

SERVICE CHARGE POLICY



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1. SUMMARY

- 1.1 This policy sets out how HRA Service Charge Policy has been developed and how it should now be implemented.
- 1.2 Sections include:
- Background – why the policy is needed
 - Objectives – what the policy aims to achieve
 - Scope – what the policy covers
 - Policy details
 - Service charge setting
 - Sinking Funds
 - Payments
 - How are different residents affected
 - Consultation and Information
 - Policy management
 - Complaints
 - Breaches and non-compliance
 - How the impact of the policy will be measured
 - Evaluation and review
 - Document Information
- 1.3 This policy is made available for Councillors, Council Officers and CHL. The policy is also available to tenants.

2. BACKGROUND

- 2.1 The service charges referred to in this policy are required to ensure that the Council recovers the cost of Housing Revenue Account (HRA) services provided to HRA tenants, HRA licensees (of accommodation), HRA leaseholders and RTB freeholders and their successors in title, for the cost of services which are not already included within the rent, license fee, ground rent or purchase price paid for their home.
- 2.2 The fundamental principle is that the service charges made cover the actual costs of services provided, the costs of which could go up or down, but will be adjusted accordingly on an annual basis. An administration charge of 10% of the actual costs will form a part of the charge.
- 2.3 These service charges are required to fund the provision, maintenance/repair and renewal of services covering communal areas of land and buildings owned by the

Council and paid for from the Housing Revenue Account (HRA), which the Council has a statutory duty to maintain and budget for each year.

- 2.4 These communal areas of HRA land and HRA buildings fall into two distinct types:

Amenity areas on HRA estates which includes unadopted: grassed areas, soft and hard landscaped areas; roads, footpaths and car parks, lighting and any other general communal services maintainable by the Council's HRA and not the Council's General Fund. These areas can normally be used by all residents of and visitors to, the estate.

Communal areas in and around HRA owned blocks of flats and grouped homes such as accommodation for the elderly, hostels for the homeless etc. provided solely for the benefit of the residents of the block or grouped home and their visitors. These areas may have footpaths which bisect the communal areas, but this does not change the intention of the sole use.

- 2.5 These common areas of blocks of flats and grouped homes can be sub-divided into 3 categories:

- a. Communal land around such blocks and grouped homes e.g. communal gardens and any private road, footpath, external lighting, external storerooms, car park etc;
- b. Communal internal areas of such blocks and schemes that are shared and used by the residents who live there e.g. corridors, staircases, lifts; fire safety systems and emergency lighting, heating and lighting of the communal areas etc.; and
- c. Structural and exterior parts of such blocks or schemes which create the stable, secure, wind and weathertight building which contains people's flats e.g. exterior walls, roof, foundations, bin stores, exterior communal doors and the structural framework which holds up the building etc.

- 2.6 The examples given above are not an exhaustive list.

Amenity Areas

- 2.7 When this Council and its predecessors bought land on which to build council housing this was placed in the Housing Revenue Account.

- 2.8 Over the years many of the roads, footpaths, streetlights and some grassed areas adjacent to them have been adopted by the Council under its highway powers and some communal grassed, soft landscaped and hard landscaped areas have been adopted by the Council under its leisure powers.

- 2.9 These adopted areas are now maintained by the Council's General Fund, with residents paying for these services out of their Council Tax, government grants funded by national taxation; and business rates.

- 2.10 This is in keeping with what happens on estates built by private housebuilders and reflects the fact that these areas are enjoyed by all residents of and visitors to, the estate, irrespective of their tenure.
- 2.11 However, the majority of the land has not been treated in this way and there are still unadopted roads, footpaths, streetlamps, grassed areas, soft landscaped areas and hard landscaped areas which have not been adopted which are still maintained by the HRA.
- 2.12 This council also inherited a situation from its predecessors where the level of charge and the residents charged for these services, has differed from district to district.
- 2.13 Some RTB freeholders and their successors in title and leaseholders are obliged by the terms of their respective conveyances or lease to pay a service charge contribution towards the maintenance of these HRA areas. However older conveyances and leases do not always have this condition.

