



# Service Charge Policy – Shared Ownership



## 1. Policy Introduction

As a Shared Owner or a Long Leaseholder living in a Legal & General Affordable Homes property, you will pay a service charge to us in addition to your rent and, if applicable, your mortgage, to cover costs associated with the delivery of communal services within your building (if applicable) and the wider neighbourhood where you live.

Your service charge responsibility is clearly explained in your lease, which is your contract with us.

This policy has been developed to ensure a consistent approach to the calculation and communication of service charges for all customers. It must be adhered to by our staff and Management Providers. Our Management Providers are contracted to manage Legal & General Affordable Homes properties and customers on our behalf. See section 19 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 the overarching values and ethos of Legal & General Affordable Homes 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 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 recover costs and secure the best value when procuring services, working in partnership with Management Providers

### 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 customers, ensuring you are aware of all associated costs before commencement of your lease with us. We will ensure service charge costs are clearly defined within the relevant sales documentation.
- 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 Definition

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 net rent changes, 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, you will receive confirmation of the estimated service charge for the coming year which will usually be payable from 1<sup>st</sup> April. We will aim to include a breakdown of charges with this estimate.

Estimated service charges will be set using previous knowledge of expected costs (see section 15 for the setting of service charges on new developments) or, where possible, an accurate history of costs 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 be communicated to you within six months of the end of the financial year, usually before the end of September, and refunded or demanded in accordance with the terms of the lease signed.



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 can be made up of four types of activity

1. Services delivered to the neighbourhood (this list of not exhaustive and will vary depending on the 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 neighbourhood lighting such as shared car park 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 building or maisonettes (this list of 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.

3. In addition to the regular maintenance and repair costs, if you live in an apartment or maisonette, you may be asked to pay into a sinking fund or reserve fund. If you live in a house, you will not contribute to a Legal & General Affordable Homes reserve fund but you may contribute to a third party managing agent reserve fund and may still be charged the relevant share of any costs incurred by us or by the third party managing agent. See sections 13 and 14 for more information.

4. Your service charge will also include a management fee (see section 12) and, for some customers, buildings insurance (see section 11) and other types of insurance where relevant.

### 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.



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.

## 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 an apartment block 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 lease). 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.

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 dwelling will be an average of other similar dwellings on 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, including any contribution to a reserve fund.

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:

- Buildings Insurance (see section 11)
- Management Fees (see section 12)

## 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.

You will always receive advance notice of any changes, along with a clear explanation of why they are necessary. If a formal Section 20 consultation is required (see Section 10), we will carry it out accordingly.

## 9. Benefit Eligibility

If you receive financial support for housing costs, typically through Housing Benefit or Universal Credit, some communal service charges may be eligible for inclusion in your benefit payments. You should consult your local benefit office for guidance on eligibility.

However, certain service charges are not covered by benefit payments. These typically include:

- Services provided to individual dwellings, such as heating costs.
- Luxury or personal services, such as concierge support or gym facilities.



Benefit eligibility rules may vary by local authority, so it is important to seek advice from your benefit office for clarification.

Our Management Providers can assist in navigating the process but cannot determine which charges will be covered by your benefit payments.

Any shortfall between your benefit payments and your total charges is payable 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, or where qualifying works that may be partially funded by a reserve fund are being considered (see sections 13 and 14) – this is often referred to as a Section 20 consultation.

Where a change to service or qualifying works 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, 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. Buildings Insurance

As a shared owner, you are required to contribute to the cost of insuring the building in which you live. This applies to both apartments and houses. If you live in a house, when you achieve 100% ownership, you will become responsible for ensuring buildings insurance cover is in place.

Our current buildings insurance cover is provided by Aspen Insurance UK Ltd and we will work with them to ensure that value for money is achieved. Where possible, we will aim to know the true cost of the building's insurance for each dwelling under cover and charge you the actual cost of cover only.

This item is shown as a separate line on the service charge breakdown and is not apportioned using the principles in section 7 of this Policy.

We strongly encourage all customers to arrange suitable contents insurance at your own expense.

## 12. 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. These services are provided by our Management Provider and any third-party managing agents who deliver services to our neighbourhoods and / or buildings.

