

Service Charge Policy

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1.0 Background

- 1.1 This policy applies to residents of rented housing, leasehold housing and properties sold under the Right To Acquire, open market sales or shared ownership staircasing provisions.
- 1.2 The policy is based on the legal framework set out in various legislation affecting Assured and Secure tenants and leaseholders.

2.0 What is a service charge?

- 2.1 A Service Charge is a payment made by a tenant, licensee, owner or leaseholder towards the costs of providing and maintaining services and benefits which are additional to the benefit of occupying their home itself. For example gardening is a service that could be covered by a service charge because it is available to all residents and is situated outside their homes.
- 2.2 Service charges will always be variable. Variable service charges can be changed from year to year based on the cost of providing the service, and allow for surpluses and deficits to be carried forward from one accounting period to the next. Charges can also vary because a change is made to the type or level of the services provided, following consultation with customers.
- 2.3 Where there is a service charge for leasehold properties, the charge may include an appropriate amount as a reserve towards expenditure that may be incurred in future years (e.g. external redecoration) in order to avoid large fluctuations in the charge.

3.0 Service costs paid for by a service charge

- 3.1 Appendix A lists the service costs that are paid for by a service charge. CHS undertakes to provide the best possible Value for Customers in procuring and providing these services and involves customers in the re-tendering of such contracts.

4.0 How service charges are calculated

- 4.1 Each year CHS Group sets a spending budget for each housing scheme (a scheme is a group of flats/houses) which details the amount expected to be spent in that financial year. The budget is guided by the actual spending incurred in the 12 months to the previous September and any expected changes in costs or the level of services. The service costs are divided among the residents of the scheme according to their use. If all residents benefit from the service equally, the costs will be divided equally. If the benefit available to residents significantly varies, the cost may be apportioned using a more detailed method (for example using floor space where room sizes are significantly different). Where there is private space (residents own flats/rooms) and communal space (e.g. shared sitting rooms, corridors etc.) the costs are adjusted to reflect the proportion of private and communal space so that the element that is eligible for housing benefit can easily be identified (see Appendix B for a summary of how these adjustments are made).
- 4.2 CHS Group compares the cost of providing the services for a scheme with the charges made during a 12 month period (to September for rented housing and to March for shared ownership). Where CHS or a contractor is responsible for poor

value for money it may be unfair to pass on the full costs to customers. This may arise as a result of poor workmanship, multiple visits caused by lack of preventive maintenance, lack of timely equipment replacement or the procurement of equipment that proves unsuitable. In such a case CHS may reduce the costs to be passed on in the relevant service charge on a discretionary basis. Actual costs for each scheme are reviewed six-monthly by the Housing Officer and any discrepancy in costs vs budget should be analysed at this time. Recommendations that CHS should meet any of these costs will be made by the budget holder / Head of Service according to authority limits set in CHS financial regulations and if necessary by the Director of Operations. For rented housing the difference is carried forward as either a deficit or a surplus, to be collected or repaid during the following year. For shared ownership service charges a one off adjustment is made to the rent account annually, and after the new charge is applied each April.

- 4.3 While CHS Group will charge the true cost of providing services it will also aim to follow statutory guidance which is that charges should not increase by more than the Consumer Prices Index plus 1% each year. Where it is not possible to follow such guidance CHS will have clear reasons, e.g. a higher than expected increase in service costs or a change in the level of service provided or the way the service is provided or procured.
- 4.4 Where care services are based on site, for example at Extra Care schemes, a proportion of the service chargeable utility costs are paid by CHS in respect of staff use of the scheme offices and rest room. These payments are proportionate to the size of the staff team on site.

5.0 Service Charges at Newbuild Schemes

- 5.1 In new schemes the cost of some services is based on an estimate of probable cost or may be covered by a warranty or defects period for the first year. In such cases CHS Group will establish an estimated cost and make a charge to residents for the first year. However if such expense is not required, customers will be reimbursed in the following year's service charge. This may then lead to a higher than average increase in the service charge for the scheme after warranties expire.

6.0 Administration charges

- 6.1 CHS adds an Administration Charge to each Service charge to cover the cost of administering the services provided to residents. This charge is currently set at 15% of the service costs for rented housing. For leasehold housing the administration charge is also set at 15% of costs unless there is a case for charging a higher percentage due to the actual cost of administration. It is not charged on any balance carried forward from the previous year. An exception to this rule is where a separate Management Company is providing services for a housing scheme which it charges to CHS Group. In these cases CHS will charge Administration at 7.5% in addition to the service charge levied by the Management Company but not to their administration costs. This 7.5% is to cover the CHS costs of accounting for and collecting the overall charge.

