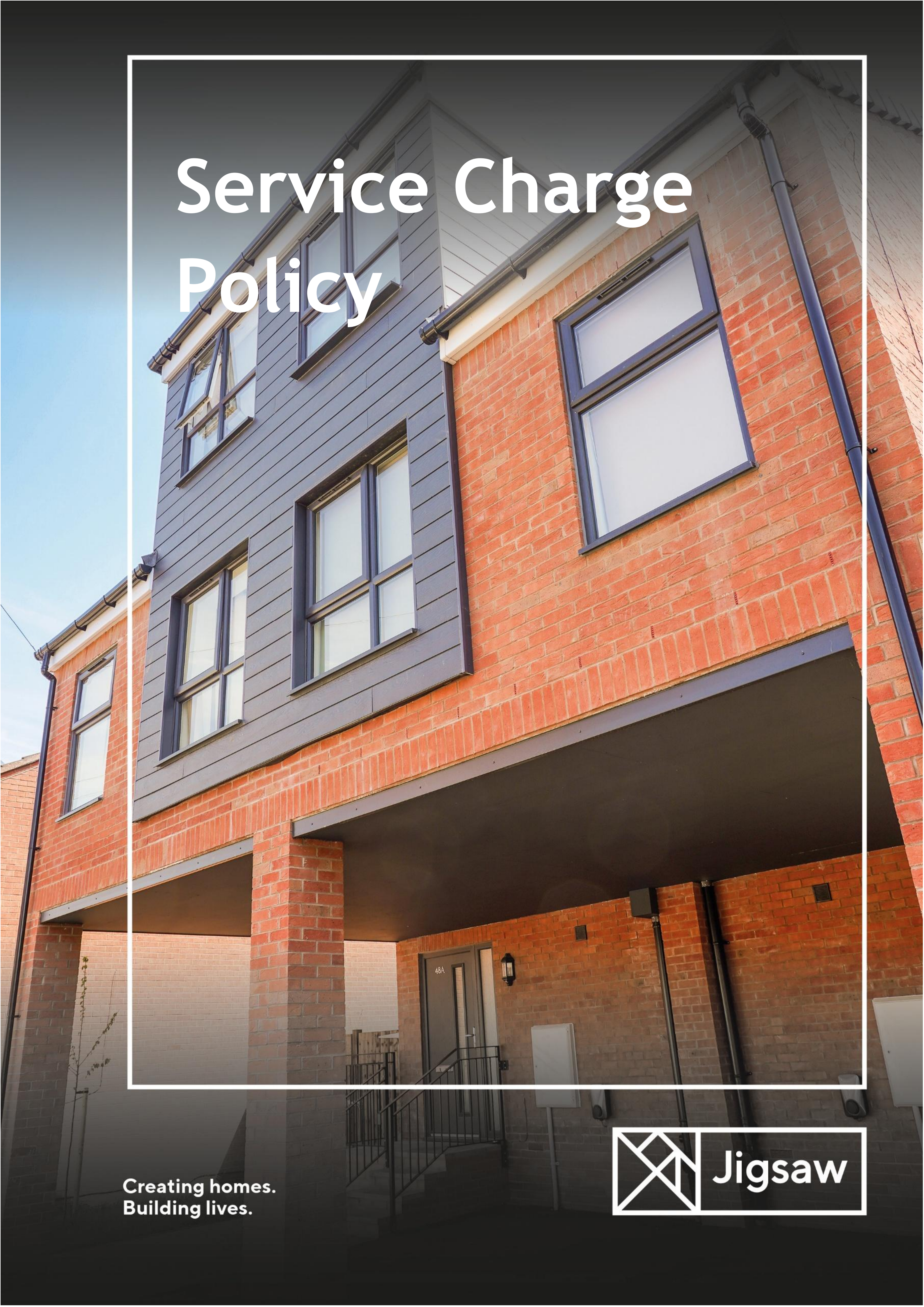
Service Charge Policy



Creating homes.
Building lives.

Jigsaw

1 Contents

1 Aims

1. The members of the Jigsaw Homes Group ("the Group") will seek to fully recover service charge expenditure from any customer who is provided with a service at their home. In doing so the Group will ensure that the services delivered are in accordance with any relevant legislation and obligations stipulated within individual tenancy or lease agreements. The Group will also ensure that these services are affordable and represent value for money as well as provide customers with the information that they need to be able to understand what service charges are and how they relate to the property they live in.

