



# LEASEHOLD SERVICE CHARGE POLICY

**Responsible Director:** Director of Homes and Wellbeing

**Responsible Manager:** Head of Specialist Housing

**Last updated:** January 2020

**Next update:** January 2023

## G04 Leasehold Service Charge

### 1. Purpose

- 1.1 This policy and procedure intends to ensure that the Association delivers good quality, value for money services to its leaseholders, the full cost of which is recovered in full through the service charge.

### 2. Policy Statement

- 2.1 It is the policy of the NCHA Group to operate service charges within the current framework of the law and good practice.
- 2.2 The Association will recover service charge costs in full wherever possible.
- 2.3 Where a shortfall (deficit) or surplus occurs these should be reasonable and properly accounted for.
- 2.4 Leaseholders will be consulted about the level, standard and cost of services.
- 2.5 NCHA will aim to provide services which leaseholders regard as good value for money.

### 3. Risks

- 3.1 The risk that the full cost of services is not recovered, resulting in leaseholders being indirectly 'subsidised' by the Association's tenants.
- 3.2 The risk of poor customer satisfaction levels with the cost and standard of service charges and the way they are administered.
- 3.3 The risk that leaseholders will refer the reasonableness of their service charges to the First Tier Tribunal.
- 3.4 The risk that service charges could be applied inconsistently across the Group's leasehold housing stock.
- 3.6 The risk of failure to meet the standards of service delivery in the Homes and Communities Agency's regulatory framework.

**4. References**

- 4.1 Sinking Fund Policy and Procedure.
- 4.2 Section 20 Major Works and Service Contracts Policy.

**5. Process**

- 5.1 The Intermediate Housing Manager will be responsible for setting the service charge budget annually for each leasehold scheme, including new schemes in the development pipeline. The process for this will be led by the Customer Services Officer who will liaise with the Development and Design Teams and Maintenance, to determine the service items which are to be provided in new schemes, and the Sales team to ensure the budget estimate is available in advance of the new properties being marketed.
- 5.2 The items deemed to be acceptable for inclusion in a service charge will include the following
  - cleaning communal areas, including cleaning staff costs
  - window cleaning
  - maintaining fire alarms and equipment, door-entry systems and other communal equipment
  - communal repairs
  - electricity for shared lighting
  - a management fee
  - payments to a sinking fund to offset the cost of major works (see Sinking Fund Policy and Procedure)
  - buildings insurance for the structure of the property

This is not an exhaustive list, and the lease will determine what items can be included in the service charge.

- 5.3 The service charge will include an amount for management which is based on the actual cost of managing the service charge process, and which reflects the cost of providing services to different types of development.
- 5.4 Certain building components will be covered under a manufacturers guarantee and may need to be omitted from the initial service budget for new schemes. It is important to make clear in budget estimates the amount that will be charged for maintenance after warranties have expired.
- 5.5 The Intermediate Housing Manager will determine the apportionment of the service costs between leaseholders where this is affected by the scheme layout or design, e.g. some apartments may have their own entrances and it may not therefore be reasonable to charge for the upkeep of communal stairways. The apportionment must be clear and easy to explain to residents. It must also adhere to the terms of the lease.

- 5.6 All service charge budgets should be recalculated and notified in writing to leaseholders every year in readiness for the annual increase date, which in most cases is 1 April. A breakdown of the budget with individual costs of each component will be enclosed.
- 5.7 Leaseholders, and residents associations, where these exist, should be consulted by letter or at a meeting, whenever significant changes are made in the provision of services, e.g. when new services are proposed or service is planned to be reduced or withdrawn.
- 5.8 Contracts for major works costing over £250 to one or more leaseholders, or for long-term service agreements costing over £100 per annum for at least one leaseholder, are subject to the specific consultation requirements of Section 20 of the Landlord and Tenant Act 1985, as amended by the Commonhold and Leasehold Reform Act 2002. The procedure to be followed is contained in the Section 20 Major Works and Service Contracts Policy.
- 5.9 At the end of each financial year service charge accounts are prepared by the Finance team for all leasehold schemes. These accounts must be sent to leaseholders within six months of the end of the financial year.
- 5.10 Copies of invoices for works/services included in the service charge accounts must be provided to leaseholders on request, in accordance with Section 22 of the Landlord and Tenant Act 1985. Within a period of six months from receipt of the summary, the leaseholder may write to the landlord requiring 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.
- 5.11 Facilities for inspection must be provided within one month of the request, and must be available for a period of two months.
- 5.12 A schedule of leaseholders' adjustments will be prepared by Finance showing the credit / deficit on each individual leaseholder's account. The leaseholders will be notified of the amount of the credit/ deficit, and informed that their rent account will be adjusted by this amount.
- 5.13 If a credit balance results from the adjustment, the leaseholder will be refunded this amount, this will be by cheque, BACs payment or by alteration to the Direct Debit payment for small amounts (under £50). We aim to make all refunds by the following April. If the leaseholder requests a refund before April then this can be arranged by BACS payment or earlier adjustment to their Direct Debit. **We are unable to refund the amount until finance has adjusted the rent account accordingly so that the surplus shows on the account.** If there is a deficit, the leaseholder will be requested to pay this amount immediately and non-payment will be pursued as arrears. Deficits will be recovered by the HMO through the arrears process.