

Local Housing Companies' Service Charge Policy

Reference:	Version 1	Author:	Tracy Garner
Scope:	Loddon Homes Berry Brook Homes	Approved by:	LHL Board
Legislation and regulation:	Housing Act 1985 Commercial and Leasehold Reform Act 2002 Leasehold Reform, Housing and Urban Development Act 1993 Landlord and Tenant Act 1985 & 1987 (as amended)	Date of approval:	19 May 2021
Regulatory/ Governance:	NHF Service Charges – A guide for housing associations 5 th edition	Date of next review:	May 2024
Related Policies:	Rent Setting policy Current Arrears Recovery policy Leasehold Management policy Section 20 Consultation policy and procedure Staircasing Policy		

1. **Policy Statement**

This policy applies to Loddon Homes and Berry Brook Homes which collectively will be referred to as the Local Housing Companies (the LHC). The LHC's managing agent, Wokingham Borough Council (WBC), has joint responsibility for ensuring this policy is implemented and delivered.

2. **Scope**

- 2.1 To set out our approach in providing fair and value for money service charges across all tenure types, to provide clear information about how service charges are applied, calculated, communicated and consulted on, and to ensure that our policy for the management of service charges is in-line with legal and statutory regulation and best practice.

3. **Roles and Responsibilities**

- 3.1 Overall responsibility for service charges is with the Operations Manager. The calculation of service charges is the responsibility of the Service & Compliance Officer who will ensure a consistent allocation of costs across all tenures including homeowners.

WBC is responsible for sending out the annual service charge letters, and the LHC is responsible for sending out the estimated cost-to-actual comparison which is done halfway through the financial year. Recovery of service charges is delegated to WBC as managing agent.

Any queries about the calculation of costs and the quality of services provided will be answered by the Service & Compliance Officer.

Service charges will be reviewed annually to ensure services provided are value for money. The LHC is to be fully up to date with the relevant legislation to ensure that all processes are compliant.

4. **Definitions**

The following properties incur a service charge:

- Sheltered accommodation
- Supported housing
- Properties with communal areas
- Leaseholder properties
- Shared ownership properties

Service charges are charges for services that landlords or managing agents provide to maintain the communal areas of residential properties and to support residents of supported and sheltered accommodation. Costs may be charged to the LHC by a managing agent.

As a responsible landlord and in line with relevant legislation, we are required to maintain all properties to a good standard. This includes the maintenance and upkeep of any communal areas. This will usually include (but is not limited to):

- Communal utilities i.e. heating, lighting, water
- Maintenance of fire safety equipment, lifts, door entry systems, CCTV
- Grounds maintenance i.e. grass cutting, hedge trimming
- Insurance (leaseholders and shared owners)
- Communal repairs (leaseholders and shared owners)
- Communal cleaning
- Management and administration fees

Any reference in this policy to homeowner includes leaseholders and shared owners. Some service charges will only apply to homeowners. This can include the following (but is not limited to):

- Insurance
- Improvements
- Repairs and maintenance not covered by a sinking fund

The Landlord and Tenant Act 1985 & 1987 states that landlords are entitled to recover costs associated with the maintenance of communal areas if they are fair and reasonable. Service charges will vary from development to development, depending on the size of the development, the number of properties there and what services and communal facilities are provided.

Sinking funds will be established where there is a requirement to build up funds over a longer period than a single service charge year. Examples of sinking funds are as follows (but not limited to):

- Decoration of communal areas
- Building infrastructure
- Large maintenance costs such as roof replacements (leaseholders and shared owners)
- Replacement of equipment or furniture (typically supported properties)

5. **Variable Service Charges**

Variable service charges are estimated before the start of each financial year based on the previous financial year's actual expenditure, for example 2020-21 estimate is based on 2019-20 extrapolated cost.

At the end of each financial year the actual cost of providing the services is calculated and compared to the estimated charge that was made in that year. The amount that is over or under the estimate is deducted or added to the following year's service charge as appropriate. Large overpayments may be refunded to residents instead of being deducted from the following year's charge at the LHC's discretion.

Each year all underpayments are reviewed to ensure that rent and service charges remain affordable for all tenants.

6. **Fixed Service Charges**

Service charges for affordable rent units are treated as 'fixed' and are included in the rent. Fixed service charges are set at the beginning of each financial year and are not adjusted if the cost is more or less than charged.

