

Service Charge Policy

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1.0 Background

1.1 This policy applies to residents of rented housing, leasehold housing and properties sold under the Right To Acquire, open market sales or shared ownership staircasing provisions.

1.2 The policy is based on the legal framework set out in various legislation affecting Assured and Secure tenants and leaseholders. This includes the Landlord and Tenant Act 1985, as amended. This policy also takes into account the government's Policy Statement on Rents for Social Housing (updated December 2022) which includes expectations that:

- Registered providers set reasonable and transparent service charges which reflect the service being provided;
- Tenants are supplied with clear information on how service charges are set;
- For social rent homes, service charges are identified separately from the rent charge.

2.0 What is a service charge?

2.1 A Service Charge is a payment made by a tenant, licensee, owner or leaseholder towards the costs of providing and maintaining services and benefits which are additional to the benefit of occupying their home itself. For example gardening is a service that could be covered by a service charge because it is available to all residents and is situated outside their homes. The Landlord and Tenant Act 1985 requires that service charges are fair and reasonable and that services are provided to a reasonable standard.

2.2 CHS service charges are all variable and will follow the stipulations set out in a tenancy agreement or lease. Variable service charges can be changed from year to year based on the cost of providing the service, and allow for surpluses and deficits to be carried forward from one accounting period to the next. Charges can also vary because a change is made to the type or level of the services provided, following consultation with customers.

2.3 Where there is a service charge for leasehold properties, the charge may include an appropriate amount as a sinking fund / reserve towards expenditure that may be incurred in future years (e.g. external redecoration) in order to avoid large fluctuations in the charge. This approach may also be taken for rented homes to spread the cost of a service that occurs less frequently e.g. tree surgery in communal areas, safety checks in communal areas that do not occur every year.

3.0 Service costs paid for by a service charge

3.1 The Appendix lists the service costs that may be included in a service charge. CHS may add further items to the appendix between formal policy reviews, where legislation or guidance change or in the case of unforeseen circumstances (subject to individual consultation as set out in paragraph 12 below). CHS undertakes to provide the best possible value for customers in procuring and providing these services and where possible involves customers in the re-tendering of such contracts.

4.0 How service charges are calculated

4.1 Each year CHS Group sets a spending budget for each housing scheme (a scheme is a group of flats/houses) which details the amount expected to be spent in that

financial year. The budget is guided by the actual spending incurred in the 12 months to the previous September and any expected changes in costs or the level of services. The service costs are divided among the residents of the scheme according to their use. If all residents benefit from the service equally, the costs will be divided equally. If the benefit available to residents significantly varies, the cost may be apportioned using a more detailed method (for example using floor space where room sizes are significantly different). Where there is private space (residents own flats/rooms) and communal space (e.g. shared sitting rooms, corridors etc.) the costs are adjusted to reflect the proportion of private and communal space so that the element that is eligible for housing benefit can easily be identified (the Service Charge Accountant maintains a log of all such apportionments).

- 4.2 CHS Group compares the cost of providing the services for a scheme with the charges made during a 12-month period (October to September for rented housing and April to March for shared ownership/leasehold homes). For rented homes the difference is carried forward as either a deficit or a surplus, to be collected or repaid each week during the following year alongside the service charge itself. For shared ownership service charges a one-off adjustment is made to the rent account annually, and after the new charge is applied each April (usually by September each year). Where CHS or a contractor is responsible for poor value for money it may be unfair to pass on the full costs to customers. This may arise as a result of poor workmanship, multiple visits caused by lack of preventive maintenance, lack of timely equipment replacement or the procurement of equipment that proves unsuitable. In such a case CHS may reduce the costs to be passed on in the relevant service charge on a discretionary basis. Actual costs for each scheme are reviewed regularly throughout the year by the Housing Officer and any discrepancy in costs vs budget should be analysed at this time. Recommendations that CHS should meet any of these costs will be made by the budget holder / Head of Service according to authority limits set in CHS financial regulations and if necessary by the Director of Finance.
- 4.3 While CHS Group will charge the true cost of providing services it will also aim to follow statutory guidance which is that charges should not increase by more than the Consumer Prices Index plus 1% each year. Where it is not possible to follow such guidance CHS will have clear reasons, e.g. a higher than expected increase in service costs or a change in the level of service provided or the way the service is provided or procured. Some service charges may also reduce as they are based on actual costs which may vary.
- 4.4 Where care services are based on site at Housing with Care schemes, a proportion of the service chargeable utility costs are charged to CHS's own care team or an external care provider in respect of their use of the scheme offices and rest room. These payments are proportionate to the size of the staff team on site.

