

Version

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Core Business

Service Charges

Scope:	This policy applies to Circle 33 Housing Trust, Commercial and Leasehold, EPIC Trust, Mole Valley Housing Association, Old Ford Housing Association, Roddons Housing Association, Russet Homes, South Anglia Housing, Wherry Housing Association
Effective Date:	March 2009
Review Date:	March 2010
Signed Off :	Group Policy Forum, 20 th February 2009
Author:	Steve Walker, Business Improvement Officer
Policy Owned by:	Dawn Bullock, Income Manager, C&L
KLOE:	Rent and Service Charge Accounting Management of Leasehold and Shared Ownership Management of Right to Buy/Right to Acquire Value for Money
QAF (Supported Housing):	N/A
Statute:	Landlord and Tenant Act 1985 Commonhold and Leasehold Reform Act 2002 Service Charges (Consultation Requirements) (England) Regulations 2003
Regulatory Code:	2.3, 2.5, 3.1, 3.2, 3.3

Service Charges

1 Scope

1.1 This policy applies to variable service charges under all tenures in:

- Circle 33 Housing Trust
- Commercial and Leasehold
- EPIC Trust
- Mole Valley Housing Association
- Old Ford Housing Association
- Roddons Housing Association
- Russet Homes
- South Anglia Housing
- Wherry Housing Association

2 Policy Statement

2.1 The Landlord and Tenant Act 1985, as amended, sets out the basic ground rules for service charges, defining what is considered a service charge, and setting out requirements for reasonableness and for prior consultation.

2.2 Section 18 (1) of the Act defines a variable service charge as

An amount payable by a tenant of a dwelling as part of or in addition to the rent:

1. Which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management; and
2. The whole or part of which varies or may vary according to the relevant costs.

2.3 Examples of service charges may include:

- Grounds maintenance
- Cleaning, lighting or repairs for communal areas
- Lift maintenance
- Reserve funds for future major works
- Management fees

- 2.4 We recognise that the principal determining factors in the operation of service charges are the terms of the tenancy agreement for tenants of rented properties, the lease in the case of leaseholders, or the transfer document in the case of freeholders.
- 2.5 Circle Anglia is committed to collecting service charges in a timely, legally compliant and cost-effective manner, in order that its reasonably incurred costs are recovered.
- 2.6 We aim to operate all its service charges in accordance with legislation and guidance issued by the former Housing Corporation and will endeavour to reflect best practice within the industry, and will aspire to provide excellent services in management and maintenance of communal and structural areas.
- 2.7 Circle Anglia recognises that residents under different tenures may receive different types of services and as such have different liabilities for service charges.
- 2.8 Some of our Old Ford Housing Association residents currently pay service charges on a fixed basis; these will change to variable charges in April 2009.
- 2.9 This policy does not affect the rights of any Circle Anglia tenant, leaseholder or freeholder and is not incorporated into their tenancy agreement, lease or transfer document, but is aimed at explaining how Circle Anglia works in practice.

3 Policy

Calculation and Accounting of Service Charges

- 3.1 Individual tenancy agreements, leases or transfer documents will give a schedule of services that are chargeable for each property.
- 3.2 Service charges will be based on actual costs of providing each service or, where these are not available, for example on new developments, estimated costs based on evidence from comparable estates or properties.
- 3.3 Service charges will be apportioned between individual properties in accordance with the terms of the tenancy agreement, lease or transfer document.

Customer Consultation

- 3.4 Circle Anglia is committed to ensuring that all its customers who pay service charges have the opportunity for ongoing involvement in deciding the type and extent of services.
- 3.5 We will consult residents in line with statutory requirements.
- 3.6 We may apply to the Leasehold Valuation Tribunal for a dispensation of all or any of the statutory consultation arrangements, for instance where the safety or security of residents or their homes is of overriding importance.
- 3.7 Wherever possible, we will involve customers in assessing value for money and will assist them in making informed judgements.
- 3.8 In line with our Resident and Service User Involvement Policy we will endeavour to promote and assist the establishment of Residents' Associations, Leaseholder Forums and other representative groups that can benefit those who live in our properties and pay service charges.
- 3.9 We will provide feedback to residents on how the results of consultation have affected service charge arrangements.

