

1. This policy details how we set, review and manage service charges on social rented, leasehold and shared ownership properties owned by The Guinness Partnership Ltd, Guinness Housing Association Ltd, Guinness Homes Ltd and Guinness Care and Support Ltd (“Guinness”). The policy does not apply to properties let at an Affordable Rent, intermediate rent, or market rent because their service charges are included in the rent.
2. In this policy, the term “leaseholder” is used where the matter only applies to leaseholders, and “shared owner” is used where the matter only applies to shared owners. The term “homeowner” is used where the matter applies to shared owners and leaseholders who own their home outright rather than a share of their home.
3. The policy supports the delivery of the following strategic objectives:
  - To be a customer service organisation
  - To meet our legal and regulatory requirements
  - To maintain our focus on value for money.
4. An explanation of technical terms is set out in Annex 1.

## **The Guinness Policy**

5. Our policy is that we will set service charges that:
  - Comply with legal, regulatory and contractual requirements, including the terms of tenancy agreements and leases;
  - Are calculated based on the cost of providing services;
  - Seek to deliver value for money;
  - Are affordable; and
  - Can be clearly explained to customers.

## **Background**

6. Service charges cover the cost of additional services and facilities we provide to customers which are not normally covered by the rent. In most cases what we do is prescribed by law or regulation. Sometimes it is a condition of funding from the government or local authorities. The majority of our service charges for tenants and homeowners are “variable”. However, for some tenants, service charges are “fixed”. The meaning of these terms is explained at paragraphs 18 and 19.
7. The policy takes account of The Government’s Policy Statement on Rents for Social Housing (February 2019). This introduced a regulatory expectation to set reasonable and transparent service charges which reflect the service being provided to tenants.
8. The policy also takes account of the following:
  - Universal Credit Regulations 2013 which define what is meant by a service charge for the purposes of benefits paid under Universal Credit
  - Affordable Homes Programme 2021-26, the new Right to Shared Ownership and the new model lease for shared ownership
  - New fire and building safety legislation which, when enacted, will mean that landlords will be required to undertake additional works which are rechargeable under the service charge. This may affect the charges we apply to some leaseholders who own their home outright and shared owners.

## Further detail

### *Costs included in the service charge*

9. Our service charges include the cost of all legally eligible expenditure attributable to a scheme or home to the extent that these costs are not deemed under the tenancy agreement or lease to be included within the rent paid. We will account for the cost of all service chargeable services provided to the property. We will do this at scheme or block level, as appropriate, to allocate the cost between the properties that receive the service.
10. Costs covered by service charges include, but are not restricted to: the maintenance of communal areas e.g. windows and gardens; the cost of facilities in communal areas e.g. lifts and door entry systems; and fees for professional services such as management fees, account audits or certification (where they are provided).
11. We may also include an amount to be placed in a sinking fund to contribute to the cost of future major works, where the tenancy agreement or lease requires us to do so. The actual costs of major works may also be included in the service charge, offset by sinking fund contributions where available and appropriate.
12. We will always seek to achieve value for money when procuring services and facilities.

### *How we set service charges*

13. We will set service charges in accordance with the terms set out in the tenancy agreement or lease. In doing so, we will ensure the amount is reasonable, as required in the Landlord and Tenant Act 1985. We will base the charge on our best assessment of expected costs. How the total cost is apportioned is set out below.
14. We will apportion costs between homes in a scheme or block as set out in the tenancy agreement or lease. In doing so, we will ensure the amount is reasonable, as required by the Landlord and Tenant Act 1985. We will base the charge included in our annual service charge estimate on our best assessment of expected costs.
15. If a basis of apportionment is not specified in the tenancy agreement or lease, we will use a fair method to apportion costs between homes in a scheme or block. This could be based on the number of bedrooms in the property, or the size of the home.
16. For a period of 10 years, we will meet the full cost of certain building repairs which are not the responsibility of the landlord under the lease. This applies to new shared ownership properties developed under the Affordable Homes Programme 2021-26. These costs will not be included in the service charge calculation provided that the shared owner complies with the landlord notification procedure and meets all specified requirements.

### *How and when we will review service charges*

17. We will review service charge accounts in accordance with the terms set out in the tenancy agreement or lease. In most cases, this will be annually, at the start of each financial year. Any change is subject to requirements as set out in legislation, regulation or otherwise communicated by the Regulator of Social Housing. In carrying out our review, we will ensure the amount charged is reasonable, as required by the Landlord and Tenant Act 1985.

#### *a) Tenants*

18. For tenants who pay a variable service charge, the charge is set based on our best assessment of expected costs. At the end of the year, we will reconcile payments to the cost of services provided and add any overpayments or underpayments to the following year's account.
19. For tenants who pay a fixed service charge, the charge is set based on our best assessment of expected costs. At the end of the year any costs incurred that exceed the amount charged are borne by us, with charges not reduced if actual costs are lower than the amount charged.

b) *Homeowners*

20. All Guinness homeowners are charged variable service charges. The charge is set based on our best assessment of expected costs. Refunds for overpayments and requests to make good underpayments will be made in line with the terms of the lease.
21. We will charge the new service charge amount from the service charge review date stated in the lease or tenancy agreement. This is usually in April. We will give customers at least one month's notice in writing before we start collecting the new amount.

