Service Charges Policy

1. Introduction

1.1 This policy sets out our approach to the setting and management of service charges for customers where a service charge is payable. The purpose of the policy is to:

- Develop a consistent approach to setting fair and reasonable service charges that provide value for money for customers and that comply with current legislation and lease or tenancy terms and conditions
- Give our colleagues and customers clarity on the principles by which service charges are set and managed
- Deliver quality services that are cost efficient, clear and transparent
- Comply with lease and tenancy terms together with legislation, case law and guidance issued by the Regulator of Social Housing (RSH) and other expert bodies where applicable, including the Mayor of London's Service Charge Charter

1.2 We will aim to recover all reasonable costs incurred in delivering the service to customers from start to finish by charging a variable or fixed service charge depending on the terms of their agreement.

2. Scope

2.1 This policy applies to all tenants (including general needs and care and supported housing) and homeowners (including shared owners and freeholders), and commercial tenants across the Peabody Group.

2.2 If there is any variance between this policy and relevant contractual agreements (such as individual leases, covenants, deed of transfer or tenancy agreements), then the contractual agreement will take precedence. Therefore, this policy should be read in conjunction with your contractual agreement.

3. Key terms and definitions

Service Charges

3.1 A payment made by a tenant or licensee towards the costs of providing and maintaining services and benefits beyond the benefit of enjoying occupation of their own home. A service charge can be fixed or variable (see definitions below) according to the provisions of the tenancy agreement or licence. Common examples of services that may be included in your service charge are:

- Cleaning/caretaking, e.g. cleaning and maintenance of internal communal areas, stairs and rubbish chutes as well as refuse removal and dumping
- Gardening and grounds maintenance, e.g. cutting grass, planting and weeding flower beds
- Entryphone, i.e. the cost of maintaining and repairing entry phone systems to a block
- Lighting, i.e. block or estate costs which include replacement of any lightbulbs in the communal areas
- Buildings insurance: As a freeholder, we're responsible for insuring buildings on behalf of customers against risks such as fire and flood. Tenants contribute to this via their rent. Please note you're responsible for insuring your contents and we strongly advise you to arrange your own contents insurance policy. Homeowners pay buildings insurance in their service charge and tenants in their rent.
- Lifts

Fixed Service Charge

3.2 Those where the landlord fixes the charge according to the landlord's own estimates and costs. The Landlord bears responsibility for any deficit between the cost of services and the amount of money collected in charges. Similarly, the Landlord is entitled to retain any surplus that accrues if the Landlord collects charges in excess of the cost of providing the services.

Variable Service Charge

3.3 Those that can be changed, increased or decreased, in accordance with the provisions of the tenancy agreement, lease, transfer or licence. The main effect of variable service charges is that it allows surpluses and deficits to carry forward to the next accounting year (For leasehold and shared ownership tenures, Town and Country Housing recovers any surplus or deficit before the new financial year).

Reserve Fund

3.4 A fund formed to meet anticipated future costs of replacement, maintenance, and upkeep in order to avoid fluctuations in the amount of service charge payable each year. These can sometimes also be referred to as sinking funds (for Town and Country Housing, reserve funds are used for social tenanted properties, and sinking funds for leasehold and shared ownership properties). Where we have standalone commercial properties, we separate these terms to distinguish between replacement of a wasting asset (sinking fund) and maintenance and upkeep (reserve fund) as per the RICS Service Charges Code.

Enhanced Housing Management (EHM)

3.5 Enhanced Housing Management is a term used to describe a service charge set to pay for the additional housing management costs incurred in managing supported housing. Unlike other housing service charges, it is defined by the housing needs of the occupant rather than a cost arising from a specific block or estate.

Fair and Reasonable

3.6 Fair and reasonable describes a goods or service that is fair to both parties involved in the transaction. The cost is based upon the agreed-upon conditions, promised quality and timeliness of contract performance. There are a few different factors that are considered when determining if a service charge is reasonable for example these include: the size of the property, the frequency of works being done on the property, the standard of work being done.

Value for money

3.7 When we invest time, resources and energy into an activity or programme we ensure we weigh up the costs (what is being put in) and the benefits (what is being achieved) of all different options and make the case for why the chosen approach is the best use of resources and delivers the most value both financially and to our customers.

