ServiceChargePolicy

Introduction

The purpose of this policy is to set out the approach to setting and reviewing Service Charges for all properties which pay a service charge. This policy aims to achieve fair and accountable service charges and meet all legislative and regulatory requirements.

This Policy sets out the key principles to setting service charges for the group.

Context

Service charges are payments made in addition to the rent and are used by Great Places to recover costs of providing and maintaining services to residents beyond the benefit of enjoying occupation of their home.

Service charge legislation provides the following fundamental principles regarding the operation of service charges;

All services should be fair and reasonable – i.e.

- The cost should be fair and reasonable
- The quality of service should be fair and reasonable
- The collection of the charge should be fair and reasonable

Service Charge Principles

Our key principles which set out our approach to service charge budget setting and management, so colleagues are clear and consistent with our offer. This aligns with the service delivery frameworks within Customer Services and Finance's vision of supporting the delivery of the corporate plan, with a clear focus on financial viability.

1. We aim for all our service charges to be cost reflective, fair and value for money

- We will use data and our knowledge of schemes to ensure that all services and sinking fund provisions are accurately budgeted for and correctly reflected in the annual charge for customers.
- We will correctly record and allocate all service charge costs first time.
- We will deliver an appropriate level of service to a scheme and we will demonstrate that the services. offer value for money by procuring effectively i.e. going through a competitive process and benchmarking costs.
- We will ensure that costs are apportioned accurately and fairly across all customers who benefit from the service(s).
- We will be prudent about how we spend customers' money and make data driven decisions e.g. whether to continue to spend money repairing an asset or whether a replacement would be more cost effective.

2. We set and manage service charges consistently across the organisation

- We will benchmark the cost of providing services across similar internal schemes.

- We will monitor and manage service charge spend throughout the year.
- We will use scheme knowledge and data to challenge over and underspend areas.
- When assessing affordability, we will consider the whole property charge, i.e. rent and service charge, use local knowledge and information such as void and sustainability data.
- We will recover costs in line with the terms of our tenancy or lease agreements.

3. We will provide clear communication to our customers & seek customer feedback

- We will be open and transparent in explaining costs associated with providing services at a scheme.
- We plan for all customers to be able to access their service charge cost breakdown via the self-service option on the customer portal (in future development scope).
- We will offer budget and account meetings involving customers so that we can seek feedback on service quality and costs to enable us to improve how we manage contracts and services provided.
- We expect customers to raise any concerns with us regarding service charge related issues, e.g. issues relating to poor quality service so we can address them in a timely manner to ensure we are continually achieving value for money.
- We will provide accounts and budgets in an easy to understand format in line with Institute of Chartered Accountants in England and Wales (ICAEW) Technical Release.

4. We will regularly review our approach to service charge management to ensure our policy and practices are fit for purpose

- We will continually review and adapt our practices and approach to ensure we are in line with current legal and regulatory requirements.
- We will utilise our networks and sector bodies, e.g. National Housing Federation (NHF), Royal Institution of Chartered Surveyors (RICS) to ensure we benefit from guidance, benchmarking and learning from best practice.

Services Provided

What services are provided and how we provide those services should always be determined by the tenancy/lease/transfer in place and the relevant legislation. Service charges may be fixed or variable dependent on the terms of the tenancy, lease or transfer agreement.

The statutory duties and rights set out in the Landlord and Tenant Act 1985, including the obligation to consult under Section 20 (S20), do not apply to fixed service charges, commercial leases or variable rent charges.

Fixed Service Charge
Great Places operates a fixed service charge regime for Secure Tenancies where a variable service charge definition is omitted from the tenancy agreement and Independence and Well Being Schemes where the tenant is signed to a tenancy agreement with a fixed service charge clause.

Fixed service charges are assessed annually to reflect the cost of providing the services set out in the tenancy agreement. If the estimates are set too low and there is an overspend there is no provision for recouping the deficit from the tenant, so Great Places must bear the loss. If the costs are lower than the estimates the tenant does not receive a refund of the surplus so Great Places keeps the surplus.

Variable Charges – Variable Service Charge legislation not applicable.

Freehold Properties
For properties which are sold by way of freehold transfer a variable charge would not be applicable to these units and how we manage this charge would be determined by the relevant clauses in the transfer document.

Commercial Properties
All service charges we seek to recover must be in accordance with the terms of the lease.

Variable Service Charges
Great Places operates a variable service charge regime for its General Needs and Leasehold properties.

