

Service Charge Policy – Rented Tenants



Legal & General Affordable Homes

Service Charge Policy – Rented Tenants

If you want to find out about:

- What is included in your service charge, please see section 5.
- Management fees, please see section 9.
- How your charges are shared across all customers, see section 6.

1. Policy Introduction

As a Social Rent or London Affordable Rent tenant living in a Legal & General Affordable Homes (LGAH) property, you will pay a service charge in addition to your net rent to cover costs associated with the delivery of communal services within your building (if applicable) and the wider estate that you live on.

Your service charge responsibility is clearly defined in your tenancy agreement, which is your contract with LGAH.

This policy does not apply to any tenant occupying their home under an Affordable Rent, London Living Rent or Intermediate Rent tenancy agreement. Service charge costs for these tenures are included in the total periodic rent charge.

This policy has been developed to ensure a consistent approach to the calculation and communication of service charges to all customers and should be adhered to by our staff and our Management Providers.

2. Purpose

The purpose of this policy is to provide a framework for the legal, regulatory and operational management of service charges. It also sets out the overarching values and ethos of LGAH with regards to service charges.

3. Aims and Principles

Aims

Our aims for service charge calculation and communication are to ensure:

- Our approach is fair, open and transparent, and reflects best practice and legislative requirements.
- Our policy on service charge setting is understood by customers and staff.
- Our procedures are efficient; each step has clear responsibilities and timescales.
- The information we provide to customers is quality checked, timely and accurate.
- We will work with our network of Management Providers to cover our costs and aim to secure the best value for money when procuring services.
- We meet contractual, regulatory and legal requirements.

Service Charge Setting and Management

In setting and maintaining service charge costs, we will adhere to the following principles:

- Service charges will be set and managed in accordance with best practice guidelines and legislative requirements.
- Costs will be relevant to the block and / or estate, with the aim of maximising affordability through scrutinising ongoing service charge costs when securing new developments.
- We will be transparent with service charge costs to customers, ensuring you are aware of all associated costs before commencement of your tenancy with LGAH. We will ensure service charge costs are clearly defined within the relevant tenancy agreements.
- We will work with our Management Providers to secure best value by ensuring services are procured correctly, reviewed regularly in line with contract terms and benchmarked across other similar sites / services we offer.
- To recover 100% of the costs of providing services through service charges and other charges paid by customers.
- Service charges will be in compliance with all relevant legislation (currently the Landlord & Tenant Act 1985 and Commonhold and Leasehold Reform Act 2002).

4. Policy Definitions

The Landlord and Tenant Act 1985 Section 18 defines a service charge as:

'an amount payable by a tenant of a dwelling as part of or in addition to the rent which is payable directly or indirectly for services, repairs, maintenance or insurance or the landlord's cost of management and the whole or part of which varies or may vary according to the relevant costs.'

This means that you are obligated to contribute to the costs of delivering services to the communal parts of your estate and / or block. These costs will be incurred by our Management Providers or third-party management companies. LGAH will work with our providers to ensure that value for money is achieved and that standards are maintained to our expectations.

You cannot opt out of communal service charges. You will be required to pay your share of all the communal costs whether you choose to use the communal facilities or not. This includes (but is not limited to) the following examples:

- If you live in a ground floor flat, you will be required to contribute to the maintenance and repair costs associated with any passenger lift.

Some example exceptions are (but not limited to):

- A flat in a block with its own front door access directly from the street will not be required to contribute to the costs associated with any door entry system or communal facilities which are internal to the block.

LGAH has adopted a Variable Service Charge regime which means that service charges can vary according to the actual costs of delivering the services. Changes to service charges will usually only happen once a year, at the same time as any net rent changes, but service charges may change during the year if required. You will be notified if this happens, and the appropriate notice period will be adhered to for any changes.

Service charges can go up or down depending on the cost of services being provided.

At the start of a financial year, usually in February, you will receive confirmation of the estimated service charge for the coming year which will usually commence and be payable from April. Estimated service charges will be set using previous knowledge of expected costs (see section 11 for the setting of service charges on new developments) or, where possible, an accurate history of costs incurred at the specific scheme. At the end of the financial year, a reconciliation will be carried out to check what the true costs were compared to the estimate notified and charged. Any period of disruption to the delivery of services which results in no costs being incurred will be managed as part of the annual reconciliation process.

