

SERVICE CHARGE POLICY

Service Charge Policy

Responsible Officer	Group Director Housing
This policy is applicable to	Karbon Group
Policy version	3
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Policy Statement

This Service Charge Policy explains how the Karbon Homes Group (the Group) calculates, manages and recovers service charges for customers across its housing stock. The policy aims to ensure that service charges are fair, transparent, cost-effective and charged in line with tenancy agreements, leases and relevant legislation.

Service charges help cover the cost of services provided to customers and communal areas, such as grounds maintenance, cleaning, lighting, heating, fire safety systems and lifts. Each scheme has a service charge schedule which details the services provided and the costs associated with them.

The Group is committed to providing clear information about service charges, ensuring customers understand what they are paying for and how charges are calculated. Charges are set to recover the reasonable cost of providing services and are allocated fairly between the customers who benefit from them. Administration fees may also be applied to cover the costs of managing and administering service charges.

The policy recognises that customers may have either fixed or variable service charges, depending on the terms of their occupancy agreement. Where customers experience difficulties paying service charges, support is available through the Group Money Matters Team to help manage arrears and agree affordable repayment arrangements.

The Group is committed to delivering value for money by regularly reviewing service contracts, monitoring contractor performance and consulting customers where significant changes to services are proposed or where consultation is required by law. Customers can raise concerns or complaints through the Group's complaints process and, where applicable, may have the right to challenge certain service charge decisions through the First-tier Tribunal.

The policy also reflects the Group commitment to equality, inclusion and supporting customers in vulnerable circumstances, ensuring all customers can access information and services fairly and appropriately.

Risk the policy is designed to control

2. Financial Viability - Risk that the Group fails to remain financially viable.

4. Customer Service & Satisfaction – Failure of the Group to keep its promises to customers by meeting its customer service and TSM targets.

Key performance measures

None

Definitions

Service Charge

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.

Variable Service Charge

A charge 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 with actual costs incurred during the year, with any surplus or deficit carried forward into the service charge for the following year.

Accounting Year

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.

Surplus

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.

Deficit

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.

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 the Group.

Abbreviations

None

Policy Detail

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 The Group is committed to delivering quality services that are cost efficient and transparent for customers across all tenures.

2.0 Objectives

- 2.1 The Group will apply all service charges in accordance with the lease and in accordance with legislation and guidance issued by the Regulator.
- 2.2 We will endeavour to maintain the highest of standards and reflect best practice within the industry.
- 2.3 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 the Groups' 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 the Group. Service charges will be managed within the following principles:

3.1.1 Fixed and variable charges

Group residents, shared owners and leaseholders, as well as some Group tenants pay a variable service charge.

The majority of Group 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 the Group.

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

The Group 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. The Group will decide on the fairest approach in each circumstance.

3.1.4 Affordability

Where customers are unable to pay their service charges customers will be referred to our Money Matters Team with arrears and repayment plans being managed in accordance with the Group's Income Management Policy.

3.1.5 Administration fees

Administration fees will be charged to cover the costs of calculating, managing and administering services and charges.

The maximum the Group 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.

3.1.6 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.

3.1.7 Consultation

The Group 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 Group Section 20 consultation policy.

We also consult with customers more generally where applicable, when there is a significant change to services provided.

3.1.8 Value for Money

The Group 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 Groups 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.

3.1.9 Complaints

Where a customer wishes to complain about the service they receive from the Group (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 with a variable service charge 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 Customer Vulnerabilities

4.1 This policy is applied in line with our Customers in Vulnerable Circumstances Policy. We want people to be treated fairly, have equality of opportunities, freedom, respect, and access to our services.

4.2 We will support people in vulnerable circumstances to help us 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 in vulnerable circumstances and to ensure we meet our statutory and regulatory requirements as a social landlord.

4.3 Policies and key information are made available on our website.

5.0 Monitoring and Review

5.1 The Executive Director of Customer Services is responsible for delegating the implementation, monitoring and review of this policy.

- 5.2 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.

6.0 Equality and Diversity

- 6.1 This policy is applied in line with our Inclusion and Belonging Policy. This includes the legal requirements of the Equality Act 2010, Workers Protection Act 2023 and the Public Sector Equality Duty.
- 6.2 At the Karbon Group 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.
- 6.3 If you would like this or any other policies in a different language or format please contact inclusion@karbonhomes.co.uk.

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 UK General Data Protection Regulation, the Data Protection Act 2018 and other associated legislation. This is clearly set out in the Data Protection Policy for the Karbon Group which, along with its associated procedures, must be followed throughout the operation of this policy.