7. **New developments**

Service charges for new properties will be set by the Service & Compliance Officer who will meet with the relevant development organisation responsible for the new units prior to handover of the site. The estimated costs will be based on a combination of initial quotation for the provision of services and comparable costs from similar developments.

8. **Calculation of service charges**

Service Charge Timetable

The service charge year is 1 April to 31 March. Tenants and shared owners are issued with service charge estimates with an over- or under-adjustment before the end of February each year. Leaseholders are informed of the difference between the estimate and the actual by 30 September each year and the service charge account is adjusted immediately. Actual service charges must be published within six months of the close of accounts. These are sent to tenants and shared owners by 30 September after the year end.

Allocation of Costs

Costs are apportioned by dividing the amount equally between the number of properties within the block or scheme, and taking into consideration which properties use the service provided. For example, an apartment whose entrance is outside of the main block and not accessed via the communal front door would not be charged for cleaning and maintenance of the communal hallway.

Managing agents

Managing agents charge for the services they provide by individual block or scheme. Charges that are to be passed on as service charge will be based on invoices received from the managing agents where applicable.

Administration fee

We may add a fee to service charges to cover the cost of administering and charging for the services provided, calculated at a maximum of 10% of the total service charge.

9. **Legislation**

Legislation to be followed is covered by the following Acts:

- Housing Act 1985
- Commercial and Leasehold Reform Act 2002
- Leasehold Reform, Housing and Urban Development Act 1993
- Landlord and Tenant Act 1985 & 1987 (as amended)

10. **Service standards**

Service standards for the services that are eligible for service charges have been set where applicable. The standards detail the tasks that are to be carried out and the frequency that they will be delivered.

Service charges will not be discounted or refunded if there is a temporary disruption to service during the accounting year. Any services not provided will be reflected in the actual costs and any refund will be issued following the publishing of the actual

service charges for that year in September, or applied to the service charge account the following April.

11. **Consultation**

In accordance with the requirements of Section 20 (Landlord & Tenant Act 1985 as amended) consultation will take place with leaseholders and shared owners where planned or major works are required to be undertaken. In addition, consultation regarding charges and/or contracts for the provision of services will also be undertaken.

Regular consultation with residents on their satisfaction with the services they are being charged for and the way in which charges are communicated will take place. All contracts will be reviewed regularly to ensure the standard of service and value for money is being maintained. Where possible, contracts will be agreed for service provision across large groups of properties owned by the LHC to ensure value for money through discounts using economies of scale.

Consultation should be carried out in line with statutory requirements as and when changes are made to services provided. This is in addition to the requirements of Section 20 consultation with homeowners.

12. **Sinking funds**

A sinking fund is effectively a way for the block or scheme to accrue sums required for future works such as external decorations or replacing a piece of equipment, such as a lift. All legal requirements are to be followed when setting up, maintaining and using a sinking fund.

Contributions to sinking funds will be calculated by using a life-cycle costing method, whereby the life and replacement cost of the item covered by the sinking fund will be estimated, and will be based on the condition of and be specific to each scheme.

Payments into sinking funds will be held by the LHC separately in an interest-bearing account to help offset or partially offset future increases in replacement cost. Where the sinking fund and current level of contributions are not enough to pay for expected repairs, the LHC will consult with residents to agree a more realistic contribution. Works to be paid for from the sinking fund which will alter the appearance of the property and with a cost of £500 or more will be subject to consultation with residents. Residents will not be consulted on the replacement of existing white goods or furniture.

A sinking fund statement will be sent out to residents with their service charge statement each year, providing details of the amount held in the fund, interest accrued, and any costs offset against the sinking fund balance during the year.

13. **Equality & Diversity**

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

14. **Confidentiality**

Under the Data Protection Act 2018, General Data Protection Regulation (GDPR) and the Human Rights Act 1998, all personal and sensitive organisational information, however received, is treated as confidential. This includes:

- Anything of a personal nature that is not a matter of public record about a resident, client, applicant, staff or board member.
- Sensitive organisational information.

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

15. **Performance**

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 our established reporting mechanisms to our Board and associated committees.

16. **Policy review**

This policy will be reviewed on a three-yearly basis, or more frequently in response to changes in legislation, regulatory guidance, good practice or changes in other relevant LHC policies.

DOCUMENT CONTROL

Issue date	Approval date	Planned review date	Actual review date
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