

# SERVICE CHARGE SETTING POLICY

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## 1. INTRODUCTION

1.1 This policy outlines the approach taken by Islington and Shoreditch Housing Association (ISHA) to service charge setting including:

- new build schemes both s106 and land-based
- service charges of all rented units
- service charges of all leased units
- licenced units
- freeholders.

1.2 Rent setting for all units is covered in the rent control manual. The recovery of service charges is covered in the income recovery manual. Detailed management of leaseholders and shared owners is covered in the leasehold control manual.

## 2. AIMS

2.1 As a responsible business, ISHA want to deliver quality, affordable value for money services to all its customers (residents, leaseholders, shared owners, freeholders and licensees). However, service charges need to be reasonable and self-financing. It is important to cover the operational costs of providing those services.

2.2 We also want to ensure we meet our legislative and regulatory requirements, along with the terms included in the tenancy, lease, or licence agreement that apply to the setting and management of service charges.

2.3 It is our objective to build and develop new homes, which have appropriate service charges to meet the needs of each development.

### **3. AFFORDABILITY, QUALITY & VALUE FOR MONEY (VFM)**

3.1 We aim to:

- a) Ensure we provide good quality services for our customers that demonstrate good housing management practice and are value for money.
- b) Continuously improve challenge, manage and monitor the efficiency and effectiveness of our services.
- c) Ensure that the cost of supplying services is always competitive and offers the best value for money.
- d) When considering which services to provide, we will consider if the charges will be eligible for payment under Housing Benefit or Universal Credit criteria to ensure they remain affordable and our properties remain desirable.

### **4. SERVICE CHARGE SETTING AND STATEMENTS**

4.1 We will manage service charges in a transparent way, providing our customers with clear up-to-date information.

4.2 We will:

- a) Standardised budgeting and accounts information.
- b) Comply with all statutory obligations to provide annual service charge statements and accounts in the prescribed format and in accordance with the relevant lease, tenancy or licence agreement.
- c) Apply the accounting period in accordance with the lease, licence, tenancy agreement or other legal requirement. Where any discrepancies are identified, we will seek to vary the agreement or agree with customers a plan for moving over to the accounting period within their agreement.
- d) Standardised information on the method of apportionment of charges to all customers within the same block of accommodation, unless otherwise stated in the lease, licence or tenancy agreement or other legal requirement.
- e) Ensure relevant salaries and overhead costs are apportioned appropriately, fairly and consistently between rent, service charge, support charge and other relevant charges.

## 5. SERVICE CHARGE REGIME

5.1 Service charges are charges made to residents to recover the costs of services provided to a property, block or estate. They are set based on an estimate of the costs using the actual costs from the previous year as a guide. Every effort is made to set these as accurately as possible using trusted industry practice in line with the National Federation of Housing guidance. The business will be consulted to gauge variations for the forthcoming year. ISHA largely charges fixed costs to tenants and variable charges to leaseholders.

### 5.2 Variable service charges

5.2.1 An invoice is sent at the beginning of the financial year with the estimated costs. The account holder will be asked to make payments in accordance with usual terms. Once the year ends, these will be adjusted for the actual cost either in the following year or the year immediately after that. A credit or further charge will be detailed depending on whether the actual costs of services were less than originally estimated. Where required, the calculations will be signed off by an independent examiner.

### 5.3 Fixed service charges

5.3.1 Residents are notified of their fixed service charge for the coming financial year in their annual rent review letter. No further charge or credit is made during the year to reflect the actual cost of services. If we set these too low or too high, we absorb/retain the difference.

### 5.4 Major repairs, improvements and contracts

5.4.1 We will use our stock condition surveys to identify repairs and renewals which are chargeable under a service charge. This information will be used for subsequent planned maintenance and cyclical repairs programmes, and budget for these works accordingly.

5.4.2 In accordance with current legislation and with a customer-focused approach, we will consult with and listen to our customers' views about service provision and the charges for any works completed. We will ensure that our customers have a minimum of four weeks' notification/consultation period for changes. Where practical, we will offer opportunities for our customers to be involved in the decision-making and monitoring process, providing the appropriate responses and feedback.

5.4.3 Where emergency work is necessary, and there is insufficient time to consult, the work will be carried out immediately, and dispensation will be sought with the First Tier Tribunal (FTT).

- 5.4.4 For customers covered by legislation relating to Qualifying Long-Term Agreements (QLTA) and Qualifying Works, a separate Section 20 Consultation exercise will be undertaken.
- a) **Qualifying Long-Term Agreements** are any agreement to provide services for a period exceeding twelve months when the cost of the service to any one service charge payer exceeds one hundred pounds in any accounting period per property. Examples of this type of agreement might be a service contract for lifts.
  - b) **Qualifying Works** are defined as any work proposed as a one-off cost where the cost to one service charge payer exceeds two hundred and fifty pounds in any one accounting period per property. Examples of this type of agreement might be a roof repair.
  - c) **Qualifying Works within a Qualifying Long-Term Agreement** are defined as any works proposed as a one-off cost as part of a Qualifying Long-Term Agreement where the cost to one service charge payer exceeds two hundred and fifty pounds in any one accounting period per property. Examples of this type of agreement might be phased work of replacements, such as kitchens.

