

1 Background and objectives

- 1.1 Alliance Homes Group (Alliance) owns and manages over 7,000 homes and most customers pay a service charge – a payment made for services received in connection with the occupation of their home.
- 1.2 Alliance manages the delivery of services and administers and applies service charges for any associated costs in line with our legal contract with each customer – typically the tenancy or lease agreement. Customers include, tenants, leaseholders, shared owners, sheltered leaseholders and customers of commercial premises.
- 1.3 This Service Charge Policy sets out the approach to the reviewing and setting of service charges at Alliance and aims to ensure that we:
 - Administer and account for charging in a fair, open and transparent way that reflects best practice
 - Maximise our income recovery to cover our costs of administering, managing, and providing services
 - Strive to secure the best value for money when delivering and procuring services
 - Provide information to customers and colleagues that is easy to understand and is quality checked and accurate
 - Deliver a service that is supported by clearly defined procedures and efficient processes that meet our contractual, regulatory, and legal requirements for all tenure types
 - Consult with customers to seek to continuously improve the quality of services that are chargeable
 - For new schemes we will consider service charge implications for customers from the outset and aim to achieve value for money on any services provided
 - Review cases where we provide services but are historically unable to recover costs and pilot ways to explore the potential of varying agreements in consultation with customers.

2 Policy Detail

2.1 Tenure

- 2.1.1 The legal contract we have with each customer will determine the legal basis of charging and is typically the tenancy agreement for customers who rent their homes and a lease agreement for our leaseholders and shared owners.
- 2.1.2 Alliance are the freeholders for most properties managed, in cases where Alliance do not hold the freehold we will administer and manage service charges on behalf of the legal agreement we have with the freeholder or the superior landlord.

Leaseholders and Shared Owners

- 2.1.3 The lease agreement determines which services a leaseholder and shared owner will be responsible for paying and this may include contributions to a sinking fund or reserve fund. Leaseholders of flats, and all shared owners (except for a small number DIYSO¹ customers) are charged a buildings insurance premium.

Affordable Rents

- 2.1.4 Properties let on an affordable rent basis include service charges as part of the overall rent. Rent is set at up to 80% of the market rent and is deemed to include the costs that would otherwise be separately service chargeable. We will seek to have visibility of the services provided and the costs of services provided to manage quality and value for money.

Section 20 Consultation

- 2.1.5 Section 20 consultation under the 1985 Housing Act will be required for all tenures that have variable service charges for:
- Any major works that meet the requirement of 'qualifying works'
 - Contract renewals that fall under the terms of 'qualifying long-term agreements'

Section 20 consultations with customers are led and managed by the Leasehold Team.

2.2 Types of Charges

Variable Service Charges

- 2.2.1 Most service charges that Alliance administer are variable service charges, and all new contractual agreements are set up on this basis. Section 18 of the Landlord and Tenant Act 1985 defines a variable service charge as an amount payable by a tenant of a dwelling as part of or in addition to rent:

¹ DIYSO – Do it Yourself Shared Ownership – customers who accessed this shared ownership product (which is no longer provided) have lease agreements that state they are responsible for arranging buildings insurance for their own property

- which is payable directly or indirectly for services, repairs, maintenance, improvements or insurance or the landlord's costs of management, and
- the whole part of which varies or may vary according to the relevant costs.

Fixed Service Charges

- 2.2.2 A small number of customers have agreements where the level of service charges is fixed where the charges that can be recovered are 'fixed' regardless of the cost of providing services. No new contractual agreements are set up on this basis.

Sinking Funds and Depreciation

- 2.2.3 Where the terms of the occupancy agreement allow, we will manage and administer sinking and/or reserve funds and depreciate large capital items of expenditure. The purpose of this is to spread the cost of large items of expenditure for our customers

Administration Charges

- 2.2.4 Administration charges are applied to service charges to cover the cost of the management and administration of the services provided and accounting for the associated costs.

Personal Charges

- 2.2.5 Some schemes have communal heating, electricity, gas, and water supplies where the overall cost of these requires apportioning to individual households for their personal use of these utilities. For newer schemes these communal services may be billed and managed by a third-party provider and will not form part of the service charges.

Third Party Management Fees

- 2.2.6 On some schemes a third-party management company will deliver services to customers for providing estate services. We will review and manage the quality and cost of these services and where appropriate will charge the cost back to customers.

2.3 Service Charge Setting and Accounting

Estimated Charges

- 2.3.1 We review service charges and service costs annually and we use information on actual costs incurred in the previous financial year and the latest information for example, in relation to contract pricing to estimate the cost of providing services for the forthcoming year. The estimate and the breakdown of service charges will be

sent to customers in February each year. These notifications run in parallel with the rent setting calendar.

Variance of Charges

- 2.3.2 Prior to the issuing of estimates a review of proposed charging will take place and any variations in charges above £5 a week will be presented to the Strategic Leadership Team for scrutiny and consideration of the impact of any increases, their reasonableness and if they should be applied.

