

Service charges policy

Introduction

This policy has been developed to ensure a high quality, value for money service continues to be provided to all those responsible for paying a service charge (including leaseholders, shared owners and freeholders) and that service charges are levied in accordance with legislation.

Aims and objectives

The aims of this policy are to ensure:

- All service charges represent value for money and are based on high standards and best practice.
- New customers, across all tenure types are informed of service charges before they sign a tenancy agreement or lease.
- Health and safety requirements are met and applied on all open spaces to ensure sites are safe for customers, their visitors and the wider community.
- Where shared internal and external communal areas are provided, these are maintained to environmental and amenity standards.
- All customers have an input into shaping service requirements, assessing performance and reviewing services.

Other source documents

Equality, Diversity and Customer Care Policy
Complaints Policy
Fraud, Corruption & Bribery Policy
Welfare Benefits and Money Advice Policy
Rent Policy
Rent Arrears Policy
Tenancy Support Procedure

Definition of a service charge

A service charge is a payment made by customers, towards the costs of providing and maintaining services and benefits to them beyond enjoying occupation of their home, and can include amounts payable for services, repairs, maintenance, improvements, insurance or the landlord's costs of management.

Applying service charges

We will only make a service charge where it is necessary to do so and where the costs of the items or services are not covered by the rent. This may also include a contribution to major works when improvements are undertaken e.g. painting the shared parts or roof replacement to a block.

Types of service charges

There are two different types of service charges that can be applied which are dependent upon the provisions of the tenancy or lease:

Fixed service charges

A fixed service charge is an amount that is paid each week or month and the figure does not change during the rental year. A fixed service charge is based upon Grand Union's own estimates and costs for the forthcoming year. Where there is a shortfall in the budget, because of the nature of the charge, Grand Union will be required to pick this up.

Variable services charges

A variable service charge is an amount that can be changed in accordance with the provisions of the tenancy agreement or lease. A variable charge will be an estimate of charges for the forthcoming year and will be based upon the amount spent in previous years and knowledge of planned works and services. An annual review is carried out to review budgets vs actuals and any surplus or deficits of charges will be carried forward to the next financial year.

Variable service charges are applied to all properties across Grand Union where a service charge is applicable, including leaseholders.

Service charge arrears

Accrued service charge arrears will all be pursued in the same way, regardless of tenure. If, following attempts to contact and secure payment, debtors fail to make payment or engage with Grand Union, their debt will be passed to our debt collection agency. Where a debtor has a mortgage and fails to make payment Grand Union may consider contacting the mortgage lender with a view to adding a charge to the mortgage.

New developments

In planning new developments, we will aim to minimise the creation of unnecessary shared external areas for which service charges will be levied. However, planning authorities and the desire to create sustainable schemes may result in the need to include service charge areas.

Service charge contracts

We will seek new tenders for contracts for communal maintenance in accordance with our financial regulations and procurement processes. These contracts may take the form of partnering contracts once value for money has been established.

Calculating service charges and correspondence

Service charges will be based on the actual cost of providing the service plus a charge to cover our administrative/audit costs in providing the service. We will provide annually to each customer:

- a breakdown of their new charges to show the rent and service charges to be paid for the new year from April.
- for new customers we will provide a summary of their service charge at the beginning of their tenancy or lease.
- A reconciliation of the service charge costs incurred, and payments made by the customer during the previous financial year.

Where possible, in initial offer letters we send out, we will clearly show the details of any service charges applicable in addition to the appropriate rent. This information will also be stated in the tenancy agreement.

Homeowner annual audit

On an annual basis an independent auditor will carry out our homeowner audit of the service charges, this will ensure a fair and reasonable level of costs are being charged. Once the audit is complete a homeowner audit certificate will be issued to Grand Union to send out with the annual review documents to the customers.

Section 20 notices

Where planned or responsive work to a block or estate is required and the value of the work is likely to exceed £250 per customer, Grand Union is required, by law, to inform them of the expected value of the work and the reason for the work being undertaken. This requirement, known as a Section 20 Notice, must be served on all those who will be contributing towards the works prior to contractors being invited to tender for the work required.

The notice must be issued in a prescribed format and include details of the work to be carried out, details of the contractors that will be invited to tender (where these are existing partners, the length of the partnership should be stated), the member of staff dealing with the project, details of where to view the tendering document and specification and the period the notice is effective from. Grand Union must allow for any written observations and give a period of 30 days for any replies.

Reserve funds

In order to provide for future major repairs or replacements in our properties and to protect the investment of our customers, we will, where appropriate, include reserves in new leases for collecting adequate contributions towards work that is anticipated over the next 30 years, which will be assessed on a scheme by scheme basis taking into account the design and scope of the services provided. Where there are planned works, the cost will be apportioned between customers.

Details of any reserve funds will be included with estimates of services charges and collected in accordance with the terms of lease. The provision of any reserve funds will be based on detailed stock condition surveys and life cycle costing of building elements.

Reserve fund contributions will be separately accounted for, protected and reported to customers annually and managed according to current legislation and regulation.

Customer involvement

Customers are consulted on an ad hoc basis where there is any significant changes in services supplied (whether added or removed), significant changes in the apportionment of costs between residents and for any proposed major works that may significantly impact reserve fund contributions.

In addition to the above customers will also be consulted as part of the annual budget setting process if contribution amounts increase by more than September CPI+5% and where the absolute increase is more than £5 per week for General Needs, Shared Owners, Leaseholders and Freeholders and £10 per week for Supported and Retirement.

Where the consultation process is required, we will provide additional information and explanations to impacted customers for the reasons behind the increases and the rationale behind the new calculations. In circumstances where these processes are not deemed sufficient, we will undertake a formal consultation process with the impacted customers.

Customer queries and feedback

We will acknowledge queries raised by customers regarding their service charges within two working days, with a comprehensive response where necessary within 10 working days.

If a customer has a dispute about their service charges they should inform us and we will try to resolve any disputes in accordance with the Complaints policy. Customers also have the right to ask a Leasehold Valuation Tribunal (LVT) to determine whether they are liable to pay service charges, the amount, the date it should be paid and how it should be paid.

Monitoring and review

This policy will be reviewed as part of the policy review programme.

Customer Consultation:	N/A
Equality Impact Assessment carried out:	N/A
Person responsible for review:	Executive Director of Business Services
Supported in the review by:	Director of Finance and Treasury
Ratified by:	EMT 21 March 2023
Date of Review	March 2023
Date of next review:	March 2025
Amended:	March 2023