A variable service charge as defined in Section 18 of the Landlord and Tenant Act 1985 states:

Service Charge means an amount payable by a tenant of a dwelling as part or in addition to rent –

(a) Which is payable for services repairs, improvements, maintenance, insurance or the landlord costs of management and
(b) The whole part of which varies or may vary according to the relevant costs.

Variable service charges as defined gives rights and obligations on the landlord and tenant. Great Places will abide by the following the rights and obligations for residents paying a variable service charge:

Landlord

Rights:
- The right to collect service charges for all matters for which service charge is payable.
- The right to vary the service charge to ensure that costs are met by service charge payers in accordance with the lease or tenancy agreement.
- The right to apply to the First Tier Tribunal to ask for agreement to make a reasonable charge or to ask for dispensation.

Obligations

- To ensure the reasonableness of service charges.
- To consult according to the process in the Commonhold & Leasehold Reform Act.
- To provide reasonable budgets for service charge.
- To provide on request statements of accounts to all service charge payers within 6 months of the end of the accounting period or within a one month of written request whichever is the later.
- To apply surplus or deficit in accordance with tenancy or lease.

Tenants

Rights:

- To be provided with on a written request a statement of accounts within 6 months of the end of the accounting period or within one month of request which ever request is the later.
- To inspect invoices on request.
- The right to apply to a First Tier Tribunal for a ruling on reasonableness of charge.
- The right to be consulted on any qualifying works contract or long term agreement as per the Section 20 legislative threshold.

Obligations:

- To pay the service charge as demanded.
- To pay any deficit from previous year.

Key Legislation:

Landlord and Tenant Act 1985

Section 19 (1) (a) (Service Charges must be reasonably incurred)

Requirement that service charge is reasonable. Great places will demonstrate reasonableness by re-tendering services on a regular basis and ensuring a minimum of 2 quotes for works as per Procurement Policy.

Section 19 (1) (b) (Services or works must be of a reasonable standard)

Only services of a good standard can be charged. Great places will ensure works and services are performed to a good standard through robust contract management.

Section 20 (Landlords must Consult)

Great Places must consult with all residents paying a variable service charge if work costs exceed £250 (including VAT) per unit. If we intend to enter into a service contract longer than 12 months and with a cost of more than £100 (including VAT) per unit we will consult under Section 20. Please see Appendix 8 for more details.

Section 20B

Demands for service charge payments must be made within 18 months of those costs being incurred. Costs are not recoverable if incurred more than 18 months after demanded. It is vital that budgets are accurate and cost reflective and any costs which are not included in budgets (deficits) are demanded within 6 months of the year end. If we cannot send out the year end accounts within 6 month of the year end, then Great Places will send a Section 20B notice which lists all estimated year end invoices

Section 21 (Service Charge Information)

Under section 21 (1) of the LTA 1985, a tenant (or recognised Tenants' Association) can request Great Places to provide a summary of service charge costs. Once the request is received Great Places must provide the information within one month or within six months or the year end, whichever is later. Section 21 (6) requires that if there are more than four dwellings then the summary must be certified by a qualified accountant who is also a Registered Auditor. Failure to meet these deadlines is a criminal offence.

Section 22 (Right to Inspect Invoices)

Residents have the right to inspect documents relating to their service charges within a period of six months from receipt of the summary, the service charge payer (or the secretary of a recognised tenants' association) may write to Great Places requiring us to allow access to and inspection of the accounts, receipts and any other documents relevant to the service charge information in the summary and to provide facilities for them to be copied. We may charge a fee for the printing of invoices, please contact Plumlife Management for fee information as this may vary from time to time.

Please see Appendix 1 for further relevant legislation.

Service Chargeable Items

There is no definitive list of items that can be service chargeable this is determined by legislation, regulation, and case law. For tenants these would be items which are provided above and beyond the landlord S11 repair obligation. For leaseholder and freehold units, we can only include services which are allowable under the lease or transfer agreement. Appendix 2 lists items that could be considered as a service chargeable item for tenants. Appendix 3 lists items which would not be considered as being a service charge for tenants. Great places will not include costs for works or services which are our responsibility as the landlord. For leasehold or freehold properties, we will only include works or services allowable under the lease or transfer agreement.

For a more comprehensive list of service chargeable items please see Appendix 8.

Aims & Objectives

The general principle is that service charges should be self financing covering the operational costs of providing them. Tenants and Leaseholders should have clear and easy to understand information about how costs are made up and who they are sharing them with.

