



# SERVICE CHARGE POLICY

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## **1. Introduction**

- 1.1 If you're a tenant, licensee leaseholder, shared owner, or freeholder we may charge you for services such as utilities, estate services, repairs and maintenance of communal areas and upkeep of grounds. These are known as service charges, and usually run from April through to the following March.
- 1.2 You usually pay the service charge on top of your rent, but for some homes, the service charge may be included in the total rent. Charges do not include services to individual homes, such as heating and hot water or tv licenses. The exact make-up of your service charge depends on the type of home you live in and the type of agreement you have with us.
- 1.3 Arun District Council will not make a profit from service charges and will aim to set service charges at the level needed to cover the cost of the service provided, plus a fee for administration.
- 1.5 When procuring services and equipment, Arun District Council will seek to obtain contracts which offer value for money, and these will be reviewed regularly.

## **2. Statement of Intent**

- 2.1. This policy sets out the provisions Arun District Council will introduce to ensure that service charges are fair and reasonable, meet all legal requirements, and that appropriate consultation and notification takes place.
- 2.2. In operating this policy, the Council will also meet the requirements of the Regulatory Framework adopted by the Regulator of Social Housing, including the Rent Standard – namely that:
  - 2.2.1 Registered providers shall provide clear information to tenants that explains how their rent and any service charge are set, and how they are changed.

## **3. Scope**

- 3.1. This policy applies to all Arun District Council properties and residents which should incur a service charge, and will include tenants, leaseholders, shared owners, freeholders, and licensees.

## **4. Definition**

- 4.1. The definition of 'service charge' in the Landlord and Tenant Act 1985, is an amount payable by a tenant as part of or in addition to the rent of a dwelling.
- 4.2 Common examples of services included in the charge are:

- a) Repairs and maintenance to the common parts of the building, such as stairwells, staircases, lifts, and security systems
  - b) Cleaning and upkeep of communal areas
  - c) Payment of utilities for communal areas
  - d) Ground maintenance in and around your home and estate
  - e) Buildings insurance
  - f) The costs of a caretaker (in some areas)
- 4.3 The amount is payable directly or indirectly, for services, repairs, maintenance, improvements, insurance, or the landlord's costs of management.
- 4.4 In practice this means that service charges can only cover actual costs. Service charges are **variable** for leaseholders and **fixed** for tenants, and both are reviewed annually in line with our procedure.
- 4.5 A **Variable Service Charge** is based on the actual cost of providing services. An estimate will be produced at the beginning of the financial year and reconciled ensuring it is balanced against the actual costs. A variable service charge will be reconciled in following September of each year.
- 4.6 Where there is a surplus or deficit on the service charge account, the balance will be credited or charged to the customers rent and service charge account or may be carried forward to next years' service charge estimate. Statements and demands – variable service charges.
- 4.7 An annual statement (reconciliation) of account will be produced for each customer where variable service charges are payable unless the agreement provides for more frequent accounts.
- 4.8 Demands for service charges will be made in writing and will contain the landlord's name and address and a summary of rights and obligations as per Section 47 and 48 of the Landlord and Tenant Act 1987.
- 4.9 In addition to rights under the agreement, we will, where appropriate and applicable:
- a) Provide customers with an estimate of their service charge bill. This will include statements of anticipated expenditure for services to which the customer must contribute.
  - b) Provide customers with a statement of actual service charge expenditure within six months of the year end, or if the agreement states, earlier where possible.
  - c) Issue a Section 20b Notice where we are not able to provide statements of actual service charge expenditure within six months of the year end.
  - d) Issue an annual statement of the reserve funds account to customers who contribute to those reserves.

- e) Provide clear and transparent supporting information to explain any larger or anomalous increases in service charges.
- 4.10 We use the latest available information when we estimate service charges, including taking account of inflation or changes in the price or rates in any contracts.
- 4.11 A **Fixed Service Charge** is set annually and is estimated based on the previous year's costs or latest contractual amounts; These can be altered up to a maximum of twice per year.
- 4.12 If, at the end of the financial year, the actual cost of delivering the service was higher than the fixed charge, this cost will be borne by landlord. If the landlord collects charges in excess, the landlord is entitled to retain any surplus that accrues, but they also won't get any money back if the actual cost is lower than the fixed charge.

