



# **SERVICE CHARGE POLICY**

**2024-2027**

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| <b>Adopted / Date Reviewed:</b> | October 2024  |
| <b>Review Period:</b>           | 3 Years   |
| <b>Next Review:</b>             | October 2027  |
| <b>Contact Officer:</b>         | Rent and Service Charge Manager   |
| <b>Policy Version:</b>          | First   |
| <b>Version Reviewed by:</b>     | Customer Scrutiny Panel<br>Corporate Leadership Team<br>Executive Leadership Team Operations<br>Committee |
| <b>Version Approved by:</b>     | Board   |
| <b>Policy Links:</b>            | Neighbourhood Strategy<br>ESG Sustainability<br>Strategy<br>Income Management Policy                      |

**Brief Policy Summary:**

This policy explains LHP's Service Charge arrangements for its customers.

It covers the types of services LHP charge for, the way those charges are calculated, the way services are charged to customers, how costs are allocated across multiple properties and what information customers will receive.

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## Introduction

1. A service charge is a charge which covers the cost of installing, maintaining and replacing communal facilities, in the area in which a person lives.
2. Some examples of these services are:
  - Cleaning the communal parts of a block like the stairs and landings
  - Maintaining the estate gardening
  - Rubbish removal
  - Utilities for communal areas such as gas and electricity
  - Maintenance of lifts and door entry systems

A more detailed description of all service charges is listed at the bottom of this service charge policy, with the type of service charge agreement (Fixed or Variable) based on your signed tenancy agreement.

3. Each customer's tenancy agreement will define the service charge methodology which is applicable to them. A service charge can either be fixed or variable.

## Variable Service Charges

4. Under a variable service charge, an estimate is made prior to the start of each financial year of the costs of providing the services to an area, scheme or block. These costs are then split between the individual properties in each area, scheme or block. This is the service charge for each property.
5. At the end of the financial year, the actual cost of delivering the services is calculated. This is then compared to the estimated costs of delivering the services, which was notified to customers at the start of the year.
6. Customers then receive a statement which shows the estimated and actual costs for their property and scheme.
7. If the actual costs are higher than the estimated costs, the additional amount will be charged to the customer in the next available financial year. If the actual costs were lower than the estimated costs, then a credit for the relevant amount will be applied in the next available financial year. The timeline for this process will be expanded on further in section 6.

## Fixed Service Charges

8. Under a fixed service charge, an estimate is made prior to the start of each financial year of the costs of providing the services to an area, scheme or block. These costs are then split between the individual properties in each area, scheme or block. This is the service charge for each property.
9. Once the annual charge for each property is set, this does not change during the year, other than if service were to be introduced or removed.

10. At the end of the financial year, if the actual cost of delivering the services was higher than the fixed charge, customers would not have to pay any more. However, they would not receive any money back if the actual costs were lower than the fixed charge.

### **LHP's Aims in Service Charging**

11. LHP aims to achieve the following in relation to its service charges:
  - Have an approach which is fair, clear, easy to understand and reflects best practice
  - Have a policy which is reviewed regularly and understood by colleagues and customers
  - Provide customers with information which is accurate and on time
  - LHP does not make a profit on service charges and aims to collect all the costs from the customers who benefit from the services, whilst achieving value for money in the procurement of services
  - Only charge customers for services we are allowed to, using the National Housing Federation's (NHF) 'Service Charges: A Guide for Housing Associations' publication, which is widely acknowledged as the best guidance on what services can be charged for
  - Only charging customers for the services you are supposed to receive, as determined by your tenancy agreement or other consultation or law, this may include services which you may choose not to use, but have access to, for example a communal laundry facility or lift.
  - Consult on any services that require Section 20 notification, or if any new services are planned on being introduced. To also look to inform customers if there is a significant increase in any individual service charges, due to legislation or any procurement exercise.

### **Calculating and Apportioning Service Charges**

12. When we calculate and apportion service charges to individual customers, we will do this in line with the tenancy agreement or lease, we will follow relevant legislation and good practice.
13. We will review service charges annually.
14. We will inform customers of their new charges as part of their annual rent review information; this will include a breakdown of the services they are being charged for and the overall cost of the service charge. This will be received by customers at least one calendar month prior to the new charges becoming active.
15. We will use the latest information available to us when estimating service charges, including taking account of inflation or changes in the prices of contracts.
16. In line with the guidance in the rent standard, we will aim to restrict the annual

increases in service charges to September CPI+1%, where possible. However, sometimes cost increases are beyond our control, so to ensure they are reasonable, all charges are reviewed and approved annually by the Board.