2 Scope

2. The policy will apply to any tenant or leaseholder of the Group who is obligated to pay a service charge. The policy will also apply to all freeholders who are required to contribute towards service costs, and any tenant, leaseholder or freeholder who has a service charge liability where the Group acts as managing agents.

3 Policy Statement

3. This policy outlines how the Group sets, manages and administers service charges within the legal and regulatory framework. Appendix A details items that are considered by the Group to be service charges or service costs. The Group operates both variable and fixed service charge regimes. The use of each regime is dictated by the terms of the individual tenancy or lease agreement.

3.1 Delivery

4. The Group will seek to deliver Grounds Maintenance, Communal Cleaning, Caretaking, Fire Safety Checks and Window Cleaning using its own employees. The Group views this as the most effective way of ensuring the delivery of high standard services. Where it is not possible or practical for the Group's own employees to deliver these services the Group will seek to appoint a service charge contractor to deliver a service in accordance with an agreed specification. Service charge contractors appointed by the Group must hold appropriate insurance and be able to demonstrate a satisfactory level of competency to complete the work. Where suitable, this will be done via the Group's EScaf accreditation system. Leasehold

schemes have the right to request a service provision other than that provided by the Group. Any contractor nominated by leaseholders who is unable to demonstrate that they meet the Group's competency and insurance requirements to perform the service charge contractor role will not be appointed.

3.2 Eligible and Ineligible Service Charges

5. Eligible charges are those service charge elements that are eligible for Housing Benefit or for the Housing Element of Universal Credit. Eligible charges usually include communal services which tenants, leaseholders and freeholders are unable to opt out of as these are applied to all residents at the scheme/estate. Ineligible service charges are generally non-communal personal services such as heating and water to individual properties. If the property receives a discretionary service the resident is able to opt out for services such as gardening and window cleaning, which the Group is not obliged to provide under the terms of the relevant lease or tenancy agreement.

6. The Group aims to ensure that any ineligible service charges are necessary, appropriate and proportionate; and will advise customers in their rent notification notices and/or service charge statements which charges are ineligible. For both fixed and variable service charge regimes the Group's aim is 100% recovery of service costs.

7. This will be reviewed annually based on the following factors:
    - The true service cost at each scheme compared to current charges.
    - The overall increase between rent and service charge being affordable based on the Rent Standard guidance.
    - The eligibility of charges for Housing Benefit and Universal Credit Housing Element entitlement.
    - The target service charge (full cost recovery) will be charged on re-let.

8. The Group retains the right not to recover the full costs of services where the provision of an essential service means that the property is unaffordable.

3.3 Assessing Service Provision

9. Each year the Group will assess the adequacy of the services provided at each scheme to determine whether any alterations are required. This will include an assessment of value for money and the costs being recovered. Where full cost recovery would result in affordability issues the Group may at its discretion use either, or a combination, of the following;
    - Providing there are no health and safety implications reduce the specification of the service to match the cost recovered from residents.
    - Apply a staged increase in service charge in line with the Rent Standard guidance.

10. When there is a requirement to add or remove services, or alter specifications, the Group will undertake resident consultation.

3.4 Specifications

11. On an annual basis the Group will use its expertise in determining the service specifications at each scheme. All residents will be informed of any changes to the minimum specification that the Group feels is required to maintain their scheme. The Group may consider, upon request, implementing an enhanced service specification subject to resident consultation regarding costs.

3.5 Setting of Variable Service Charges

12. Annually, and on a scheme by scheme basis, the Group will set a variable service charge budget having carried out a review of sinking fund contributions and calculated the estimated costs for the provision of all services for the following year based on the current year's expenditure and factoring in known increases or one-off spends.

13. Where possible the Group will base utility forecasts on actual use. As the Group retains a small number of schemes where there is an unmetered supply, the Group will determine an estimated utility cost budget based upon comparable schemes and any underspend on this budget line will be classed as surplus in the year end accounts.

14. Once the Group has finalised the service charge budget for each scheme, customers are provided with a breakdown of this budget forecast and given at least one calendar month notice of the service charges they will be

required to pay in the forthcoming year. During the financial year the Group will monitor service delivery and costs on a scheme basis to ensure what is being delivered remains, as far as possible, within budget.

