



Service Charge Policy

1.0 Introduction

- 1.1 This Policy sets out our approach to setting, managing, and reviewing service charges for all our residents where service charges apply, irrespective of tenure. This ensures we adhere to both statutory and regulatory requirements whilst remaining both fair and consistent.
- 1.2 Throughout this Policy, the terms 'you' and 'your' mean tenants and homeowners. The terms 'we', 'our', and 'us' mean Southern Housing.
- 1.3 Your tenancy agreement or lease is a contract that sets out the service charges you are obliged to pay for and the way in which the cost will be apportioned.

2.0 What is a service charge?

- 2.1 A service charge is an amount you need to pay to cover the cost of providing communal or shared services to your building, your estate, and, if applicable, the surrounding area.

3.0 What we charge and how we calculate it

- 3.1 We'll apply service charges in line with the terms of your tenancy agreement or lease. We will follow legislation and good practice when we calculate service charges.
- 3.2 We'll operate two types of service charge regimes - fixed and variable.

3.2.1 Fixed service charge

We'll estimate the cost of services at the start of the financial year, and this is the amount you will be charged. We do not reconcile the accounts at the end of the year.

3.2.2 Variable service charge

They may change throughout the year if there are significant changes to the costs. We'll complete an end-of-year reconciliation, then recover deficits or return surpluses to residents.

- 3.3 If your tenancy agreement or lease specifies how it will be shared, we will follow this. Otherwise, we'll usually split costs equally across each home in the block/estate unless there is good reason to adopt a different split.
- 3.4 We'll only charge you for services you are required to pay for. This includes things like lifts even if you live on the ground floor, communal areas, and common parts even if you have exclusive ground floor access.
- 3.5 We'll review service charges every year. We will base costs on information available at the time, to allow for expected costs and any projected or expected increases. This may include:
- Anticipated inflationary changes, or changes in contract prices or rates
 - The previous actual costs or use of the service in recent years
 - Expected major repairs due in the next year.
- 3.6 Where we don't know in advance what the actual costs will be, we will estimate these based on the:
- Last three years' actual costs uplifted by September RPI (Retail Prices Index) + 0.5%
 - Last period actual costs extrapolated to a yearly figure uplifted by September RPI + 0.5%.
- 3.7 Where your block/estate is managed by a superior landlord managing agent (MA), the accounting period of the MA may not match up to our accounting period. When this happens, we will estimate the cost of services based on the last three years' actual costs uplifted by September RPI + 0.5%.
- 3.8 For new homes that have not been occupied previously, we will get quotes from service providers to base the service charge estimate on. We will also use our knowledge and experience to estimate other costs as needed.
- 3.9 We'll provide estimated service charge costs to potential leaseholders and shared owners as part of the off-plan sale process. These estimated charges can be reviewed and amended up until exchange of contracts.
- 3.10 Once contracts have been exchanged, we will not change the estimated charges until the April after completion. If new completions fall after 30 September, we won't review the charges until the following year's estimate setting process.
- 3.11 We'll send all service charge paying tenants and homeowners an annual budget, setting out the estimated costs for the year ahead.

4.0 Other costs

Ground rent

- 4.1 If your lease requires you to pay a ground rent, the amount payable and the calculation of this is contained within your lease.

Reserve fund and cost of provision

- 4.2 We'll charge you some money that goes towards a 'reserve' or 'cost of provision' fund. This contributes towards the cost of future non-annual costs like external redecorations, internal decorations, carpet replacements, repairing the roof, or replacing major 'assets' like lifts, powered doors etc.
- 4.3 We'll charge shared owners and leaseholders for reserve funds in line with the terms of the lease.
- 4.4 We'll charge social rent tenants a cost of provision.
- 4.5 We'll calculate this based on an estimate of how much the works are expected to cost and when they are due to take place. The money builds up over time and we'll use this money in the future for essential work.
- 4.6 We will use the fund for the replacement of the following things unless the lease specifies what the fund can be used for:

