

Service Charge Policy

Policy ref:

Policy author /holder Service Charge Operations Manager

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Approved by: Executive Team

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1 Purpose and anticipated outcomes

1.1 This policy sets out LiveWest’s approach to setting service charges to ensure our management of service charges complies with legal, regulatory, and operational requirements.

1.2 The anticipated outcomes of this policy are:

- service charges are set and varied in line with legal and regulatory requirements.
- service charges are set so that they recover the costs of the services provided.
- to ensure that the cost of services provided represent value for money whilst also providing high quality services.
- to ensure information on service charges and how they are set are provided clearly to tenants and leaseholders.

2 Scope and definitions

2.1 A service charge is a payment made by a tenant or leaseholder towards the cost of providing and maintaining any shared facilities and services. These charges are set separately to the rent charges.

2.2 This policy applies to all tenants, shared owners, owner-occupiers, and leaseholders who have an agreement with LiveWest to pay service charges.

3 Service Charge principles

- 3.1 We will comply with relevant legal, statutory, and contractual obligations when setting and reviewing service charges.
- 3.2 LiveWest seek to recover 100% of the costs of providing services through service charges. There are some exceptions where no covenant to pay service charges was included as part of a sale. In these cases, LiveWest will assume responsibility for any consequent shortfall.
- 3.3 Service charges will be calculated to recover all permitted costs plus an administration charge and considering fully any brought forward surplus or deficit. For variable service charges, we will only seek to recover the actual cost of the services provided.
- 3.4 Annual service charge estimates will be comprehensive and as accurate as possible so that residents are able to effectively budget for these costs.
- 3.5 Annual service charges will be calculated in line with the relevant financial year-end; this is clearly set out in the service charge budget. Service charges are calculated and collected for a 12-month period.
- 3.6 Tenants, shared owners and leaseholders or other tenures subject to a service charge will be charged for any service where they derive a direct or indirect benefit from that service and where charges can be recovered under the terms of their agreement, lease, or conveyance.
- 3.7 LiveWest will operate a variable service charge regime except where a fixed service charge is already historically in place or explicitly referred to as part of a tenancy agreement, lease, or conveyance. It is LiveWest's preference to operate variable service charges as they offer a greater degree of transparency. Where possible and following appropriate consultation, LiveWest will look to convert existing fixed service charges to variable service charges.
- 3.8 Service Charge consultation will comply with legal, statutory, and contractual requirements.

4 Service Charge setting

4.1 Variable service charge

- 4.1.1 Where service charges are variable, account statements detailing all income and expenditure will be produced and provided within six months of the applicable service charge year end or if not available, customers will be notified using the correct notice. The statement will also show the surplus or deficit to be carried forward to the following financial period.
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- 4.1.2 Where a surplus is identified, the service charge for the following accounting period will be reduced to utilise the surplus. If the amount of the surplus is greater than the amount of the service charge for the following accounting period, we will apply the surplus to the following accounting period or issue refunds to residents or Local Authorities/Department of Work and Pensions (DWP) where HB or UC is in payment.
- 4.1.3 Where a deficit is identified, the service charge for the following accounting period will be increased in order to recover that deficit. In instances where this may create affordability issues, we may recover the deficit over a period of two or more years subject to issuing the appropriate notice.

4.2 Fixed service charge

- 4.2.1 A fixed service charge is determined by estimating what we consider it will cost to provide the service and will often be based on the previous year's costs so that the service charge is as accurate as possible.
- 4.2.2 We will consider the cost of providing the services when setting future service charges. We will endeavour to set fixed service charges as accurately as possible to protect the customer and the business from excess surplus or deficit.
- 4.2.3 Where a fixed service charge is levied, the service charge will be fixed at the beginning of the accounting year. There will be no reconciliation at the end of the accounting year.
- 4.2.4 Should there be an overspend by the landlord, there is no provision for recouping the extra cost. If the annual costs to the landlord are less than the fixed charges, then the customer will not receive a refund.

