



SERVICE CHARGE POLICY

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Policy Owner: [Finance]

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1.0 PURPOSE

- 1.1 This policy describes how Adra will manage and administer service charges in a fair, reasonable, transparent and consistent manner which provides value for money for our service users.
- 1.2 A service charge is used by Adra to recover the costs of providing and maintaining services and benefits to residents beyond the benefit of enjoying occupation of their own home. It applies to the right to use a service and not just the actual use of the service. For example, the costs of providing lifts in blocks of flats, providing on-site staff, ground maintenance, and communal cleaning are services for which charges can be applied.

2.0 SCOPE

- 2.1 This policy applies to Adra's tenants, leaseholders living in blocks managed by Adra, and other service users such as freeholders, right to Buy / Acquire home owners, shared owners or residents living on estates managed by Adra.
- 2.2 This policy does not apply to commercial properties such as shops or grazing land.

3.0 POLICY DETAIL

- 3.1.0 Adra provides services in connection with the occupation of its homes and communities for which reasonable service charges will apply.
 - 3.1.1 The Department for Work and Pensions (DWP) identifies four categories of service:
 - 3.2.0 Maintaining the general standard of the accommodation
 - 3.3.0 Area of communal use
 - 3.4.0 Basic communal services
 - 3.5.0 Tenant accommodation-specific charges
 - 3.6.0 Some of these services are eligible for the housing element of welfare benefits whilst others are ineligible. The DWP's Universal Credit Service Charges Guidance to Landlords provides examples of services which are eligible and ineligible for Universal Credit.
 - 3.6.1 For Adra tenants, the weekly service charge at signup will be set out in the tenancy agreement. Adra may, after consulting with the residents affected, increase, add to, remove, reduce, or vary the services provided or introduce new services. The resulting service charge would reflect any change made to these services.

New Developments

- 3.6.2 An initial estimate of the chargeable service costs, charges and subsidies will be identified at the appraisal stage of all new development projects to ensure the financial viability of

the scheme is properly evaluated. This will identify all the costs that should be recovered by service charges.

- 3.6.3 Whenever practically possible, estate and communal area designs will aim to avoid or minimise service charges to ensure long term viability and affordability for residents.
- 3.6.4 Service charges will be published early in the development process so that prospective residents are aware of the full costs of living in those properties. The service charge for new schemes will be based on:
 - 3.7.0 Information obtained from the Development Team identifying services;
 - 3.8.0 Quotes for the various services;
 - 3.9.0 Known costs for comparable services

Affordability

- 3.9.1 Adra will consider the reasonableness of services, work and charges to ensure they provide value for money. Where possible, Adra will consider whether services are eligible for Welfare Benefits e.g. Housing Benefit or Universal Credit, as part of the reasonableness decision.
- 3.9.2 If the Department for Work and Pensions (DWP) changes its criteria for which service charges are eligible for welfare benefit payments, Adra will review those services affected and consult with tenants as appropriate to ensure those services and their costs remain reasonable.
- 3.9.3 Adra will meet with relevant Local Authorities on an annual basis, or more frequent if necessary, to review the welfare eligible service charges and to forewarn them of planned changes in the year ahead.

Consultation

- 3.9.4 It makes good business sense to make sure Adra understands what its tenants and leaseholders want and involve them as far as possible in our decision making. Before introducing new or ending existing services, or when standards are set or changed, arrangements will be put in place for service users to be consulted on these services including the setting of service charges.
- 3.9.5 Consultation with Assured Tenants and Leaseholders in accordance with section 20 of the Landlord and Tenant Act 1985 is necessary:
 - 3.10.0 Prior to entering into a long-term agreement (more than 12 months), the apportioned cost of which will exceed £100 per annum (including VAT) (£1.92 per week per property)
 - 3.11.0 Where apportioned works costs are more than £250 (including VAT) (£4.80 per week per property)

