

# Service Charge Policy

## 1. Introduction

- 1.1 The aim of the policy is to set out the approach to the setting and management of service charges for customers where a service charge is payable.

## 2. Service charges

- 2.1 A2Dominion operates all its service charges in accordance with the terms of individual tenancy/lease/transfer agreements and relevant legislation.
- 2.2 Excluded from the policy are:
- Section 20 consultation
  - Treatment of applications to First Tier Tribunal
  - Treatment of major works and repayment plans for leaseholders.
  - Compensation
- 2.3 The landlord and tenant act 1985 sets out the basic ground rules or services charges defining what is considered a service charge and setting out requirements for reasonableness and for prior consultation.
- 2.4 The services provided and determining factors in the administration of service charges are set out in the individual occupancy agreements, for example:
- tenancy agreements for rented properties
  - lease in the case of homeowners and or commercial tenants
  - transfer documents in the case of freeholders.
- 2.5 The collection of service charges will be carried out in line with the 18-month constraint rules to recover any costs incurred, statements must be issued to customers 6 months following close of the financial year and received no later than 30th September. Where it is not possible to issue



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statements by this deadline A2Dominion will issue a Section 20B notice with estimated costs by 30th September and endeavors to provide statements as early as possible following this date.

- 2.6 The recovery of costs due to providing a service to customers is set out in the terms of the individual occupancy agreements, these will be either a variable or fixed service charge.
- 2.7 Currently properties within the A2Dominion portfolio are administered using either the variable service charge or fixed service charge route.
- 2.8 Properties let under an affordable rent include a service charge as part of their overall rent. Rent is set in accordance with the appropriate methodology with the view that this includes costs which would otherwise be service chargeable. Personal service charges may be charged in addition to rent such as gas, electric water and care services.
- 2.9 Market and intermediate rent schemes will also be inclusive of service charges unless specified differently in the individual tenancy agreement.
- 2.10 Commercial service charges are not subject to the same legislative framework as those for dwellings unless there is a clause in the lease which states that the lease is subject to S18 – 30 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 reflect the cost of supplying the service and offer value for money, A2Dominion will aim to recover 100% of the costs of providing these services.
- 3.2 Subsidy – service charges will directly reflect the actual costs for each estate and building. Costs will only be reduced or subsidised by exception.
- 3.3 There may be situations where a reduction or subsidy should be considered by exception. These exceptions will be reviewed individually by the Service Charge Manager. If the amount to be subsidised exceeds £50,000 per estate or building, the matter will be escalated to the Executive Management Team (EMT) for a 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 tenancy agreement.
- 3.5 Management fees – are charged to homeowners and commercial properties to cover A2Dominion's 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 determined on a per-unit basis as provided directly by the insurer, replacing the previous method of equal distribution among residents. Costs will vary depending on the unit, block, or estate. Insurers are required to supply detailed per-unit cost documentation for multi-occupancy buildings, which will form the basis for service charge estimates and actual costs. This ensures compliance with Financial Conduct Authority regulations and promotes transparency in cost allocation.
- 3.7 Variable service charges estimates are calculated with an understanding of previous years costs and account taken of any known charge increase or decrease. Actual costs once known will be analysed against estimates and any deficits or surpluses will be invoiced/credited if you are a homeowner or carried forward into the next charging period if you are a tenant.
- 3.8 Fixed service charges are calculated using the same principles as a variable service charge however deficits and surpluses are not recovered or carried forward.
- 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 As part of all new development proposals, an initial estimate of the service charge is prepared at the design and quality panel stage. These estimated service charges are based upon the type of services provided, quotes for the various services and known cost for comparable service.
- 3.11 Depreciation of existing assets within communal and shared spaces may be applied. These funds will be used to pay for replacement of assets when necessary. Contributions to sinking and reserve funds will be set annually and subject to periodical review.
- 3.12 Service charge apportionment is between individual properties in accordance with the terms of the occupancy agreement. Where none is prescribed a fair and reasonable approach to apportionment will be applied.
- 3.13 Where improvement works are proposed or an amendment, addition or change to service delivery that could affect a service charge the appropriate consultation process will be followed in line with statutory requirements or in accordance with the terms of your occupancy agreements.

## **4. Treatment of Surplus / Deficit for 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 property 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 A2Dominions discretion.

## **5. Sinking / Reserve Funds**

- 5.1 A sinking fund is a reserve that is contributed to by leaseholders and tenants each month/week/year as part of their service charges and used to pay for future scheduled major works, and other large items of expenditure. Sinking Fund is governed and covered under the Landlord and Tenant Act 1987 (as amended).
- 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 deposit account balance rate is used, whereas for tenants the current account balance rate is used.
- 5.4 Where a sinking fund does not exist A2Dominion applies capital financing subject to the appropriate statutory consultation to recover the costs of eligible major works from the resident.
- 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, like the requirements 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 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 property 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 5 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 only rise by no more than inflation in the 5-year period.
- 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 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.
- 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 Service Committee every three years and agreed by the Executive Management Team and approved by Group Board. The policy will be reviewed and discussed at
- 9.2 The Director of Finance has the overall responsibility of the implementation of this policy.
- 9.3 The Rent and Service Charge Manager has responsibility for the operational delivery of the 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 impact equality 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. All persons authorised to receive personal data are obliged to handle personal data in accordance with applicable 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 <https://www.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
- Landlord and Tenant Act 1987
- 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