4.3 Administration and management fee

- 4.3.1 The recovery of our costs of managing and administering service charges will be by way of an administration charge of up to 15% which will be levied and added to all service charge costs, except for depreciated items. LiveWest reserves the right to apply an administration charge in line with the tenancy agreement, lease, or conveyance.
- 4.3.2 The administration charge will be reviewed from time to time to ensure that it still covers the cost of managing and administering the service charge function.
- 4.3.3 We may charge a separate management fee for leaseholders and tenants who live in homes part owned by LiveWest to cover our costs of providing property management services.

4.4 Apportionment of service charges

- 4.4.1 Service charges will be apportioned equally between homes/or properties or as set out in the agreement, lease or conveyance should this be different.

4.4.2 The service charge forecast budget and statement of account will clearly show how costs are apportioned.

4.5 New service charges

4.5.1 Services for new developments will be set out to enable service charges to be estimated in advance of occupation so that tenants, shared owners, and leaseholders moving into the schemes, are clear about the services to be provided and the amount to be charged.

4.5.2 Where a new service charge for existing services is introduced, LiveWest in the interests of affordability, may choose to introduce the charge gradually over a period of a number of years until the actual charge level has been reached.

4.5.3 Where a new service charge is proposed, and residents are not all in agreement with this, we will consult with residents in accordance with Sections 35-37 of the Landlords and Tenant Act 1987.

4.6 Sinking funds for service chargeable items

4.6.1 LiveWest will use sinking funds (sometimes known as reserve funds) to provide for the repair or replacement of major communal items e.g., lifts, door entry systems and the like. If historically, a sinking fund has not been established, LiveWest will charge for the cost of provision of the item.

4.6.2 LiveWest will not introduce a sinking fund whilst a provision arrangement is already in place but will consider establishing a sinking fund once an existing provision arrangement has ended. LiveWest will consider introducing a sinking fund only when all provision arrangements have ceased.

4.6.3 Where applicable, depreciation and sinking funds will be managed and reviewed to reflect the pre-assessed lifecycles of capital items to be maintained and/or renewed.

4.7 Restrictions or caps applied to service charges

4.7 For properties with service charges subject to a Right To Buy / Right To Acquire, the amount charged to the homeowner will be restricted to recovering works and services identified in the offer notice and not exceeding the amount specified during the five-year limitation period.

4.7.1 Charges for ongoing estate maintenance and block charges will be included in the offer documentation for acceptance by the purchaser in all RTB/RTA and other sales/disposals where a service charge is currently levied.

4.7.2 We will comply with any planning requirements to cap or limit service charges at a particular development.

4.8 Consultation requirements

- 4.8.1 Consultation with residents will be carried out in line with requirements set out in tenancy agreements, leases or conveyances and where it will affect qualifying works or services to be carried out under a long-term agreement in line with Section 20 of the Landlord and Tenant Act 1985 (as amended).
- 4.8.2 Prior to the implementation of the following years' service charge, customers who pay a variable service charge will be given the opportunity to review and comment on the calculation of the proposed charge. A formal notice confirming the amended service charge will then be issued to customers.
- 4.8.3 LiveWest will, upon request, offer to facilitate service charge budget meetings. We will consider accessibility requirements and make reasonable adjustments under all applicable legislation where practicable and reasonable to do so.

5 Service standards, monitoring and review

- 5.1 Service charge customers will be given the opportunity to influence the standards of service they pay for through procurement, neighbourhood, and resident involvement processes. LiveWest is compliant with statutory requirements (particularly health and safety requirements) and will consider affordability and reputational factors in the process of considering service levels.
- 5.2 Service charge complaints and compensation will be managed in line with and as part of the LiveWest corporate Compliments, Complaints and feedback policy complaints and compensation guidance.
- 5.3 LiveWest will conduct continuous service charge satisfaction surveys. A summary of which will be included in the monthly Operational Performance Dashboard.
- 5.4 LiveWest will monitor the levels of surpluses and deficits at the end of each relevant accounting period and will investigate any significant variances on an ongoing basis.
- 5.5 LiveWest will monitor by exception any instances where accounts are not issued within six months of the relevant year end on a monthly basis.
- 5.6 LiveWest will utilise a robust procurement process in conjunction with the in-house Procurement Team and customers to select contractors of service chargeable contracts to ensure that the cost achieves the required quality and best value for money.
- 5.7 LiveWest will review the reasons for any service chargeable expenditure not recharged to residents and correct where possible and where the tenancy, lease or conveyance allows.

