Service Charge Policy

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Policy Lead:	Director of Accounting Services
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Purpose and scope of the policy

This policy outlines Moat's approach to managing and administering service charges in a fair, reasonable, transparent and consistent manner which provides value for money for our customers.

This policy is applicable to all customers (tenants, shared owners, leaseholders and freeholders) who pay service charges.

This policy does not cover charges for a garage where this is rented under a separate licence or agreement.

1. What is a service charge

1.1 A service charge is an amount payable by a tenant, leaseholder, or freeholder (customers) as part of or in addition to the rent for services, repairs, maintenance, improvements, insurance, or the landlord's costs of management.

The cost of some services is only recovered as service charges from leaseholders, including shared owners, as for rented customers they are already collected within their rent.

A list of common services for which costs are recharged through service charges is provided as Appendix 1. This is not an exhaustive list.

1.2 Service charges are set in line with our statutory, regulatory and contractual obligations.

Moat does not make profit from service charges. We recover the cost of the services provided plus a management fee to cover the cost of administering the services.

1.3 We collect service charges in one of three ways as specified in the tenancy agreement, lease or transfer agreement (occupancy agreement):

1.3.1 Variable service charge

With a variable service charge, we charge the actual cost of providing the service.

Every April we set a service charge based on the estimated cost of providing the services. At the end of the financial year, we compare the actual cost of delivering the service against the estimate charged. If the actual cost is lower, we will refund any difference. This is known as a surplus. If it is higher, we will charge the customer the difference. This is known as a deficit.

For tenants, the estimated charge for the following financial year is adjusted to reflect the amount of the difference. For leaseholders and shared owners, we refund or charge the difference, usually six months after the end of the financial year.

The Landlord and Tenant Act 1985 regulates the collection of variable service charges. This includes:

- Limiting the amount of service charges payable to costs that have been reasonably incurred for works that are of a reasonable standard.
- Costs can only be recovered within 18 months of being incurred (costs are incurred when they are invoiced and paid).
- For leaseholders, the S20 consultation process that must be followed prior to works which will cost over £250 per leaseholder and long-term agreements which will cost over £100. If the process is not correctly carried out the amount recoverable is limited to £250 or £100 respectively.

Service charges are audited if it is a requirement of the occupancy agreement.

1.3.2 Fixed service charge

We set fixed service charges every April and they will not change until the next review. If the actual cost of delivering the service is higher than the fixed charge, we will pay the additional cost. But if the actual cost is lower than the fixed charge, we will not refund the difference.

Fixed service charges are not covered by the Landlord and Tenant Act 1985.

1.3.3 Actual service charge

This applies to a very small number of leaseholders and freeholders, where the lease or transfer agreement does not allow estimated costs to be charged. A service charge statement is sent within six months of the end of the financial requesting payment of the actual cost of the services provided.

2. Setting of service charges

2.1 Service charges will be set in line with the tenancy agreement, lease, or transfer agreement (occupancy agreement).

2.2 They are set annually along with the annual rent review in April. The charges will be based on the known costs for each service going forward, including managing agents' budgets and agreed contractual increases, or based on actual costs of the service for the previous full year plus any expected inflationary movement.

2.3 Service charges are set at estate or scheme (costs are spread over all homes in the estate), block (costs are spread over all homes in the block) and individual home levels.

2.4 The Executive Team may at its discretion make a decision not to collect the full cost of the services on specific schemes in exceptional circumstances.

The Board may at its discretion make a decision not to collect the full cost of the services for all customers.

3. Apportionment of service charges

3.1 We will apportion costs between customers in line with their tenancy agreement, lease, or transfer agreement. If the agreement does not specify the apportionment method, we will apportion the charge in a fair and reasonable manner.

3.2 If a service is available to a customer and chargeable under their occupancy agreement, the customer will be charged for that service even if they do not use it.

4. Management / administration charge

4.1 A charge is applied to cover Moat's cost of managing and administering the services provided.

4.2 For services provided by Moat, we charge 15% of the cost of the service.

4.3 Where a scheme is owned and managed by an external third party and we do not set the service charge budgets, we apply a lower management / administration fee of 5% on these services.

4.4 We do not apply a management / administration fee to the following service charge items:

- Insurance
- Audit Fee
- Reserve Fund collection
- Managing agent management fee
- Equipment Usage Charge
- Property specific costs
- Personal charges – e.g. heating, electricity, water for the individual home.

5. Future Repair Funds / Reserve Funds

5.1 Reserve funds are set up for leaseholders to spread the cost of major works/replacements and cyclical decorations rather than collecting large amounts from the leaseholder in a single year when the expenditure is incurred.

