



Service Charge Policy

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1. Aim and scope of policy

This document supports our Rent Strategy and sets out our approach to managing service charges for all our customers. The purpose of the policy is the recovery of costs based on services delivered. Our aim is to ensure that our principles, policy decisions and processes are clear, and our charges are charged at the correct level are accurate, fair and conform to current legislation.

This policy explains our service charge arrangements for customers, the way we calculate charges, how we charge for services, how we allocate costs across multiple properties and what information we give to customers.

2. Scope of policy

This policy applies to all our rented, low-cost homeownership and leasehold properties that have a service charge. It does not apply to;

- Service charges where we act as managing agent for another housing association as these will be set in line with the policies of the owning association.
- Charges for a garage where this is rented under a separate licence or agreement.

3. Definitions

Service charge - a payment towards the cost of managing, maintaining, repairing or providing services to your home, that isn't specifically for your individual house or flat. For example, if you live in a block of flats with a communal garden, the cost of maintaining that garden is covered by a service charge. In the case of leaseholders, it also covers communal repairs, block improvements and insurance.

Service – an action delivered to a resident, property, block, scheme or estate as part of the overall housing package. For example, a grounds maintenance service or the cleaning of communal areas.

Scheme – a group of properties on an estate or street. Examples include a group of houses sharing an area of grass, or a block of flats.

Fixed service charge – charges that are assessed and fixed at the start of the financial year based on estimates. If, at the end of the financial year, the actual cost of delivering the service was higher than the fixed charge, customers won't have to pay more. But they also won't get any money back if the actual cost is lower than the fixed charge. Fixed service charges are reviewed every year so they're as accurate as possible and then they don't change until the next review.

Variable service charge - charges that are assessed and fixed at the start of the financial year based on estimates. At the end of the financial year, the actual cost of delivering the service is compared with this estimate. If the actual cost is lower, customers are refunded any difference. If it's higher, customers are charged extra. For tenants, any differences are carried forward to the next year's estimate and add it on or take it off from those charges. For leaseholders and shared owners, the difference is refunded or charged six months after the end of their financial year. Customers can check their tenancy or lease agreement to see if they have fixed or variable service charges

Management charge - a contribution towards general housing management and advice covering the area you live that we own. For example, confirming your boundaries, anti-social behaviour, subletting, permissions and improvements guidance, resale and assignment of lease requirements, procedures and insurance advice, and insurance claims information. It also covers the management and administration of sinking funds, legal fees, and annual audit fees. The cost is calculated based on business running costs, overheads and by type of property.

Service charge administration charge - a contribution towards the costs incurred by us to manage the service contracts and the associated accounting functions of service charges. It's either 10 or 15 per cent (dependant on your lease or tenancy agreement) of your total service charges, excluding buildings insurance, sinking funds, personal utilities, and management charges.

Sinking fund - a fund which built up over time and is used to pay for replacing an asset at the end of its useful life.

Assets – items, rather than services, that we make a charge for servicing and maintaining. They include things like lifts, roofs, flooring, communal windows, communal boilers, internal and external decoration, brickwork, fascias and soffits.

4. Policy

4.1 What can be charged as a Service Charge?

The National Housing Federation's 'Service charges: a guide for housing associations' is recognised as the best guidance on what activities and items we can charge for. The guidance is legally robust as it's based on the principles or rules set by the courts during previous similar legal cases (case law).

The guide includes a standard list of chargeable items and this gives us a consistent framework for how we calculate and charge for services.

4.2 Audit and insurance

Lease agreements specify where we need to audit accounts and provide insurance cover for a scheme. In these cases, we'll charge the leaseholders accordingly. We take out buildings insurance for rented properties and there is no additional charge.

4.3 Managing Agents

For some of our properties Managing Agents will deliver services on our behalf and their costs are included in the service charge. These services are delivered to all customers at a scheme,

including renters, low cost home owners or leaseholders. This can be for services such as grounds maintenance, cleaning, maintaining lifts and looking after communal areas. We manage the quality and cost of these services where we have a contract with the managing agent.

4.4 Asset, sinking funds and depreciation

We'll charge for 'assets' in our homes by either:

- spreading the cost of the asset over its useful life (depreciation), or
- building up a fund (called a sinking fund) which is used to pay for replacing the asset at the end of its useful life

Shared owners and leaseholders are charged for sinking funds in line with the terms of their lease agreements. Customers in rented units aren't charged for depreciation or a sinking fund as this is normally covered in the rent, apart from in exceptional cases where an asset is directly linked to a service. For example, we will charge customers who have access to shared communal facilities depreciation charge for assets such as communal laundry rooms or communal lounge furniture.

4.5 Setting service charges for new homes

We'll make sure our service charge estimates for new developments are clear and accurate. Customers will have information on all the expected costs of their new home before they sign their tenancy or lease agreement. We're developing a standard way of calculating service charges for new homes to make sure that services are set up and charged consistently.

4.6 Calculating service charges

We apply service charges in line with the terms of each tenancy or lease agreement. We follow legislation and good practice when we calculate service charges. We will:

- review all service charges every year
- use the latest available information when we estimate service charges, including taking account of inflation or changes in the price or rates in any contracts
- record costs for each scheme and review these to check they're value for money and accurate
- divide costs in a consistent, clear and simple way between the properties which receive that service.
- ensure that the services provided for which we charge offer value for money.
- be transparent about the overall service charge and provide detailed breakdowns and evidence of costs and calculations as requested.

Where a service is only for a particular group of homes or customers, we'll share the cost between those homes or customers. Where this isn't the case, we'll share the cost between all the properties or customers in the scheme.

We reserve the right to cap service charges where they may be considered to be excessive after considering the short and long term implications of doing so.

4.7 Paying for service charges

We'll send customers an annual notification of their service charges. For customers with variable

service charges, we'll also calculate the actual costs and send them a statement within six months of the end of the financial year. Service charges are normally paid by direct debit but other payment methods are available, please see our website for more details:

<https://help.vividhomes.co.uk/my-account/make-payment>

4.8 Queries and disputes

We'll investigate queries and disputes about service charge statements on an individual basis. When we log a query or dispute, we will call back by close of business the following day to confirm receipt and clarify what is required. We'll response to a query within 10 working days and to a dispute within 20 working days.

4.9 Complaints

If a customer raises dissatisfaction with the quality of the services provided, they may raise it as a complaint in accordance with our complaints policy and ombudsman guidance. We'll provide specific responses to issues raised by residents promptly, the responses will be targeted to the information requested, and the information provided will be accurate and consistent. We'll make reasonable adjustments to how they present information when a resident asks.

4.10 Consulting Customers

We'll consult customers about introducing new services or changes to services. Sometimes the legislation means we'll need to consult all affected customers. On other occasions, we'll do this by involving a representative group of customers rather than everyone who's affected.

5. Statutory requirements

- The Landlord and Tenant Act 1985
- The Commonhold and Leasehold Reform Act 2002

6. Related policies

- Development strategy
- Rent Strategy
- Income management policy
- Tenancy Policy
- Complaints Policy

7. Monitoring and review process

At intervals we arrange for an independent audit of our procedures and records to ensure that they reflect good practice and are being followed. We will monitor new legislation and best practice and may make use of any new legislation or tools as required. This policy will be approved by the Executive and reviewed every year.

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