost efficient, user friendly and transparent.
- 1.4 We will achieve high satisfaction levels for residents with the service charge accounting process and achieve value for money with our service offering.

Objectives:

- 1.5 We will ensure that one of the criteria for approval of new developments is affordability.
- 1.6 We will provide accurate assessments of service charge costs and send residents their service charge demands on time and in a clear and easy to access format. We will also provide residents with as much notice as possible when exceptional charges are anticipated.
- 1.7 We will procure services that achieve value for money and that are competitive.
- 1.8 We will operate a sinking fund process for our estates/blocks to help residents budget to meet the long-term costs of major works projects e.g. replacement of lifts.
- 1.9 Service charges will only ever be levied in accordance with the applicable contractual terms and relevant legislation. We will only recover the fair and reasonable costs of providing services to residents.

2. Value for Money

- 2.1 Services will be competitively tendered as required by Housing Solutions Group Standing Orders, Procurement Policy, and legislation.
- 2.2 Value will be assessed not just on cost, but quality and effectiveness of the service provision.
- 2.3 Housing Solutions will engage in regular consultation with residents on their satisfaction with the services they are being charged for and the way we communicate with residents about their service charges.
- 2.4 All contracts must be effectively managed to ensure that the standard of service is at the agreed level and that value for money is being provided. Where possible, contracts will be agreed for service provision across large groups of properties in order to gain value for money through discounts and economies of scale.

3. Scope

- 3.1 This policy applies to all residential tenancies and leases that have a service chargeable element
- 3.2 Tenancy agreements that specifically exclude the charging for services will not be

charged service charges.

4. Roles and Responsibilities

Role	Responsibilities
Board	Has delegated to the Chief Executive the responsibility to review and approve the Service Charge Policy
Chief Executive	The Chief Executive the responsibility to review and approve the Service Charge Policy
Executive Directors	Has responsibility for reviewing and recommending approval of this policy.
Assistant Director of Finance & Procurement	Has responsibility for reviewing and monitoring compliance with this policy
Service Charge Accountant	<ul style="list-style-type: none"> • Has day-to-day responsibility for managing the service charges processes; • Ensuring that the accounting and housing management systems for service charges are maintained with up-to-date service charge information; • Has responsibility for responding to queries on service charges within the agreed timeframes; • Is responsible for ensuring that each resident is correctly charged for the costs of the services provided to each home; • Is responsible for ensuring that evidence to support the calculation of all service charges is compiled and available to residents upon request • Responsible for ensuring that service charges are entered against the tenancy record for each home where charges are levied.
Operational Managers	Will assist the Service Charge Accountant by checking the accuracy of resident data prior to the sending of service charge demands.
Home Ownership Manager	Will work with the Service Charge Accountant to ensure the relevance and accuracy of service charges that are being recharged to leaseholders and shared owners.
All officers	Are responsible for ensuring that Housing Solutions holds accurate resident data.

- 4.1 The Procurement Manager, Home Ownership Team, Commercial Contracts Manager, and Service Charge Accountant are all involved in and are responsible for facilitating and assisting in carrying out consultations under s.20, Landlord and Tenant Act 1985.

5. Definitions

- 5.1 *Communal Service Charges*: Service charges are charges for services that landlords (either directly or through a managing agent) provide to maintain the communal areas and grounds of residential estates, or to ensure the safety of a building as permitted under the terms of a lease or tenancy agreement. These types of charges will usually be eligible for payment by Universal Credit and/or Housing Benefit
- 5.2 *Personal Service Charges*: These are charges that are considered to be personal in nature – for example the provision of gas/electricity/water or the provision of a catering service. They are classified as personal because they are not normally covered by Universal Credit or Housing Benefit and so a resident or leaseholder will always be personally liable for their payment.
- 5.3 *Managing Agent*: This is an agent employed by a building owner. The managing agent is paid to manage the building on behalf of the owner and to undertake the day-to-day administrative tasks of running and maintaining the building such as maintaining accurate resident records, arranging for repairs, or responding to enquiries raised by residents living in the building that is managed.
- 5.4 *Sinking Fund*: Also known as a “reserve fund”, this is a pot of money that is built up slowly over a period of years to accumulate funds to pay for large and expensive works. It is a mechanism designed to spread the impact of the cost of such works, for example replacing lifts in a block of flats. It is usually defined within the lease of a property.

Qualifying Long Term Agreement (QLTA): QLTA is defined by s.20ZA, Landlord and Tenant Act 1985 as any contract for services that is more than 12 months in length and where the cost to any one resident will exceed £100.

- 5.5 *Consultation*: is required prior to entering into either:
- a) a contract for major works where the costs to a resident will exceed £250 for that project; or
 - b) a QLTA.

