

Service Charge Policy

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1. Document Overview

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|-----------------------------|--|--------------------|-------------|
| Purpose | To set out Thrive Homes' approach to setting service charges and how and when we will review service charges across all our tenures, including tenancies, leases and freeholds. | | |
| Audience | Colleagues | | |
| Data Classification | Internal Use Only | | |
| Review Cycle | 24 months | | |
| Last Review | January 2025 | Next Review | December-27 |
| Relevant Legislation | Housing Act 1985 Landlord and Tenant Act 1985 Landlord and Tenant Act 1987 Commonhold and Leasehold Reform Act 2002 The Service Charges (Consultation Requirements) (England) Regulations 2003 Leasehold Reform (Ground Rent) Act 2022 Leasehold and Freehold Reform Act (2024) (Provisions of which to be introduced) | | |

2. Document Version History

| Version | Date | Au | Reviewer | Changes & Additions |
|---------|----------|----|-----------------|---|
| V1.0 | 01/12/20 | AB | Anne Bijum | |
| V2.0 | 31/10/22 | EC | Emma Comer | NA |
| V3.0 | 29.01.25 | DC | Danielle Cleary | Reference to new legislation and general amendments |

3. Introduction

3.1 The purpose of this policy is to set out Thrive Homes' approach to setting service charges and how and when we will review service charges across all our tenures, including tenancies, leases and freeholds.

4. Scope

4.1 In setting and reviewing service charges Thrive Homes will follow legislation and any government policy and regulatory guidance and will seek to recover the costs of all services where the law permits.

4.2 Outside the scope of the policy are re-charges or charges for additional works outside the terms of the lease. These are addressed in our offer and ask – Thrive Deal for Leaseholders - Thrive Homes.

5. Definitions / explanation

5.1 A service charge is a payment made by tenants, and leaseholders (including shared owners) towards the cost of providing and maintaining services and benefits provided for them by or on behalf of Thrive Homes. For example, Communal Grounds Maintenance is a service that can be covered by a service charge because it is available to all residents. Service charges are defined under Section 18 of the Landlord and Tenant Act 1985 [as amended by the Commonhold and Leasehold Reform Act 2002] (referred to in this Policy as "the LTA 1985"). Freeholders may also pay charges for services. These are generally known as "estate charges". They are not governed by the LTA 1985.

5.2 The general principle of service charges is that they will be cost neutral to the organisation, covering all the operational costs of providing them. Service charges will be fair and reasonable and be at a level that are deemed to be affordable and are considered good value for money.

5.3 Thrive Homes will provide services on a variable service charge basis, in line with the Landlord and Tenant Act 1985 (as amended) which sets out the requirements of operating a variable service charge.

5.4 Thrive may acquire new stock that do not contribute variable service charges. As part of the onboarding process any stock not on a variable service charge basis should be assessed with the intention of converting these to variable service charge payers to achieve uniformity across portfolio.

5.5 The terms under which Thrive Homes can charge variable service charges are set out in the tenancy agreement or lease.

5.6 Estate charges payable by freeholders may also be variable but they are not governed by the LTA 1985. The requirement to pay estate charges will appear in the transfer/conveyance to the freeholder.

6. Explaining Service Charges

- 5.7 Each tenant will receive at the commencement of their tenancy a tenancy agreement which details the service(s) provided by Thrive Homes and the initial costs associated with those services.
- 5.8 Each Leaseholder or Freeholder will receive an initial statement detailing information about the services and charges at the time of purchase / sale.
- 5.9 Under the Preserved Right to Buy (PRTB), the list of services with associated costs will be listed in the Section 125 Notice (Housing Act 1985) given to the PRTB applicant before they purchase.
- 5.10 Under the Right to Acquire the list of services with associated costs will be listed in the RTA3.
- 5.11 Under the Right to Shared Ownership the list of services with associated costs will be listed in The Offer.
- 5.12 Signing the tenancy / occupancy agreement or assignment/transfer forms an acceptance of the provision of the services and associated charges.
- 5.13 Thrive Homes will provide information on service charges on the website. A summary of rights and obligations will be provided with all demands for payment or at least annually.

7. Composition of Costs

- 7.1 Where Thrive Homes levies Service Charges, these will include the following costs:

- **Maintenance:** Thrive Homes will recover the anticipated costs of maintaining building components and, if necessary, repairing the component over the period for which the service charge is set. Such costs include the door entry systems and maintenance of the communal areas. Note: tenants do not pay a service charge for repairs and maintenance which the landlord is obliged to undertake under its statutory repairing obligations (section 11 LTA 1985).
- **Improvement:** Where the lease specifically allows, Thrive Homes will recover the costs of any improvement works. Improvement works may be required following legislation changes or updates (for example as a result of the Building Safety Bill), at the request of customers or to bring the building up to modern standards (for example, adding a door entry system where there wasn't one previously).
- **Replacement Costs:** Where Thrive Homes anticipates that it must meet the costs of eventual replacement of a component it will charge for that purpose. The charges will be recovered based on the cost of replacement and the anticipated life span of the item. Such costs may be recovered via a sinking fund, a one-off charge or via a depreciation charge, depending on the terms of the tenancy/lease. This could include a roof replacement for example
- **Administration / Management Fee:** Thrive Homes will recover from all tenants, leaseholders or freeholders who receive rechargeable services, a charge to meet the administration and / or management costs incurred in providing services where their tenancy/lease/transfer allows. Every 5 years, an exercise will be undertaken to ensure that administration and management fees are consistent with industry standard.

