

Reviewed January 2025

Midlands Rural Housing

Service Charge Policy Statement

January 2025

This policy is implemented by Midlands Rural Housing on behalf of four independent partner associations: Leicestershire Rural Housing Association, Northamptonshire Rural Housing Association, Peak District Rural Housing Association and Warwickshire Rural Housing Association. Midlands Rural Housing provides the full range of housing and management services for these four associations in line with a procedure agreement.

Document title	Midlands Rural Housing Service Charge Policy Statement
Version number	2
Version date	January 2025
Author title & issuing department	Housing Services Manager
Target audience	Housing, Leasehold & Homeownership, Income Management and Finance and MRH colleagues

Approved by	Housing Services Manager
Date approved	31.01.2025 (internally)
Review date	January 2028 – and 3 yearly thereafter.

Links to Regulatory Standards – Economic/ Consumer Standards	<p>In operating this policy we will also meet the requirements of the Regulatory Framework for social housing introduced by the Homes and Communities Agency (now Regulator of Social Housing), including the:</p> <p>Rent Standard 2015 – namely that:</p> <ul style="list-style-type: none"> ➤ Registered providers shall provide clear information to tenants that explains how their rent and any service charges are set and how they are changed. <p>Value for Money Standard – namely that:</p> <ul style="list-style-type: none"> ➤ Registered providers understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so. <p>Consumer standard</p> <ul style="list-style-type: none"> ➤ The Transparency, Influence and Accountability Standard (“the TIA Standard”) ➤ The Tenancy Standard ➤ The Neighbourhood and Community Standard (“the NC Standard”) ➤ The Code of Practice (“the Code”)
Outcome for customers	<p>Residents</p> <p>To remain a resilient and financially robust business by continuing to demonstrate value for money; efficiency and effectiveness; and by providing the financial and other resources needed to deliver our services and continue to grow. The policy will ensure improved services for residents through a tailored approach.</p>

<p>Links to Business Plan</p>	<ul style="list-style-type: none"> • 1 - Engage effectively with our residents • 3 - Provide high quality housing management services • 6 - Strengthen and grow partnership arrangements with local authorities, developers, financial organisations and other stakeholders
<p>Links to key values</p>	<p>Diversity: This policy outlines our approach to ensure our services are fair and accessible for all our customers.</p> <p>Openness: This policy sets out our approach in how we support residents with a vulnerability.</p> <p>Accountability: The policy sets out the roles and responsibilities in relation to vulnerability and how we will monitor compliance in this area.</p> <p>Clarity: This policy provides guidance for colleagues on how we define vulnerability and identify vulnerable customers.</p>

1. Introduction

- 1.1. This policy sets out the provisions we have in place to ensure that service charges are fair and reasonable, that they meet all legal requirements, providing value for money and that appropriate consultation and notification takes place.

2. Definition

The Landlord and Tenant Act 1985, 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 landlord’s costs of management and the whole or part of which varies or may vary according to the relevant costs.”

In this definition, the term ‘tenant’ also covers leaseholders. The National Housing Federation defines a service charge in more layman’s terms as: “A service charge is a payment made by a tenant or leaseholder for services received in connection with occupation of their home. The payment is in addition to the rent.”

3. Purpose

- 3.1. We will apply a ‘fair and equitable’ approach to the apportionment of service charges for tenants and shared owners, to ensure that we recover the costs incurred, and these will be subject to an annual review.
- 3.2. To invest in the housing and neighbourhood service where it is needed most, making services fit for the future, managing our existing homes and investing in and engaging with the diverse communities that live

there, increasing our feedback options and putting customers right at the heart of what we do.

- 3.3. The Association will aim to recover 100% of costs associated with services provided. Compliance with this policy will be closely monitored and any variation will have the prior approval of the Managing Director. There will be costs that are not rechargeable due to reconciliation of any miscoding's, affordable or exceptional costs, or where levying the charge would make the costs unaffordable to the customers, and these will be signed off by the Managing Director.
- 3.4. In most cases the tenancy agreement sets out the way in which service charges can be levied, either as fixed' or 'variable' charges. Our principles are based on the following:
- 3.5. Our legal responsibility is to ensure high standards of health & safety and fire safety in communal areas
- 3.6. Charges should be sufficient to maintain communal areas to a good standard that meets the aspirations and expectations of tenants and prospective tenants
- 3.7. In most instances Service charges should be eligible for Universal Credit and Housing Benefit. Where charges are ineligible, customers will be notified in writing.
- 3.8. We will involve and consult tenants in making decisions about the provision and monitoring of services wherever possible.
- 3.9. We will aim to maintain Service Charges at levels that are affordable to people on low incomes.
- 3.10. We will monitor the quality and delivery of Service Charges provided on a regular and consistent basis.

