Southdown

Doc Number: 3-26a	Lead: Housing Revenue Assistant	Last Full Review: May 2026

Tick one of the below for review/changes made: **Full review and changes made** ☐ (add changes summary to table below) **Full review, no changes made** ☒ **Changes made but no full review** ☐ (add changes summary to table below)	**Reviewer / Editor:** Housing Revenue Assistant **Changes Approved By:** Housing Revenue Assistant **Reviewed and edited in-line with the Beacon?** ☒ Yes ☐ No

Service Charge Policy

Document Change Details

Date	Summary of Changes Made
October 2023	All policies and procedures revert to version 01, as approval process & version control moved to Sharepoint. Version number no longer shown on the document. New front sheet.
May 2026	Full review and in line with Beacon

1.0 Purpose

To develop a consistent approach to setting fair and reasonable service charges that provide value for money and are transparent to tenants and leaseholders.

To ensure a consistent approach to management of service charges that complies with legal and good practice requirements.

To ensure we recoup the cost of expenditure made on behalf of tenants and leaseholders and adequately plan for longer term investment in our property stock.

To provide tenants and leaseholders with clear and timely information about their rent and service charge costs and how they are made up, presented in a format that takes account of individual tenants' and leaseholders' needs

To ensure we communicate with tenants and leaseholders effectively when we seek to make changes to the services we deliver, or when planning for large expenditures that will impact on service charges.

RESPONSIBILITIES

Housing Manager	Implementing the policy and procedure within the Housing Management team
Housing Revenue Assistant	Applying the policy and procedure in the setting of Service Charges

2.0 Introduction

A service charge is a payment made by a tenant or leaseholder (shared owner) towards the cost of providing services and benefits above and beyond those just related to occupying their home.

Service charges should be self-financing, covering the operational costs of providing and administering the services provided to tenants and leaseholders.

Service charges are raised and debited in line with the weekly core rents as a component of the overall weekly charge. Thereafter service charge income should be managed in accordance with Rent Payments and Arrears Recovery Policy 3-11a.docx and Rent Payments and Arrears Recovery Procedure 3-11b.docx

In cases where Shared Owners are failing to pay their service charges, a variation on the usual Rent Payment and Arrears Recovery Procedure will be followed. Where service charges remain unpaid, we may need to take Court action to re-enter the premises and terminate the tenancy or lease.

As part of our enhanced offer to tenants, Southdown aims to indicate those elements of   full list of Housing Benefit and Universal Credit eligible service charge elements is included in Appendix A.

Southdown operates fixed service charges for all properties except Shared Ownership/leasehold properties and some properties managed on behalf of other landlords.

3.0 FIXED SERVICE CHARGES

Fixed service charges: Southdown 'fixes' the charge at the start of the tenancy according to estimates of the costs to provide services, fairly divided across properties sharing these services, detailed in the tenancy.

The charges are reviewed annually in line with the annual rent review (currently CPI+1%).

The charge will also be reviewed at each re-let to ensure we are collecting enough to cover the cost of providing services at the block. There are occasions when a review of the service charge at re-let may result in a decrease in the SC levied, or an increase to the service charge for that property of more than CPI + 1%.

4.0 VARIABLE SERVICE CHARGES

Variable service charges: Southdown operates variable service charges for shared ownership properties and some properties managed on behalf of others.

Variable service charges are a means of full cost recovery for services that may vary up and down over time based upon previous costs, and/or predicted future costs, rather than through reference to indexes of inflation.

Southdown must hold and manage separate service charge accounts for each lease, the balance of each being carried over in to the following year such that a shortfall in one year can be recovered in following years.

The service charge is calculated annually and is varied to take account of last year's expenditure and/or future predicted expenditure. There is no limit on the amount of the increase, provided the overall charge is 'reasonable' and can be justified in relation to real costs.

Definition of terms (for leaseholders and variable service charges):

Ground rent and lease charges - Where there is a Head Landlord or Freeholder for the block or estate who charges ground rent or service charges, Southdown may pay these direct and recharge the cost to the leaseholder, recharging through the leaseholders own service charge.

