

*at home with...*



# Service Charge Policy

|                       |          |            |
|-----------------------|----------|------------|
| Reference / Issue No: | F4       | 3          |
| Date of this version: | Mar 2025 |            |
| Next review due:      | Mar 2028 |            |
| Lead responsibility:  | Finance  |            |
| Contents:             | 9 pages  | 0 appendix |

## Contents

|  |   |
|--|---|
| 1. Introduction .....                            | 3 |
| 2. Legal framework .....                         | 3 |
| 3. Aims and objectives .....                     | 3 |
| 4. Definition of a Service Charge .....          | 4 |
| 5. Setting Service Charges .....                 | 4 |
| 6. Notification of Service Charges.....          | 6 |
| 7. Review of charges .....                       | 6 |
| 8. Recovery of Service Charges .....             | 6 |
| 9. Review of services.....                       | 7 |
| 10. Consultation on services and charges.....    | 7 |
| 11. The right of appeal .....                    | 7 |
| 12. Equal opportunities.....                     | 7 |
| 13. Risk .....                                   | 7 |
| 14. Other relevant policies and procedures ..... | 8 |
| 16. Performance management .....                 | 8 |
| 17. Review.....                                  | 8 |

## **1. Introduction**

- 1.1 Fife Housing Group (FHG) recognises that quality services have a positive impact on the living environment of tenants, customers and homeowners by making their home and neighbourhoods safe and pleasant places to live. This includes the maintenance and management of shared and common areas within buildings and/or estates.
- 1.2 The Service Charge Policy is intended to clarify where, when and how FHG will apply service charges and to put in place a framework for ensuring that the costs are recharged to tenants and other customers in a consistent, justifiable and equitable manner.
- 1.3 The obligations on tenants are detailed in the Scottish Secure Tenancy Agreement and in the Deed of Conditions for owner occupiers and sharing owners.

## **2. Legal framework**

- 2.1 The Scottish Housing Regulator (The Scottish Social Housing Charter) requires that:
  - Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay;
  - A balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and other customers can afford them; and
  - Tenants get clear information on how rent and other money is spent
- 2.2 The Scottish Secure Tenancy Agreement, Part 1.6 outlines the services and the applicable costs that will be provided. It is a condition of entering into the contract that the tenant agrees to pay for these services. The tenancy agreement will also state what services are compulsory and which are optional.
- 2.3 The Owner's Statement of Service outlines the services and applicable costs that will be provided. It is a condition of the deed of conditions that the owners make these payments.

## **3. Aims and objectives**

- 3.1 The primary objective of the Service Charge Policy is to provide guidance and clarification on how the Group will calculate and apply service charges to ensure that all residents are charged fairly and consistently for the additional services they receive.

### 3.2 Additionally the policy aims to:

- Ensure that the Group fulfils, as far as possible, the requirement to recover all costs associated with the provision of services not covered by the rental charge;
- Demonstrate the Group's commitment to applying service charges that represent good value for money;
- Ensure that service charges are based on actual costs and are affordable;
- Demonstrate that the Group can be held accountable for the costs recharged;
- Ensure that the Group meets all legal and regulatory requirements and good practice;
- Ensure that residents are provided with sufficient information on the setting and levying of the service charges applicable to their own building and/or area; and
- Ensure that all residents in a building and/or estate, regardless of tenure, contribute to the costs of providing services that they benefit from.

## 4. Definition of a Service Charge

### 4.1 A service charge is the amount charged to residents for housing-related services that are not covered by the rent charge but are:

- required to keep common areas and open spaces safe;
- necessary for the good management of buildings and/or estates;
- legal requirements;
- considered good housing management practice; and/or
- requested by residents.

### 4.2 Individual buildings and/or estates will require different additional services and not every service will be provided to every resident. FHG will, therefore, endeavour to provide appropriate services to meet the needs of residents in defined blocks and/or areas.

### 4.3 Examples of the range of services that may be provided and recovered through the service charges are:

- The landscape maintenance of open areas, common grassed areas and shrub beds;
- Cleaning of internal common areas (e.g. shared stairwells);
- Electricity consumption in the provision of communal lighting (e.g. backcourts, internal stairways, door entry systems etc.);
- Warden or concierge provision; and
- Maintenance of play areas (within our ownership).

## 5. Setting Service Charges

### 5.1 Service charges will normally be reviewed and set annually and will be implemented at the same time as the rent increases.

5.2 Service charges will be based on the actual costs including any VAT charged to FHG for the provision of the services; no profit will be made by the FHG.

5.3 As far as possible FHG will endeavour to ensure that costs are kept as low as possible and, at all times, will have regard to affordability.

#### 5.4 **Direct provision**

5.4.1 Where FHG provides services directly, e.g. landscaping, communal cleaning, it will normally invite contractors to tender for the contract. However, where the service is of a specialist nature or where there is an extremely limited selection of suitable contractors, FHG may offer the contract to a contractor of its choice.

5.4.2 The selection of a contractor for any service will be based on value for money and the contractor's ability to provide the service to the specified standard but at all times will be carried out in line with the Procurement Policy.

#### 5.5 **External provision**

5.5.1 Where services are provided by a third party, e.g. electricity supply for back court/stairwell lighting etc. part of the service charge for the coming year may be estimated. This is because these costs are charged by the suppliers retrospectively but have to be set for the coming year prior to all the bills for the previous period being received.