7.0 Setting out the services provided at each scheme

- 7.1 Each resident's legal Agreement sets out the services for which CHS Group will make a charge. The Agreement also sets out the provisions for reviewing any service charges. Where a tenant makes an application to buy their property under the Right to Acquire, or a shared owner seeks to purchase 100% equity, an accurate estimate of any service charges that will apply will be given at the time

the Right to Acquire is established. Where a Lease or Conveyance provides for service charges to be collected, CHS Group will provide a Schedule of the services to be included, re-issued annually.

8.0 How charges are notified

8.1 The Landlord and Tenant Act 1985 requires that service charges are reasonable and that the services are provided to a reasonable standard. Each year CHS implements revised rents and service charges at the same time in the first week of April. Each resident who pays a service charge will receive a joint notification of their new rent, service charge and other charges. This will include a schedule of the services provided to the scheme; the budgeted cost of these services for the whole scheme and for each resident; and, except in the case of shared ownership leases, a separate schedule showing how any surplus or deficit carried forward from the previous financial year is calculated. One calendar month's notice will be given of all changes.

9.0 Complaints about Services provided

9.1 CHS Group will actively work with its contractors to ensure that the services provided are to the level and quality agreed with customers. If a customer feels that they are not receiving a service to the standard or extent agreed with CHS, or that the charge for such services is unreasonable they may make an informal complaint to CHS, which we shall aim to resolve quickly and effectively to the customer's satisfaction. If we cannot resolve the issue at this stage, the customer may use CHS's Formal Complaints procedure and ultimately appeal to the Independent Housing Ombudsman. CHS will investigate whether the service charge is reasonable given the standard and extent of the service actually provided. Further details about all stages of the complaints procedure are contained in that procedure. Customers across a scheme may make representation to CHS, and we will work with a group of customers to review the service, the charges etc.

9.2 Leaseholders may apply to the Leasehold Valuation Tribunal to resolve disputes about Service Charges, however CHS Group will make every effort to resolve such issues with the customer directly.

10.0 Summary of Rights and Obligations

10.1 Since 1 October 2007 CHS Group is obliged by legislation to issue a Summary of Rights and Obligations to all customers who hold a lease of 21 years or more. CHS issues this Summary in the Sales Pack provided in advance of a shared ownership sale, in the welcome Pack on completion of the sale, and with each annual revised charge notification.

11.0 How to find out more about service charges

11.1 Any customer has the legal right to request in writing a full statement (certified by a qualified accountant if the service charge covers more than four homes) of all service charge expenditure. CHS Group must comply with the request for a written summary within one month of receiving it, or within six months of the financial year-end, whichever is the later. Residents also have the legal right to inspect the accounts, receipts and other documents supporting the summary and to take copies. CHS must make such information and facilities available for a period of two months starting not later than 21 days after the date on which the request is made.

12.0 Changes to the services provided and new services

- 12.1 If CHS Group proposes to significantly vary the nature or level of services provided to a scheme especially if it results in increased charges for customers, it will follow a consultation process with the residents affected before making any changes. For this consultation CHS Group will set out in writing the reasons for proposing a change and the estimated effect the change will have on future service charges. The consultation may also include residents meetings, doorknocking, phone surveys etc. CHS will take full account of the views expressed by residents before making a final decision. CHS will give feedback to residents on the reasoning behind the decision. Written confirmation will be given to all residents affected of any change in the service to be provided.
- 12.2 CHS is happy to consider requests from residents to vary the services provided at a scheme (for example if the residents wish to provide a particular service for themselves). If such a request is made, CHS Group will follow the same consultation process as above to ensure all affected residents have the opportunity to express a view before a decision is made.
- 12.3 Where CHS Group proposes to let a contract for the provision of services for a period of more than 12 months, and the apportioned cost to any individual tenant or leaseholder is £100 per year or more, CHS is required to carry out a formal consultation process with customers. This includes the right for individual customers to nominate a contractor, from whom CHS will seek an estimate of cost.

13.0 Major works service charges

- 13.1 Where a service charge for customers includes an amount for major works CHS Group will comply with the statutory requirement (Section 20 Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002) to consult with residents. Where the costs of the works will exceed £250 per unit, a section 20 Notice (1985 Act) will be served on each resident plus the secretary of any residents association, allowing representations to be made. Once this threshold is reached for any customer, CHS will consult all customers receiving the same service about the proposed works. CHS will take full account of any representations but may need to carry out urgent works that are necessary to avoid further disrepair. Copies of at least two estimates for the works will be provided and unless the works are urgent they will not begin until at least one month after serving the notice.

