

# Service charge policy

## 1. Introduction

This policy explains how we decide on and manage service charges for customers who need to pay them.

## 2. Service charges

- 2.1 A2Dominion sets and manages service charges based on what's written in each customer's tenancy, lease, or transfer agreement, and follows relevant legislation when doing so.
- 2.2 Excluded from the policy:
  - Section 20 consultation (Before we do major repairs or sign a long-term contract that affects your service charge, we must follow a legal process called a Section 20 consultation where we will let you know what's planned, give you a chance to share your views and take your feedback into account before making a decision)
  - Treatment of applications to First Tier Tribunal. The First-tier Tribunal (Property Chamber) handles disputes related to property and land. It deals with a range of issues including service charge disputes.
  - Treatment of major works and repayment plans for leaseholders. Major works are substantial repairs, maintenance, or improvements to a building where the costs to the landlord are recovered through the service charge.
  - Compensation
- 2.3 The Landlord and Tenant Act 1985 explains what counts as a service charge and says that charges must be reasonable. It also requires



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landlords to consult tenants before doing certain work that will be charged to them.

- 2.4 The services included in the service charge, and how they are managed, are explained in each individual agreement, for example:
- occupancy agreements for rented homes
  - lease in the case of homeowners and/or commercial tenants
  - transfer documents in the case of freeholders.
- 2.5 Service charges must be collected within 18 months of the costs being incurred. We will send customers a statement of these charges within six months after the financial year ends, and no later than 30 September. If this isn't possible, A2Dominion will send a Section 20B notice\* with estimated costs by 30 September and will aim to send the full statement as soon as possible after that
- \*A Section 20B notice is a formal letter telling you about money spent on services that you have not been billed for yet. We must tell you about these costs within 18 months of spending the money.
- 2.6 The costs for services we provide are explained in your occupancy agreement. Depending on your agreement, your service charge will either be fixed (the same amount each time) or variable (it can change based on actual costs).
- 2.7 At the moment, A2Dominion manages its properties using either a variable or a fixed service charge system.
- 2.8 For affordable rent homes, the service charge is included in the total rent. The rent is worked out using a set method and assumes it covers costs that would normally be charged separately. However, some personal charges such as gas, electricity, water and care services might still be charged in addition.
- 2.9 For market and intermediate rent homes, the service charge is also usually included in the rent, unless the occupancy agreement states otherwise.
- 2.10 Commercial service charges are not subject to the same legislative framework as those for homes unless there is a clause in the lease which states that the lease is subject to sections 18 – 30 of the Landlord & Tenant Act 1985. The lease determines the type of charges that are payable. All commercial leaseholders are required to pay towards services if their lease allows, including sinking fund contributions.

### 3. Calculation of service charges

- 3.1 Service charges will match the actual cost of providing the service and offer value for money. A2Dominion aims to recover the full cost of delivering these services.
- 3.2 Subsidy: Service charges will be based on the actual costs for each estate or building. These costs will only be reduced or subsidised in special cases.
- 3.3 Sometimes, a discount or subsidy might be needed. These cases will be looked at individually by the Service Charge Manager. If the subsidy is more than £50,000 for any estate or building, A2Dominion's Executive Management Team will make the final decision.
- 3.4 Administration fees: An administrative charge will be added to the total service charge cost incurred by each social rented customer. This fee covers our internal costs of managing contractors who provide services to the shared areas. Administration fees will be calculated and charged in accordance with the terms of the occupancy agreement.
- 3.5 Management fees are charged to homeowners and commercial properties to cover our internal costs for managing our estates and buildings, such as carrying out site visits, dealing with queries and requests, arranging contracts for services, and preparing estimated and actual service charge accounts. A review of management fees was last carried out in 2021. Management fees are increased by 2% per annum.
- 3.6 Insurance: From 2025/26, insurance costs will be worked out for each individual home, based on figures provided directly by the insurer. This replaces the previous method where costs were split equally among all residents. The amount each person pays will depend on their specific home, block, or estate. Insurers must give detailed cost breakdowns for each unit in shared buildings. These figures will be used to estimate and confirm service charges. This change follows Financial Conduct Authority rules and helps make the way costs are shared clearer and fairer.
- 3.7 We estimate variable service charges based on past costs and any known changes. Once the actual costs are known, we compare them to the estimates. If you're a homeowner, we'll send you a bill or a refund for the difference. If you're a tenant, the difference will be added to or taken off your next service charge. A variable service charge is a payment that can go up or down depending on the actual cost of the services provided. For example, if we spend more on cleaning or repairs than expected, your charge might increase. If we spend less, your charge could go down.
- 3.8 Fixed service charges are calculated using the same principles as a variable service charge, however, any difference between the estimate and the actual cost isn't charged or refunded. A fixed service charge is a set

