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1. Policy Objectives

- 1.1. This policy sets out Peabody's approach to setting and reviewing service charges for its homes. The policy covers all home owners living on estates managed by Peabody. Tenant's service charges are covered by the Service Charges – Tenants policy.
- 1.2. The aims of this policy are to ensure that service charges are:
 - accurate – reflect the cost incurred by Peabody in providing the service;
 - transparent – calculation methods are clear and accessible to all residents, in accordance with current legislation and best practice;
 - fair and reasonable – are apportioned according to the services provided and the terms of the lease;
 - reviewed regularly in line with legal requirements, Housing Corporation guidelines and best practice.

2. Relevant Legal and Regulatory Information

Lease

- 2.1 The contract between Peabody and the Leaseholder which sets out the services which may be provided, the Leaseholder's responsibility to pay the service charges and the basis of calculating the Leaseholder's contribution.

Housing Acts (1985, 1988, 1996, 2004) (as amended)

- 2.2 These Acts set out the procedures to be followed under the right to buy and right to acquire – it is important that estimated service charges and costs of major repairs and improvements are included in any offer.

Landlord and Tenant Acts (1985, 1987) (as amended)

- 2.3 These Acts set out amendments to service charge law (excludes secure tenancies with fixed service charges) Peabody is exempt from the 1987 act S42 for Peabody Funds where it owns the freehold, but not in cases where Peabody is managing leasehold property on behalf of a private sector landlord.

Housing Benefit (General) Regulations 1987 (as amended)

- 2.4 These regulations set out services that are ineligible for Housing Benefit.

Commonhold and Leasehold Reform Act 2002

- 2.5 This Act sets out amendments to Landlord and Tenant Acts of 1985 and 1987 in relation to variable service charges.

Housing Corporation Regulatory Code section 3.1

- 2.6 The Regulatory Code sets out information to be provided to residents on service charges including costs covered by charges, how charges are budgeted and increases calculated.

Charter for Housing Association applicants and residents (September 2003)

- 2.7 All residents should have a copy, or have access to a copy of the charter.

European Union Procurement Rules

- 2.8 This guide sets out the requirements for goods or services to be put out to tender in order to ensure that the Residents receive value for money.

3. Key Definitions**Service Charge**

- 3.1 A service charge is a payment made by a resident towards the costs of providing and maintaining services and benefits in addition to the occupation of their home. For example, staffing costs, estate running costs such as gardening or cleaning, maintenance and service contracts, repairs and management costs. The relevant costs for service charges are the costs, or estimated costs, incurred by Peabody in relation to the services provided.

Communal Areas (policy definition)

- 3.1 Areas for use by residents which are not exclusively for their private use, including but not limited to halls, passageways, stairwells, courtyards, gardens and social rooms, or areas as defined in the lease.

Service charge group

- 3.2 A set of homes which share the same services, such as a set of flats within the same block, a set of blocks within the same estate or a set of houses with shared facilities, or as defined in the lease.

4. Policy

Calculation of Service Charges

- 4.1. Service Charges are calculated by identifying the services provided within each service charge group in accordance with the terms of the lease. The full cost of providing these services for the forthcoming financial year is estimated using prior years' costs uplifted for inflation and any known changes to service provision.
- 4.2. The cost of providing the services is then allocated to individual properties using the principles outlined in section 4.5 below.
- 4.3. Where authorised by the lease a management fee and administration fee is added to the service charge to fund the costs of leasehold management and associated administrative costs. These costs are fully met by leaseholders
- 4.4. Service charge income is reconciled to actual costs and audited within six months of the financial year end. Any under or over-recoveries are charged or refunded to leaseholders.

Principles of allocation of costs

- 4.1 The cost of providing services are allocated to individual homes on a fair and reasonable basis based on the following principles:
 - Where fixed percentages, fractions, ratios or other basis (such as rateable value or floor area) is quoted in the lease, these form the basis of apportionment.
 - Where a group of homes benefit from the same use or right to use a facility, then costs incurred are shared between all homes that benefit based on a weighting of the number of bedrooms in each home, unless otherwise stated in the lease. See Appendix for examples of where costs will be included.
 - In circumstances where costs have been incurred to the benefit of more than one group of homes, then the cost is split based on a weighting of the total number of bedrooms in each of the homes with that benefit.
 - Allocations are not adjusted if a resident or group of residents choose not to use the available service (See Appendix). Where a service is no longer required then all residents being charged for that service will be consulted before the service is withdrawn and charges adjusted. Section 4.7 "Increases and variations to Variable Service Charges" contains more details on this.

