



Title: Service Charge Policy
Originator: Communities Director
Approval body and date approved: Magenta Board 19 February 2025
Date for review: February 2028

1. Introduction

The Service Charge Policy outlines Magenta Living's approach to determining, reviewing, and managing service charges across all applicable properties that have a service charge. This policy ensures that our service charges are fair, reasonable, transparent, accurate and consistent.

2. Statement of Intent

This policy ensures compliance with the relevant legislative requirements for service charges. For variable service charges, we adhere to the Landlord and Tenant Act 1985 (as amended), and for fixed charges, we meet the requirements of the Housing Act 1988.

In line with the Government's Policy Statement on Rents for Social Housing (updated December 2022), the policy is guided by the following principles:

- Registered Providers must set reasonable and transparent service charges that reflect the services provided to tenants.
- Tenants must receive clear information on how service charges are determined.
- For social rent properties, service charges must be listed separately from rent.

The policy also considers:

- The Universal Credit Regulations 2013, which define service charges for the purposes of benefits paid under Universal Credit.
- The Affordable Homes Programme 2021-2026 and the Greater London Authority Affordable Homes Programme 2021-2026, which include provisions for the Right to Shared Ownership and a revised model lease offering clearer service charge information for shared ownership properties.
- The Fire Safety Act 2021 and Fire Safety (England) Regulations 2022, which require landlords to undertake specific works that may be rechargeable through service charges, impacting some leaseholders and shared owners.

3. Policy

Service charges enable Magenta Living to recover the costs associated with the provision of services, maintenance, and management. For tenants, these charges are included in or added to the rent.

A customer's obligation to contribute via service charges is generally based on the right to access a service, rather than its actual use. For instance, the cost of maintaining a lift in a block of flats is typically shared by all residents, including those who live on the ground floor and may not use it. This is clarified in the Occupancy Agreement. Only costs reasonably incurred from providing services are passed on through service charges.

Magenta Living may also charge a management fee in addition to service charges. This fee is determined in accordance with the service charge structure applied to the customer account.

This policy applies to the following types of Occupancy Agreements:

- Assured Tenants
- Secure Tenants
- Licensees
- Leaseholders (including 100% leaseholders, Right to Buy/Right to Acquire tenants, and shared owners)
- Freeholders receiving estate services, such as grounds maintenance
- Commercial properties

The policy establishes high-level principles applicable to all parts of the organisation involved in setting, managing, and administering service charges. A more detailed Service Charge Framework, outlining specific guidelines for service charge determination, will be developed to support this policy.

Properties under Affordable, Intermediate, and Market Rent agreements are out of scope, as service costs are included within the rent.

Service charges may be either variable or fixed, depending on the terms specified in the Occupancy Agreement. Both regimes are covered by this policy.

Magenta Living is committed to ensuring that service charges are managed in accordance with the terms of relevant contracts, such as leases, licenses, or tenancies (collectively referred to in this policy as 'Occupancy Agreements'). Service charges are also set in line with legal, regulatory, and best practice requirements. In cases where there is a conflict between this policy and the terms of an Occupancy Agreement, the terms of the Occupancy Agreement will take precedence.

In some cases, mergers, acquisitions, or stock transfer agreements may require Magenta Living to cap service charges for a set period. This establishes an annual limit on service charges, regardless of actual expenditures. During these periods, Magenta Living will conduct a comprehensive review of service charges across its properties to ensure the correct charging methodology is applied.

Our service charges include the cost of all legally eligible expenditure attributable to an estate, scheme, or block where the costs are not deemed under the occupancy agreement to be included within the rent paid. We will account for the cost of all chargeable services provided to the properties. We will do this at estate, scheme, or block level as appropriate, and then allocate the cost between the properties that receive the service. This is the case whether the customers choose to make use of the facility to which the service and associated charge applies because that facility is maintained for their benefit and available to them to use if they chose to.

