

## Service Charge Policy

Responsible Officer	AD Housing
This policy is applicable to	Karbon Homes
Approved by	Board
Date approved	March 2023 (KMT December 2022)
Frequency of review	Every 3 years
Date of next review	December 2025
Implementation date	December 2022
Key related documents (policy, procedure, customer literature)	Service Charge Procedure and any associated appendices
Sources of best practice or guidance used in developing this policy	National Housing Federation Service Charges and Rentcharges guide (6 <sup>th</sup> edition)

### Version control

Version number	V2	Author of Policy	Rob Jeffreys, Head of Income
Equality Impact Analysis	Initial	Equality Analysis Date	March 2019

### Document change history

Version	Date	Changed sections
V2	November 2022	Definitions updated and the following sections: 2.1, 3.1.1, 3.1.4, 3.1.5, 3.1.6, 5.0
2.1	April 2024	Added new section 'Our Approach to Vulnerability'

### Consultation

Consultation Group (if applicable)	Date of Consultation (if applicable)
Staff	January 2020
Union(s)	Not applicable.
Customers	December 2019
Human Resources / Organisation Development	Not applicable.
Health and Safety Working Group	Not applicable.
Other stakeholder (please state)	Not applicable.

## Policy statement

Karbon Homes is committed to delivering quality services that are cost efficient and transparent for customers across all tenures. Where Karbon Homes provides services these may be charged for by way of a service charge. Service charges will be applied in accordance with the relevant occupancy agreement and Karbon Homes will apply an administration fee to cover the costs incurred in calculating, managing and administering services and charges.

## Definitions

- Section 18 (1) of the Landlord and Tenant Act as amended 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, improvements or insurance or the landlords costs of management; and the whole or part of which varies or may vary according to relevant costs.
- A variable service charge is one where the provisions of the occupancy agreement require the landlord to estimate the service charge at the outset of an accounting year and then reconcile that estimate actual costs incurred during the year, with any surplus or deficit carried forward into the service charge for the following year.
- An accounting year is defined within the occupancy agreement as the period of time (usually twelve months) for which estimated and actual service charge costs should be calculated. This may vary between different agreements.
- A surplus is when, in the case of a variable service charge, the estimated service charge was higher than the actual service charge cost. This surplus would then reduce the future service charge.
- A deficit is when, in the case of a variable service charge, the estimated service charge was lower than the actual service charge cost. This deficit would then increase the future service charge.
- A fixed service charge is fixed for a particular year. Once the charge has been set any variation between the actual cost and the estimate is absorbed by Karbon Homes.

### 1.0 Purpose of policy

- 1.1 The purpose of this policy is to provide a framework for the legal, regulatory and operational management of service charges.
- 1.2 Karbon Homes is committed to delivering quality services that are cost efficient and transparent for customers across all tenures.

### 2.0 Objectives

- 2.1 Karbon Homes will apply all service charges in accordance with the lease and in accordance with legislation and guidance issued by the Regulator. We will endeavour to maintain the highest of standards and reflect best practice within the industry.

Our objectives in relation to service charges are:

- To provide cost effective services that are necessary to manage and maintain the property or scheme;
- To provide customers with details of the services provided and the cost of those services;
- To ensure new customers are made aware of the services provided when they move into their new home;
- To provide customers with clear and transparent information about service charges;
- To adopt a fair approach throughout Karbon Homes' housing stock and tenure types in the calculation, apportionment and recovery of service charges so far as contractual obligations permit;
- To provide effective contract management where services are provided by external contractors, including monitoring the effectiveness of delivery against agreed standards;

### **3.0 Policy detail**

3.1 This policy covers all property owned or managed by Karbon Homes. Service charges will be managed within the following principles:

#### **3.1.1 Fixed and variable charges**

The majority of Karbon Home residents, including shared owners and leaseholders, as well as some Karbon Homes tenants pay a variable service charge.

The majority of Karbon Homes assured and assured shorthold tenants pay a fixed service charge in line with the terms of their tenancy agreement. All new tenants will have a fixed service charge. Definitions of variable and fixed service charges are detailed above in the definitions section.

Where a tenant has a variable service charge, they may request at any time to move to a fixed service charge. This will be achieved through a variation to their tenancy agreement and this request will be accepted by Karbon Homes.

#### **3.1.2 Services provided**

Each scheme will have an individual service charge schedule detailing the services provided. Examples of chargeable services include (but are not limited to):

- Grounds maintenance
- Cleaning of common parts
- Lighting and heating to common parts
- Provision of fire alarms and emergency lighting
- Provision of lifts

In the case of leasehold service charges, the cost of repairs to the fabric and structure of the building may be considered chargeable services depending on the terms of the lease.

### **3.1.3 Cost recovery**

Karbon Homes aims to recover all costs associated with the delivery of services. Service charges will be calculated at a level sufficient to recover the cost of service provision in a fair and transparent way and will be charged in accordance with the provisions of the lease or tenancy agreement. Costs will be apportioned in a reasonable manner between those customers receiving those services and in accordance with the provisions of the Lease. Karbon Homes will decide on the fairest approach in each circumstance.