5.0 Service Charges at Newbuild Schemes

- 5.1 In new schemes the cost of some services is based on an estimate of probable cost or may be covered by a warranty or defects period for the first year. In such cases CHS Group will establish an estimated cost and make a charge to residents for the first year.

6.0 Administration charges

6.1 CHS adds an Administration Charge to each Service charge to cover the cost of administering the services provided to residents. This charge is currently set at 15% of the service costs for rented housing. For shared ownership / leasehold housing the administration charge is also set at 15% of costs unless there is a case for charging a higher percentage due to the actual cost of administration. It is not charged on any balance carried forward from the previous year. An exception to this rule is where a separate Management Company is providing services for a housing scheme which it charges to CHS Group. In these cases CHS will charge Administration at 7.5% in addition to the service charge levied by the Management Company (this 7.5% is not added to the management company's administration costs). This 7.5% is to cover the CHS costs of accounting for and collecting the overall charge, and communicating with the management company.

7.0 Setting out the services provided at each scheme

7.1 Each tenant's tenancy agreement sets out the services for which CHS Group will make a charge. The Agreement also sets out the provisions for reviewing any service charges. Where a tenant makes an application to buy their property under the Right to Acquire, or a shared owner seeks to purchase 100% equity, an accurate estimate of any service charges that will apply will be given prior to completion of the sale or staircasing transaction. Where a Lease or Conveyance provides for service charges to be collected, CHS Group will provide a Schedule of the services to be included, re-issued annually.

8.0 How charges are notified

8.1 Each year CHS implements revised rents and service charges at the same time in the first week of April. Each resident who pays a service charge will receive a joint notification giving one calendar month's notice of their new rent, service charge and other charges. This will include a schedule of the services provided to the scheme; the budgeted cost of these services for the whole scheme and for each resident; and, except in the case of shared ownership leases, a separate schedule showing how any surplus or deficit carried forward from the previous financial year into the new service charge is calculated.

9.0 Complaints about services provided

9.1 CHS Group will actively work with its contractors to ensure that the services provided are to the level and quality agreed with customers. If a customer feels that they are not receiving a service to the standard or extent agreed with CHS, or that the charge for such services is unreasonable they may make a complaint to CHS, which we shall aim to resolve quickly and effectively to the customer's satisfaction. Further details about all stages of the complaints procedure are available on the CHS website. Customers across a scheme may make representation to CHS e.g. to amend the specification of the service provided, and we will work with a group of customers to review the service, charges etc.

9.2 Shared Owners and Leaseholders may apply to the Leasehold Valuation Tribunal to resolve disputes about Service Charges, however CHS Group will make every effort to resolve such issues with the customer directly.

10.0 Summary of Rights and Obligations

10.1 Under Section 21B of the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002) CHS Group is obliged by legislation

to issue a Summary of Rights and Obligations ¹to all customers who hold a lease of 21 years or more who have a service charge. CHS issues this Summary in the Sales Pack provided in advance of a shared ownership sale, in the welcome Pack on completion of the sale, and with each annual revised charge notification.

11.0 How to find out more about service charges

- 11.1 Under section 21 of the Landlord and Tenant Act 1985 any customer (or recognised tenants' association) has the legal right to request in writing a full statement (certified by a qualified accountant if the service charge covers more than four homes) of all service charge expenditure. CHS Group must comply with the request for a written summary within one month of receiving it, or within six months of the financial year-end, whichever is the later.
- 11.2 Residents also have the legal right (section 22 of the 1985 Act) to inspect the accounts, receipts and other documents supporting the summary and to take copies. This must be requested within six months of receiving the summary statement and CHS must make such information and facilities available for a period of two months starting no later than one month after the date on which the request is made. If CHS is an intermediate landlord and receives a request about service provided by a superior landlord, CHS will request the information from the superior landlord who must provide it within a reasonable time (section 23).