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- 3.11.1 When considering providing extra services, reducing services, modifying services or introducing a charge for existing chargeable services, consultation may take the following form:
 - 3.12.0 A survey - to those affected by the service charge. The survey will explain the proposed change and give 30 days to respond.
 - 3.13.0 Adra may invite those affected to attend a meeting to discuss the proposed change where we will seek to determine a consensus.
 - 3.14.0 Adra may also speak to service users personally by face-to-face door knocking or by telephone
 - 3.14.1 If there is not a consensus, then Adra will decide whether the proposal/service charges must proceed. There may be occasions when Adra must continue with the change for specific reasons, for example, for health and safety or community safety reasons.
 - 3.14.2 Service users will be notified of the outcome within 30 days of the decision being made, together with a timetable as to when changes will take place.

ADMINISTRATION OF SERVICE CHARGES

3.15.0 Setting Service Charges

- 3.15.1 With effect from the first Monday in April after a tenancy is granted Adra may increase the service charge at any time, if at least one month's notice in writing is given, but not more than once a year unless there is a change in the services provided.
- 3.15.2 All residents who have the right to use a Adra service will be expected to contribute to the costs of paying for the service.
- 3.15.3 Adra will not make a profit from Service Charges. For each financial year, Adra will estimate the sum likely to be spent in providing services over the coming year. That will be the service charge to pay for the year.
- 3.15.4 At the same time, Adra will work out how much it has actually spent on providing services in the previous year. If Adra has recovered more than the cost of the service, the service charge will be reduced for the coming year. If Adra has recovered less than the cost of the service, the new service charge will be increased to cover any deficit.
- 3.15.5 Adra will provide a statement showing what is included in the service charge. When the statement is received, residents have the right, within six months of receiving it, to examine the service charge accounts, receipts and other documents relating to them and to take copies or extracts from them. Adra may make a small charge to cover the cost of any copying.

Management and administrative charge

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- 3.15.6 Adra will include an element for managing and administering activities related to service charges, such as arranging contracts, attending meetings, collecting charges and preparing accounts when calculating a service charge.
- 3.15.7 This element will be set either at 10% of the cost of the service or at the cost of running (managing and administering) the service, whichever is lowest.

Apportionment

- 3.15.8 Wherever possible, service charges will be made on a site by site basis and will be calculated to recover the full cost of providing the service. For each site, the cost of services shall usually be apportioned the number of homes benefiting from a service. In some cases, in order to maintain the reasonableness and fairness of a service charge, another method may be used. For leaseholders, the method of apportionment will be defined in the Lease.
- 3.15.9 Adra will clearly identify aspects of the service charge which are eligible and ineligible for the housing element of welfare benefit in order to enable tenants to claim the appropriate eligible amount of welfare benefits.
- 3.15.10 The portion of the service charge which applies to a void property will be funded from rental income as a management cost. It will not be passed on to the next service user. If Adra chooses to undertake work which causes a reduction in the Service Charge income, or there is a reduction in tenants living on the site, or the additional service is not available for a period, Adra will determine how the shortfall will be met.

Meeting future expenditure outside an annual budget cycle

- 3.15.11 Where the cost of an asset is borne in its first year, but the benefits derived from that asset are received in more than one year, Adra may use depreciation principles to apportion the cost of the asset over its useful life. The Rent Officer's Handbook includes a guide to the useful life for items of plant and machinery.
- 3.15.12 Adra may also set funds aside in its business plan to meet capital costs which are eligible for service charges.

Tenants who transferred from Gwynedd Council

- 3.15.13 As part of the transfer agreement Cartrefi Cymunedol Gwynedd (now known as Adra) promised that no new service charges will be introduced to tenancies which began before 12th April 2010 for services available before that date.
- 3.15.14 Adra will keep this promise to transferring tenants where there has been no change to their tenancy since 12th April 2010.



3.15.15 Should a change be in a pre-transferring tenancy such as “joint -to-sole” or “sole to joint” the agreement will only remain should the pre-transferring tenant be staying in the property. The transfer agreement will be transferred to any succeeding tenants.