The aim of this policy is to ensure that service charges are:

- Accurate – reflect the cost incurred by the association in providing the service; ensuring sufficient income is generated.
- Transparent – calculation methods are clear and accessible to all residents, in accordance with current legislation and best practice;
- Fair and reasonable – are apportioned according to the services provided and the terms of the lease/tenancy agreement;
- Values for money – service contracts are regularly reviewed.
- Reviewed regularly in line with legal requirements, Regulator of Social Housing guidelines, regulatory reform and best practice.

What is involved?

Key definitions:

Communal areas - Areas for use by residents which are not exclusively for their private use, including but not limited to halls, passageways, stairwells, courtyards, gardens, communal rooms or areas defined in the lease.

Service Charge Group - A set of homes which share the same services, such as a set of flats within the same block, a set of blocks within the same estate or a set of houses with shared facilities, or as defined in the lease.

Calculation and accounting for service charges

Service charges are calculated by identifying the services provided within each service charge group and apportioning the costs to the units within the group. The apportionment of services could be based on the square footage, an equal split basis or a fair and reasonable split dependent on usage. Great Places will apportion services based on a fair and reasonable apportionment of the costs between all residents and as set out by the tenancy/lease/transfer. By fair and reasonable we mean that residents are charged for services that are available to them.

The financial year for each development will be determined by the lease, transfer or tenancy agreement and this will dictate the year end for each scheme. The full cost of providing these services for the forthcoming year is estimated using prior year's costs uplifted for inflation and any known changes to the service provision. The costs will be offset by any surplus or deficit carried forward from the previous year (if lease/transfer allows).

We reserve the right to subsidise charges at the authority of the Executive team for reasons of affordability, value for money, housing management or other considerations.

For tenants a management fee will be added this is currently 15% on general services and 10% on sinking funds. This is added to the service charge to fund the management and administration of the provision of those services. An additional 4% void management fee will be added to all Independent and Well Being stock (excluding Extra Care and Cat 2). A 5% administration fee is added to Third Party Charges (20-903), any other administration fee can be included by the regional team on a scheme by scheme basis with autorisation by the Rent and Service Charge Manager.

For Leaseholders and Freehold tenures all management fees will be set by the relevant department and will be reviewed on an annual basis.

Great Places will maintain comprehensive accounting records for each resident who receives chargeable services. An annual summary of account is produced for each scheme within 6 months of the financial year end. Great Places will adhere to the audit requirements as per Tenancy/Lease/Transfer agreements. Year End accounts are available on request or will be sent in accordance with the Tenancy/Lease/Transfer agreements.

The service charge income is reconciled against the actual costs for that year and the following years charge will be adjusted by any surplus or deficit or as per tenancy/lease/transfer instruction. If the lease/transfer requires us to demand a deficit or refund a surplus, we will complete this within timescale specified in lease/transfer. Deficits must be demanded within 6 months of the year end.

Service charge accounts are regularly reviewed and monitored, with income and expenditure information reported to relevant managers for each scheme/area. Meetings to discuss service charge performance will take place monthly with each budget holder with each scheme being reviewed at least quarterly as part of a rolling review programme.

Notifications of service charges for the year

Residents receive a service charge budget each year, at least one month before the charge commences or as specified in the terms of the lease/tenancy agreement. The budget details all services provided and gives a breakdown of how the service charge is split between these services.

Where costs are being provided by a third party management company to a Shared Ownership House, we will recharge the customer on notification of the new charge.

A summary of Rights and Obligations must be provided with every variable service charge demand, or a resident may withhold payment of the service charge being demanded.

If we are managing schemes on behalf of others the name and address of the entity who is able to collect the service charge must be included in any demand.

Consultation and Engagement

We will consult residents about proposed changes to existing services, proposed implementation of new services and the standard of existing services.

In line with S20 consultation of the Landlord and Tenant Act we will consult with residents if the S20 levels are triggered for works or services. We will consider the customer views as well as cost, service provision and value for money when making a decision.

Increases and variations to services

Residents may request for additional or new services to be provided. The local management teams would consider such requests and consult residents as appropriate subject to the list below.

Services are only added if:

- The lease/tenancy agreement allows for the cost to be recovered.
- The service is connected with the provision of adequate accommodation.
- The cost of providing the service is reasonable and affordable.
- It is customary to provide similar services for residential accommodation.
- The service can be reasonably provided.
- Great Places will not be financially disadvantaged by the provision of the service.
- Resident consultation is performed, and views are considered.
- If active S125 notices allows Great Places to recharge the cost.

