

Service Charge Policy

Housing Management Policy 14

Keniston Housing Association

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, 2004
- Landlord and Tenant Act 1985 and 1987
- Commonhold and Leasehold Reform Act 2002.
- Social Housing (Regulation) Act 2023

This legislation makes it possible to collect, in the service charge, expenditure that has already been incurred and to budget expenditure for the future.

Service charges must be 'fair and reasonable' as required by the Landlord and Tenant Act 1985 and 1987. We will also ensure that service charges offer value for money in order to comply with the Regulator for Social Housing regulatory standard.

Basis of the charge

We will recover the cost of providing services to tenants and leaseholders by charging a variable service charge, except within our Bickley scheme where some properties will be charged a fixed service charge. These properties will be moved onto a variable service charge as each one becomes available to relet.

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. For variable service charges, at the end of the year the difference between the charge and actual costs is calculated, and deficits and surpluses are carried forward to the following year's service charge. While we aim for full cost recovery, we also aim to keep charges at affordable levels and to avoid high year on year fluctuations. We may by exception achieve this by modest internal subsidy agreed annually on a scheme by scheme basis.

For fixed service charges no surplus or deficit is 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 a breakdown of what services that amount covers before they enter into the tenancy 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
- CCTV
- Fire alarm & any firefighting equipment
- Communal aerials
- Refuse disposal
- Pest control

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. 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 1st April to 31st March. The new charge is implemented from the 1st Monday in August for most schemes except Bickley which is implemented from the 1st Monday of September.

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.

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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, where practical, 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 which helps 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 in 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 per property or £100 per year, per property, per contract.

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 residents 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.

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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 biennial survey is carried out on satisfaction with services included in the service charge. These results are reported to the Board annually.

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 review all service charge contracts regularly to ensure that a good standard of service and value for money is being maintained.

Appeals and complaints

If a resident feels their service charge issue has not been handled to their satisfaction, then they should be directed to the Complaints Policy.

Equality, Diversity and Inclusion

Everyone at Keniston, our external partners and customers are required to:

- Treat people fairly, give equal access to jobs, homes, services and contracts without discrimination, harassment, bullying and prejudice, and meet diverse needs through reasonable adjustments whenever possible and appropriate.
- Not discriminate against any individuals or groups, not tolerate attitudes and behaviours that amount to or could result in discrimination and swiftly handle any reports of victimisation, bullying or harassment.
- Acknowledge and value the differences by recognising people's individual circumstances, unique aspirations and needs and responding appropriately.
- Comply with relevant legislation, statutory codes and guidance designed to promote equality of opportunity and eliminate discrimination, such as

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the Equality Act 2010, Housing and other Regulatory Standards, and the Housing Ombudsman's Complaints Handling Code.

This policy was agreed by Management Team on 24th June 2024.

This policy will be reviewed every 3 years. Next due June 2027