## 5. Calculating Service Charges

- 5.1 The Landlord and Tenant Acts 1985 & 1987 (as amended) set out the basic grounds for service charges, defining what is considered a service charge and setting out requirements for reasonableness.
- 5.2 To guarantee we are able to collect the full cost of delivering services, we will make sure we adhere to all contractual obligations under the lease, licence, or tenancy agreement as well as other legal or regulatory requirements.
- 5.3 Each customer's tenancy agreement, lease or licence agreement defines how we'll recover and share out service charges. We will calculate our charges based upon:
  - a) The full cost of the service provided to each property.
  - b) The design and specification of the service.
  - c) The maintenance and replacement of equipment fitted in the block/estate to supply a service, such as door entry, fire alarms, lifts, and car parks.
  - d) Whether any areas are likely to need more or less money spending on them.
  - e) Any surplus or deficit from the previous year.
  - f) Value for money.
- 5.4 Where a service is only for a particular group of homes or residents, we'll share the cost between those homes or residents. Where this isn't the case, we'll share the cost between all the properties or residents in the estate. An estate is what we call a group of properties in a defined area. It can be made up of:
  - a) houses sharing an area of grass.
  - b) a block of flats and some houses sharing an area of grass.
- 5.5 For Leaseholders and, in some cases for social rent tenancies, as per Section 20 of the Landlord & Tenant Act 1985 (as amended by the Commonhold & Leasehold Reform Act

2002) consultation is carried out for qualifying works (where the cost to a service charge payer is £250) and qualifying long-term agreements (where the cost exceeds £100 per annum and the contract is for more than 1 year).

- 5.6 Where relevant costs are above the current statutory thresholds, we will consult in line with our Section 20 policy and procedure to ensure we follow the provisions of Section 20 Landlord and Tenant Act 1985.
- 5.7 We'll investigate queries about service charge statements on an individual basis and we'll also arrange a residents meeting to discuss service charges in more detail if the majority of residents at one estate or block ask us to.
- 5.8 We will charge a management fee to enable us to deliver services on the charging schedule provided. The level of the management fee will comply with any contractual terms within the lease (or otherwise set at a reasonable level) to reflect the costs associated with offering services to contractors, managing the contracts, dealing with any queries and complaints, calculating the costs and the checking and payment of invoices.
- 5.9 The management/administration fee is charged in addition to the estimated and/or actual costs. The fee is set at 15% of the total cost of services.

## **6. Principles**

- 6.1 Affordability - We will endeavour to keep social rent service charge increases to within the limit on rent increases of CPI+1%, where this is not possible, we will evidence a clear rationale for the increase. We will continue to explore the best way of delivering services as well ensuring that prices remain competitive to keep costs affordable and achieve good value for money.
- 6.2 Transparency - Service charges levied to tenants will be based on reasonable costs incurred in providing the services during previous years or estimates for future years. The way in which charges are set will be clear to residents and communicated in a transparent format.
- 6.3 Viability - Service charges should be set at levels that seek to maintain financial viability by generating sufficient income to cover the costs associated with providing services.
- 6.4 We will prepare an initial estimate of service charges for proposed schemes as early as possible and notify residents of a new service charge in accordance with individual leases, covenants, deed of transfers and tenancy agreements, or at least four weeks prior to the commencement of the new charge where this is not prescribed.

## **7. Eligibility**

- 7.1 Most communal charges related to the provision of adequate accommodation are often eligible for inclusion under Housing Benefit, or the Housing Element of Universal Credit, but

personal charges are not. Examples of charges that cannot be included in your eligible rent are charges for:

- a) fuel and water charges (unless they relate to a communal area)
- b) personal laundry (but not a service charge for the use of laundry facilities)
- c) cleaning of rooms and windows (other than communal areas)
- d) transport
- e) meals or groceries
- f) television rental and license fee (but the cost of television and radio relay may be allowed)
- g) personal care and support

7.2 A service charge can only be included as part of the eligible rent for housing benefit if:

- a) Its payment is a condition of occupying the property.
- b) It is not one of the charges that are listed as ineligible in the regulations.
- c) The amount is reasonable.