15. Where permitted the Group may choose the start and end of each financial year to aid the smooth running of service charge accounts. At the end of each financial year the Group will:
    - Calculate the total actual costs incurred at each scheme.
    - Ensure, where necessary, the actual costs are audited. This will be completed by an independent auditor where a reserve/sinking fund is being collected.
    - Calculate the difference between actual costs and levied service costs for the year to generate a surplus or deficit figure. Any surplus or deficit will then be included in the following year's service charge budget. In the case of surpluses, the Group may offer to refund the customers a proportion of the surplus to prevent significant variations between what is charged each year.
    - Once audited, and within 6 months of each year-end, the Group will inform customers in writing of the actual costs which have been incurred at their schemes compared to the amount charged.

16. Where it is beneficial either in terms of timescales, cost or operational reasons, the Group may seek the First Tier Tribunal Service to dispense with the requirement for consultation under Section 20 of the Landlord and Tenant Act 1985 (amended by section 151 of the Commonhold and Leasehold Reform Act 2002). Where an application to dispense with the requirements of Section 20 applies to a number of the Group's subsidiaries the application may be made in the Group's name.

3.6 Setting of Fixed Service Charges

17. Similarly, the Group sets its fixed service charges on an annual basis using a forecast of what it is expected to cost to provide the services for the forthcoming year. These charges are not adjusted to reflect any surplus or deficit from the previous year.

18. Where possible the Group will base utility forecasts on actual use. As the Group retains a small number of schemes where there is an unmetered supply, the Group may forecast utility cost budget based upon comparable schemes. The Group provides one calendar months notice to customers of the new fixed service charge for the forthcoming year.

3.7 Amending Service Charges during the Financial Year

19. The annual review of services should minimize the potential for changes during the course of the financial year but the Group recognizes that this may not always be achievable.

3.7.1 Alterations to Variable Regime

20. The provision of additional services during the year will result in formal notification to residents of the revised charges and what date they become effective from. The Group may also seek dispensation from Section 20 consultation where this assists the smooth implementation of a new service. In such circumstances residents will be notified of this approach.

21. Under the variable service charge regime, customers will be notified if a service is to be removed, or we recognise the actual cost is significantly under budget during the financial year and the Group's preference will be to reconcile the discontinued service when the year-end accounts are produced.

22. The Group may alter the service specification in the year where the delivery of the current service is creating a deficit in the service charge accounts. In such circumstances the Group will consult with residents regarding service specifications for the following year.

3.7.2 Alterations to Fixed Regime

23. Under the fixed service charge regime, the Group will consult with all customers who will benefit from the new service prior to its introduction. This consultation will be undertaken irrespective of length of the contract agreement or the cost per customer. Any consultation will indicate to customers what the likely future cost of the service will be for the following financial year.

24. Under the fixed regime customers will be notified if a service is to be removed during the financial year. Where a service has been included in a fixed regime calculation and it subsequently transpires that the responsibility for delivery of this service does not sit with the Group, the Group will remove this element from the following year's service charge calculation. In these circumstances a credit equivalent to the charges levied within the current financial year will be credited to each tenant's rent account.

3.8 Right to Buy, Right to Acquire and Freehold Service Charges

25. The Group will apply service charges to properties when a tenant exercises the Right to Buy or Right to Acquire and continues to benefit from the provision of services. These service charges will be managed in accordance with the lease and the Group will seek full cost recovery. In certain circumstances the terms of Right to Buy/Right to Acquire leases and existing tenancy agreements result in the Group having to operate both Fixed and Variable Service Charge regimes for the same scheme.

26. The Group aims to ensure identical services are delivered at mixed tenure schemes, with the cost of these services being apportioned equally between leaseholders and tenants. Freehold service charges relate to the upkeep and maintenance of public open space within the Group's ownership. The requirement to contribute towards this upkeep will have been a condition of the original sale. The Group will calculate each freeholder's contribution annually based upon the time spent maintaining the public open space as a proportion of the number of homes benefitting from this service.

3.9 Administration Fees for Managing Services

3.9.1 Service Charge Accounts

27. The Group levy administration fees of 15% for managing the service charge delivery. The Group may at its discretion charge a lower administration fee where it considers the administration fee to be disproportionately high compared to the actual cost of managing the service. The Group may also stagger the introduction of administration fees over a reasonable period where the introduction results in a significant increase in the charges to customers. The actual cost of administration will be reviewed annually against the overall percentage charged and where necessary amended accordingly in the following year.

3.9.2 Provision of Buildings Insurance

28. Where the Group only provides buildings insurance a flat fee will may be charged per annum for overseeing this policy. This will be outlined in service charge breakdowns.

3.9.3 Third Party Management Fees

29. The Group may be required to collect an annual management fee on behalf of a third party management company. Where this is the case the Group will clearly differentiate what is the third party management company fee on the service charge statement.

