



SERVICE CHARGE POLICY

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SERVICE CHARGE POLICY

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1.0 Policy Statement

- 1.1 Radcliffe's policy is to ensure that the service charges it levies:
- Fully recover the actual cost of delivering services;
 - Are calculated in an accurate and fair manner, and in accordance with legislation and the provisions of tenancy agreements and leases;
 - Represent value for money.
- 1.2 Radcliffe also aims:
- To ensure that estimated charges are as accurate as possible, so as to minimise any variation in actual cost;
 - To provide clear information to those paying service charges, especially where changes occur;
 - To ensure that new tenants and leaseholders are aware of service charges to be levied at the inception of the tenancy or lease.

2.0 Definition

- 2.1 S18 of the Landlord and Tenant Act 1985, as amended, defines a variable service charge as: "An amount payable by a tenant of a dwelling as part of or in addition to the rent:
- (a) Which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management, and;
 - (b) The whole or part of which varies or may vary according to the relevant costs.
- 2.2 The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, in connection with the matters for which the service charge is payable. For this purpose, "costs" includes overheads, and costs are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.

3.0 Administration of Service Charges

- 3.1 In order to meet our policy objectives we will ensure that we deliver high quality administration in the calculation and collection of service charges.
- 3.2 The calculation of service charges will take account of the fact that each service is delivered to all properties within the block/estate.
- 3.3 We will calculate and apportion service charges to leaseholders, freeholders and tenants in line with the terms of the lease / tenancy agreement and current legislation. Where no apportionment is prescribed within the lease / tenancy agreement, we will determine a reasonable apportionment basis, typically per unit/ an equal share.
- 3.4 Service Charges are actual costs incurred in the previous year. For tenants service charges incurred January – December the cost is charged in April of the following year.
- 3.5 For leaseholders and freeholders service charges incurred April – March the cost is charged in May.

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3.6 Where a leaseholder or freeholder has purchased their dwelling under the Right to Buy, charges will be limited for the first 5 years to the maximum stated on the section 125 notice issued prior to purchase.

3.7 The accurate recording of expenditure is vital to ensuring that charges levied are accurate. We will ensure that coding of payments is undertaken accurately.

3.8 A schedule of current charges appears in the appendix.

4.0 Schedule of Charges

4.1 We will enclose a schedule of charges incurred in the previous year.

- A letter/form stating monthly service charges due - being estimate of advanced payment for coming year;
- Enclose the prescribed summary of tenants, leaseholders and freeholders' rights and obligations in relation to service charges; and
- Privacy Notice.

4.2 We will inform new tenants before they sign their tenancy agreement the amount of the current service charges and the services they receive.

5.0 Monitoring Expenditure

5.1 We will query and challenge any service charges sent to us by contractors that we believe not to be correct.

5.2 We will ensure that electricity meters are read at least annually and will challenge estimated bills if they appear too high. (Most sites have Smart Meters fitted.)

6.0 Collection of Charges

6.1 We will encourage tenants and leaseholders to pay their service charges on time and in line with the terms as stated in their tenancy agreement or lease.

6.2 We will act in line with our recovery procedure if the leaseholders, freeholder or tenant's account goes into arrears.

6.3 We will promote Direct Debit as the preferred payment method. We will also provide a range of other payment options and review these periodically.

7.0 Final Accounts – Leaseholders/Freeholders

7.1 We will provide a statement detailing the actual income and expenditure costs for the leaseholders/ freeholders scheme / block. We will include charges for the cost of our management and administration.

7.2 We will collect any deficit or reimburse any surplus in line with the terms of the lease.

7.3 We will appoint external accountants to undertake a review of leaseholder's/ freeholder's service charges for each scheme / block. We will seek reimbursement of the accountant's fees within the service charges.

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7.4 Where leaseholders and freeholders contribute to a sinking fund, we will send an annual statement of how much is in their sinking fund for their scheme / block. The balance shown will be the net amount, with interest added and any applicable tax deducted.

7.5 If we are unable to supply the final accounts within six months of the end of the financial year, we will serve the tenant or leaseholder with a section 20B notice.

7.6 We will use an accrual accounting method to calculate final accounts i.e. matching income and expenditure to the period they are incurred.

8.0 Challenges/Disputes

8.1 We will ensure that leaseholders, freeholders and tenants with service charge disputes are responded to in line with our published service standards. We will take into account the terms of the lease or tenancy agreement and current legislation when making our decision.

8.2 We will, if a leaseholder, freeholder or tenant challenges the service charges at a First-tier Tribunal, defend our position at the Tribunal if no agreement can be reached, and the amount of costs in dispute makes it appropriate.

8.3 We will apply to the First-tier tribunal for a determination of our service charges or dispensation from consultation if we believe it is appropriate.

