



Service Charge Policy 2021/22

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1. Summary

- 1.1 This Service Charge Policy (“the Policy”) sets out Irwell Valley Homes’ (IVH) approach to setting and reviewing service charges and applies to all customers who pay a service charge, including tenants (general needs, sheltered and supported housing) and homeowners (shared owners and leaseholders).
- 1.2 IVH has a framework and principles for setting service charges. We want to be open and honest about:
- The types of services we charge for.
 - The way we calculate charges to ensure that they are fair.
 - How we charge for services including how we allocate costs across multiple properties; and
 - How we communicate information on service charges to customers.

2. Policy aims and principles

- 2.1 The Policy is set in the context of our mission to provide great homes in good neighbourhoods. The following objectives in our Corporate Plan are particularly relevant:
- **Sustain** - to help customers to live successfully in their homes.
 - **Improve** – to deliver better services.
 - **Lean** – to ensure that those services are lean and provide Value for Money (VfM).
- 2.2 Our principles for setting and reviewing service charges ensure:
- Our approach is fair, open, and transparent, and reflects best practice.
 - Our policy on service charge setting is understood by customers and colleagues.
 - Our procedures are efficient; each step has clear responsibilities and timescales.
 - The information we provide to customers is quality-checked and accurate.
 - We cover our costs and aim to secure the best value for money when procuring services.
 - We meet contractual, regulatory, and legal requirements.

3. What is a service charge?

- 3.1 A service charge is an amount that a customer needs to pay as part of, or as well as, their rent. It covers the cost for specific services or assets that are provided by IVH in addition to housing management and maintenance.
- 3.2 Examples of services for which a charge is made include grounds maintenance, cleaning of communal areas or window cleaning.
- 3.3 Examples of assets for which a charge is made include lifts, communal boilers, windows, and flooring and the external structure of a building. In this case, we make a charge for replacing, servicing and maintaining those assets.

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- 3.4 The service or asset could relate to an individual property, a block of flats or apartments, a scheme (which could be a mixture of houses and flats) or an estate. We identify the homes that benefit from a particular service or asset and ensure that the costs of carrying out that service or replacing or maintaining that asset are shared fairly.

4. Types of service charges

- 4.1 Each customer's tenancy or lease agreement defines how we'll recover and share out service charges. A service charge can be 'variable' or 'fixed'. All IVH's customers who receive services currently have a variable service charge.

Variable service charges

- 4.2 With a variable service charge, customers pay their charges based on an estimated cost. At the end of the financial year, we compare the actual cost of delivering the service against this estimate. If the actual cost is lower, we'll refund any difference. If it's higher, we'll charge the additional amount.
- 4.3 For tenants, we carry forward any difference to the next year's estimated service charges and add on the additional costs from the previous year if there is a deficit, or take off the excess costs if there is a surplus. For leaseholders and shared owners, we refund or charge the difference six months after the end of their financial year.
- 4.4 A variable service charge is the fairest way of accounting for service charges. In the case of a fixed service charge, customers still pay their charges based on an estimated cost. However, at the end of the financial year, if the actual cost of delivering the service was higher than the fixed charge, customers would not have a deficit to pay more but they also wouldn't get surplus money back if the actual cost is lower than the fixed charge.

5. How service charges are calculated

- 5.1 We apply service charges in line with the terms of each tenancy or lease agreement and adhere to legislation and good practice.

5.2 We will:

- Review all service charges every year.
- Identify the costs incurred in relation to each service being provided.
- Use the latest available information when we estimate service charges for the forthcoming year. This information will include agreed contract prices, changes in inflation, a planned programme of replacements, or where the costs are based on demand will be based on previous costs and estimated spend.
- Divide the costs for each service in a consistent, fair, and clear way between the properties in a scheme. If a service is provided for the overall scheme, all customers may be liable to bear a proportion of the cost. Where a service is provided for a particular group of customers, we will share out the costs accordingly. For leaseholders and shared owners, the way costs are apportioned may be outlined in the lease.
- Review the Value for Money of the overall charges for a scheme to ensure that any increases are reasonable and fair.

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Leaseholders and shared owners

- 5.3 Lease agreements give a detailed description of the services for which we can charge. Lease agreements specify where we need to audit accounts and provide insurance cover for a scheme. In these cases, we'll charge the leaseholders accordingly.

The cost of charges for new homes

- 5.4 We ensure that our service charge estimates for new homes are clear. Customers will receive information on all the expected costs of their new home before they sign their tenancy or lease agreement. We've developed a standard way of calculating service charges for new homes to make sure that services are set up and charged consistently.

Management companies

- 5.5 In some cases IVH will contract with a management company to deliver services to customers at a scheme. This can be for services such as grounds maintenance, cleaning, maintaining lifts and looking after communal areas. We manage the quality and cost of these services and charge the cost back to customers.

