



# Service Charge Policy

Date: **Draft**

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<b>0.1</b>	<b>SUMMARY</b>		
	The subject of this document is to outline the Torus62 Limited's policy on service charges.		
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Rent Policy			
Complaints Policy			
Leasehold Policy			
Management fee policy			

# Service Charge Policy

## 1. Policy Summary

- 1.1 This Service Charge Policy sets out Torus62 Limited (“Torus” also referred to as “Our” and “we”) approach to setting and reviewing service charges and applies to all customers who pay a service charge, including tenants, freehold owners, shared owners, and leaseholders.
- 1.2 This policy has been drafted in consultation with the Tenant Policy Group, the Tenant Equality Group, Landlord Operation Committee, and the Torus Group Board.
- 1.3 Torus are transparent about services charges not only is our position set out clearly in this policy document but customers will receive an annual service charge booklet setting out the services for which they are charged in a clear and understandable way.
- 1.4 Torus policy is to ensure there is a level of services offered to all Torus customers. This ‘base offer’ means that each scheme or estate receives a level of service to underpin the principles set out above. It may well be that services are tailored once the ‘base offer’ is in place and that is scheme and estate dependent.
- 1.5 Torus is a Registered Provider of social accommodation and is regulated by the Regulator of Social Housing and therefore operates within the Standards, notably the Rent Standard, Consumer Standards and Value for Money Standard.

## 2. Policy Aims and Principles

- 2.1 This document will primarily deal with:
  - What is a service charge.
  - The way we calculate charges to ensure that they are fair.
  - How we charge for services including how we allocate costs across multiple properties.
  - How we communicate information on service charges to customers.
- 2.2 Our principles for setting and reviewing service charges ensure:
  - Our approach is open and transparent and reflects best practice.
  - Our policy on service charge setting is understandable by customers and colleagues.
  - Our procedures are efficient; each step has clear responsibilities and timescales.
  - The information we provide to customers is legally compliant, understandable, and accurate.
  - Customers will be given the opportunity to engage, where necessary in relation to service charges i.e., where there is a proposed change to specification or service.
  - We secure the best value for money when procuring services.
  - We meet contractual, regulatory, and legal requirements.

## 3. Scope

- 3.1 The purpose of this policy is to ensure Torus meets its legal obligations and to provide transparency to its tenants, shared owners, leaseholders, and freeholders. This policy applies to both fixed and variable charges across all tenure types including:
  - Rented
  - Shared ownership

- Leasehold
- Freehold

3.2 This policy does not apply to commercial units that Torus manage and own.

3.3 In operating this policy, Torus will ensure it meets its legal obligations, including those set out in the following:

- Housing Acts 1985, 1988 and 1996.
- Landlord and Tenant Acts 1985 & 1987
- Commonhold and Leasehold Reform Act 2002
- Housing and Regeneration Act 2008.
- Service Charges (Consultation Requirements) (England) Regulations 2003.
- The Service Charges (Summary of Rights and Obligations, and Transitional Provisions (England) Regulation 2007.
- Leasehold and Freehold Reform Act 2024

3.4 Torus also references The National Housing Federation's (NHF) *'Service charges and Rent Charges: A guide for social housing landlords'* which is recognised as the best practice guidance on what activities and items we can charge for. The guidance is compliant, updated regularly and is sector recognised.

3.5 The guide includes a standard list of chargeable items, and this gives us a consistent framework for how we calculate and charge for services.

3.6 For the avoidance of doubt, where there is any inconsistency between Torus legal obligations, this policy and the NHF guide, the legal obligations take precedence, followed by this policy.

### 3.7 What is a service charge?

3.7.1 Section 18 Landlord and Tenant Act 1985 (as amended by Leasehold and Freehold Reform Act 2024) defines a service charge as *"an amount payable by a tenant [or leaseholder/shared owner] of a dwelling, as part of or in addition to rent, which is payable, directly or indirectly, for the purpose of meeting, or contributing towards, the relevant costs"*. The *"relevant costs"* are defined as *"the costs or estimated costs ... in connection with services, repairs, maintenance, improvements or insurance or the landlords' costs of management"*.