amount you pay for services, and it stays the same for the year. It doesn't change, even if the actual cost of the services is higher or lower. This means you know exactly what you'll pay, but you won't get a refund if the costs are less and you won't be asked to pay more if they're higher. .

- 3.9 Existing secure tenants who pay a fair rent may be liable to pay a fixed or variable service charge as agreed by the Valuation Office Agency (VOA).
- 3.10 When planning a new development, we prepare an initial estimate of the service charge during the design and quality panel stage. This estimate is based on the types of services that will be provided, quotes from service providers, and known costs from similar developments.
- 3.11 We may include depreciation costs for shared items and spaces, which helps cover the cost of replacing them in the future. Money for this is collected through sinking or reserve funds, which are reviewed and updated each year.
- 3.12 Service charges are split between homes based on what's written in each person's occupancy agreement. If the agreement doesn't say how to split the costs, we'll use a fair and reasonable method.
- 3.13 If we plan to carry out improvement works or make changes to the services you receive that could affect your service charge, we'll follow the proper consultation process, in line with statutory requirements and/or as set out in your occupancy agreement.

#### **4. What happens if we collect too much or too little in variable service charges?**

- 4.1 At the end of each financial year, A2Dominion compares the actual cost of chargeable services provided with the amount estimated for that period.
- 4.2 The way that a surplus or deficit is treated is dependent on the tenure.
- 4.3 For tenants, any surplus resulting from the year-end accounts will be carried forward as a balance to reduce the estimated charges for the following year.
- 4.4 Any deficit is carried over for payment in the following year, provided a demand has been made.
- 4.5 Where a home is re-let and a surplus or deficit has occurred the new tenant inherits the surplus or deficit.
- 4.6 Homeowners are required to make payment of deficits as detailed in the terms of their occupancy agreement. Generally, payment is required within 28 days of a statement being issued. Proposals for repayment plans can be considered at A2Dominion's discretion.

## 5. Sinking / reserve funds

- 5.1 A sinking fund is a reserve (like a savings pot) that leaseholders and tenants pay into regularly, i.e. weekly, monthly, or yearly, as part of their service charges. This money is set aside and used to pay for future scheduled major works, and other large items of expenditure. The rules for managing sinking funds are set out in the Landlord and Tenant Act 1987.
- 5.2 Where the occupancy agreements allow, A2Dominion operates sinking funds on behalf of its residents.
- 5.3 All sinking funds will be held in a separate bank account, and attract interest based upon the current standard rates received by A2Dominion. For leaseholders, A2Dominion uses the interest rate from the deposit account. For tenants, the interest rate from the current account is used.
- 5.4 If there isn't a sinking fund in place, A2Dominion will use capital financing to cover the cost of eligible major works. These costs will be recovered from residents, but only after the appropriate statutory consultation process has been followed.
- 5.5 Statements of the reserve fund balances held will be provided annually. We will periodically review the bank accounts in which the funds are held with the aim of ensuring that the bank accounts remain suitable for the funds, including earning a reasonable rate of interest. Some expenditures from the sinking fund may have a requirement to consult with the leaseholders, such as the requirements set out under Section 20 of the Landlord and Tenant Act 1985 (as amended).
- 5.6 Any disputes arising from the management of the sinking fund, including mechanisms for resolution as outlined in the occupancy agreements, should be reported through the Complaints Policy and Complaints Procedure.

## 6. Disputes

- 6.1 The First Tier Tribunal (FTT) is the adjudicating body in relation to service charge disputes. If a customer disagrees with the charges levied or believes that charges don't reflect the service provided, they may appeal to the FTT. Customers will be responsible for any administration charge associated with an appeal, which may be recoverable against A2Dominion should the claim be successful.

