

<b>Service Charge Policy</b> <b>Approved by: Executive</b> <b>Date of approval: 29 August 2018</b> <b>Review date: 28 August 2020</b>	
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## 1. Statement of Intent

- 1.1 This policy sets out Radian's approach to managing service charges and applies to all Radian residents where a service charge is payable.
- 1.2 'Service charges' are paid by some of our residents to meet the cost of any services provided by the group or its agents. The service charge must be set at a level which covers the full cost of providing the service including their management.
- 1.3 A 'Lessee' is anyone whose legal relationship with us is in the form of a lease. This may include current and former shared owners, who may have stair-cased to outright ownership, open market purchasers and Right to Buy and Right to Acquire lessees (and people they have sold on to) where Radian is the landlord. Where residents have undertaken a Right to Buy or Acquire of the freehold, they should be covenanted to pay appropriate grounds maintenance charges and other communal charges.

## 2. Policy

- 2.1 Service charges will be reviewed annually with due reference to applicable guidance, legislation, and the cost of the services provided.
- 2.2 Service charges, which can be a mixture of fixed and variable charges, will be calculated at a level sufficient to recover the estimated direct cost of the service provision and any associated indirect costs such as administration. These will be apportioned in a reasonable manner between those households receiving those services. Where charges are variable, and actual costs result in a shortfall in recovery or over recovery of costs in any charging period, the charges for the following period will be adjusted accordingly or will be refunded directly, at our discretion. The type of charges levied will be in line with the tenancy agreement or lease. We will aim to ensure we only provide services which are affordable to residents. Any changes in services or service levels will be subject to consultation and amendment to tenancy agreements and leases.
- 2.3 All service charges will contain an element of the cost of provision and administration of the service.

### New developments

- 2.4 The initial service charge for a new development will be based on past experience of providing similar services.

### Existing schemes

- 2.5 New tenancy agreements and leases (including commercial units if applicable) will include a full list of all services provided including the management of the services. List of services provided will be re-issued annually as part of the review of charges.

New residents will be made aware of the services provided and the service standards they can expect.

- 2.6 Where freehold sales of properties are made, we will ensure that a binding and enduring legal obligation is included in the sale terms to ensure a reasonable continuing contribution by freeholders to estate services.
- 2.7 The year-end account may be subject to independent audit if required by the lease. Landlords are precluded from recovering costs that are not billed within 18 months of being incurred. In addition, failing to provide service charge accounts on request is a criminal offence.
- 2.8 The service charge will, for some leaseholders, include a contribution towards a reserve or sinking fund, which is effectively a savings account for the development to accrue sums required for future works such as external decorations.
- 2.9 The services provided will be clearly identifiable to residents, and set out in their agreements (which include licences, tenancy agreements, leases and any other relevant documentation).
- 2.10 Estimated service charges are not altered as a result of temporary breakdown or failure to provide a service. The difference between estimated and actual costs will be identified in the year end service charge accounts, and any balance treated as set out later in this policy.

#### Service charge accounting

- 2.11 We will maintain a comprehensive monitoring system to ensure that only costs reasonably incurred as a direct result of providing services are attributed to services and recharged to residents. All service charges should be applied through the rent ledger (property database) as a control.
- 2.12 The service charge accounting period shall normally run for a 12 month period.
- 2.13 Service charge expenditure will be apportioned to properties by a fair method if not specified in the agreement or lease

#### Resident Consultation

- 2.14 Charges and consultation over works or contracts will be made in accordance with legislation, case law, and the content of occupancy agreements.
- 2.15 We aim to involve residents in deciding the services and the standard of services required on their estate.
- 2.16 We recognise that service charge payers have a legal right to be consulted and will ensure that consultation will take place when required.
- 2.17 We will ensure that service charge payers are provided with clear and easily understood information about service charges.

#### Value for Money

- 2.18 Service charges must be 'reasonable'. We will consider the following in our assessment of reasonableness:

- Whether the works are reasonably required. In particular, whether they are specified in the lease or tenancy
- Whether the standard of works or services is reasonable
- Whether the charge is reasonable.

2.19 In addition to meeting these requirements we will ensure that services charges offer value for money.

### Surpluses and deficits

2.20 Where we provide variable service charges, surpluses and deficits will be included in the following year's calculation. Where we provide a fixed service charge surpluses and deficits cannot be passed on to residents and must be absorbed by the organisation.

## **3. Legal & Regulatory Framework**

- Homes & Communities Agency Economic Standards – Value For Money Standard
- Landlord & Tenant Act 1985
- Housing Act 1996
- The Commonhold and Leasehold Reform Act 2002
- Housing Corporation Circular 09/07 Rents, rent differentials, and service charges for housing associations (November 2007)
- Localism Act 2011

## **4. Related Policies**

- Financial Regulations
- Rent Setting Policy
- Affordable Rent Policy

## **5. Related Procedures**

- Data Security Procedure
- Service charge procedure