



Service Charge Policy

1. Introduction

This policy outlines the approach we will take to the setting and application of service charges for all tenures of property.

Service charges include all costs payable by a tenant, leaseholder, freeholder or licensee for services not included in their rent. How we set our rents is outlined in our Rent Setting and Rent Setting Specialised Supported Housing policies. Service charges include management and administration costs for administering services and the charging process.

We operate several different historic terms and conditions for service charges; administering both, fixed, variable and hybrid regimes. Some provisions within this policy will be overridden by historic terms and conditions, therefore consideration of the individual tenancy or lease should be made in conjunction with this policy.

This policy provides the framework within which we apply service charges and our staff will work within the policy framework and our values while completing this work.

This policy is based on, and reflects, UK legislation and the requirements of our regulator in particular the Value for Money standard which states providers must 'understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so'.

As a social business and registered provider, we work to the principle of maximising the recovery of actual costs of services wherever possible. We do not seek to make a profit on any service and we are committed to delivering value for money in the services we provide.

2. Scope

The policy applies to all Citizen leaseholders, freeholders, shared owners, licensees and tenants.

3. Policy Principles

- From May 2017, all new tenancies have been issued a standardised set of terms and conditions including a fixed regime of service charges and the same annual review date.

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- Fixed service charges have no statutory definition and are not subject to the same statutory controls as variable charges. Cost increases are expected to be ‘reasonable’ and good practice recommends that a reasonable level of increase is a maximum increase of CPI plus 1%. However, this is not definitive, and we reserve the right to review our definition of a reasonable increase in line with wider sector practice or in the event of other influencing factors such as fluctuating energy costs.
- As an exception to the above we are reviewing the viability of a standard variable regime and in some circumstances, may choose to adopt a variable agreement on key schemes where this delivers the best joint outcome for residents and the business or where we have third party arrangements in place with variable charges.
- We will follow statutory administration processes for the setting and collection of charges under a variable regime; this will include the provision of information to all those responsible for payment with a variable regime in relation to their statutory rights and obligations. We will ensure that all statutory administration processes are maintained within appropriate timescales to ensure maximum levels of recovery are possible.
- Specific rights, obligations and processes for consulting and collecting leasehold charges (including shared ownership leaseholders) are outlined in our lease agreements. More information is available in our Homeownership Policy.
- The majority of historic lease agreements are variable agreements. Where fixed leases are in operation, these will be administered in line with the provisions of the individual agreement. All new leases will be issued on a variable regime.
- Existing Freeholders are charged in line with their individual covenants. All new freeholders will be charged an estate charge, where applicable, in line with the individual estate-based costs relevant to their property. These charges will be stated to the freeholder at the point of purchase.
- Where services are provided by a third-party managing agent or management company, charges will be calculated in accordance with the management agreement. We will pass on these costs to the residents (plus an appropriate and reasonable administration fee).

3.1 Charging

The services for which we make a charge in rented and leasehold accommodation properties are drawn from definitions outlined in the Rent Officers Handbook 1977 and Guidance within the NHF Service Charge Handbook, 5th Edition.

Charging methods for pre- May 2017 residents and leaseholders are outlined in individual tenancy, licence and lease agreements. The Headline regime for each tenancy type is detailed in the Service Charge Regime Matrix.

For all tenancies post May 2017, with a fixed service charge regime, the cost of estate charges will be apportioned reasonably to individual properties in appropriate accounting cost groupings (known as 'cost centres'). For residents living in blocks, older persons housing schemes or hostels, costs will be fair and reasonable between individual properties where that service is available for residents to access, whether or not they choose to use it.

Where required by the lease, we will establish and maintain sinking funds for leasehold schemes to reduce the impact of major repair costs on leaseholders; we will not necessarily do this for 'pepper-potted' leasehold properties in mixed tenure blocks, for example properties sold under Right to Buy, or similar home ownership initiatives.

Management fees, for leasehold properties with variable service charges (excluding shared ownership) and freehold properties will be applied to cover our management costs and overheads. Charges will be 'reasonable' and reviewed annually.

For rented and shared ownership fixed and variable service charges we will comply with best practice recommendations when setting management charges to cover the cost of administering services and service charges.

Where the terms of the occupancy agreement differ from the above in regard to management charges, the occupancy agreement will override this policy.

VAT will be charged in accordance with current legislation where applicable.