3.7.2 Prior to Leasehold and Freehold Reform Act 2024, the statutory definition of *"service charge"* did not include fixed service charges and only applied to variable service charges. The statutory definition of *"service charge"* now applies to both fixed and variable services and variable service charges now have a separate definition (under Section 18(2) Landlord and Tenant Act 1985, which is: *"a service charge the whole or part of which varies or may vary according to the relevant costs"*.

3.7.3 The service charge is used to cover the costs of providing and maintaining services and benefits to customers.

### 3.8 Tenancy Agreements

3.8.1 Torus will charge tenants for services via a service charge, those services may include (but are not limited to) grounds maintenance, cleaning of communal areas i.e., communal windows and corridors and, for items such as lifts and door entry systems.

3.8.2 The services can be either scheme specific (i.e. the building in which you live) or for services within the estate in which your 'scheme' is part.

3.8.3 Torus charge a management fee. This fee is designed to cover the expenses associated with the management, administration, and collection of service charges.

### 3.9 Types of Service Charges

3.9.1 Torus operate both types of service charges (fixed and variable) and are able to change from one charge to another provided notice is given under tenancy agreements. Leases almost always have variable service charges.

(i) **A fixed service charge:** This charge is set at the commencement of the service, based on an estimate of the service cost. If the actual cost of the service at the end of the year is higher or lower than the estimate, the charge cannot be changed. At the end of the accounting year (for Torus that is March each year) the cost is adjusted by CPI +1%. Where costs and charges are significantly out of line, we may review the base charge at the point of annual review.

(ii) **A variable service charge:** This charge can vary each year, it is set at the start of the year, based on a contracted or estimated service cost. At the end of the service charge year, Torus calculates actual spend against actual income and adjusts for any surplus/deficit in the next available accounting period. Any surplus/deficit is prorated to the tenant's occupation.

### 3.10 How Service Charges are calculated

3.10.1 Torus apply service charges in line with the terms of each tenancy or lease agreement and adhere to legislation and good practice.

Type of tenure/accommodation	Fixed or variable	How calculated
Customers renting a home under a tenancy agreement.	Fixed	Your charges will normally be fixed and increase in line with CPI linked inflation.
Customers renting a home under a tenancy agreement in sheltered accommodation	Variable	Charges are based on either contracted costs or estimated costs.
Homes let at an affordable rent	Fixed	Your rent is inclusive of service charges as part of their overall charge, which is set at up to 80% of the market rate, service charges will increase in line with government rent policy, which is currently CPI +1%.
Shared Ownership leases	Variable	Your charge is variable and will be determined in adherence to the lease conditions
RTB/RTA leases	Variable	Your charge is variable and will be determined in adherence to the lease conditions

Other leases	Variable	Your charge is variable and will be determined in adherence to the lease conditions
Rent to buy	Fixed	Your rent is inclusive of service charges as part of their overall charge, which is set at up to 80% of the market rate, service charges will increase in line with government rent policy, which is currently CPI +1%.

### 3.11 Apportionment

- 3.11.1 Torus will operate a reasonable and proportionate approach to apportionment. Costs will be apportioned between those properties that can use or have benefit from the service within a scheme or an estate. Those costs are based on the benefit to the building, or enhancement to the asset.
- 3.11.2 Where the property is part of an estate all those who can use or have the benefit from shared areas pay a proportion to the upkeep and maintenance of those areas.
- 3.11.3 Charges at scheme level may vary depending on the makeup of that scheme and the services provided. Torus ensures the services provided reflect the needs of that scheme, and the customers within the scheme, and balance with the cost.
- 3.11.4 Charges apportioned to empty homes within a scheme or block will be borne by Torus.

### 3.12 Notification of Charges

- 3.12.1 Sheltered customers charges were varied (following consultation) and any affected customers have been contacted directly with information relating to those charges and recovery (phased or otherwise).
- 3.12.2 Service charges on account (for variable service charges) or actual service charges (if fixed) will be notified to tenants with their rent increase letters (sent in February each year) with new charges live from April. This information will be provided in a separate schedule or, as part of the S13 notice (rent increase notice).
- 3.12.3 Leaseholders will be notified of the service charges payable on account in accordance with the terms of their leases.

