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## **Service Charge Policy**

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## **1 Introduction: the purpose of this policy**

- 1.1 A service charge is payable by a tenant, leaseholder, shared owner, or freeholder towards the cost of services provided in addition to any rent liability for their home. The right to recover service charge costs are set out in the relevant occupancy agreement. Types of services will vary for individual homes and can include services such as grounds maintenance or communal cleaning.
- 1.2 This policy outlines the service charge structure for residents of West Kent Housing Association. It aims to provide clarity on how service charges are calculated, the types of charges involved, and the processes for billing and queries.
- 1.3 This policy aims to ensure fairness, consistency, and compliance with applicable regulations, such as the Landlord and Tenant Acts of 1985 and 1987, while maintaining transparent communication with residents.

## **2 Policy Statement**

- 2.1 As a social landlord our objective is that service charges fully recover the actual costs of delivering reasonable landlord services for our residents. By doing so we safeguard recovered rents that are our main income to go back into providing quality homes and community services for residents. This additionally ensures that there is no cross subsidy of costs from those residents without service charge to those who benefit from the receipt of services or between residents in differing tenures.
- 2.2 Our approach to service charges ensures that they:
  - Comply with all contractual, regulatory, and legal requirements.
  - Are calculated and shared accurately, transparently, and fairly, in line with occupancy agreements, freehold covenants, and relevant legislation.
  - Reflect best practice and remain open and transparent.
  - Demonstrate value for money.
  - Provide residents with clear and accurate information.
  - Are supported by a policy on service charge setting and recovery that is understood by both residents and staff.

## **3 Exclusions and types of service charge**

- 3.1 If a home does not directly benefit from a service provided, their service charge will not include the costs of that specific service, unless the occupancy agreement specifically states otherwise; for example, a block of flats where the ground floor properties have direct access without accessing internal common parts, will not share the costs of internal communal cleaning, lighting and other similar costs.

- 3.2 For homes let under the Affordable Rent scheme, and some Intermediate Rent, the rents charged are inclusive of service charges. Rent is set up to 80% of the market rate and this includes costs which would otherwise be charged as a service charge. These residents will not see a separated service charge amount or details, but this information will be held internally.

#### **Types of service charge at West Kent**

- 3.3 West Kent have fixed and variable service charges.

- 3.4 Fixed service charges – Stonewater rented tenancies:

- A fixed service charge is a set amount that residents pay to cover the cost of shared services in their building or estate. It does not change within the year, even if the actual cost of providing the services is higher or lower. Fixed service charges are reviewed periodically and may be adjusted in future years.
- Fixed service charges are sent to residents at the end of each February detailing the cost of delivering services over the next financial year (1 April to 31 March). The service charge is applied from either 1 April or the first Monday in April. We may introduce or remove a charge during the year if the service has ceased or a new service is introduced. Residents will be consulted before any changes are made to the service and associated charge.

- 3.5 Variable service charges – Tenants, leaseholders, shared owners and freeholders:

- A variable service charge is a payment that changes based on the actual cost of providing shared services in a building or estate. The amount may go up or down each year depending on how much the services cost. This ensures residents only pay for the actual services they receive.
- A variable service charge estimate, and formal demand are sent to residents before the start of the financial year, detailing the anticipated cost of delivering services. The service charge is applied from either the first of the month or the first Monday or a later date depending on the occupancy agreement.
- Residents with a lease type 1 do not receive an estimated service charge. A formal demand will be sent as detailed in point 3.6 below.

- 3.6 After the close of each financial year, a comparison is made between the actual and estimated cost of delivering services. A summarised statement of the actual costs incurred is sent to residents within six months of the year end.

- 3.7 Any balance is applied in accordance with the occupancy agreement as follows:

- West Kent tenancies - as a credit or an additional charge on the following year's service charges.
- Shared-Ownership, Do It Yourself Shared Ownership (DIYSO), Lease type 1, 2 and 3 – on demand at presentation of actuals.

3.8 Where the occupant of the home changes in the year, the balancing charge will be dealt with in the following ways:

- West Kent tenancies - the balancing charge will be written off at the termination of the tenancy agreement with the outgoing resident.
- Shared-Ownership, DIYSO, Lease type 1, 2 and 3 – the balancing charge remains with the lease and liability for this is assigned to the new homeowner. It is standard practice that during the assignment this matter is agreed between the solicitors acting for the purchaser and vendor.

