

Managing Service Charges Policy

The basics

We use service charges to repair and replace equipment such as lifts, door entry and fire detection systems. We also use service charges to provide services such as grounds maintenance and cleaning communal areas so that customers can enjoy living in their homes.

When we calculate affordable rents, intermediate rents, and market rents, we include any service charges, to make sure we meet the current rent setting regulations.

In line with tenancy agreements and leases, we operate a system of variable service charges which are based on the actual cost or estimated cost of providing the service. We carry forward any difference between the amount charged and the actual cost of providing the service into a following year, so customers benefit from a surplus or make up a shortfall.

We recover the cost of providing additional services through a service charge which includes an administration charge to cover the cost of managing these services.

Our approach

We follow the law and regulatory guidance to set service charges and we make sure we consult properly with customers. We:

- Only charge for the cost of the services that we provide plus an administration charge. We don't make a profit
- Ensure that we only charge customers who receive or benefit from the service and the charges are proportionate
- Estimate service charges as accurately as possible for new homes to help customers and potential homeowners understand the costs associated with running their new home
- Offer easy access to a clear, up-to-date and detailed breakdown of the services provided, including third party charges
- Consult with customers when we provide individual services that cost more than £250 per year or where we are entering a contract for more than 12 months which costs more than £100 per home per year
- Consult with customers every year on the quality of services provided to make sure they provide Value for Money (VfM)

- Advise customers on how to raise queries about the quality or cost of the services we provide.

Customers can expect us to take account of their needs when providing services. We'll also take account of the needs of potential future customers to make sure their homes have a long-term future.

How service charges are applied

We base service charges for the year ahead on the actual level of costs incurred in the current financial year, as well as any known costs for the coming year. We also take account of the cost of service charges from the last complete financial year to work out any shortfalls or surpluses. For example:

Next year's total service charge for customer = £130 (based on what was spent this year and any known increases such as inflation)

Total service charge customer paid in last full financial year = £100

Actual service charge costs in last full financial year = £90

Customer has a surplus of £10 from service charge paid in last full financial year which is applied to the customer's account

Therefore, customer's total service charge for next year = £120 (£130 less surplus of £10)

Service charges are applied in different ways depending on the type of tenancy and lease:

Leaseholders – all service charges will be variable and apportioned according to the terms of the lease. We usually send customers actual bills based on the cost of services for the last complete financial year in September. We also include a list of [rights and obligations](#).

Shared owners – service charges will be variable and shared owners will receive a rent increase letter in April of each year and a list of [rights and obligations](#). The service charge will include any charges from third party management companies for services such as grounds maintenance where this applies.

Affordable rent, Intermediate rent and Market rent – there are no separate service charges as the rent includes the cost of services. We will tell tenants of any increases to their rent in the rent notification letter they receive in April each year.

Agency managed properties – all service charges will be variable. We will set the service charge, and the managing agent will collect payment from their clients and pay us.

Sinking fund or provisions – sinking funds and provisions make sure that tenants and leaseholders share the financial cost of major works and any replacement of equipment. The charge, which includes VAT, is based on the cost of installing and replacing components such as lifts. We increase the charge by inflation each year. Sinking funds will reduce the need for leaseholders to pay large one-off sums for major works. Where a sinking fund is not in place, we will bill leaseholders for any contributions they have to make towards major works that we've done once the works are complete.

Key points for customers

We will issue a **schedule of all services provided to all new tenants** together with the tenancy agreement as part of the sign-up process and every year as part of the rent change procedure.

Paying the service charge due, up front and on time, is a **prime condition of the tenancy or lease agreement**. Failing to pay is a breach of this contract, which we will take action to put right through our collecting rents and service charge policy for tenants. If leaseholders don't pay, they may lose their lease.

We will **provide a summary of the service charge account** to tenants and leaseholders every year who have a right to inspect the accounts, receipts and other documents relating to the summary.

We will **consult with customers before making any changes to service charge costs** including introducing new services or changing existing services. We must give at least one calendar months' notice in writing or give the notice period stipulated in the tenancy agreement or lease, where this is different.

Where a **third party arranges and provides services**, we won't have the option to select the contractors carrying out the service. We will show this type of charge as a third-party charge on the service charge schedule.