### **3.1.4 Administration fees**

Administration fees will be charged to cover the costs of calculating, managing and administering services and charges. The maximum Karbon Homes will charge in respect of tenant administration charges will be 15% of the cost of services provided. In the case of leaseholders, administration fees will be calculated on a reasonable basis and in accordance with the lease.

### **3.1.5 Sinking funds and depreciation**

In the majority of cases service charges will include either a sinking fund or depreciation costs. The use of sinking funds and depreciation are methods of spreading the cost of items likely have a lifespan longer than a year over a number of years, avoiding excessive changes in service charges each year. These usually relate to higher value items such as roof and lift replacements.

### **3.1.6 Consultation**

Karbon Homes will consult with customers in line with statutory requirements as and when required in the specified processes both in accordance with the lease and where appropriate as prescribed by Section 20 of the Landlord and Tenant Act 1985 and in accordance with The Service Charges (Consultation Requirements) (England) Regulations 2003. Section 20 of the Landlord & Tenant Act 1985 (as amended) limits the amount that landlords can recover if they have not consulted with their tenants in compliance with the Consultation Requirements before carrying out qualifying works or entering into qualifying long-term agreements.

Further details can be found in the Karbon Homes Section 20 consultation policy. We also consult with customers more generally where applicable, when there is a significant change to services provided.

### **3.1.7 Value for Money**

Karbon Homes strives to deliver value for money for its customers in the delivery of service charges. To ensure service contracts are cost effective and do represent good value for money they will be reviewed regularly in line with the Karbon Homes

procurement strategy. We will also have in place a robust system of contract management to ensure specifications are adhered to and high standards of service delivery are achieved.

### **3.1.8 Complaints**

Where a customer wishes to complain about the service they receive from Karbon (whether that service forms part of their service charge or not), complaints will be handled in line with our Complaint, Compliments and Suggestions Policy and Procedure.

Alternative review procedures via the First Tier Tribunal (Property Chamber) exist for customers wishing to challenge, for example, the calculation of their service charge, whether a service should form part of a service charge or whether a service charge is reasonable.

## **4.0 Monitoring and Review**

- 4.1 This policy will be reviewed at least every 3 years. The review will be brought forward if there are significant changes to good practice, regulatory or legislative requirements.
- 4.2 The Executive Director of Customer Services is responsible for delegating the implementation, monitoring and review of this policy.
- 4.3 We will consult with customers and staff regarding this policy wherever this is appropriate

## **5.0 Our Approach to Vulnerability**

- 5.1 This policy is applied in line with Our Approach To Vulnerability Policy. Everyone matters. We want people to be treated fairly, have equality of opportunities, freedom, respect, and access to our services. We will offer support, reasonable adjustments, and adaptations to remove barriers. We will discuss with our customers what is reasonable and appropriate. In delivering this service we may need to escalate a particular case – if we do then customer vulnerabilities will be considered as part of the decision-making process.
- 5.2 We will support people with vulnerabilities to deliver this service. We will work alongside external agencies such as social services, the police and fire services and other appropriate agencies to help and support people with vulnerabilities in the delivery of our services but also to ensure we meet our statutory and regulatory requirements as a social landlord.
- 5.3 Details are provided in the appropriate areas in this policy.
- 5.4 All our customer policies are available on the website.

## **6.0 Equality and Diversity**

- 6.1 This policy is applied in line with Karbon's Equality and Diversity Policy and the associated legislation including the Public Sector Equality Duty and Equality Act 2010. At Karbon we aim to eliminate discrimination, promote equality of opportunity, foster good relations and define the nine protected characteristics of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.
- 6.2 However, we like to go even further. Beyond these protected characteristics we also take into consideration additional factors such as socio-economic status and language barriers which may also play a part. Our vision is for everyone to be treated fairly, have equality of opportunities, freedom, respect and access to our services.
- 6.3 To help us achieve this, we will work to improve accessibility for all, offering reasonable adjustments, adaptations and discussing ways that we can work to remove any barriers. A reasonable adjustment involves making a change to the way that we usually do things.
- 6.4 All of our customer policies and key information are made available on the Karbon Homes website. Reasonable adjustments that can help for example to make our information and services more accessible are sign language and language interpreters. We will work to improve accessibility for everybody that we deal with offering reasonable adjustments, adaptations and discussing ways that we can work to remove barriers that you may experience. A reasonable adjustment involves making a change to the way that we usually do things.
- 6.5 We work together to look at options and agree what adjustments would be reasonable in your individual circumstances. If you would like to find out more please get in touch with the team.

## **7.0 Data Protection and Privacy**

- 7.1 We have a clear policy on data protection and sharing data with other partners/third parties under the requirements of the General Data Protection Regulation. This is clearly set out in the Data Protection Policy for the Karbon Homes Group which in association with the Data Protection Procedures must be followed throughout the operation of this policy.