Communal areas in and around HRA owned blocks of flats and grouped homes.

- 2.14 These areas are usually only enjoyed by the tenants, licensees and leaseholders living in the blocks of flats and grouped homes and in the same way as residents of privately owned flats pay for the upkeep of the privately owned communal areas in and around their flats, this policy will ensure that Council tenants and leaseholders will contribute equally towards the costs of these common areas, from which they all benefit.
- 2.15 In addition, when major repairs are carried out to these common areas such as renewing an entire roof, this can lead to leaseholders having to pay large one off bills, which lower income leaseholders may struggle to pay. Tenants pay their contribution towards these major repair bills from their rents.
- 2.16 For leaseholders who cannot pay, due to their financial circumstances, their element of the cost can be added as a legal charge to the lease, meaning that when they sell their leasehold, they will be expected to pay towards these repair costs. This may mean that it is many years before the leaseholder is able to repay this money. Alternatively, leaseholders can pay this off by instalments.

3. OBJECTIVES (WHAT THIS POLICY AIMS TO ACHIEVE)

- 3.1 The overall objective of this policy is to ensure that the Council fully complies with the relevant legal requirements for HRA service charges and adopts best practice guidance covering the setting, collection, consultation, management and provision of information relating to HRA service charges.
- 3.2 Additional detailed objectives include but are not restricted to:

- Maximising the collection of service charges by making sure everyone who should be charged, is charged; and making it as easy as possible for these charges to be paid and budgeted for.
- Ensuring service charges accurately and transparently reflect actual costs of previous expenditure (based on previous year's actual costs) and reasonable estimates of future expenditure (based on current costs adjusted for changes in inflation and repair costs; the likely life of the building components); and the costs of administering these charges.
- Ensuring services charges are fairly apportioned between tenants, leaseholders, licensees and Right to Buy freeholders and their successors in title, based on the number of properties benefitting from services and works to the common areas.
- Ensuring staff and recipients of the services can clearly see how service charges are calculated.
- Providing clear and transparent information for residents on annual service charge income and expenditure.
- Ensuring consultation takes place with service charge payers on any new services to be provided and variations to any services already being provided.

4. SCOPE

4.1 This policy covers:

- An explanation of which part of the Council's finances provides the services referred to in this policy.
- An explanation of the kinds of services for which the Council can charge service charges.
- How such service charges will be set.
- Sinking Funds and how they can help service charge payers to budget for large future costs.
- How service charge payments can be made.
- How different groups of residents are affected by service charges.
- How will residents be consulted on and informed about service charges.

It affects the following residents:

- All residents of homes owned, by and leased or rented from Cornwall Council.
- All residents who own a share in their home where Cornwall Council retains a responsibility for providing services.
- All residents who own their homes outright but who have contractual obligations to contribute to services provided by Cornwall Council.

4.2 A service charge is:

- A payment made by a resident towards the cost of providing, maintaining and renewing any shared facilities, common areas, the structure and exterior of a shared building or providing extra services.
- These charges are set separately to the rent paid by a tenant, a licence fee paid by a licensee, a ground rent paid by a lessee and the purchase price paid by a RTB homeowner or successor in title.

5. POLICY DETAILS

5.1 This policy specifically covers the service charges we make to tenants, leaseholders, licensees and specified Right to Buy freeholders and their successors in title, for services which are provided and funded by the Council's Housing Revenue Account (HRA).