## **4 How we communicate on service charges**

4.1 Tenants:

- Changes in service charges are applied as part of the annual rent and service charge review.
- We give one month's written notice before the charges begin in April.
- If notices are not issued to tenants, rents and service charges cannot be changed until one month's notice has been given.
- Tenants can expect to receive the following information.
- A formal demand letter compliant with sections 47 and 48 of the Landlord and Tenant Act 1987.
- Assured tenants also receive a Section 13(2) notice as required by the Housing Act 1988.
- Schedule showing breakdown of estimated services and charges.
- Where a fixed service charge applies, this is included on the section 13 notice.
- Where a variable service charge applies, a summary of rights and obligations will accompany the demand in accordance with section 21B of the Landlord and Tenant Act 1985 and Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007.
- Where a new service charge is to be implemented, a consultation will be undertaken with residents and at least one month's notice will be given before the charge commences.
- After the end of the financial year (31 March), we compare the amount we estimated against actual expenditure. We will send a summary of the actual expenditure for each property, block, scheme and estate, showing this

comparison, by 30 September each year to the resident. Any deficit (overspend) or credit (underspend) will be carried forward to the following year's charges.

- In accordance with Section 21 of the Landlord and Tenant Act 1985, a summary of actual expenditure is to be issued to variable service charge payers within 6 months of the close of the financial period. If the costs are not available, then a section 20B notice will be issued which indicates that costs have been incurred and will be issued when costs are known.
- We will only recover a cost that it has incurred in providing a service which will include Management fees as set out in section 5.4.

#### 4.2 Homeowners (excluding lease type 1):

- Each year, we will provide one month's notice of the new charges together with the following information.
- A formal demand letter compliant with sections 47 and 48 of the Landlord and Tenant Act 1987.
- Schedule showing breakdown of estimated services and charges.
- Service Charges – Summary of Tenants' Rights & Obligations.
- Section 166 Notice – Ground Rent (leaseholders only).
- Where a new service charge is to be implemented, a consultation will be undertaken with residents and at least one month's notice will be given before the charge commences.
- After the end of the financial year, we compare the amount we estimated against actual expenditure. We will send a summary of the actual expenditure for each property, block, scheme and estate, showing this comparison, within six months of the financial year end to the resident. Any deficit (overspend) or credit (underspend) will be carried forward to the following year's charges.
- In accordance with Section 21 of the Landlord and Tenant Act 1985 a summary of actual expenditure is to be issued to variable service charge payers within 6 months of the close of the financial period. If the costs are not available, then a section 20B notice will be issued which indicates that costs have been incurred and will be issued when costs are known.
- We will only recover a cost that it has incurred in providing a service which will include Management fees as set out in section 5.4.

#### 4.3 Consultation – Variable service charge payers:

- Under Section 20 of the Landlord and Tenant Act 1985 (as amended), if West Kent plans to spend more than £250 (including VAT and admin fees) per home on a single repair to a building or estate, or if a new service contract lasting over 12 months will cost more than £100 (including VAT) per home each year, we must consult with all residents who will contribute to the cost.

#### 4.4 How residents can query or dispute service charges:

- Queries and disputes will be dealt with by the Service Charge Team directly with the resident. However, if the query relates to the actual provision of the service provided, then these will be handled by the relevant contract manager. If a resident is experiencing affordability problems with paying, then our Housing Income Team can offer advice and support.
- If a resident is unhappy with either our provision of services recovered by service charge or how service charges are calculated, they can make a complaint through our complaints process.
- Complaints will usually be managed by the Customer Resolution team in line with our complaints policy and procedure. The service charge team will support in resolving cases.
- Residents paying a variable service charge, where their complaint has not been resolved satisfactorily through the routes outlined above, have the right to ask for the First-tier Tribunal (Property Chamber) to decide on a dispute about service charges. The Tribunal is independent of government and landlords. [Please see their website for more information.](#)

## 5 How service charges are shared between individual homes

### 5.1 Charges are shared based on the number of properties who benefit from the service, where the service charge is variable, this is based on actual costs, by either:

- Equally dividing the cost between the individual homes in the block, scheme or estate; or
- Equally dividing the cost between the individual homes in the block, scheme or estate that benefit from that service, as per 3.1; or
- On a percentage or other basis as specified in the occupancy agreement.

