

Service charge policy

Introduction

Sutton Housing Society (SHS) has a service charge policy to ensure that:

- We meet all legal and regulatory requirements
- The income from service charges covers the cost of provision
- Services are provided, which are essential to the intended occupation of schemes
- Where non-essential services are provided, these are what the residents want
- Any services provided are of a good quality, are well maintained and represent good value for money to residents
- We are open and transparent about these charges with residents.

What is a service charge?

Service charges cover the costs of maintaining communal areas for an estate and / or block of flats. The way your service charge is organised for example, what it covers and how it is worked out is set out in the (your) tenancy agreement. The charge normally covers the cost of services such as grounds maintenance, window cleaning, lifts, lighting, cleaning communal areas etc.

All service charges at Sutton Housing Society are fixed; these are reviewed and calculated once a year for all residents. An estimate is made each year of the cost of providing the services to a scheme; once the charge has been set, any variation between the actual cost and the estimate is absorbed by SHS in the financial year

A service charge schedule is included in the annual rent change letter and is also issued with all new tenancies.

A list of possible service charges and their descriptions can be found in appendix 1.

Some service charges will be eligible for financial assistance should a resident receive housing benefit or universal credit. Where this is the case a resident's tenancy agreement / notice of rent and services charges adjustment will clearly indicate what service charges are eligible.

Calculating the service charges

Heating, electricity and water

A record of electricity used on the landlords' supply for heating, electricity and lighting is maintained and monitored.

The charge made to residents is generally based on the average number of units consumed in the previous two years with an appropriate uplift in line with the current price. The cost of any standing charges and VAT are also included.

Residents are informed of how the cost is calculated, should they request this information.

Any charge for heating and water to individual resident's accommodation will be separately identified as this is not eligible for housing benefit / universal credit.

Where the heating of residents' homes is part of a communal heat network, such as a communal boiler or air source heat pump, residents may be charged for their individual use of the heating source based on their meter readings. This would be calculated and issued to residents annually effective from April 2025, with their annual rent notice.

Scheme costs and maintenance contracts

These charges are based on the actual cost. Where the cost was fixed more than three months prior to the date when the service charge increase takes place, an amount to cover inflation from the date the charge was agreed to the date it will be implemented is to be added

Where contracts are due for re-tender, an allowance is made for an inflationary increase.

One off costs i.e. tree works, one-off cleans planned for the current year are included in the service charge calculation.

There are times when we may choose not to pass on a charge to existing residents and only charge new residents for a service e.g. when we installed Wi-Fi at our older people schemes, we felt residents would benefit from the service and that it was right that this service be introduced even though residents had not requested it. We have chosen not to charge those existing residents at the time of introduction and to make a minimal charge for new residents.

Day to day service repairs / replacements

This charge is based on the average cost of repairs in the previous two years for items such as laundry equipment – repairs and replacement.

Depreciation (provision for renewals)

This charge provides for the renewal of items such as carpets, laundry equipment, communal cookers etc. Sutton Housing Society writes off the costs over several years and allows for replacement of these items.

Management charge

A management charge is made to cover the cost of administering the services provided. This is based on a percentage of the annual estimated cost of providing services, excluding the charge for provision for renewals.

Service charges are apportioned equally between all homes in a block where residents have use / access to services regardless of whether they choose to use them. The exception is the heating and hot water charge for residents' accommodation, which is apportioned in accordance with the approximate size of the accommodation or where communal heating systems with meters are in place, the cost is to be based on individual usage effective from 2025.

Where a service has been unavailable for a period e.g. a lift breakdown and parts are awaited, the service charge cost for the time the lift is out of service will be "refunded" via the service charge for the following year. For example, if a charge is £100 per year to 10 tenants and a service is not available for one month, the sum of £83.33 would be credited to the service charge and accounted for when calculating the charge for the new financial year (£8.33 x 10 for one month). Residents would be advised of this, where it is relevant.

Resident consultation

Consultation with residents in respect of service charges is undertaken for the following reasons:

- (a) To ensure that Sutton Housing Society's legal obligations to consult are met
- (b) To ensure that residents' views are considered on the quality, cost and extent of services provided

All residents will be consulted in respect of service charges as follows:

- (a) Prior to the introduction of an extra service
- (b) Prior to significantly reducing or modifying a service
- (c) Prior to renewing a service which will result in considerable increased costs to the resident
- (d) A resident feedback survey.

Residents will also be consulted if we propose to change the approach to calculating service charges from fixed to variable.

