



SERVICE CHARGE POLICY

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Directorate	Finance
Authorising body	Board
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1. Policy Statement

- 1.1 At Eastlight Community Homes (hereafter ‘Eastlight’), we are dedicated to setting and managing service charges transparently, fairly and responsibly.
- 1.2 This Policy is intended to set out a consistent approach to setting fair and reasonable service charges that offer value for money to our residents.
- 1.3 We will be clear with residents and colleagues on the principles we use to set and manage service charges.
- 1.4 This Policy helps us to deliver quality services in a cost-effective, clear and transparent way, and to recover all reasonable costs we incur in delivering chargeable services.
- 1.5 This Policy also ensures we comply with current legislation, case law, guidance issued by the Regulator of Social Housing, and the terms and conditions of tenancy or lease agreements.

2. Scope

- 2.1 This Policy applies to all residents, including Tenants, Leaseholders and Freeholders, and Shared Owners.
- 2.2 Leaseholders and Freeholders should also refer to the Leasehold Management Policy, while Shared Owners should also refer to the Shared Ownership Policy. All residents should also refer to Eastlight’s Rent Policy.
- 2.3 Commercial tenants who pay service charges are **not** covered by this Policy.
- 2.4 This Policy assumes we will adhere to our contractual agreements (tenancy and lease agreements). However, the Policy does not go into the specific details contained within individual agreements.
- 2.5 If there are any variances between this Policy and the relevant contractual agreements, then the contractual agreement will take precedence. Therefore, our residents should read this Policy alongside their individual tenancy/lease agreements.

3. Statutory & Regulatory Requirements

- 3.1** This Policy is designed to ensure Eastlight meets its obligations under the following statutory and regulatory requirements:
- Commonhold & Leasehold Reform Act 2002
 - Landlord & Tenant Acts 1985 and 1987
 - Housing Acts 1985, 1986 and 1996 (including the Social Landlord’s Mandatory Reduction of Service Charges (England) Directions 2014)
 - Building Safety Act 2022
 - Regulator of Social Housing’s Rent Standard & Supplementary Guidance
 - Rent Officer Handbook
 - National Housing Federation’s Service Charges Guide for Landlords
 - Transparency, Influence & Accountability Standard – Consumer Standards 2024
 - Tenancy Standard – Consumer Standards 2024.

4. Think Customer

- 4.1** At Eastlight, we exist to provide the best possible homes and services for our residents.
- 4.2** Our ‘Think Customer’ approach aims to guide and support colleagues whenever they make decisions that affect our residents, directly or indirectly.
- 4.3** ‘Think Customer’ ensures our people fully consider how residents will experience and be impacted by the service we provide. Before acting, our people are required to think about:
- The short and long-term effects of their actions
 - The residents’ individual needs and preferences
 - Whether their communication is clear, respectful and appropriate
 - If they can draw on any past insights or experiences to help them when making tough decisions
 - Whether they, themselves, would be happy with the service being provided.
- 4.4** The ‘Think Customer’ model is designed to complement and work alongside all Eastlight policies and procedures, including this Service Charge Policy.

5. Aims & Outcomes

5.1 Principles

- 5.1.1 We comply with the laws, regulations and guidance relevant to our work, seeking legal advice when things are unclear.
- 5.1.2 Charges will be in line with the contractual agreements in leases and tenancies.
- 5.1.3 From time to time, we may want to introduce new services to comply with legal, statutory and contractual requirements. For example, this may include new health and safety requirements or a provision for sinking funds. These changes could also come from suggestions by residents.
- 5.1.4 Wherever possible, we will consult residents about these changes. The consultation will be carried out in line with requirements set out in contractual agreements and in line with Section 20 of the Landlord & Tenant Act 1985 (as amended) where it concerns qualifying works or services to be carried out under a long-term agreement.
- 5.1.5 We will take reasonable measures to make our communications and consultations accessible and inclusive.
- 5.1.6 Charges are apportioned according to the original contractual agreement terms. In the absence of a defined method, we will seek all recoverable costs by apportioning charges fairly to residents benefiting from the services, applying clear criteria, consulting with residents as appropriate and seeking independent advice, if needed. Wherever practical, we will only change apportionments at the beginning of the next service charge year.
- 5.1.7 While we aim to fully recover the costs of services in line with legal, statutory and contractual agreements, we also aim to provide value for money in the services we charge for.
- 5.1.8 We will ensure we engage with our Leaseholder Group, Active Residents Network and Customer Influence Committee about how we set and manage our service charges.