When considering providing a new or enhanced service, we will consider if the charges will be eligible for payment under Housing Benefit or Universal Credit criteria to ensure they remain affordable.

Once a new service has been agreed to be provided a new service consultation letter must be sent to each resident paying for the new service charge which gives details of the new service to be provided and future cost. For tenancy agreements signed pre 13th November 2015 new services can only be added to the following years' service charge budget. For tenancy agreements signed after 13th November 2015 the service can be added in the current budget year. Please see Appendix 4 - New Service Consultation Letter.

Value for Money

External Contractors

The contract register lists all suppliers and contracts in place for all services. As part of the procurement process Great Places will ensure that contracts are procured with value for money at the forefront. Review of contracts will take place in line with the procurement procedure.

Inhouse Service Delivery

The annual service charge calculation will be provided by the service delivery team. To ensure value for money Great Places will benchmark internal service costs on regular basis. We expect services provided will be cost reflected unless there has been a business decision to reduce costs to bring in line with the external market.

Service Charges on New Developments

The Group Service Charge Coordinator (GSCC) will produce new budgets for all new developments to be used at appraisal stage and the following factors will be taken into place:

- Service charges compare to those for similar properties.
- Whether services provided are necessary for the enjoyment of the home.
- Whether costs may be avoided through modified design.

- Affordability of services provided.
- We will consider future repairs and replacements.
- Costs are apportioned fairly across the relevant properties.
- Eligibility of services provided for housing benefit/universal credit.
- Management fees for tenants which will be applied at 15% for services and 10% for sinking funds. An additional 4% management fee will be applied to Independent and Well Being directly managed schemes.
- Management Fees for sale units will be based on the management fee scales set by the Head of Property Management Operations.
- Admin fee for 3rd party costs will be set at 5%.
- Affordable rent and high service cost implications on rental income.
- Shared Ownership flats built using 2021-26 capital funding from April 2021 will not include structural repairs from the first 10 years of build. We will include a sinking fund collection for structural items however we will not spend out of this fund for 10 years as per new shared ownership lease. In a mixed development schemes outright sale unit would be eligible to pay into the sinking fund and Great Places would have the ability to use the sinking funds for these units.

Neighbourhood Teams are informed of all new developments by the Development Team before financial appraisal stage to ensure reasonableness of service charge is considered.

Budget assumptions will be reviewed before tenancy signup or purchase stage to ensure that services costs are accurate and sinking fund assumptions are based on build costs.

See Appendix 5 for standard budget template for new developments. Appendix 6 shows the eligible and ineligible costs which can be applied to different tenures.

Eligibility of services for Housing Benefit & Universal Credit

Provided that there is a contractual obligation for us to provide the services for which a resident shall pay a service charge, most services are eligible for Housing Benefit & Universal Credit. We will ensure that any ineligible charges are necessary, appropriate and proportionate. Services ineligible for housing benefit & Universal Credit can be found at Appendix 7. This is correct at time of drafting but may be subject to change. If in doubt, contact the Group Service Charge Coordinator.

In the service charge budgets we will show services as either 'Eligible' or 'Non-eligible'. Housing Benefit (HB) or Universal Credit (UC) will not pay for 'Non-Eligible' charges. Only 'Eligible' charges will be considered for benefit purposes.

Third Party Charges
Some housing stock is managed by a third-party Managing Agent on Great Places behalf. The setting of the service charge is undertaken by the Managing Agent in line with the clauses in the lease or transfer. We may pass on the third-party charges which are chargeable to our tenants or shared owners however Great Places is

overall responsible and accountable as the landlord unless our responsibility is relinquished through staircasing or RTB/RTA.

Stock transfers and rent guarantees

Where a stock transfer or rent guarantee exists which contains clauses referring to service charges, then any such an agreement overrides the relevant sections of this policy until the end of the guarantee period. Service Charges should be reviewed at the earliest time permitted under the terms of the agreement.

Void and Unlet Premises

Tenants – Great Places

Tenants are not responsible for service charge costs attributable to unlet properties. Great Places would be responsible for these costs until the new tenancy starts.

Leaseholder/Freeholder

The responsibility for the service charge costs would continue to be the responsibility of the owner as per their lease/transfer.

Commercial leaseholders

The unlet/void units should revert to the responsibility of the landlord but please check the lease agreement.