3.10 Third Party Service Delivery

30. Grounds maintenance and window cleaning services provided by third party service contractors at schemes will be awarded on a regular basis. Requests to change service contractors will be dealt with once a year unless there is serious under performance by the service contractor that the Group has been unable to rectify, or the service contractor resigns/ceases trading.

31. In the event that a third party contractor delivering services to a scheme resigns from their position or ceases trading, the Group will notify residents and propose interim arrangements which may differ from the existing specification until a new contractor is in place.

3.11 New Developments

32. The Group will aim to control the service costs applicable to its new build developments in order to create service charges that are appropriate and cost effective for maintaining the upkeep of the scheme. To achieve this, the Group's Finance, Asset Management, Neighbourhoods and Development teams will work together during the construction phase to formulate an accurate estimate of service charges for customers prior to the occupation of these new homes.

3.12 Affordable Rent Properties

33. The Group operates a number of Affordable Rent tenancies. Where communal services are provided to such Affordable Rent tenancies, the cost of providing these services is included within the affordable rent. The Group will monitor the cost of providing these services to ensure that they are being delivered in the most efficient and cost-effective manner.

34. The Group may alter the service specification where the cost of delivery is disproportionately higher than expected. In such circumstances the Group will consult with residents on a revised service specification to be implemented in the following year.

35. Where the Group has a mix of Social Rent and Affordable Rent tenancies within the one scheme, the variable service charge statement issued to the social rent tenants will detail the contributions made by Affordable Rent tenancies into the overall service charge account.

3.13 Asset Management

3.13.1 Planned Maintenance Works

36. The Group will deal with larger scale works or component replacement under its Planned Maintenance policy. Where the cost of planned works exceeds £250 per property, the Group will consult leaseholders under Section 20 of the Landlord and Tenant Act 1985 (amended by section 151 of the Commonhold and Leasehold Reform Act 2002).

37. The Group reserves the right to request the First Tier Tribunal Service to dispense with this requirement for operational reasons, such as emergency works or the use of a specialised contractor.

3.13.2 Leasehold Sinking Funds

38. Where a lease permits for the collection of a sinking fund or future maintenance contributions, the Group will hold these monies in trust, in a separate bank account for each scheme. An annual financial statement will accompany the service charge accounts for each scheme detailing the transactions made on the sinking fund along with a year end balance.

3.13.3 Cyclical Planned Works Administration Fee

39. The Group will charge leaseholders for providing and managing cyclical planned works. The charges cover the costs of tendering and managing contracts. The planned works management fee is charged at 10% of the total costs of the planned works to reflect the Group's cost of administering and overseeing the works.

3.13.4 Depreciation on Renewal of Plant/Components

40. Where items of capital cost are to be replaced and no replacement provision exists, costs will be apportioned each year based on its useful economic life. Although the Group specifies an expected useful life, dependent upon the condition of the plant and/or components at the time of review, it may take the decision to extend or reduce the life of the asset.

3.14 Charge Frequencies

41. For efficiency and administration purposes where a service charge is stipulated as an annual charge in the lease the Group may elect to charge this annual fee by way of equal monthly or quarterly installments.

3.15 Fair Rent Tenancies with a Service Charge

42. For all Fair Rent tenancies, the Group will request the Valuation Office Agency (VOA) to register a new rent and service charge every 2 years from the date of the last registration. The service charge element that the Group will request the VOA to register will be based upon the last set of finalised service charge accounts. Irrespective of any new services introduced between rent registration dates the Group will only charge the amount registered for services by the VOA for the entirety of the current registration period.

3.16 Staff Training

43. The Group will ensure that all staff are fully and appropriately trained and have the right level of knowledge to ensure that customers receive the most appropriate advice.

3.17 Confidentiality/Data Sharing

44. The Group will treat all information we receive from customers in relation to this policy in confidence and in accordance with its Group Privacy Policy. The Group's processing of personal data, including sharing with third parties, will only take place where there is a lawful basis for doing so.

3.18 Complaints and Appeals

45. Any complaints about failure to follow this Policy and/or associated procedure or about the way a customer has been treated in relation to this Policy or procedure will be dealt with through the Group’s Complaints Policy and procedures. Complaints that are not resolved once the Group’s Complaints Policy has been exhausted may be referred to the First Tier Tribunal Service.

4 Partnership working

46. The service charge team is a member of the National Housing Federation North West service charge and finance forums to gather examples of service charge best practice.

