



**PRIMA**  
GROUP

# Service Charge Policy

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## Service Charge Policy

### Aim of the Policy

The Service Charge Policy sets out how Prima Group fulfils its obligations to manage service charges for tenants, leaseholders and shared owners.

The Policy seeks to:-

- Ensure that services are provided and the costs recharged in accordance with the relevant occupancy agreement, and in line with statutory and regulatory frameworks
- Ensure that customers are provided with adequate information relating to the services provided and charged for
- Set out mechanisms for the calculation, review and approval of charges, and how customers will be consulted on any changes

### Policy Statement

Service Charges are the costs of providing services to an estate or a block of properties.

Examples of services include (this list is non exhaustive):-

- Communal gardening and grounds maintenance
- Cleaning of communal corridors and shared areas
- Window Cleaning
- Lighting in communal and shared areas, and the provision of electricity for this
- Provision, repair and servicing of items such as lifts, door entry systems, aerial systems, fire detection equipment
- Buildings Insurance

Services provided are dependent on the estate requirements and are outlined in the Tenancy Agreement or the Lease.

### Fixed and Variable Service Charges

Prima Group operates a system which allows both **fixed** and **variable** service charges, dependent on the range of services provided and the requirements of the Tenancy Agreement or the Lease. The date to start new charges is as per the Tenancy Agreement or Lease

**Fixed** Service Charges are based on the costs of providing the services in previous years, with an amount included to account for inflation as well as any additional anticipated costs. The charge remains fixed for the year regardless

of the amount actually spent.

Customers will be notified of the services to be provided and the charge at least one month before the start date.

**Variable** Service Charges are estimated and varied according to the known, actual costs..

Customers will be notified of the services to be provided and the charge (the estimate) at least one month before the start date.

After the end of the financial year, customers who are charged a variable service charge will be provided with a statement in the prescribed format to show the services provided, and the actual cost of those services in relation to the amount charged (the estimate).

For tenancies, where the charge collected is less than or more than the cost of the services that year, the difference is carried forward to the following year's charge.

For leaseholders and shared owners including commercial leases, where the charge collected is less than the cost of the services, an invoice will be issued for payment of the deficit in accordance with the lease. Where the charge collected is more than the cost of the services, the surplus will be credited to the customer's payment account in accordance with the lease.

### **Provision or Usage Charge, Sinking Funds and Reserve Funds**

Service Charges can also include payments towards the cost of provision and replacement of certain assets through a "Provision" or "Usage" Charge, or a Sinking/Reserve Fund. This includes assets such as lifts, door entry systems, TV aerial systems Fire detection equipment and other service items.

For Leaseholders and Shared Owners of flats or maisonettes it also includes the components of the shared structure of the block such as the roof, brickwork, windows and doors.

The charge is based on the cost of replacement of the asset spread over the anticipated life span of that asset.

Life spans for components of the structure of a building are based on an individual review of the building and will vary depending on the block construction.

The following assumptions are made when calculating the anticipated life span of service assets:-

<b>Equipment</b>	<b>Life Span (years)</b>
Lift	25
Communal Carpets/Floor Coverings	10-15
Laundry Equipment	8
Cookers and Fridges	8
Emergency Lighting	20
Fire Detection/Alarm/Panel	20
Fire Fighting Equipment	10
Warden Call/Telecare System	15
TV Aerial	20
Door Entry System	20
Soft Furnishings	4-10
CCTV	15

Sinking Funds and Reserve Funds are held in a separate bank account and are set aside for specific use of that fund only.

Sinking Funds and Reserve Funds are intended as payments towards the replacement of assets and, due to their nature, will not always cover the total cost of all replacements when carried out.

### **Consultation**

Prima Group will endeavour to consult with all customers affected prior to any changes to services provided.

There are statutory requirements in place under section 20 of the Landlord and Tenant Act 1985 (as amended) which means Prima Group must formally consult with customers prior to carrying out any qualifying works (above £250 per service charge payer) and entering into qualifying long-term agreements (above £100 per service charge payer).

### **Management Fees**

Service Charges include an element of management fee. This is a charge to cover the cost of managing the services, including (but not limited to) setting up and monitoring service contracts, paying invoices, collecting and banking charges due from customers, compiling annual service charges and accounts, and associated overheads.

Some Tenancy Agreements or Leases specify a charge as a percentage of the cost of the services.

Prima Group will aim to recover the full cost of managing services bearing in mind any specific Tenancy Agreement or Lease specifications.

Prima Group currently charges a management fee of 15% of the total cost of services provided.

### Payment of service charges

Tenancy Agreements and Leases set out the frequency and, in some cases specific dates, on which service charge payments are due. Where agreements require annual or quarterly advance payments, Prima Group will accept weekly or monthly advance payments where this is more convenient for customers.

The preferred payment method for rent and service charges is by Direct Debit.

### Monitoring, Delivery and Performance

The Executive Management Team is responsible for monitoring performance in relation to Service Charges, including:-

- Setting and posting of annual Service Charges (Fixed Service Charges) / Estimates (Variable Service Charges) to customers
- Service Charge consultation requirements and timescales (Section 20 Landlord and Tenant Act 1985 as amended)
- Preparing and issuing Annual Service Charge Accounts (Variable Service Charges)
- Variable Service Charge deficits and surpluses
- Sinking Fund / Reserve Fund balances
- Provision / Usage Charge balances
- Collection of Service Charges and Debt Management

### Document Control Data

Policy Reference Number:	PRIMA-SC
Version:	V12019
Author:	Jane Brazier
Responsibility for the Policy	Group Director of Finance & Risk
Consultation panel:	Tenants Employees
Date to Customer Board:	25/02/2020
Date approved by EMT:	22/01/2020
Date approved by AAC/PRC:	N/A
Date approved by Common Board:	29/01/2020
Date of Equality Impact Assessment:	21/01/2020
Date due for review:	January 2022
To be reviewed by:	Group Director of Finance & Risk
Date review completed:	