New Developments

Unsold units would be the responsibility of Great Places or the Developer.

Right to Buy (RTB)/Right to Acquire (RTA)

Tenants are eligible to buy their homes if they have met specific criteria set in the Great Places Right to Buy Policy.

Section 125a of the Housing Act 1985 act sets out information which must be included in the offer notice which landlords must send to applicants for RTB/RTA Schemes as part of the sales process. Residents must be given an estimate of the annual cost of services and repairs and an estimate of major works or repairs over the 5 year period. The estimates included in the S125 notice are set for a reference period which is currently 5 years.

There are two types of restrictions on what Landlords can charge in the Reference Period:

- Great Places can only charge for things which are mentioned in the Offer Notice.
- The amount which Great Places can charge is restricted to the amount stated in the Offer Notice plus an additional amount which the law allows a landlord to add to the initial estimate to take account of inflation.

Due to the above it is very important that all known costs are included in the Offer Notice. The Group Service Charge Coordinator is responsible for providing the costs which are used for the S125 Offer Notice.

Who will be involved?

Group Service Charge Coordinator – will have overall responsibility of this policy.
Rent and Service Charge Team – will be responsible for all account and budget production. They will ensure all recoverable service charge costs are accounted for.
Neighbourhoods Service Manager/Property Manager/Independence and Well Being Manager – budget holders responsible for budget completion and annual spend review.
Area Services Manager/Operations Manager – responsible for budget affordability review.
Head of Neighbourhoods – will be responsible for regional budget sign off.
Development Team – responsible for providing new development information which will allow service charge calculations to be provided accurately and in a timely manner.
Contract Manager - the responsible person for ordering works or services, ensuring value for money and performing Section 20 requirements.

Related Policies and Procedures

- **Rent Setting Policy**
- **S20 Policy and Procedure**
- **Right to Buy Policy and Procedure**
- **Sinking Fund Policy**
- **Procurement Policy**
- **Value for Money Strategy**

Equality Impact Assessment

1. Is this a key strategic document, major policy or procedure or service change? Examples may include: Homeless Strategy/ Customer Involvement Strategy	**YES**		**NO**	
	x			
2. What impact will your document or service delivery change have on the public or staff, giving particular regard to potential impacts on minority groups? Issues to consider include race, disability, gender, sexual orientation, religion, age, carers and other socio-economic factors	**HIGH**	**MEDIUM**	**LOW**	**DON'T KNOW**
		x		
3. Please explain your answer: Provide a narrative explaining why you gave the impact rating above.	All customers staff members will be impacted by if they pay a service charge.			

1. If, for question 2 you have answered LOW, there is no need to continue to an Equality Impact Assessment.
2. If, for question 2 you have answered DON'T KNOW, please discuss with a member of the EIA Group who can confirm whether an EIA is required.
3. If you have answered YES to question 1, and you have identified MEDIUM or HIGH impact in 2, you should move on to an Equality Impact Assessment and complete the section below:

If you have completed a full Equality Impact Assessment please provide the following:
What are the main conclusions of the Equality Impact Assessment? (Q10 from the full EIA form)
N/A
As a result of these conclusions what actions (if any) will be included in your business actions and wider review processes? (Q11 from the full EIA form)
N/A

If you require any help please contact a member of the EIA group: EIA@greatplaces.org.uk

Policy Approval Date:	February 2022
Equality Impact Assessment Date:	N/A
Safeguarding/Modern Slavery Impact:	N/A
Policy Review Date:	February 2025
Lead Team:	Finance Team
Level of Authorisation Required:	Directors

Appendix 1 - Relevant Legal and Regulatory Information for Service Charges

Lease/Transfer Document/Tenancy Agreement
This sets out the services which may be provided, the leaseholders/tenants responsibilities to pay the service charge and basis of calculating the contribution.

Housing Acts (1985, 1988, 1996, and 2004) as amended
These acts set out the procedures to be followed under the right to buy and right to acquire – it is important that estimated service charges and costs of major repairs and improvements are included in any offer notice.

Landlord and Tenant Acts (1985, 1987) (as amended)
These acts set out amendments to service charge law (excluded secure tenancies with fixed service charges)

Housing Benefit (general regulations) 1987 (as amended)
These regulations set out services that are eligible for Housing Benefit.

Commonhold and Leasehold Reform Act 2002
This Act sets out amendments to Landlord and Tenant Acts of 1985 and 1987 in relation to variable service charges.