5.2 Aims & Outcomes

- 5.2.1 We want our residents to experience fair and consistent charges for services that offer value for money. These charges should be aligned with the terms of contractual agreements, as well as applicable laws and regulations, and they should reflect Eastlight’s management, maintenance and service costs.
- 5.2.2 We aim to standardise Eastlight’s charging approach and methods wherever possible, considering legal, contractual agreements and ethical responsibilities, to achieve a harmonised approach. This will also apply to any homes that Eastlight acquires.

5.3 Service Charges

- 5.3.1 A service charge is a payment made by a tenant, shared owner, leaseholder or freeholder for the cost of providing and maintaining any shared facilities and services.
- 5.3.2 Affordable Rents are inclusive of service charges. Other rent categories, such as Social Rent and Supported Housing, are not inclusive of service charges.
- 5.3.3 Shared Ownership rents do not include service charges, which are treated separately. Shared owners pay the full-service charge amount regardless of what percentage share of the home they own. Leaseholders do not pay rent (they may separately pay ground rent), and they only pay service charges.
- 5.3.4 We want our service charges to be affordable and to provide value for money. We will therefore consider a cap on service charges as part of our annual service charge setting process.

5.4 Tenants

- 5.4.1 We will operate a fixed service charge regime for tenants.
- 5.4.2 A fixed service charge is determined by estimating what we consider it will cost to provide the service. It will often be based on the previous year’s costs so that the service charge is as accurate as possible. Should there be an overspend, there is no provision for recouping the extra cost. If the annual costs are less than the fixed charges, then the customer will not receive a refund.
- 5.4.3 Our fixed service charges are currently reviewed annually, prior to rent and service charge increase notifications in April. Fixed service charges are based on the actual costs up to the preceding September, unless otherwise specified in legal agreements. We will notify Tenants and Shared Owners of charges at least one month before the charging period starts, or in accordance with relevant agreement or lease.

5.4.4 Eastlight will always try to set fixed service charges as accurately as possible to protect itself from an excess surplus or deficit. Wherever possible, we will also consider the estimated future cost of providing the services when setting future service charges.

5.4.5 In line with wanting to standardise our approach to service charges, we may consider using estimates for the year ahead rather than historic costs to set service charges for Tenants in line with Leaseholders and Shared Owners.

5.5 Shared Owners

5.5.1 We currently operate the same fixed service charge regime for Shared Owners as we do for Tenants (see Section 5.4 above).

5.5.2 Where possible, and following appropriate consultation, we may look to convert existing fixed service charges for Shared Owners to variable service charges as we do for Leaseholders (see Section 5.6 below). Variable service charges offer a greater degree of transparency and aligns with best practice in the housing sector.

5.6 Leaseholders

5.6.1 We will operate a variable service charge regime for Leaseholders, except where a fixed service charge is explicitly referred to as part of a lease or conveyance.

5.6.2 Where the lease allows, and following appropriate consultation, we will look to convert existing fixed service charges for leaseholders to variable service charges as they offer a greater degree of transparency.

5.6.3 Variable service charges are set based on estimated costs. We will notify leaseholders of charges at least one month before the charging period starts. In the following period, we will calculate the actual costs incurred and compare them to the estimates.

5.6.4 Where the actual costs are higher than the estimates, we will request the leaseholder to pay the outstanding balance. Where the actual costs are lower, we will repay the balance to the leaseholder. This is unless contractual agreements say otherwise.

