

## 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 tenants or leaseholders feel that Keniston has failed to provide an adequate quality of work which has been charged 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 following:

- The Rent Act 1977
- Housing Acts 1985, 1988
- Landlord and Tenant Act 1985 and 1987
- 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 'fair and 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. A complete list of all services provided or could be provided 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 year's service charge. All new tenants will be notified of the service charges they will be required to pay, and what services that amount covers before they enter into the agreement.

### **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, such as roof repairs or replacements. The schedule of services attached to the tenancy agreement will list the services provided for that scheme.

The costs recoverable from the tenants and leaseholders will be fair and reasonable and will be charged if they have the ability to use or have access to a service whether they choose to use it or not.

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

### **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 into the following year's budget. The statement of account will set out the final position 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.

We will not recover deficits or pay back surpluses at the end of a general needs tenancy.

### **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. The method of apportionment used, will be consistent year on year for that particular scheme, and will only be amended if we believe it is fair and reasonable to do so.

Depreciation. This is the method of covering the cost of an item or asset in equal amounts over its estimated useful life. By collecting this as a service charge tenants and leaseholders are paying for the ability to use or have access to this item and are repaying Keniston for the cost of providing it.

### **Reserves**

Reserve funds are provided for significant items of expenditure that are generally not incurred frequently. For example, the replacement of a lift or a 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. The ability to collect for a reserve fund will be set out in the lease.

### **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.

The Association may want to charge additional administration fees, separate from the service charge, in order to manage and respond to individuals with a disproportionate amount of queries.

### **Resident consultation**

Keniston has an obligation to consult before carrying out works or services and / or entering into long-term agreements or 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 service charge payers on their level of satisfaction with services and the standards of services provided.

### **Statements**

Under Section 21 of the Landlord and Tenant Act, we will provide a statement of account within one month of the request or 6 months of the end of the financial year whichever is the later.

The statement will include costs for which we have received invoices, costs for which we have paid but not yet received an invoice and costs for which we know there is a liability but have not yet paid nor received an invoice.

The statement will be accompanied by a summary of rights and obligations.

### **Inspections**

We will provide reasonable facilities for inspection of accounts and invoices relevant to the matters dealt with within the statement of account.

### **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**

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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 was agreed by Management Team on 17<sup>th</sup> April 2018. This policy will be reviewed every 2 years. Next due - February 2020