17. We will record the costs for each service against each block.
18. Value for money will be achieved by ensuring all contracts are tendered according to the LHP Procurement Policy, we will also benchmark our costs, using HouseMark and other benchmarking groups.
19. We will divide the costs for each area, scheme and block between individual properties in a consistent, clear and simple way. This will usually be an equal split between all the properties which benefit from each service.
20. If a property on a scheme or block is excluded from paying a service charge, due to conditions in their tenancy agreement, but they benefit from the service, this property will still be included in the apportionment calculations.

### **Service Charges Items**

21. We will use the National Housing Federation's (NHF) 'Service Charges: A Guide for Housing Associations' publication, which is widely acknowledged as the best guidance on what services can be charged for, as a guide on which items are eligible to be charged as a service charge.
22. The NHF guide includes a comprehensive and consistent list of chargeable items, and we will use this as our guide for including costs in our service charges.
23. We will include a 10% management fee as part of the service charge costs. This is below the amount of 15% which has been considered reasonable by both the NHF and previous court cases.
24. In a number of schemes, management companies are used to provide communal services. The cost of these services will be passed on to customers via the service charge and will also include the LHP 10% management fee.
25. We will spread the cost of large communal assets, such as communal fire alarms or door entry systems, over their useful lives, by charging depreciation as part of the service charge.

### **Timeline for the Process**

26. The proposals for the April reviews of service charges will be considered by the Operations Committee in November, before being approved by the full Board in December.
27. One calendar month prior to the new service charges becoming live in April, customers will receive notification of their new estimated charges. This notification will be part of the annual rent review letter.

28. New service charge costs will be active from the April until the following March.
29. Service charge costs will be added to the customers rent account in the same frequency pattern as the rent charge and can be paid alongside the rent. Any arrears in service charges will be pursued following the Income Management Policy.
30. The service charge notification will split the service charges into those eligible for housing benefit and universal credit and those which are ineligible. LHP will advise the local authority of any changes to the service charge amounts in the annual review process. If customers are in receipt of universal credit, they will need to update their diary as they would for the change in rent amount.
31. For customers on a Variable Service Charge Agreement, following the end of the financial year, the actual costs of delivering the services are calculated and compared to the estimated costs. A statement will be issued to all customers no later than 6 months after the end of the financial year, notifying customers of any under or over recovery of costs.
32. The timeline for a full variable service charge cycle is shown in the example below:
  - 32.1 February 2024 – Customers are informed of the estimated charges for the coming financial year.
  - 32.2 April 2024 – New service charges become payable – these runs from April 2024 to March 2025.
  - 32.3 September 2025 – Service charge statements are received by customers, comparing the estimate and actual costs of providing services for the period April 2024 to March 2025.
  - 32.4 When the reconciliation process is complete, we will apply a credit/debit to the customer's rent account This will be completed by the end of November.
  - 32.5 Agreements for freeholders/leaseholders/Shared Owners would be followed when determining their methodology.
  - 32.6 Any customers who are concerned about a large debit amount can contact our Income Team, who will be able to put a payment plan in place if required. They may also be able to refer customers to our money support service.
  - 32.7 For leaseholders, where the lease requires a factual finding review from the auditors, the annual accounts for each scheme are reviewed by the external auditors, prior to the accounts being issued to customers in September each year.

### **Outcomes**

33. The policy will:

- Ensure LHP charges customers for allowable services, as determined by best practise guidance, law, tenancy agreements or leases
- That costs are fairly split between individual properties who benefit from the service
- That value for money is achieved in the cost of services provided and annual increases are correctly approved
- That customers receive accurate, timely and easy to understand notifications of their new annual charges
- That those customers on variable service charge agreements receive accurate, timely and easy to understand annual reconciliation statements, and that they are aware of when and how any reconciling debits or credits will be applied