### 5.2 Managing Agents:

- When West Kent doesn't own the land or building and isn't the freeholder or superior landlord – including in developments with a Section 106 agreement – the freeholder or superior landlord may appoint a managing agent to deliver some or all of the estate services.

- The managing agent charges West Kent for these services, and we then pass these costs on to residents through the service charge, as explained in the occupancy agreement.
- We will ensure that these charges are correctly incurred and that residents are charged according to their occupancy agreement. For example, tenants will not be charged for items such as communal repairs.
- Where a charge is incorrectly incurred or there are service delivery issues, we will take timely and appropriate action to resolve these.

### 5.3 Sinking fund:

- Some shared ownership and leasehold leases have a provision clause enabling us to collect monies in advance to create a 'sinking fund'. This fund aims to cover the cost of replacement or renewal of major cost items such as roof replacement or cyclical decoration work to internal or external common areas.
- The annual amount collected is based on estimated life cycle and costings, over a 30-year period, and reviewed every five years following a stock condition survey.
- Contributions are held in separate interest-bearing accounts and are accounted for on an individual property basis. These are audited annually, and a statement provided to each leaseholder.
- If there is a fund available, the cost of any major or regular (cyclical) works will be taken from it. If the fund doesn't cover the full cost, the remaining amount will be added as a separate item on that year's service charge account and included in the final balancing charge.

### 5.4 Management fees:

- We will charge a management fee based on how many services each home receives. This fee helps cover the general costs of running services, like the service charge team, postage, and collecting payments. It doesn't include costs already covered by specific contracts, like grounds maintenance.
- The management fees will increase each year in line with the Consumer Price Index (CPI) from September. These changes will be reviewed and approved each December along with the service charge policy. A more detailed review of the costs will happen every three years, or sooner if there are major changes in the business.
- We will charge contract management fees for the management of specific contracts reflected below:
  - 10% for managing agents



- 1.75% for catering
- 1% for insurance (this does not include brokers fees which will be included in the charge)
- 12% for all other contracts that we manage including but not limited to grounds maintenance, cleaning, responsive repairs.

## **6 Value for money**

- 6.1 We aim to get the best value for money when buying services, so that any costs passed on through service charges are reasonable. This ensures we meet the requirements of Section 19 of the Landlord and Tenant Act 1985.
- 6.2 Our procurement exercises, supplier processes and internal staff comply with all relevant regulations such as the Public Contracts Regulations 2015 ("PCR2015"), the Procurement Act 2023 ("PA2023"), National Procurement Policy Statements and the Data Protection Act 2018.
- 6.3 Where Section 20 consultation is required, residents are consulted as part of the procurement exercise.
- 6.4 We use in house service providers only where these deliver better value than external providers, for example gas engineers and plumbers.
- 6.5 We review managing agents' costs and challenge if they appear unreasonable as set out in 5.2.4.
- 6.6 Our salaries are regularly assessed against market levels.

## 7 Responsibilities

Role	Responsibilities
Contract managers	Provide anticipated cost of services for all estates and blocks. Undertake section 20 consultation with residents where required for works or contracts.
Asset management	Provide lifecycle and replacement costs for components within buildings to produce sinking fund calculations.  Assess repairs costs annually to identify anticipated costs to be recovered via a service charge.
Service charge team	Sets charges for new developments and undertakes the annual review ensuring that all costs are allocated correctly to each estate and block and then shared correctly by home.
Head of Rents & Service Charge	Checks the review to ensure the charges for different occupancy agreements are applied correctly. Provides a summary of changes control document report to the business on the charges each year. They will additionally review this policy annually and update when there is a change in regulation controls.
Head of Financial Planning & Analysis	Incorporates the costs from the report into the financial planning.
Executive Director of Finance and Corporate Services	Reviews and signs off the summary of changes control document.
Board and C&H	Review and sign off the service charge policy annually.
Allocations Team	When letting a property, the team check the service charge at advert, offer letter and, when preparing tenancy agreements before they are signed and issued. Officers use charges from the Civica Cx system only (housing system) and these values are verified by two Officers.
Homeownership team	When selling a property, the Officers use charges from the Civica Cx system only (housing system)
Procurement Manager	Responsible for checking where section 20 consultation is required when supporting a project.