Sinking funds and depreciation

- 5.6 Where planned investment in a service chargeable asset is required, the costs of this for the customer are spread out over time.
- 5.7 These assets will be charged for in one of two ways:
- **In arrears** – this is where IVH incur the spend upfront and then spread out the cost to customers over the assets useful life recovering our costs over time (this is called a depreciation charge); or
 - **In advance** – this is where IVH build up a fund in advance (called a sinking fund) which is used to pay for replacing the asset in the future at the end of its useful life.
- 5.8 We'll charge shared owners and leaseholders for sinking funds in line with the terms of their lease agreements.
- 5.9 This ensures money is available for major items of expenditure and reduces the potential for service charges to fluctuate dramatically from one year to the next.
- 5.10 The money within the sinking fund is ring-fenced and held within a bank account separate from IVH's main bank account.
- 5.11 We will charge tenants (such as those in sheltered or supported schemes) who have access to shared communal facilities, a depreciation charge for assets such as communal laundry rooms.

Affordable Rent and Intermediate Market Rent properties

- 5.12 Properties let under the Affordable Rent Scheme include service charges as part of their overall charge. Rent is set at 80% of the market rate, as per IVH's Rent Policy, and this Affordable Rent is deemed to include the costs which would otherwise be separately service chargeable.

Personal charges

- 5.13 Some scheme customers may be charged for personal charges such as the cost of

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heating and hot water which are classified as non-eligible service charge. This means the charge cannot be claimed from Housing Benefit or the housing element of Universal Credit, if the customer is in receipt of benefits

Management and administration charges

- 5.14 A management and administration charge of 15% of the estimated service costs (before over/under recovery adjustment) is applied to all service charges to cover the cost of management and administration of the services and charges.
- 5.15 The management fee that we charge shared owners and leaseholders is based on what's set out in their lease.

6. Paying for charges

- 6.1 Customers who pay a service charge will receive an annual service charge statement. For customers who pay rent too, they will receive their annual rent and service charge statement together.
- 6.2 The review date for the variable service charges will depend on the tenancy or lease agreement. The majority are reviewed in either October or April each year, with some exceptions.
- 6.3 In line with statutory and regulatory requirements, we give customers one calendar months' notice of any changes to their weekly or monthly service charges.
- 6.4 We want our charges to remain affordable, but we recognise that sometimes the cost of a service can increase significantly for reasons beyond our control, such as electricity and gas prices. In these circumstances, IVH may decide to spread out the cost of this increase over time.

7. Consultation with customers

- 7.1 IVH will consult and inform customers about service charge changes in line with statutory requirements and good practice.

Statutory requirements

- 7.2 Section 20 Consultation¹ sets out the requirement for landlords like IVH to consult with customers on a variable service charge when carrying out qualifying works or qualified long-term agreements:
- 'Qualifying works' means works on a building or scheme where the costs to the individual customer would be more than £250 (inclusive of VAT).
 - 'Qualifying long-term agreements' means an agreement entered into by or on behalf of the landlord for a term of more than 12 months under which the amount charged to the individual customer would be more than £100 (inclusive of VAT) in any 12-month period.
- 7.3 If the consultation requirements are not complied with, the relevant contributions of customers may be limited, unless the consultation requirements have been dispensed by the appropriate tribunal. An example of this requirement being dispensed is when

¹ Section 20 (1) of the Landlord and Tenant Act 1985

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urgent health & safety work is required, which would be necessary to ensure customer's homes are safe.

Good practice

- 7.4 IVH will also involve customer representatives in the procurement or re-tendering of contracts for services that directly impact them to ensure that their views and feedback is considered to ensure Value for Money where possible.

New services

- 7.5 Where a new service is to be introduced or where it is proposed to significantly alter an existing service, IVH will consult with customers affected using established consultation methods. Sometimes the legislation means we'll need to consult all affected customers. On other occasions, we'll do this by involving a representative group of customers rather than everyone who's affected.

Queries and complaints

- 7.6 We'll investigate queries about service charge statements on an individual basis. If customers feel that we haven't kept to our Service Charge Policy, they can ask us to review our decision.
- 7.7 We will review complaints about service charges in line with our Complaints Policy and publish any action taken in response to learnings from complaints.

8. Responsibility

- 8.1 The Executive Director of Finance & Governance has overall responsibility for the effective implementation of this Policy.
- 8.2 The Financial Reporting Manager together with the Rent & Service Charge Finance Business Partner is responsible for setting, reviewing, and accounting for service charges.
- 8.3 Overall responsibility for the management of the services being delivered to customers sits with the contract managers who report to the Head of Tenancy Services and Head of Asset Management.

