

1 Scope

- 1.1 Our customers may pay for a service charge to cover a number of expenses, including the costs of managing and maintaining internal and external common areas of their home or estate.
- 1.2 These services are provided to ensure our customers' homes and/or estates are safe, clean and well maintained, such as providing grounds maintenance, cleaning, or sewerage management services.
- 1.3 We want to be open and honest about the types of services we charge for, the way we calculate charges so that they're fair, how we charge for services, how we allocate costs across multiple properties and what information we give to customers.
- 1.4 We aim to achieve value for money and ensure that customers are clear about what the charges are for.
- 1.5 We welcome customer feedback on the provision of service charge information to promote transparency and clarity of the cost of service provision. We will consult customers about new services or changes to services.
- 1.6 The scope of this policy will cover all Aster properties which incur a service charge and will include tenants, leaseholders, shared owners, freeholders and licensees. The policy doesn't cover the charge of fee settings at any of Central and Cecil care homes or Agency Managed properties.
- 1.7 Definitions:
Service Charges are charges for services we provide to customers. Each customer's tenancy agreement, lease or licence agreement defines how we'll recover and share out service charges. A service charge can be known as a 'variable' one or a 'fixed' one.

A **Variable Service Charge** is based on the actual cost of providing the service or services and can increase or decrease accordingly.

A **Fixed Service Charge** is a fixed fee for the year regardless of the actual cost of the service or services provided.

A **Personal Charge** is usually a utility fee such as electricity, heating and/or water. This could also include personal adaptations such as lifting equipment or assisted openers.
- 1.8 For Aster and Central and Cecil customers, we will always use a variable service charge for all new tenancies. This ensures a customer will never pay more than they should, and the amount being charged accurately reflects the cost of providing the service. For East Boro Trust Customers, a fixed service charge will be applied.
- 1.9 The type of service charge will depend on the terms stated within the tenancy, license or lease agreement. The specific charging areas are:
 - **Communal charges**
 - **Communal charges (variable)**
 - **Communal charges (fixed)**
 - **Personal charges**

We can provide additional detail for a customer's service charges on request. These are not to be confused with recharges, which are dealt with in a separate procedure.

1.10 Eligibility

- Customers are unable to opt out of paying service charges. In some instances, services cannot be added or removed without prior consultation. Service charges are separate to any other charges, for example, rent or support charges.
- Most communal charges are eligible for welfare benefits. Personal charges are not normally eligible for welfare benefits.

2 Policy Statement:

- 2.1 We will follow the correct procedure to recover any costs incurred on behalf of our customers.
- 2.2 We will ensure that we comply with the contractual requirements under the Lease, Licence or Tenancy Agreement, and that all other legal or regulatory requirements are met to ensure we are able to recover the total costs we incur in providing services.
- 2.3 We will identify if a cost is recoverable from our customers prior to, or at the point a cost is incurred.
- 2.4 We will review service charges annually and set them at the level needed to cover the cost of the services provided.
- 2.5 We will calculate our charges based upon:
- The full cost of the service provided to each property
 - The maintenance and replacement of equipment fitted in the block/estate to supply a service, such as door entry, fire alarms, lifts and car parks
 - Any surplus or deficit from the previous year
 - Value for money.
- 2.6 We will fairly apportion our costs between all rented or leasehold units within an estate / scheme / block who have access to those services unless the Lease specified otherwise.
- 2.7 If a variable service charge, we will allocate any surplus or deficit from the previous year in accordance with the terms of the Lease, Licence or Tenancy Agreement.
- 2.8 We will provide clear information on our service charges:
- When customers are new to our services, e.g., Mutual exchanges, new tenant, leaseholder or shared owner.
 - During quarter 4, we will inform customers of the final budgeted cost of services and what their payments will be.
 - By 30th September we will provide our variable service charge customers the actual cost of providing the services from the preceding financial year. When this is not possible, we will serve the appropriate notice under Section 20B(2) Landlord and Tenant Act 1985.
 - We will ensure customers have access to the service charge invoices at our main offices.
 - When we sell or let new build properties, we will confirm the service charges prior to the sale or let. They will reflect the expected cost of providing those services.