4. Our approach

4.1 We aim to facilitate the recovery of all costs reasonably incurred in providing services in accordance with good estate management.

4.2 We will procure services taking into account both the need for quality, value for money and in accordance with the principles of good estate management.

4.3 We will operate all our service charges in accordance with the relevant agreement, legislation (including case law) and any guidance issued by the Regulator of Social Housing. Our service charge processes will reflect best practice within the industry.

4.4 Variable service charges will be calculated and set in compliance with relevant legislation highlighted under section 6 of this policy as well as all other applicable regulation and guidance.

4.5 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).

4.6 The services provided will be clearly identified to customers and set out in contractual agreements. The annual service charge budgets and apportionment schedules will detail the amounts charged for these services.

4.7 Customers will not be charged for the costs attributed to unlet premises; the landlord will bear these costs. The landlord will also bear the costs of any special or personal concessions given to customers or commercial occupiers.

4.8 Where we make use of our own property for purposes unconnected with the day-to-day management of the building and services, the landlord will contribute a fair and proportionate service charge in line with apportionment approach of other properties in that block or scheme.

4.9 We will not charge customers for any improvement costs above the normal maintenance, repair, or replacement where leases do not allow for this. An enhancement of the fabric, plant or equipment may however be regarded as a repair where it presents a cost-effective solution.

4.10 We will not charge customers or commercial occupiers for maintenance, repair or replacement of the fabric, plant or equipment during defect or warranty periods.

4.11 We will not charge a customer for the cost of a service where their property is physically excluded (e.g. without key access to a communal area) from the benefits of that service, and where the lease, covenant, deed of transfer or tenancy agreement does not prescribe the method of apportionment for those sharing the costs of that service.

4.12 We will however charge a customer for the cost of a service where that customer reasonably derives an indirect and/or real and tangible benefit from the service (such as where the customer derives a tangible benefit from having properly maintained fire safety equipment/systems in their block structure).

4.13 We will not adjust service charges if a customer or group of customers choose not to use a particular service.

4.14 In the case of our properties being managed by an agency, we authorise the agents to set service charges on our behalf, and also to recover designated Peabody service costs on our behalf. Where we appoint a managing agent, we will review charges to ensure they are fair and reasonable.

4.15 Properties let under the affordable, market and intermediate rent schemes include service charges as part of their overall charge. Rent is set in accordance with the appropriate methodology, often as a percentage of the market rate, with the view that this includes costs which would otherwise be service chargeable. Where a property would incur a service charge this will be set annually and reflected in our internal accounting systems, however the customer will only receive details of the total rent figure. Personal service charges, for example gas, electric, water and care services relating to a specific property, may be charged in addition to the rent for affordable, market and intermediate rent schemes.

4.16 General needs and supported housing customers may be required to pay for the depreciation of existing assets on their estates. These funds will be used to pay for the replacement of these assets when necessary. Contributions to reserve and sinking funds will be set annually as well as being subject to a periodical review as set out in Appendix 1.

Calculating service charges

4.17 We recognise that customers may receive different types of services as set out in their agreements and as such have different costs for service charges. We will use fixed and variable service charges depending on the scheme or agreement and have ultimate decision on the type used unless we are not the superior landlord.

4.18 Estimated service charges will be based on the expected costs of providing each service or, where these are not available (for example on new developments), we will provide estimated costs based on evidence from either comparable estates or properties or known service costs. The estimated service charges will also reflect any known or expected increases or decreases in costs. We will prepare estimates annually for all properties and for those on a variable service charge we will balance accounts each year with a surplus / deficit statement.

4.19 We will apportion service charges in accordance with individual leases, covenants, deed of transfers and tenancy agreements. Where these do not include any specific apportionment, we apportion service charges in a fair and transparent way.

4.20 We will make a charge to cover our own reasonable costs of managing services where agreements allow. This will be based on the terms of the agreement, or a reasonable percentage or charge as deemed appropriate.

Customer involvement

4.21 We will consult and inform customers in line with legislation, best practice and tenancy and lease agreements, for the provision of additional and changes to existing services and therefore service charges. We will facilitate our customers' ability to scrutinise relevant information and received feedback on the services delivered as part of our assessment of value for money of the service charges. Customers will still be responsible for paying their service charges while scrutinising accounts. For more information on raising disputes on service charges, please see our Complaints Policy.