Public Notice Procurement Rules
This guide sets out the requirements for goods or services to be put out to tender.

Appendix 2 – Items that could be included in a service charge (please see individual scheme budgets for a comprehensive list)

- **Warden Call Service** - Includes salary for Warden, holiday and sickness cover, Employer's National Insurance contribution, rent, water rates and heating and hot water emoluments, employer's pension contributions, telephone rental and calls. Council Tax (if paid by employer)
- **Warden Equipment** - Phone rental and call charges, monitoring fees, link line. Sinking Fund for equipment.
- **Staff Costs** - Salaries, holiday and sickness cover, employer's National Insurance contribution employer's, pension contributions, telephone rental and cost of official calls, but only so far as the expenditure in this paragraph relates to the provision of Services.
- **Gardens and Grounds** - Maintenance of communal gardens and landscaped areas contract gardening costs, tree surgery and gardening materials, including plants, shrubs and trees. Garden equipment, repairs and service, depreciation of equipment. skip hire and bulk rubbish removal.
- **Cleaning costs** - Window cleaning: includes cleaning of external and internal common area windows. Cleaning of the common parts: wages, materials, contract cleaning, and cleaning of soft furnishings and carpets, cleaning materials, equipment and bulk rubbish removal.
- **Utilities (communal areas)** - Lighting to communal areas within building and estate. Repairs to light fittings and replacement bulbs etc., hot water and heating to common parts, electricity safety checks. Water to communal areas.
- **Utilities (Individual)** - Heating and hot water to individual homes. Non HB eligible.
- **Lifts** - Insurance, repairs, maintenance and electricity for running the lift(s) and sinking fund.
- **Door Entry System** - Door entry system rental, services and repair. Entry phone set repairs and service. Equipment sinking fund.
- **TV aerial** - Maintenance, repair and sinking fund. Electricity if required.
- Emergency Equipment - Emergency lighting, fire detection, alarms and smoke dispersal system, fire fighting equipment rental, services and repairs, phone line. Equipment sinking fund.
- **Health and Safety** - Portable appliance testing, legionella testing, Fire safety officer, fire risk assessment, pest control and first aid kits.
- **Aids and Adaptations** – Maintenance, repair and replacement of equipment in communal areas. Maintenance of individual equipment. This includes stair lifts, hoists etc.
- **Security** - CCTV equipment maintenance, repairs and sinking fund. Security contract costs.
- **Laundry Equipment Repairs** - Maintenance cost less income. Equipment sinking fund. Equipment rental, service and repair. Hot water and heating. Business and water rates. Lighting and electricity.
- **Playground Equipment** - Maintenance, cleaning, repairs, risk assessment and sinking fund.
- **Guest Room Costs** - Guest room income. Heating and hot water fuel costs. Business and water rates

- **Repairs** – general repairs to equipment provided.
- **Insurance** - Building, public liability, employers and directors. Please note insurance is only payable by leaseholders through their service charge.
- **Management charge for the provision of the Services** - % or set fee.

Sinking Funds

Where provided for in the lease/transfer/tenancy agreement the sinking funds will be established for each scheme to provide for future replacements to avoid large one off service charge demands. Calculation of sinking funds will be based on initial cost of equipment and anticipated life expectancy. We will adhere to best practice as stated in RICS guidance.

Replacement of assets should take place:

- As part of a planned programme of renewal, based on the estimated life of the asset having expired or the asset requiring renewal. It is unlikely these 2 dates will occur at the same time in practice.
- In an emergency because the equipment has broken down and it will be cheaper to renew rather than repair.

The CM responsible for organising the asset renewal should always consult with the Service Charge Officer to ensure there are sufficient funds for the works to be financed by the sinking fund. All sinking fund expenditure will need to have agreement from the CM, budget holder and the Service Charge Finance Officer’s (SCFO’s). In the event of a sinking fund shortfall part of the works may need to be invoiced. The lease/tenancy agreement should always be consulted in these circumstances.

All sinking fund expenditure will need to have agreement from the CM, budget holder and the Service Charge Finance Officer’s (SCFO’s). The SCFO’s will be able to confirm whether this expenditure is covered under sinking funds

Sinking funds should be reviewed each year and updated with any known changes in costs or lifecycle years.

The level of contribution is reviewed periodically and the amount in each scheme’s sinking fund is shown in the annual accounts.

Sinking Funds shown on the service charge budgets:

- **General Services Sinking Fund** – provision for renewals and replacement of equipment provided.