12.0 Changes to the services provided and new services

- 12.1 If CHS Group proposes to significantly vary the nature or level of services provided to a scheme especially if it results in increased charges for customers, it will follow a consultation process with the residents affected before making any changes. For this consultation CHS Group will set out in writing the reasons for proposing a change and the estimated impact on future service charges. The consultation may also include residents' meetings, door knocking, phone surveys etc. CHS will take full account of the views expressed by residents before making a final decision. CHS will give feedback to residents on the reasoning behind the decision. Written confirmation will be given to all residents affected of any change in the service to be provided.
- 12.2 CHS is happy to consider requests from residents to vary the services provided at a scheme (for example if the residents wish to provide a particular service for themselves). If such a request is made, CHS Group will follow the same consultation process as above to ensure all affected residents have the opportunity to express a view before a decision is made.
- 12.3 Where CHS Group proposes to let a contract for the provision of services for a period of more than 12 months, and the apportioned cost to any individual tenant or leaseholder is £100 (including VAT) per year or more, CHS is required to carry out a formal consultation process with customers under section 20 Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002. This includes the right for individual customers to nominate a contractor, from whom CHS will seek an estimate of cost. However while landlords must ask for and consider tenants' opinions and views, tenants do not have the right to nominate a contractor for contracts which must be advertised by public notice. These contracts

¹ UK Statutory Instrument 2007 No. 1257

are covered by Schedule 2 and Schedule 4 (part 1) of the 2003 service charge regulations.

13.0 Major works service charges

13.1 Where a service charge for customers includes an amount for major works CHS Group will comply with the statutory requirement (Section 20 Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002) to consult with residents. Where the costs of the works will exceed £250 per unit, a section 20 Notice (1985 Act) will be served on each resident plus the secretary of any residents' association, allowing representations to be made. Once this threshold is reached for any customer, CHS will consult all customers receiving the same service about the proposed works. CHS will take full account of any representations but may need to carry out urgent works that are necessary to avoid further disrepair. Copies of at least two estimates for the works will be provided and unless the works are urgent, they will not begin until at least one month after serving the notice.

14.0 Policy Review

14.1 This policy will be reviewed every three years and customers will be consulted about any proposed amendments that are in CHS Group's control.

Appendix

Service costs paid for by income from a service charge

1.0 Utilities

- 1.1 Fuel supply for communal heating systems (personal and communal use)
- 1.2 Electricity (personal and communal use)
- 1.3 Metered Water (personal and communal use)

2.0 Upkeep and safety of communal areas

- 2.1 Handyperson Contracted Services
- 2.2 Cleaners salary/cleaning contract – regular and one-off contracts
- 2.3 Cleaning materials
- 2.4 Window cleaning
- 2.5 Contracts for regular grounds maintenance/gardening and funds for one off works e.g. tree works
- 2.6 Fire Risk Assessments
- 2.7 Electrical Inspection and portable appliance testing
- 2.8 Water risk (Legionella) Assessments and remedial works
- 2.9 Asbestos Surveys / Assessments
- 2.10 Safety checks and maintenance of play areas
- 2.11 Concierges where required in Community Support services

3.0 Laundry costs (net of income)

- 3.1 Laundry equipment maintenance, repairs and lease costs
- 3.2 Laundry utilities e.g. water
- 3.3 Depreciation of laundry equipment

4.0 Equipment costs

- 4.1 Lift replacement including stairlifts
- 4.2 Lift insurance including stairlifts
- 4.3 Lift maintenance and repairs including stairlifts
- 4.4 Door entry systems maintenance and repairs
- 4.5 Fire alarms, fire safety equipment (including smoke vent/ dispersal windows)
- 4.6 Emergency lights maintenance and repairs
- 4.7 Replacement and depreciation of equipment
- 4.8 Replacement / repair of private domestic equipment where provided by CHS
- 4.9 Replacement / repair of catering equipment
- 4.10 Specialist baths maintenance and repairs
- 4.11 Patient hoists maintenance and repairs
- 4.12 Other equipment maintenance and repairs such as television aerials & CCTV
- 4.13 Care Call equipment / service.

5.0 Other miscellaneous costs

- 5.1 Replacement light bulbs
- 5.2 Payphone costs (net of payphone income)
- 5.3 Broadband / wi-fi costs
- 5.4 Refuse collection – where not provided free by the local authority
- 5.5 Communal television licence/ public media licence
- 5.6 Management companies service charge and management costs
- 5.7 Enhanced tenancy support in Community Support Services.

6.0 Additional items for Leasehold / Owner Occupied Properties only

- 6.1 Major repairs (e.g. replacement windows to communal areas, replacement of external doors, resurfacing of parking areas)
- 6.2 Cyclical decorations of external areas and internal communal areas
- 6.3 Buildings Insurance
- 6.4 Pumping stations – maintenance and replacement
- 6.5 Minor repairs to internal or external communal areas
- 6.6 Ground rent payable to CHS as per the lease or by CHS to a freeholder