

# Service Charge Setting Policy



Directorate: Finance

Issue Date: January 2024

Review Date: January 2025

Version: 8

## 1. Introduction

- 1.1. This policy ensures that all customers and leaseholders have information about their service charges including costs that their charges cover, how charges are calculated and changes to services are managed. Salix Homes will aim to deliver value for money in their service provision.
- 1.2. Salix Homes will provide services on a 'variable service charge' basis, which means that we must abide by the provisions set out in the Landlord and Tenant Acts of both 1985 and 1987 (as amended).
- 1.3. Salix Homes will adopt a consistent approach in the calculation and recovery of the cost of providing services. This policy will ensure that:
  - There is a fair and equitable charging mechanism, whilst ensuring the services offer Value for Money
  - Customers only pay for the services that they receive
  - Service charge income meets expenditure and there is a transparent method of calculation
  - Service charges are reviewed regularly in line with legal requirements and best practice
- 1.4. Salix Homes will ensure that the customers and leaseholders are provided with easy-to-understand information about the level of services we provide and the cost of their provision. Tenants and leaseholders will be involved in the decision-making regarding procurement of services and in the monitoring of the quality of services provided.

## 2. Policy Statement

- 2.1. This policy outlines Salix Homes' approach to the setting and managing of service charges.
- 2.2. Section 18 (1) of the Landlord and Tenant Act 1985, defines a service charge as "an amount payable by a tenant of a dwelling as part of or in addition to the rent which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlords costs of management; and the whole or part of which varies or may vary according to the relevant costs".

2.3. In addition to their rent, some of our customers may also pay service charges as will leaseholders in high and low-rise accommodation. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges usually reflect additional services which may not be provided to every customer, or which may relate to communal facilities rather than being particular to the occupation of a specific dwelling. Salix Homes currently has service charges for the following services:

- Security Services and Caretaking for High Rise
- Cleaning for Low Rise and Sheltered Schemes
- Door Entry for Low Rise and Sheltered Schemes
- Communal Electricity for High Rise, Low Rise, and Sheltered Schemes
- Gas Heating for Sheltered Schemes
- Laundry, Fire Alarm, Warden Call, Communal Furnishings and Support for Sheltered Schemes
- Grounds Maintenance, Insurance and Repairs only for Leaseholders
- Management Fee for services

2.4. Salix Homes believes that effective management of service charges contributes towards creating sustainable neighbourhoods and is of great importance not only to ensure the satisfaction of new and existing customers but to also protect the value of its housing stock and the financial viability of its business and seek to procure services maximising VFM for our customers.

2.5. Salix Homes operates variable service charges, one where the provisions of the occupancy agreement i.e. Tenancy Agreement, Lease Agreement or other relevant contractual arrangements allow the landlord to change the service charge each year (and perhaps during the year) according to actual costs incurred or estimated. The cost of providing the relevant service(s) is estimated at the beginning of the financial year, with a final account being produced once the year is complete. The final account compares the actual costs in delivering services against the estimate that was set and may result in a surplus (credit back) or a deficit (an additional amount) due to/from the customer.

2.6. We note if there is any variance between this policy and individual leases, covenants, deed of transfer or tenancy agreements, then the lease, covenant, deed of transfer or tenancy agreement will take precedence.

### 3. Calculation of Service Charges

3.1. Service Charges are calculated by identifying the services provided within each of the service charge schemes. The full cost of providing these services

for the forthcoming year is estimated using prior years' costs uplifted for inflation and any known changes to the service provision.

- 3.2. The cost of providing these services is then allocated to individual properties using relevant allocation principles.
- 3.3. A management charge is added to the service charge to fund the management and administration related costs relating to the provision of those services for applicable services.
- 3.4. The service charge estimate is reconciled against the actual costs for that year within six months of the financial year end. The following years' charge will be adjusted by any under or over-recoveries.

## 4. Notifications of Service Charges for the year

- 4.1. Customers and leaseholders will receive a service charge estimate each year, at least one month prior to the commencement of the new charge. The estimate details all services provided and gives a breakdown of how the service charge is split between these services.
- 4.2. Salix Homes will provide additional, detailed information about the exact services provided on request.
- 4.3. Salix Homes will issue a service charge statement no later than 6 months following the end of the financial year. The statement will highlight actual expenditure in comparison with previous estimates.

## 5. Increases and variations to services

- 5.1. Salix Homes may introduce new services in the future, which may result in additional service charges.
- 5.2. Any additional service charges will be introduced after consultation with customers who would be affected by the charge.

## 6. Section 20 Consultation

- 6.1. Salix Homes will comply with the consultation requirements set out in Section 20 of the Landlord and Tenant Act 1985 (as amended) where it intends to enter into a qualifying long-term agreement (a contract for a fixed term of more than 12 months where any one tenant must contribute more than £100) or carry out qualifying works (where the cost of the works will exceed £250 for any one tenant). Details of the consultation process are set out in Salix Homes Leaseholder Major Works Policy.