## Service Charge Descriptions

| Service Charge Description    | Definition of service received   | Charging Method  |
|-------------------------------|--|--|
| Grounds Maintenance           | Maintenance of the landscaped and communal areas around blocks or communal areas, as well as boundary maintenance.   | Cost is split based on how properties are grouped within a certain phase/area.   |
| Electricity – Communal        | Providing lighting and/or power to internal areas of communal use outside of the home (hallways, corridors, stairs and rooms), including provision of lighting, power points and emergency lighting, power to laundry facilities, lifts and other similar equipment. | Total cost split by the amount of properties that are receiving the service. These costs will be split on an 80/20 basis, with 80% attributed to personal and 20% to communal. |
| Electricity – Personal        | Personal element of the cost of electricity within a communal building   | Total cost split by the amount of properties that are receiving the service. These costs will be split on an 80/20 basis, with 80% attributed to personal and 20% to communal. |
| Communal Cleaning             | Cost of cleaning within communal areas. It includes labour as well as the cost of cleaning materials and equipment.  | Total cost split by the amount of properties that are receiving the service.   |
| Communal Window Cleaning      | Cost of cleaning the windows within communal areas, including materials, equipment, staffing and contractors.  | Total cost split by the amount of properties that are receiving the service.   |
| Heating/Hot Water – Communal  | Fuel charges for the communal areas and hot water provided to a communal bathroom, laundry or tea kitchen, for example, in a sheltered scheme.   | Total cost split by the amount of properties that are receiving the service. These costs will be split on an 80/20 basis, with 80% attributed to personal and 20% to communal. |
| Heating/Hot Water – Personal  | Personal element of the cost for heating/hot water within a communal building.   | Total cost split by the amount of properties that are receiving the service. These costs will be split on an 80/20 basis, with 80% attributed to personal and 20% to communal. |
| Water and Sewerage – Communal | Cost of water and sewerage services for a communal building. Water rates metered or unmetered in communal areas.   | Total cost split by the amount of properties that are receiving the service. These costs will be split on an 80/20 basis, with 80% attributed to personal and 20% to communal. |



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| Water and Sewerage – Personal          | Personal element of the cost for water/waterage services within a communal building.   | Total cost split by the amount of properties that are receiving the service. These costs will be split on an 80/20 basis, with 80% attributed to personal and 20% to communal. |
| Fire Alarm and Equipment Maintenance   | Associated cost of fire safety (extinguishers, emergency lighting, fire alarm testing etc), as well as the maintenance and provision for renewal of the fire alarm system.   | Total cost split by the amount of properties that are receiving the service.   |
| Lift Repairs and Maintenance           | Maintenance, cleaning, repair, electrical and fire testing, insurance and provision for major repairs or replacement of lifts, including stairlifts in communal areas.   | Total cost split by the amount of properties that are receiving the service.   |
| Communal Laundry Equipment Maintenance | Maintenance and repair of communal laundry equipment (such as washing machines, tumble dryers and spin dryers). This includes water rates if applicable and opening/closing the facilities if relevant.                              | Total cost split by the amount of properties that are receiving the service.   |
| Door Entry Maintenance                 | Cost of maintenance and repair of communal door entry systems.   | Total cost split by the amount of properties that are receiving the service.   |
| Third Party Management Charge          | Any costs that have been received by a third-party management company, including (but not limited to) any grounds maintenance, play equipment or communal costs.   | Total cost split by the amount of properties that are residing on a new development and are therefore receiving the service.   |
| Caretaker Charges                      | This is the cost of an onsite caretaker and is based on the time/materials that are used.  | Cost is split based on how properties are grouped within a certain phase/area.   |
| Communal Room                          | Any services that are covered within the Communal Room charge for sheltered housing. This can include (but not limited to) servicing and maintenance of equipment/facilities, security lighting, and CCTV maintenance service.       | Total cost split by the amount of properties that are receiving the service.   |
| Estate Management                      | Any litter picking/estate services that are required due to not being the responsibility of other organisations (local councils etc)   | Cost is split based on how properties are grouped within a certain phase/area.   |
| Play Equipment                         | Maintenance of the playground areas and equipment. This can include insurance, annual inspections and replacement of equipment and ground surface.   | Cost is split based on how properties are grouped within a certain phase/area.   |
| Refuse Disposal                        | Provision, maintenance, decontamination and repair of refuse collection and refuse containers.   | Cost is split based on how properties are grouped within a certain phase/area.   |
| Street Lighting                        | External lighting, including bollards, security lighting, car parks and streetlamps on private roads.  | Cost is split based on how properties are grouped within a certain phase/area.   |
| Watercourse Management                 | Involves the careful maintenance and control of natural or artificial water channels such as rivers, streams, drains and canals.   | Cost is split based on how properties are grouped within a certain phase/area.   |
| Decoration of Common Room              | Cost of decorating any communal areas of a building. Depending on the tenancy agreement, some decorating services may be included in the rent, whilst others may be service chargeable as set out in the lease or tenancy agreement. | Total cost split by the amount of properties that are receiving the service.   |
| Mobility Scooter                       | Cost of allowing storage and charging of mobility scooters. Installing, maintaining and running electric car plug-in or scooter park plug-in facilities, to include power and safety checks.   | Cost is based and charged only to those that are using the scooter charging facilities.  |
| Ground Rent                            | Outright owners of flats may have to pay a ground rent. This will be included in the charge for the coming year and may increase over time.  | Cost is based on cost per property.  |
| Buildings Insurance                    | Cost to insure the fabric of the building, but not any occupier's contents.  | Cost is based on cost per property.  |