5.2 Payments into the reserve fund will be in accordance with the occupation agreement.

5.3 The reserve fund balance will be held in separate interest-bearing bank accounts.

5.4 An annual statement of movements in the reserve fund, including receipts, expenditure and interest accrued, will be provided to all customers paying into the fund within the service charge year end statement.

6. Information provided on service charges

We provide information and interact with customers in a variety of ways, including:

6.1 Documents sent:

- We provide a clear breakdown of the service charge by service provided, at the beginning of the tenancy or lease, and then annually, at least 28 days prior to any changes taking place.
- For customers with variable service charges, we provide a service charge year end statement which compares the actual cost of services in the financial year to the amount charged during the year.
- If we are unable to send the year end statement within six months of the end of the financial year, we will send a S20B notice which sets out the costs that have been incurred and the liability to contribute towards them under the terms of the occupancy agreement. The year end statement will then be sent when the reconciliation is completed.

6.2 Information published on our website at moat/your-service-charges-explained

6.3 We attend meetings, either in person or via Teams / Zoom to discuss and provide further information relating to service charges. The meetings may be requested by the customer or arranged to explain changes to service charges.

6.4 We must provide information when requested as set out in legislation, such as:

- **Section 22** - All customers who pay a variable service charge have the right under Section 22 of the Landlord & Tenant Act 1985 to inspect supporting accounts relating to the service charges which we levy.

- **Section 23** – Where the services are provided by a managing agent, if a customer wishes to inspect accounts, we must provide the superior landlord's name and address so this request can be put to them. We will also request access to supporting accounts where we feel further analysis is required to satisfy ourselves that the costs have been reasonably incurred.

7. Service Charge disputes

7.1 We will aim to resolve queries within notified timeframes, and if an error has been made, the rent account will be amended.

7.2 The customer may raise a complaint in line with the Moat Complaints Policy.

7.3 Customers have the right to appeal their rent and / or service charges to the FTT (First Tier Tribunal (Property Chamber)) at any stage.

7.4 Fixed service charge – When a S13 rent increase notice has been served to assured tenants with fixed service charges, the service charges are included within the notice as part of the rent charge. The customer has the right to appeal the increase in rent to the relevant FTT.

7.5 Variable service charge – When a S13 notice has been served to assured tenants with variable service charges, the service charges are not included within the S13 notice as part of the rent charge. The variable service charge can be appealed to the relevant FTT.

Definitions
○ The terms “we”, “our” and “us” means Moat. ○ **Financial Year:** The time period the service charge covers. For most of our customers, the service charge financial year runs from April to March. For some leasehold customers in ex Bourne Housing homes, the financial year runs from October to September. ○ **Service Charge Demand:** The request for payment of rent and / or service charges. We use the term “demand” for legal purposes only. ○ **S13 notice** – a formal notice to increase rent for assured tenancies.

Risks and mitigation

○ Failure to comply with current legislation and contractual obligations – service charges not recoverable, reputational risk.
○ Incorrect calculation of service charges – reputational risk, high level of queries / complaints, FTT cases, potential loss of recovery.
○ Poor service charge recovery - if service charges are not set at an appropriate level, this could mean they are unaffordable to customers.
 	
These risks are mitigated by:
○ Documented processes incorporating review and reconciliation of service charges prior to being sent to customers. Controls include:
  ○ Knowledge of legislation and contract law within the senior management of the service charge team.
  ○ The service charge increase mechanism is reviewed and signed off by the Director of Accounting Services.
  ○ Large movements in service charges are checked and verified by Service Charge Manager and Head of Property Charges.
  ○ Service charge increase and year-end adjustments are reviewed and signed off by the Director of Accounting Services.
  ○ Sample of service charge letters produced by printer are checked back to our data prior to bulk letters being sent.

Equality, Diversity and Inclusion
This policy will be delivered in accordance with our Equality, Diversity and Inclusion Policy. An Equality Impact Assessment was completed for this policy and considered as part of the approval process.

Data protection
This policy will be delivered in accordance with our Data Protection Policy. A Data Impact Assessment was completed for this policy and considered as part of the approval process.

Related legislation and regulations
• Landlord & Tenant Act 1985 / 1987 • Housing Act 1980 / 1985 / 1988 / 1996 / 2004 • Housing & Planning Act 1986 • Leasehold Reform, Housing & Urban Development Act 1993 • Data Protection Act 2018 • Commonhold & Leasehold Reform Act 2002 • Building Safety Act 2022 • Data Protection Act 2018 and UK GDPR • Equality Act 2010

Related policies and procedures
• Rent Setting Policy • Service Charge Procedure • Complaints Policy

Customer engagement
Queries from customers and meetings with customers either individually or at a scheme highlight issues which are used to improve our processes.