Notification of Service Charges for the year

- 4.6. Residents receive a Service Charge estimate each year, at least one month before the new charge commences or as specified in the terms of the lease. The estimate details all services provided and gives a breakdown of how the service charge is split between these services.

Increases and variations to Variable Service Charges (Used for home owner service charges)

- 4.7 Any variation to the services provided, major works costing more than £250 per home (inclusive of VAT), £100 per year (inclusive of VAT) for long term contracts, or entering any service contracts longer than 12 months is subject to consultation with leaseholders. The terms of the lease are varied to reflect this change as appropriate.
- 4.8 The consultation is with every resident who will be affected by the addition, removal or variation of a service and is advised of the potential implications including the estimated cost of the service. See section the Major Works section starting at 4.22 for more details on the consultation process.
- 4.9 The consultation process is not a final agreement that the service will be provided. The decision to provide additional services is influenced by, but does not solely depend on, the outcome of the consultation.

- 4.10 Housing benefit departments are consulted before residents are balloted, and residents are informed of the ruling of whether any additional charges will be eligible for housing benefit payments.
- 4.11 Residents may request for additional services to be provided. Peabody considers all requests and ballots all residents affected by the service before agreeing to add the service. Peabody will not unreasonably refuse to add a service.
- 4.12 Services are only added if:
- The service is connected with the provision of adequate accommodation.
 - The cost of providing the service is reasonable and affordable.
 - It is customary to provide similar services for residential accommodation.
 - The service can reasonably be provided.
 - Peabody will not be financially disadvantaged by the provision of the service.
 - The Lease allows for the cost to be recovered.
 - More than half of residents affected respond to the ballot.
 - Two-thirds of respondents are in favour of adding the service.
- 4.13 After a new service has been added there is a 12 month review period to assess its success. If the outcome of the review is to discontinue the service then the full costs incurred by Peabody will still be passed to the residents.
- 4.14 Residents are consulted before any services are removed from an estate. Every resident who will be affected by the removal of a service is advised of the potential implications and the estimated cost adjustment of the service, before it is removed.
- 4.15 Residents may request for services currently provided to be discontinued. Peabody considers all requests and ballots all residents affected by the service before agreeing to remove the service. Peabody will not unreasonably refuse to remove a service.
- 4.16 Services will only be discontinued if:
- There are no reasonable health and safety risks involved with discontinuing the service.
 - The service can reasonably be discontinued.
 - Peabody is not legally or contractually obliged to provide the service.
 - Peabody will not be financially disadvantaged by the discontinuation of the service.
 - More than half of residents affected respond to the ballot.
 - Two-thirds of respondents are in favour of discontinuing the service.
- 4.17 The service is not permanently removed until a 12 month trial period has been reviewed and the residents and Peabody are in agreement that the service is still not required.

Service Charges on New Properties

- 4.18 The Leasehold Accounting and Leasehold Management teams are informed of all new developments before the financial appraisal stage to ensure reasonableness of service charges is considered. Factors for consideration when assessing what is reasonable includes:
- Service charges compared to those for similar properties;
 - Whether the services provided are necessary for the enjoyment of the home;
 - Whether costs may be avoided through modified design;
 - Eligibility of services provided for Housing Benefit.
- 4.19 Estimated service charges for the first full financial year are based on reasonable comparisons and quotations. Where there has been social housing grant (SHG) funding the first years service charges should normally be the same as those identified at grant application, except where these may be considered unreasonable due to changes in service provision or estimated costs

Eligibility of Services for Housing Benefit

- 4.20 Provided that there is a contractual obligation by Peabody to provide the services for which the resident shall pay a service charge, most services are eligible for Housing Benefit, with the most common exceptions being for water rates, heating and hot water charges.
- 4.21 Services ineligible for housing benefit are defined under Schedule 1 of the Housing Benefit (General) Regulations 1987. The most up to date legislation will override this section of the policy. Current guidance is summarised below.
- 4.22 Services *ineligible* for housing benefit include, but are not limited to the following.
- Fuel charges other than for services to communal areas.
 - Laundry service (other than the provision of premises or equipment to allow a person to do their own laundry).
 - Leisure items (except for the provision of a children's play area).
 - Cleaning of rooms and windows (other than in communal areas) except for when no member of the household are able clean them themselves.
 - Acquisition of furniture or household equipment, or the use of such where it will become the property of the housing benefit claimant.
 - Charges for the provision of an emergency alarm system (except where the accommodation is occupied by elderly, sick or disabled persons and the accommodation is suitable for them).
 - Medical, nursing or personal care.
 - Water rates (except for in communal areas)
 - Other charges not connected with the provision of adequate accommodation.
- 4.23 Service charges not defined as ineligible for housing benefit are reasonably assumed to be eligible for housing benefit at the date of this policy document. (No services are partially eligible).