7.3 The local authority must compare the cost of an eligible service to similar services to decide whether it is excessive. If the local authority considers it to be excessive, it must decide how much would be reasonable and deduct the excess amount.

## **8. Resident Engagement, Equality and Diversity**

- 8.1 Arun District Council is committed to ensuring that no person or group of persons will be treated less favourably than another and will carry out our duty with transparency, fairness, respect.
- 8.2 An equality impact assessment has been carried out and is attached to this policy as appendix 1.
- 8.3 Arun District Council is committed to ensuring that our services are accessible to everyone. We will seek to provide reasonable adjustments where required to ensure our services are accessible to all.
- 8.4 We welcome resident feedback on the provision of service charge information to promote transparency and clarity. We will consult residents about new services or changes to services and assess any impact when procuring new or revised services before entering contract.
- 8.5 Future consultation on changes to policy will be reviewed in line with agreed resident engagement arrangements. We will keep our tenants, leaseholders, and shared owners up to date with changes to the way services are carried out and administered through our website, newsletters, and through resident consultation groups.
- 8.6 Regular monitoring of performance and satisfaction by the Council, and through feedback

from residents, will ensure those that provide services are quality assured and maintained throughout contracts.

- 8.7 We will consider requests made by residents for additional services to be provided, or to discontinue a service. We will consult with residents potentially affected by the change prior to making a decision and provide an explanation of the decision-making process.
- 8.8 We will only add a new service based on customers request if:
- a) The service relates to the provision of adequate accommodation, enjoyment of the premises or protecting the security of the building.
  - b) The cost of providing the service is reasonable and affordable.
  - c) It is customary to provide similar services for residential accommodation.
  - d) We believe it is reasonable for the service to be provided.
  - e) We will not be financially disadvantaged by the provision of the service.
  - f) The lease or tenancy agreement allows or can be varied to allow for full costs to be recovered.
  - g) More than half of affected customers respond to the consultation (excluding schemes where lettings are short term, and the inclusion of the service is important to deliver contractual or health and safety requirements or the introduction of the charge is necessary to ensure the viability of a supported or sheltered housing service); and
  - h) Two-thirds of respondents are in favour of adding the service (excluding schemes where lettings are short term, and the inclusion of the service is important to deliver contractual or health and safety requirements) or the introduction of the charge is necessary to ensure the viability of a supported or sheltered housing service).
- 8.9 We will also add a new service if we have a statutory obligation to do so, giving reasonable notice to customers.
- 8.10 We will review the success of a new service during a twelve-month period from the date the service is introduced – where the outcome of the review is to discontinue the service, we will charge customers for the full costs incurred by us from the date the service was introduced until the date the service is discontinued.
- 8.11 If you spot an issue with your bill, or you are concerned about meeting payments, we strongly advise contacting us immediately. After discussing the circumstances, we will try to identify financial assistance that may be available and provide an opportunity to reach an arrangement to pay.

## **9. Legal Framework**

- 9.1 In developing this policy, we have taken direction from the National Housing Federations' service charges guide for landlords, to ensure that the policy will meet all legal and best practice requirements.
- 9.2 The setting, consultation, notification, and collection of service charges will be actioned as



set out principally in:

- a) Landlord and Tenant Act 1985
- b) Landlord and Tenant Act 1987
- c) Leasehold Reform, Housing and Urban Development Act 1993
- d) Housing Act 1996
- e) Commonhold and Leasehold Reform Act 2002
- f) Service Charges (Consultation Requirements) (England) Regulations 2003
- g) The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007
- h) Welfare Reform and Work Act 2016

## **10. Related Policies and Procedures**

- a) Rent Setting Policy
- b) Income Recovery Policy
- c) Complaint Policy
- d) Tenancy and Lettings Policy
- e) Leasehold Management Policy (to be confirmed)

## **11. Reporting and Monitoring**

- 11.1 This policy will be reviewed regularly to reflect current legislation and good practice.
- 11.2 All service charge related expenditure is recorded and coded separately and monitored against the budget as part of the monthly financial reporting.
- 11.3 Arun District Council housing services reviews services charges – we need to decide on the month these will be reviewed, we can liaise with finance on this.