Service Charge Policy

1. Summary

1.1 This Policy provides a set of principles for the setting and reviewing of service charges. It 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 aims to be transparent and accountable in relation to:

- The types of services charged.
- The way charges are calculated to ensure that they are fair.
- How services are charged including how cost are allocated across multiple properties; and
- How information on service charges is communicated to customers.

2. Policy aims and principles

2.1 The Policy is set in the context of IVH Corporate Plan 2026 – 29 and the priority to provide affordable, safe and good quality homes and services.

2.2 Principles for setting and reviewing service charges ensure:

- A fair, open, and transparent approach, which reflects best practice.
- A policy on service charge setting which is understood by customers and colleagues.
- Efficient procedures; each step having clear responsibilities and timescales.
- Quality-checked and accurate information provided to customers
- Best value for money is secured when procuring services, and all costs are recovered
- Adherence to 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 and window cleaning.

3.3 Examples of assets for which a charge is made include lifts, communal boilers, communal flooring and the external structure of a building. IVH makes a charge for servicing, maintaining and replacing those assets.

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 agreement or lease defines how we'll recover and share out service charges. A service charge can be 'variable' or 'fixed'. All IVH's service charges are "**variable**".

4.2 IVH believes that the use of variable service charges is the fairest way of accounting for and charging for services

Variable service charges

4.3 A variable service charge is where charges are 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.

4.4 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, unless a different arrangement is specified in their lease.

4.5 A variable service charge is the fairest way of accounting for service charges. In the case of a fixed service charge, charges are solely based on an estimated cost. However, there is no comparison published at the end of the financial year and there is no surplus or deficit applied If the actual cost of delivering the service was higher than the fixed charge, customers would not have a deficit to pay but they also wouldn't receive the surplus if the actual cost is lower than the fixed service charge.

4.6 IVH does not operate fixed service charges as we believe variable charges provide the best value for money and are fairer. This explanation is included for clarity only, as some leases or historic arrangements across the sector may refer to fixed charges.

5. How service charges are calculated

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

5.2 We:

- Review all service charges every year.
- Identify the costs incurred in relation to each service or asset being provided.
- Use the latest available information when we estimate service charges for the forthcoming year. This information will include costs for previous years, estimated contract prices, changes in inflation, and any planned programme of replacements.
- Where the costs are based on demand, these will be based on previous costs and insight have around demand and estimated spend.
- Apportion the costs for each service in a consistent, fair, and clear way across the properties eligible for the charge. 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 Value for Money of the overall charges for a scheme to ensure that they are reasonable and fair.

Leaseholders and shared owners

5.3 Leases give a detailed description of the services for which we can charge. Leases specify if there is a requirement to audit accounts and provide buildings 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 receive information on all the expected costs of their new home before they sign their tenancy agreement or lease. 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 oversee 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 This is done in one of two ways:

- In arrears – IVH incurs the spend upfront and then spreads out the cost to customers over the asset's useful life, recovering the costs over time (this is called a depreciation charge); or
- In advance – IVH builds 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 IVH will charge for and administer sinking funds for leaseholders and shared owners in accordance with the terms of their lease.

5.9 This aims to build up funds for major items of expenditure reducing the potential for service charges to fluctuate dramatically from one year to the next.

5.10 The funds within the sinking fund are ring-fenced for use only in accordance with the major works contributions required by each lease and held within a bank account separate from IVH's main bank account.

5.11 We will charge tenants (such as those in Independent Living or Supported Housing 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 services 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 customers may be charged for personal charges such as the cost of 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 An administration charge of 10% is applied to charges relating to depreciation to cover the cost of administration.

5.15 A management charge of 15% is applied to service charges to cover the cost of management of the services and charges.

5.16 Management and administration charges are intended to reflect the reasonable costs incurred by IVH in administering and managing services. Charges are applied in line with lease terms and prevailing legal guidance and are subject to reasonableness tests.

6. Paying for charges

6.1 Customers who pay a service charge will receive an annual service charge statement. For customers who also pay rent, 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 agreement or lease. 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 Consultation[1] sets out the requirement for landlords like IVH to consult with customers who pay 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 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.

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

New services

7.5 Where a new service is to be introduced or where an existing service will be significantly altered, 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 Chief Financial Officer has overall responsibility for the effective implementation of this Policy.

8.2 The Financial Controller 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 Customers & Communities, Head of Independent & Community Living and Head of Asset Management.

9. Performance monitoring

9.1 The Service Charge Policy is reviewed on a biennial 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.

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, 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 The main legislation forming the legal framework for how services for tenants, leaseholders and shared owners are set and the costs collected is:

- The Landlord and Tenant Act 1985.
- The Commonhold and Leasehold Reform Act 2002
- The Leasehold and Freehold Reform Act 2024

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

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 not all services listed will apply to every customer. Charges are applied in line tenancy agreements or leases.

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 ground floor flats.	✓	✓	✓	✓

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		✓	✓	✓	✓

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, Automatic Opening Ventilation system	✔	✔	✔	✔
	Door entry System/ Electric gate	Costs for repairs door entry system, electrical doors. Servicing and maintaining any communal automatic gates, barriers or shutters.	✔	✔	✔	✔

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 Licence	The cost of the TV Licence for shared lounges.		✓		

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 is 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.	✔	✔	✔	✔

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 general needs, sheltered or supported schemes such as rise and lower bath, hoists, etc	✓	✓		
	Warden Call System and careline	Costs for maintenance contracts	✓	✓		
	Mobile Warden Service	Cost of Mobile Warden Services	✓	✓		
	Scheme Staff Costs	Cost of employing caretakers, cleaners or concierge for schemes	✓	✓	✓	✓
	Communal Repairs	Minor repairs and sundry expenses in communal area	✓	✓	✓	✓

Service charge heading on rent account	What's included	Description	General Needs	Independent Living/ Supported Housing	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	✓	✓		

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	IVH 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	✓	✓		
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	✓	✓		