- **Communal Room Sinking Fund** - decoration and provision for renewals and replacements within communal rooms.
- **Structural Sinking Fund** – payable by leaseholders/freeholders.
- **Individual furniture Items Renewable** – furniture within individual units as referenced in the lease or tenancy agreement.

New Developments

A sinking fund should be established for all assets on new developments which will be paid through the service charge.

Appendix 3 – Item not considered being services for Tenants.

- Repairs, maintenance and insurance of the dwelling structure, fixtures and fittings and the installation within the dwelling as specified in Section 11 of the Landlord and Tenant Act 1985.
- Provision, repair and maintenance of communal halls, stairways and passages.
- Provision of fixtures and fittings, including radiators, pipes etc. within the dwelling.
- Refrigerators, cookers, washing machines within the dwelling, if only provided by the landlord with no covenant to keep in repair or to maintain would be treated as furniture. If these goods are integrated, they would be classed as a service and would be service chargeable if noted in the tenancy agreement.
- Voids
- Decoration of communal parts, other than communal rooms.
- Interior decoration of dwellings, including provision of decorating materials.
- Management costs for other than service items

Appendix 4 – New Service Consultation Letter

<Neighbourhood Region>

09 December 2022

Resident Name
Resident Address

Dear Resident

INTRODUCTION OF A SERVICE CHARGE FOR <*SERVICE*> at <*SCHEME NAME* > FROM APRIL <*YEAR*>

From April <*year*> we are looking to recovering these costs from you by way of introducing a service charge which at this stage will be no more than £ <*insert cost*> per week per property.

You will appreciate that the Association needs to <*maintain/remove/clear then insert reason*>, also to ensure that communal areas are kept clear of <*comment*> in order to maintain the scheme's common areas to a reasonable standard for the benefit of all residents <*can change this sentence to fit the reason*>.

The new services which are being introduced are HB/UC eligible/ineligible (delete as applicable).

Yours sincerely

Name and Position

Appendix 5 – Standard Budget Template for New Developments

Area **1st Estimate**

Estimated Service Charge - Year 1

Prepared By: ______________________________ **Date:**

Approved By: ___________

Number Units :

Scheme Name :

Services	Assumptions	Annual Costs	Monthly Costs Scheme	Monthly/Weekly Costs Per Unit
Items		0.00	0.00	#DIV/0!
Management/Admin		0.00	0.00	#DIV/0!
Audit / Accountancy Fee		0.00	0.00	#DIV/0!
Provision/Maintenance		0.00	0.00	#DIV/0!
Total Services/Maintenance		0.00	0.00	#DIV/0!
Buildings/PL Insurance		0.00	0.00	#DIV/0!
Total Charge		0.00	0.00	**#DIV/0!**

Provision For Renewal Service Items Purchased 2007

Item		Expected Life	Cost	Annual Cost
Items		0	0.00	0.00
			0.00	0.00

Provision for Buildings Maintenance/Sinking Fund

Maintenance of Building		Expected Life	Cost	Annual Cost
Items		0	0.00	0.00
			0.00	0.00

The Sinking Fund has been set up to accumulate funds to meet future anticipated expenditure.
Sinking Fund contributions are collected regularly to avoid the necessity of leaseholders suddenly in the future having to find large sums of money.

Appendix 6 – HB Ineligible Services

- Individual fuel charges – water, electricity and gas.
- Food
- Laundry service (other than the provision of premises or equipment to enable a person to do his or her own laundry)
- Leisure and sports facilities (except a children's play area)
- Most satellite & cable TV and TV licenses
- Transport
- Individual gardens
- Furniture and household equipment if it will become the property of the tenant
- Emergency alarm systems
- Medical expenses
- Nursing or personal care
- General counselling or support
- Any services not mentioned above, and not connected to the provision of adequate accommodation

In addition to the above under Universal Credit the following are not eligible

- Installation, maintenance or repair of any special equipment or adaptations to the tenant's accommodation in respect of disability or infirmity of tenants (communal facilities are eligible).
- Depreciation of assets.
- Window cleaning of tenant's windows where the tenant lives on the ground floor.

Appendix 8 – S20

Summary

Great Places has an obligation to all its customers to maintain the buildings/estates in which their properties are located. It is of fundamental importance that full and meaningful consultation with customers is undertaken prior to any major works to their buildings commencing or long-term contracts are entered into.

