

# HM.14 Service Charge Policy

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## **Introduction**

Service charges are a payment made by tenants and leaseholders towards the costs of providing and maintaining services provided to them. These are services outside of the home and available to all tenants and leaseholders such as cleaning and gardening services. The service charge is in addition to the rent.

## **Policy statement**

This policy is applicable to all assured and secure tenants, and leaseholders. We will work within the current legislation framework and ensure that service charges are set in a consistent manner across all properties within each particular scheme. Provision of service charges will take into account Keniston's responsibility to maintain communal areas to good standards and health and safety regulatory requirements. We aim to keep the service charges as low as possible whilst at the same time maintaining a good quality service. Where Keniston fails to provide quality of work which has been charged to tenants and leaseholders through service charges, this will be dealt with as part of the Association's complaints policy.

## **Legislation**

There are a number of Acts that affect service charges, most notably the Landlord and Tenant Act 1954 /1985 / 1987 and Commonhold and Leasehold Reform Act 2002. This legislation makes it possible to collect, in the service charge, expenditure that has already been incurred and budgeted expenditure for the future.

Service charges must be 'reasonable' as required by the Landlord and Tenant Act 1985. We will also ensure that service charges offer value for money in order to comply with the Homes and Communities agency regulatory standard.

## **Basis of the charge**

We will recover the cost of providing services to tenants and leaseholders by charging a variable service charge. This is specified in the tenancy agreements and leases. The service charge is calculated based on the budget for the provision of services during the forthcoming financial year. At the end of the year the difference between the charge and actual costs is calculated, and tenants and leaseholders are informed as to whether there is a deficit or surplus. Deficits and surpluses are carried forward to the following years' service charge.

## **Services covered**

Keniston will recover the costs in providing services to estates and blocks of flats. The service charges levied on leaseholders should be the same as for tenants except that leaseholders will pay additional amounts, for example, buildings insurance and costs in relation to the fabric of the building. The schedule of services attached to the tenancy agreement will list the services provided for that scheme.

The following are examples of costs to be included as service charges:

- Cleaning of communal areas
- Grounds maintenance costs
- Light and power to communal areas
- Door entry / lift maintenance costs
- Fire alarm
- Communal aerials

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### **Service charge setting / charging methods**

The service charge budget is set taking into account the previous year's expenditure, inflation and any known expenditure due in the following year. For equipment being depreciated, we will establish whether the full amount for depreciation has been collected. Any surplus or deficit from the previous year will be carried forward. The statement of account will set out the final position of the account for the previous financial year. This will be sent to tenants and leaseholders together with an annual schedule of estimated costs for the following year. The financial year runs from the 1<sup>st</sup> April. The new charge is implemented from the 1st Monday in August.

#### **Apportionment**

The cost of services within each scheme shall either be apportioned equally or in a manner which is deemed fair and reasonable between all the properties concerned.

#### **Depreciation**

This is the method of covering the cost of an asset over its estimated useful life. By collecting this as a service charge tenants and leaseholders are repaying Keniston for the cost of providing the item. Keniston fund the replacement of the item in advance of its recovery through depreciation in the service charge.

#### **Reserves**

Reserve funds are provided for significant items of expenditure that are generally not incurred frequently and only in the event that the item is already fully depreciated. For example, the replacement of a lift or new roof for leaseholders. The reserve fund refers to the collecting of sums in advance to avoid the necessity for large amounts to be collected from tenants and leaseholders in the year of replacement.

### **Management fee**

A management charge collected through the service charge is an addition to what is funded from the net rent. This funds the cost of administering the services. This charge is capped at 17.5% of service costs.

### **Resident consultation**

Keniston has an obligation to consult before carrying out works or services and / or entering into long-term maintenance contracts with contractors and suppliers.

Keniston has a statutory obligation under the Commonhold and Leasehold reform act 2002 to carry out consultation on qualifying works' or services under 'qualifying long term agreements' over the minimum amounts of £250 per contract or £100 per property a year, per contract, respectively.

Where the addition, removal or a significant change of a service becomes necessary or is requested by a resident, we will carry out consultation with all tenants and leaseholders affected.

We will ensure that tenants and leaseholders are provided with clear and easily understood information about service charges. We will always agree to a request for a meeting to discuss the service charge budget and statement. We will involve tenants and leaseholders in the monitoring of services and obtain information from

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service charge payers on their level of satisfaction with services and the standards of services provided.

**Monitoring**

Regular monitoring of service provision and costs of service charges will be undertaken. A bi-annual survey is carried out on satisfaction with services included in the service charge. These results are reported to Committee via the Performance Report.

**Value for money**

Service charges must be 'reasonable' as required by legislation. We will always consider whether the works are reasonably required and that they are cost effective. We will tender our gardening and cleaning services every 5 years.

**Appeals and complaints**

If a resident feels their service charge issue has not been handled to their satisfaction, then in the first instance the complaints procedure should be followed. If the process fails to satisfy the tenant or leaseholder, then they can appeal to the Housing Ombudsman Service. In addition to this, tenants and leaseholders have the right to appeal to the First Tier Residential properties Tribunal if they consider services have not been provided at a reasonable cost or to a reasonable standard.

This policy will be reviewed every 2 years. January 2014