5.2 HRA services charges include but are not restricted to:

Service	Examples
Buildings Insurance	• This is usually covered in the leaseholder's lease with a yearly charge made to the leaseholder to cover this cost • This is usually covered in the shared ownership lease with a monthly charge to cover this cost • Tenants and licensees currently pay for this in their rent.
Communal Area Electricity	• Provide, maintain and renew internal communal lighting, in corridors, staircases, community rooms etc. within HRA blocks of flats, HRA groups of homes or homeless hostels with communal facilities; and/or • Provide, maintain and renew external communal lighting fitted on the outside of HRA blocks of flats, HRA groups of homes or homeless hostels with communal facilities; and/or • Provide, maintain and renew lighting for unadopted roads, footpaths and/or car parking areas on HRA housing estates; and/or • Provide, maintain and renew electric storage heaters in communal corridors and communal rooms of HRA blocks of flats, HRA grouped home schemes and homeless hostels; • The cost of supplying electricity to power the items above and below in this table, powered by electricity.

Service	Examples
Communal Area Cleaning	• Internal cleaning of floors, walls, staircases, etc. within HRA blocks of flats, HRA grouped home schemes or homeless hostels with communal facilities, in communal corridors, staircases, community rooms etc. and/or • Cleaning of communal windows internally and externally for HRA blocks of flats, HRA grouped home schemes or homeless hostels with communal areas/facilities; and/or • External cleaning of, footpaths, surrounding HRA blocks of flats, HRA grouped home schemes, and Homeless hostels.
Amenity and Communal Grounds Maintenance	• Providing, maintaining and renewing open grassed areas, hard landscaped and soft landscaped areas in communal areas around HRA blocks of flats, HRA grouped home schemes and HRA homeless hostels; and/or • Providing, maintaining and renewing unadopted amenity open grassed areas, hard landscaped, soft landscaped areas and play areas on HRA housing estates; and/or • Weed killing hard landscaped areas such as unadopted roads, footpaths and car parks surrounding HRA blocks of flats, HRA grouped home schemes, HRA homeless hostels and on HRA housing estates.
Communal Security Systems	• Providing, maintaining and renewing Closed Circuit Television Systems in HRA blocks of flats, HRA grouped home schemes and HRA homeless hostels; and/ or • Providing, maintaining and renewing Door Entry Systems in HRA blocks of flats, HRA grouped home schemes and HRA homeless hostels; and • Periodic health & safety check of such systems to ensure public safety.
Emergency Alarm Call Systems	• Providing, maintaining and renewing hardwired emergency alarm call systems for vulnerable residents in HRA blocks of flats, HRA grouped home schemes and HRA homeless hostels; and • Periodic checks of such systems to ensure public safety.

Service	Examples
Concierge services & hostel management	• Providing scheme officers to assess and advise vulnerable residents on any property related issue, carry out health & safety checks; and • Management of homeless hostels.
Communal Health & Safety checks and maintenance	• Providing, maintaining and renewing risk prevention and reduction systems in HRA blocks of flats, HRA grouped home schemes and HRA homeless hostels e.g. ○ communal fire detection/alarm systems; ○ communal fire extinguishing systems; ○ communal emergency lighting systems ○ communal water supply systems; ○ communal sewage treatment systems; ○ communal lifts; and • Periodic health & safety checks of all such systems and communal areas e.g. for trip hazards; and their repair/maintenance and replacement to ensure public safety and legal compliance.
Communal TV/Internet reception and distribution systems	• Providing, maintaining and renewing HRA provided communal TV aerials, broadband, distribution, wiring etc. in HRA blocks of flats, HRA grouped home schemes and HRA homeless hostels.
Communal Heating systems	• Providing, maintaining and renewing mains gas, liquid petroleum gas and/or other nonelectric fuel fed central heating systems serving communal areas of HRA blocks of flats, HRA grouped home schemes and HRA homeless hostels; and district heating system supplied to individual homes and • The cost of supplying the fuel to keep such systems working.
Communal Laundry Facilities	• Providing, maintaining and renewing communal laundry facilities for HRA blocks of flats, HRA grouped home schemes and HRA homeless hostels (please note that these are paid for every time they are used to cover rental/depreciation charges).