9. Performance monitoring

- 9.1 The Service Charge Policy is reviewed on a bi-annual basis, or more often where a material change is required to the Policy, such as a change in legislation or best practice guidance.
- 9.2 Changes in service charge levels are reflected in the annual budget and are proposed annually to Board as part of the approval of the Financial Plan.
- 9.3 Service charge income and expenditure is monitored via IVH's income and expenditure account and is reported to Leadership Team monthly and to the IVH Board on a quarterly basis.

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- 9.4 The quality of services provided is monitored by the relevant contract manager in line with IVH's Contract Management Policy. Neighbourhood Services Staff regularly inspect estates to ensure that communal areas and services are delivered to a good standard.
- 9.5 IVH strives to deliver continuous improvements and seek value for money in the provision and management of services.
- 9.6 IVH endeavours to ensure all service contracts are cost effective and represent good Value for Money. All contracts will be reviewed regularly to ensure their standard of service and cost effectiveness is being maintained in accordance with IVH's Procurement Strategy and Contract Management Policy.

10. Equality, Diversity and Inclusion

- 10.1 Irwell Valley Homes is committed to treating people with honesty, dignity, respect, and trust. This applies to colleagues, customers potential customers, contractors, and Board Members. At IVH:
- **Equality** is about ensuring that every individual has an opportunity to make the most of their lives and talents.
 - **Diversity** is recognising difference and responding positively to those differences.
 - **Inclusion** is about creating an environment where our services and employment opportunities are accessible to all.
- 10.2 IVH will be mindful of the Equality Act 2010 in all its actions and will consider all the protected characteristics of the Act which are: Race, Sex, Gender Reassignment, Disability, Sexual Orientation, Religion or Belief, Age, Marriage/Civil Partnership and Pregnancy and Maternity explicitly. Further to the protected characteristics, IVH will be mindful of socio-economic disadvantage and will do everything in its power to minimise this and other forms of disadvantage
- 10.3 IVH will liaise with customers to ensure that all information can be provided in a way to suit their individual needs. We'll take seriously any concerns that we've not acted in a fair way, dealing with them as quickly as we can.
- 10.4 IVH provides financial inclusion support to customers with a focus on preventing customers falling into debt, assisting customers with accessing eligible benefits and signposting customers to external advice & support agencies. For those customers where their payment history may suggest a potential for increased arrears because of rent and service charge increases, support will be offered to help minimise the impact of this.

11. Relevant legislation and guidance

- 11.1 Section 18 (1) of 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 rent which is payable,

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directly or indirectly, for services, repairs, maintenance, improvement or insurance or the landlords costs of management; and the whole or part of which varies or may vary according to the relevant costs.

11.2 Two pieces of legislation make up the legal framework for how services for leaseholders and shared owners are set and the costs collected:

- The Landlord and Tenant Act 1985.
- The Commonhold and Leasehold Reform Act 2002.

11.3 The National Housing Federation’s (NHF) ‘Service charges and Rent Charges: A guide for social housing landlords’² is recognised as the best guidance on what activities and items we can charge for. The guidance is legally robust as it’s based on the principles or rules set by the courts during previous similar legal cases (case law).

11.4 The guide includes a standard list of chargeable items and this gives us a consistent framework for how we calculate and charge for services.

11.5 Our 15% management fee is also considered a reasonable level by the NHF guidelines and following previous cases where fees have been set through the courts.

11.6 Related strategies and policies include:

- Rent Policy.
- Complaints Policy.
- Leasehold Policy,

² 6th edition – September 2020

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Service Charge Headings and Meanings

We've grouped similar costs together under a general heading. This table shows the services that could be included in each cost, along with a brief description. Please remember that only some of the services in each heading may apply to you.

Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
Insurance	Buildings insurance-	Costs of insuring your property and any communal areas, plus public liability insurance. Please note: it doesn't include the contents of your home as you're responsible for insuring these. Some Supported scheme may have building insurance charge.			✓	✓
	Engineering Insurance	Communal passenger lift and stairlift and stairlift in Individual dwelling.	✓	✓	✓	
Cleaning and Waste Disposal	Communal cleaning	Contractor costs for cleaning communal areas. This may also include cleaning of stairs and floors, sweeping and dusting indoor areas and the cost of cleaning materials.	✓	✓	✓	✓
	Window cleaning	Costs of cleaning communal windows when they're part of a cleaning contract. This is not included window cleaning service for houses and 1 st floor flats.	✓	✓	✓	✓

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Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
	Gutter clearance				✓	
	Waste Disposal	Costs for removing rubbish and bulk refuse left in bin storage areas and around estates. Contractor costs for waste bins	✓	✓	✓	
Ground maintenance	Contract Grounds Maintenance	Contractor costs to look after outside areas of estates and schemes (such as gardening, maintaining paths and parking areas, carrying out tree surveys, pruning and surgery)	✓	✓	✓	✓
	Grit & Grit Spreading		✓	✓	✓	
	Tree Works		✓	✓	✓	
	Weed Works		✓	✓	✓	