## 8 Regulation

8.1 This policy adheres to the following legislative and regulatory requirements:

- [Landlord and Tenant Act 1985](#): Governs the management of variable service charges, ensuring that charges are reasonable and properly accounted for.
- [Commonhold and Leasehold Reform Act 2002](#): Sets out provisions for leaseholders regarding service charge disputes and the requirement for consultation on certain works.
- [Housing Act 1985](#): Addresses the responsibilities of housing associations in providing housing services.
- [Building Safety Act 2022](#): requires housing associations to ensure building safety costs are clearly identified and reasonably charged to leaseholders. It affects service charge policies by mandating transparency, limiting what can be charged (especially for historical defects), and introducing new protections for leaseholders against unfair safety-related costs.
- [Regulator of Social Housing Standards](#): Ensures that housing associations operate in a transparent and accountable manner.
- [Public Contracts Regulations 2015 \("PCR2015"\)](#): Governs how public sector bodies in the UK procure goods, services, and works, ensuring transparency, fairness, and competition. They implement the EU Public Sector Directive 2014/24/EU into UK law and set out procedures for awarding contracts above certain thresholds.
- [Procurement Act 2023 \("PA2023"\)](#): Sets new rules for how public sector organisations in the UK buy goods, services, and works, aiming to make the process simpler, more transparent, and better value for money. It replaces older EU-based rules and focuses more on public benefit and flexibility.
- [National Procurement Policy Statements](#): set out the government's priorities for public sector buying, like supporting local communities, creating jobs, and achieving value for money. They guide organisations on what to consider when planning and running procurement processes.
- [Data Protection Act 2018](#): the UK law that controls how personal information is used, stored, and shared, giving people more rights over their data. It works alongside the UK GDPR to protect privacy and ensure organisations handle data responsibly.
- [Statistical Data Return \(SDR\)](#): An annual online survey that must be completed by all English private registered providers of social housing for the Regulator of Social Housing, capturing data related to service charges, expenditure, and resident satisfaction.

## **9 Reporting and compliance**

### **9.1 Compliance with this policy will be monitored through:**

- Internal audits: Regular audits of service charge calculations and processes to ensure adherence to this policy and relevant legislation.
- Financial reviews: Annual financial reviews to assess the accuracy of service charge billing, the extent to which costs incurred have been recovered and compliance with budgetary guidelines.
- Resident feedback: Tenant Satisfaction Measures (TSMs) - Once a quarter, several of our residents are contacted by our chosen service provider to ask them a series of satisfaction questions. At the end of the financial year, we report our figures to the regulator of social housing who will publish our figures. The results, our response and our approach are discussed at a regular TSM meeting with a range of West Kent staff. The purpose of this meeting is to use the data to drive decision making for our services.
- Complaints and legal cases: We will review the outcomes of any complaints and tribunal cases involving our service charges and use these decisions to check how well we are following this policy. Where relevant, we will update our processes to make sure they remain fair, transparent, and compliant with legal requirements.

#### **Reporting:**

- A summary of changes control document report will be produced on the charges each year.
- Statistical Data Return (SDR): We will complete the SDR annually, reporting data on service charge income, expenditure, and resident satisfaction as required by the Regulator of Social Housing.

## **10 Consultation**

- 10.1 We do not offer consultation on the service charge policy but will consult with residents on changes to their service charges and where Section 20 is required, as outlined earlier in this policy.
- 10.2 We have communicated with residents on the change to variable service charges from April 2026 in writing. For residents where this results in an increase, we have offered resident surgeries and support from our Tenancy Sustainment and Financial Inclusion teams.

## **11 Communication**

- 11.1 This document will be published on our website and Betti. Our Income, Homeownership, Allocation, Housing, Property and Asset and Finance team will be made aware of policy changes.