Service	Examples
Sewage Treatment	• Providing, maintaining and renewing septic tanks and rural sewerage plants, including the removal and/or treatment of sewage. • Providing water and electric where applicable.; and • Renewing of environmental permits where applicable
Water Charges	• Providing, maintaining and renewing communal water service facilities e.g. communal rooms and communal toilets etc.; and • Providing, maintaining and renewing individual water services e.g. to some HRA blocks of flats, HRA grouped home schemes and HRA homeless hostel licensees; and • The cost of supplying water to the above residents. (These costs are not collected on behalf of any water supply company)
Furniture & equipment	• Providing, maintaining and renewing communal furniture and equipment at HRA grouped home schemes and HRA homeless hostels; and • Individual furniture for residents of, for example, HRA homeless hostels.
Communal Flooring	• Providing, maintaining and renewing communal flooring in HRA blocks of flats, HRA group home schemes and HRA homeless hostels; and • Individual flooring for residents of, for example, HRA homeless hostels or other temporary accommodation for the homeless.
Communal Refuse & sanitary Bins	• Providing, maintaining and renewing communal refuse and sanitary bins for HRA blocks of flats, HRA group home schemes and HRA homeless hostels; and • Removal of the contents of sanitary bins at these schemes.
Ground Rent	• A fee due for the use of the land on which a leasehold property stands.
Developer recharges	• Providing services or facilities on an estate

Management / Administration Costs associated with service charges	• Setting and collection of service charges • Consultation on and explanation of service charges • Professional costs of provision, maintenance and renewal of common areas e.g. architects, surveyors, clerks of works, lawyers etc.
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Note: Not all services are provided to all tenants, leaseholders, licensees or RTB freeholders and their successors in title. Their individual service charges will depend on where they are located and what communal facilities and services they benefit from.

Service charge setting

- 5.3 The service charge payable by a tenant, leaseholder, licensee or RTB freeholder will be in accordance with conditions set out in their tenancy agreement, lease, license or RTB conveyance.
- 5.4 The relevant costs will be the actual costs already incurred by the Council or the estimated costs due to be incurred by the Council in the future, plus reasonable management / administration costs currently set at 10% of the overall service charge.
- 5.5 Costs will normally be assessed annually and recommendations will be made to the Council on what levels of service charge are to be set for the following financial year. The Council will amend and/or approve the service charges in its annual budget setting meeting and the new charges will normally take effect from April each year.
- 5.6 In exceptional circumstances e.g. significant changes in costs beyond its control; CHL reserves the right to increase service charges more frequently.

Sinking Funds

- 5.8 A sinking fund is an amount of money which is set aside to cover any major work which is needed on common areas or the structure and exterior of the building, in the future and this is applicable to leaseholders dependent on their individual lease.
- 5.9 The sinking fund is usually part of the overall annual service charge and is calculated by looking at the current costs of renewal, whilst taking into account probable changes in inflation and building costs, and the expected lifetime of the component e.g. a replacement roof. The amount payable is usually then put into an interest bearing account, and the interest accrued is added to the account.
- 5.10 We will, where appropriate, offer the choice of contributing to sinking funds as an addition to the normal service charges.

- 5.11 This would be of particular help to certain service charge payers who would find it difficult to pay large sums of money at the point of provision, maintenance or renewal in the future.
- 5.12 In addition, certain service charge payers such as leaseholders and RTB freeholders and their successors in title may find it easier to sell their homes if there is a sinking fund, which may avoid a buyer being overly concerned about future major works expenses.

Payments

- 5.13 HRA tenants are charged weekly and payments can be made weekly or monthly or annually in advance.

Shared owners are charged monthly and payments are made monthly in advance.

Leaseholders & freeholders are charged annually and payments can be made weekly, monthly, quarterly or annually in advance.
- 5.14 The method for making payments remains the same as for other payments made to Council.

How are different residents affected?

