

# Service Charge Policy

2023 – 2026

## Document control

<b>Policy approval</b>	Common Board, July 2023
<b>Replacing</b>	Service Charge Policy 2020 – 2023
<b>New review date</b>	July 2026
<b>Responsible Executive Director</b>	Executive Director – Finance, Risk & Performance
<b>Author</b>	Director – Finance & Investment
<b>Equality analysis completed</b>	July 2023
<b>Circulation</b>	Intranet
<b>Version</b>	2

<b>Version</b>	<b>Date of review</b>	<b>Details of review</b>
1	July 2020	One of the new policies to separate the central Rent Setting & Service charge policy. Revision of the policy content around service charges to remove procedural elements and reflect current regulatory environment.
2	June 2023	Cosmetic amendments to update corporate language.

## 1. Introduction

It is the policy of Livv Housing Group around service charges to:

- Define our approach in setting service charges for customers.
- Comply with legal and regulatory standards.
- Demonstrate fairness and transparency to customers in our administration of service charges.

## 2. Scope

The implementation and scope of the policy applies and is applicable to:

Livv Housing Group	X
Livv Homes	X
Livv Maintenance	
First Ark Social Investment (Operating as Livv Investment)	
All entities	

It applies to both fixed and variable charges across all tenure types including:

- Rented
- Shared ownership
- Leasehold homes

## 3. Compliance

The policy is in place in order to support:

Regulatory Compliance, in particular the Rent Standard	X
Legislative Compliance, in particular the: Landlord & Tenant Act 1985 (as amended) Landlord & Tenant Act 1987 Commonhold and Leasehold Reform Act 2002 (which amended the 1985 Act)	X
Best Practice	

The Rent Standard requires us to:

- Specify the requirements of each individual standard that applies to the policy.

The Landlord & Tenant Act 1987 requires us to:

- Specify the requirements of each individual piece of legislation that applies to the policy.

The Commonhold and Leasehold Reform Act 2002 requires us to:

- Specify the requirements of each individual piece of legislation that applies to the policy.

## **4. Policy Statement**

### **Definitions**

Service charges are costs for additional services provided by Livv Housing Group as landlord outside its legislative obligations. Variable service charges are defined in Section 18 of the Landlord & Tenant Act 1985 as an amount payable by a tenant of a dwelling as part of or in addition to the rent which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management; and the whole or part of which varies or may vary according to relevant costs.

- A variable service charge is one where the provisions of the tenancy agreement or lease allow the landlord to change the service charge each year according to the estimated or actual costs incurred.
- A fixed service charge is one where the provisions of the tenancy agreement limit the amount that the landlord can increase the service charge by. (None of the leases Livv Housing Group operates have a fixed service charge.)

### **Approach**

#### **For customers renting a home from us under a tenancy agreement**

Charges will normally be fixed. These will be set at the start of each financial year using a best estimate of costs by reference to the agreed budget or service contracts with suppliers.

Homes let at an Affordable Rent include service charges as part of their overall charge, which is set at up 80% of the market rate.

Costs will be apportioned among all homes that benefit from the service within a scheme or block. This will be based on the benefit to the property, not the perception of the benefit derived by the individual.

Where apportionment would result in an unreasonable charge e.g. due to a small number of homes paying for a statutory compliance cost, the Director of Finance & Investment may reduce the charge to an affordable level, subject to overall compliance with the limits for customer credits within the Financial Regulations and ensuring financial viability for Livv Housing Group.

Charges apportioned to empty homes within a scheme or block will not be recoverable by Livv Housing Group.

Any under or over-recovery of costs will be incurred or retained by the company.

Livv Housing Group will apply a 10% management fee to recover the costs associated with management, administration, and collection of service charges, where specified in the tenancy agreement. The minimum charge for administration will be £10 per annum, with this rate being reviewed on an

annual basis by the Director of Finance & Investment to ensure it is reflective of actual costs incurred.

All costs and charges are reasonable and relate to services that it is reasonable to provide under the current service charges guidance.

**For customers who own part of, or all their home under a lease**

Charges will be variable and calculated in accordance with the terms of the lease. The charges will be calculated based on the previous 12 months actual costs and the next 12 months estimated costs.

Charges will be apportioned among all those living within a scheme or block required to pay for services under their lease and in accordance with the lease terms.

Livv Housing Group will apply a management fee according to the lease to cover the costs associated with management, administration and collection of service charges.

Costs will be reconciled on an annual basis with the next year's charge being amended to recover under-charges or refund over-recoveries. All invoices for payment will be issued within 18 months of incurring the expenditure to which the charge relates (Section 20B of the Landlord and Tenant Act 1985) subject to a notice to leaseholders otherwise.

Where there are more than four leasehold homes in a scheme the service charge accounts will be audited by a suitably qualified accountant, with the cost being passed on via the service charge within 6 months of the end of the relevant service charge period.

**How we decide on the services to be delivered**

The services provided within a scheme or block are defined by the Director of Assets, in consultation with the Customer Insight directorate, and reviewed on an annual basis as part of the budgeting process. The services delivered will normally include:

- Statutory services to ensure compliance with statutory testing & maintenance legislation
- Essential services to ensure homes are maintained such as the cleaning and maintenance of communal areas and grounds maintenance
- Discretionary Services where there is an agreement in place to provide these

The costs will be separately identified and budgeted for each element of the service

Services can only be charged through the service charge where the particular occupancy agreement provides for this. If there is a proposed change to the services (either a reduction, removal or addition), relevant customers will be

consulted and the procedure set out in their particular occupancy agreement followed to allow for that variation in service.