Key Objectives of this Policy:

- **Clarity:** To establish clear and understandable principles for setting service charges for tenants, leaseholders, and colleagues.
- **Fairness:** To ensure that service charges are reasonably incurred, and services are provided to a fair and reasonable standard.
- **Consistency:** To apply a uniform, transparent, and consistent approach to calculating, apportioning, and recovering service charges, within the boundaries of Occupancy Agreements.
- **Stability:** To minimise fluctuations in service charges from year to year.
- **Monitoring:** To regularly review, assess, and manage the quality, effectiveness, and cost of services provided.

Desired Outcomes of the Policy:

- **Legal and Regulatory Compliance:** The policy and its implementation will adhere to all applicable laws and meet all regulatory requirements.
- **Contractual Obligations:** Service charge setting and administration will align with the terms outlined in each Occupancy Agreement.
- **Value for Money:** Service charge costs will be fair, reasonable, and accurate, with a focus on providing value for money. Magenta Living will actively pursue cost-efficiency when procuring services and will seek opportunities to benchmark service charges against comparable properties and schemes.
- **Consultation:** Magenta Living will be transparent in its approach to service charges. Within the limitations of Occupancy Agreements and relevant legislation, we will consult with customers regarding decisions about services, their delivery, and expected standards.
- **Controls:** Sufficient controls will be in place to ensure that service charges are fair, accurate, and reasonable.

- **Consistency:** Service charge setting, and administration shall be consistent whilst retaining the capacity to reflect contractual obligations under specific Occupancy Agreements, any legal and regulatory differences relating to the various types of service charges, and any variations in Magenta Living's stock and tenure type.
- **Training:** Magenta Living is dedicated to ensuring that staff and board members are well-informed about the policy, its procedures, and the systems in place. All colleagues involved in delivering this policy will receive appropriate training and guidance to meet its objectives.
- **Equality and Diversity:** all involved in the implementation and monitoring of this policy will recognise their ethical and legal duty to advance equality of opportunity and prevent discrimination on the grounds of age, gender, sexual orientation, disability, race, ethnicity, religion, or belief, gender reassignment, pregnancy and maternity, marriage and civil partnership as provided for in the Equality Act 2010.

3.1 Third Party Managing Agents

The Freeholder of a Section 106 development, also known as the superior landlord, is responsible for the services of running and maintaining the building and external areas. They usually appoint a third party managing agent to deliver the services. The costs are charged to Magenta Living as the Head Leaseholder and Magenta Living re-charge these to customers. Care and Support can also have third party managing agent relationships.

In these scenarios, Magenta Living does not set or manage the service and subsequent service charges. Magenta Living will advocate for our customers and liaise between the customer and superior landlord and will be clear with customers about what it can influence and will inform customers on how to get more information or challenge costs in relation to service charges

3.2 Risks

Magenta Living has a policy of setting and varying service charges with a low-risk appetite and high-risk threshold. All tenures with a service charge regime must comply with this policy and the accompanying Service Charge Framework. Any variation in practice must be in line with the Occupancy Agreement terms. To ensure compliance and assurance of service charge setting, a Service Charge Process Assurance is completed annually.

In procuring service contracts, Magenta Living uses long-term qualifying works contracts over individual contracts to deliver services at Estate and Block level, whenever possible. This is to ensure that Magenta Living's suppliers comply with health and safety regulations, rather than just being the most cost-effective supplier. Magenta Living will apply for dispensation for emergency works, which will be delivered without section 20 consultation.

3.3 Appeal & Complaints

Customers can complain about Magenta Living's adherence to the Service Charge Policy or other aspects of the Service Charge Setting process under our Complaints Policy which is published on the Magenta Living website.

Leaseholders and Tenants on variable service charges have the right to refer the service charge methodology to the First Tier Property Tribunal. Other customers have the right to refer their service charges to the Housing Ombudsman Service.

4. Implementation

The policy will be effective from 19 February 2025. For example, staff will be made aware of the policy at specific training and will be available on Insite. The policy will be uploaded to the Magenta Living website.

This policy should also be read in conjunction with the following associated policies:

- Rent Setting Policy
- Procurement Policy
- Income Management Policy
- Complaints Policy
- Equality, Diversity and Inclusion Policy

The following procedures have been produced/amended by The Service Charge Manager to reflect the approved policy:

5. Consultation

The proposed policy was discussed with MCC (Magenta Community Committee) on 11 February 2025. Their views have been fully considered and incorporated where applicable/appropriate within the body of the policy.

