

Service Charge Policy

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Executive Lead (Owner):	Chief Financial Officer					
Author (Leadership Team member):	Finance Director (supported by Financial Operations Manager and Financial Controller)					
Which Strategy does this support?	Landlord Resident Strategy					
Review frequency:	Every 3 years	<input type="checkbox"/>	Other (state period)	2 years		
Date created:	May 2017					
Previous review date:	September 2024					
Review date:	June 2025					
Next review:	September 2027					
Current status:	Draft	<input type="checkbox"/>	Final	<input checked="" type="checkbox"/>		
IMPACT ASSESSMENTS						
Equality Impact Assessment						
STAGE 1 completed?	STAGE 2 required?	No	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	
<input checked="" type="checkbox"/>		If not required, state reason:	The policy applies equally to all Members, regardless of protected characteristics, and does not result in differential treatment.			
Customer Impact Assessment						
1) Is this one of the agreed policies requiring resident consultation? Please refer to: Our policies - Settle		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	
2) If yes, please confirm resident consultation has taken place		<input checked="" type="checkbox"/>	Briefly detail changes arising from resident feedback:			
APPROVAL						
Approval journey:	Executive Team	Committee				Board
		ARC	DAC	Ops	NRC	
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Date approved:	18 th June 2025	2 nd July 2025				N/A
Which Regulatory Standard does this Policy support?	Economic					
	Governance & Viability	Rent			Value for Money	
	<input type="checkbox"/>	<input type="checkbox"/>			<input checked="" type="checkbox"/>	
	Consumer					
	Neighbourhood & Community	Safety & Quality	Tenancy	Transparency, Influence & Accountability		
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Associated legislation	Landlord & Tenant Act 1985 Landlord & Tenant Act 1987					

	Commonhold and Leasehold Reform Act 2002 Most up-to-date regulator rent standard Section 20 of the Landlord and Tenant Act 1985
Associated procedures	N/A
Does this policy contains delegated authority?	No

Service Charge Policy

Introduction

Service charges are defined as the amount payable by the tenant or leaseholder of a dwelling, as part of or in addition to the rent, which is payable directly or indirectly for service, repairs, maintenance and improvement, buildings insurance and the cost of management.

Purpose

As part of its strategic plan of being a well-run social business, Settle is committed to maintaining its reputation as an organisation that demonstrates ethical behaviour and financial integrity. As part of this commitment, Settle's aim is to ensure any charges to our residents are set accurately and fairly by;

- Outlining the framework and timescales that will apply to the Service Charge process
- Ensuring that service charges reflect the actual cost of services provided
- Ensuring that all relevant legislation is complied with
- Communicating effectively with all residents

Scope

This Policy covers the calculation, notification and collection of annual service charges from all residents and tenants in general needs, supported housing, flexicare and independent living schemes, shared owners, leaseholders and freeholders.

Costs that are charged to residents from planned, cyclical or major works are not covered by this policy.

Section 2 – Policy

2.1 Policy Principles

Service Charges - defined as the amount payable by the tenant or leaseholder of a dwelling, as part of or in addition to the rent, which is payable directly or indirectly for service, repairs, maintenance and improvement, buildings insurance and the cost of management.

Residents – refers to all residents who are homeowners, including leaseholders, shared owners and freeholders.

Tenants – refers to all residents who are renting.

2.2 Policy Detail and Outcome

2.21 - Definitions of Service Charges

Service Charges are defined as the amount payable by the tenant or leaseholder of a dwelling, as part of or in addition to the rent, which is payable directly or indirectly for service, repairs, maintenance and improvement, buildings insurance and the cost of management.

Examples of service charges below. This list is not exhaustive.

- Grounds maintenance – grass cutting, hedge maintenance
- Cleaning of communal areas – stairwells, bin rooms
- Cleaning communal windows
- Door entry system maintenance – maintenance contract and repairs
- Lift maintenance - maintenance contract and repairs
- Fire alarm maintenance - maintenance contract and repairs
- Emergency lighting – maintenance, servicing and provision of emergency lighting
- Fire equipment – maintenance, servicing and replacement of fire-fighting equipment
- Communal electricity – for internal or external areas
- Communal water – Water services for communal areas
- Pest control in communal areas
- Repairs to communal areas
- Buildings insurance
- Communal heating
- Rainwater harvesting
- Sewage service – maintenance servicing and emptying of tanks
- Staff costs

2.21a - Exceptions (Paying service charge as part of rent payment)

For tenants the following types of charges are collected as part of their rent. This list is not exhaustive.