- **Transfer Promise Balancing Credit [TPBC]:** Where tenants of Thrive Homes benefit from the transfer promises following transfer from Thrive Rivers District Council, a balancing TPBC will be applied to off-set the introduction of new service charges that were previously not applied. This TPBC will only remain so long as tenants or their successors, who benefit from the promise remain in their current home or for those who mutually exchange into a property where the promise applies
- **Service Charge Balancing Adjustment:** for Tenants, where Thrive Homes over or under - recovers on services in any financial year, the service charge will be varied in the next financial year to address the effects of the over or under recovery.
- **Service Charge Credit:** From time to time costs may increase significantly for particular blocks/estates in response to one or more services changing. Thrive's Executive team retains discretion to apply a credit for a set period of time to alleviate the impact of affordability to customers.

7.2 Tenants, Leaseholders or Freeholders will only be charged for services they receive.

8. Calculation of Variable Service Charges

- 8.1 Service Charges are calculated by identifying the service provided within each defined block or estate. The full costs of providing these services for the coming year is estimated using prior years costs and uplifted for inflation and any known changes to the service provision.
- 8.2 The costs will be apportioned on a fair and reasonable basis, using the most appropriate measure unless the tenancy/lease/transfer specifies the apportionment method. In the majority of cases, costs will be divided by the number of properties within a block or estate. For some services, costs may be apportioned by floor area of the property, number of bedrooms or block, or a standard charge may be applied across Thrives Homes stock irrespective of location.
- 8.3 Where there is a new development, service charges will be set to reflect realistic anticipated costs that will ultimately be levied as a service charge. This will include here applicable reasonable allowances for anticipated future expenditure based on asset life cycles.

9. Annual Review of Service Charge and Actual Accounts

- 9.1 All Service charges will be reviewed annually. Tenants' new service charge estimates will be applied at the same time as the annual rental review, giving at least one month's notice prior to commencement. Leaseholders' or freeholders' new estimated charges will apply from the 1st of April each year unless the lease/transfer states otherwise.

10. Actual Accounts for Variable Service Charge Payers:

- 10.1 Within six months of the end of each financial year (ending 31st March) Thrive Homes will provide each customer with a written statement of their service charge account. The Statement of Account will show the estimated charges for the services together with the actual amount each service actually costs the organisation for the year.

- 10.2 Where the actual costs exceed the amount estimated in the year (underpayment) or are less than the amount paid for (overpayment), then in the case of tenants the amount will be recovered / repaid through an adjustment being made to the service charge estimate for the next financial year.
- 10.3 For Leaseholders, Shared Owners and freeholders any overpayment / underpayment will be applied to their service charge account (unless their lease/transfer provides that they are entitled to immediate repayment or any overpayment or that we are entitled to immediate payment of any underpayment).
- 10.4 Where there are 4 or more leaseholders in a block, actual accounts will be independently audited by an external accountant to verify that Thrive Homes has accounted costs correctly. This is in accordance with the requirements of the LTA 1985.

11. Varying the Services Provided

- 11.1 The arrangement for varying services will depend on whether the service is provided to an individual or to a group of two or more properties
- 11.2 Thrive Homes may be asked by individual residents to provide additional services, commonly through the provision of equipment to assist a person with a disability. Thrive Homes will provide such equipment / service only where the resident seeking the provision agrees to meet the cost of any associated service (subject to any external funding they may receive e.g. Disabled Facilities Grant).
- 11.3 Thrive Homes may be asked by an individual resident to cease to provide services to them individually, most commonly through the removal of specialised equipment within their home. Thrive Homes will agree removal of services / equipment only where it is sure that no threat to health and safety will arise and where removal will not incur additional costs to Thrive Homes. Where Thrive Homes agrees to cease the charges, this will be from the date of the removal of the service.
- 11.4 Thrive Homes may be asked to provide additional services to a group of residents. Thrive Homes will normally agree to provide such provisions where there is a clear majority who would benefit from the services, and all residents agree to meet any associated costs. (Such charges may not be eligible for Housing Benefit or Universal Credit).
- 11.5 Where Thrive Homes is asked by an individual that they wish to be removed from services provided to a group, we will not agree to such requests.
- 11.6 Where Thrive Homes are asked by a group to cease the provision of services, we will consider such a request and consult with all those affected. Under section 37 LTA 1987 a variation may be approved by the Tribunal where a majority of residents agree to a variation. In all other circumstances, we will only remove the service if all affected residents agree, or they agree to alternative arrangements being put in place. Where Thrive agrees to delete the service charge, charges will cease from the date of its removal. The cost of lease variations to reflect the change in the responsibilities would need to be met by customers in the block. Where residents take over a service and Thrive agree, Thrive will monitor the adequacy of the replacement service and if the group fail to make adequate provisions or fail in their obligations to carry out the service, Thrive Homes may instigate action to take back the service and charge all those who benefit from the service.