New developments

- 3.10 As far as possible within the constraints of design and technical briefs and EcoHomes Standards, and consistent with our obligations to maintain the fabric of our housing stock, we will design new developments to create the lowest possible service charge by selecting facilities, products and materials appropriate to the type of development.
- 3.11 When planning new developments, staff from Commercial Services, Development and individual Registered Providers will liaise to provide the highest possible degree of accuracy in estimating service charges in order to assist potential homeowners with planning their own domestic budgets.
- 3.12 As far as we are able to do so, contributions to reserve funds for new developments will be set by estimating or calculating specific lifecycles and costs for applicable components.

Superior Landlords

- 3.13 In cases where Circle Anglia is not the freeholder, we will take all reasonable action to comply efficiently with requests for information from leaseholders or secretaries of recognised Residents' Associations.

- 3.14 In the case of a request to inspect documentation, Circle Anglia will supply the name and address of the freeholder or superior landlord.

Management Fees

- 3.15 Where allowed to do so, we will make a charge to cover our own reasonable costs of managing services.

Reserve Funds

- 3.16 Where we are permitted to do so, reserve funds may be in place to cover the replacement or renewal of key facilities such as roofs, lifts or door entry systems. Following consultation, Mole Valley leaseholders have decided against reserve funds.
- 3.17 Contributions will be held in an interest-bearing account.

Payments

- 3.18 Service charges can be paid in a number of ways, including:
- Standing order
 - Direct Debit
 - Cheque
 - In person at the landlord's office
- 3.19 Some leases may specify a payment method, for example Direct Debit.
- 3.20 Some Circle Anglia group members may accept additional payment methods; details of these can be obtained from local offices.
- 3.21 Examples of these may include:
- At a Post Office or PayPoint outlet
 - The internet, using an Allpay card
- 3.22 The Government's House Proud scheme may assist some home owners with access to finance for major works. The scheme applies to home owners who are over the age of 60, disabled, or who have a disabled person living with them.

Arrears

- 3.23 Circle Anglia is committed to maintaining an efficient rent and service charge collection service, in order to provide effective services to properties.

- 3.24 Our policy on service charge arrears for rented properties is described in our “Rent Arrears Management” policy; there are also separate policies for Key Workers (Intermediate Rent) and Market Rent properties.
- 3.25 We will pursue arrears sympathetically but vigorously, recognising that shortfalls in payments from leaseholders and freeholders must not result in other tenures bearing an extra burden of costs.
- 3.26 Circle Anglia’s customer-focused approach to income collection is positioned within a culture where prompt and regular payment is expected and priority given to preventative action in the early stages of arrears.
- 3.27 We may consider contacting the leaseholder’s mortgage lender where a leaseholder
- Fails to respond to letters informing them that their service charge payments are in arrears or
 - Breaks the terms of an agreement to repay the arrears or
 - Refuses to make service charge payments
- 3.28 We may contact also the mortgage lender where a leaseholder breaks any other term of their lease which may affect their security of tenure.

Complaints and Disputes

- 3.29 Circle Anglia has a different process for handling disputes relating to the reasonableness of service charges, as opposed to complaints about our service or performance.
- 3.30 Where a tenant is dissatisfied with a service provided by their landlord , they should first report it to their local Customer Service team. Leaseholders and freeholders should contact their Portfolio Manager or Leasehold Department.
- 3.31 If the resident is not satisfied with the initial response to their issue they can lodge a formal complaint under their landlord’s internal complaints process.
- 3.32 If all stages of the internal complaints process have been exhausted and the resident is still dissatisfied, the Housing Ombudsman can give judgement on whether the case has been handled properly.
- 3.33 For disputes relating to the reasonableness of service charges, the Leasehold Valuation Tribunal (LVT) is available to provide an impartial decision on whether a service charge is payable, by whom, to whom, how, and when, and can be approached by either party in a dispute, but cannot order refunds of

charges. Where an overpayment is identified by an LVT panel, this is restored to the service charge account as a credit for subsequent years.

- 3.34 The Leasehold Advisory Service can offer mediation services, for which it makes a charge.

31 Worship Street
London
EC2A 2DX
Telephone: 020 7374 5380
Fax: 020 7374 5373
E-mail: info@lease-advice.org

Website: <http://www.lease-advice.org/>

For complaints, the Housing Ombudsman is the final stage after the internal process has run its course.

