



Service Charge Policy - Rented



1. Policy Introduction

As a Social Rent or London Affordable Rent customer living in a Legal & General Affordable Homes' home, you will pay a service charge to us in addition to your net rent to cover costs associated with the delivery of communal services within your building (if you live in a flat where there are communal areas) and the wider neighbourhood where you live.

Your service charge responsibility is set out in your contract with us, which is your tenancy agreement.

This policy does not apply to other types of rented tenancy, as service charge costs are included in the total amount of rent charged.

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. Our Management Providers are contracted to manage Legal & General Affordable Homes' homes on our behalf. See section 15 for more information.

A glossary of helpful terms is provided at the end of the policy to help with some of the more technical terms.

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

Service Charge Setting and Management

In setting and managing service charge costs, we will follow these principles:

- Costs will be relevant to the building and / or neighbourhood, 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 you, ensuring you are aware of all associated costs before commencement of your tenancy with us. We will ensure service charge costs are clearly defined within your tenancy agreement.
- 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.



- We will recover 100% of the costs of providing services through service charges and other charges paid by customers.

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 you are required to contribute to the costs of delivering services to the communal areas of your neighbourhood and/or building. These costs will be incurred by Management Providers or third-party managing agents when they pay contractors for delivering services such as, but not limited to, landscape gardeners, cleaners or lift servicing engineers.

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 must contribute to the maintenance and repair costs of any passenger lift.

Exceptions to this include:

- If you live in a ground floor flat within a block that has its own front door opening directly onto the street you will not be required to contribute to costs for door entry systems or internal communal facilities.

5. Service Charge Process

We have adopted a Variable Service Charge regime, which means that service charges can vary dependent on the actual costs of delivering the services. Changes to service charges will usually only happen once a year, at the same time as any changes to your rent, but service charges may change during the year if required. You will be notified if this happens and we will make sure you have appropriate notice before any changes are made.

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

Before the start of a financial year, usually in February, we will tell you what we expect your annual service charge to be for the coming year. This will usually be payable from 1st April. We will estimate your service charges using previous knowledge of expected costs (see section 13 for the setting of service charges on new developments) or, where possible, an accurate history of costs where you live.

At the end of the financial year, usually March, we will compare the actual cost for the last year to what we have charged you and will calculate the difference. If there has been any service disruption during the year, we will also take account of that during the reconciliation process.



If we have charged you too much or not enough, we will usually include this in the calculation for the year ahead but this will depend on the terms of your tenancy agreement.

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

6. What does my Service Charge Cover?

Typically, a service charge will be made up of two types of activity.

1. Services delivered to the neighbourhood (this list is not exhaustive and will vary depending on your neighbourhood 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 external 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.
2. Services delivered to an apartment block or maisonettes (this list is not exhaustive and will vary depending on the building 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 neighbourhood. If you live in an apartment or maisonette, you will contribute to the costs associated with the wider neighbourhood and the building in which you live. You will only be asked to contribute to the costs of services that are provided to the neighbourhood and / or building you live in. See section 7 for more information about the apportionment of costs.

Communal Heating and Hot Water

Some larger city centre buildings might have heating and hot water supplied via a District Heating System or Combined Heat and Power arrangement. If this applies to you, it will be clearly set out in your Home User Guide. Some of the charges associated with the provision of heating and / or hot water through these systems are charged via the service charge. Some maintenance charges are not chargeable as a service charge and are paid by us.

Charges for the usage of heating and hot water will be billed to you directly by the metering and billing agent appointed for the building.

Your service charge will also include a management fee (see section 11).



7. Service Charge Apportionment

You will only be asked to contribute to costs associated with services provided to the neighbourhood and / or building 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 neighbourhood such as litter picking.

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

If your home is adapted for wheelchair use, we will reduce the apportionment to ensure that you are not unfairly disadvantaged by living in a larger home. In this case, the size of the home will be an average of other similar homes in the neighbourhood and / or in the building.

Where services are delivered by a third-party managing agent these costs will be shared across all customers in the same way as costs delivered by us or the Management Provider.

In some instances, there may be a legal reason why we cannot share the managing agent 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 11)

8. Acquisitions

If we buy your home from another Landlord, we will initially continue to charge the same service charge as you were paying.

When the service charge is due for review, we may change the service charge to ensure that charges reflect the costs for managing and maintaining your home and the neighbourhood and / or building where it is located.

