

Service Charge Policy

Policy Owner	Service Charge Manager
Version	V1
Frequency of Review	3 years
Date Document Last Reviewed	August 2025
Date of Next Review	August 2028
Equality Impact Assessment Required / Completed	Yes
Data Impact Assessment Required / Completed	Not required as the policy does not involve any notable changes to the way in which Cottsway process personal data.
Reviewed By	Customers/Service Charge Manager/Operational Team Leaders/Cottsway's legal representatives
Approved By	Deputy Chief Executive - 15/09/2025

1. Policy Statement

- 1.1 This policy sets out our approach to managing service charges; these are charges for additional services we provide as a landlord (separate from the net rent/rent a tenant pays for occupying the property).
- 1.2 This policy applies to all tenants, licensees and leaseholders who pay a service charge to us, together with all staff who are involved in setting and administering service charges. It does not however apply to tenants with an affordable rent where their rent includes an amount for services provided and is set and reviewed in accordance with the Rent Standard: our Rent Policy applies in relation to those tenants in this regard.
- 1.3 We will aim to recover 100% of the costs incurred in providing services through the service charges paid by customers.
- 1.4 We operate a variable service charge regime, and this will be managed in accordance with relevant legislation (although the legislative requirements are not applicable to licensees).
- 1.5 The services provided will be clearly identifiable to our customers and set out in occupancy agreements (which include licences, tenancy agreements, leases and any other relevant documentation).
- 1.6 We seek to be fair and transparent in the way we set and explain charges.

2. Regulatory and Legal Considerations

- Landlord and Tenant Act 1985 and 1987
- Leasehold and Freehold Reform Act 2024
- The Commonhold and Leasehold Reform Act 2002
- Building Safety Act 2022
- Limitation Act 1980
- NHF Service Charges and Rent Charges: a guide for social housing landlords
- The Regulatory Framework for Social Housing including the Rent Standard and the Policy Statement for Rents for Social Housing

2.1 Section 18(1) of the Landlord and Tenant Act 1985 (the "1985 Act"), as amended, sets out what is recognised as the definition of a variable service charge as an amount payable by a tenant of a dwelling as part of or in addition to the rent:

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

Examples of service charges may include:

- Grounds maintenance
- Cleaning, lighting & repairs for communal areas
- Communal electricity
- Lift maintenance
- Cleaning of communal areas

2.2 As we operate a variable service charge regime, we must comply with the legislative requirements set out in sections 18 – 30 of the 1985 Act (as amended from time to time). In summary, these are:

- Section 19 – reasonableness of charges (including any costs charged in advance) and of services/works.
- Section 20 – consultation before entering any qualifying long-term agreements (agreements for more than 12 months, where the cost to a customer is more than £100 per year) and undertaking qualifying works (works where the cost to a customer is more than £250) unless an order for dispensation is obtained. Where required, consultation must be undertaken in accordance with the Service Charges (Consultation Requirements) (England) Regulations 2003 (as amended);
- Section 20B – costs must be charged within 18 months of been incurred, unless we have served notice within 18 months of the costs to be charged in the future.
- Section 21 – the customer has a right to request a summary of relevant costs for specific periods.

- Section 21B – the right for the customer to withhold payment of service charges until they have been served with the prescribed information, which is the ‘Service Charges – Summary of Tenants Rights and Obligations’ document.
- Section 22 – the customer has a right to inspect supporting accounts when the customer has obtained a summary of relevant costs; and
- Section 27A – an application may be made to the First-tier Tribunal (Property Chamber) (the “FTT”) to determine liability to pay a service charge.

The above summary is intended to be a plain English overview of the requirements: it is not intended to limit or extend the rights and obligations within the 1985 Act.

- 2.3 We do not currently have any properties that fall within a ‘relevant building’ under the Building Safety Act 2022. However, should we acquire any such properties, we will ensure costs are only charged where permitted under Schedule 8 of that Act. This will depend upon the reason for the works and may include consideration of whether the particular leaseholder has a ‘qualifying lease’.