9.0 Responding to Notices from Residents

9.1 Where a leaseholder, freeholder or tenant serves a section 21 notice on us for a summary of their audited service charge account within the prescribed time, we will send this within one month or within six months of the end of the last financial year, whichever is the later.

9.2 We will, where a leaseholder, freeholder or a tenant serves a section 22 notice on us, provide access within one month for the resident to inspect documents such as invoices and receipts relating to the service charge account as sent under section 21. We will provide copying facilities if requested.

10.0 Change of Tenant

10.1 When a property is re-let, the existing customer remains responsible for the service charge up to the point of leaving the property. The exception to this is where the property is leasehold or freehold, where the charge remains with the property and any service charge issues are resolved as part of the conveyancing transaction.

10.2 In the case where a property transfers internally or there is a mutual exchange, the incoming tenant is responsible for any year end surplus or deficit.

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11.0 Consultations under S20, Landlord and Tenant Act 1985

11.1 Under s11 of the Landlord and Tenant Act 1985 as a landlord Radcliffe have the obligation to maintain the structure and exterior of a dwelling, maintain utilities and communal heating and hot water installations. Leaseholders under the terms of their lease (or transfer in the case of freehold owners) may be required to contribute to the costs of works of repair and/or improvements and communal services.

11.2 Both tenants, leaseholders and freeholders will be required to make a contribution to the costs of works that are not related to the structure of the building where they fall within the service charge provisions of the tenancy/lease. The law builds in safeguards to protect the leaseholder and tenant by requiring Radcliffe to:

- Supply the Resident with information
- Give the Resident an opportunity to comment on the proposed works.

11.3 These requirements will apply in all cases where expenditure exceeds £100 per relevant dwelling for a qualifying long-term agreement and £250 for qualifying works (see sections 14.0 and 15.0 below).

11.4 Slightly simpler requirements apply if the tender has been advertised in the Official Journal of the European Community (OJEC) in line with public procurement procedures.

11.5 Under the terms of the Landlord and Tenant Act 1985 and The Commonhold and Leasehold Reform Act 2002 Radcliffe as the Landlord, has to give reason why it considers it necessary to carry out works over a certain value or enter into a long-term agreement for the provision of services. We also have to state the reason for selecting the successful contractor.

11.6 When considering large scale works or long-term service agreements in relation to resident properties, consultation notices must be sent to the individual residents. Unless public procurement rules apply, residents have the right to nominate a contractor of their choice and Radcliffe is duty bound to include nominated contractors in the tendering process.

11.7 The procedure includes two separate 30 day periods for the resident to consider our recommendations.

12.0 Expenditure items subject to consultation

12.1 Where there is expenditure of the service charge, which is subject to consultation, this is divided into three main categories: qualifying works, qualifying long term agreements and qualifying works under a qualifying long-term agreement.

13.0 Qualifying works

13.1 These are 'works on a building or any other premises' where the costs to the individual occupant would be more than £250, which consist of work to maintain, or repair, or improve the property. These are the same works as previously included within the old S20 requirements, but also now include works of improvement (where a liability for costs of improvements is included in the lease

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– it is unlikely that the costs of improvements will be recoverable under any tenancy agreement).

14.0 Qualifying long-term agreement

14.1 This is an agreement that is entered into by Radcliffe with an organisation or contractor for a period of more than 12 months. Radcliffe must consult where the amount payable exceeds £100 (including VAT) per annum per resident.

15.0 Qualifying works under a long-term agreement

15.1 This is where qualifying works, meeting the payment threshold, are undertaken under an existing qualifying long-term agreement.

16.0 Consultation threshold

16.1 In the case of qualifying works, the threshold for consultation is reached if the service charge contribution for any one resident exceeds £250 per year. In the event there will be unequal service charge contributions (because of apportionment), consultation will be required if any one resident would have to pay more than £250.

17.0 Penalty for non-compliance

17.1 If we fail to carry out the full consultation procedure in the correct manner (or the Tribunal provide a dispensation), we may not be able to recover the costs from the service charges above the statutory minimum amounts. We would have to cap the service charges at £100 per resident for each year of long-term contracts, and £250 per resident for qualifying works to the building. Radcliffe would have to cover the loss.

18.0 In the event of emergencies

18.1 We will be able to dispense with the consultation procedure in a particular case under s20ZA of the Landlord and Tenant Act 1985 with an application to the First tier-Tribunal (Property Chamber) If they are 'satisfied that it is reasonable to dispense with the requirements'. If Radcliffe has to order emergency works that mean it would be impractical to enter into a consultation process we will apply for a dispensation order at the earliest possible time. If required, this will be undertaken by the manager of the contract.

