

# Zen Housing Limited: Service Charge Policy

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## 1 | Introduction

- 1.1. Zen Housing Limited (“**Zen**”) aims to provide a transparent approach to service charges.
- 1.2. Zen operates variable service charges for each dwelling. For the purpose of this policy, service charges include any amounts payable by shared ownership leaseholders in accordance with their lease.

## 2 | Context

- 2.1. The collection and spending of service charges is governed by:
  - the Landlord and Tenant Act 1985, Sections 18 – 30 (as amended by the 1987 Act and the Housing Act 1996) and the Leasehold Reform Act 2002, Part 2, Sections 150-159.
  - Section 20 Service Charges (Consultation Requirements) (England) Regulations 2003.
  - Commonhold and Leasehold Reform Act 2002.

## 3 | Policy Statement

- 3.1. Zen aims to:
  - Deliver a consistent and fair approach to setting service charges;
  - Deliver a high quality service that is user friendly, transparent and provides value for money;
  - Recover from residents all service costs where allowable; and

- Scrutinise and review all third-party charges.

3.2. Zen will:

- Send service charge statements of accounts and budgets on time and in a clear format;
- Notify customers of service charges on time and in a clear format;
- Notify customers of any changes to service charge in time for revised charges to be payable each year;
- Address service charge arrears urgently with customers, explaining the implications of non-payment in line with arrears policies and procedures;
- Ensure that services are properly accounted for, service costs are clearly reported and charges are set accurately, to recover the costs of providing the services where allowable under a residents' tenancy or lease agreement; and
- Ensure services are carried out to a high standard and monitor the performance of those delivering them.

3.3. In some situations, services charges may be due to freeholders or superior leaseholders, when these occur they are paid for by Zen and recovered through the charges to Zen's customers.

#### **Service Charge Breakdowns**

3.4. We will ensure that all customers are provided with details of the services that will be supplied prior to completion of their purchase. We will provide customers a revised schedule of service charges a minimum of one month prior to the start of the next financial year.

#### **Calculation and Setting**

3.5. Service charges are calculated by identifying the services provided within each Estate and/or Block (see glossary) and apportioning that cost as set out in each lease or tenancy agreement. Zen will include the property manager's management fees and charges as part of the overall service charge for their provided services.

3.6. Each year, prior to the end of the financial year (see glossary) Zen or its appointed agent will estimate the cost of all the services they have to provide during the following 12 months on block and Estate basis. This will include services such as the cost of cleaning the communal areas, cost of lift maintenance, and the cost of service charge administration.

3.7. The service charge for the home is passed on in full to shared ownership leaseholders. The charge is payable in addition to any rent due.

### **Service Charge Payment Periods**

- 3.8. Shared Ownership leaseholder service charges are payable monthly in advance in accordance with the lease.

### **Reconciling Estimates with Actual Costs**

- 3.9. At the end of each financial year there is a process of reconciliation between the service charge estimates that have formed the basis of the service charge payable and the actual cost. This process is part of the annual audit of the service charge accounts which must be completed within 6 months of year end.
- 3.10. Should the actual service charges for the year differ from the estimates, any resulting surplus or deficit will be added immediately.

### **Funding major repairs or improvement to the internals or externals of the building/communal areas in the Block or Estate.**

- 3.11. A portion of the service charge is allocated to a reserve fund for the replacement of capital assets, like elevators or the building's roof.
- 3.12. Shared ownership leaseholders contribute monthly to a reserve, or 'sinking' fund (see glossary) through their service charge. This fund is designated for future structural repairs and maintenance of both internal and external communal areas. The income, expenses, and projected costs are regularly reviewed to ensure adequate reserves within the sinking fund. If contributions are insufficient for unforeseen expenses, leaseholders will be involved in a formal consultation process, receiving detailed estimates of any additional contributions required to cover the shortfall. A statement of the sinking fund income estimates on future costs, and any expenditure is included in the audited statement of accounts provided to customers annually. All monies held within the sinking fund must be held in trust for the benefit of the contributing leaseholders. This is an interest-bearing account for leaseholders held by Zen's property manager.

