



Service Charge Policy: Leasehold

Department: Leasehold Management

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1. INTRODUCTION

One Housing Group (OHG) recognises that the Tenants Services Authority, through its Regulatory Code and Guidance, expects Housing Associations to deliver continuous improvements and value for money in their services. It further expects that Housing Associations will provide their residents with information about their service charges, including the costs that their charges cover, how charges are budgeted and increases calculated. OHG has prepared this policy after consultation with residents. This policy should be considered in conjunction with the OHG **Service Charge Procedure: Leasehold**.

1.1 Definition

This policy covers all leaseholders, including HomeBuy (shared Ownership) residents, who pay Service Charges to One Housing Group. For all other tenure types, including General Needs, Key Workers and One Support residents, please refer to the OHG **Service Charge Policy: Non Leasehold**.

A Service Charge is a charge made to residents by the Freeholder/Landlord to cover the costs incurred in the upkeep of the communal parts of the property, for which all residents have a joint responsibility or share that responsibility with the landlord/Freeholder.

Section 18 of the Landlord and Tenant Act 1985 defines a service charge as 'an amount payable by a relevant tenant of a dwelling as part of or in addition to rent. This is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlords cost of management; and the whole or part of which varies or may vary according to the relevant costs.'

The following list provides an example of possible services, but is not exhaustive:

- caretaking
- grounds maintenance
- communal power and water supply
- communal heating systems
- door entry maintenance
- lift maintenance
- concierge services
- responsive repairs to communal parts
- management costs.



2. AIMS & OBJECTIVES

Aims:

- to develop a consistent approach to setting fair and reasonable service charges that provide value for money
- to deliver a high quality service that is cost efficient, user friendly and transparent
- to meet the requirements of the Audit Commissions 'Excellence' standard.

Objectives:

- to send individual leaseholders their Service Charges on time and in a clear format
- to offer a wide range of payment methods
- to communicate urgently with residents who fall in arrears with their Service Charges and explain clearly the serious implications of non-payment
- to actively seek out value for money alternatives
- to be prepared to take the appropriate legal action to recover arrears when all other alternatives have been explored
- to provide leaseholders with as much notice as possible when exceptional charges are likely, for example, planned 'Decent Homes' work.

3. POLICY STATEMENT

OHG's Leaseholder team will work closely with its Leasehold and HomeBuy residents to ensure Service Charges are clearly explained, equitable, and presented in a format that takes account of individual leaseholders' needs and requirements. The Lease clearly stipulates what Service Charges cover, when they are due and how they are calculated. OHG leases will vary for historic reasons, however, it is the intention of the group to introduce a standard lease across the organisation as and when new leaseholds are created.

3.1 Calculating and accounting for service charges

All service charges are based on either actual or estimated costs of providing the service. An annual schedule of estimated service charge costs will be drawn up for each block/scheme in advance of the start of each financial year, based on the actual costs of the previous full financial year, plus any assumed inflationary costs and any local knowledge. OHG will maintain comprehensive accounting records for each resident who receives chargeable services.

Each account is credited with the Service Charge Income and debited with expenditure under the various budget heads. An annual summary of accounts is produced for each property. Where actual costs in any accounting year exceed the income for the same period, the balance may either be: separately invoiced to the resident, added on to the next years service charge account, or where there is a significant difference which produces a particular hardship for a resident, consideration will be given to spreading the cost over two or more years. Where actual costs in any accounting year are less than the income for the



same period, the balance may either be: refunded to the resident, or; credited to the next years service charge account. OHG will ask individual residents which option they prefer.

3.2 Apportionment of service charges

Leases set out OHG's obligations in respect of the provision of services, and generally outline how the costs of the services are apportioned between residents. Where there is no specific apportionment required by the lease, this is normally be applied on a pro-rata basis, based on the number of homes receiving the service.