19.0 Application for dispensation

19.1 This may also be appropriate where there is only one provider who can execute the works or services.

20.0 Recovery of major works costs from Leaseholders

20.1 The provisions of the lease is paramount in this respect. Unless the lease enables us to recover the costs of both specific repairs and improvements as a service charge, costs will have to be disaggregated so that service charges to leaseholders are made only for the repair / replacement element which is permitted under the

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lease. The distinction between repair and improvement is difficult and may be complicated by provisions in the individual lease.

21.0 Identification of Proposed Work

21.1 It is vitally important to identify the proposed work properly so that the section 20 consultation is valid and compliant. Where the proposed works change materially either during or after the s20 process, a new consultation may have to be started or an application for dispensation made to the First-Tier Tribunal.

22.0 Eighteen-month rule

22.1 It is important to keep careful records of the dates when costs are incurred, since recovery is time limited. Radcliffe can only seek to recover costs if they have been incurred within the 18-month period before the service charge demand is made.

22.2 The 18-month rule starts from the date Radcliffe incurs the costs. This is either the date of invoice or date of works whichever is earlier.

22.3 If 'works' are being carried out to a leasehold property and the period during which works are carried out may prevent compliance with the 18 month rule, Radcliffe can issue a Section 20B notice to leaseholders within the 18 month period. This should describe the works and the estimated or actual costs and confirm that the leaseholder will be required to contribute towards them in the future.

23.0 Monitoring and Review

23.1 We will monitor and review this policy on a regular basis to ensure that we deliver the best possible service in this area. We will use audits, key performance indicators and customer satisfaction as part of the monitoring and review process. The timing of the review will be influenced by any changes in legislation or regulation, service improvement initiatives and/or customer feedback.

24.0 Equality & Diversity

24.1 We recognise that customers of all races, ages, religions, gender, sexual orientation, literacy levels and disability should be treated equally and fairly.

24.2 All customers will have access to this policy document upon request or from the website. This access will be electronic and only provided on paper upon request.

24.3 This document can be translated or provided in alternative formats (e.g. Braille, large print, and audio) upon request.

25.0 Legal and Regulatory References

- Sections 18 and 19 of the Landlord and Tenant Act 1985 (definition)
- Sections 20, 20ZA of the Landlord and Tenant Act 1985 as amended by section 151 of the Commonhold and Leasehold Reform Act 2002 (consultation)
- Section 20B of the Landlord and Tenant Act 1985 (time limit on demands)
- Section 21 of the Landlord and Tenant Act 1985 (summary of accounts)
- Section 22 of the Landlord and Tenant Act 1985 (request to inspect accounts)
- Section 27A of the Landlord and Tenant Act 1985 (jurisdiction of Tribunals)

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- Commonhold and Leasehold Reform Act 2002 Sections 150-159 (*152 and 156 not yet in force*) (definition, consultation, statements, accompanying notices, inspection, tribunals, sink funds held in trust, amendments, administration charges, estate management schemes)
- The Service Charges (Consultation Requirements) (England) Regulations 2003 (Section 20 Consultation)
- ICAEW Technical Release 03/11 – Guidance on accounting and reporting in relation to service charge for residential properties on which variable service charges are paid in accordance with a lease or tenancy agreement

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26.0 Appendices

Appendix I – Schedule of Radcliffe Service Charges

| Service | Definition of the costs for each service | HB/ Universal Credit Eligibility & Applicability |
|-----------------------------------|---|---|
| Communal TV Aerial | Service providers' fees for any shared TV, digital, cable, or satellite system installed for the estate or block. This is separate to any fees residents personally pay to providers for subscriptions to particular services. | HB eligible. |
| Combined Cleaning | Cleaning shared areas of blocks. This includes washing stairs and floors, sweeping and dusting indoor shared areas, external sweeping, weed control, litter picking and cleaning windows. | HB eligible. |
| Communal Gas | Utility providers' charges for any gas supplied to shared areas. | HB eligible. |
| Internet Services/ telephones | Service providers' costs for any telephone or internet services supplied to a block where we pay this on behalf of our residents. It may also appear where we have machinery, such as lifts, CCTV and door entry intercom etc | HB eligible. |
| Alarm Monitoring/ Tunstall/Centra | Lifeline calling services. | HB ineligible SUPPORT |
| External Management Agents | Managing agents' fees for carrying out day to day estates services on behalf of the freeholder. This will usually appear when we are not the freeholder of the block or where the estate is shared with other blocks and the area is the responsibility of another party. | HB eligible. |
| Sinking Fund | A fund you may pay into to build a reserve sum of money. This is used to pay for more expensive work to shared areas of your property, such as replacing a roof or repairing a lift or the cost of cyclical works. Also includes estate sink funds for repair of un-adopted roads and pathways. | This is charged as a service charge to shared owners and freeholders only. For tenants, it is included in their rent. HB eligible. |
| Communal Pumps | Servicing/maintaining sewage plants and pumps, and surface water pumps. | HB eligible. |
| Contract Management | Managing and monitoring the contractors for services we provide in shared areas. | HB eligible. |
| Intensive Housing Management | This covers the service delivered by the Tenancy Sustainment Officers in relation to housing related support and landlord functions. | HB eligible. |
| Grounds Maintenance and Gardening | This charge covers our contractors' fee to look after the outside areas of estates, such as gardening, mowing grassed areas and litter picking. | HB eligible. |