14.0 Policy Review

- 14.1 This policy will be reviewed every two years and customers will be consulted about any proposed amendments that are in CHS Group's control.

Appendix A

Service costs paid for by income from a service charge

1.0 Utilities

- 1.1 Fuel supply for communal heating systems (personal and communal use)
- 1.2 Electricity (personal and communal use)
- 1.3 Metered Water (personal and communal use)

2.0 Upkeep of communal areas

- 2.1 Handyperson Contracted Services
- 2.2 Cleaners salary/cleaning contract – regular and one off contracts
- 2.3 Cleaning materials
- 2.4 Window cleaning
- 2.5 Contracts for regular grounds maintenance/gardening and funds for one off works e.g. tree works

3.0 Laundry costs (net of income)

- 3.1 Laundry equipment maintenance, repairs and lease costs
- 3.2 Laundry utilities e.g. water
- 3.3 Depreciation of laundry equipment

4.0 Equipment costs

- 4.1 Lift replacement
- 4.2 Lift insurance
- 4.3 Lift maintenance and repairs
- 4.4 Door entry systems maintenance and repairs
- 4.5 Fire alarms, fire safety equipment (including smoke vent/ dispersal windows)
- 4.6 Emergency lights maintenance and repairs
- 4.7 Replacement and depreciation of equipment
- 4.8 Replacement / repair of private domestic equipment where provided by CHS
- 4.9 Replacement / repair of catering equipment
- 4.10 Specialist baths maintenance and repairs
- 4.11 Patient hoists maintenance and repairs
- 4.12 Other equipment maintenance and repairs such as television aerials & CCTV
- 4.13 Care Call equipment / service.

5.0 Other miscellaneous costs

- 5.1 Replacement light bulbs
- 5.2 Payphone costs (net of payphone income)
- 5.3 Broadband / wi-fi costs
- 5.4 Refuse collection – where not provided free by the local authority
- 5.5 Communal television licence/ public media licence
- 5.6 Management companies service charge and management costs.

6.0 Additional items for Leasehold / Owner Occupied Properties only

- 6.1 Major repairs (e.g. replacement windows to communal areas, replacement of external doors, resurfacing of parking areas)
- 6.2 Cyclical decorations of external areas and internal communal areas
- 6.3 Buildings Insurance
- 6.4 Pumping stations – maintenance and replacement
- 6.5 Minor repairs to internal or external communal areas

Appendix B

Apportionment of service costs

Note: Apportionment is by size of occupied space

SCHEME	SERVICE	PROPERTY TYPE	Apportionment of total cost per home
Windmill Close		Ground floor flat	4.17%
		First Floor flat – shared staircase	6.94%
Kathleen Elliot Way	Caretaking	Flat – extra time for communal entrances	2.63%
		House	1.25%
Ellis House	Heating	Single flat	3.51%
		Double flat	4.38%
Barnabas Court	Heating	One bedroomed flat	3.75%
		Two bedroomed flat	4.22%
	Communal Utilities	Flats	4.08%
		Bungalow	2.04%
	Cleaning of communal areas	Flats	4.08%
		Bungalow	2.04%
	Windows	Flats	4.13%
		Bungalow	0.80%
John Conder Court	Heating	One bedroomed flat	6.41%
		Two bedroomed flat	7.69%
George Pateman Court	Heating	One bedroomed flat upstairs	1.36%
		Ground floor flat/bungalow	1.8%
		Two bedroomed house	2.71%
		Three bedroomed flat	2.71%
		Windows	First floor flats
		Houses	4.44%
	Water	Flats / bungalows	1.63%
		Three bedroomed flat / house	2.44%
St Andrews Glebe	Cleaning	1 – 23	4.21%
		a & b	0.35%
		c –g	1.35%

Identification of Personal and Communal costs

Scheme	% of costs for personal space	% of costs for communal space
General Needs – Utilities		
Barnabas Court	80	20
Ellis House	80	20
St Andrews Glebe	80	20
Dunstan Court	80	16 (4% to care)
Moorlands Court	80	10 (10% to care)
Richard Newcombe Court	75	12.5 (12.5% to care)
John Conder Court	90	10
Supported Housing – heating and electricity		
Alder Close	60	40
Beaumont Close	40	60
Corona House	60	40
Jasmine House	40	60
Pauline Burnet House	60	40
93 Radegund Road	40	60
14 Ribston Way	60	40
7 Turpyn court	40	60
17 Upherds Lane	40	60
40 Norwich Street	80	20
82 Russell Street	60	40
Railway House	60	40
Young Parent Project	90	10
Wheatsheaf Close	60	40
Garden Walk	40	60
Thorpe Way	40	60