



Service Charge Policy

December 2025

| MONITORING, APPROVAL AND REVIEW | |
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| Lead Officer / Author | Natalie Taylor, Finance Business Partner - Revenue & Service Charges |
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1 Policy Purpose

- 1.1 The purpose of this Policy is to set out how First Choice Homes Oldham (FCHO) will charge and recover service charges as determined by legal, regulatory and good practice requirements.
- 1.2 For the purpose of this Policy, a service charge is defined as a payment made by a resident towards the cost of providing and maintaining services and benefits, provided for them beyond the benefit of enjoying occupation of their own home.
- 1.3 The aim of this Policy is to identify FCHO's approach to setting service charges for its tenanted properties, alongside its Shared Ownership and Leaseholders customers that are fair, transparent, consistent and compliant with Government Policy.
- 1.4 In operating this Policy FCHO will ensure it meets the legal requirements in the setting, consultation, notification and collection of service charges as set out principally in:
 - Landlord and Tenant Act 1985
 - Landlord and Tenant Act 1987
 - Leasehold Reform, Housing and Urban Development Act 1993
 - Housing Act 1996
 - Commonhold and Leasehold Reform Act 2002
 - Leasehold and Freehold Reform Act 2024
 - Service Charges (Consultation Requirements) (England) Regulations 2003
 - The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007
 - Welfare Reform and Work Act 2016
- 1.5 In operating this Policy, FCHO will also meet the requirements of the Regulatory Framework for Social Housing adopted by the Regulator of Social Housing (RSH), including the:
 - **Rent Standard** – namely that:

'Registered providers shall provide clear information to tenants that explains how their rent and any service charge is set, and how they are changed.'
 - **Value for Money Standard** – namely that:

'Registered providers understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.'

2 Policy Details

- 2.1 The Policy will also set out the methods for calculating the service charge for properties where additional services are provided. It will also set out details of how this charge will be reviewed annually.

- 2.2 The resident's tenancy agreement, or lease defines the services FCHO will provide, and how FCHO will recover the cost of them.
- 2.3 For the purposes of this Policy, services charge for tenanted properties are defined as a Fixed Service Charge. Leasehold and Shared Owner service charges are defined as variable.

Fixed Service Charge

- 2.4 FCHO will review service charges for tenants each year based on proposed budgets, so they are as accurate as possible.
- 2.5 FCHO will carry the risk of overspends in the provision of services. Where the actual cost of providing the service is more than the amount charged, FCHO will not recover this amount from tenants. If there are underspends within a financial year, FCHO reserves the right to retain and reuse any surplus created.
- 2.6 FCHO will inform all tenants that are subject to Fixed Service Charges of any changes in writing each year at the same time as rent notification letter are sent to tenants.
- 2.7 These letters will detail how much the tenant is required to pay and for what services the charge is applied, (including any management costs for administering services).
- 2.8 Fixed Service Charges are not subject to Section 20 consultation requirements.

Variable Service Charges

- 2.9 Variable Service Charges are based on both the actual and estimated costs of the service and any surpluses or deficits carried forward as an adjustment to the next accounting period.
- 2.10 Any surpluses or deficits will be dealt with in accordance with the terms of the lease (where applicable).
- 2.11 FCHO will review service charges for leaseholders and shared owners each year, based on proposed budgets, so they are as accurate as possible.
- 2.12 Within six months of the financial year in question, FCHO will issue a statement detailing the actual costs incurred. Should these costs be higher than the estimate, then the resident will be asked to pay the difference. If the costs are lower than the estimate, then FCHO will refund the difference.
- 2.13 Variable Service Charges are subject to section 20 consultation requirements.

3 Policy Objectives

- 3.1 The objectives of this Service Charge Policy are:
 - Service charges for communal and estate-based services will be set at a level that aims to recover the cost of these services and where this is not the case, the Board will be informed, and appropriate approvals sought.

- Where service costs are not being charged to Tenants, then Board will be informed of the financial implications and approval sought to recover.
- FCHO will charge an administration fee, currently 10% of the total service charge, in line with fees charged to Leaseholders.
- Service Costs to Leaseholders or Shared Owners are to be fully recovered, within the terms of the lease. Any service costs to leasehold or shared owner which are not being recovered will be notified to board and approval sought to recover.
- FCHO will charge an annual administration fee to Shared Owners, currently 10% of the total service charge, in line with fees charged to Leaseholders.
- To ensure that all residents are advised clearly at the start of their tenancy or lease, what their service charge obligations are.
- That any change to the service charge is clearly communicated ensuring that proper notice is provided in line with all statutory, regulatory, and contractual obligations.