- 5.15 Tenants' rents currently contribute towards the general provision, maintenance and renewal of amenity areas and common areas; however, the Council reserves the right to introduce service charges to cover these and other costs in the future.
- 5.16 The costs of associated services such as communal electricity, cleaning of communal areas, grounds maintenance, health & safety inspections & associated repairs etc. will be covered by additional service charges.
- 5.17 Licensees' licence fees currently contribute towards the general provision, maintenance and renewal of common areas; however, the Council reserves the right to introduce service charges to cover these and other costs in the future.,
- 5.18 The costs of associated services such as communal electricity, cleaning of communal areas, grounds maintenance, health & safety inspections and associated repairs etc. will be covered by additional service charges.
- 5.19 Leaseholders' service charges currently cover their contribution towards the provision, maintenance and renewal of all the estate amenity areas and communal areas around their home that they benefit from.
- 5.20 The costs of associated services such as communal electricity, cleaning of communal areas, grounds maintenance, health & safety inspections & associated repairs etc. will be covered by additional service charges.

- 5.21 Shared owners currently contribute towards the insurance of their properties along with the costs of any associated services such as developer recharges, communal electric, communal cleaning, grounds maintenance, health & safety inspections and these will be covered by additional service charges.
- 5.22 RTB Freeholders, subject to the enforceability of such clauses, will pay service charges for items such as Council (HRA) provided sewage treatment e.g., having their sewage treated by an HRA owned rural sewage scheme; and for the provision, maintenance and renewal of any unadopted amenity land e.g. common grassed areas, soft and hard landscaping, roads, footpaths, lighting and parking areas on the estate.

Consultation and Information

- 5.22 CHL will carry out consultation on services as and when required by a range of methods including:
- Regular discussions with representative groups
 - Random surveys including questionnaires
 - Inviting comments at public meetings or via a range of communication methods.

CHL will, for example, consult on:

- The types of services to be provided
 - Additional services
 - Discontinuing services
 - Service quality
- 5.23 In addition, there are a number of situations where CHL is required by law, currently set out in Section 20 of the Landlord and Tenant Act 1985 as amended, to consult service charge payers on who will be selected to provide service chargeable services or major works.
- 5.24 Qualifying works are any works that are carried out by a contractor and are to be charged to the resident via the service charge.
- 5.25 Qualifying long term agreements are any agreement that exceeds 12 months in duration and relates to service chargeable works or services.
- 5.26 The Secretary of State for Housing, Communities & Local Government, and his/her successors, has the power to set the minimum cost that triggers this type of consultation. It is currently set at £250 (including VAT) for qualifying works and £100 (including VAT) for qualifying long term agreements. Both apply for any one property in one financial year.
- 5.27 Where it is not possible to follow Section 20 consultation requirements due to necessary emergency works, CHL will apply to the First-Tier Tribunal (Property Chamber - Residential Property) for dispensation.

- 5.28 Finally, under the Housing Act 1985 as amended, the Council is required to set out in a Right To Buy Offer, the property price, the discount applied and the estimate of any service charge costs. The estimate is for the first 5 years and includes ongoing service charges such as cleaning and estimates for any contributions towards the costs of major works during that period.
- 5.29 This is to ensure that any potential RTB leasehold purchaser is aware of the potential on-going costs of maintaining communal areas and the structure and exterior of the building in which they live, before they finally decide to buy. It does not however give details of costs that may be incurred from year 6 onwards till the end of the lease.
- 5.30 Government RTB literature also warns potential RTB freeholders that “Some freeholders may also have to pay service charges for the repair and maintenance of shared communal areas on an estate – for example, pathways, play areas and gardens.”

6. POLICY MANAGEMENT

Managing Agent

- 6.1 Cornwall Housing Limited (CHL) is a wholly owned subsidiary of the Council which manages and maintains Cornwall Council’s housing on behalf of the Council.
- 6.2 Consequently CHL are responsible for implementing and managing service charges.
- 6.3 CHL will calculate the cost of those services, recommend the annual level of service charges to the Council for approval and then collect the service charges on behalf of the Council.
- 6.4 CHL will either provide the services directly or supervise approved external contractors who will then provide the services.

