



Service Charge Policy

Policy Owner

Chief Finance Officer

Accountable Lead

Director of Financial Services

Policy Control	
Policy Level	Strategic
Policy Reference	F&S/MA/002/2013
Link to Strategy	Finance & Treasury Strategy
Version Control V1 – May 2013: Consolidates V1 – previous group policies V2 – Jan 2017: revised after service charge project V3 – Oct 2020: review and update. V4 – February 2023: review and update V5 – April 2024 – update accountable lead	Effective from March 2026 to February 2029
Approved by	Chief Finance Officer
Consultation	
Equality analysis	See statement below
Next review date	February 2029

Policy Statement

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1. Scope

This policy sets out the principles by which we set service charges. Separate policies deal with the recovery of charges and arrears and with the way in which estate services are provided.

The policy covers charges made to tenants', leaseholders and freehold owners but excludes services which we provide but do not charge for due to the contractual relationship with the customer.

The policy includes charges to homeowners for planned works, whether recovered through a service charge, a separate sinking fund, or ad-hoc payments.

The policy covers property related services only – personal charges, such as support charges, are subject to separate policies and procedures.

2 Responsibilities

The Board and Executive, through the Policy Owner, ensure that the policy delivers our strategic objectives and reflects corporate values.

The Accountable Lead is accountable to the Executive for the effective implementation of the policy in Curo, so that the principles are achieved through appropriate team plans and objectives, and procedures – with appropriate RACIs – translate the policy objectives into practice.

The table below summarises the key tasks and identifies who owns each step:

Task	Op. Service Leads	Customer Accounts	Commercial	Finance	Executive Group
1. Leading, coordinating and communicating annual SC estimate and reconciliation process.				X	
2. Preparing detailed annual cost budgets by service and by location.	X				
3. Calculating the financial impact of proposed service cost budgets on Customers.				X	
4. Approving key principles of annual changes to service cost budgets.					X
5. Reviewing customer impact of service charge changes and making decisions on the application of discretionary caps.					X
6. Consulting with customers about services we provide, including issuing formal S20 notices	X				
7. Recovery of service charges from social tenants		X			
8. Recovery of service charges and planned work charges from leaseholders and shared owners			X		

3. Definitions

A service charge is a payment for services provided to shared areas and (for leaseholders) maintaining buildings within our estates and blocks. Services provided are defined by the occupancy agreements we have with our customers.

The terms of the agreement will define the basis of the charge, but this will differ significantly between tenants (where we have statutory and other tenancy obligations) and owners (where such obligations do not exist and we have no rental income).

The services provided will be specified in the occupancy agreement or covenant, except in some older agreements where a separate list, or historic accounts, set out those details.

4. Principles

We use variable service charges which are set and managed in accordance with the Landlord and Tenant Act 1985 (as amended): this legislation ensures the reasonableness of the charge and the extent of consultation that is required.

We use variable service charges for all tenures except for the following:

- Market rent, affordable and intermediate – rental charges are inclusive of service charges.
- Supported / temporary accommodation – where we apply fixed service charges to provide certainty of charges due to the high frequency of customer turnover.

With a variable service charge, residents pay based on an estimated cost. At the end of the financial year we compare the actual cost of delivering the service against this estimate.

If the actual cost is lower, we'll refund any difference. If it's higher, we'll charge extra.

For tenants and shared owners, we carry forward any difference to the next year's estimate and add it on or take it off from those charges.

For leaseholders we refund or charge the difference six months after the end of their financial year.

We seek to recover the full costs of the services we provide, whilst ensuring that those costs are fair and reasonable. At the same time, we are mindful of the affordability of service charges; we review increases in service charges against CPI to identify potentially unaffordable increases. Where this is the case we may review the proposed charge and consider a cap or change the services.

We will apportion costs and apply charges consistently, fairly and in a timely manner to customers. One customer's service charge will never subsidise another customer's charge.

The basis of charges will be clear: customers should understand who is paying for what and how service charges have been calculated.

Where service charges are not eligible for subsidy (e.g. through Housing Benefit or Universal Credit) we will not subsidise the cost and will continue to charge the full service charge.

Where the costs of administering a service charge are likely to exceed the income from the charge then we will not make a service charge.