3.15.16 Adra may consult as appropriate to change services offered pre-transfer. For example, to remove unwanted services.

Leaseholders, Freeholders, Shared owners and other Residents

3.15.17 Where the lease, or any other written contract made with Adra, differs from this policy then service charges will be administered according to that lease or contract. The main differences are likely to be: which services are chargeable; the apportionment methodology; when the service charge invoice is to be issued; or, the use of a sinking fund.

3.15.18 Adra may consult as appropriate to seek agreement to vary the terms of the lease or contract so that costs of services are shared fairly and consistently.

Complaints

3.16.0 Adra recognises your right to bring forward a complaint in relation to the exercise of this scheme. Any such complaint will be dealt with under the CCp01 – Complaints and Concerns Policy.

3.16.1 Adra will ensure that any decisions relevant to this policy are reasonable and comply with relevant policy and legislation

Review of Decision

3.16.2 Adra recognises the right to request a review of any decision relating to this policy. Any such review will be dealt with following our CCp04- Review of Decision process

3.16.3 Adra will ensure that any decisions relevant to this policy are reasonable and comply with relevant policy and legislation.

4.0 RESPONSIBILITY AND ARRANGEMENTS

4.1

Role [e.g. Director, HR Team etc.]	Responsibility
Director	3.16.0 ensure this policy is applied effectively and that staff are trained appropriately in the procedures associated with this policy.

5.0 DEFINITIONS

5.1 Service Charge – a service charge is a payment made by a tenant or leaseholder for services received in connection with occupying their home. The payment is in addition to the Rent. The statutory definition of a variable service charge can be found in s18 of the Landlord and Tenant Act 1985:

Service Charge means an amount payable by a tenant of a dwelling as part of or in addition to the rent –

- (a) Which is payable directly or indirectly for services, repairs, improvements, maintenance, insurance, or the landlord's costs of management; and,*
- (b) The whole or part of which varies or may vary according to the relevant costs.*

The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord... in connection with matters for which the service charge is payable.

For this purpose, 'costs' includes overheads and are relevant costs incurred in relation to a service charge, or to be incurred in the period when the service charge is payable, or in an earlier or later period.

Depreciation – an accounting method to allocate the capital costs of an asset over its expected useful economic life. For example, the cost of providing a lift with comprehensive maintenance would be apportioned over 50 years

6.0 ASSOCIATED DOCUMENTS

6.1 The following publications and legislation have been referenced during the drafting of this policy:

- Landlord and Tenant Act 1985
- National Housing Federation: Service charges - A guide for housing associations
- Department for Work and Pensions: Universal Credit service charges – guidance for landlords
- The Valuation Office Agency: Rent Officer Handbook
- ADRA Tenancy Agreement
 - EDpol01 Equality and Diversity Policy
 - Lpol01 Leaseholder Policy
 - CCpol01 Complaints and Concerns Policy
 - Rlpol01 Rental Income Policy

7.0 RECORD OF REVISIONS TO THIS PROCESS

Issue	Date	Comments (What has been revised?)	Written By	Approved for content
2	Oct 2019	<i>Addition of point 3.15.15 following confusion with transfer agreement and service charges.</i>	GH	SLT
3	Oct/Nov 2022	Removal of de-pooling process as it's no longer relevant. Addition of complaints procedure to keep consistent with other Adra policies.	GH	SLT
4	Oct 2023	Amendment made to 3.15.8 in line with a decision made to alter apportionment method during Service Charges Review and legal advice received by our legal team.	GH	SLT

8.0 EQUALITY AND DIVERSITY

8.1 Adra recognises the needs of a diverse population and always acts within the scope of its own Equality and Diversity Policy.

8.2 An Equality Impact Assessment (EIA) was undertaken in order to identify any adverse effects this policy might have on protected groups. The mitigating actions identified in that EIA have been incorporated in this policy.

9.0 REVIEW

This policy will be reviewed every three years or sooner if changes to legislation, best practice or other relevant Adra policies make it necessary.