6. Legislation

- 6.1 The legislation that relates to this policy has been listed on the front page of this document. Housing Solutions will ensure that we remain compliant with the legislation and guidance set out on page 1 of this policy. We will also ensure that we remain up-to-date with any changes in legislation, guidance and best practice.

7. Key Objectives

- 7.1 *Budget Calculations/Transparency*: Each resident should be provided with clear and transparent summary budgets and accompanying information outlining how their service charges are calculated. Upon request, the detail behind each calculation

must be provided.

- 7.2 *Reasonableness*: Under s19, Landlord and Tenancy Act 1985, service charges must be reasonable. This means that Housing Solutions is able to re-charge for the services under the terms of the occupancy contract i.e. the lease or tenancy agreement, that the charges are reasonable, the provision of services and/or works is reasonable, and the service/work is of a reasonable standard
- 7.3 *Fair*: service charges will be calculated so that they are apportioned to all who share the benefit of the service and have a responsibility to pay for those services. The exception to this is covered in section 3.2 but those residents will be included within the calculation so that other residents are not subsidising those non-paying tenants.
- 7.4 *Communications*: as well as meeting the regulatory and legislative requirements, communications with residents will be monitored, recorded and (if required) responded to. An acknowledgement of the query will be provided within 3 working days, with a full response within 10 working days unless otherwise notified to the resident.

8. Variable Service Charges

- 8.1 Variable service charges apply to all tenures that are charged service charges, with the exception of affordable rents, and are estimated based on the following information:
 - i. The particular service contracts provided to a block or estate; and
 - ii. Historical costs i.e. the information taken from previous years actual expenditure; and
 - iii. Notification of any known exceptional spend for the forthcoming financial year.
- 8.2 After the end of the financial year (31 March), the actual cost of the services is calculated to see if an adjustment (either up or down) to the estimated charges demanded in the previous February is required.
- 8.3 If the actual costs are more than the estimate provided before the start of the financial year, then Housing Solutions will send a demand for a balancing payment by the end of September each year. This is commonly referred to as a s.20B notice. For tenants, an adjustment is applied to the service charge from the April of the following financial year to recover the overspend.
- 8.4 If the actual costs are less than the estimate previously provided, then a credit is applied to a leaseholders individual account to that same value. For tenants, the credit is applied to the service charge from the April of the following financial year to reimburse the credit. For clarity, there will be no cash refund to residents as this would be out of line with 8.3 where we spread the additional cost over a full year.
- 8.5 Each year, all service charges are reviewed by the Assistant Director of Finance & Procurement to assess the affordability of service charges for our residents. In addition, a report on affordability is compiled and reviewed by the Executive Team.
- 8.6 Where a leaseholder or shared owner sells their home, the service charges should be apportioned by the conveyancing solicitors upon the sale of the property. Any refund or demand for a balancing payment will be billed to or paid back to the resident who was responsible for paying at the time the charges were incurred. The new resident will pay the estimated service charges for the remainder of the year

they start to live in a property without any adjustment being carried over from the previous year.

- 8.7 For tenants, the adjustment is included in the service charge attached to the new tenancy agreement and is not reimbursed or re-charged.

9. Fixed Service Charges

- 9.1 Fixed service charges are set and notified to the resident before the start of each financial year. Fixed service charges apply to tenures with affordable rent. There is no adjustment made after the end of the financial year. If the costs are more than the fixed service charge amount, no additional payment is required from the resident. If the costs are less than the fixed service charge amount, no refund is given to the resident. In this way, the resident has absolute certainty of the service charge costs they are being asked to pay.

10. Variations

- 10.1 A schedule of planned services to be provided at a property is provided in February of each year, for the coming financial year. During that year, it may be necessary to add or remove services from that schedule. Where a service is added, the cost of that service will be collected and communicated to the resident or leaseholder when the actual costs for that financial year are issued following the end of the financial year. If a service has been included on the estimated schedule but is not provided, the actual cost will be zero and will be aggregated with all other charges for that year. This is as per sections 8.2 and 8.3 of this policy.
- 10.2 Services can be added at the request and agreement of residents or leaseholders, but it is more common for the landlord to add services due to a mitigating reason – e.g. to ensure the building remains safe. In such instances residents will be informed of the service charge when their actual service charge schedule is provided following the year end.

11. Managing Agent

- 11.1 Where Housing Solutions is a leaseholder of a building that has a managing agent, we will pass on the costs of that managing agent to leaseholders through our service charge demands. For tenants we will pass on the costs in the same way, except for costs of repairs and maintenance to the fabric and structure of the building as those are costs included in the rent.
- 11.2 Where a managing agent provides the majority of the services, Housing Solutions charge a reduced management fee to meet the costs of the residual management functions.