### 3.13 Value for Money

- 3.13.1 In line with the Standard set by the Regulator of Social Housing, the Value for Money Standard is adhered to by Torus. This will include ensuring Torus carries out robust procurement to drive value on services and, where appropriate consults with customers.
- 3.13.2 Torus will follow relevant legislation and carry out S20 consultation where appropriate.
- 3.13.3 Torus are aware of socio-economic issues and ensure that any potential impact on the reasonableness and affordability of service charges is considered not only in existing stock, but during the development of new homes and the refurbishment of existing homes.

- 3.13.4 Torus reviews its service contracts on a regular basis to ensure that a high level of service is maintained which is cost effective and affordable for customers.
- 3.13.5 Torus maintains accurate property, customer and cost records to ensure the correct and transparent allocation and recovery of costs. Torus encourage customers to review the information they are sent by Torus throughout the year.
- 3.14 Recovery of charges**
- 3.14.1 Where there is non-payment of the charges by the customer, Torus will operate within the Income Collection Policy to recover the arrears, this may include applying to court to recover the debt, possession or both.
- 3.15 Shared Owners, Leaseholders and Freeholders**
- 3.15.1 The charge is variable and will be determined in adherence to the lease conditions.
- 3.15.2 Estimated charges will be sent out prior to the end of the previous service charge year (usually February and where the lease provides). Actual statement of account based on expenditure for the previous accounting period is sent within six months of the financial year end (usually sent in September).
- 3.15.3 The apportionment of charges will be distributed among all residents within a specific scheme who are obligated to contribute to the service costs as per their lease agreements. This apportionment will be conducted in line with the lease.
- 3.15.4 Torus will charge a management fee in accordance with the terms of the leases. This fee is to cover the expenses associated with the management, administration, and collection of service charges.
- 3.15.5 Costs will be reconciled at the end of each financial year and a statement of account issued in line with the terms of the lease. Any surplus or deficits will be recovered in line with the lease. If any cost cannot be finalised and demanded within 18 months of the date it was incurred, Torus will serve a Section 20B (Landlord & Tenant Act 1985) notice and advise the customer of the delay.
- 3.15.6 Where there is non-payment of the charges by the customer, Torus will operate within the Income Collection Policy to recover the arrears, this may include applying to court to recover the debt, possession/forfeiture or both.
- 3.16 How Torus decide on the services to be delivered**
- 3.16.1 Certain services are statutory for instance compliance with statutory testing and maintenance legislation.
- 3.16.2 Certain services may be essential services to ensure homes are maintained and assets well managed, such as the cleaning and maintenance of communal areas and grounds maintenance.
- 3.16.3 Services can only be charged through the service charge where the tenancy or lease provides for this. If there is a proposed change to the services (either a reduction, removal, or addition) the procedure set out in the agreement will be followed to allow for that variation in service.

### 3.17 Exclusions

3.17.1 Certain items of expenditure will always be excluded from the service charge of a rented property as they are met from the rent and defined as statutory repairing obligations under section 11 of the Landlord and Tenant Act 1985.

3.17.2 These items are:

- Costs of Housing Management (other than intensive housing management in supported housing)
- Maintenance of the structure and the exterior of the building
- Buildings insurance
- Renewal of equipment provision (Where the equipment is part of Section 11 repairing responsibilities).

3.17.3 Ground rent for leaseholders does not form part of any service charge and will be accounted for separately.

### 3.18 Local Agreements

3.18.1 Torus operate a policy of maintaining areas within their ownership to an appropriate standard. However, it is recognised that tenants and customers may sometimes maintain and cultivate communal land for the betterment of a scheme or estate.

3.18.2 Where that is the case, Torus encourage tenants or customers to contact [servicecharges@torus.co.uk](mailto:servicecharges@torus.co.uk) to apply for consideration of that arrangement. Torus will consider (this list is not exhaustive):

- (i) Any Health & Safety concerns.
- (ii) Any Public Liability or insurance concerns.
- (iii) Any encroachment issues.
- (iv) Ownership of the area.
- (v) The interests and wishes of others in the scheme or estate.

3.18.3 Torus will advise the applicant of the outcome of their application and any variations will be carried out in accordance with the tenancy or lease agreement.

### 3.19 Sinking Funds, renewals or replacements

3.19.1 For tenants (where appropriate) an allowance will be collected within the service charges for future renewal of communal equipment such as lifts and door entry systems.