Complaints

- 6.5 Any complaints about service charges should be addressed in the first instance to Cornwall Housing Limited.
- 6.6 All complaints received will be dealt with in accordance with the Cornwall Housing Limited’s standard complaints procedure which is available at www.cornwallhousing.org.uk
- 6.7 Initial expressions of dissatisfaction will be dealt with informally with a view to resolving the issue as soon as possible, without requiring a formal complaint to be made.

7. BREACHES AND NON-COMPLIANCE

- 7.1 Any breach of or non-compliance with this policy by a member of staff may be dealt with under Cornwall Housing Limited's normal disciplinary procedures or by further training and mentoring of the staff member depending on the severity of the breach or non-conformance.
- 7.2 Any breach of or non-conformity with this policy by a service provider or contractor may be dealt with under normal contract compliance processes, which in the most severe circumstances may be by a discontinuation of the contract and suing the contractor for damages.

8. HOW THE IMPACT OF THE POLICY WILL BE MEASURED

- 8.1 The impact of this policy will be measured by a range of key performance indicators, which will be regularly monitored by staff and regularly reported to the relevant Board, relevant Committee(s) and Council.
- 8.2 Key performance indicators will include:
- Annual percentage of rent including service charges collected.
 - Rent and service charge arrears as a percentage of the rent and service charge debit.
- 8.3 In addition, we will:
- Monitor service charge expenditure to ensure that it is accurately apportioned and charged via the service charges
 - Review key performance indicators of service chargeable services and contracts to ensure they deliver value for money and good quality services

9. EVALUATION AND REVIEW

- 9.1 This policy will be reviewed within 6-12 months of its implementation and be reviewed at least every 3 years or sooner if there is a change in legislation, regulation or best practice guidance affecting service charges.

DIVERSITY & INCLUSION

CHL is committed to treating all people with fairness and respect. CHL aim to create an inclusive environment where people are treated with dignity, inequalities are challenged, and CHL anticipate and respond positively to different needs and circumstances to enable individuals to achieve their potential and foster good relations within the communities CHL serves. CHL wants to be recognised as an organisation delivering fair, inclusive, accessible services and an employer and partner of choice.

When applying this policy, CHL acts sensitively towards the diverse needs of individuals and to reduce discrimination and harassment by making reasonable adjustments such as:

- eliminating discrimination – by providing support to those who need it and information in accessible formats and languages on request.
- tailoring the policy to meet both the specific needs of the individual, including those with additional support needs, and the diverse needs of the wider community
- advancing equality of opportunity – treating all tenants fairly
- fostering good relationships – listening to customers and responding appropriately
- compliant with all aspects of Equality & Diversity legislation, and specifically the Equality Act 2010.

LEGAL INFLUENCES ON THIS POLICY

Landlord & Tenant Act 1985

Housing Act 1985

Commonhold and Leasehold Reform Act 2002

Housing Act 2004

Housing & Regeneration Act 2008

Statutory Instrument – 2003 no 1987 - Service charge consultation requirements

Statutory Instrument – 2007 no 1257 and 1258 - Summary of rights and obligations

Statutory Instrument – 2006 no 213 - Housing Benefit Regulations – what is eligible for HB

Statutory Instrument – 2013 no 376 – Universal Credit Regulations – what is eligible for UC

Statutory Instrument – 2013 no 1036 – Transfer of Tribunal Functions

NON-LEGAL INFLUENCES ON THIS POLICY

The Institute of Rent Officers' Manual - Service Charges for Residential

Premises as affected by Statute and case law

RICS Residential Management code

The Regulatory framework for social housing in England: April 2014

OTHER DOCUMENTS LINKED TO THIS POLICY

Rent Policy

Leasehold Policy

Asset Management Policy

Consultation Policy

Complaints Policy



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Alternative formats:

If you would like this information on audio CD, audio tape, Braille, large print, any other format or interpreted in a language other than English, please contact info@cornwallhousing.org.uk