## 5.5 Other charges

- 5.5.1 Service charge payers may be liable for one or more of the following, as stipulated in their lease or tenancy agreement.
- a) **Management fees:** These are charges to cover the costs associated with managing the properties.
  - b) **Administrative fees:** These are charges to for costs arising in connection with an alleged breach of a lease by the resident.
  - c) **Ground rent:** This is a low-level or nominal rent payment required as part of a lease.
  - d) **Depreciation charge:** This is a contribution to items that are purchased where the costs are depreciated over the useful life of the asset rather than being paid for from the service charges at the time they are purchased or from a renewal or sinking fund.

## 6. APPORTIONMENT

- 6.1 In apportioning costs between customers, we will seek to follow apportionment as set out in the lease. Where the agreement does not specify any apportionment, we will seek to achieve a fair and reasonable apportionment, and we will share the costs between all residents in a block and/or estate by bed size.

## **7. SINKING FUND OR RESERVE FUND**

- 7.1 A fee to pay into a sinking or reserve fund will be recovered where the lease allows for this. The amount recovered will be calculated in accordance with the terms of the lease.
- 7.2 This is a fund that saves money to pay for future long-term maintenance and renewals required to maintained property, such as repairs to the roof or a lift. It provides a way to spread the cost of expensive repairs. Leaseholders are asked to contribute to this fund each year. Residents on tenancy agreements or licenses do not usually pay into sinking funds.

## **8. SERVICE CHARGE PROCESSES**

- 8.1 ISHA has a suite of service charge processes which cover initial service charge setting, annual service charge setting, and invoicing leaseholders annually. All recovery is covered in the income recovery manual.

## **9. COMPLAINTS AND APPEALS**

- 9.1 If someone feels ISHA has failed to treat them fairly and in accordance with this policy, they may make a formal complaint using our complaints procedure.
- 9.2 If someone is not happy with a decision ISHA has made or action taken in relation to service charge setting, they should appeal the decision in writing within 21 days to the team that has made the decision.
- 9.3 A complaint can also be made to the rent tribunal if the account holder is still not happy with the outcome of a complaint or an appeal.

## **10. EQUALITY AND DIVERSITY**

- 10.1 This policy will be implemented in accordance with our Equality and Diversity Statement, ensuring that we will not discriminate against any customer on the grounds of his/her protected characteristics. We will address any special communication requirements to ensure all our customers have equal access to the information they need to meet their obligations.

## **11. TRAINING**

- 11.1 Staff involved in setting service charges will have the specialist skills and knowledge. We will ensure our staff receive induction, vocational training and refreshers during their employment.

## **12. DATA PROTECTION CONSIDERATIONS**

12.1 This policy will be operated in accordance with the principles of the Data Protection Act 2018 and our data protection policy. Documents relating to service charge setting will be retained and disposed of in line with our data retention guidelines.

## **13. STATUTORY AND REGULATORY FRAMEWORK**

13.1 This policy will be delivered in accordance with all relevant legislation, which include:

- Data Protection Act 2018
- Equality and Diversity Act 2018
- The Landlord and Tenant Acts 1985 and 1987
- The Leasehold Reform, Housing and Urban Development Act 1993
- The Housing Act 1996
- The Commonhold and Leasehold Reform Act 2002
- Housing Corporation's Regulatory Code
- Charter for Housing Association Applicants and Residents
- Service Charge Consultation Requirements Regulations

## **14. MONITORING**

14.1 Development set service charges for new build units with reference to the Service Charge Manager on all land-based schemes.

14.2 Development set service charges for new build units with reference to the managing agent and developer on all s106 schemes.

14.3 The Service Charge Manager will estimate all service charges for units in management.

14.4 The Assistant Finance Director will oversee all annual service charge settings.

14.5 The Leadership Team will receive an annual service charge setting report, and they will sign off on the recommendation to the Board.

14.6 The Board will approve service charges annually.

## 15. REVIEW

15.1 The policy will be reviewed every two years unless there is a significant change in legislation, regulation or best practice, in which case it will be reviewed sooner.

## 16. ASSOCIATED DOCUMENTS

- Rent control manual
- Income recovery manual
- Equality and diversity statement 2016
- Data protection policy 2019
- Data retention guidelines
- Service charge processes

Reference	Version	Created	Author	Review	Board approved
Service charge setting policy	3	June 2020	Campbell Tickell	December 2028	December 2025