Insurance - This is the cost of Southdown paying the building insurance for the leaseholders property (where insurance is not covered in a charge from a Freeholder - see rent and lease charge element above).

Servicing/Compliance Contracts - Costs Southdown incurs to undertake property safety compliance checks e.g. gas safety inspections, carried out by Southdown's contractors.

Depreciation - A method of covering the cost of an item over its estimated life. In a service charge, customers are repaying Southdown for the cost of providing the item.

Property Services Recharges (Includes a contribution to a repairs and maintenance and sinking fund) - The lifetime costs of a property (e.g. a new roof, boiler, bathrooms etc) are added together and averaged out to an annual amount. This prevents sudden large expenditures being charged to an individual service charge account and enables Southdown both to build up a reserve (sinking fund) and recover costs over time.

One-off repairs done on a shared owner's behalf are also included, as are staff and administration costs, calculated as a flat rate for shared owners.

Sinking Funds (Replacement Funds, Reserve Funds) - are provided for replacement or renewal of key facilities, such as replacement lift or roof, external decorations. These funds should avoid the need to collect large amounts from customers over a short period of time.

In holding these funds for future expenditure, Southdown acts as a trustee for the funds. Southdown will annually apply interest on positive sinking fund balances based upon the average rate of return it has secured for its own savings over the year. Note: Southdown is unable to charge interest for negative sinking fund balances.

Housing management recharges - Staff and administration costs associated with housing management is calculated as a flat rate for shared owners.

Central overhead recharges - Southdown business activities are charged a percentage for the cost of the general running of the organisation. This percentage is agreed through the annual budget setting cycle.

5.0 POLICY

Southdown will comply with statutory requirements in delivering and charging services to tenants and leaseholders.

Tenancy and leasehold agreements must clearly specify the service charges chargeable, how and when service charges will be reviewed and how Southdown will communicate with tenants and leaseholders about charges and changes.

Amounts charged will vary between properties depending on the property specification and services and facilities provided.

Southdown will aim to inform and consult tenants when seeking to introduce new service charges or increase charges beyond the rate of inflation and guideline limits reflected within the Regulator of Social Housing's rent setting guidance (CPI+1%).

Southdown will aim to ensure service contracts are cost effective and represent good value for money. Contracts must be reviewed regularly to ensure their standard of service and cost effectiveness is maintained. When possible, we will seek to gain efficiencies through economies of scale. Where required by law, Southdown will consult with leaseholders over long-term (partnering) contracts that impact on service charges.

Where Southdown proposes to let a contract for a period of more than 12 months, and the cost (over a 52-week basis) to a leaseholder is more than £100 a year (£1.93 per week), Southdown must consult the service charge payers before proceeding. See Shared Ownership Policy (3.25a) and Procedure (3.25b).

An annual summary of accounts is produced for each property for which a variable service charge is applied. Statements will be issued on variable accounts within 6 months of the end of the financial year (i.e. at a maximum of 18 months from accruing any expenditure).

Shared ownership leaseholders are liable for 100% of repair and maintenance costs for their property. Southdown will arrange repair and maintenance work with prior consultation and agreement with shared owners, but the cost of works will be recouped as an immediate full repayment or by adding costs to the service charge account.

For leasehold properties, Southdown representatives will review Freeholder/Head Landlord invoices and supporting documents, in relation to Freehold service charges and dispute amounts, where necessary, on the Shared Owners' behalf.

Where costs exceed the income in an accounting year, the balance may either be separately invoiced to the resident, added on to the next years' service charge, or spread over two or more years. Where costs in an accounting year are less than the income, the positive balance will be credited to the next years' service charge.

Contributions for sinking funds collected in the annual service charge must be identified separately and held in separate accounts. Sinking fund contributions will be based on estimated lifecycle costings for each element. All accounts must be reviewed on an annual basis.

Surcharges are one-off invoices for services or works not included in the sinking fund or for expenditure on sinking fund projects where the fund is insufficient for the project. When a resident receives a surcharge invoice, payment may be spread over a period.