In alignment with the policy's Key Objectives, Magenta Living conducted a comprehensive tenant consultation to gather feedback and insights regarding the implementation of service charges for the financial year 2025/26. This structured engagement ensured transparency and inclusivity, inviting all affected tenants to share their perspectives, address concerns, and contribute to the equitable execution of service charge processes.

6. Equality Analysis (EA)

We believe all people should be treated with dignity and respect regardless of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including, nationality, ethnic or national origins), religion, belief or non-belief, sex, or sexuality or by association with someone with any of these characteristics or perception of having any of these characteristics.

This policy aligns with Magenta Living's Equality, Diversity and Inclusion Policy and has been subject to an Equality Impact Assessment.

The EA was undertaken on 30 January 2025 by Rachel Bennett, Sarah Keenan, Alan Barnish and Esh Wilson and was rated as amber. (See the full EA document for further details)

NB A policy does not HAVE to be green to be approved.

7. Monitoring Performance

This policy’s effectiveness will be measured using the following performance indicators. An annual review of service charge costs, benchmarking service charges against comparable properties and schemes, demonstrating VFM when procuring services and customer feedback/complaints.

8. Scheme of Delegation

The responsible authority for approving this policy is Magenta Board and was approved on 19 February 2025.

The Responsible Director for formulating this policy and ensuring its effective implementation is the Communities Director.

9. Policy Review

The policy will be reviewed every 3 years or earlier if deemed necessary though the performance monitoring process.

NB The guideline review timescale is every 3 years.

10. Amendment Log

Date of revision:	Record of amendments:	Reason for revision:

Glossary of Descriptions

Term	Description
Estate	A collection of properties that share communal land.
Block	A row of properties or a collection of units that share a roof i.e. a block of flats.

Property	Smallest type of property classification, it can include a bedroom in in a shared accommodation, flat, house or bungalow. It refers to a property that is connected to an occupancy agreement.
Occupancy Agreement	An Occupancy Agreement is the contract between Magenta Living and individual/s residing in the property. This can be a lease, licence or tenancy.
Variable Service Charge	The legal definition of a variable service charge is set out in Section 18 of the Landlord and Tenant Act 1985. They are defined as: (1) "Service charge" means an amount payable by a tenant of a dwelling as part of or in addition to the rent – (a) which is payable, directly, or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management, and (b) the whole part of which varies or may vary according to the relevant costs. (2) The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with the matters for which the service charge is payable. (3) For this purpose – (a) "costs" include overheads, and 9 Costs are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.
Fixed Service Charge	This charge is fixed at the start of the year, based on an estimate of the service cost. These service charges do not change according to the actual cost. So, they do not change because the actual costs are less or more than the estimated service charge set at the beginning of the year.
First-tier tribunal (Property chamber)	The First-tier Tribunal is an independent body which has the power to settle legal disputes concerning rented or leasehold land or property, and the power to award costs. Appeals are referred to the Upper-tier tribunal. It was formerly called the Leasehold Valuation Tribunal.
Housing Ombudsman	The Housing Ombudsman Service is a fair and impartial service which was set up by law to look at complaints about housing organisations that are registered with them. The service is free of charge to all residents in social housing.
Reasonable cost	"Reasonableness" is set out in the Landlord and Tenant Act 1985 and may be determined by a First-tier Tribunal. The cost must be relevant, reasonably incurred and the services or works must be of a reasonable standard. Landlords can only recover those costs that are reasonable.
Management Fee	This is a fee to recover the reasonable business costs incurred by Magenta Living in providing service chargeable services to the block and/or estate as set out in the Occupancy Agreement. These are fixed or variable depending on the service charge regime in the Occupancy Agreement.
Section 106	Section 106 of the Town and Country Planning Act 1990 sets out planning obligations between local planners and developers. This may include an obligation to build Affordable Homes, which can

	be purchased from the Landlord through a Head Lease by a Housing Association for Affordable Rent or Shared Ownership.
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