

This policy sets out Amplius' approach to setting and administering service charges for customers under a variable service charge regime.

# Variable Service Charge Policy

## Document management

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<b>Directorate</b>	Finance
<b>Policy sponsor</b>	Deputy Chief Executive
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## Review process

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## Part 2

# Overview

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## Scope

This policy supports Amplus' values and is a commitment to improving lives and supporting colleagues by:

Explaining how we set and manage variable service charges for customers, based on their tenancy agreement or lease.

This policy is separate from the Fixed Service Charge Policy, which applies to customers with fixed service charges based on their tenancy agreement or lease.

The policy will make sure that the services that are provided offer value for money, are undertaken to a good standard and are delivered consistently.

All colleagues will be given clear guidance regarding service charges. We will make sure that they are provided with the information they need to deal with customer queries effectively.

Amplus will calculate service charges for each scheme separately. This is to help make the costs clear to customers and make sure they only pay for the actual services they receive.

This policy makes sure that Amplus manages service charges legally and follows recommended good practice.

The aim is to make service charges consistent for everyone. We aim to give customers and others clear information about what services they will get and what they will need to pay for them.

This policy helps customers understand how they are being charged for services. It also gives the opportunity to give feedback and to ask for changes to the services they get or would like to get.

The term Amplus incorporates all member companies and subsidiaries.

The policy applies to:

- All parts of Amplus.

The Service Charge Team will make sure service charge budgets are set and checked in a consistent way, and that accurate accounts are given at the end of each financial year.

Other teams at Amplus, like Housing Management, Home Ownership and Property Services, will also be responsible for providing good customer service related to service charges.

This may include:

### **Housing Management and Homeownership including the Lettings Team**

- Regular review of tenancy agreements.
- Appropriate customer consultation about service delivery and charges.
- Implementation of service charges on new schemes.

- Introduction or removal of services.
- Dealing with customer contact.

**Property Services:**

- Making sure that annual service contracts are up to date, processed onto our asset management systems and split at scheme level.
- Making sure that correct tendering process is followed to find new service providers when a contract ends.
- Appropriate customer consultation about service delivery and charges.
- Introduction or removal of services.
- Dealing with customer contact.
- Make sure the section 20 process is followed for homeowners.
- Make sure information about planned and major works is provided to help set the sinking fund budget.

The policy does not form part of any colleague's contract of employment and the policy may be amended at any time.

## Part 3

# Policy details

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## Definition of a Variable Service Charge

Variable Service Charges are estimated costs for providing services over a year. These estimates are based on things like past costs, current contracts, or expected costs.

The amount is set at the start of the year, as stated in the tenancy agreement or lease, and it cannot change during the year.

At the end of the year, we compare the actual costs to the estimate and give customers a breakdown. Any difference—whether too much or too little paid—will be carried over to the next year. For homeowners, depending on what the lease says, this difference may be refunded or billed.

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## Scope of services

The service charge covers the cost of services provided to the customer that go beyond just living in their home.

Amplius will calculate service charges for each scheme separately to give customers clear information and make sure they only pay for the actual cost of the services they receive.

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## Content of the service charge

The service charge will depend on things like the tenure, location, and housing type, for example house, bungalow, flat, or sheltered accommodation. Customers will only pay for the services they receive, as outlined in their tenancy agreement.

The service charge will include costs directly related to providing services, so these costs are clear and can be checked through an audit. However, indirect costs, like the management fee for handling the service charge, are harder to break down. Some costs will never be included in the service charge for rented properties, such as housing management, maintenance of the building's structure and outside areas, and building insurance.

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## Apportionment of service charges

Once we have worked out what services are included in the charge and how much they cost each year, we'll divide these costs fairly among everyone receiving the services.

If there are different ways to divide the costs, we will provide a clear explanation so customers can easily understand how the charges have been calculated and apportioned.

For mixed tenure schemes, we will divide the service charge in the same way, and customers will be charged their share as outlined in their tenancy agreement or lease.

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## Setting service charges

Service charges are based on an estimate of how much it will cost to provide services over the next financial year. This estimate uses actual costs from previous years and any new contract prices, like for grounds maintenance.

Service charges will be set for each scheme or estate. Budgets will be managed separately for each one so that income and spending can be tracked and matched.