- 2.9 For homeowners, and where the Lease requires, we will:
- Charge in accordance with the Lease.
 - Allocate any surplus or deficit as an annual adjustment unless the Lease requires otherwise.
 - Ensure that the costs are invoiced within 18 months in line with current legislation or where this is not possible serve the appropriate notice under Section 20B(2) Landlord and Tenant Act 1985.
 - Provide answers to questions received from solicitors as part of Landlords Enquiries on sale or assignment of the lease.
 - Provide information on sinking fund balances and expenditure.
- 2.10 We will charge and list a management fee on the charging schedule provided to customers. The level of the management fee will comply with any contractual terms within the Lease (or otherwise set at a reasonable level) to reflect the costs associated with providing the services to our customers and properties.
- 2.11 With new developments we will set service charges on new build properties in a fair and transparent way, regardless of tenure. If there is a management company that sets service charges, we will pass the charges onto our customers fairly, and challenge these if we think they are unreasonable.
- 2.12 We will undertake a review of the management fee on an annual basis, as part of our service charge setting process.
- 2.13 We will help homeowners to meet the costs of major repairs and maintenance through the following commitments:
- Homeowners will be provided with advance notice of planned or anticipated works in the form of statutory consultation. Our aim is to provide homeowners with as much notice as possible of major works. However, there may be occasions where this is not possible due to the urgent or emergency nature of the works required.
 - Customers may be offered a range of payment options dependant on their financial circumstances.
 - Sinking funds or general reserves will be arranged where there is a contractual requirement to do so. Sinking funds may also be arranged, where possible, for all new developments where there are leaseholders or shared owners².
- 2.14 We will endeavour to assess the impact on customers when procuring new or revised services before entering into the contract. If a significant change is identified, we may consult with our customers on:
- The design and specification of the service
 - Future costs including renewal of equipment fitted.

Where relevant costs are above the current statutory thresholds, we will consult in line with our Section 20 policy and procedure to ensure we follow the provisions of Section 20 Landlord and Tenant Act 1985

- 2.15 We will aim to resolve any issues with customers promptly and openly. These would usually be dealt with by the service charge team, the customer account officer or the home ownership team, depending on the type of tenure.
- 2.16 If a resolution cannot be agreed this way and a customer is still unhappy, they are able to make a formal complaint through Aster's complaints process.

- 2.17 Further to this, leaseholders and shared owners have the right to ask a First Tier Tribunal (Property Chamber – Residential Property) to decide on a dispute about service charges. The Tribunal is independent of government and landlords. Please see [their website](#) for more information.

3 Monitoring and Review

- 3.1 We will ensure that service charges are transparent, accurate and reflect the services received by our customers
- 3.2 We will monitor our performance on service charges and report regularly to our customers, our teams and our boards
- 3.3 We will keep in line with current legislation on our reporting to customers
- 3.4 We will set targets to ensure the collection of our service charges
- 3.5 We will benchmark with other providers to ensure value for money is achieved
- 3.6 The effectiveness of this policy will be scrutinised after 12 months by the *Customer Experience Panel*
- 3.7 This policy will be reviewed every 3 years unless there is a change in legislation or business need.

4 Related Policies and Procedures

- 4.1 Income Management Policy
- 4.2 Rent and Other Charges Policy
- 4.3 Tenancy Policy
- 4.4 Complaints Policy
- 4.5 Section 20 Policy
- 4.6 Leasehold and Freehold Management Policy
- 4.7 Repairs & Maintenance Policy
- 4.8 Honesty Policy
- 4.9 Lettings Procedure
- 4.10 Section 20 Procedure
- 4.11 Leasehold Procedure

5 Governance

Effective From:	30/06/2020	Expires:	01/07/2023
Policy Owner:	Regional Operations Director		
Policy Author:	Policy and Assurance Officer		
Approved by:	<i>Customer Community Network</i>		
Delegation Matrix Reference:	RO72	Version Number:	2.1