3.3 Placing of service contracts and ordering of supplies

OHG will endeavour to ensure that all service contracts, whether provided internally or externally, are cost effective and represent good value for money. New contracts are routinely subjected to competitive tendering, but it is recognised that some equipment is so specialised that a supplier may have a monopoly position in the market place. All contracts are reviewed regularly to ensure that their standard of service and cost effectiveness is being maintained. When possible, contracts will be placed across the organisation to gain any discounts through economies of scale. Where required by law, OHG will consult with leaseholders over long-term (partnering) contracts that impact on service charges, see [Consultation Policy](#).

3.4 Capital financing and depreciation / Sinking funds

Where practicable, blocks/schemes have a sinking fund in place to cover the replacement or renewal of key facilities e.g. Roof replacement, etc. Contributions for the sink funds are collected as part of the annual service charge, but identified separately. Sinking fund contributions will be based on estimated life cycle costings for each element. Contributions are held in separate interest bearing accounts and are accounted for on an individual and block/scheme basis. All block/scheme accounts are reviewed on an annual basis. Any major works will require OHG to consult with residents prior to commencement of works, see [Consultation Policy](#).

3.5 Surcharges

Surcharges are one-off invoices for services or works which are not included in the sinking fund or for expenditure on sink fund projects where the sink fund is insufficient for the project. When a resident receives a surcharge invoice, payment may be spread over a period or in limited cases be placed as a charge on the property, in accordance to our major works payments scheme policy.

3.6 Auditing

All of OHG's Service Charge Accounts will be independently audited.



4. CONSULTATION & FEEDBACK

Residents will be consulted on the following:

- any change in the provision of, or standard of, services
- introduction of new services
- removal of existing services
- any change in the way charges are divided between various residents
- any proposed changes before making decisions
- any proposed major works

Where residents have any positive or negative feedback with any aspect concerning the costs, charges or the actual service provided, OHG encourage them to report it. OHG will accept feedback in any format, but preferably in writing and will consider it and acknowledge within 3 working days and respond within 10 working days. Should the resident be unhappy with our response, the issue may be progressed to:

- OHG's **Complaints Procedure**
- the Independent Housing Ombudsman (IHO)
- Leasehold Valuation Tribunal (LVT).

The IHO will not normally consider such an issue until OHG complaints procedure has been exhausted. Applications to the LVT can be made at any time without reference to the OHG.

5. LEGISLATION

OHG will keep to statutory requirements in delivering and charging services to our residents. Where OHG provide services on a 'variable service charge' basis, OHG will abide by the provisions set out in the Landlord and Tenant Acts 1985 and 1987 (as amended). These set out the requirements for operating a variable service charge. Amounts charged will vary between properties and depend upon the property specification and the services and facilities provided to and within them.

6. CONFIDENTIALITY

Under the Data Protection Act 1998 and the Human Rights Act 1998, all personal and sensitive organisational information, however received, is treated as confidential. This includes:

- anything of a personal nature that is not a matter of public record about a resident, client, applicant, staff or committee member
- sensitive organisational information

Officers will ensure that they only involve other agencies and share information with the consent of the resident concerned, unless:

- OHG is required to by law
- the information is necessary for the protection of children



7. EQUALITY AND DIVERSITY.

OHG recognises the needs of a diverse population and always acts within the scope of its own **Equality and Diversity Policy**, the Human Rights Act 1998, The Disability Discrimination Act, and Race Relations Act.

OHG works closely with its partners to ensure it has a clear understanding of its resident community with clear regularly updated service user profiles. The Performance Information Team is responsible for recording, analysing and monitoring information on ethnicity, vulnerability and disability.

This process allows OHG to deliver to residents an appropriate service through a prioritisation of resources, enabling them to provide information to leaseholders in a range of languages and formats to match their requirements.

8. MONITORING AND EVALUATION

OHG's Leasehold Manager and staff will work closely with Leaseholder/HomeBuy Representatives to monitor the service provision through agreed key performance indicators. OHG will also benchmark its service quality and provision through 'Housemark'.