*Consultation and engagement*

22. We will consult tenants and homeowners on service charges whenever the anticipated cost of service chargeable works or services meets the cost threshold set by the government. This is in compliance with the requirements set out in Section 20 of the Landlord and Tenant Act 1985. We will also consult whenever a proposal is made to seek changes to services provided. This includes where we seek to introduce new services or extend existing services and an additional charge needs to be made. In accordance with our Customer Consultation Policy, we will additionally consult and engage with tenants and homeowners where it is appropriate to do so.
23. We will engage with tenants and homeowners where costs are significant in order to understand their views on the level and quality of services provided.

*Types of service charges we use*

24. When we acquire new tenanted homes from other landlords, we will continue to use the same service charge regime that the existing tenant is paying under their tenancy agreement. If the existing tenant is paying a fixed service charge, we may charge a variable service charge when the property is re-let.

*Customer information*

25. We will provide clear service charge information to prospective tenants and homeowners before they sign the tenancy agreement or lease. This includes providing details of services provided to the property and the current service charge amount. For tenants and shared owners, the service charge will be separately identified from the rent charge.
26. We will provide tenants and homeowners paying variable service charges access to relevant records if they wish to inspect these.
27. We will continue to improve the quality of the information we provide.

*Dealing with complaints*

28. Complaints about service charges are dealt with through our Complaints Policy. We will try to resolve service charge queries and issues as quickly as possible. If our complaints process has been exhausted, tenants have the right to refer their complaint to the Housing Ombudsman. However, this only applies if the complaint is about the collection of charges, inadequate consultation (including failure to consult), their calculation and how the information was communicated.
29. If the complaint concerns the level of increase to a service charge, or the reasonableness of the amount being charged, tenants and homeowners may seek a resolution to their complaint using the First-tier Tribunal.

**Period of review**

30. Our review programme is driven by risk, service improvement initiatives, changes to legislation, regulation, practice or as a result of feedback from customers and other key stakeholders. We will review this policy annually.

**Key legal and regulatory references**

- Landlord and Tenant Act 1985
- Housing and Planning Act 1986
- Housing Act 1996
- Commonhold and Leasehold Reform Act 2002

- Service charges (Consultation requirements) (England) Regulations 2003
- The Housing Benefit Regulations 2006
- The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007
- The Universal Credit Regulations 2013
- The Policy Statement on Rents for Social Housing 2019
- Affordable Housing Programme 2021 - 26.

#### Related policies

- Allocations Policy
- Arrears Policy
- Complaints Policy
- Customer Consultation Policy
- Diversity and Inclusion Policy
- Rent Policy.

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<b>Policy author</b>	Marion James, Housing Policy Manager	
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<b>Version history</b>		
<b>Version number</b>	<b>Review trigger</b>	<b>Brief description of the main changes</b>
1.0	New policy	This is the first version of the policy.
2.0	Cyclical review	The policy was reviewed to reflect current practice. It clarifies the type of costs included, how costs are shared and a commitment to achieving value for money.
3.0	Cyclical review	<p>The policy was reviewed to include new regulatory requirements arising from the Government's Policy Statement on Rents 2019 and the Affordable Homes Programme 2021–26. A change has been made to the policy principles to state that we will set service charges that are affordable. The revised policy reflects the decision to engage with customers where anticipated costs are significantly high. The policy provides additional information to improve transparency and clarity. In particular:</p> <ul style="list-style-type: none"> <li>• The service charge regime to be used when additional properties are acquired is included; and</li> <li>• When the Housing Ombudsman and First-tier Tribunal may be used.</li> </ul>

## Annex 1: Definitions

Term	Description
First-tier tribunal (Property chamber)	The First-tier Tribunal is an independent body which has the power to settle legal disputes concerning rented or leasehold land or property, and the power to award costs. Appeals are referred to the Upper-tier tribunal. It was formerly called the Leasehold Valuation Tribunal.
Fixed service charge	A fixed service charge is a set amount to cover the cost of services provided that is based on a best assessment of the likely costs and estimates received. Over and under recovery of the actual cost is not added to the renters' account for the following year. Over recovery benefits the landlord and under recovery benefits the renter. It is not defined in law however there is an expectation that the charge closely reflects the cost of provision.
Homeowners	This term is used to describe shared owners and leaseholders who own their home outright rather than a share of their home.
Management fee	This is a fee to recover the reasonable business costs incurred by Guinness in providing service chargeable services to the building and/or estate as set out in the tenancy agreement, lease or transfer agreement.
Reasonable cost	"Reasonableness" is set out in the Landlord and Tenant Act 1985 and may be determined by a First-tier Tribunal. The cost has to be relevant, reasonably incurred and the services or works have to be of a reasonable standard. Landlords can only recover those costs that are reasonable.
Relevant cost	<p>The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with the matters for which the service charge is payable.</p> <p>Costs include overheads, and are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.</p>
Service charge	A service charge is an amount payable by a tenant, leaseholder or freeholder as part of or in addition to the rent. It is payable directly or indirectly for services, facilities and the landlord's cost of managing the provision of those services and facilities.
Sinking fund	This is a fund to pay for future large scale works. Some tenancy agreements and leases allow us to request a contribution towards this fund via the service charge. It is sometimes known as a "reserve fund".
Variable service charges	<p>These were introduced by Section 18 of the Landlord and Tenant Act 1985. They are defined as:</p> <p>(1) "Service charge" means an amount payable by a tenant of a dwelling as part of or in addition to the rent –</p> <p>(a) which is payable, directly, or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management, and</p> <p>(b) the whole part of which varies or may vary according to the relevant costs.</p> <p>(2) The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with the matters for which the service charge is payable.</p> <p>(3) For this purpose –</p>

	<p>(a) "costs" include overheads, and Costs are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.</p>
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