4. Specifics of the Policy

Fixed Services Charges

- 4.1. A fixed service charge is determined by us estimating what we consider it will cost to provide the service. At the point of setting the service charges (Autumn of the previous year) we will use the actual costs for the prior year together with an uplift, which is the increase in line with inflation where appropriate.
- 4.2. The Association's Service Charges are fixed for tenants as stated in the Tenancy Agreement. All service charges for shareowners will be variable and will be apportioned in accordance with the terms of the lease.
- 4.3. Where we operate a fixed service charge it will carry the risk of any overspend and where the actual cost of providing the service is more than the amount levied, we will not recover these costs. There will be no rebate if costs are less.

- 4.4. We will not be able to recoup any overspends from the previous accounting period but will be able to increase the amount to reflect the accurate costs of delivering the service in the following years notification of payments. If there are underspends, we reserve the right to keep and reuse any surplus created.
- 4.5. We will inform customers that are subject to fixed service charges in writing each year at the same time as rent notification letters are sent out, usually before the end of January two months' notice.
- 4.6. The notification will detail how much the customer is required to pay and for what services the charge is being applied (including any management costs for administering services and in some cases contributions for provisional costs on physical assets).
- 4.7. Some tenancies are let on affordable rents and in those cases the service charge element is incorporated within the rental charge.

5. Variable Service Charges

- 5.1. In addition to the above, for variable service charges, we will compare the actual costs with the estimated charged costs and will apply a reconciliation amount to reflect any surplus or deficit unless it is uneconomic for us to do so.
- 5.2. We will deal with surpluses/deficits in accordance with the terms of the lease (where this applies).

6. Service Charges for Leaseholders & Shared Owners

- 6.1. All service charges for leaseholders will be variable and will be apportioned in accordance with the terms of the lease.
- 6.2. Any request for payment for contributions to major works i.e. where we carry out improvement or upgrade works on a block where leaseholders reside will be included in the actual bills and may be subject to the Commonhold and Leasehold Reform Act 2002.

7. Administration Fee

- 7.1. The association charges a 15% administration fee for the calculation and administration of our services, including contracts, paying contractors and other bills.

8. Implementation

- 8.1. This policy will be implemented through supporting procedures, training and communications to staff. This policy will be available on our website, and accessible for staff on our internal SharePoint page. A hard copy is available on request.
- 8.2. All staff will be responsible for implementing the policy in line with their roles.

9. Service Charges for third Party Managed Properties

- 9.1. We have a number of properties where services are provided in situ to tenants by external agencies, known as third party managed properties.
- 9.2. The way service charges are set and collected for these properties will be determined by the terms of the management agreement that exists with the third party. All service charges involve us setting the service charges and us taking responsibility for collection of payments. An admin fee may be charged by the third party in addition to our own administration fee.

10. Consequences of Non-Payment

- 10.1. If a customer fails to pay service charges when given reasonable requests to do so in accordance with the regulations it will be classed as a breach of lease or tenancy agreement, and we may take enforcement action in accordance with the income management policy.
- 10.2. If a tenant or leaseholder is not happy with a service charge, they have the right to apply to the First Tier Tribunal. Tenants under section 13(4) of the Housing Act 1988 has a right to apply for a determination of the rent including the fixed service charge. If Section 13 does not apply, for example such as a leasehold or because a tenancy agreement sets the rules for how rent will be increased, then the notice is for information only and the Tribunal cannot intervene.

11. Service Failures

- 11.1. The Association recognises there will be occasions when there is a failure of service, this could be a no service or poor service.
- 11.2. "No" Service – e.g. the landscaping contractors have not provided the agreed number of visits in their contract
- 11.3. "Poor" Service – e.g. the cleaners have used dirty water to clean the floors.
- 11.4. All service failures are recorded and reported at the quarterly contractor management meeting. If we receive a service failure request from a resident, the issue should be rectified as soon as possible and where appropriate a resident may be entitled to a partial refund for that element of service not provided, where it is reasonable to do so. The Housing Officer should make his/ her recommendation to the Area Housing Manager over the level of refund.

12. Consultation with residents

- 12.1. On occasion, a service charge may need to be introduced, or a change in service may be required on a local level. When this occurs, the association will consult with residents in writing and where appropriate also offer to meet on site, giving details of the proposed changes and inviting comments within 28 days.

13. Complaints

- 13.1. If you're dissatisfied with the service, you have received you can raise a complaint by accessing the relevant association's link below:

[Warwickshire Rural Housing Association](#)

[Peak District Rural Housing Association](#)

[Leicestershire Rural Housing Association](#)

[Northamptonshire Rural Housing Association](#)

14. The policy should be read in conjunction with:-

Money Laundering Guidance – National Housing Federation
Income Collection and Debt Management Policy