5 Monitoring and Delivery

47. All service costs have allocated budget holders who have responsibility for monitoring and managing the actual costs incurred each year. All budget holders are provided with the relevant financial and system training and are provided with appropriate support from the Finance Team. The Group's Leasehold and Service Charge teams have joint overall responsibility for the setting and management of service charges throughout the Group.

6 Legislation and Regulation

48. The main pieces of legislation and regulation relevant to this policy include but are not limited to:

- Housing Act 1985
- Housing Act 1988
- Housing Act 1996
- Housing Act 2004
- Landlord and Tenant Act 1985
- Landlord and Tenant Act 1987
- Leasehold Reform, Housing and Urban Development Act 1993
- Commonhold and Leasehold Reform Act 2002
- Service Charges (Consultation Requirements) (England) Regulations 2003
- Regulatory Reform (Fire Safety) Order 2005
- Unfair Terms in Consumer Contracts Regulations 1999
- Regulator of Social Housing Regulatory Framework – Rent Standard guidance
- Welfare Reform and Work Act 2016
- Financial Conduct Authority requirements

7 Related Policies and Procedures

49. This policy has links to other Group Policies and Strategies:
    - Current Rent and Service Charge Collection Policy.
    - Asset Management Policy.
    - Leasehold Management Policy.

8 Glossary

50. EScaf; Electronic Supplier Contractor Accreditation Form

51. Managing Agent - managing the services on behalf of another landlord.

52. Management Company - a company set up to manage service charges on behalf of tenants and leaseholders.

53. Right to Buy (RTB) / Preserved RTB (PRTB) / Voluntary RTB (VRTB) – are schemes under which a tenant has exercised their entitlement to purchase their home.

54. Right to Acquire (RTA) – is a scheme under which a tenant has exercised their entitlement to purchase their home.

9 Document Control

Responsible Officer/s:	Rosemary Marsh, Operations Director-Finance
Date of Review & Approval:	03/09/2026
Reviewed & Approved by:	Executive Management Team
To be Reviewed Every:	Year

10 Appendix

10.1 Examples of service costs

55. Although not a comprehensive list the costs detailed below are currently what are charged as a service cost:

- Cleaning of communal areas including passages and corridors.
- Energy costs supplied to communal parts including passages and corridors.
- Staffing cost where time is spent on managing service charge services, including the applicable cost of office accommodation.
- Garden maintenance in communal areas, including:
    - the cost of cleaning, sweeping, grit.
    - the collection of refuse, skip hire, refuse compactor if provided by local authorities.
    - Tree surgery.
- Audit fees and insurance costs.
- Depreciation of plant (as outlined in Appendix B) in communal areas, and/or replacement fund provision for future replacement of plant in communal areas.
- Maintenance of plant in communal areas (plant outlined in Appendix B).
- Major repairs sinking fund (leasehold properties only).
- Carpets, decoration and furnishings in communal areas including:
    - Repair and maintenance
    - Replacement.
- Communal electric supplies, landlord sockets, light fittings (to include emergency lighting).
- External lighting and security lighting on car parks and garden areas.
- Electric gates, car park barriers and door entry systems, • Maintenance of fire/smoke detection systems.
- Legionella monitoring, control and testing.
- Replacement and maintenance of warden call systems.
- PAT testing and electrically inspections to common parts.
- Repairs and servicing to specialist equipment.
- Supply and maintenance of communal white goods.
- External maintenance as outlined within lease agreements.

10.2 Anticipated useful economic lives

56. The anticipated useful economic lives of components used by the Group are set out below:

Table 1: Anticipated useful economic lives of components

Component	Useful Economic Life (years)
Lifts	25
Fire equipment	15
Warden call equipment	15
Emergency lighting	20
Electric gates	15
Door entry	15
CCTV	10
Communal aerial	10
Communal furnishings	10
Communal carpets	10
Communal bathing equipment	10
Communal vents	10
Communal furnishing - Extra Care/Supported*	5
Communal flooring - Extra Care/Supported*	5
Communal IT equipment	4

**The Group has set the replacement of communal flooring and furnishing within its Extra Care and Supported Schemes based on an estimated average life cycle. As the replacement of these components may be dictated by the client group, the Group reserves the right to lower the replacement frequency on a scheme by scheme basis.*

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Jigsaw Homes Group Ltd.
Cavendish 249
Cavendish Street
Ashton-under-Lyne
OL6 7AT

https://www.jigsawhomes.org.uk
0300 111 1133
info@jigsawhomes.org.uk

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