- Repairs to communal areas
- Buildings insurance
- Rainwater harvesting

2.21b - Eligible Charges

Most of these charges would be eligible for Housing Benefit or Universal Credit housing element. They are known as eligible charges which usually include any communal services. They are services

which are available to all tenants as benefits beyond the benefit of enjoying occupation of their own home.

2.21c - Ineligible Charges

Types of charges which are not eligible for housing benefit include the following. This list is not exhaustive.

- Fuel and water charges (unless they relate to a communal area)
- Personal care and support
- Transport
- Meals or groceries (housing benefit uses set figures as a meal deduction).

Calculation of Estimated Service Charges

2.22a – Policy

Settle Group currently operates variable services charges but reserve the right to operate on fixed service charges. We calculate estimated service charges in the period as describe below. We use apportionment principles to calculate charges.

Each year in February, estimated service charges are calculated for the next financial year which runs from 1 April to 31 March. The estimated service charge is based on the actual expenditure for the previous 12-month period. An uplift for inflation is added where applicable.

Where there are maintenance contracts in place, any inflation is calculated in line with the details of the contract. Any local knowledge of the neighbourhood team is also assumed when budgeting for anticipated costs.

For services or maintenance items which are not delivered through a contract, and are therefore charged separately, next year's costs will be estimated based on the level of previous charges, estimated future need, and knowledge of current and future costs.

2.22b - Apportionment of Charges

Apportionments are required to be calculated in a manner that is fair and reasonable, applying the following principles:

- Estate charges – are divided equally between the number of properties that form that estate.
- Block Charges – are divided equally between the number of individual properties in the block (unless the lease states a different apportionment).
- Unit Charges – this is any charge which relates solely to that property.
- Insurance – a charge is calculated for every property covered by the buildings insurance based on the re-build cost of the property.
- Management Fee – charged to homeowners only. 10% of the cost of all services provided as per the lease agreements.

2.23 - Notification of Service Charges

Our present policy is to provide variable service charges that are accurate and informative to our residents. For tenants and shared owners an estimated statement will be produced and sent with the details of the rent for the next financial year, normally at the end of February. Leaseholders are provided with an estimate at the same time, and this includes any request for ground rent. The landlord's name and address are provided in accordance with the requirements of section 47 and section 48 of the Landlord and Tenant Act 1987 (as amended). Upon evaluations in the future,

we may choose to provide fixed service charges as a more viable and prudent option to our residents.

The service charge accounts for the actual costs are reconciled and calculated once all costs have been captured and the accounts closed for the year. The accounts are audited (a report of factual findings) in August and the actual service charge statements prepared and sent to residents and tenants in September. Year-end adjustments are added to the service charge accounts for residents. For tenants and shared owners, any variance is carried forward and included in the estimated charges for the following year.

Demands for service charges will be made in writing and will contain that landlord's name and address and a summary of rights and obligations (Section 153 of the Commonhold and Leasehold Reform Act 2002).

2.24 - Collection of Service Charges

It is our policy to collect charges efficiently. The tenancy agreement, lease or deed of transfer or sale will define the frequencies that service charges are charged. They could be weekly, monthly, quarterly or annually. The service charge will be debited to the resident's account on the management system (QL) to comply with the resident's legal document.

2.24a - Direct Debit

It is our policy to offer a monthly option by direct debit to spread the cost throughout the year via ALLPAY. Although residents are welcome to pay at their frequency.

2.25 - Enquiries and Disputes

All enquiries will be logged and responded to by the Leasehold & Service Charge Team; a full response will be sent out, in writing. Our policy is to provide a response within 10 working days.

It is our policy to provide our residents with clear and sufficient information to minimise the level of enquiries and disputes that are received. A final response will be sent, in writing, within 20 working days. This will include actions that can be taken by the resident or Settle Group i.e. arrears recovery, County Court or First-Tier Tribunal (Residential Property).