## **7. Right to buy / acquire**

- 7.1 Where a home is sold via right to buy, right to acquire or similar, an estimated service charge will be provided covering the following 5 years. This customer group will be issued with a Section 125 notice\* as part of the sale. This will detail estimated charges for the following five years including insurance, day to day charges, major works and improvements, sinking fund contributions and ground rent. Details will also be provided of any known structural defects, and the costs will rise by no more than inflation in the five-year period.
- \*A Section 125 notice is a letter you get from the council after you apply to buy your council home through the Right to Buy scheme. It tells you how much the property is worth, the discount you're getting and the final price you'll pay.
- 7.2 Any administration or management costs will be recovered in accordance with the terms of the occupancy agreement, lease or transfer document.
- 7.3 We will procure services considering both the need for quality and value for money.

## **8. Performance measures and targets**

- 8.1 We will publish performance figures based on our handling of service charge enquiries. Results will be measured against our response target of 20 working days from receipt of each query. The route to query a service charge will be detailed on our website and all service charge demands to customers. Queries that are not responded to within the timeframe can be escalated via our compliant policy.
- 8.2 All service charge customers will receive an itemised schedule of costs included in the estimated service charge, provided alongside their annual rent increase notice. This details exactly what services or repairs have been carried out and how much each one cost.
- 8.3 Service charge actuals will be sent to homeowners by the end of September following the close of the financial year.

## **9. Consultation**

- 9.1 The policy will be reviewed and discussed at Customer Services Committee every three years and agreed by the Executive Management Team and approved by Group Board.

- 9.2 The Director of Financial Services has the overall responsibility for the implementation of this policy.
- 9.3 The Service Charge Manager has responsibility for the operational delivery of this policy and associated procedures.

## **10. Equality, diversity & inclusion statement**

- 10.1 A2Dominion Group, colleagues, partners, stakeholders and contractors are committed to providing services which are relevant and appropriate to the needs of people. We will treat others fairly and without discrimination.
- 10.2 We will ensure that all our services relating to this policy are accessible and available for all customers as set out in the requirements of the Equality Act 2010. An equality impact assessment has been undertaken.

## **11. Data protection statement**

- 11.1 The protection of personal data is of great importance to A2Dominion Group and more than just a legal obligation.
- 11.2 A2Dominion Group and affiliate organisations are the data controllers registered with the ICO with the following registration numbers:
- A2Dominion Housing Group Limited: Z4843307
  - A2Dominion Homes Limited: Z9799978
  - A2Dominion South Limited: Z7835340
  - A2Dominion Housing Options Limited: Z5412073
  - A2Dominion Residential Limited: Z3391351
  - A2Dominion Developments Limited: ZA103931
  - Pyramid Plus London LLP: Z3594227
  - Pyramid Plus South LLP: Z3594230
- 11.3 Our data protection policy and procedures are governed by the Data Protection Act 2018. We collect and process personal information in order to provide housing services and meet our contractual and legal obligations. Anyone allowed to access personal data must always handle it properly and follow the relevant laws and regulations at all times.
- 11.4 For information on how we collect, store, process and use customers' personal data, please visit our website on [a2dominiongroup.co.uk/privacy-and-cookie-policy](https://a2dominiongroup.co.uk/privacy-and-cookie-policy).
- 11.5 For our employee related privacy statement, please contact our People Services team at [people.support@a2dominion.co.uk](mailto:people.support@a2dominion.co.uk).

11.6 You can also contact the Data Protection Officer / Data Compliance team at [governance@a2dominion.co.uk](mailto:governance@a2dominion.co.uk)

## **12. Associated documents**

- Landlord and Tenant Act 1985
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- Commonhold and Leasehold Reform Act 2002
- Housing Act 1980
- Housing Act 1985
- Housing Act 1996
- Arbitration Act 1996
- Housing Act 2004
- Consumer Protection Act 1987
- Law of Property Act Localism Act 2011
- Equalities Act 2010
- The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014
- Building Safety Act 2022
- GLA Shared Ownership Service Charge Charter
- RICS Service Charge Residential Management Code