We will have systems and processes in place to regularly check spending throughout the year to make sure services are delivered to the required standard.

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### **Renewal of equipment provision**

The service charge can include money set aside to replace shared equipment in the future, like lifts, door entry systems, or communal TV aerials.

Amplius will estimate how long this equipment will last by looking at past experience and information from suppliers when new equipment is installed.

Amplius will manage its own plan for maintaining equipment and keep a record of all items for service charge purposes. This information will be reviewed regularly.

No extra management fees will be added to the renewal allowance or depreciation costs in the service charge.

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### **Eligibility of service for Housing Benefit**

If there is a contractual obligation by Amplius to provide the services for which a customer shall pay a service charge, most services are eligible for Universal Credit or Housing Benefit.

For this reason, tenancy agreements must clearly state which services Amplius will provide, and that the customer is responsible for paying for them.

<https://www.gov.uk/government/publications/universal-credit-service-charges-guidance-for-landlords/universal-credit-service-charges-guidance-for-landlords>

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### **Review cycle**

Due to varying tenure types across Amplius, different review processes will be required for different tenancy or lease agreements. The different tenure types are detailed below:

- Assured tenancies
- Secure/Fair Rent tenancies

Amplius reviews all service charges once a year.

The date the new charges take effect depends on the tenancy or lease agreement, which could be weekly, monthly, or quarterly. In most cases, the new charges start on 1 April or the first Monday in April.

In exceptional circumstances, service charges may be reviewed at other times, as allowed by the tenancy agreement or lease.

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### **Managing Variable Service Charge Policy**

When we review services, we will consult with customers about any proposed changes. This will follow legislation, the terms of the tenancy or lease, and good practice guidelines.

We will use different ways to involve customers, such as:

- Customer Forums or customer representatives when choosing new service providers.
- Our Board of Management.

The way we consult will depend on the type of change. If the service charge amount changes based on updated costs, we may send a letter explaining the new charge. If we are adding or removing a service, we may hold a meeting to explain the changes and hear customer feedback.

We will always make sure to follow the rules in tenancy agreements and leases.

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### **Stock transfers and guarantees**

Where a stock transfer or rent guarantee agreement exists which contains clauses about service charges, that agreement overrides certain sections of this policy until the guarantee period ends.

Service charges will be reviewed as soon as allowed under the terms of that agreement.

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### **Management charge**

Amplius has decided that using a fixed percentage for management charges is fair and follows good practice.

This fixed charge will be shown in Amplius' official accounts, but we will also keep a separate record of the actual management costs.

The management charge helps cover the cost of running the service charge system and checking that services are good quality and offer value for money.

The only part of the service charge that won't include this management fee is the depreciation or renewals charge.

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### **Annual accounts and year end process**

Amplius will review actual costs against the budget once a year. We will provide annual accounts to customers showing the surplus or deficit to be carried forward. For homeowners if agreed in the lease this could be refunded or billed.

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### **Reserve/Sinking Funds**

A reserve or sinking fund is money saved over time to pay for large or occasional repairs and expensive major improvements. Whether we can collect a sinking fund depends on what the lease says. If the lease allows it, we may collect this money through service charges or when a property is sold.

If the lease doesn't mention a sinking fund, we will follow proper accounting rules to make sure customers are charged fairly for their share of any major work.

Any sinking fund must be kept in a separate bank account under the name of the scheme it is for.

Sinking funds are reviewed every year and collected according to the lease. They are based on planned major works and the needs of each scheme, using asset data where available.



### **Financial Information for Homeowners**

In accordance with rights in the lease/ and legislation, we will:

- Give leaseholders an estimate of their service charge for the next financial year, with at least 30 days' notice.
- Include a summary of the rights and obligations in relation to service charges when we send a service charge bill.
- Send leaseholders' annual accounts within six months of the end of the financial year.
- Give information to leaseholders on the reserve/sinking funds and any planned major works in the coming years.
- Respond to requests under Section 22 of the Landlord and Tenant Act 1985 for supporting documents, within the required time limits.

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### **New Developments**

When planning new developments, Amplus' Development Team will, as far as possible and within the limits of design and planning requirements make sure service charges are reasonable.

They will look at things like:

- How the service charge compares to similar properties.
- Whether the services provided are needed.
- If changes to the design could reduce or avoid some service charges.
- Whether the services can be covered by Housing Benefit and Universal Credit.