Housing Ombudsman Scheme
Norman House
105 - 109 Strand
London
WC2R 0AA
E-mail: ombudsman@ihos.org.uk
Website: www.ihos.org.uk

- 3.35 Advice on sheltered housing issues can be sought from Age Concern:

AIMS
Age Concern England
Astral House
1268 London Road
London
SW16 4ER
Telephone: 020 8765 7465

Website: <http://www.ageconcern.org.uk/AgeConcern/aims.asp>

4 Service Standards

- 4.1 An annual statement of account will be produced for each property where service charges are payable, unless the lease, tenancy agreement or transfer document provides for more frequent accounts.

- 4.2 Demands for service charges will be made in writing and will contain the landlord's name and address and a summary of rights and obligations.
- 4.3 We will regularly measure the performance and costs of services with other comparable organisations in order to ensure that we are offering good value for money.

Financial Information for Leaseholders and Freeholders

- 4.4 In addition to rights under the lease or transfer document, we will:
- Provide residents with an estimate of their service charge bill.
 - Provide residents with a statement of actual service charge expenditure within six months of the year end.
 - Provide an account balance within two days of request
 - Offer payment options for service charges for the year – including direct debit.
 - Provide residents with an annual statement of major works charges
 - Offer payment options for major works charges.
 - Provide local information on debt advice for leaseholders having difficulty in paying.
 - Supply an assignment package containing essential information if a resident wishes to sell their property. It will be despatched within 15 working days of receiving payment for this service.

5 Monitoring

- 5.1 An account will be created for each type of service charge expenditure and this will be debited with relevant expenditure throughout the financial year. At the end of the year, a comparison of actual expenditure against the estimate will be undertaken. Any surplus or deficit arising from this reconciliation will be credited or debited against the following years estimate.
- 5.2 Service charge accounts will be independently audited in accordance with statutory requirements.

6 Equality and Diversity

- 6.1 It is essential to recognise that customers of all races, ages, religions, gender, sexual orientation, literacy levels and disability should be treated equally and fairly.

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- 6.2 To ensure that consultation processes are as effective as possible, all information we send to residents will be in plain language and we will supply information in other formats where required.
- 6.3 All customers will have access to this policy document upon request or from our website www.circleanglia.org/customers
- 6.4 This document and accompanying leaflet can be translated or provided in alternative formats (e.g. Braille, large print, audio) upon request.
- 6.5 Equality and Diversity training is mandatory for all staff.

7 Publicising the Policy

- 7.1 Circle Anglia publicises its policies and procedures on to residents and staff in a number of ways:
- Resident Handbook
 - Leaflets
 - Resident Newsletter
 - Resident Website
 - CIRANO
 - Policy Briefings and
 - Training

Glossary

Term	Definition
Registered Provider (RP)	Registered Non-Profit Social Housing Provider
KLOE	Key Line Of Enquiry: the Audit Commission's criteria for judging the performance of Housing Associations
Service charge	A charge payable by a tenant, leaseholder or freeholder towards the costs of providing and maintaining services and benefits provided for them beyond the benefit of enjoying occupation of their own home. (See Section 2 of this policy).
Reserve fund	Sometimes called a sinking fund, this is a way of collecting money over a period of years to spread the cost of major expenditure that may only occur once or twice during the course of a lease, such as the replacement of a roof or a lift, or periodically every few years, such as redecoration of communal areas.

Related Documents

Documents	Links
Connected Policies:	Rent Arrears Management Resident Debt Market Rent Key Worker Policy (Intermediate Rent) Customer First Strategy Complaints
Forms and Letters:	
Leaflets:	

Version history

Version no.	1	Date effective:	March 2009
Full / partial review?	New group policy		
Brief summary of changes:	n/a		
Staff consultation (teams):	Service charge project team & project board, CSCA SMT, Policy Champions, SMPRG		
Resident consultation:	Leaseholder pilot survey 2007, sample of residents across tenures Sep/Oct 2008		
Legal Consultation	Whole document reviewed by Eversheds, including counsel, August 2008		
Signed off by:	GPF, 20 th February 2009		
Author:	Steve Walker, Business Improvement Officer		

Version no.	2	Date effective:	
Full / partial review?			
Brief summary of changes:			
Staff consultation (teams):			
Resident consultation:			
Signed off by:			
Author:			

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Resident consultation:			
Signed off by:			
Author:			