4.22 Following a request to inspect documentation, we will comply with section 22 of the Landlord and Tenant Act 1985, as amended by section 154 of the Commonhold and Leasehold Reform Act 2002 to accommodate access to the required information, including from third party managing agents.

4.23 Customers' associations and other representative groups can raise service charge queries on block, estate or scheme costs and we will respond accordingly.

Surplus and deficits of variable service charges

4.24 Any surplus or deficit on a customer's account for the service charge year will be determined by the calculation of actual costs in comparison to the estimated charge.

4.25 If there is a matter that prevents us from completing account statements and finalising surplus and deficit balances, in accordance with best practice and legislation, we will ensure customers are informed of the reason for the delay.

General Needs and Supported Housing

4.26 Where there is a surplus or deficit on the service charge account, the balance will be deducted from or added to the amounts due for the following years' service charge.

4.27 When a tenancy is terminated, any surplus or deficit will not be repaid to or claimed from the customer leaving that property. We reserve the right to utilise any surplus to offset overdue balances owed by the customer.

Homeowners

4.28 Where there is a surplus or deficit on the service charge account, the balance will be credited or charged to the customer's rent and service charge account or may be carried forward to the next years' service charge estimate (For leasehold and shared ownership tenures, Town and Country Housing recovers any surplus or deficit before the new financial year).

4.29 When a homeowner sells their property, any surplus or deficit will be repaid to or claimed from the customer leaving that property. We reserve the right to utilise any surplus to offset overdue balances owed by the customer.

Statement and Demands – variable service charges

4.30 An annual statement (reconciliation) of account will be produced for each customer where variable service charges are payable unless the agreement provides for more frequent accounts.

4.31 Demands for service charges will be made in writing and will contain the landlord's name and address and a summary of rights and obligations as per Section 47 and 48 of the Landlord and Tenant Act 1987.

4.32 In addition to rights under the agreement, we will, where appropriate and applicable:

- Provide customers with an estimate of their service charge bill. This will include statements of anticipated expenditure for services to which the customer must contribute.
- Provide customers with a statement of actual service charge expenditure within six months of the year end, or if the agreement states, earlier where possible.
- Issue a Section 20b Notice where we are not able to provide statements of actual service charge expenditure within six months of the year end.
- Issue an annual statement of the reserve funds (for Town and Country Housing, sinking fund) account to customers who contribute to those reserves
- Provide clear and transparent supporting information to explain any larger or anomalous increases in service charges.

4.33 In accordance with the relevant agreement, service charge accounts will be independently reviewed.

Adding services

4.34 We will consider requests made by customers for additional services to be provided and will consult with all customers potentially affected by the new service prior to making a decision.

4.35 We will only add a new service based on a customer's request if:

- The service relates to the provision of adequate accommodation, enjoyment of the premises or protecting the security of the building;
- The cost of providing the service is reasonable and affordable;
- It is customary to provide similar services for residential accommodation;
- We believe it is reasonable for the service to be provided;
- We will not be financially disadvantaged by the provision of the service;

- The lease or tenancy agreement allows or can be varied to allow for full costs to be recovered;
- More than half of affected customers respond to the consultation (excluding schemes where lettings are short term and the inclusion of the service is important to deliver contractual or health and safety requirements or the introduction of the charge is necessary to ensure the viability of a supported or sheltered housing service); and
- Two-thirds of respondents are in favour of adding the service (excluding schemes where lettings are short term and the inclusion of the service is important to deliver contractual or health and safety requirements) or the introduction of the charge is necessary to ensure the viability of a supported or sheltered housing service).

4.36 We will also add a new service if we have a statutory obligation to do so, giving reasonable notice to customers.

4.37 We will review the success of a new service during a twelve-month period from the date the service is introduced – where the outcome of the review is to discontinue the service, we will charge customers for the full costs incurred by us from the date the service was introduced until the date the service is discontinued.

Discontinuing services

4.38 We will consider requests made by customers for services to be discontinued, and will consult with all customers who pay for a service when deciding whether it should be discontinued.

