

Service Charge and Sinking Fund Policy



1. Purpose

The purpose of this policy is to provide a framework for the operational management of service charges.

It sets out the overarching values and ethos of WHA with regards to Service Charges.

The principles we follow are:

- WHA will aim to recover 100% of the costs of providing services through service charges and other charges paid by tenants and leaseholders.
- All service charges are variable service charges as set out in the tenancy agreement/lease.
- The Landlord and Tenant Act 1985, as amended, defines a variable service charge, and determines requirements for reasonableness, timescales, consultation and provision of information. Service charges will be set and managed in compliance with this legislation.
- WHA will review current best practice when reviewing and setting service charges.
- WHA will treat tenants fairly and set service charges in a consistent manner.
- Existing secure tenants, who pay a Fair Rent, will be liable to pay a variable service charge as set by the Rent Officer.
- Services provided will be clearly identified to tenants and set out in occupancy agreements and service charge statements.
- WHA may decide to cap service charges and recover less than 100% on specific schemes where affordability would be significantly affected. Such decisions will be ratified by the Senior Management Team

2. Definitions

The statutory definition of a variable service charge is set out in Section 18 (1) of the Landlord and Tenant Act 1985.

A variable service charge is an amount payable by a tenant of a dwelling as part of or in addition to the rent which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management; and the whole or part of which varies or may vary according to the relevant costs.

Examples of service charges may include:

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- Grounds maintenance
- Cleaning, window cleaning, lighting, heating and repairs for communal areas
- Plant maintenance; for example lifts, emergency lighting, fire detection, door entry systems
- Safety checks; for example Fire Risk Assessments, Portable Appliance testing, legionella testing
- Contributions to Sinking funds for major works or Provisions funds which may include funds for future redecoration and replacement equipment furniture and floor coverings in common areas
- Administration fee

3. Standards

The Occupancy Agreement (Tenancy Agreement or Lease) sets out the services to be provided.

A Service Charge Schedule will be issued to give full details and costs of services.

Service Charges will be reviewed annually.

WHA is committed to collecting service charges in a timely and cost-effective manner

WHA is committed to providing good quality services at a fair price.

All customers who pay service charges will have the opportunity to be involved in deciding the type and extent of services when appropriate.

Disputed items should be notified to WHA for investigation.

4. Calculating and setting service charges

A Service Charge Estimate is provided at the beginning of each financial year and, after the end of the year, is balanced against the Actual Costs of providing the services.

The Occupancy Agreement determines how the balance should be treated, either through a refund/charge or by carrying the balance forward to the next year's charges. If the Occupancy Agreement is not specific the balance will be carried forward.

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Service Charge Estimates are set at the beginning of each financial year by identifying costs incurred in previous years and allowing for inflation and anticipated changes to services or contracts

The Service Charge Estimate is the charge to be paid for the financial year

The difference between estimated and actual costs will be identified in the financial year end service charge accounts.

If there is a temporary breakdown or failure to provide a service within the year, the Service Charge will not be adjusted. The difference between the estimated cost and the actual cost will be reflected in the year end balancing process.

For new developments, WHA will set Service Charge Estimates based on evidence from comparable estates or properties.

Service charges will be apportioned based on the number of properties receiving the service, unless the Occupancy Agreement sets out a different apportionment method.

Service charges that are ineligible for benefit claims will be separately identified.

5. Information, consultation and engagement

WHA will consult and inform tenants and leaseholders in line with statutory requirements. Wherever possible, WHA will involve all service charge payers in assessing value for money and will assist them in making informed judgements.

In the case of a request to inspect documentation in line with statutory requirements, WHA will make such information available for inspection or in the case of another provider holding such information WHA will supply the name and address of the freeholder or superior landlord

6. New developments

WHA will aim to control new development services and charges to create the lowest possible overall service charge.

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7. Statements and demands

Service Charges are charged weekly along with any rent and other charges.

New tenants will receive a service charge calculation with their Tenancy Agreement which details the services provided.

All Service Charge payers will receive a service charge calculation on an annual basis.

WHA will, where appropriate and applicable:

- Provide an annual breakdown of actual service charge expenditure.
- Offer payment options for service charges including direct debit.
- Provide debt advice or provide information on/ signpost to an organisation that can provide debt advice for those finding payments difficult.

8. Surplus and Deficits

Any surplus or deficit in a service charge fund for the financial year will be determined by the calculation of actual costs in comparison to estimated costs.

If there is a matter that prevents WHA from completing account calculations and finalising surplus and deficit balances, in accordance with best practice and legislation, WHA will ensure tenants and leaseholders are informed of potential costs as yet unaccounted for, through provision of a formal notice.

The treatment of surplus / deficits will depend on the requirements of the occupancy agreement, which are contractually binding.

In the case of tenancies the WHA standard form of agreement allows the balance to be carried forward to the next service charge year.

Any surplus or deficit will generally be added back into the following years estimated service charge. A decision will be made as to whether part or all of the balance should be added rather than carried forward. The aim is for service charges to remain relatively stable and to avoid large increases or reductions where possible.

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9. Apportionment Basis

Service charge costs are apportioned to an estate or scheme and then divided by the number of properties who receive the service unless otherwise specified in the occupancy agreement. If a service is provided for a scheme or block all residents may be liable to bear a proportion of the cost regardless of if they consider it of specific benefit. The test will be availability for use against exclusivity of use.

Where an occupancy agreement outlines how the costs of the services are apportioned between properties we will apply these principles.

In schemes with a communal boiler system the apportionment for gas may vary depending on the size of property.

10. Adaptations

Where adaptations require an ongoing service or repair/replacement cost, for example stairlifts, the service charge will be amended to include for the future service costs. This will be done in agreement with the resident and in line with the requirements of the occupancy agreement and relevant legislation.

11. Sinking funds and Provisions

Sinking funds and Provisions are ways to set monies aside to meet future expenditure.

Sinking Funds are intended to pay towards the cost of replacing major components of a building.

Provisions Funds are similar and are set to pay towards replacing plant, equipment, furniture, floor coverings and the redecoration of communal areas

The funds offset the need to pay large one-off sums when major expenditure is incurred.

WHA calculates the annual contributions required by identifying the replacement costs of the components to be included and the anticipated life cycle of each. The contribution will be based on the replacement cost divided by the remaining years in the life cycle.

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WHA will abide by all legal requirements when setting up, managing and using sinking funds and provisions funds.

12. Equality, Diversity and Inclusion

WHA believes that all people should be treated with dignity and respect regardless of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including, nationality, ethnic or national origins), religion, belief or non-belief, sex, or sexual orientation, gender reassignment or by association with someone with any of these characteristics or perception of having any of these characteristics and is committed to promoting diverse and happy neighbourhoods. All reasonable assistance and adjustments will be provided.

13. Complaints

Customers who are not satisfied with the services they receive or any aspects of this policy can complain using our complaints process.

14. Review and Monitoring

WHAs Resource Director and Head of Housing Management & Customer Service are responsible for the effective implementation of this policy.

This Policy will be reviewed every three years, or earlier if required due to changes in legislation or regulation.

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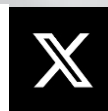
The Gateway, 89 Sankey Street, Warrington, WAI 1SR

Tel: 01925 246810

Email: admin@wha.org.uk

Website: www.wha.org.uk

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