

Service Charge Policy

This policy sets out how service charges are calculated and how they are passed on to customers.

1. Policy Statement

Service charges are a means of covering the costs of providing specific services to tenants and leaseholders which are outside those covered by rental income.

Service charges do not apply to Affordable Rents, Intermediate Rents or Market Rents; these rents are fully inclusive of all services provided.

Yorkshire Housing will operate a consistent and compliant approach to service charges across all relevant homes.

Yorkshire Housing will seek to recover the full cost of providing and maintaining services and equipment to customers.

Yorkshire Housing will not make a profit from service charges and will aim to set service charges at the level needed to cover the cost of the service provided, plus a fee for administration.

When procuring services and equipment, Yorkshire Housing will seek to obtain contracts which offer value for money. These will be reviewed regularly.

For Social Rent tenancies, where a new service charge is introduced or there is an increase of more than £1.50 per week from the previous year's charges, customers will be consulted by letter with an opportunity to provide feedback or challenge the decision. Customers in sheltered schemes will be consulted by a member of the Customer Independence or Customer Service Delivery team. This will be carried out in person where possible or by letter if not.

For Leaseholders and, in some cases for social rent tenancies, as per Section 20 of the Landlord & Tenant Act 1985 (as amended by the Commonhold & Leasehold Reform Act 2002) consultation is carried out for qualifying works (where the cost to a service charge payer is over £250) and qualifying long term agreements (where the cost exceeds £100 per annum and the contract is for more than 1 year).

Wherever possible, the services provided will take into account the needs of current customers as well as the long term viability of the scheme and likely needs of potential future customers within the boundaries set by the Occupancy Agreement and legal and regulatory requirements.

Yorkshire Housing will provide details annually of all charges to those customers who pay a separate service charge, providing information and advice relating to eligibility in respect of housing benefit and other welfare benefits.

The calculation and implementation of service charges will meet legal and regulatory requirements.

The Landlord and Tenant Acts 1985 & 1987 (as amended) set out the basic grounds for service charges, defining what is considered a service charge and setting out requirements for reasonableness.

2. Definitions

Service charge - payment made by a tenant of a social rented property, a leaseholder or a freeholder towards the costs of providing specific services (to tenants and leaseholders) which are over and above those covered by the rent.

Examples of service charges may include:

- Communal lighting
- Communal cleaning
- Grounds maintenance

Service charges for leaseholders living in blocks of flats or maisonettes will also include the repair and renewal of the structure; such as renewal of the roof and external brickwork maintenance as well as repairs to communal areas.

In all cases an administration charge is included to cover the cost of managing the services.

Service charges may be 'fixed' or 'variable' according to the provisions of the specific tenancy agreement, lease or other contract.

Fixed service charges are set annually and are estimated based on the previous year's costs or latest contractual amounts. They can be altered up to a maximum of twice per year. Any difference between the amount charged and the actual cost of providing the service is borne by the landlord or tenant.

Variable service charges are based on the actual cost of the services provided. An estimate of charges is provided at the beginning of each financial year and, after the end of the year, is balanced against the actual costs. The Occupancy Agreement determines how the balance should be treated, either through a refund/charge to the tenant/leaseholder or by carrying the balance forward to the next year's charge.

Affordable, Intermediate and Market Rents - Affordable Rents are set at up to 80% of gross Market Rent and are fully inclusive of all services provided. They do not have a service charge set outside of the rent. The same applies to YH Intermediate and Market Rents. All of these properties are charged a gross rent only. For some of these properties, service charges are recorded on the housing management system for internal use only.

Sinking funds & provision charges - a collection of funds taken from leaseholders and tenants over a set time period in order to replace, redecorate or improve key facilities when required, such as a replacement door entry system or lift or the repainting of a communal lounge.

3. Service Charges as Yorkshire Housing

YH service charges are based on estimates of the costs of providing the services set out in the tenancy agreement, (or as modified over time) for the relevant period (usually a year).

The majority of YH's tenancy agreements for social rent are fixed service charges; however, some tenancy agreements are variable service charges (c300 in the Craven Local Authority area).

Leases for leasehold and shared ownership properties, as well as the deeds for some outright sale/freehold properties also stipulate a variable service charge.

Key points

This policy applies to Social Rent tenants, leaseholders, shared owners, freeholders, YH customers via Service Level Agreements and Managing Agent Contracts.

Scheme Managers will consult customers collectively and individually where appropriate to ensure that they receive the appropriate services and understand the charges.

Those customers benefiting from a service will be expected to pay for it, and action will be taken through our arrears procedures if customers do not pay. Service charges will be set in order to recover actual costs in full, including a charge for administration.

Service charges will be apportioned reasonably between all those receiving the service. There will be a clear and transparent method of calculation and apportionment. Where the terms of calculation and apportionment are specified in the lease, these will be followed.

Customers will be formally consulted over the introduction of new services and any substantial increase (e.g. more than £1.50 per week for social rented tenants) in existing service charges. The service charge procedure sets out when increases are defined as substantial.

