

Service Charge Policy

June 2023

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Version number	4
Date agreed	23 May 2023
Agreed by	ELT
Review date	June 2026
Diversity compliant	Yes
Equality Impact Assessment required	
Data Protection compliant	Yes
Health and Safety compliant	Yes

ELT approval signatures below:




 Greg Bacon (May 24, 2023 09:31 GMT+1)



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1. What this policy is about and why we need it.
 - 1.1 This policy concerns the recovery of service charges. Service charges cover the cost of the services we provide on the estate or block where our customers live, such as cleaning or gardening in communal areas.
 - 1.2 The Government's Rent Standard states that registered providers shall provide clear information to tenants that explains how their rent and any service charge are set and this policy aims to do that.
 2. Who does this policy apply to?
 - 2.1 The Service Charge Policy will apply to rented accommodation, Shared owners, leaseholders, and owner occupiers where there may be a liability for the recovery of charges for services to common areas.
 3. Our policy
- Aims
- 3.1 This policy sets out Acis' approach to managing service charges.
 - 3.2 All new customers will be provided with a breakdown of all potential service charges when the property is let with zero charges stated for those not currently charged.
 - 3.3 Service Charges will cover the cost of providing and maintaining any services and benefits provided for residents that are in addition to the benefit of occupying their own home and, for tenants, in addition to the services paid for out of their rent.
 - 3.4 Services will vary according to individual properties. Acis will have discretion to disapply service charge elements on the grounds of efficiency and affordability, although the over-riding objective will be to charge customers for the actual cost of providing services.
 - 3.5 The Service Charges for Acis are "variable" as stated in the tenancy agreement. The variable service charge means that the tenant pays the actual cost of the service as detailed below:

VARIABLE SERVICE CHARGE

A variable service charge is defined by the L&T Act Section 18 as;
"...an amount payable by a tenant of a dwelling as part of or in addition to the rent, which is payable...for services, repairs, maintenance, improvements, insurance or the landlord's costs of management – and the whole or part of which varies or may vary according to the relevant costs
The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord...in connection with 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 for which they are incurred, or to be incurred in the period for which the service charge is payable, or in an earlier or later period"

- 3.6 The previous year's actual costs will form the base amount for estimating the following year's service charges, taking into account known cost variations together with any amounts identified as carried forward within the prior year's reconciliation statement for existing customers.
- 3.7 Our approach to new tenants is that there will be no brought forward figure included in the service charge statement. To enable full recovery of costs any tenancies that have terminated following the reconciliation process may be adjusted by the relevant under or over charge retrospectively and refunded or pursued accordingly.
- 3.8 New service costs should only be added following consultation with service charge payers. The method and form of consultation depends on the type of service to be added. As a general guiding principal, if the service charge payers have not agreed to the new service the costs of the service should not be added to the service charge calculation. This does not detract from the landlord's rights and obligations under legislation. Any item which carries a legal obligation for the landlord to provide, that appears on the list of common service charge items, can be added.
- 3.9 Service charges will be set at a scheme, block or estate level, whichever is the most appropriate for grouping of costs and calculation of per unit charges. Each scheme, block or estate will be grouped together according to geographic location or service provided. Under normal circumstances all properties within an individual scheme or estate will receive all services and will pay an equally apportioned charge, although Acis reserves the right to alter this principle where appropriate (for example, apportionment of energy costs based on property sizes). Where the lease allows service charges will be recovered via invoices to leaseholders
- 3.10 On occasions following the transfer of properties from other organisations Acis may come across "Fixed service charges". When this is the case Acis will set charges in the same way as with variable service charges, with the exception of the brought forward value. Grounds maintenance will be levied where deemed appropriate and proportionate having regard to the mix of tenures across operating locations..
- 3.11 For new developments, Acis will look to recover all known costs from the outset with the flexibility to introduce other costs as works/services commence including but not limited to grounds maintenance and estate management charges.
- 3.12 Where customers have an affordable tenancy the approach to the setting of service charges will be consistent with the above. When it comes to the annual rent variation the gross rent will be adjusted in line with government guidelines leaving the service charge consistent with the rest of the scheme costs and the "rent" element being adjusted.