Stock Transfers and Rent Guarantees

- 4.24 Where a stock transfer or rent guarantee agreement exists which contains clauses referring to service charges, then any such agreement overrides the relevant section of this policy until the end of the guarantee period. Service charges are reviewed for their appropriateness at earliest time permitted under the terms of the rent guarantee, or lease.

Major work on leasehold properties

- 4.25 Where qualifying major works are carried out on blocks with one or more leaseholders, a proportion of the cost may be recovered from the leaseholders provided that the procedures are followed, as set out in section 20 of the Landlord and Tenant Act 1985 (as amended by the 1987 Act, the Housing Acts of 1988 and 1996 and the Commonhold and Leasehold Reform Act 2002), known as 'Section 20'. The current limits for issuing demands under section 20 are costs over £250 for qualifying works, and £100 per annum for costs incurred under a qualifying long term agreement. These amounts are inclusive of VAT and apply for each home. If one leaseholder within a block is required to be consulted, then each leaseholder affected by those works should also be consulted.
- 4.26 Under legislation, the leaseholder is consulted on the works and informed of the estimated cost of the works in advance of the work starting. The service charge demand is issued within 18 months of incurring the expenditure. Demands issued after this time can not be recovered unless notice is given of costs incurred to date.
- 4.27 The proportion of the cost recovered is determined by either the lease or using the principles outlined in section 4.5 above.
- 4.28 All qualifying works are procured in accordance with the rules set out by the Official Journal of the European Communities (OJEU) and the relevant procurement policies.

Application of Under and Over Recoveries

- 4.29 Variable service charges are reconciled with estimated amounts within 6 months of the financial year end, and the differences are recovered or repaid to the residents.

5. Other Information**Examples of situations where a home benefits from the use or right to use a facility****Lifts**

- 5.1 Costs incurred in connection with the provision of a communal lift are apportioned to all properties within the building in which the lift is located. This includes homes on the ground floor and where the resident chooses not to use the lift for any reason.

Children's play equipment

- 5.2 Costs incurred in connection with the provision of play equipment are apportioned to all properties within the estate in which the equipment is located. This includes all homes, including those without children.

Gardens

- 5.3 The costs of maintaining a communal garden are apportioned to all properties within the estate. Where an area of garden has been separated by a physical barrier, such as a wall, fence or hedge then the costs of maintaining that area will be apportioned only to those properties entitled to enjoy that separated area.

Landscaped areas

- 5.4 The costs of maintaining other landscaped areas such as verges, shrubs and planters are apportioned to all properties within the estate because these areas contribute to the appearance of the estate as a whole. This applies whether the areas are immediately and directly visible from the property or not.

CCTV

- 5.5 The costs of maintaining and monitoring a CCTV system are apportioned to all properties within the estate. The CCTV service contributes to the safety and security of the estate as a whole and the costs will apply whether property is in direct view of a camera or not. CCTV is a benefit to the estate and is not provided to monitor individual homes.

Car parking

- 5.6 Where bays are allocated and charged for separately from the home, the costs incurred in relation to maintenance and management of the car park are met from the parking charge. Where bays are unallocated and residents and their visitors are entitled to park on the estate then the costs of managing and maintaining the bays will be apportioned between all properties. Parking charges/ charges for parking permits, where payable, are levied separately and are only payable by those choosing to actually use the bays.

Bulk rubbish and abandoned vehicle removal

- 5.7 Where it is possible and practical to identify individuals responsible for dumping such rubbish then they will be recharged directly. In some estates it is reasonable for Peabody to expect that there will be a requirement for bulk rubbish to be removed in order to maintain the appearance and access to the estate. Local Authorities will often provide a service to remove some bulk items from outside resident's homes which is funded by the council tax, however this would not cover the removal of all items and in some cases it is required to Peabody to dispose of such rubbish.

6. Monitoring Information

- 6.1 Monthly reports are produced by the finance department to monitor income and expenditure against budget for each scheme. These reports are used to identify any unexpected differences and allow investigative or corrective action to be taken at an early stage.

7. Relevant Policies

Privacy and Confidentiality Policy
Communication Needs Policy
Procurement Policy

8. Relevant Procedures

Contested Service Charge Form.

9. Relevant Forms/Letters

N/A