We will always give you notice of any changes and explain why the changes are necessary. If any changes require formal section 20 consultation (see section 10) we will carry this out.

9. 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 home 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 vary across different local authority areas.

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 due to be paid in full by you.

10. 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.

If the change to service is expected to cost anyone receiving the service more than £250 in a 12 month 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, we, 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).

11. Management Fees

Management fees are charged to all our 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 managing agents who deliver services to our neighbourhoods.

Management fees are set at 15% of the cost of services for our rented tenants (capped at a maximum of £240 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.

12. Capital Contribution

When capital items provided to your neighbourhood and / or building 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 30 years, the service charge applied would be:



$\text{£}50,000 / 30 = \text{£}1,666.67$ per annum shared across all customers in the building where the lift is replaced.

13. New Developments

We aim to control new development service charges to ensure affordability for new and existing customers where possible. In the planning phase of new developments, we 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 Legal & General Affordable Homes.
- 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 we are not the freeholder, we will take all reasonable action to comply efficiently with requests for information from customers or secretaries of recognised Residents' Associations.

14. Service Charge Statements and Demands

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

In addition to your rights under the tenancy agreement we 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.

15. Management Providers and Managing Agents

We 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 is and how to contact them.

We will work with our Management Providers 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 neighbourhood and / or building may be delivered by a third-party managing agent who is contracted by the freeholder or the Management Provider to deliver services on their behalf. These third-party companies will be regularly monitored to ensure that service standards are being met.



16. Complaints

If you have a complaint or query about your service charge, please contact your Management Provider or raise a complaint through My Brolly (if you have access) in the first instance. Your Management Provider 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.

Housing Ombudsman Service

If you think that Legal & General Affordable Homes or your Management Provider has not handled your complaint about service charges in an appropriate manner, you can make a complaint to The Housing Ombudsman Service (HoS). The HoS cannot consider complaints about the level of service charge or whether it is reasonable.

For more information, visit [Rent and service charges | Resident | Housing Ombudsman](#)

17. Data Protection and Privacy

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

18. Vulnerabilities

If you require this policy in an alternative format, please contact your Management Provider in the first instance, or raise a request through My Brolly (if you have access).

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

This policy will apply to the following entities:

- Legal & General Affordable Homes Limited
- Legal & General Affordable Homes (AR) LLP
- Legal & General Affordable Homes (SO) LLP
- Legal & General Affordable Homes (Capital) Limited
- Legal & General Affordable Homes (Development 3) Limited
- Legal & General Affordable Homes (Operations) Limited
- Legal & General Affordable Homes Investment 1 Limited
- Legal & General Affordable Homes Investment 2 Limited
- Legal & General Affordable Homes Investment 3 Limited
- Legal & General Affordable Homes (Development 4) Limited



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Glossery of Key Terms

Service Charge

A payment made by tenants to cover the cost of maintaining communal areas and services in their building or neighbourhood.

Variable Service Charge

A type of service charge that can change annually based on the actual cost of services provided.

Apportionment

The method used to divide service charge costs fairly among tenants, typically based on the size (square meterage) of each home.

District Heating System

A centralised system that provides heating and hot water to multiple homes or buildings from a single source.

Combined Heat and Power (CHP)

A system that generates both electricity and useful heat from the same energy source.

Management Provider (MP)

An organisation contracted to manage properties and deliver services on behalf of Legal & General Affordable Homes.

Managing Agent

A third-party company appointed to manage communal areas and services in a building or estate.

Capital Contribution

A charge added to the service charge to cover the cost of replacing or renewing capital items like lifts or door entry systems.

Section 20 Consultation

A legal process required when landlords plan major works or long-term service contracts that exceed certain cost thresholds.

First Tier Tribunal (FTT)

A legal body that handles disputes between landlords and tenants, including service charge disagreements.

Landlord and Tenant Act 1985

Legislation that defines service charges and sets out the rights and responsibilities of landlords and tenants.

Housing Benefit / Universal Credit

Government financial support for housing costs, which may cover some service charges depending on eligibility.

Tenancy Agreement



A legal contract between a landlord and tenant outlining the terms of occupancy, including rent and service charges.

Concierge Services

Staff services provided in some buildings, such as reception or security, which may be considered luxury and not covered by benefits.