Where equipment is provided to individual properties, Yorkshire Housing may consider withdrawing responsibility and gifting the relevant equipment to the tenant so that it becomes their responsibility. This will be carried out in consultation with the customer.

All customers paying a service charge will receive an annual statement showing the new service charge, broken down into its constituent parts.

Customers paying a variable service charge will receive a balancing statement showing actual service costs no later than 6 months after the end of the year to which the charges relate.

All customers will be given at least 1 calendar month notice, in writing, before any changes in service charges are implemented unless the tenancy agreement or lease stipulates a different notice period, which will be adhered to.

New Developments

YH will aim to limit service charges for new developments by selecting facilities or services appropriate to the type of development. YH will look to achieve value for money during the design process, where planning allows by:

- Carrying out services in house (i.e. not setting up an external managing agent).
- Keeping open space as low maintenance in design as possible
- If play equipment is required, where possible, keeping this to natural, low maintenance play features (boulders and mounds).
- Maximising the amount of highway to be adopted by the local authority (in order to minimise amount of highway within service charge).

Sinking funds & provision charges

The use of a sinking fund/ provision charge ensures that all tenants and leaseholders, irrespective of when they live in the property or scheme, share the financial cost of major works and replacements.

The sinking fund will reduce the need for residents to pay large one-off sums when major works are required.

YH will follow legislation and best practice in setting and maintaining sinking funds including consultation with regard to service charges and the use of sinking funds.

The sinking fund or provision charge is based on the replacement costs of the components including installation, plus VAT and an annual inflation. This total is divided by the lifecycle of the asset/ equipment to give an annual collection target. Standard lifecycles will be used in these calculations as specified in the Service Charge Procedure

Interest will be added to the sinking fund/provision accounts (by scheme and code) annually, using the actual average base rate for the previous financial year.

Funds held will be regularly monitored to ensure that contributions are adjusted in accordance with funds held and anticipated future works. Where there are insufficient funds, this is shown as a cost in the Income and Expenditure statement with Yorkshire Housing absorbing the cost.

Responsibility for Implementation

The Customer Delivery, Customer Independence and Leasehold Services teams are ultimately responsible for service charges:

- Ensuring that the correct service charge is used when new tenants sign up for their tenancy or when leases are signed
- Ensuring that services being provided are included in the charge;
- Liaising and consulting with tenants and leaseholders
- Liaising across the business to agree large scale spending which impacts on service charges and timelines for associated consultations with customers
- Signing off new service charges
- Managing the relationship with customers, including the quality of outgoing communications and responding to enquiries
- Monitoring expenditure in line with budgets/estimates

The Finance team are responsible for:

- The calculation of service charges, including controlling and monitoring schedules for review and the data required to effectively implement the review
- Application of the correct calculations to the appropriate tenures and product types
- The accuracy of information provided to customer facing teams and tenants for consultation and lettings processes
- Coordinating the production of the annual rent and service charge review letters for tenants including sending the letters out within the agreed time scales
- The timely implementation of the revised service charge
- Coordinating budget setting and supporting the monitoring of expenditure.

The Asset Management team are responsible for providing the costs and contract management for service charges.

The Income team are responsible for collecting the charges.

Complaints and Appeals

Where a customer has a complaint regarding their service charge, this should be communicated in writing, email or over the phone with the Customer Experience team so that it can be signposted or escalated to the responsible team(s).

The Compliments and Complaint policy provides more detail and includes the timescales to which both parties should adhere.

If a customer wishes to appeal a variable service charge, following completion of the Complaints process they may refer this to the First Tier (property) Tribunal.

YH will make the assumption that the customer has agreed to pay the proposed amounts if no query, complaint or appeal is received.

4. Diversity and Inclusion Implications

Making sure that our policies are inclusive and ensure fair treatment for all is really important to us. The policy ensures fair treatment for anyone who may raise a concern under this policy or is part of an investigation, regardless of race, ethnic origin, nationality, gender, disability, religion, marital status, maternity, sexuality or sexual orientation, or age. If you think we've got this wrong, please contact the policy owner.

5. Reporting and Monitoring

This policy will be reviewed regularly to reflect current legislation and good practice.

All service charge related expenditure is recorded and coded separately and monitored against the budget as part of monthly financial reporting.

YH annually reviews service charges for social rent tenants during either the April or the October rent and service charge reviews, and all leaseholders and freeholders each April.

YH will report to the Customer Voice Review Panel to demonstrate that customer consultation has been carried out in line with this policy.

Date approved	25 th January 2023
Approved by	YH Board
Recommended / scrutinised by	Directors and Executive Directors
Summary of changes	Coverage of how administration fee is charged. Removed requirement to phase in increases above £3 per week.
Frequency of review	Every 2 years
Next review date	January 2025
Lead officer	Director of Finance
Associated policies or guidelines	Rent Setting Policy Leasehold Management Policy Tenancy Policy Prevention and Management of Rent Arrears Policy Compliments and Complaints policy
Associated procedure	