We will reserve the right to **withdraw services if we consider that the service is no longer necessary or financially viable** and **introduce new services** where we must meet health and safety requirements or fulfil a regulatory need.

Where we provide equipment to individual homes for example, integrated appliances like cookers, we will **consider gifting the relevant equipment to the customer**, so it becomes their responsibility and there is no need for a service charge.

We will **introduce a service charge for adaptations** made in a home which require maintenance going forward.

We will **invite customers to complete a service charge questionnaire which allows them to assess the quality of the services** they are being charged for.

Customers can therefore influence or inform decision-making on the services, the charges and whether they feel they are value for money.

We will follow our complaints policy and procedure when we **respond to complaints about the quality of any service** we provide. Where customers are **disputing the cost of any service we provide, we will direct them to the First Tier Tribunal** who have the authority to deal with such matters.

In all our contact about service charges we'll be **open, purposeful, positive and personal**, taking account of people's individual circumstances.

We will engage with our [Customer Voices Panel](#) on how we put this policy into practice and how we can improve it.

Key points for colleagues

Colleagues will implement this policy and follow all relevant [legislation](#), [regulatory standards](#) and [good practice](#).

Service charges will be set to comply with [Section 18–30 of the Landlord and Tenant Act 1985](#), the [Commonhold & Leasehold Reform Act 2002](#) and [regulatory standards](#) which means costs will be reasonably incurred and relate to services or works of a reasonable standard.

- We will issue all service charge demands within 18 months of incurring the expenditure and where we are unable to meet this timescale, we will write to customers to let them know about the costs that we expect them to contribute towards
- We will use robust procurement processes to select contractors to make sure costs achieve quality and provide the best value for money
- We will use sinking funds and provisions to provide for the repair or replacement of major communal items such as lifts and door entry systems. The amount we collect each year will reflect the expected replacement cost phased over the expected lifetime of the item
- We will review previous years spend to identify any surpluses or shortfalls and the reasons for this and consider whether it's appropriate to collect any abnormal shortfalls from future service charges. We will collect any surpluses and shortfalls as an adjustment to the rent account
- When setting service charges for the coming year, we will apply contract prices for the coming year under the terms of the contract or where there are no contracts in place, estimate the cost of services based on inflation or any other known factors

- We may waive or discount service charges where we feel that the apportionment of a charge is inequitable until we calculate the correct charge for the service
- If costs have risen significantly for a service, we may not pass on the full costs at once but reserve the right to apply the increase over a longer period
- We will apply the following charges when setting service charges, based on a reasonable percentage:
 - standard administration charge
 - fee for cost of managing replacement of on-site equipment
 - standard third-party administration charge
- We will consult with customers if we want to provide extra services or materially reduce or increase the scope or cost of an existing service. We will provide them with a written proposal of the change, giving them 30 days to feed back their comments. We will follow our 'Consulting on Service Charges' policy and procedure.
- Tenants and leaseholders can appeal to the [First Tier Tribunal \(FTT\)](#) if they are not satisfied with the cost of their service charge and can apply to the FTT before undertaking any proposed works. The FTT can decide:
 - if the costs were/are reasonable
 - if the works were/proposed are of reasonable standard
 - if the amount payable before costs incurred is reasonable
 - if costs are payable

The Leadership Team will **review and update this policy** at least every two years, with consultation from the Customer Voices Panel.

Key points for board/committee members and the regulator

Our [board and customer experience committee](#) are responsible for approving this policy and making sure it **supports our** [objectives](#) to:

- Thrive
- Engage
- Evolve

Through this **governance**, we consider setting and collecting service charges as part of our:

- Budget and business plan
- Strategic risk register
- Corporate balanced scorecard and performance management
- Regulatory compliance and [Tenant Satisfaction Measures](#)
- Equality, diversity and inclusion strategy
- [PlaceShapers](#) commitment to education, skills, work, wellbeing and financial inclusion

The Board and Customer Experience Committee receive regular reports on how we set and collect service charges, and are responsible for approving [statistical and performance returns to the Regulator of Social Housing](#).

Policy updates

Policy updated and approved March 2025. Next review due March 2027.