Service charge caps

We wish to ensure that your home remains affordable. For this reason, we may put a cap on the total cost of your eligible service charges. If this applies, you will be able to see the amount of the cap in the service charge breakdown included with your annual rent change letter. Any service charge caps are agreed by the Senior Management Team.

Levels of service

The level of service provided will normally only be increased or decreased if most residents, following consultation, are in favour of the changes. For example, there was an increase in the number of times windows in blocks of flats were cleaned following feedback from the resident working group, when the new contract was let in 2019.

Where equipment has broken down or the health and safety of residents is at risk, the service provided may have to be varied as a matter of urgency and without time available for consultation. If this occurs residents will be advised of the action taken and the reason for the urgency.

New developments

Service charges for new homes are agreed by the Senior Management Team in discussion with the Development Project Manager, who is responsible for the new homes prior to their formal handover.

Services that are rechargeable must be identified so that an initial estimate of costs for the provision of communal services can be prepared. The estimated costs will be based on a combination of initial quotation for the provision of services and comparable costs from similar developments.

The gross rent, inclusive of service charges, will not exceed the local housing allowance, including where this is less than 80% of the “affordable” rent, where applicable.

Review

This policy will be reviewed over a 3-year cycle subject to changes in government / Regulator of Social Housing’s policy / approach.

Appendix 1 – Potential service charges and their descriptions

Type of charge	Description
Assisted bathrooms	Costs for maintaining communal assisted bathrooms in in our older people schemes
Bulk waste removal	Contractor costs for removing rubbish and bulk refuse left in bin and dumped items storage areas and around estates
Central control alarm	Costs for providing central control alarm monitoring in some of our older people schemes
Communal area maintenance	Costs of maintaining and redecorating communal areas
Communal cleaning	Contractor costs for cleaning communal areas and communal windows
Communal window cleaning	Contractor costs for cleaning communal windows and individual flat windows at our older people schemes
Communal gas supply	Costs from utility providers for any gas supplied to communal areas; we pay this to them on behalf of residents
Communal boilers service and maintenance	Costs for the servicing and / or maintenance of communal boiler, any work or parts needed for repair; individual residents' heating costs as part of a communal heating system with meters to individual homes
Communal TV aerials	Costs for servicing, supplying and maintaining of any shared TV, digital, cable, or satellite system installed for the estate or block. If there is a shared lounge, the cost of the TV license will be included here. This is separate to any charges residents pay to providers for subscriptions to services.
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; individual residents' heating costs as part of a communal heating system with meters to individual homes
Communal passenger lift	Servicing and maintenance of lifts and stairlifts in communal areas Costs from utility provider for emergency telephone lines in lifts For replacing lifts
Communal repairs	Costs for completing communal day to day repairs relating to health and safety, such as:

	Communal fire equipment repairs
	Sprinkler system repairs
	Fire extinguisher repair
	Dry riser repairs
	Lift repairs
	Automatic door repairs
	General repairs
	Communal lighting repairs
	Gutter clearance
Door entry system service and maintenance	Cost for servicing and maintaining any door entry systems, CCTV cameras, alarms and electrical doors
Door entry system replacement provision	For replacing door entry systems
Emergency lighting testing, service / maintenance	Contractor costs for testing, servicing and maintaining fire systems and carrying out fire safety inspections
Furniture and equipment	Costs for providing furniture, equipment and appliances - and replacing these in our older people schemes
Guest room income	The income received from the rental of guest rooms within our schemes for older people is used to offset the cost of providing this amenity
Grounds maintenance	Contractor costs to look after outside areas of estates and schemes (such as gardening, maintaining paths and parking areas). This also covers carrying out tree surveys, pruning and surgery
Health & safety (fire)	Contractor costs for fire panels testing, service / maintenance / inspection.
	Communal area smoke detectors testing, service/ maintenance
	Fire ventilation system service / maintenance
	Communal fire equipment service / maintenance
	Sprinkler system service / maintenance
	Dry riser service / maintenance
	Lightning conductor service / maintenance

	Fall arrest system service / maintenance
	Electrical equipment testing
Laundry equipment	Costs for providing equipment and appliances in our older people schemes
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% of the cost of providing the communal services.
Pest control	Contractor costs for pest control in communal areas
Renewals	Contributions towards replacing items like communal appliances (for example, a washing machine)
Repairs & maintenance	Water, drainage and sewerage repairs Costs for completing day to day repairs in communal areas such as: Electrical repairs Emergency lighting repairs Fire panel repairs Communal area smoke detector repairs
Water rates landlords supply	Costs from utility providers for the water supply to communal areas
Water: legionnaires	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