

## **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, including shared owners, freeholders and leaseholders, 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, (leaseholders, shared owners or freeholders) 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 landlords 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 dependant 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 GUHG's own estimates and costs for the forthcoming year. Where there is a shortfall in the budget, because of the nature of the charge, GUHG 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. Any surplus or deficits in estimate of charges can be carried forward to the next financial year.

Variable service charges are applied to all properties across GUHG 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 GUHG, their debt will be passed to our debt collection agency. Where a debtor has a mortgage and fails to make payment GUHG 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**

Service charges will be based on the actual cost of providing the service plus a charge to cover our administrative costs in providing the service. We will provide annually to each customer, a breakdown of their charges to show the rent and service charges to be paid.

For all new customers we will provide a summary of their service charge at the beginning of their tenancy or lease.

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.

## **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, GUHG 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. GUHG must allow for any written observations and give a period of 30 days for any replies.

## **Sinking funds**

In order to provide for future major repairs or replacements in our leasehold properties and to protect the investment of our leasehold customers, we will, where appropriate, include provision in new leases for collecting adequate contributions towards work that is anticipated over the next 15 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 leasehold customers.

All sinking funds will be reviewed every five years through a scheme life cycle cost exercise, which will include the cost of work anticipated over the next 15 years from the date of review.

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

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

## **Customer involvement**

Customers are consulted about changes in services as appropriate, for example the introduction of additional services, removal of existing services, any proposed major works or any change in the way charges are divided between various residents.

## **Customer queries and feedback**

We will respond to queries raised by customers regarding their service charges within five 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.

<b>Customer Consultation:</b>	N/A
<b>Equality Impact Assessment carried out:</b>	N/A
<b>Person responsible for review:</b>	Executive Director of Finance
<b>Supported in the review by:</b>	Director of Finance and Treasury

<b>Ratified by:</b>	Leadership Team February 2018
<b>Date of Review</b>	December 2017
<b>Date of next review:</b>	February 2019
<b>Amended:</b>	October 2018