2.26 - Equality and Diversity

Settle Group will ensure that the policy is applied fairly and consistently in line with the Equality Policy.

2.27 - Section 20

Under Section 20 of the Landlord and Tenant Act 1985, landlords must consult residents before carrying out major works or entering into long-term agreements that will result in property service charges. This consultation is required when the cost of the works or agreements exceeds specified financial thresholds.

For major works, the threshold for mandatory consultation is when the cost of the works to any one resident exceeds £250. This applies to works that will significantly impact the resident's service charges, such as major repairs, improvements, or rebuilding projects. The landlord is

required to inform residents of the proposed works and invite them to share their observations and nominations before proceeding.

For long-term agreements, such as contracts for ongoing services like cleaning, maintenance, or security, the threshold is when the cost to any one resident exceeds £100 per year. In these cases, the landlord must consult with tenants before entering into an agreement that will commit tenants to paying for the service for more than 12 months.

These thresholds ensure that tenants are consulted on significant financial commitments. If the landlord fails to adhere to the consultation process required by Section 20, they are limited in how much they can charge tenants. For major works, if the consultation is not properly carried out, the landlord can only recover up to £250 per resident, even if the actual cost of the works exceeds this amount. For long-term agreements, the landlord's recovery is limited to £100 per year per resident, regardless of the actual cost of the service. These limits serve to protect residents from excessive charges due to a lack of consultation.

Section 3 – Roles and responsibilities

3.1 Key Roles and Responsibilities

The overall responsibility of the service charge policy is the Chief Finance Officer. The Financial Operations Manager, with the assistance of the Rent and Service Charge Accountant, will ensure the accurate and timely calculation of the service charge actuals and estimates within regulatory deadlines.

Director of Property Operations, Asset Director, Assets and Planned Works teams to co-ordinate with their teams to ensure the Financial Operations Manager has accurate and reliable costs when calculating actuals and estimates.

Head of Communications – to assist with communication of the service charge estimates and actuals through a booklet which is sent to residents.

Section 4 – Compliance and Enforcement

4.1 Compliance

Compliance is enforced with our external auditors (Crowe LLP) who carry out work on the actual service charge workings annually before the actual service charge booklets are sent out to residents. The external auditors scope of work covers:

- On a sample basis confirm the arithmetical accuracy of the service charge statement.
- For a sample of transactions in the statements agree these to accounting records.
- Sample test expense transactions back to supporting receipts and documentation.
- Calculate that the management charge is correct.

At the end of their work the external auditors produce a report of factual findings to the directors of Settle about the above related scope of work. These checks ensure the actual service charges are true and fair.

Section 5 – Related Policies, Procedures and Key Documents

Related Policies

Affordability Policy

Income Recovery and Arrears Policy

Lettings Policy

Rent Setting Policy

Related Procedures

Arrears procedure

Key Documents

Landlord Resident Strategy

Landlord & Tenant Act 1985

Landlord & Tenant Act 1987

Commonhold and Leasehold Reform Act 2002

RSH Rent Standard

Section 20 of the Landlord and Tenant Act 1985

Section 6 – Review, Approval, Publication

6.1 Review and Approval

This Policy will be reviewed every two years, or sooner if there is a change in statutory or regulatory requirements.

The Policy will be approved by the Executive Team and the Audit & Risk Committee.

Section 7 – Document Control

Document Name	Service Charge Policy
Approval Date	9 th June 2025
Approved By	Executive Team
Version Number	1.0
Version History	

IMPACT ASSESSMENT EVIDENCE		
EQUALITY IMPACT ASSESSMENT ATTACHED	Stage 1	Stage 2
	<input checked="" type="checkbox"/>	<input type="checkbox"/> N/A <input type="checkbox"/>
CUSTOMER IMPACT ASSESSMENT Resident feedback	Attached <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>

PUBLISHING REQUIREMENTS					
INTERNALLY	<input checked="" type="checkbox"/>	WEBSITE	<input checked="" type="checkbox"/>	SETTLE CONNECT	<input type="checkbox"/>

OFFICE USE ONLY	
RELEVANT 'APPROVAL LOGO' ADDED TO COVER	<input type="checkbox"/>
<i>Keywords for search function</i>	