Item	Tenant (cost of provision)	Homeowners (reserve fund)
Mechanical and electrical equipment (including lifts)	Yes	Yes
Gates, shutters, and barriers	Yes	Yes
Roofs	No	Yes
Windows	No	Yes
Repairs to the structure and fabric of the building	No	Yes
Common area doors	Yes	Yes
Communal boilers and heating systems	No	Yes
Fire safety equipment and systems	Yes	Yes
Solar panels	Yes	Yes
TV aerial replacement	Yes	Yes
CCTV	Yes	Yes
Warden call systems	Yes	Yes
Lightning conductors	Yes	Yes
Water tanks and drainage	Yes	Yes
Communal white goods & furniture	Yes	Yes
Floor coverings	Yes	Yes
Cyclical decorations to internal common parts	Yes	Yes
Cyclical decorations to external fabric of the building	No	Yes
Other major components	Yes – unless to the structure of the building	Yes

- 4.7 We'll charge residents in housing for older people or supported housing who have access to shared communal facilities for items such as communal laundry rooms, furniture and furnishings, and white goods.
- 4.8 Reserve fund and cost of provision costs will not be used to cover the cost of day-to-day repairs.
- 4.9 If a major repair is required and there are sufficient funds available to either pay the cost in full or in part, we'll use the reserve fund. If there are insufficient funds, we'll pass on any outstanding costs through the service charges.
- 4.10 If you contribute to a reserve fund, we'll inform you of the balance and details of any transactions in your end of year service charge statement.

Management fee

- 4.11 We will charge a management fee to cover the cost of the property management service we provide for each block and/or estate, and centralised management and administration of the service charges. This can include:
- Tendering for new contractors
 - Managing the contracts for work and services
 - Leasehold management, administration, and billing
 - Dealing with queries and complaints
 - Checking and paying invoices
 - Preparing, calculating, and issuing service charge statements
 - Collecting rent and/or service charges.
- 4.12 We will apply a fixed management fee, which reflects our estimate of the cost of managing your home and the services we provide you. We'll increase management fees annually by September CPI (Consumer Prices Index). We will review our management fee every three years. See [Appendix 1](#) for current fees.
- 4.13 If your lease states a specific management fee or percentage, we will charge this amount rather than our set management fee.
- 4.14 If services are provided by a superior landlord managing agent, they may also include a management charge in their costs. This will be in addition to our management fee.

Certification fee

- 4.15 Where your lease says we are required to certify your year-end accounts, or where the charges are payable by leaseholders of four or more homes, we employ independent accountants to do so. We will apportion the total costs equally across all the schemes that are audited.

Buildings insurance

- 4.16 Where we are the freeholder, we will insure the whole building. Homeowners are not able to opt out of our policy.

- 4.17 For homeowners, we will charge the cost of insuring your home through your service charge.
- 4.18 For rented tenancies, building insurance is covered by your rent.

5.0 Contributing towards building safety costs in your service charge

- 5.1 Where the [Building Safety Act 2022](#) requires us or other third party (such as the building developer) to absorb the costs and not pass them on through the service charge, we will not pass these costs on.
- 5.2 Where the [Building Safety Act 2022](#) allows us to pass on building safety related costs to customers through their service charge, we will do so.

6.0 How we reconcile service charges

- 6.1 If you have a variable service charge, we will reconcile all the costs within the service charge, which means we'll compare the original estimated costs with the actual costs.
- 6.2 We'll aim to do this within six months of the end of the financial year.
- 6.3 If we are unable to do it within this time, we will issue a notice in accordance with [section 20B of the Landlord and Tenant Act 1985 \(as amended\)](#). This notifies you costs have been incurred and that you will be required to contribute to them once the final accounts have been produced.
- 6.4 If you are a homeowner, we'll make any adjustments by applying either a debit or credit for any under or overpayment of service charges to your service charge account. This adjustment will usually be made at the end of September, when you receive your reconciled year-end account. If further payments are due and you are unable to pay the outstanding balance immediately, we'll work with you to agree a realistic and affordable repayment plan. If you have overpaid, you can request a refund if your account is in credit.
- 6.5 If you are a tenant, we will add or deduct the difference to your following year's estimated service charge, as a service charge adjustment.
- 6.6 If you have a fixed service charge, the services provided won't be different, but we won't credit or charge you for any difference between the estimated costs and actual costs. We won't send you an actual service charge statement.