Actual Charges

- 2.3.3 In each financial year there is a reconciliation of estimated service charge expenditure against actual expenditure following the completion of the year end accounting. A final account will be produced which compares the actual cost of delivering the services against the estimate that was set, this may result in a surplus or a deficit. A service charge statement is produced and is sent to customers by the end of September each year.
- 2.3.4 Prior to the issuing of actuals statements any variations in charges above £5 a week will be presented to the Strategic Leadership Team for scrutiny and consideration of the impact of any increases, their reasonableness and if they should be applied. The Customer Income Manager will also be consulted.

3 Monitoring, Consultation and Review

- 3.1 The service charge budget is presented to the Board for approval as part of the annual budget round. Service charge income and expenditure is managed and monitored within Alliance management accounts.
- 3.2 A report detailing the service charge assumptions for the new rent year is provided to the Board for approval annually.
- 3.3 Variances of new service charges of over £5 a week will be considered by the Strategic Leadership Team prior to the charges being set, in addition to the Customer Income Manager.

4 Equality and Diversity

- 4.1 Alliance are committed to complying with the Equality Act 2010 and through our Equality, Diversity and Inclusion Policy are committed to ensuring that in our service delivery to customers, no person, group, or community is unfairly disadvantaged or discriminated against.
- 4.2 An Equality Impact Assessment has been undertaken – refer to Appendix 1.

5 Complaints

- 5.1. If you would like to raise a complaint in relation to this policy, you can do this by calling us on **03000 120 120** or emailing us at **act@alliancehomes.org.uk**.
- 5.2. All complaints will be handled in line with the latest Alliance Homes Complaint Handling Policy.

6 Associated documents

- Rent Setting Policy
- Leasehold Management Policy
- Estate Management Policy
- Lettings Policy
- Reasonable Adjustments Policy.

7 Version control and approval dates

| Approval stage | Date completed |
|--|------------------|
| Equality Impact Assessment completed | 2 October 2024 |
| EIA reviewed by Equality & Diversity Manager | 7 October 2024 |
| SLT review | 8 October 2024 |
| Audit and Risk Committee review | 22 October 2024 |
| Board approval | 20 November 2024 |
| Minor amend made to insert standard complaints section and format for external publication | June 2025 |
| Next review date | November 2025 |

8 Appendices

Appendix 1 Equality Impact Assessment

Appendix 1 – Equality Impact Assessment

1. Name the Strategy, Policy, Procedure or Function (SPPF) being assessed and name of author.

Service Charge Policy

Elaine Hargate, Rents and Service Charges Manager

2. Aims of the SPPF being assessed.

The Service Charge Policy sets out the framework for how AHG will set service charges for all customers. The policy is aimed at administering and accounting for charging in a fair, open and transparent way that reflects best practice. The management of service charges is only aimed at recovering our costs of administering, managing, and providing services. For new schemes we will consider service charge implications for customers from the outset and aim to achieve value for money on any services provided for all diversity groups.

3. Who has been consulted in developing the SPPF?

This was a routine policy review of the Service Charge Policy and was considered by the Leasehold Manager, Customer Income Manager and Tenancy Services Manager.

4. Does the SPPF promote equality of opportunity?

The policy promotes equality of opportunity across the protected characteristic groups by ensuring that AHG set, administer, and account for service charges for all customers in a fair, open and transparent way. The policy allows for the SLT to consider the impact of any potential service charge increases above a certain level and are enabled to mitigate these increases if it is felt necessary. The policy aims to consult with customers to seek to continuously improve the quality of services that are chargeable and will seek to encourage participation across all diversity groups.

5. Identify potential impact on each of the diversity “groups” by considering the following questions:

| Protected Characteristic | No impact | Negative impact | Positive impact | Information source/s ** | Comments/evidence |
|--------------------------|-----------|-----------------|-----------------|-------------------------|---|
| Race | X | | | | The policy promotes equality by ensuring that AHG set, administer, and account for service charges for all customers in a fair, open and transparent way. |
| Disability | X | | | | |
| Gender | X | | | | |
| Transgender | X | | | | |

Service Charge Policy



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|------------------------------|---|--|--|--|--|
| | | | | | |
| Sexual orientation | X | | | | |
| Religion or belief | X | | | | |
| Age | X | | | | |
| Marriage & Civil Partnership | X | | | | |
| Pregnancy and Maternity | X | | | | |
| Rural issue | X | | | | |
| Social mobility | X | | | | |

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Was there a negative impact identified in question 5? If yes go to question 6. if not go to question 7.

7. If positive impact has been identified in table 4 above, how can it be improved upon or maximised, either in this SPPF or others?

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|-----|
| N/A |
|-----|

8. Full EIA (or if you decide full EIA is not necessary but some changes should be considered)

AHG aims to consult with customers to ensure that information and documentation regarding service charges is accessible and in a clear and easy-to-read format, in line with the Reasonable Adjustments Policy.

9. Does this proposal have any potential Human Rights implications?

If yes, please describe (if necessary, please make reference to the Alliance Homes Group Human Rights Policy)

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| No |
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