12. Section 20 Consultation

- 12.1 S20 caps the service charges payable for any single major works project at £250 per resident (or £100 per resident if under a QLTA) unless consultation requirements have been complied with, or the consultation requirements have been dispensed with through an application to the First Tier Tribunal (Property Chamber).
- 12.2 Consultations shall be carried out in line with statutory requirements. Additionally,

informal consultations may be undertaken when changes are made to services provided on a case-by-case basis.

- 12.3 There are exceptions to the consultation requirements such as emergency work required to keep residents safe, or the provision of communal energy. In these instances, Housing Solutions are permitted under Service Charge legislation to recover all costs incurred in providing the services to the property, block or estate.

13. Fees

- 13.1 An administration fee is charged by Housing Solutions to residents to cover the costs we incur as an organisation to manage, calculate, and administer the service charge process. Administration fees are reviewed annually to assess whether the fees fairly reflect the costs of managing the services.
- 13.2 Administration fees cover costs of overheads such as staff, administration, and equipment for administering the service charges.
- 13.3 Management fees are chargeable to leaseholders for the management of the service provisions. An example of this is a 10% management fee for section 20 work.

14. Sinking/Reserve Funds

- 14.1 We may require that leaseholders make contributions into sinking funds to fund part or all of the cost of major works – subject to the terms of each lease.
- 14.2 Sinking funds may also be set up for tenants usually, but not limited to, in the case of sheltered housing, to build up funds over time for the acquisition of other assets, such as furniture and other fittings.
- 14.3 The money in a sinking fund is held separately from ordinary service charge monies in an interest-bearing account.
- 14.4 Sinking funds are not refundable when a leaseholder sells their property, or a tenant moves out of a property. The fund transfers to the benefit of the new owner or tenant.
- 14.5 A statement of the funds held together with movement in and out of the fund during the financial year, is included with the S21 summary provided to leaseholders each year.
- 14.6 The balance of the sinking funds allocated to each leaseholder or tenant will be included within the annual service charge statement.
- 14.7 All new developments built or purchased directly by Housing Solutions (via a section 106 development) should have a sinking/reserve fund built into each lease as standard. There may be exceptions to this rule where a development has not been built by Housing Solutions directly.

15. Disputing Service Charges

- 15.1 Residents can dispute service charges and are encouraged to contact the Service Charge Accountant in the first instance to resolve any queries about their service charges. If a resident has queried their service charge demand and remains dissatisfied with the response to their query, they can dispute the service charge demand by raising a complaint using the complaints procedure. Leaseholders should first ensure that the dispute process outlined in their lease is followed before doing

this. If this fails to resolve the dispute, the resident may request a form of alternative dispute resolution (ADR) such as mediation or arbitration or make an application to the First-Tier Tribunal (Property Chamber).

16. Vulnerable Customers

16.1 Housing Solutions will provide a fair and equitable service to all our residents and within the guidelines set out within the Equality, Diversity, and Inclusion policy. Our Vulnerable Person Policy defines individuals who may require additional support in accessing our services. We will make all reasonable adjustments for these individuals in the delivery of our service and endeavor to accommodate their specific needs and those of their support network throughout the process of providing these services.

17. Consumer Standards

17.1 By maintaining and adhering to this policy, Housing Solutions is upholding the Regulator of Social Housing's Value for Money Standard and Consumer Standards by ensuring robust oversight of services and their costs and how those costs are passed on to residents of Housing Solutions.

18. Equality & Diversity

18.1 Housing Solutions recognises the needs of a diverse population and always acts within the scope of its own Equality, Diversity and Inclusion Policy, the Human Rights Act 1998, and Equalities Act 2010. Housing Solutions works closely with its partners to ensure it has a clear understanding of its resident community with clear regularly updated service user profiles. Housing Solutions will record, analyse, and monitor information on ethnicity, vulnerability, and disability.

18.2 Any resident who requires their service charges communicated to them in a language other than English has this option available to them.

19. Confidentiality

19.1 Under the Data Protection Act 2018 and UK General Data Protection Regulations (UKGDPR), all personal and sensitive organisational information, however received, is treated as confidential. This includes:

- a) anything of a personal nature that is not a matter of public record about a resident, client, applicant, staff, or board member
- b) sensitive organisational information.

19.2 Housing Solutions employees will ensure that they only involve other agencies and share information where there is a legal basis for processing the information.

20. Review

20.1 This policy will be reviewed on a 3 yearly basis or more frequently in response to changes in legislation, regulatory guidance, good practice, or changes in other relevant Housing Solutions' policy.

20.2 Our performance in relation to the delivery of the services and activities set out in

this policy will be monitored on an ongoing basis through established reporting mechanisms to senior managers, Executive Team, Board, and associated committees.