7.0 Changes to services

- 7.1 The operation and management of buildings and estates may change over time. We'll consult all service charge paying tenants and homeowners if such changes would result in significant changes to service charges e.g. reduction or increase in service, removal or introduction of a service
- 7.2 Where we enter into a Long Term Qualifying Agreement (LQTA) with a contractor for a term of more than 12 months and the cost per home exceeds £100, or where works are expected to exceed £250 per home, we'll consult service charge payers

before entering into the contract or commencing work, in accordance with [section 20 of the Landlord and Tenant Act 1985 \(as amended\)](#).

8.0 How we'll deal with service charge enquiries, disputes, or complaints

- 8.1 If you have a query about your service charges, we'll try to resolve this outside of our formal process and treat it as an enquiry first.
- 8.2 If you wish to inspect the receipts and other documents supporting the summary of account, you can do this within six months of obtaining your reconciled year-end account. You'll still be liable to pay your service charge while you're considering the accounts.
- 8.3 We will consider requests to inspect receipts and other documents made after six months if they are within a reasonable period
- 8.4 If you're still unhappy and want to challenge the reasonableness of the service charge or the Section 20 process, you can ask us to deal with it under our [Service Charge Dispute Resolution Policy](#). You have the right to apply to the First-tier Tribunal (Property Chamber) if you disagree with our decision on the reasonableness of a service charge or the Section 20 process.
- 8.5 If your concerns relate to matters set out in our [Complaints Policy](#), we may suggest this is the most appropriate route to follow. This includes instances where you are concerned about:
- The clarity and transparency of service charge information provided
 - The standard or frequency of services provided
 - The provision of key information on request
 - If we've followed our policies and procedures as well as the terms of the tenancy/lease
 - Attitude or behaviour of staff.
- 8.6 Whilst matters relating to the reasonableness of service charges or the Section 20 process are outside of the scope of our complaints process, we can investigate a complaint about the level of service or staff conduct relating to your enquiry at the same time as an ongoing First-tier Tribunal case. Neither the complaint nor the First-tier Tribunal case will hinder or prejudice each other, but we'll let you know what is in and out of scope of the complaint investigation.
- 8.7 If you prefer, you can authorise someone else to raise a dispute on your behalf i.e. an 'advocate'. This could be a friend/relative or representative from an external organisation (such as Citizens Advice).

9.0 What we've done to ensure this Policy is fair

- 9.1 We've carried out an Equality Impact Assessment to consider the positive and negative impacts this Policy may have on people with protected characteristics under the [Equality Act 2010](#).

- 9.2 We recognise some residents, prospective residents, and those wishing to access our services may need adjustments due to a language barrier, disability, cultural need, or vulnerability. In these circumstances, in line with our [Reasonable Adjustments & Vulnerable Needs Policy](#), we'll work with them to ensure we consider their specific needs, on a case-by-case basis, provided it doesn't compromise health and safety to individuals or homes. This includes working in partnership with other agencies to ensure we manage and mitigate any known risks of safety and wellbeing.
- 9.3 We aspire to embed diversity and inclusion within the culture of our business activities.

10.0 Review

- 10.1 We will review this Policy to address legislative, regulatory, best practice, or operational issues.

Policy controls

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Appendix 1: Management fee

Annual fee	Flat (with services)			House (with services)		
	Rented	Shared owner	Leaseholder	Rented	Shared owner	Leaseholder
Managed by SH only	£96	£299	£299	£68	£192	£90
Managed by SH & MA	£59	£262	£262	£42	£166	£64
Managed by MA only	£22	£225	£225	£22	£146	£44
No services provided or insurance only	£0	£206	£25	£0	£127	£0

* Management fee rates 2025/26