4.39 We will only discontinue a service if:

- There is a change in legislation which means we are unable to continue to provide a service;
- There are no reasonable health and safety risks involved with discontinuing the service;
- We believe it is reasonable to discontinue the service;
- We are not legally or contractually obliged to provide the service;
- We will not be financially disadvantaged by the discontinuation of the service;
- More than half of affected customers respond to the consultation(excluding schemes where lettings are short term or supported housing service charges paying for an intensive/enhanced housing management service which has become unsustainable); and
- Two-thirds of respondents are in favour of discontinuing the service (excluding schemes where lettings are short term or supported housing service charges paying for an intensive/enhanced housing management service which has become unsustainable).

Thamesmead

4.40 Significant investment is occurring in Thamesmead to increase the standard of the public realm. We act in a similar manner to the local authority in the area i.e. maintaining parks, lakes and canals as well as paying for street lighting.

4.41 Charges related to public realm in Thamesmead are apportioned between the numbers of council tax payers in the sub regions and then recharged to customers.

4.42 A freeholder in Thamesmead is only liable if there is a legal document (covenant) associated with their property stating that they are liable. The covenant will state whether the freeholder is partially or fully liable for these charges.

4.43 All new residential contracts created by us in the Thamesmead region will be set up to include full liability for public realm charges in the appropriate Thamesmead sub region (for Leaseholders three Thamesmead regions are used, for all other customers, nine sub regions are used to apportion charges). The methodology for how public realm expenditure in Thamesmead is recharged to customers is summarised in Appendix 1.

Enhanced Management Services (EHM)

4.44 In introducing EHM or other charges to pay for staffing costs in supported housing we will:

- Consider the issue of affordability for current and existing customers, taking into account the nature of the service, intended length of stay and the client group.
- Seek in principle ratification of the proposed charge by the relevant Housing Benefit Authority

4.45 We will prioritise review of our EHM charges and the viability of its EHM funded services on an annual basis.

5. Equality, Diversity and Inclusion

5.1 This policy is available on our website and can be provided in paper format on request. It can also be translated or provided in alternative formats (e.g. Braille, large print, and audio) upon request.

6. Legislation and Regulation

6.1 Key legislation affecting this policy includes:

- Landlord and Tenant Acts 1985 and 1987
- Housing Acts 1985, 1986 and 1996 (including The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014
- Commonhold Leasehold and Reform Act 2002
- Building Safety Act 2022

6.2 Service charges are regulated on a case-by-case basis by the First Tier Tribunal (Property Chambers) and by the Rent Officer service for secure tenants. However, we have referred to the following guidance in developing this policy:

- Regulator of Social Housing, Rent Standard, Supplementary Guidance
- Greater London Authority, Shared Ownership Charter for Service Charges
- Rent Officer Handbook
- Royal Institution of Chartered Surveyors, Service Charge Residential Management Code (Code of Practice)
- Royal Institution of Chartered Surveyors, Service Charge Commercial Management Code (Code of Practice)
- GLA Consultation on Intermediate Housing
- National Housing Federation service charges guide for landlords

Approval

Version number	2.0
Effective from	8 October 2025
Policy owner	Sarah Chatfield, Director of Homeownership Services

Appendix 1 - Thamesmead Service Charges

The tenure type of customers in Thamesmead is set out in their tenancy agreement, lease or in the case of Freeholders the covenant they signed when purchasing the property. The covenants signed by freeholds vary, with some freeholders liable to pay in part for public realm expenditure (partially liable freeholders) and other freeholders liable to pay in full (fully liable freeholders). All new Freeholders purchasing property from us will be set up as fully liable.

Public realm expenditure in Thamesmead is recharged to customers in accordance with the following methodology:

- Leaseholders and Shared Owners are subject to pay all costs incurred. Costs are apportioned between the number of council tax payers in the three Thamesmead regions (Broadwaters, North and Central, South and East) and this apportioned amount is then charges to each leaseholder.

- Fully Liable Freeholders are subject to pay all costs incurred. Costs are apportioned between the number of council tax payers in the nine Thamesmead regions (Broadwaters, Lesnes, Moorings, Manorway, Parkview, Southmere, Greenmead, Crossways, Waterfield)[1] and this apportioned amount is then charges to each liable freeholder.