### **Resident Feedback**

- 3.13. Each year Zen or Zen's property manager will issue a statement of income and expenditure as part of the audit of the service charge accounts. This will show all the income received from service charges and how it has been spent and any variances to the service charge budget.
- 3.14. Customers have the opportunity to request information about the service charge accounts such as having sight of invoices or receipts. All Service Charge accounts after the audit will be available for six months for inspection.
- 3.15. Zen and Zen's property manager will listen to any feedback in respect of costs and service delivery and will clarify details and respond as necessary.

### **Section 20 Consultation**

- 3.16. Section 20 (see glossary) refers to part of the Landlord and Tenant Act 1985 as amended, which says that leaseholders must be consulted on the services to be provided such as the repair and maintenance of communal areas and that they can comment on the cost of the services. This process is known as a Section 20 consultation.
- 3.17. Zen or Zen's property manager will carry out a Section 20 consultation, where services are delivered to our shared ownership leaseholders and the works qualify.
- 3.18. The circumstances in which a Section 20 consultation will take place are:
- For Shared ownership Leaseholders where the cost of qualifying works (see glossary) such as works to repair or maintain the building or communal areas are more than £250 per leaseholder, or
  - For shared ownership Leaseholders before a long-term service contract (one for more than twelve months), e.g. a new lift maintenance contract, is entered into where the cost to any contributing tenant is more than £100 in any one year.

#### **Residential Property Tribunal**

- 3.19. If a customer considers that their service charges are unreasonable, or that the service we provide is inadequate, they may be able to take their case to a Residential Property Tribunal.

## **4 | Other Relevant Documents**

- Complaints Policy
- Lease Agreements

## **5 | Policy Review**

- 5.1. The policy will be reviewed and revised every two years unless legislation, business or sector developments require otherwise – to ensure that it continues to meet the stated objectives and take account of good practice developments.

## 6 | Glossary

<b>Block</b>	The residential dwellings which together form a block structure of units which includes internal communal areas.
<b>Estate</b>	The area defined and referred to as an Estate which includes all the Blocks that make up the estate.
<b>In dwelling</b>	Areas inside the front door of a home.
<b>Financial year</b>	A period of 12 months from 1 <sup>st</sup> April – 31 <sup>st</sup> March
<b>Qualifying works</b>	These are 'works on a building or any other premises' - that is, works of repair, maintenance or improvement to parts or services covered by service charges.
<b>Section 20</b>	A Section 20 notice (S20) is a notice to confirm that the landlord intends to carry out work or provide a service that leaseholders will have to pay towards. Zen must serve a S20 on any leaseholder who will be affected by the work or receive the service. The S20 notice will include information about what we plan to do and how much it is estimated to cost. It will give you the opportunity to take part in the consultation process and comment on what is being planned.
<b>Service Charge</b>	A service charge is a payment made by a resident towards the costs of providing and maintaining services and benefits in addition to occupation of their home. The relevant costs for service charges are costs, or estimated costs, incurred by Zen or its managing agent in relation to the services provided to the communal parts, the structure and exterior.
<b>Sinking Fund</b>	This is a fund sometimes referred to as a reserve fund which is created from a contribution from the annual service charge to ensure that within reason that there is sufficient money available for future scheduled major works, such as external decorations or lift replacement. There is no guarantee that the fund will cover all eventualities.

## Appendix 1 Services provided by Zen

Whilst not a definitive list and subject to change, listed below are services potentially to be made available to Zen residents:

For Estate services - these may include cleaning, courtyard landscaping, security and community safety, waste movement including green waste, local welfare facilities, estate electricity and water (refuse areas), electronic security, telephone entry systems, equipment hire and maintenance costs, consumables including cleaning materials and light bulbs, pest control, salt for gritting, insurance, general structural and external repairs, all Health and Safety inspections/work in addition to staffing, professional fees and office costs.

For Block (building) services - these may include equipment hire and maintenance, lift service covering maintenance, repairs, call out, telephone and insurance for both inspection and breakdown, window cleaning (communal areas only), cleaning materials and light bulbs, telephone entry system, communal electric/water/heating, costs for staffing, professional fees and all health and safety inspections. For shared ownership residents they may also include internal block and general repairs and maintenance.