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| Personal Admin | Administering and managing the services listed in your annual service charge statement. This covers staff cost for dealing with setting services charges and dealing with enquiries and complaints. | This cost is 10% of the total of all personal service charge costs. |
| Communal Admin | Cost of administering the service charge account for communal elements.   | This cost is 10% of the total of all communal service charge costs. |

## Equality Impact Assessment

|   |             |              |                   |
|---|-------------|--------------|-------------------|
| <b>Variable Service Charge Policy</b>   |             |              |                   |
| <b>This is a documentation of existing practice, in the new policy format. There are no changes to current practice proposed.</b> |             |              |                   |
| <b>Completed By:</b>  | Daryl Cowan | <b>Date:</b> | 30 September 2024 |

### STAGE 1 SCREENING

This stage establishes whether a proposed initiative will have an impact from an equality perspective on any particular group of people or community – i.e., on the grounds of race, religion/faith/belief, gender (including transgender), sexual orientation, age, disability, or whether it is “equality neutral” (i.e., have no effect either positive or negative).

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|---|
| <p><b>Q 1. Who will benefit from this initiative?</b> Is there likely to be a positive impact on specific groups/communities (whether they are the intended beneficiaries), and if so, how? Or is it clear at this stage that it will be equality ‘neutral’ i.e. will have no particular effect on any group? <i>Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality</i></p> |
| <p>This policy will benefit all LHP customers.</p>  |
| <p><b>Q 2. Is there likely to be an adverse impact on one or more minority/under-represented or community group as a result of this initiative? If so, who may be affected and why: Or is it clear at this stage that it will be equality ‘neutral’?</b> <i>Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality</i></p>  |
| <p>We do not foresee any negative impact on any particular group through the implementation of this policy. However, we will continue to monitor diversity within our customer base in order to keep this under review.</p>   |

**Q 3. Is there sufficient data on the target beneficiary groups/communities? Are any of these groups under or overrepresented? Do they have access to the same resources? What are your sources of data and are there any gaps? Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality**

Yes, we collect data on all customers in relation to gender, age, disability, household make-up etc. We will be analysing this data and will consider any differences which are identified and take actions to improve our policy and procedures in response.

**Q 4. Outsourced services – if the initiative is partly or wholly provided by external organisations / agencies, please list any arrangements/plan to ensure that they promote equality and diversity. Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality Religion/Faith/Belief, Sexuality**

Not applicable, as no outsourced services are currently used for the implementation of this policy.

**Q 5. Is the impact of the initiative (whether positive or negative) significant enough to warrant a full impact assessment – see guidance? If not, will there be monitoring and review to assess the level of impact over a period of time? Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality**

After looking into this further, we do not currently foresee any negative impact that would require a full equality impact assessment. However, if our analysis identifies any significant impacts then we will revisit this decision.

**Q 6. To be completed at six monthly review** Detail actions taken to assess the level of impact over a period of time, or to address any gaps in data. Please consider all aspect of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality

We will revisit this impact assessment in 6 months once we have reviewed the monitoring data against our customer profile – to identify if any actions are required.