## 7. Affordable Rent

- 7.1. Properties let under the Affordable Rent scheme include service charges as part of their overall charge. Rent is set at 80% of the market rate with the view that this includes costs which would otherwise be service chargeable (see Rent Policy).

## 8. Customer Involvement and Support

- 8.1. Ahead of any communications on the annual rent and service charges, we will present proposed communications to the Salix Homes Customer Committee to seek their views on proposed increase letters. These views will be shared with the Board of Salix Homes as part of any approval process - generally in the January meeting.
- 8.2. If any customer feels that the service charge or their property has not been set in accordance with this policy or other applicable guidelines and would like to make a complaint, this will be dealt with through the Complaints Policy.
- 8.3. To assist our customers in paying their rent and service charges, all customers will have access to information and advice on their rights to claim housing benefit and any other welfare benefits. A range of rental payment methods will also be made available to customers to enable timely rental payments to be made.

## 9. Policy & Procedures Review

- 9.1. The Director of Finance will keep this policy & procedure under review and will update annually.

## 10. Monitoring / Performance / Targets

- 10.1. The successful implementation of this policy will contribute to:
  - Compliance with the Landlord and Tenant Act 1985 & 1987
  - Compliance with the Governance and Financial Viability Standard.
- 10.2. Salix Homes will, in addition, measure the successful implementation of this policy using the following:
  - Annual review of the cost-of-service provision against charges levied
  - Financial impact of service charges on the Financial Business Plan

## 11. Roles / Responsibility

- 11.1. **Executive Director of Customer and Communities** - overall responsibility for performance in the management of service chargeable service delivery.
- 11.2. **Senior Management Team (SMT)** - responsible (in conjunction with relevant senior managers) for proposing new service charges (subject to consultation and consent requirements being met).
- 11.3. **Investment Team and/or the Leasehold Management Team** - responsible for carrying out consultation and any affordability assessments that are required with introduction or proposed introduction of new services that attract a service charge or where major works are planned or proposed.
- 11.4. **Rents and Service Charge Accountant** - responsible for calculating service charges with Board approval.
- 11.5. Board, Executive Management Team (EMT) and Managers Performance meeting will review performance on the collection rates of service charges levied and against agreed arrears targets.

## 12. Legal / Regulatory Links

- 12.1. **Legislation** - Salix Homes is required to comply with statutory requirements and rules and guidance issued by the Government and regulatory bodies - those relevant to this policy are:
  - Landlord and Tenant Act 1985
  - Landlord and Tenant Act 1987
  - Leasehold Reform, Housing and Urban Development Act 1993
  - Housing Act 1996
  - Commonhold and Leasehold Reform Act 2002
  - Service Charges (Consultation Requirements) (England) Regulations 2003
  - The Service Charges (Summary of Rights and Obligations, and Transitional Provision)
  - (England) Regulations 2007
  - Welfare Reform and Work Act 2016
- 12.2. **Regulation** - In operating this policy, Salix Homes will also meet the requirements of the Regulatory Framework for social housing adopted by the Regulator of Social Housing (RSH), including the:
  - Rent Standard

- Registered providers shall provide clear information to tenants that explains how their rent and any service charge are set, and how they are changed;
- Value for Money Standard
- Registered providers understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so; and
- Governance and Financial Viability Standard

### 13. Equality, Diversity and Inclusion

13.1. Salix Homes is committed to promoting and embedding a culture of equality, diversity and inclusion (EDI) within our workplaces and the communities we serve.

- Equality is about ensuring that every individual has an opportunity to make the most of their lives and talents;
- Diversity is recognising difference and responding positively to those differences;
- Inclusion is about creating an environment where our services and employment opportunities are accessible to all.

13.2. We are committed to meeting our obligations and duties under the Equality Act 2010 and to promoting equal opportunities both in the provision of services and in our employment practices. We will consider all the protected characteristics of the Act which are:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Race
- Religion or belief
- Sex
- Sexual orientation
- Pregnancy and maternity

13.3. We also recognise that Socio-economic background is an area where inequalities exist and commit to addressing this disadvantage and inequality in our communities where able to do so.

13.4. We are also mindful of our duties under the Public Sector Equality Duty, which is to:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Equality Act 2010;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

13.5. Where reasonable to do so, Salix Homes will make any reasonable adjustment to ensure compliance with the Act.

## 14. Related Documents

- Salix Homes Financial Business Plan
- Tenancy Agreement
- Leaseholder Policy
- Leaseholder Major Works Policy
- Procurement Policy
- Rent Policy