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| Telephone – Communal Lift | Servicing the emergency lift telephone in communal blocks. | HB eligible. |
| Service | Definition of the costs for each service | HB/ Universal Credit Eligibility & Applicability |
| Communal Gate/ Barrier System | This is the cost of servicing the gate/car park barrier and repairs. | HB eligible. |
| Equipment Usage | This charge funds the replacement of communal items such as furniture, carpets and white goods in communal areas at the end of its useful life, or the cost of providing the equipment initially. | HB eligible. |
| Communal Lifts | Servicing and repairing communal lifts. | HB eligible. |
| Communal Lighting Equipment | Testing, repairing and replacing lighting systems, including street lighting where this is not provided by the local council. This will include the cost of replacing bulbs. | HB eligible. |
| Fire Safety Compliance | Servicing and repairing fire alarm systems, emergency lighting systems, fireman’s switches and sprinkler systems in the communal areas. Servicing and repairing dry risers which distribute water to different levels of a building. Servicing and maintaining portable fire extinguishers and fire blankets. | HB eligible. |
| Communal Electricity | Electricity supply to all electrical installations such as communal lighting, pumping stations, lifts and door entry systems. | HB eligible. |
| Communal Water Supply | Supplying water in the bin sheds, pumping stations or sprinkler systems. | HB eligible. |
| Playground Equipment | Maintaining and replacing playground equipment. | HB eligible. |
| Equipment/ Laundry | This includes all electrical equipment other than pumping stations, lighting and fire alarms. | HB eligible. |
| Audit Fee | Professional agencies’ fees to check and certify the service charges we set. | This only applies to leaseholders and shared owners. HB eligible. |
| Repairs | Repairs to communal areas. Covers estate, scheme, shell and internal costs. | This is charged as a service charge to shared owners and freeholders only. For tenants, it is included in their rent. HB eligible. |
| Water Hygiene & Systems | Testing for and monitoring Legionella, as well as carrying out risk assessments and maintaining water systems. | HB eligible. |
| Bulk Refuse | Charges for removal of items left in communal corridors (fire risk), bulk rubbish, fly tipping or dumped furniture and white goods. When we are told someone is responsible for the dumped items then we will try to charge them directly rather than apply a service charge to the entire | HB eligible. |

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| | block. | |
| Service | Definition of the costs for each service | HB/ Universal Credit Eligibility & Applicability |
| Insurance | Arranging buildings insurance for our properties. The cost included in this figure includes separate insurances for Public Liability Insurance - which covers injury or death to anyone on or around your block or estate. | This only applies to leaseholders and shared owners. HB eligible. |
| Tree Surgery | Costs incurred in undertaking tree surgery in communal areas | HB eligible. |
| Pest Control | Treatment that may be required in communal areas for the prevention and extermination of pest infestations (vermin only – mice rats, squirrels) on your estate and/or block. | HB eligible. |
| CCTV Equipment | Servicing and maintenance of CCTV equipment. | HB eligible. |
| Door Entry System | Servicing and repairs to door entry system in communal blocks. | HB eligible. |
| Administration/ Management Fee | For tenants, this is a flat rate of 15% charged on all services except contract management and equipment usage fund. For freeholders and leaseholders as above plus a set Management Fee which covers the management of our estates, such as carrying out site visits, dealing with queries and requests, and arranging contracts for services. | HB eligible. |
| Overs and Unders – Eligible | This is a credit for over recovery or debit for under recovery on HB eligible service charges collected for 2 years prior to the budget. | HB eligible. |
| Alarm Monitoring System (Sheltered) | This is the cost of repairs and call outs for the call system | HB ineligible Support |
| Overs and Unders - Ineligible | This is a credit for over recovery or debit for under recovery on HB ineligible service charges collected for 2 years prior to the budget. | HB ineligible. |
| Gas And Electricity (Personal) | This is the cost of the supply of heat to individual flats. We pay the cost of the gas/electricity consumed and recover this through the service charge. | HB ineligible. This is a personal charge. |
| Water Rates | Utility providers' costs for any water supplied to Communal areas. | HB eligible. |
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| Plus any other services as may be necessary form time to time. | | |