



Lancaster City Council

Housing and Property: Council Housing

Service Charge Policy

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1. Introduction and Policy Objectives

- 1.1. This policy document sets out Council Housings approach to setting and reviewing service charges.
- 1.2. Council Housing has a framework and principles in place for setting service charges. We aim to be open and transparent about:
 - The services we charge for.
 - The way we calculate charges to ensure they are fair.
 - How we allocate costs across multiple properties.
 - How we communicate with customers about their service charges and any potential changes.

2. Scope

- 2.1. This policy applies to all tenants who pay a service charge (general needs, independent living and supported housing).

3. Legislation, Regulatory Standards & Approved Codes of Practice

- 3.1. In delivering this Policy, Council Housing will ensure it meets the legal requirements in the setting, consultation, notification, and collection of service charges as set out principally in:
 - Housing Act 1985
 - Landlord and Tenant Act 1985 & 1987
 - Policy Statement on Rents for Social Housing 2022

4. What is a Service Charge?

- 4.1. A service charge is an amount that a customer needs to pay as part of, or as well as, their rent. It covers the cost for specific services or assets that are provided by Council Housing in addition to housing management and maintenance.
- 4.2. Examples of services for which a charge is made include grounds maintenance, cleaning of communal areas or window cleaning.
- 4.3. Examples of assets for which a charge is made include lifts, communal boilers, windows, and flooring and the external structure of a building. In this case, we make a charge for replacing, servicing, and maintaining those assets.
- 4.4. The service or asset could relate to an individual property, a block of flats or apartments, a scheme (which could be a mixture of houses and flats) or an estate.
- 4.5. We identify the homes that benefit from a particular service or asset and ensure that the costs of carrying out that service or replacing or maintaining that asset are shared fairly.
- 4.6. Each customer's tenancy agreement defines how we'll recover and share out service charges. A service charge can be 'variable' or 'fixed'. All Council Housing customers who receive services currently have a fixed service charge.

- 4.7. A fixed service charge will be set at the beginning of the financial year. There will be no reconciliation at the end of the year although Council Housing will consider the cost of providing these services when setting future service charges.

5. How Service Charges are Calculated

- 5.1. We apply service charges in line with the terms of each tenancy or lease agreement and adhere to legislation and good practice.

- 5.2. We will:

- Review all service charges every year.
- Identify the costs incurred in relation to each service being provided.
- Use the latest available information when we estimate service charges for the forthcoming year. This information will include agreed contract prices, changes in inflation, a planned programme of replacements, or where the costs are based on demand will be based on previous costs and estimated spend.
- Divide the costs for each service in a consistent, fair, and clear way between the properties in a scheme. If a service is provided for the overall scheme, all customers may be liable to bear a proportion of the cost. Where a service is provided for a particular group of customers, we will share out the costs accordingly. For leaseholders and shared owners, the way costs are apportioned may be outlined in the lease.
- Review the Value for Money of the overall charges for a scheme to ensure that any increases are reasonable and fair.

- 5.3. **Leaseholders and Shared Owners:** Lease agreements give a detailed description of the services for which we can charge. Lease agreements specify where we need to audit accounts and provide insurance cover for a scheme. In these cases, we'll charge the leaseholders accordingly.

- 5.4. **Contracted Services:** In some cases, Council Housing will contract a service to an external company. This can be for services such as, cleaning or maintaining lifts etc. We manage the quality and cost of these services and charge the cost back to customers. We will carry out regular re-tendering exercises, or where appropriate renegotiate existing contracts to ensure that we continue to receive value for money.

6. Customer Consultation and Communications

- 6.1. An applicant will be advised of the service charges applicable to the property at the time of the pre-allocation viewing. Details of the service charges will also be listed in the formal offer letter to the applicant.

- 6.2. As part of the annual consultation exercise on rent increases, tenants will also be consulted on any proposed changes to service charges.

- 6.3. Customers who pay a service charge will receive an annual service charge statement. For customers who pay rent too, they will receive their annual rent and service charge statement together.

- 6.4. In line with regulatory requirements, we give customers 28 days notice of any changes to their service charges.

7. Complaints and Appeals

- 7.1. Under the exclusions section of its Complaints Policy, Lancaster City Council will not investigate complaints concerning the level of rent or service charge or the amount of the rent or service charge increase.
- 7.2. If a customer wishes to appeal a variable service charge, following completion of the Complaints process they may refer this to the First Tier Tribunal (Property Chamber). More information about this process can be found at <https://www.gov.uk/courts-tribunals>.
- 7.3. The First Tier Tribunal can help determine:
- 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.

8. Responsibilities

- 8.1. **Cabinet:** responsible for agreeing the level of increase in rents and service charges. and monitoring its implementation.
- 8.2. **Neighbourhood and Support Service Manager:** responsible for calculating and agreeing service charges to be set and ensuring that the Cabinet's decisions are implemented in accordance with legislative and regulatory requirements.
- 8.3. **Staff:** Ensure that Policy decision and procedures are followed and that any queries from tenants are dealt with in a timely manner.

9. Monitoring

- 9.1. Compliance with this policy will be monitored by the annual review of service charges.
- 9.2. Changes in service charge levels are reflected in the annual budget and are proposed annually to Cabinet as part of the approval process.

10. Review

- 10.1. The Service Charge Policy is reviewed on a biennial basis (every two years), or more often where a material change is required to the Policy, e.g., following a change in legislation or best practice guidance.

11. Related Policies

11.1. Related strategies and policies include:

- Rent Setting Policy.
- Complaints Policy.
- Tenancy Policy

Regulator of Social Housing Consumer Standards, including Tenant Involvement and Empowerment Standard and Home Standard.

Public Contracts Regulations 2015 for procurement transparency.

Communal energy costs will be reviewed in line with EPC and Minimum Energy Efficiency Standards (MEES) obligations to support sustainability and future compliance.

All service charge statements and communications will be provided in accessible formats upon request, in compliance with the Equality Act 2010.

Regulator of Social Housing Consumer Standards, including Tenant Involvement and Empowerment Standard and Home Standard.

Public Contracts Regulations 2015 for procurement transparency.

Communal energy costs will be reviewed in line with EPC and Minimum Energy Efficiency Standards (MEES) obligations to support sustainability and future compliance.

Customers will receive an itemized breakdown of service charges annually to ensure transparency and compliance with best practice.

All service charge statements and communications will be provided in accessible formats upon request, in compliance with the Equality Act 2010.

Compliance Note:

This policy has been updated to align with current legislation and regulatory standards, including Consumer Standards, Equality Act 2010, Public Contracts Regulations 2015, and energy efficiency obligations.