The management fee amount will be communicated to you as part of the purchase of your shared ownership home.

We have different levels of management fee depending on the Management Provider who looks after your home.



Management fees may increase annually, by CPI (Consumer Price Index) or in line with the costs of delivering services, at the same time as your new rent and service charge are calculated. When these fees change, you will be notified of the change and when the change is effective. Management fees are charged in addition to service charge and rent.

As a shared owner, in addition to the management fee, you may incur additional administration costs as part of the ownership of your home. These costs are defined in the Shared Owner Charges Policy.

### 13. Reserve Funds / Sinking Funds for Apartments

The terms reserve funds and sinking funds refer to the same thing. The terms are often used interchangeably and are defined by us as maintaining a fund to cover future major works or cyclical redecoration that would fall outside of the standard service charge costs. This will be referred to as the fund.

By collecting this money in advance of any work being required, we aim to reduce (but not eliminate) the risk of you receiving large one-off bills for works.

Any fund money collected by us will be managed in accordance with section 42 of the Landlord and Tenant Act 1987, and any proposed withdrawals from the fund will be consulted in accordance with section 10 of this policy.

We will make regular contributions to the fund bank account based on the amounts charged to you in your total monthly service charge. The payments to the fund will not take into account any shortfall between the amount charged and the amount you pay. Any such shortfall will be managed through the Management Provider's normal arrears recovery processes.

In order for the cost of works to be paid for from the fund, or demanded from you, the works must qualify as major or cyclical works. The fund will not be used to cover regular service charge payments, arrears balances or year-end balancing figures in any circumstances.

Typical qualifying works would be (this list is not exhaustive and provides examples only):

- Lift replacement.
- Door entry system replacement.
- Roof or window replacement.
- Cyclical redecoration of communal areas (internal or external).
- Replacement of communal play or gym equipment.

Any qualifying works paid for by the fund will be relevant to the neighbourhood and / or building. You will not be asked to contribute to costs for items that are not provided to the neighbourhood and / or building you live in. For example, if you live in a house and the block of flats next door on the same estate has a new lift installed, you will not be asked to pay towards that lift.

When qualifying works are carried out, if you live in an apartment or maisonette, money will be withdrawn from the fund based on your share of the final costs. The share of the costs will be calculated in the same way as the service charge apportionment (section 7 of this Policy). Any shortfall between the cost of works and the available fund will be demanded from you at the same rate and will be payable on demand.

You can contact your Management Provider to discuss alternative payment arrangements for any demands you receive.



If you choose to sell your apartment or maisonette, you will not be entitled to a refund of any fund held for your home under any circumstances. Any contributions made into the fund remain in the fund for the future benefit of the neighbourhood and/or building.

At the end of each financial year, when the service charge reconciliation is carried out, a statement of fund income, interest and any withdrawals to cover expenses that are eligible to be paid out of the reserve fund will be issued to you.

#### **14. Reserve Funds / Sinking Funds for Houses**

If you live in a house, you will not pay into a reserve fund for qualifying works. The terms of the lease do not permit Legal and General Affordable Homes to collect contributions toward a reserve fund for houses. However, you will still be required to contribute to the costs of any qualifying works carried out.

Your share of any qualifying works will be confirmed during the section 20 consultation process (see section 10), and you can discuss payment arrangements with your Management Provider once the costs have been demanded.

#### **15. New Developments**

We aim to control new development services 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 neighbourhood and / or 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 funds or 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.

#### **16. Freeholders**

When you achieve 100% ownership of a house and the freehold is transferred to you as part of the staircasing transaction, an estate rent charge may continue to be applicable to your house. This will be clearly stated in your transfer document. The estate rent charge will be the equivalent to the previous estate service charge and will be charged and collected annually as a lump sum once actual costs are known and (where required) certified.

We will aim to demand estate rent charges within 6 months of the end of each financial year, usually before the end of September annually.

Estate rent charges may be billed by us, one of our Management Providers or directly from any third-party managing agent.





Estate rent charges are not part of any previously referenced service charge legislation. Applicable estate rent charge legislation is the Rent Charges Act 1977.