There are three main benefits to the consultation process:

- The customer is aware of and can have an input into the plans regarding works or services which they are liable to pay for.
- The customer is aware that works are due to be undertaken that will have a financial impact on them and can plan accordingly.
- The customer is aware of the services at their scheme and know the cost implications for providing those services.
- Great Places can recoup all costs incurred for undertaking the works and services.

This appendix sets out in what circumstances Great Places will consult with its customers over qualifying works and qualifying long-term agreements and will define the differences between repairs and improvements, making clear which can be recharged for.

- Great Places will be fully compliant with Section 20 requirements.
- Great Places will treat all customers in a fair and equal manner in the administration of all Section 20 related correspondence.
- Great Places will publish all comments & observations received at each stage of consultation in anonymous form so to protect the individual concerned and respond to all comments and observations at each stage.

The Contract Manager retains the overall responsibility for the implementation of this process and its operational delivery. For the purposes of this document the person who instructs a contractor to perform works or services will be known as the Contract Manager.

Legislative context

This refers to Section 20 in the Landlord and Tenant Act 1985 and in the Commonhold and Leasehold Reform Act 2002.

This piece of legislation sets out the specifics that Great Places must follow when applying service charges, using them and what consultation with residents is required.

Schedules

There are four schedules for consultation under the legislation and the schedule used will depend on the type of qualifying works or long-term agreement being entered into. (Schedule 4 has two parts).

Schedule 1: Consultation requirements for qualifying long-term agreements (QLTAs) not requiring a public notice.

Schedule 2: Consultation requirements for qualifying long-term agreements (QLTAs) requiring a public notice.

Schedule 3: Consultation requirements for qualifying works undertaken under the terms of a QLTA.

Schedule 4: a) Qualifying works not covered by a QLTA and requiring a public notice and b) qualifying works not covered by a QLTA and not requiring a public notice

Qualifying Works – Schedule 4

Carrying out any work that costs **any one resident more than £250**. This covers repairs and maintenance and improvements to the building or estate.

If this is the case, we must undertake 'Section 20' consultation. Failure to do so will mean that a maximum of £250 will be able to be recovered against the cost of works from the customer.

Qualifying Long-term Agreement – Schedule 1 & 2

Entering into any **long term agreements (more than 12 months**) with outside contractors for work, supplies or services where the cost to anyone will be **more than £100 per year per resident**. Examples include; agreements for supplying good or services (such as cleaning) and agreements for maintenance work (such as day to day repairs).

Failure to follow the correct consultation procedure will mean that we are only able to recover £100 of the value of the contract from any one customer in any one financial year.

Qualifying Works Undertaken Under the Terms of a Long Term Contract – Schedule 3

Carrying out **any work under a long term agreement where the work will cost more than £250.** (A combination of the above two – even if we have consulted about a long term agreement with a contractor – if they do work that may cost more than £250 we must consult again, it is to give the resident clear information and give them a chance to have their say about the services and work we do.

Contracts exempt from consultation

The following contracts are exempt from consultation even though costs against them may be recovered through service charges. Some do not currently directly affect customers of Great Places; however, mention of them should be made in case there is a change in the future:

- An agreement between a holding company and its subsidiary, or between subsidiaries of the same holding company (the definitions following those in the Companies Act 2006);
- Contract of employment;
- An agreement for less than five years which was entered into at a point when there were no leaseholders or leaseholders at the property (for example on a new development);
- An agreement for more than twelve months which was entered into before 31 October 2003;
- A contract between a local authority and an ALMO;
- A contract between a local authority and a tenant management organisation;
- A contract between a local authority and a holding company and or its' subsidiaries.

Dispensation from consultation requirements

The act does not provide specifically for excusing consultation in emergency situations. However, section 20ZA permits the First Tier Tribunal (FTT) to dispense with the consultation requirement in a particular case "if satisfied that it is reasonable to dispense with the requirements". It is therefore essential that dispensation is applied for as early as possible once emergency works have been highlighted. There will of course be a delay caused by this and we must decide if the emergency works are of such a nature that seeking dispensation or carrying out consultation would constitute a danger to residents or others.

Policy approval date:	02/2022
Equality impact assessment date:	Month / Year
Reducing carbon impact assessment date:	N/a
Safeguarding/Modern Slavery impact:	N/a
Policy review date:	02/2025
Lead team:	
Level of authorisation required:	
Please record all authorisation meetings, with dates and details	e.g., approved at Directors on 01/01/2022 pending inclusion of latest legal definition