### **Exclusions**

Certain items of expenditure will always be excluded from the service charge for a rented property as they are met from the rent and defined as statutory repairing obligations under Section 11 of the Landlord & Tenant Act 1985.

These items are:

- Costs of Housing Management
- Maintenance of the structure and exterior of the building
- Buildings insurance
- Renewal of Equipment Provision (where the equipment is part of Section 11 repairing responsibilities)

Note: Ground rent for leaseholders does not form part of any service charge and will be accounted for separately.

Where appropriate an allowance will be collected within the service charges for future renewal of communal equipment such as lifts and door entry systems.

The charge will either be raised as expended for capitalised assets that are written off over their useful economic lives or as an annual renewal allowance which is then held as a reserve fund pending renewal.

### **Sinking Funds or Reserves for Leaseholders**

The lease will determine whether a sinking fund or reserve exists (or can exist) within a scheme. The fund will build up a sum of money to cover the cost of irregular and expensive major works or future replacements of assets. with a summary provided to customers as part of the end of year reconciliation process.

### **Relationship to Benefit Entitlement**

Many services are eligible for Welfare benefit payments where there is a contractual obligation to provide the service for which the charge is paid. All tenancy agreements will be explicit about the obligations of Livv Housing Group to provide the services and the obligation of the customer to pay for them.

### **Consultation and Communication**

#### **Consultation with Customers**

Livv Housing Group has a responsibility to consult with its customers regarding the quality of services provided. Consultation with customers in respect of service charges will be undertaken in accordance with Group procedures and comply with the Tenant Involvement & Empowerment Standard.

Specifically, customers shall have opportunities for involvement in

- Making decisions about how services are delivered including the setting of service standards
- The scrutiny of performance and making recommendations for improvement
- The management of repair and maintenance tasks and the sharing of any savings made

#### Consultation on Variable Service Charge costs

- Livv Housing Group will consult with customers on a variable service charge before carrying out “qualifying” works or committing to “qualifying long-term agreements”. Section 20 (1) of the Landlord and Tenant Act 1985 sets out this requirement and the relevant contributions of customers will be limited in accordance with the Act unless the consultation requirements have either been complied with or dispensed by the appropriate tribunal.
- The term ‘qualifying works’ means works on a building or any premises where the costs to the individual tenant would be more than £250.00 (inclusive of VAT).
- The term ‘qualifying long-term agreements’ means an agreement entered into by or on behalf of the landlord for a term of more than 12 months under which the amount charged to the individual tenant would be more than £100.00 (inclusive of VAT) in any 12 month period.

#### Communication with Customers

Customers will be provided with relevant, timely and accessible information about:

- the standard of services they can expect to receive,
- the performance of Livv Housing Group against those standards and
- the service choices available including any associated costs.

#### **Complaints**

Customers may make comments or complaints about any aspect of services provided by the Group. All comments and complaints will be responded to in line with our Complaints Policy

#### **Value for Money**

Livv Housing Group is committed to delivering value for money to customers in its provision of services. It will achieve this by:

- Ensuring that any potential impact on the reasonableness and affordability of service charges is considered during the development of new homes and the refurbishment of existing homes, subject to the constraints of the design and technical briefs.

- Reviewing all service contracts on a regular basis to ensure that a high level of service is maintained which is cost effective and affordable for customers
- Maintaining accurate property, customer, and cost records to ensure the fair and transparent allocation and recovery of costs.

## 5. **Policy Outcomes**

The application of this policy will ensure:

- Compliance with the relevant legislation and regulatory standards in the operation of service charge mechanisms including appropriate consultation and notification of changes.
- That service charges are reasonable and the financial impact upon customers is considered when defining service levels and setting applicable charges.
- That we preserve our financial viability by recovering the costs of delivering services.

## 6. **Monitoring and Review**

The implementation of the policy will be monitored by:

- The cost recovery of service charges being included in the monthly performance report.
- Monitoring compliance as part of the Operating & Financial review process on monthly basis and reported to the Executive Director's Team and Board.
- An annual review of service charges by the Board.

Furthermore in line with the Group's Policy Framework, this policy is scheduled to be reviewed every three years. Unless due to a change in Government legislation or regulatory requirements, then the review period will be brought forward in order to ensure compliance.

## 7. **Roles and Responsibilities**

Common Board	<ul style="list-style-type: none"> <li>• Responsible for final approval of the policy under the Policy Framework</li> </ul>
Customer Services Committee	<ul style="list-style-type: none"> <li>• Responsible for second line of approval under the Policy Framework</li> </ul>
Director – Finance & Investment	<ul style="list-style-type: none"> <li>• For the calculation, recovery and reconciliation of service charges</li> </ul>
Director – Assets	<ul style="list-style-type: none"> <li>• For the definition, procurement and management of services to be provided to customers</li> </ul>

## **8. Equality & Diversity**

In order to comply with the Equality Act 2010, an equality analysis (EA) was completed as part of the policy review. Upon completing the EA it was found that the implementation of the policy would support and encourage the aims of the public sector duty. The equality analysis was completed and approved July 2023.