6.0 CONSULTATION AND FEEDBACK

- Tenants and leaseholders will be consulted on the following change in the provision of, or standard of, services
- introduction of new services
- removal of existing services
- change in the way charges are divided between various residents
- proposed changes before making decisions
- proposed major works

Variable service charge account holders will be consulted before maintenance and major works over £250 are undertaken.

Leaseholders must be consulted before Southdown enters into agreement with a third party to provide services that would run for over 12 months and where the annual cost to the shared owner would be over £100.

Southdown accepts feedback (positive or negative) on costs, charges or service provided in any format. Should the Tenant or leaseholders be unhappy with our response, the issue may be progressed to:

- Southdown's Complaints Procedure leaflet

- The Independent Housing Ombudsman (IHO)
- The Leasehold Valuation Tribunal (LVT).

The IHO will not normally consider such an issue until Southdown's complaints procedure has been exhausted.

Applications to the LVT can be made at any time without reference to Southdown.

Appendix A

Items deemed to be services

This list is reproduced from ***Service Costs for Residential Premises as affected by Statute and Case Law*** published by the former Institute of Rent Officers Educations Trust (1994). The publication is no longer available but will be reissued in due course. Meanwhile, rent officers continue to use this information when setting Fair Rents under the Rent Act 1977.

Heating and hot water

- Fuel (gas, oil, electricity, coal, coke etc.)
- Repairs/maintenance contacts – boilers, heat exchanges, hot water tanks, communal radiators and pipes (exceptions apply).
- Insurance of boilers, oil storage tanks, etc (exceptions apply).
- 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 wages including holiday relief.
- Cleaning materials.
- Electricity for lighting, power for vacuum cleaners and polishers, etc
- Replacement lamps.
- Window cleaning in common parts.
- Refuse sacks provision, hire of refuse containers.
- Emergency lighting maintenance.
- Communal radio, TV aerial maintenance and communal television licence fee.
- TV relay rental and satellite relay.
- Fire/smoke detection alarms maintenance.
- Smoke dispersal equipment maintenance.
- Fire fighting 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).
- Employer's liability and third party insurances.
- Administration/supervision allowance and profit.
- Maintenance and depreciation of door entry telephone/fire fighting/detection equipment, warden and other call systems, radio and TV aerials, vacuum cleaners, lawn mowers etc.
- Ventilation and air conditioning equipment maintenance
  Maintenance of water softening and purification systems.
  Plant and equipment testing required by statute.

Porters, wardens, caretakers, Housing Assistants, and other services provided in addition to (or more intensely than would be expected to be seen within) general housing management services

- Salaries/wages/honoraria, excluding a percentage for the landlord's management function.
- Employer's pension contribution.
- Employer's national insurance contribution.
- Council tax, water and sewerage rates on porter's/ warden's accommodation.
- Uniforms/overalls allowance.
- Gas and electricity allowances on porter's/warden's accommodation
- Decoration allowance on porter's/warden's accommodation
- Administration/supervision allowance and profit.
- Notional reasonable rental value of rent free accommodation
- Depreciation of office furniture.

Passenger and goods lift

- 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.
- Decoration of communal rooms, laundry rooms etc.
- 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 burglar alarms and security lighting.

- Maintenance and depreciation of cookers, refrigerators and washing machines within the dwelling if repaired and maintained by the landlord.
- Special facilities for the disabled.

N.B. the above list comprises items recognised to be services but is not exhaustive

Items not considered to be services

- Repair, maintenance and insurance of the dwelling structure, fixtures and fitting and of the installations within the dwelling as specified in section 11 of the Landlord and Tenant Act 1985 where these accord with the levels of repair commensurate with normal wear and tear.
- Provision, repair and maintenance of communal halls, stairways and passages
- Provision of fixtures and fittings, including radiators, pipes etc. within the dwelling
- Refrigerators, cookers and washing machines within the dwelling, if only provided by the landlord with no covenant to keep in repair or to maintain, would usually be treated as furniture. Cookers in communal facilities should be treated as a service.
- Voids
- Decoration of common parts, other than communal rooms
- Interior decoration of dwellings, including provision of decorating materials
- Management costs for other than service items
- Staff training levies
- Deficits and surpluses arising from previous years' costs