4. SINKING FUNDS/DEPRECIATION

- 4.1 A sinking fund is a collection of funds over a set time period in order to replace/ redecorate/ improve a major asset when required. Acis will maintain sinking funds for capital investment at certain estates. Setting up a sinking fund ensures that all residents, irrespective of when they live in the block/property, share the financial cost of major works and replacements. The sinking fund maintains the value of the assets and circumvents or offsets the need to pay large one-off sums when major works are required.

- 4.2 Acis will abide by all legal requirements when setting up, maintaining and using a sinking fund.
- 4.3 Where larger one-off costs are incurred this policy allows for up-front investment by Acis and for recovery over a longer period, based on a depreciation methodology, in order to keep the charges affordable. This might include but not be limited to items such as tree works or communal area improvements.
5. ADMINISTRATION CHARGE
- 5.1 Administration charges will be charged to all service charge payers for the cost of central services provision. This will include but will not be limited to:
- Finance and accounting services
 - Contract management and monitoring
 - Office and IT overheads
- 5.2 Fees will be based on a 15% of service charge costs basis to reflect the different levels of contract management required with higher cost payers.
6. RESIDENT INFORMATION AND CONSULTATION
- 6.1 Acis will provide variable service charge payers with an annual service charge statement by the end of September each year which shows the Actual service costs incurred by Acis together with the administration charge, the amount actually charged to the customer and any amount carried forward and included in the following years' service charge estimate. So, in effect there will be an up to two-year lag in dealing with those amounts that are carried forward. Customers have the right to request access to invoices that relate to the charges on their individual statement.
- 6.2 Any additional services that are deemed necessary and appropriate to be added to the service charge will only be added after consultation with residents has been carried out in line with legislative requirements and good practice guidance.
- 6.3 In particular, Acis has an obligation to consult with residents for services which will either cost at least £250 per resident as a one-off cost, or which relate to recurring costs for period greater than 12 months costing at least £100 per resident per annum per service. The consultation requirements in this respect are prescribed by Section 20 of the Landlord and Tenant Act 1985, and these will always be adhered to except in case of emergency (for example, urgent works required to address a serious health and safety issue).
7. How we will monitor this policy
- 7.1 We will monitor this policy by measuring the revenue recovered by service charges against the service charge expenditure.
- 7.2 This policy will be reviewed at least every three years to ensure that it complies with relevant legislation and continues to promote good practice.
- 7.3 We will also take on board customer feedback through our regular surveys and feedback received following the estimation and reconciliation process.
8. Procedures and other documents that link into this policy

8.1 Procedures that link into this policy are:

- Tenancy management Policy
- Rent Collection and Arrears Management Policy

9. Links to other policies, legislation and/or regulations

9.1 Policies, legislation and/or regulation that links to this policy are listed below:

- Rent Standard
- Annual Rent Setting Strategy
- The Landlord & Tenant Act 1985
- Commonhold and Leasehold Reform Act 2002
- Policy statement on rents for social housing

10. When this policy will be reviewed

10.1 This policy will be reviewed in June 2026

12. Appendices

Service charge statement template



Variable service charge statement

Property:

The variable service charge you pay for your home has to reflect the actual cost of services that has been incurred by us. This statement details a breakdown of the estimated costs for Year.

Charge Type	Cost
Administration charge	0.00
Automatic door maintenance	0.00
Buildings insurance	0.00
Cleaning communal areas	0.00
Communal area repairs	0.00
Communal electricity	0.00
District heating charge	0.00
Emergency lighting	0.00
Fire alarm servicing and maintenance	0.00
Grounds maintenance	0.00
Heating metering service	0.00
Intensive housing management fee	0.00
Lift maintenance	0.00
Pullcord system	0.00
Management company fees	0.00
Room hire	0.00
Water sewage costs	0.00
Window cleaning	0.00
Sinking fund charges (Where Applicable)	0.00
Service charge brought forward	0.00
Weekly service charge total payable from April 20nn	0.00

Service charge policy 2023

Final Audit Report

2023-05-24

Created:	2023-05-23
By:	Mark Davies (Mark.Davies@AcisGroup.co.uk)
Status:	Signed
Transaction ID:	CBJCHBCAABAAustQloNFJqnURBeA7IEFCLt5w-rSUVLL

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2023-05-23 - 9:51:24 AM GMT- IP address: 185.74.237.126
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