- Partially liable Freeholders are historic; no new freeholder should be set up as partially liable. These freeholders are liable to pay for four cost types: Road and Footpath Maintenance, Drain Refurbishment, Bridge Links and Minor Repairs to Hard Landscapes. As with the vast majority of fully liable freeholders and general needs customers these cost types are apportioned between the number of council tax payers in the nine Thamesmead regions (Broadwaters, Lesnes, Moorings, Manorway, Parkview, Southmere, Greenmead, Crossways, Waterfield) this apportioned amount is then charges to each liable freeholder.

- General needs customers are subject to pay for all public realm charges except for those covered by their rent (repairs charges). Costs are apportioned between the number of council tax payers in the nine Thamesmead regions (Broadwaters, Lesnes, Moorings, Manorway, Parkview, Southmere, Greenmead, Crossways, Waterfield) and this apportioned amount is then charges to each customer.

- Non liable customers. We do not have legal arrangements in place with all customers within the Thamesmead region. Where no legal arrangement is in place the costs that would otherwise be apportioned to these customers is paid by us.

[1] For historic reasons in accordance with their covenants, there are a small number of fully liable freeholders (34) who pay for these cost types apportioned by the three Thamesmead regions, rather than the nine Thamesmead regions.

Appendix 2 – Reserve/Sink Funds

1. Summary

This Appendix is intended to provide clarity on the setting, management and review of reserve funds, including cyclical redecoration funds and sinking funds, to ensure that charges are reasonable, reflective of estimated costs and life cycles and are regularly reviewed.

2. Context

Reserve/sink funds may be collected by us on behalf of our customers to ensure that sufficient funds are available in advance of planned or major repairs, replacements or improvements which, due to their nature or magnitude, are not expected to be incurred every year. This helps to avoid large fluctuating annual costs should such works be required for a scheme.

3. Sinking and cyclical fund setting

The setting and management of reserve funds must be consistent and transparent. We have an obligation to ensure that customers are able to clearly understand what they are paying for through these funds and the associated contributions included in their annual service charge, that the charges are reasonable and that they are regularly reviewed.

When setting reserve fund contributions, such as for a new development, life cycle assumptions applied to elements included within the reserve fund should be in line with industry standards such as the Housing Association Property Mutual (HAPM) component life manual or, where appropriate, manufacturers' recommendations. Estimated costs for works that may be charged to the reserve funds should be based on typical costs to replace or repair the components that are either recognised industry average costs or reflect specific local cost or conditions, if these are expected to vary greatly from typical average costs.

Contributions to reserve funds may be made to build up reserves for the planned or major repairs and replacement of components, such as the following:

- Roof renewal
- External decorations
- Window and door replacement
- Replacement of gutters and downpipes
- Decoration of communal halls and stairways for blocks of flats
- Renewal of lifts, door entry systems and emergency alarm systems

The calculation of all reserve fund contributions will clearly define the elements included within the fund and contribution rates will be calculated on the following basis:

- Estimated life cycle
- Estimated cost of replacement
- Estimated inflationary figure for the life cycle
- Estimated interest rate earned on reserve fund balances

Where permitted in leases, the reserve funds can also allow for expenditure on improvements to the scheme.

The assumptions relating to the reserve funds and the level of contributions required for each fund should be reviewed approximately every five years to ensure that life cycles, estimated costs, estimated interest and inflationary figures are still reasonable.

In cases where there is a significant overpayment, and the customer requests a refund, we will carry this out provided they are not in arrears.

When expenditure to be charged to reserve funds is incurred, the appropriate project management fee will be applied to the costs of works, when incurred. This is separate from and does not duplicate the management fee charges on service charges.

4. Management of sinking and cyclical funds

Reserve funds will be held by us in specially designated interest-bearing bank or building society accounts, which will be chosen with reasonable care and skill, acting in the interest of the customers that contribute to the funds.

Accounting for the reserve funds will enable the funds for each scheme or block, as appropriate, to be separately identifiable. The reserve funds are held in trust for the benefit of the customers but do not belong to the customers.

Statements of the reserve fund balances held will be provided annually together with the annual service charge statements, which may be independently reviewed and certified. Details included on the statements will include:

- Balance brought forward from the previous year
- Contributions collected towards the fund in the period
- Expenditure charged to the fund in the period
- Interest credited to the fund
- Balance carried forward at the end of the year

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.