Any resulting over or under spend will usually be carried forward to the following financial year and repaid or charged as part of the regular periodic charges as notified. This will be administered according to the terms of the tenancy agreement signed.

This means that you will only ever pay the actual costs of delivering the services to the block and / or estate in which your home is located.

5. What Does my Service Charge Cover?

Typically, a service charge might cover the following services delivered to the estate (this list of not exhaustive and will vary depending on the estate and the facilities provided):

- Maintenance and repair of any shared communal open spaces including mowing the grass, litter picking, play equipment or sweeping.
- Maintaining any estate lighting such as shared car parking bollards or flood lights.
- Any employment costs related to staff such as caretakers or concierge services.
- CCTV maintenance and repair.
- Any refuse collections or hire of large refuse bins not covered by council tax payments, including the cleaning of any shared bin storage areas.

A service charge might cover the following services delivered to a block of flats or maisonettes (this list of not exhaustive and will vary depending on the block and the facilities provided):

- Maintenance and repair of any audio or video door entry equipment.
- Maintenance and repair of any shared lighting or heating in the communal spaces.
- Maintenance and repair of any communal passenger lifts.
- Maintenance and repair of any fire detection, prevention or fighting equipment.
- Regular cleaning of any internal shared spaces and communal windows.
- Removal and disposal charges for any items of dumped refuse not collected as part of the usual collections.

If you live in a house, you will only contribute to the costs associated with the wider estate. If you live in a flat, you will contribute to the costs associated with the wider estate and the block in which you live. You will only be asked to contribute to the costs of services that are provided to the estate and / or block you live in. See section 6 for more information about the apportionment of costs.

Your service charge will also include a management fee (see section 9).

6. Service Charge Apportionment

You will only be asked to contribute to costs associated with services provided to the estate and / or block you live in. Some of these services will be more obvious than others, for example a lift in a block of flats as opposed to costs associated with the wider estate such as litter picking.

We will always seek to follow the apportionment method set out in your contract with LGAH (your tenancy agreement). Where the agreement does not specify a method, we will apportion costs based on the meter squared footprint of each dwelling. This means that smaller units will generally pay less than larger units.

Where a dwelling is adapted for wheelchair use, we will reduce the apportionment to ensure that the occupier is not unfairly disadvantaged by living in a larger home. In this case, the size of the dwelling will be an average of other similar dwellings on the estate and / or in the block.

Where services are delivered by a third-party management company, these costs will be shared across all customers in the same way as costs delivered by LGAH or the Management Provider.

In some instances, there may be a legal reason why we cannot share the management company costs in the same way. Where this happens, we will ensure you are only charged for your share of these costs.

Where the scheme includes a commercial property such as a community centre or retail unit, the appropriate contributions to service charges will be deducted from the residential service charges in accordance with the commercial lease.

Exceptions to this apportionment method are:

- Management Fees (see section 9)

7. Benefit Eligibility

If you receive any financial support for your housing costs from the Government, usually as Housing Benefit or Universal Credit, some of the costs for communal services may be eligible for inclusion in your benefit payments. You should speak to your local benefit office for further guidance.

Service charges can also include costs that are not eligible for inclusion in any benefit payments. These are usually services delivered to the individual dwelling such as heating costs or services that are considered to be luxury or personal services such as some concierge costs or gym facilities.

You should obtain advice from your benefit office as the rules about what will and will not be included in benefit payments can change across different local authority areas.

LGAH and our Management Providers can support you with this process but cannot make the final decision about what will and will not be included.

Any shortfall between your benefit payments and your total charges is payable in full by you.

8. Consultation and Engagement

We will consult with you in line with statutory requirements when we are planning to alter, add to or remove any services for which a charge is levied.

Where a change to service will cost any one service charge payer more than £250.00 in a one-year period, or where a service contract is awarded for a term of more than 1 year and will cost any one service charge payer more than £100.00 in a one-year period, LGAH or our

Management Provider will formally consult with you in compliance with section 20 of the Landlord and Tenant Act 1985 (as amended).