12. First Tier Tribunals ('FTT')

Thrive Homes endeavours to provide a good management service (both in standard of service, and value for money) to its tenants and leaseholders. By doing so, it is anticipated that challenges to the FTT will be held to a minimum. Tenants and Leaseholders have the right to refer issues of disputed service charges to the FTT, without reference to Thrive Homes. Thrive Homes may also look to refer longstanding disputes to the FTT, where it has been unable to resolve them. Currently, freeholders do not have the right to refer estate charges to the FTT. Any challenge must be via the County Court based on the terms of their transfer/conveyance.

13. Consultation

Thrive Homes will observe the statutory requirements for consultation in respect of proposed major works and long-term agreements under Section 20 of the Landlord and Tenant Act 1985 (as amended). In addition, it will actively consult and work with its residents to understand their needs and to provide, where possible, the services to meet those needs.

Where Thrive are required to add a service and charge where tenants are not currently contributing toward this, it will observe its contractual requirement to consult under the terms of the Tenancy Agreements prior to introducing the charge.

13. Thrives Core Behaviours



Customers and colleagues are entitled to hold us accountable if we behave in a manner that isn't in keeping with the statements above. To be clear that doesn't mean we can always deliver exactly what is being sought. but it does mean we demonstrate empathy and provide clarity.

14. Treating Everyone with Respect

This policy has been impact assessed in line with Thrive Homes' obligation to comply with the Equality Act (2010). We aim to design inclusive services, policies and behave in a way that does not discriminate on the grounds of:

| | | | | |
|------|--------------------|----------------------|-------------------------------|-----------------------|
| Age | Disability | Gender re-assignment | Marriage & civil partnerships | Pregnancy & maternity |
| Race | Religion or belief | Gender | Sexual orientation | |

While we are not required by law, we seek to ensure we do not discriminate on any basis that is rooted in prejudice, for example we are not influence by:

| | | | |
|----------------------------|-----------------|------------------------|--------|
| Social/Economic Background | Body Shape/Size | Educational Background | Accent |
|----------------------------|-----------------|------------------------|--------|

Every effort will be made to ensure that decisions made reflect this commitment.

15. Other Related Policies and Guidance

This policy links to other policies Thrive has in place, including but not limited to:

- Rent Setting and Review Policy
- Offer and Ask

As a business we try hard to keep all these related policies aligned with each other. Anyone spotting inconsistency or contradictory statements, is asked to contact the Author and make concerns known. Supporting us to keep information clear and consistent will always be welcomed.

16. Risk and Assurance

The commitments and intent of this policy is aligned to our Strategic and Risk & Assurance Frameworks, specifically:

| Strategic Framework Pillar | Corporate Risk Register |
|--|--|
| Resilient with a Financial Base A Fair deal for customers | Customer Service and Experience Legal & regulatory Compliance |

To ensure we hold ourselves accountable we will on an biannual basis assess our adherence to this policy, reporting the assessment of compliance to the appropriate business forum.

Compliance will also be assessed on a regular basis through:

- Audits: including Homeownerships Audit and the annual Service Charge Actuals audit on service charges. Follow-up reporting required on all audits will encompass all outcomes and actions of assurance for the business.
- Non-chargeable costs relating to all sales will be included in HoTB reporting.
- Improvement works are identified by the instructing team and lease checks completed prior to section 20 consultation to assess progression of works.
- Dispensation, Section 20 Consultation and other major works discrepancies will be included in monthly reporting or one off reporting to the business, as appropriate.

17. Policy Review & Approval

As this policy is a core component of how Thrive manages its business the document will be evaluated by the BR&G Forum Committee as part of the review and approval process.

18. Support and Further Guidance

This policy has been drafted with input from colleagues across Thrive. Any concerns on how to interpret or follow its requirements, can be raised with members of the Service Charge Team.

Colleagues, Board Members and third parties have a responsibility to work in a way that's consistent with the expectations set out in the policy and its implied intent. Should anyone witness or become aware of activities that undermine or conflict with the intention this policy please alert a member of the Governance Team, or any member of the leadership team as soon as possible.