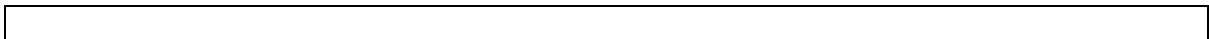




VARIABLE SERVICE CHARGE POLICY

2022-2025



VARIABLE SERVICE CHARGE POLICY

Adopted / Date Reviewed:	01 February 2022
Review Period:	3 Years
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Contact Officer:	Rent and Service Charge Manager
Policy Version:	First
Version Reviewed by:	Corporate Leadership Team Executive Leadership Team Operations Committee
Version Approved by:	Board
Policy Links:	Neighbourhood Strategy ESG Sustainability Strategy Value for Money Policy Fixed Service Charge Policy Income Management Policy

Brief Policy Summary:

This policy explains LHP's variable service charge arrangements for its customers.

It covers the types of services LHP charge for, the way the charges are calculated, the way services are charged to customers, how costs are allocated across multiple properties and what information customers will receive.

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1. Introduction

- 1.1 A service charge is a charge which covers the cost of installing, maintaining and replacing communal facilities, in the area in which a person lives.
- 1.2 Some examples of these services are:
 - Cleaning the communal parts of a block like the stairs and landings
 - Maintaining the estate gardening
 - Rubbish removal
 - Utilities for communal areas such as gas and electricity
 - Maintenance of lifts and door entry phones
- 1.3 Each customer's tenancy agreement will define the service charge methodology which is applicable to them. A service charge can either be fixed or variable. This policy covers variable service charges.

2. Variable Service Charges

- 2.1 Under a variable service charge, an estimate is made prior to the start of each financial year of the costs of providing the services to an area, scheme or block. These costs are then split between the individual properties in each area, scheme or block. This is the service charge for each property.
- 2.2 At the end of the financial year, the actual cost of delivering the services is calculated. This is then compared to the estimated costs of delivering the services, which was notified to customers at the start of the year.
- 2.3 Customers then receive a statement which shows the estimated and actual costs for their property and scheme.
- 2.4 If the actual costs are higher than the estimated costs, the additional amount will be charged to the customer in the next available financial year. If the actual costs were lower than the estimated costs, then a credit for the relevant amount will be applied in the next available financial year. The timeline for this process will be expanded on further in section 6.

3. LHP's Aims in Service Charging

- 3.1 LHP aims to achieve the following in relation to its service charges:
 - Have an approach which is fair, clear, easy to understand and reflects best practice
 - Have a policy which is reviewed regularly and understood by staff and customers
 - Provide customers with information which is accurate and on time
 - LHP does not make a profit on service charges and aims to collect all the costs from the customers who benefit from the services, whilst achieving value for money in the procurement of services
 - Only charge customers for services we are allowed to, using the National Housing Federation's (NHF) 'Service Charges: a Guide for Housing Associations' publication, which is widely acknowledged as the best guidance on what services can be charged for
 - Only charging customers for the services you are supposed to receive, as determined by your tenancy agreement or other consultation or law, this may

include services which you choose not to use, but have access to, for example a communal laundry facility or lift

- LHP will monitor the provision and quality of the services provided.

4. Calculating and Apportioning Service Charges

- 4.1 When we calculate and apportion service charges to individual customers, we will do this in line with the tenancy agreement or lease, we will follow relevant legislation and good practice.
- 4.2 We will review service charges annually.
- 4.3 We will inform customers of their new charges as part of their annual rent review information; this will include a breakdown of the services they are being charged for and the overall cost of the service charge. This will be received by customers at least one calendar month prior to the new charges becoming active.
- 4.4 We will use the latest information available to us when estimating service charges, including taking account of inflation or changes in the prices of contracts.
- 4.5 In line with the guidance in the rent standard, we will aim to restrict the annual increases in service charges to September CPI+1%, where possible. However, sometimes cost increases are beyond our control, so to ensure they are reasonable, all charges are reviewed and approved annually by the Board.
- 4.6 We will record the costs for each service against each block.
- 4.7 Value for money will be achieved by ensuring all contracts are tendered according to the LHP Procurement Policy, we will also benchmark our costs, using HouseMark and other benchmarking groups.
- 4.8 We will divide the costs for each area, scheme and block between individual properties in a consistent, clear and simple way. This will usually be an equal split between all the properties which benefit from each service.
- 4.9 If a property on a scheme or block is excluded from paying a service charge, due to conditions in their tenancy agreement, but they benefit from the service, this property will still be included in the apportionment calculations.

5. Service Charges Items

- 5.1 We will use the National Housing Federation's (NHF) 'Service Charges: a Guide for Housing Associations' publication, which is widely acknowledged as the best guidance on what services can be charged for, as a guide on which items are eligible to be charged as a service charge.
- 5.2 The NHF guide includes a comprehensive and consistent list of chargeable items and we will use this as our guide for including costs in our service charges.
- 5.3 We will include a 10% management fee as part of the service charge costs. This is below the amount of 15% which has been considered reasonable by both the NHF and previous court cases.

- 5.4 In a number of schemes management companies are used to provide communal services. The cost of these services will be passed on to customers via the service charge and will also include the LHP 10% management fee.
- 5.5 We will spread the cost of large communal assets, such as communal fire alarms or door entry systems, over their useful lives, by charging depreciation as part of the service charge.