5.8 Residents will from time to time, be consulted on the format of documentation and information produced so that it meets the needs of the client group

6 Legal considerations

6.1 Service charges will be compliant with all relevant legislation – currently the Landlord and Tenant Act 1985 (L&T Act 1985) and Commonhold and Leasehold Reform Act 2002.

6.2 The Rent Policy statement as set by the Regulator for Social Housing which requires registered providers to set reasonable and transparent service charges and to provide clear information on how service charges are set and reviewed.

7 Linked / associated policies and other references

- Appendix A contains a list of all items service charged by LiveWest
- Compliments, complaints, and feedback policy
- Compensation guidance
- Section 20 policy and procedure
- Sinking fund policy (under development)
- Customer Engagement policy

VERSION CONTROL:

Version Ref:	Date of change	By whom	Reason
2	August 2023	Service Charge Operations Manager	Full 3 year policy review. Update to layout and structure, minor update to wording.

Items deemed to be service chargeable.

The list is reproduced from *Service Costs for Residential Premises as affected by Statute and Case Law* published by the former Institute of Rent Officers Educational Trust (1994). It is not, nor can it be, exhaustive, but it will form a useful basis and a guide as to whether other more unusual items should be included in the service charge.

Heating and Hot Water:

- Fuel (gas, oil, electricity, coal).
- Repairs / maintenance contracts – boilers, heat exchanges, hot water tanks, communal radiators, and pipes.
- Insurance of boilers, oil storage tanks, etc.
- Electricity for pumps etc. (not usually metered separately).
- Administration / supervision allowance and profit.
- Depreciation of plant.
- Fees of energy saving consultants, if appropriate.

Common parts and communal services:

- Cleaner's wage including holiday relief.
- Cleaning materials.
- Electricity for lighting, power for vacuum cleaners and polishers etc.
- Replacement lamps.
- Window cleaning for common parts.
- Refuse sacks, provisions, hire of refuse containers.
- Emergency lighting maintenance.
- Communal radio, TV aerial maintenance and communal television licence fee.
- TV relay rental and satellite relay.
- Legionella testing.
- Fire risk assessments.
- Fire/smoke detection alarms maintenance.
- Smoke dispersal equipment maintenance.
- Firefighting equipment maintenance.
- Door entry telephone rental/maintenance.
- Pesticides and pest control contracts.
- Communal telephone rental.
- Maintenance of common parts, grounds, and car parks.
- Gardener's wages/contractor's charge.
- Repair/maintenance of gardening tools and equipment.
- Plants, shrubs, and tree lopping – annual provision (if appropriate).
- Tree works.
- Employer's liability and third-party insurances.
- Administration / supervision allowance and profit.

- Maintenance and provision of door entry telephone, firefighting, detection equipment, warden and other call systems, radio and TV aerials, vacuum cleaners, lawn mowers etc.
- Ventilation and air conditioning equipment maintenance.
- Plant and equipment testing required by statute.

Porters, wardens, and caretakers, and in house salaried staff:

- Salaries / wages excluding a percentage for the landlord's management function.
- Employer's pension contribution.
- Employer's national insurance contribution.
- Provision of van and associated travel costs.
- Council tax and water charges for warden's accommodation.
- Uniforms / overalls allowance.
- Gas and electricity allowances on warden's accommodation.
- Decoration allowance on warden's accommodation.
- Administration / supervision allowance and profit.

Passenger and goods lifts:

- Electricity power.
- Repairs / maintenance contract.
- Insurance.
- Administration / supervision allowance and profit.
- Depreciation of plant.

Special facilities:

- Electricity for lighting and cooking etc in communal rooms, laundries, and kitchens.
- Cleaning and repair of communal furniture, carpets etc.
- Insurance of furniture.
- Administration / supervision allowance and profit.
- Depreciation and maintenance of refrigerators, water heaters, cookers in communal kitchens, laundry equipment, communal room furniture and carpets
- Maintenance and depreciation of CCTV systems.
- Maintenance and depreciation of cookers, refrigerators and washing machines within the dwelling if repaired and maintained by the landlord.
- Special aids and adaptations if repaired and maintained by the landlord.