This review happens during design and planning meetings, which include all relevant Amplus teams and follow an approval process.

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### **Risk Management**

Amplus' Variable Service Charge policy carries some risks, including:

- Financial risk by not collecting enough money to cover the cost of services.
- Not following legislation, performance standards, good practice guidance and the terms of tenancy agreements.
- Service charges being seen as unfair and not affordable.

Because of the risks, Amplus will regularly review this policy, systems and how service charges are managed. This helps make sure everything is done properly and fairly.

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### **Affordability**

Service charges can be significant. It is important that affordability is considered when setting a service charge. Amplus will aim to always obtain value for money.

## **Appeals procedure**

Customers have the right to complain against the level of service charge that has been set under Amplius' complaints policy. The complaints policy can be found on the 'Contact Us' page on our website.

Depending on the type of tenancy agreement or lease that a customer has, they may also have the right to complain as follows:

- If you have a secure tenancy with a fixed service charge, you can ask the Rent Officer to review it within 28 days of the rent being set. The Rent Officer can then pass the case to the Rent Assessment Committee.
- If you have an assured tenancy without a rent review clause, you can appeal to the Rent Assessment Committee after receiving a Notice of Increase under Section 13 of the Housing Act 1988.

If a service isn't provided, the charge will be reviewed and adjusted or refunded as needed.

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## **Benchmarking**

Amplius will look for opportunities to compare its service charges and processes with similar landlords. This is to make sure they are fair and in line with others.

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## **Training**

Amplius is committed to training and developing its colleagues and Board members, so they understand the procedures and systems that meet the needs of customers and stakeholders. Colleagues involved in carrying out this policy will receive the necessary training and support to make sure the goals are achieved.

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## **Equality, diversity and inclusion**

The policy adheres to Amplius' approach to Equality and Diversity. Amplius is committed to equality and recognises diversity in all areas of its work. Amplius will seek to treat people with respect and deliver services that meet individual need.

Amplius encourages tolerance and respect for different lifestyles, beliefs and views. Amplius values diversity and believes that everyone should be treated with dignity and respect. We won't discriminate or tolerate discrimination against any person or group on the grounds of their race, ethnic origin, religion, age, disability, gender or sexual orientation.

Equality Impact Assessments will be completed where there are any major changes to scheme-based services or service charges.

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## **Additional needs (addressing vulnerabilities)**

Amplius recognises that, for various reasons, some of our customers and service users may be vulnerable. Policies therefore will take account of the recommendations made by the Housing Ombudsman and Regulatory recommendations on vulnerabilities. Amplius will take a proactive approach when making a decision relating to a customer or service user and where practicable, tailor and adapt our services to suit the needs of customers and support vulnerable people.

### **Summary of local variations**

Local authority housing benefit departments can vary on what charges are eligible and the amount they deem reasonable. This is taken into account when setting service charges across Amplius.

## Part 4

# Compliance and administration

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## Legal and regulatory compliance

This policy fully complies with Amplus' legal and regulatory obligations.

- This policy, along with the policies noted below ensure compliance with the Regulator of Social Housing regulatory standards. This policy will be updated to reflect changes, updates and new policy implemented by the government'.

This list is not exhaustive, and policy authors will undertake thorough research and/or seek professional advice to ensure that Amplus meets its obligations and complies with the current and relevant legislation and regulations.

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## Evaluation, review and performance monitoring

This policy will be reviewed on a Triennial basis to ensure that it remains fit for purpose. A policy review may also be required earlier, in response to internal or external changes for example changes in legislation. Prompt and effective action will be taken where improvements are identified.

The Service Charge Team is responsible for overseeing the implementation and subsequent reviews of the Variable Service Charge policy. This will be achieved by working with the senior management teams within Amplus to ensure that the policy considers any changes in legislation together with good practice guidance.

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## Related policies

- Fixed Service Charge Policy

Part 5

## Appendices

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**A. Associated documents - Internal procedural document, colleague use only**

- No current documents.
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**B. Housing Benefit Regulations 2006)**

<https://www.legislation.gov.uk/uksi/2006/213/schedule/1/2020-04-06>

Part 6

# Changelog

Amended date	Summary of changes	Version №