Wherever possible we maintain sinking funds for leaseholders and other owners that anticipate and budget for the cost of major works.

Services will be provided in consultation with customers. We will be accountable to customers, who should know what services are being provided, by whom, at what cost, and be able to make choices about the services they pay for.

5. Application

Rented and shared ownership homes

To ensure affordability of charges, we will have in place procedures which will achieve the following:

- For new developments, we assess potential service charges as part of the feasibility process. This determines whether a charge will be set up. Along with rents, we will consider the affordability of service charges by looking at their cost as a proportion of income for potential tenants.
- For existing homes, we review any increases to service charges each year for all customers. We will endeavour to keep increases for like-for-like services provided affordable and not exceed CPI +1%.
- We recognise that external factors outside of our control may result in increases above this threshold (for example, energy price inflation or changes to minimum wage levels can impact disproportionately on service costs).
- Where increases above CPI +1% result from factors within our control we will consider options to mitigate the impact to residents including the use of caps (which may be temporary and recovered in future years) or changes to the nature of the services we provide, in consultation with customers.
- In some circumstances we will co-operate with Local Authorities in establishing an affordable level of charge and will cap anything above that level.

We send tenants details of service charge expenditure annually.

Leaseholders and freeholders

By maintaining sinking funds for owners we seek to spread the cost of major works. Where a sinking fund is not possible, or has insufficient funds, we will recover costs through one off charges in line with the principles of this policy and individual agreements, or defer works.

We have transparent procedures for setting and apportioning charges where this is not specified in the lease.

We will review on a case-by-case basis any one-off charges following major works and consider, where it is reasonable, spreading the recovery over a maximum of 2 years.

We send details of expenditure, including any sinking fund statements, to leaseholders annually.

General

Information about service charges is provided in customer leaflets, handbooks, newsletters and online. Information about individual service charges is also provided clearly in tenancy agreements and leases.

All information, including consultation (from S20 to annual consultation) and annual statements of expenditure, are provided in a format which is clear and understandable. We will actively seek feedback from customers to identify ways to communicate complex information in the most effective way.

We charge a management fee as part of the service charge. The fee covers the costs we incur to manage, monitor and administer the service provided. We do not make any surplus from management fees. Costs are charged to customers on a banded mechanism based on the number of services received, recognising the additional costs required for managing multiple services.

Management fees are reviewed and updated annually to ensure they accurately reflect the resources invested to effectively manage these services and deliver value for money.

The large majority of service charges are applied using the variable cost approach, considered as best practice across the industry. We believe that this best achieves the accountability for service charges that residents have told us they consider important.

Our procedures ensure that we comply with statutory requirements for consultation with customers. We will also consult affected customers about major works or proposed changes to service provision even where statutory consultation is not required. Our estate inspection procedures ensure that we seek and respond to the views of customers about the standards of services that we provide.

We provide customers with choice about the services they receive:

- Through annual consultation; this accompanies the information we provide about service charge expenditure and will range from written consultation to face to face and scheme meetings.
- Our contracts for the provision of services include flexible options which will allow us to vary the nature and quality of work in response to customer feedback.
- Our “customer led services” commitment allows customers to take on the running of some or all of their services.

Our feedback and compensation policies allow residents to make complaints about services and charges and set out how we will resolve these.

Where we fail to provide a service we will not make a charge, and this is not considered ‘compensation’. In addition, where there is a significant service failure we will consider compensation by means of reductions in the management fee and ex-gratia payments

6 Procedures

The following procedures support and ensure the implementation of this policy:

Service charge setting procedure
 Service charge recovery procedures
 Sinking fund setting procedures
 Section 20 consultation procedures
 Service charge definitions document
 Estate inspection procedures
 Affordability assessment tool for new developments
 Major Works recovery procedure
 Compensation policy and procedure
 Customer led services procedures and criteria

7 Equalities analysis

Those parts of this policy that deal with affordability and with definitions of what we will make charges for are intended, in part, to address the potential for those tenants who are disabled and/or require significant support in order not to suffer particular financial disadvantage. We consider that the provisions of this policy address those issues.

No other potential for inequality has been identified in the production of this policy.