

Service Charge Policy

1. Summary

- 1.1. SHAL is committed to delivering quality services that are cost efficient, user friendly and transparent for all tenants.
- 1.2. SHAL will ensure that the services it provides comply with statutory requirements as well as guidance and best practice issued by the regulator.
- 1.3. Section 18 (1) of the Landlord and Tenant Act 1985, defines a variable 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 landlord's costs of management; and the whole or part of which varies or may vary according to relevant costs.

2. Objectives

- 2.1. This Policy sets out to provide a framework for the legal, regulatory and operational management of service charges. It also sets out the overarching values and ethos of SHAL with regards to Service Charges:
 - 2.1.1. Service charges will be set and managed in accordance with current best practice
 - 2.1.2. SHAL will seek to recover 100% of the costs of providing services through service charges
 - 2.1.3. Estimated service charges are calculated with an understanding of previous costs incurred and likely future costs to account for any known charge increases or decreases
 - 2.1.4. The difference between the estimates and actual costs will be identified in the annual service charge statement.

3. Details

- 3.1. Service charges will be made in accordance with the occupancy agreement i.e. Tenancy Agreement, Lease agreement or other relevant contractual

arrangements. In addition SHAL will apply a management fee to cover the costs incurred in arranging, managing and administering services and charges.

3.2. Services provided

3.2.1. Examples of service charges may include (but are not limited to):

3.2.2. Grounds maintenance

3.2.3. Cleaning, lighting and heating of common parts

3.2.4. Provision of fire alarms, entry phones etc.

3.2.5. Lift maintenance

3.2.6. Sinking funds

3.2.7. Management fee

3.3. Cost recovery

3.3.1. Service charges will be calculated at a level sufficient to recover the estimated direct cost of the service provision and any associated indirect costs such as administration.

3.3.2. If a cost or repair would significantly increase the service charge e.g. replacement door entry system to a block, SHAL may decide to spread the recovery of this cost over more than one service charge year.

3.4. Sinking fund

3.4.1. A sinking fund is a collation of charges to tenants over a set time period in order to replace/redecorate/improve a major asset when required.

3.4.2. Setting up a sinking fund ensures that all tenants, irrespective of when they live in the block/property, share the financial cost of major repairs and replacements.

3.4.3. The sinking fund charge maintains the value of the assets and offsets the need to pay large one-off sums when major works are required.

3.4.4. If SHAL intends to use a sinking fund for any purpose we may be required to formally consult with the relevant tenants about this.

- 3.5. Apportionment basis
 - 3.5.1. Costs will be apportioned in a reasonable manner between the properties receiving those services. Where charges are variable and actual costs result in a shortfall or over recovery of costs in any charging period, the charges for the following period will be adjusted accordingly.
 - 3.5.2. Service charge costs are apportioned to individual properties on a scheme and/or block by block basis. If a service is provided for a block, all residents may be liable to bear a proportion of the cost whether or not the tenant considers they derive a specific benefit individually.
 - 3.5.3. Where a lease outlines how the costs of the service are apportioned between properties we will apply these principles. In all other cases we will apportion on an appropriate, pro-rata basis.
- 3.6. Management fees
 - 3.6.1. Management fees, which may vary from time to time, will cover the costs of providing management and general administration on behalf of tenants. SHAL will normally apply a 15% management fee.
- 3.7. Affordable rent
 - 3.7.1. Properties let under the Affordable Rent scheme include service charges as part of their overall rent.
 - 3.7.2. Rent is set at up to 80% of the market rate with the view that this includes costs which would otherwise be service chargeable (see Rent Policy.)

4. Consultation

4.1. SHAL will consult and inform tenants in line with statutory requirements as and when required in the specified process. Section 20 Consultation as prescribed by Section 20 (1) of the Landlord and Tenant Act 1985 set the requirements for landlords to consult with tenants on a variable service charge carrying out ‘qualifying works’ or ‘qualifying long term agreements.’

4.1.1. Qualifying Works

- a The term qualifying works means works on a building or any properties where the costs to the individual tenant would be more than £250.00 (inclusive of VAT.)

4.1.2. Qualifying long term agreements

- a The term qualifying long term agreement means an agreement entered into by or on behalf of the landlord for a term of more than 12 months under which the amount charged to the individual tenant would be more than £100.00 (inclusive of VAT) in any 12 month period.

5. Equality and Diversity

5.1. SHAL is committed to treating tenants in an equal and fair manner. However, there are different types of tenancy based on when a tenant becomes a social housing tenant and because properties are let under different legal arrangements. This means that the service charge to residents in equivalent properties may differ.

6. Value for Money

6.1. SHAL strives to deliver value for money in the provision and management of services.

6.2. SHAL endeavours to ensure all service contracts are cost effective and represent good value for money for tenants. All contracts will be reviewed regularly to ensure their standard of service and cost effectiveness is being maintained.

6.3. Through maintaining accurate records and accurate budgeting of future years spend, SHAL will maximise recovery of its costs. The approach to the collection of service charges is set out in the Income Management policy.

7. Owner

7.1. Finance Director

8. Version and Revisions

8.1. This policy will be reviewed every 3 year(s)

8.2. Revisions

New version	Date	Revision details
Version 1	Sept 23	