5.5.2 Any surplus or deficit will be taken into account when setting charges for the following year.

#### 5.6 **Fabric Fund**

5.6.1 FHG reserves the right to charge residents a surcharge that would be set aside to accommodate any significant costs in the annual service charges to cushion the impact on residents of unusually high bills.

5.6.2 The resident's contribution to this fund complies with the terms of their individual agreement.

5.6.3 Funds held are subject to regular review to ensure that there is sufficient funding available to meet anticipated planned maintenance commitments.

5.6.4 All residents, regardless of whether a separate building or fabric fund exists, are consulted prior to any non-emergency expenditure on major works, and this includes discussion and agreement about how the work is to be invoiced and paid for.

5.6.5 Where emergency expenditure is incurred, in order to make a property safe, FHG will notify residents as soon as practicable after the event and perform the necessary consultations to complete the required works.

## **5.7 Apportionment**

- 5.7.1 The costs of providing services will not normally be pooled across all of the FHG's stock. Rather, charges will be identified separately and only recharged to the customers in actual receipt of each service or as detailed in the appropriate Deed of Conditions.
- 5.7.2 Every resident that receives or benefits from the provision of a service will be expected to contribute to the costs and costs will therefore be apportioned between every resident in the block and/or estate, regardless of tenure.

## **6. Notification of Service Charges**

### **6.1 Tenancy Agreement**

The Scottish Secure Tenancy Agreement requires FHG to note what services and service charges are applicable to that tenancy. Changes to either the actual services provided or to the annual costs will be notified in writing.

### **6.2 Schedule of services and costs**

As part of the annual review of services and charges, residents will be provided with a breakdown of the services that will be provided in their building and/or estate. Where possible actual and estimated costs will also be provided.

- 6.3 In line with Scottish Government guidance, an administration charge of 10% is made where service charges are applied to contribute towards the Groups costs associated with managing suppliers and contractors. Owners and Sharing Owners do not have admin applied to their service charges as they pay an annual management fee.

## **7. Review of charges**

- 7.1 It is expected that service charges will only be reviewed once a year for all residents.
- 7.2 In exceptional circumstances where there is an amendment to the charges at any time other than at the annual review, residents will be given four weeks' notice before any changes are implemented.

## **8. Recovery of Service Charges**

- 8.1 The obligation to pay the service charge is conferred on tenants as part of the Scottish Secure Tenancy Agreement and on owners and sharing owners through their title deeds. Non-payment of service charges will be deemed a breach of these contracts and any arrears accrued will be pursued in line with the Group's policies and procedures.

## **9. Review of services**

- 9.1 FHG will regularly review the services it provides to ensure that they remain appropriate to each individual building and/or estate and that FHG continues to meet all health and safety regulations.
- 9.2 Residents may, at any time, seek additional services in their building and/or estate but these will only be provided after consultation and with the consent of every affected resident.

## **10. Consultation on services and charges**

- 10.1 Prior to the annual review of the services and service charges or any other proposed change to the services and/or service charges, affected residents will be invited to participate in a consultation exercise in line with FHG's policy and procedures.
- 10.2 All comments and views formally expressed and notified to FHG as part of the consultation exercise will be reported to the FHG Board for consideration and, where appropriate, the policy will be amended accordingly.

## **11. The right of appeal**

- 11.1 Any customer directly affected by FHG's implementation of the Service Charge Policy has the right to appeal against any decision made by FHG in relation to the services provided and the associated service charges.
- 11.2 A copy of the Complaints Procedure is available on request from our office or is available on our website at [www.fifehg.org.uk](http://www.fifehg.org.uk).

## **12. Equal opportunities**

- 12.1 When implementing this policy we will ensure that we comply with the Equality Act (2010).
- 12.2 Through implementation of this policy, we do not discriminate on the grounds of any protected characteristic, namely: age, disability, gender, gender reassignment, marriage and civil partnership, maternity, race and ethnicity, religion or belief, and sexual orientation.
- 12.3 To ensure that information on service charges and the services provided is accessible to all customers, translation and interpretation services will be provided where required and, where appropriate, information will be made available in other formats including tape, Braille and large print.

## **13. Risk**

- 13.1 There is a high customer service, reputational and regulatory risk if we fail to implement service charges appropriately. We will manage this risk by

ensuring that we adhere to legislative and regulatory requirements and have open consultation processes for customers.

#### **14. Other relevant policies and procedures**

14.1 This policy needs to be read alongside other relevant strategies:

- Income Maximisation Strategy;
- Rent Setting Policy;
- Engagement Strategy;
- Value for Money Strategy;
- Risk Management Strategy; and
- Factoring Policy

#### **15. Roles and responsibilities**

15.1 The Director of Housing has overall responsibility and is accountable to the Business Leadership Team and Board for housing management issues including the application of service charges. The Director of Finance, Governance and Assets has overall responsibility and is accountable to the Business Leadership Team and Board, for the financial information pertaining to the costs of service provision.

15.2 The Business Leadership Team is responsible for ensuring that this policy is consulted on with involved tenants and Board members and for its review, implementation and proper application, in accordance with the agreed timetable.

#### **16. Performance management**

16.1 Any concerns regarding the adherence to this policy will be reported to the Board.

16.2 The Business Leadership Team will, as part of its review of performance management, determine how service charges performance will be collated and reported.

#### **17. Review**

17.1 The Service Charge Policy will be reviewed at least every three years or earlier if a material change requires this. However, elements of the policy may be reviewed within that timescale if required.