

Service Charge Policy

1 Octavia Housing's approach to service charging

- 1.1 As a leaseholder, shared owner or tenant you pay a service charge to cover a number of expenses, including the costs of managing and maintaining internal and external common areas at your scheme.
- 1.2 Your service charge is set out in your lease or tenancy, and detailed in the service charge schedules sent to you each year. Services will vary from scheme to scheme and may include (this is not an exhaustive list): internal cleaning; external cleaning; caretaking costs; grounds maintenance; equipment (such as any lift or entry phone) and utilities.
- 1.3 Leaseholders and shared owners also pay their share of building insurance and the maintenance of the building (**tenants do not pay separately for these items as they are included within their rent**).
- 1.4 Our aims in service charging are to ensure:
 - Our approach is fair, open and transparent, and reflects best practice.
 - Our policy on service charge setting is understood by residents and staff.
 - Our procedures are efficient; each step has clear responsibilities and timescales.
 - The information we provide to residents is quality checked and accurate.
 - We cover our costs and aim to secure the best value for money when procuring services.
 - We meet contractual, regulatory and legal requirements.

2 What we mean by 'fixed' and 'variable' service charges

We set service charges in two ways:

2.1 **Fixed service charges**

The fixed service charge system is used for setting charges to tenants. An estimate is made each year of the cost of providing the services to a scheme and this cost is then split between the individual properties in the scheme. Once the charge has been set, any variation between the actual cost and the estimate is absorbed by Octavia Housing in the financial year.

2.2 **Variable service charges**

The variable service charge system is used for setting charges for leaseholders and shared owners. An estimate is made in February of the expected cost of delivering services over the next financial year (from 1 April to the following 31 March), residents are advised, and the charge is applied from 1 April. At the end of the financial year, a comparison is made between the actual cost of delivering services and the estimated cost charged. Where the actual cost

is higher than the estimate, there is an additional charge to the resident. Where the actual cost is lower than the estimate, there is a refund to the resident.

3 What you can expect from our service

For tenants

Changes in service charges are applied at the same time as changes in rent which generally will not be more than once a year.

Every year, no later than 14 February, tenants can expect to receive the following information:

- A notification letter (Assured tenants also receive the Section 13 Form as required by the Housing Act 1988).
- A schedule of services to be delivered.
- A service charge information sheet.

For leaseholders and shared owners

No later than 30 September each year you will receive an annual statement with the breakdown of what has been spent on services over the course of the financial year just passed. If we are unable to meet this timescale for some unforeseen reason, we will inform you of this, explain the delay and provide an alternative timescale.

Every year, no later than 14 February, leaseholders and shared owners can expect to receive the following information:

- A notification letter and estimated service charge for the following financial year set out in the statutory format.
- A schedule of services to be delivered.
- A service charge information sheet.
- The Rights and Obligations information sheet.

Examining the accounts

We use external accountants each year to independently examine the outcome of the comparison between actual costs and estimates to decide if a variation is needed for variable service charges.

You can inspect the accounts, receipts and other supporting documents relating to your service charge on request for a reasonable administration and copying charge providing the request is made within six months of receiving a written summary of costs.

Value for money

We want to secure the best value for money when procuring services:

- We tender for services above OJEU (Official Journal of the European Union) limits at least every 5 years.
- New or changed contracts above £50,000 are approved by Senior Management.
- The costs of providing electricity and gas for use in communal areas are tendered every year.

- We use in house service providers only where these are clearly better value than external providers.
- We review managing agents' costs and challenge those costs if they appear unreasonable.
- Our salaries are regularly assessed against market levels.
- We benchmark on costs against other peers through Housemark (the social housing sector's main benchmarking club).

4 How does this apply to you?

4.1 *How service charges are shared between individual homes*

4.1.1 Depending on the tenancy and lease, we generally apportion service charges between individual properties in one of the following ways:

- i. An equal split between the individual homes in the scheme for all the services received, or split by the historical rateable value of the property.
- ii. On the basis of the maximum design occupancy of each property as advised by the local authority and a fixed element of 4 (this fixed value represents a kitchen, bathroom, hall and living room that are provided in most properties):
 - a) The maximum occupancy is added to the fixed element of 4, for example a flat for 3 people will attract 7 'shares' of the total for the scheme;
 - b) The sum as a percentage of total shares of all the units in the scheme determines the apportionment for all services received by the residents.

The second method above based on maximum design occupancy aims to make payments as fair as possible, but it can be difficult to understand. If your service charge is split in this way, we will:

- Show the apportionments in service charge schedules as percentages for ease of viewing.
- Include a copy of the notification of service charges in your Welcome Pack when you move in, and
- Hold consultation meetings with identified schemes to review proposed scheme service charges, for example where substantial changes to charges are proposed.

4.1.2 If an apportionment method is specified in the lease or tenancy which is different to the above methods, the method specified in the lease or tenancy is followed.

4.2 *Management fees*

4.2.1 Once the scheme service charges are apportioned, a management fee is added.

4.2.2 For fixed service charges a 15% management fee is added. For variable service charges a fixed management fee is added but the value of the fee varies depending on the level of service provided and is generally increased by inflation each year.

4.2.3 In some schemes where Octavia does not own the freehold to the property you are leasing or renting from us, certain services can be provided by a separate managing agent. The managing agent charges Octavia for the costs of providing these services. Where this occurs we will recharge you for these costs using the same apportionment principles as set out above.

4.3 ***Exclusion from service charge***

4.3.1 If you do not benefit from a service provided, then the service charge will not include the costs of that service, for example if you have direct access to your property from external areas without accessing internal common parts, you will not share the costs of internal communal cleaning, lighting and other similar costs.

4.4 ***Major works, leaseholders and shared owners***

4.4.1 We have a separate process for charging leaseholders and shared owners for the cost of major or recurring works using the consultation method set out under Section 20 of the Landlord and Tenant Act 1985. This applies where the cost of works for each household exceeds £250 or £100 per annum for a contract lasting more than one year. We will provide more details to all residents affected at the time of every Section 20 consultation.

4.5 ***Reserve Fund***

4.5.1 If you are a leaseholder or shared owner and live at a scheme with a reserve fund in place, we will provide you with an annual reserve fund statement. The reserve fund aims to cover the replacement or renewal of key facilities such as roof replacement or cyclical decorations and associated repairs. The value is based on estimated life cycle costings for the key facilities. Contributions are held in separate interest bearing accounts and are accounted for on a scheme basis and reviewed annually.

5 How to contact us about service charges

5.1 If you have questions about your service charge please visit our website for more information, or contact the Leasehold Services Officer (if you are a leaseholder or shared owner), or your Income Officer (if you are a tenant).

5.2 If you are experiencing affordability problems with paying your service charges we can refer you to or tell you about agencies that can provide free independent advice.

5.3 Leaseholders and shared owners have the right to ask a First Tier Tribunal (Property Chamber – Residential Property) to decide on a dispute about service charges. The Tribunal is independent of government and landlords. Please see their website for more information.

5.4 If you are unhappy with our service charge service and wish to make a formal complaint, please see our complaints factsheet on our website.