Document Revision History (Record of any changes made to the policy)		
Date	**Changes approved by**	**Details of changes made**
1 December 23	Board	Rewrite of policy in new format
29 November 2024	Board	Adjust policy review from annual to every 3 years

Appendix 1 – List of common services

The list below covers all types of Moat properties and is representative of the most usual charges. You may only have one or two of them.

Term	Description
Caretaking / scheme staff costs	The cost of the Moat caretaker or member of staff who looks after your area or building.
Communal cleaning	This is usually for the cleaning of the communal areas in an apartment block, but may include some external areas such as disinfecting bin enclosures.
Communal heating and hot water	Generally charged on retirement living developments which have a communal boiler system supplying the heating and hot water to customers. If the system supplies your home in this way we will split the consumption between customers and common parts.
Communal electricity / communal lighting	Communal lighting to your community or apartment block. In some cases this may include the cost to supply power to communal TV aerials, lifts and lighting.
Communal electrical appliance testing	This charge is usually for the portable appliance testing of communal electrical appliances in retirement living schemes, but may also include the testing of your communal electricity appliances, such as door entry or emergency lighting systems.
Communal refuse clearance	Costs associated with refuse collection carried out by Local Authorities for apartment blocks or where paladin bins are used.
Communal grounds maintenance	Includes all grounds maintenance such as grass cutting, weeding shrubs and beds as required. It may also include sweeping paths and car parks and litter picking.
Communal water	Costs for the water consumption from a supply for communal areas or outside taps.
Door entry systems	These are the costs for maintaining door entry systems.
Equipment usage charge	This is a charge made to ensure that communal equipment provided can be replaced if necessary. Typical items are door entry systems, lifts and emergency lighting systems.
Fall arrest system	Moat has an obligation as a result of the Health & Safety at Work Act 1974 to have due regard for the health and safety of customers and visitors to our buildings and communal areas of your neighbourhood. This cost is for the annual maintenance of this supply for communal areas.
Fire protection	Cost of fire protection equipment or systems in your building such as smoke alarms, smoke ventilation, emergency lighting and fire extinguishers.
Legionnaires testing	Communal water tanks require testing and checking for water standards compliance.
Lift maintenance	This covers the servicing and maintenance of passenger lifts.

Term	Description
Managing agent management fees	This is the charge from the managing agent to cover their costs of delivering the services to your community.
Moat management fee @ 15%	To cover the costs of managing the services delivered by Moat for your home or scheme. It will be dependent on the type and level of service delivered.
Moat management fee @ 5%	This is currently charged as a percentage of a managing agents' costs where they provide the services to your apartment block or neighbourhood. This fee is to cover our costs in dealing with any issues with the Managing agent on your behalf (including charging issues) and preparing service charge statements for you based on their costs.
Payment to managing agent	These are the costs we pass onto customers from managing agents or other organisations who manage the services for your scheme, block or development.
Refuse container hire	This service is for the hiring of bulk refuse containers (generally for apartment blocks).
Rubbish removal	If rubbish has been left, we have to clean it up and recharge customers, unless we are advised who dumped it, in which case we will try to recharge who left it.
Sewerage	Applies to areas where there is no mains sewage system and the local authority or a utility contractor passes on the cost for emptying the cesspits or other waste water handling equipment.
TV reception services	Costs for the hiring of the equipment and/or servicing of the communal aerial system.
Warden call fire alarm	This is generally for retirement living schemes and includes the maintenance of warden call systems, smoke detectors and door entry systems.
Water and sewage rates	Personal water and sewage rates charged directly from the water utility company and recovered from you.

The table below shows costs which homeowners contribute towards within their service charges. We do not charge rented customers for these costs as these are already collected within the rent they pay us. Please note that the rent contribution from shared owners only covers our borrowing costs for the retained part of the property and any reference to homeowners includes shared owners.

Home ownership term	Description
Audit fee	We're obliged under the terms of certain leases to have our service charges independently certified.
Day to day communal repairs	Costs relating to communal repairs carried out during the year to the apartment block or external areas of your neighbourhood.
Gas servicing – communal boiler	Costs for the annual servicing and maintenance to a communal boiler where it provides heating to your home.
Insurance (buildings)	Moat are obliged to insure the building in which you live under the terms of your lease against risks such as fire and flood. The homeowner is also obligated to pay for this service.
Payment to managing agent (home owners)	Costs from managing agents or other organisations who provide services rather than Moat which are paid by homeowners via the service charge, eg. insurance or repairs.
Reserve / sinking fund provisions	Funds collected from homeowners under the terms of their lease in order to pay for items of large expenditure which do not occur very often, such as cyclical decorations and major works. These monies are held in a separate bank account in trust for the properties which they serve. We will include the balance of any fund for your area within your actual service charge statement.