6. Timeline for the Process

- 6.1 The proposals for the April reviews of service charges will be considered by the Operations Committee in December, before being approved by the full Board in February.
- 6.2 One calendar month prior to the new service charges becoming live in April, customers will receive notification of their new estimated charges. This notification will be part of the annual rent review letter.
- 6.3 New service charge costs will be active from the April until the following March.
- 6.4 Service charge costs will be added to the customers rent account in the same frequency pattern as the rent charge and can be paid alongside the rent. Any arrears in service charges will be pursued following the Income Management Policy.
- 6.5 The service charge notification will split the service charges into those eligible for housing benefit and universal credit and those which are ineligible. LHP will advise the local authority of any changes to the service charge amounts in the annual review process. If customers are in receipt of universal credit, they will need to update their diary as they would for the change in rent amount.
- 6.6 Following the end of the financial year, the actual costs of delivering the services are calculated and compared to the estimated costs. A statement will be issued to all customers no later than 6 months after the end of the financial year, notifying customers of any under or over recovery of costs.
- 6.7 The timeline for a full variable service charge cycle is as follows:
 - 6.7.1 February 2021 – Customers are informed of the estimated charges for the coming financial year.
 - 6.7.2 April 2021 – New service charges become payable on QL – this runs from April 2021 to March 2022.
 - 6.7.3 September 2022 – Service charge statements are received by customers, comparing the estimate and actual costs of providing services in the period April 2021 to March 2022.
 - 6.7.4 April 2023 to March 2024 – Any amounts which need to be recovered from customers or credited to customers are applied to the customer account. For example, if the costs of providing the services are higher than the estimated amount, this total amount is divided by the number of charging periods (i.e. 48 weeks) and added as an additional weekly charge on the rent account, or a weekly credit amount if the estimated costs were higher than the estimated costs.

- 6.7.5 If a tenancy is ended prior to the period in which the adjusting debit or credit is applied, no remaining amounts will be either charged or credited to the customer.
- 6.7.6 No outstanding charges will be chased as a lump sum, nor will any credits be repaid.
- 6.7.7 For leaseholders, who lease requires a factual finding review from the auditors, the annual accounts for each scheme are reviewed by the external auditors, prior to the accounts being issued to customers in September each year.

7. Outcomes

7.1 The policy will:

- Ensure LHP charges customers for allowable services, as determined by best practise guidance, law or agreements
- That costs are fairly split between individual properties who benefit from the service
- That value for money is achieved in the cost of services provided and annual increases are correctly approved
- That customers receive accurate, timely and easy to understand notifications of their new annual charges
- That customers receive accurate, timely and easy to understand annual reconciliation statements, and that they are aware when and how any reconciling debits or credits will be applied

EQUALITY IMPACT ASSESSMENT

Variable Service Charge Policy			
Provide a brief summary of the aims and main activities of the initiative (bullet points):			
<ul style="list-style-type: none">This is a documentation of existing practice, in the new policy format. There are no changes to current practice proposed.			
Completed By:	Katie North	Date:	22 November 2021

Guidelines: Things to consider

- Where a negative (i.e. adverse) impact is identified, it may be appropriate to make a full EIA (see Stage 2), or, as important, take early action to redress this – e.g. by abandoning or modifying the initiative. NB If the initiative contravenes equality legislation, it must be abandoned or modified.
- Where an initiative has a positive impact on groups/community relations, the EIA should make this explicit, to enable the outcomes to be monitored over its lifespan.
- Where there is a positive impact on particular groups, does this mean there could be an adverse impact on others, and if so can this be justified? - e.g. Are there other existing or planned initiatives which redress this?
- It may not be possible to provide detailed answers to some of these questions at the start of the initiative. The EIA may identify a lack of relevant data, and that data-gathering is a specific action required to inform the initiative as it develops, and also to form part of a continuing evaluation and review process.
- It is envisaged that it will be rare for full impact assessments to be required. Usually, where there are particular problems identified in the screening stage, it is envisaged that changing the approach at this stage, and/or setting up a monitoring/evaluation system to review a policy's impact over time will tackle the problem.

EQUALITY IMPACT ASSESSMENT

STAGE 1: SCREENING

This stage establishes whether a proposed initiative will have an impact from an equality perspective on any particular group of people or community – i.e. on the grounds of race, religion/faith/belief, gender (including transgender), sexual orientation, age, disability, or whether it is “equality neutral” (i.e. have no effect either positive or negative).

Q 1. Who will benefit from this initiative? Is there likely to be a positive impact on specific groups/communities (whether or not they are the intended beneficiaries), and if so, how? Or is it clear at this stage that it will be equality ‘neutral’ i.e. will have no particular effect on any group? *Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality*

It will be equality neutral.

Q 2. Is there likely to be an adverse impact on one or more minority/under-represented or community group as a result of this initiative? If so, who may be affected and why? Or is it clear at this stage that it will be equality ‘neutral’? *Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality*

No, there are no changes proposed.

Q 3. Is there sufficient data on the target beneficiary groups/communities? Are any of these groups under or over represented? Do they have access to the same resources? What are your sources of data and are there any gaps? *Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality*

Not applicable.

EQUALITY IMPACT ASSESSMENT

Q 4. Outsourced services – if the initiative is partly or wholly provided by external organisations / agencies, please list any arrangements you plan to ensure that they promote equality and diversity. Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality

Not applicable.

Q 5. Is the impact of the initiative (whether positive or negative) significant enough to warrant a full impact assessment – see guidance? If not, will there be monitoring and review to assess the level of impact over a period of time? Please consider all aspects of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality

No.

Q 6. To be completed at six monthly review Detail actions taken to assess the level of impact over a period of time, or to address any gaps in data. Please consider all aspect of Diversity including as a minimum: Age, Disability, Gender/Transgender, Race/Ethnicity, Religion/Faith/Belief, Sexuality