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Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
Lifts	Communal passenger lift service and maintenance	Servicing, maintenance and repairing lifts in communal areas; emergency telephone lines in lifts	✓	✓	✓	✓
	Communal stairlift service and maintenance	Servicing, maintenance and repairing lifts in communal areas.	✓	✓		
	Personal stairlift service and maintenance	Servicing and repairing lifts in customer's property	✓	✓		
Chargeable Repairs/Maintenance/ services and facilities	Fire safety	Costs for repairs in communal areas, such as servicing and testing for fire alarm panels, smoke detector, door retainers, warden call interface, firefighting equipment, sprinkler system, dry riser, AOV	✓	✓	✓	✓
	Door entry System/ Electric gate	Costs for repairs door entry system, electrical doors. Servicing and maintaining any communal automatic gates, barriers or shutters.	✓	✓	✓	✓

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Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
	CCTV	Cost for servicing and maintaining any door entry systems, CCTV cameras, alarms	✓	✓		
	Lighting	Costs repairs in communal areas, such as servicing and testing; include emergency lighting	✓	✓	✓	✓
	Appliances	Maintaining, servicing and replacing cookers, laundry equipment, fridges and other communal appliances in some sheltered or supported schemes.	✓	✓		
	TV Aerials	Costs for repairing and maintaining of communal TV or digital system	✓	✓	✓	✓
	TV License	The cost of the TV Licence for shared lounges.		✓		

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Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
Chargeable Repairs/Maintenance/ services and facilities	Legionnaire assessment	Contractor costs to test for, and monitor, legionella bacteria, as well as completing risk assessments and maintaining water systems. (These costs only apply where we provide communal water systems that supply the water to your home.)		✓	✓	✓
	PAT Testing	Costs for testing and maintaining electrical installations in communal areas when it's needed.	✓	✓	✓	
	Pest Control	Contractor costs for pest control in communal areas.	✓	✓	✓	✓
	Water pumps service and maintenance	Cost for servicing and maintaining pumping stations, water pump systems.			✓	
	Hot and cold water monitoring	Contractor costs for testing, completing risk assessments and maintaining communal water systems.		✓		

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Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
	Specialist equipment	Costs for servicing and maintaining communal assisted bathrooms equipment in sheltered or supported schemes such as rise and lower bath, hoists, etc		✓		
	Warden Call System and careline	Costs for maintenance contracts	✓	✓		
	Mobile Warden Service			✓		
	Scheme Staff Costs	Cost of employing caretakers, cleaners or concierge for schemes		✓		
	Communal Repairs	Minor repairs and sundry expenses in communal area	✓	✓	✓	✓

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Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
Communal Utility	Communal electricity	Costs from utility providers for any electricity supply to communal areas. This may include parking or outside lighting, as well as lighting or heating to communal areas	✓	✓	✓	✓
	Communal Gas	Costs from utility providers for the Gas supply for heating and hot water in the communal areas	✓	✓	✓	✓
	Communal water	Costs from utility providers for the water supply to communal areas	✓	✓	✓	✓
	Council Tax*	Council tax costs in some supported schemes		✓		
Reserves/Provisions	Reserve for replacement/renewals	Contributions towards replacing items such as Door entry system, communal appliances (for example, a washing machine); internal redecoration	✓	✓		

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Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
	Sinking fund	Contributions from leasehold properties towards any future items that need replacing. Typically this will be things like communal windows and doors, roofing and decorating of communal areas.			✓	✓
Management Charge	IVHA management charge	This covers the costs we incur for things like managing contracts for the services we provide, surveyor visits, undertaking risk assessments, calculating and producing service charge statements. This is calculated as 15% (maximum) of the cost of providing the communal services. *Some schemes may vary according to the lease agreement.			✓	✓
	Estate management charge	Charge payable to an external management company for leasehold property services		✓	✓	✓
Fees	Audit Fee	Only for leaseholders and shared owners. The service charge statements are independently audited each year so that our residents know that our charges are fair and accurate			✓	✓
Personal Utilities *Ineligible charges for Housing Benefit & Universal Credit	Private resident heating and hot water costs	Costs from utility providers for any gas supplied to your home, where we pay this on your behalf. Please note, this is not eligible for Housing Benefit and Universal Credit	✓	✓		

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Service charge heading on rent account	What's included	Description	General Needs	Independent Living	Shared Ownership	Leasehold
	Private resident water rates	Costs from utility providers for any water supplied to your home, where we pay this on your behalf. Please note, this is not eligible for Housing Benefit and Universal Credit	✓	✓		
	Private resident electricity costs	Costs from utility providers for any electricity supplied to your home, where we pay this on your behalf. Please note, this is not eligible for Housing Benefit and Universal Credit	✓	✓		

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