## 17. Ground Rent

Where we are not the freeholder of a block of flats or a house, we may have to pay the Freeholder ground rent.

Where this is applicable and permitted under the lease terms, we will pass this charge onto you in full as part of the regular service charge. We will only charge you the amount we have paid. We will not make any profit from ground rent.

The Ground Rent Reform Act 2022 abolished ground rent from any lease dated after June 2022. If your lease is dated after June 2022 we will not charge you for ground rent even if we are still required to pay the Freeholder.

## 18. 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 in line with Section 47 & 48 of the Landlord & Tenant Act 1987.

In addition to rights under the lease or transfer document 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 you with an annual statement of major works / sinking fund charges.
- Provide information on independent debt advice services for those finding payments difficult.
- Where required, service charge accounts will be independently audited in accordance with statutory requirements.
- Where service charge accounts cannot be finalised by 30<sup>th</sup> September, a Section 20B notice will be issued - this is a formal notice that we are required to send you if we cannot meet deadline. It will tell you that the accounts are not complete but that we intend to charge you your share of the costs incurred. The notice indefinitely extends the deadline for the service charge accounts.

There may be times when customer accounts are either in a surplus or deficit once actual service charge costs are compared with estimated costs. In these cases, you will be notified and given a choice on which approach to take with regards to each scenario.

## 19. 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 (MP) is and how to contact them.

We 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 neighbourhood and / or building may be delivered by a third-party managing agent 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.

## 20. New Model Shared Ownership Lease (From April 2021)

If the lease you sign when purchasing your home is the New Model Shared Ownership lease, you may qualify for some initial benefits. The lease type will be identified on the Key Information Document you were provided with when you bought your home.

The additional benefits are:

- an initial period of free maintenance to external areas as defined in the consultation.
- help with some repair costs inside your home up to a cap of £500 per annum.

## 21. 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 MP 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](http://www.gov.uk/housing-tribunals).

### Housing Ombudsman Service

If you think that we, 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](#)

## 22. Data Protection and Privacy

Your personal data will be handled in accordance with Legal & General's Group Data Protection Policy.

## 23. 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
- Shared Ownership Charges Policy
- Group Data Protection Policy
- Contract Management Policy

### Legal Framework



- Landlord and Tenant Act 1985
- Commonhold and Leasehold Reform Act 2002
- Rent Charges Act 1977
- Ground Rent Reform Act 2022

**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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## Glossary of Key Terms

### Apportionment

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

### Combined Heat and Power (CHP)

A system that generates both electricity and useful heat from the same energy source, often used in larger buildings.

### Consumer Price Index (CPI)

A measure of inflation used to adjust costs like management fees annually.

### District Heating System

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

### First Tier Tribunal (FTT)

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

### Ground Rent

A fee paid by leaseholders to the freeholder of the land on which their property sits. Abolished for new leases after June 2022 under the Ground Rent Reform Act 2022.

### Landlord and Tenant Act 1985

A key piece of legislation that defines service charges and sets out the rights and responsibilities of landlords and tenants.

### Lease

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

### Management Provider (MP)

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

### Managing Agent

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

### New Model Shared Ownership Lease

A lease introduced from April 2021 onwards offering benefits such as capped repair costs and initial free maintenance period for some customers, if you have this lease type it will be included on the Key Information Document provided to you during the sales process.

### Reserve Fund / Sinking Fund

A savings fund built up over time to cover the cost of major future repairs or replacements (e.g., roof replacement, lift upgrades).

### Section 20 Consultation

A formal process required by law when landlords plan to carry out major works or enter into long-term service contracts that will cost leaseholders over a certain amount. Residents must be consulted before the work begins.

**Section 20B Notice**

A formal notice issued when service charge accounts cannot be finalised within six months of the financial year-end. It informs residents that charges will still be applied once finalised.

**Service Charge**

A payment made by leaseholders or shared owners to cover the cost of maintaining communal areas and services (e.g., cleaning, gardening, lift maintenance).

**Shared Ownership**

A housing scheme where residents buy a share of their home and pay rent on the remaining portion, typically to a housing association.

**Variable Service Charge**

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