3.19.2 For leaseholders and shared owners, the lease will determine whether a sinking fund or reserve fund can be set up and what it can be used for. This is usually to support toward the cost and/or future costs of major items of expenditure, which may only occur once in the lifespan of the building.

### 3.20 Managing Agent Charge

3.20.1 Where a third party provides service in a scheme or estate (solely or in addition to those provided by us), Torus will recover that charge via the services charges.

### 3.21 Benefit Entitlement



3.21.1 Many service charges are eligible for benefit payments (including Housing Benefit and Universal Credit) where there is a contractual obligation to provide the service for which the charge is paid. All tenancy agreements will set out the obligations of Torus to provide the services and the obligation of the customer to pay them. The relevant legislations and regulations determine what is and is not eligible for payment through benefits. This does not affect the customer's obligation to pay the service charges.

### 3.22 **New Build**

3.21.1 The principles of how customers are charged remain as above. However, Torus aim to minimise fluctuation of service charges on new build schemes wherever possible.

### 3.23 **Consultation with customers**

3.23.1 Torus will consult and inform customers about service charge changes in line with statutory requirements, tenancy/lease obligations, regulatory guidance and good practice.

3.23.2 Torus will comply, where necessary, with Section 20 Consultation on a variable service charge when conducting qualifying works or qualified long-term agreements:

- (i) 'Qualifying works' means works on a building or scheme where the costs to an individual customer would be more than £250 (inclusive of VAT).
- (ii) 'Qualifying long-term agreements' means an agreement entered into by or on behalf of the landlord for a term of more than 12 months under which the amount charged to an individual customer would be more than £100 (inclusive of VAT) in any service charge year.

3.23.3 If the consultation requirements are not complied with, the relevant contributions of customers may be limited, unless the consultation requirements have been dispensed by the appropriate tribunal. An example of this requirement being dispensed is when urgent health and safety work is required, which would be necessary to ensure customer's homes are safe.

3.23.4 If any cost cannot be finalised and demanded within 18 months of the date it was incurred, Torus will serve a Section 20B notice and advise the customer of the delay.

### 3.24 **Questions and Complaints**

3.24.1 Torus will investigate queries about service charge statements on an individual basis. If customers feel that we have breached our legal obligations, they can ask us to review our decision, make a complaint or, where appropriate may seek to exercise their right to appeal to the First Tier Tribunal (FTT).

3.24.2 The use of the FTT applies to tenancy and lease agreements covered by the Landlord & Tenant Act 1985 and, for those who wish to exercise this right, Torus recommends they seek independent advice.

3.24.3 We will review complaints about service charges in line with our Complaints Policy and publish any action taken in response to learnings from complaints.

## **4. Implementation**

4.1 This policy will take effect from 1<sup>st</sup> April 2025.

4.2 Increases in service charges are effective from the first Monday in April each year (unless otherwise required by the tenancy agreement or lease). Tenants, leaseholder and shared owners will be given notice in accordance with their tenancy or lease.

## **5. Responsibility, Monitoring and Review**

- 5.1 The Group Finance Director Is responsible for the implementation and review of this policy.
- 5.2 The Group Director of Assets will have overall responsibility for the performance of those who provide services to customer.
- 5.3 The Torus Group Board have overall and final approval of this Policy.
- 5.4 In line with Torus Policy Framework, this policy is scheduled to be reviewed every year and presented to Board annually with the updated rent policy.

## **6. Equality and Diversity**

- 6.1 This Policy has been considered in line with the Equality Act 2010 and, in particular the protected characteristics (Race, Sex, Gender Reassignment, Disability, Sexual Orientation, Religion or Belief, Age, Marriage/Civil Partnership and Pregnancy and Maternity). Further to the protected characteristics, Torus has considered, and will continue to consider, socio-economic disadvantage when implementing this policy.
- 6.2 Torus will liaise with customers to ensure that all information can be provided in a way to suit their individual needs, customers can contact **[INSERT EMAIL]** to ask for those adjustments.
- 6.3 Torus provides financial inclusion support to customers with a focus on preventing customers falling into debt, assisting customers with accessing eligible benefits and signposting customers to external advice & support agencies. For those customers where their payment history may suggest a potential for increased arrears because of rent and service charge increases, support may be offered to help minimise the impact of this.