5.7 Administration Charges

5.7.1 The recovery of management costs will be through an administration charge in line with legal requirements, best practice in the housing sector and contractual agreements.

5.7.2 The administration charge will be reviewed annually to ensure that it still covers the cost of managing and administering the service charge function.

5.8 Consultation

- 5.8.1 Consultations with residents will be carried out in line with legislative and contractual requirements.
- 5.8.2 Specifically, we will consult residents where there are qualifying works or services to be carried out under a long-term agreement, in line with Section 20 of the Landlord & Tenant Act 1985 (as amended).

5.9 New Homes

- 5.9.1 Services and charges for new development schemes will be set out and estimated in advance of occupation. This ensures the scheme's new tenants, shared owners and leaseholders are clear about the services to be provided and the amount to be charged.
- 5.9.2 For these newly acquired or constructed properties, service charges will be based on an estimate of actual cost until the end of the first full year of provision. Charges for subsequent years will be based on the estimated actual costs in line with legal, statutory and contractual arrangements.
- 5.9.3 In the interests of affordability, we may consider introducing the charges gradually until the actual charge level has been reached.

5.10 Information

- 5.10.1 Information on service charge costs and calculations will be available on request from residents. We will provide leaseholders with an annual statement within six months of the end of the charging period in line with legal, statutory and contractual arrangements.

5.11 Sinking Funds

- 5.11.1 We will collect sinking funds (sometimes known as 'reserve funds') in line with the contractual agreements (leases and tenancy agreements) to help manage the service and maintenance of our homes.
- 5.11.2 Eastlight will use sinking funds to provide for the repair or replacement of major communal items (e.g., lifts and door entry systems) or cyclical work. If a sinking fund has not been established, we will charge for the cost of the repair or replacement, in line with legal, statutory and contractual arrangements.

5.12 Freehold Properties

5.12.1 Freehold properties are subject to annual service charges, as well as any additional charges set out in covenants contained in transfer documents.

6. Equality Impact Assessment

6.1 An Equality Impact Assessment (EIA) for this Policy was conducted. As a result, actions have been put in place to mitigate any negative impacts

7. Definitions

<p>Service Charge(s)</p>	<p>A service charge is a payment made by a tenant, shared owner, leaseholder or freeholder for the cost of providing and maintaining any shared facilities and services in connection with the occupation of their home.</p> <p>The term service charge is also used to describe the estate rent charges that freeholders are required to pay in connection with services delivered under the terms of a freehold transfer or deed of covenant.</p>
<p>Tenants</p>	<p>Residents living in Eastlight rented general needs or rented supported housing properties.</p>
<p>Leaseholders & Freeholders</p>	<p>Those living in Eastlight homes that were bought through Right to Buy or Right to Acquire or are freeholders on an estate.</p>
<p>Recoverable costs</p>	<p>The costs that can be recovered from residents through service charges. These are defined by tenancy and lease agreements, regulation and case law, and Eastlight’s policies.</p>
<p>Shared Owners</p>	<p>Residents who have shared ownership leases.</p>
<p>Section 20 consultation</p>	<p>This is shorthand for the consultation that landlords must undertake with leaseholders before carrying out qualifying work or entering into a long-term agreement for providing services. Consultation or dispensation is required if works cost any homeowner £250 or more, or if the agreement will last longer than 12 months and cost any homeowner more than £100 per year.</p> <p>Section 151 of the Commonhold & Leasehold Reform Act 2002 introduced requirements for consulting leaseholders. It replaced the previous procedure in the Landlord & Tenant Act 1985, Section 20. The old title ‘Section 20’ is still used.</p>
<p>Sinking Fund</p>	<p>A way residents build up a pot of money over time to pay for refurbishment or replacing major components (major works) or cyclical work. This helps reduce the risk of leaseholders finding large sums of money at short notice. Also known as Reserve Fund.</p>

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