Exceptions to this consultation requirement will apply where works qualify as urgent and dispensation from consultation requirements will be sought from the First Tier Tribunal (FTT) accordingly.

Where formal section 20 consultation is not required, we will inform you of the proposed change and offer you an opportunity to feedback and discuss the proposed change(s).

9. Management Fees

Management fees are charged to all LGAH customers to cover our costs associated with managing the properties, administering service charge calculations and the provision of customer services. In addition, the fees cover costs associated with managing the Management Provider contracts and working with any third-party management companies who deliver services to our estates.

Management fees are set at 15% of the cost of services for our rented tenants (capped at a maximum of £200 per unit per year). If the cost of services varies up or down, the management fee will be adjusted accordingly to ensure the charge is 15% of the cost of services. Management fees are charged in addition to service charge and rent.

10. Capital Contribution

When capital items provided to the estate and / or block are replaced, repaired or renewed we will recover the costs incurred from you as part of your service charge. An amount will be added which represents the cost of replacement and the expected life of the item being replaced.

Examples of capital items could be (but is not limited to):

- Door entry system replacement.
- Lift replacement.
- CCTV system replacement.
- Communal flooring replacement.

If a lift is replaced at a cost of £50,000 and we expect the lift to last 25 years, the service charge applied would be:

$\text{£}50,000 / 25 = \text{£}2,000$ per annum shared across all customers in the block where the lift is replaced.

11. New Developments

LGAH will aim to control new development service charges to ensure affordability for new and existing customers where possible. In the planning phase of new developments, LGAH will work closely with developers to review potential service charge elements with the aim to:

- Ensure any service charge elements are relevant to the upkeep and maintenance of the building and that they are in the best interests of customers and the organisation.
- Reduce service charge costs to maximise affordability, where it is appropriate to do so without inviting the risk of large increases in future years.

- Provide the highest possible degree of accuracy in estimating service charges in order to assist potential customers with planning their own financial budgets.

Contributions to usage charges for new developments will be set by estimating or calculating specific lifecycles and costs for applicable components. This may not be relevant on all new build sites, and if relevant, this will be clearly illustrated in documentation with estimates provided.

In cases where LGAH is not the freeholder, we will take all reasonable action to comply efficiently with requests for information from customers or secretaries of recognised Residents' Associations.

12. Service Charge statements and demands

Demands for service charges will be made in writing and will contain the landlord's name and address and a summary of rights and obligations as per Section 47 & 48 of the Landlord & Tenant Act 1987.

In addition to rights under the tenancy agreement LGAH will, where appropriate and applicable, aim to:

- Provide you with an estimate of your service charge bill. This will include statements of anticipated expenditure for services to which you are required to contribute.
- Provide you with a statement of actual service charge expenditure within six months of the year end or as the binding agreement states.
- Collect service charges in a flexible and effective way, promoting a choice of payment methods – with preference given to Direct Debit.
- Provide information on independent debt advice services for those finding payments difficult.

13. Management Providers and Management Companies

LGAH work with a network of Management Providers across England and your direct day to day contact will be with the relevant Management Provider. You will be advised when you move into your home who your Management Provider (MP) is and how to contact them.

LGAH will work with our MPs to ensure that expected standards are being met and to ensure that services are being procured in the appropriate way. We will strive to ensure that our MPs are continuing to offer value for money through regular performance management meetings. The services delivered to your estate and / or block may be delivered by a third-party management company who is contracted by the freeholder or the MP to deliver services on their behalf. These third-party companies will be regularly monitored to ensure that service standards are being met.

14. Complaints

If you have a complaint or query about your service charge, please contact your Management Provider in the first instance. They will support you through the service charge query and complaint process. You are also able to apply to the First Tier Tribunal if you are dissatisfied with the outcome of your query or complaint. For more information visit www.gov.uk/housing-tribunals.

15. Data Protection and Privacy

Your personal data will be handled in accordance with our Group Data Protection Policy.

Related Policies & Information

- Service Delivery
- Group Data Protection Policy
- Contract Management Policy

Legal Framework

- Landlord and Tenant Act 1985
- Commonhold and Leasehold Reform Act 2002

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