4 Methods for Calculating Service Charges

- 4.1 Service charges do not form part of Government's rent restructuring regime. Service charges should be sufficient to cover the costs of the services provided.
- 4.2 A service charge reflects the cost of additional services which may be provided to either tenants, leaseholder, shared owners, or which may be connected with communal areas. The range of services provided depends upon the nature of each particular property. Tenants and leaseholders will only be charged for the services they are able to receive. The cost of these services will therefore be apportioned accordingly to all tenants or leaseholders able to access the service with no provision to opt out of any service provision / charge.
- 4.3 The apportionment of costs for estimates will differ dependant on the type of service provided, but all charges will relate to the relevant clause within either the tenancy agreement, or the lease.
- 4.4 These service charges are based on budgeted costs for the year, including increases for additional services or costs, or decreases for changes in service. Any offers of accommodation will clearly identify charges attached to the property and the amounts involved.
- 4.5 Where a new service is to be introduced or where it is proposed to significantly alter an existing level of service, then FCHO will consult with those affected using established consultation methods.

5 Collection of Service Charges

- 5.1 Service charges will be reviewed on an annual basis, at the same time that rents are set (See Rent Setting Policy). The service charge review will be implemented annually and will ensure that letters and communication with customers meets all statutory obligations for implementing service charge changes.
- 5.2 For tenants, service charges will be calculated in line with the rent free cycle as stated in the Rent Policy.

- 5.3 Leaseholders and shared owners will be charged in accordance with the terms of their lease, (annually or monthly).
- 5.4 FCHO will offer services and provide information to customers that will assist them in paying their service charges and accessing housing benefit and any other welfare benefits.

6 Performance Measure and Targets

- 6.1 FCHO will monitor service charge costs and income generated under this Policy.
- 6.2 Reports will be submitted to Board as part of the budget setting and monitoring process.

7 Roles and Responsibility

- 7.1 The Executive Director of Corporate Services is responsible for the effective oversight and implementation of this Policy.
- 7.2 It is the responsibility of the Board to take appropriate decisions in relation to service charge setting in accordance with legislation, together with recommendations and, relevant guidance from the Executive Director of Corporate Services and the Chief Executive Officer.
- 7.3 Reports will be prepared for the Board with recommendations for annual charges to service charges based on FCHO's Service Charge Policy, closely aligned with the Rent Setting Policy.

8 Monitoring and Review

- 8.1 FCHO will set service charges in a fair and reasonable manner in line with current legislation, and best practice.
- 8.2 This Policy will be reviewed annually, unless legislation or sector developments require an earlier review. This will ensure that the Policy continues to incorporate best practice and the corporate objectives of FCHO.

9 Appeals

- 9.1 In setting service charges, FCHO will comply with the provisions of sections 18-30 of the Landlord and Tenant Act 1985. This means that:
- Costs will be reasonably incurred and
 - relate to services or works which are of a reasonable standard.
- 9.2 Leaseholders and Shared Owners have a right to appeal to the First Tier Tribunal (FTT) if they are not satisfied with the demand for payment from FCHO. The FTT can determine in the event of a dispute:
- If costs were / are reasonable
 - If works were / proposed are of reasonable standard
 - If amount payable before costs incurred is reasonable
 - If costs are payable

- 9.3 FCHO has the right to apply to the FTT before works or proposed works commence for the same determinations outlined above. The right exists on either parties behalf except where the leaseholder has previously admitted liability, the matter is subject to ongoing arbitration or a court order has been granted.

10 Legislative or other Guidelines

- 10.1 FCHO will comply with the legislative guidelines stated in 1.4 above.

11 Equality and Diversity

- 11.1 This policy is intended to provide a fair approach to the setting of service charges, ensuring that no customer experiences discrimination. This is irrespective of gender, age, race, sexuality, disability, religion, marital status/civil partnerships, pregnancy/maternity and economic status, and in line with the nine protected characteristics part of legislation under the Equality Act 2010.
- 11.2 A key element of the Equality Act involves carrying out an Equality Impact Assessment on FCHO policies, ensuring that they do not have an adverse impact or promote any form of discrimination to particular groups or associated protected characteristics. An Equality Impact Assessment has been carried out on this Service Charge Setting Policy and will be reviewed annually.
- 11.3 FCHO is committed to providing clear and easily understandable information. Support will be provided to customers who have difficulty reading or understanding this Service Charge Setting Policy.