The cost of any independent scheme/cost centre audit required by the lease will be charged in accordance with the lease across all leaseholders in the scheme/cost centres.

3.2 Consultation and changes to services

For tenancies and leases subject to a variable regime, we will comply with the provisions of section 20A of the Landlord and Tenant Act 1985 when;

- The cost of a new or existing individual qualifying agreement is planned to be in excess of £100 per year.
- A qualifying work exceeds a one-off cost of £250 or more.

For fixed regime tenancies there is no statutory right to consultation.



If the fixed regime is following a standard annual review process (i.e. not proposing to add or remove services), information will be provided to the resident in line with the annual rent review process.

The contract to provide services is set out in each Tenancy Agreement, Licence Agreement, Lease or Freehold Transfer document. Should we wish to vary these services, i.e. propose a new service or remove an existing service, we will follow the Variation Process prescribed by Citizen which includes consultation as per the tenancy or lease and a formal legal process to change the Contracts. A tenancy or lease may require individual customer consent, or the contract may allow changes to be made if the prescribed consultation process is followed.

Where a new service needs to be introduced to meet a new statutory obligation or health and safety requirement, the service may be required to be implemented in order to maintain our wider legal obligations. Our ability to charge for these services will be dependent upon the services listed in the current occupancy agreement and may require our variation process to be followed in order to implement a charge.

3.3 Value for Money in Service Provision

To maximise the value for money provided through services, we will operate a rolling programme of scrutiny, service improvement and external benchmarking of service costs and their relationship to income recovery.

Our approach to Value for Money, our performance in respect of the 7 mandatory Value for Money metrics and our plans for the year ahead will be published annually in our financial statements, which are published on the Citizen website.

Procurement of new service providers will be subject to procurement protocols to ensure value for money. These protocols are outlined in our Procurement Policy.

3.4 Income recovery

Service charge income will be collected in accordance with our Income Collection Policy and processes.

In some circumstances we may take a strategic decision not to pursue the recovery of eligible costs. Any decisions to cap or restrict charges will require Executive approval and will be notified to impacted residents to inform them of the true costs of the service.

3.5 Appeals and Complaints

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Tenants, licencees, leaseholders and freeholders have a right to lodge a complaint regarding any aspect of the service charge setting and recovery process. In the first instance tenants, licencees, leaseholders and freeholders should follow our internal complaints procedure.

Customers who have a variable leasehold regime, may make an application to the First-tier Tribunal (property chamber) if they believe the services have not been provided to a reasonable cost or quality.

4. Roles, Responsibility and Governance

It is the responsibility of the Board to ensure that this policy is successfully implemented, and the procedures followed. The Senior Leadership Team and Heads of Service are responsible for ensuring that all staff understand the importance of this policy and the related procedures and comply with them.

Managers are responsible for ensuring that their reports have undertaken the appropriate policy eLearning by utilising reports produced by Learning and Development

Any changes to this policy must be made in line with the requirements set out in Citizens Standing Orders and our Policy framework.

5. Monitoring and review

This policy will be reviewed every 3 years, unless legislation, service delivery or sector developments require otherwise ensuring the policy continues to meet its objectives and take account of good practice developments.

Legal advice will be taken to ensure compliance with legal, regulatory and contractual responsibilities.

Where appropriate service delivery reports in respect of this policy as incorporated into our quarterly reporting suite.

6. Equality impact assessment

This policy has been subject to an Equality Analysis. Staff working across Citizen have considered the impact of this policy on different groups and communities that we work with. In framing this policy, our staff are committed to not discriminate adversely against any group and will respect the diversity of the communities we are working within.

The EIA and any actions identified as needing to be implemented are in Appendix 1

7. **VERSION CONTROL**

VERSION	DATE	AMENDMENTS	APPROVED AT/BY	REVIEW
V1.0	27 March 2017	Revised policy	Approved at Parent Board	Jul 2019
V2.0	May 2018	Revised policy	Approved by ELT	Oct 2019
V3.0	October 2019	Revised policy to reflect current regulation and governance	Approved by ELT 26/11/2019	Oct 2020
V3.1	July 2020	Review date extended to 2022	Approved at ELT 28/07/2020	Oct 2022
V 4.0	March 2021	Change to citizen template and reflect change that Leasehold Tribunal is now replaced by First-tier Tribunal	Policy Owner	Oct 2022