3. Policy Scope and Objectives

- 3.1 We will comply with all legislative and contractual requirements in respect of service charges as they apply to the particular customer. We will also comply with best practice.
- 3.2 We will ensure we provide cost effective services necessary to manage and maintain the scheme and meet our legislative and contractual obligations.
- 3.3 We will provide customers with clear and concise information about estimated service charges we intend to make, how we set those charges, and the actual cost of providing services.
- 3.4 Engage positively to customers’ service charge enquiries, in line with service standards.
- 3.5 We will adopt a consistent approach throughout our housing stock and tenure types in the apportionment, calculation and recovery of the costs of providing services, so far as contractual obligations permit.
- 3.6 We will measure the effectiveness, efficiency and economy of services provided and to keep customers informed about our performance against standards set.
- 3.7 We will build and develop new schemes which have reasonable and affordable service charges. An initial estimate of the service charges for proposed new schemes will be prepared early in the design and or acquisition process. This will identify 100% of costs that can be recovered by way of a service charge. The service charge for new schemes will be based on:

- Identifying services to be provided
- Information on services supplied by the developer
- Known costs for comparable services.

4. Stakeholder Consultation

- 4.1 This policy was developed in consultation with customers who receive services through this policy and key internal stakeholders at Cottsway.

5. Policy Details

- 5.1 We will have regard to affordability when setting charges and will aim to keep the level of service charges as reasonable as possible. This aim is, however, within the context of providing necessary levels of service as contracted with, or agreed by, customers and within the principles of giving the best possible value for money.
- 5.2 We will monitor service costs to ensure that only those reasonably incurred as a direct result of providing services are charged to customers.
- 5.3 We will provide services that correspond to the lease or tenancy. Consideration for the introduction of new chargeable services will be completed through consultation with customers.
- 5.4 Where the occupancy agreement provides, we may also charge:
- A contribution to a sinking or reserve fund;
 - Depreciation charge;
 - Management charge; and/or
 - Administration charge.
- 5.5 The service charge accounting period is 1st April - 31st March.
- 5.6 For customers that receive estimated service charges:
- They will be sent a statement of the service charge account for their scheme for the previous financial year within six months of the end of the financial year. The difference between estimated and actual costs will be identified in the year end service charge statements. A covering letter will be issued and may provide detailed explanations and identify how the balances may affect their upcoming charges.
 - Estimated service charges are not altered as a result of temporary breakdown or failure to provide a service.
 - Where there is a surplus (i.e. where the actual cost of providing services is less than what has been paid by a customer during the service charge period) or deficit (i.e. where the actual cost of providing services is more than what has been paid by a customer during the service charge period) on the service charge account, the balance will be carried forward to the next years' service charge estimate, or the surplus will be refunded or deficit demanded as the occupancy agreement requires.

- The final estimated service charge will be charged to customers' accounts as follows:
 - For weekly tenancies from the first Monday in April
 - For calendar monthly tenancies from 1 April.

5.7 For customers, where we just demand service charges once actual costs are known, we will demand these charges in accordance with the lease.

5.8 Service charge expenditure will be apportioned to properties strictly in accordance with the requirements of occupancy agreements (and if there are no specific requirements in a reasonable way).

5.9 If a reasonable request is made to add to, or increase, services provided, and we are legally able to do so, we will first consult all potentially affected customers. We will take the feedback into account when we make the decision.

6. Monitoring and Review

6.1 We will monitor our services regularly to ensure we are meeting all our customers' needs and monitor service costs to ensure that only those reasonably incurred as a direct result of providing services are charged to customers.

6.2 The review period for this policy is every 3 years, subject to any changes in legislation or regulation and/or recommendations by the Audit and Risk Committee and the business which may trigger an earlier review.

7. Equality, Diversity and Inclusion

7.1 In applying this policy, we will ensure that no person or group of persons will be treated less favourably than another person or group of persons because of race, colour, ethnic or national origin, religion, sex, gender, gender identity, gender presentation, physical disability, or sexual preference.

7.2 We do adapt our services to accommodate individual requests for information e.g Language Line, documents in a larger print format, offer 1:1 tenancy support where needed, offer in person meetings.

7.3 Our website meets accessibility standards for all published documents.

8. Associated Documents, Policies and Procedures

- Customer Charter
- Leasehold Management Policy
- Estate Management Policy
- Equality, Diversity and Inclusion Policy
- Feedback and Complaints Policy
- Estate Management Policy

- Rent Recovery Policy
- Tenancy Agreement/Lease Agreement

List of changes

Date	Change
August 2025	Full review of policy in consultation with Customers
	Legal advice sought to ensure this policy remains compliant with current legislation.