



# Tenant Service Charge Policy

<b>Reference</b>	<b>OP003</b>	<b>Version</b>	<b>2</b>
<b>Issue date</b>	<b>November 2016</b>	<b>Review date</b>	<b>November 2017</b>

## **1. Purpose**

- 1.1 This policy ensures that all tenants have information about their service charges including costs that their charges cover, how charges are calculated and how changes to services are managed. We will aim to deliver continuous improvements and value for money in service provision.
- 1.2 We will provide services to tenants on a 'fixed service charge' basis.
- 1.3 We will adopt a consistent approach in the calculation and recovery of the cost of providing services. This policy will ensure that service charges are:
  - Accurate – reflect the cost incurred by us in providing the service, ensuring that sufficient income is generated;
  - Transparent – calculation methods are clear and accessible to all tenants, in accordance with current legislation and best practice;
  - Fair and reasonable – are apportioned according to the services provided, whilst ensuring the services are Value for Money;
  - Reviewed regularly in line with legal requirements and best practice.
- 1.4 We will ensure that the tenants are provided with easy to understand information about the level of services we provide and the cost of the provision. Tenants will be involved in the decisions and choices regarding procurement of the services, and in the monitoring of the quality of services provided.

## **2. References**

- 2.1 The policy has been drafted having regard to our vision and values, relevant legislation and best practice.

## **3. Responsibilities**

- 3.1 The Commercial Manager is responsible for ensuring this policy is adhered to through the development and application of robust procedures and auditable documentation.

## **4. Legal framework**

- 4.1 The tenancy agreement is a contractual agreement between the tenant and us and sets out the rent and service charge for the property.
- 4.2 Our service charges for tenants are on a "fixed service charge basis". Increases in rent and service charges for assured tenancies must comply with section 13 of the Housing Act 1988.

4.3 The stock transfer agreement between Wycombe District Council and Red Kite sets out the promises made to transferring tenants about service charges.

## **5. Definitions**

5.1 A service charge is an amount payable as a contribution towards the landlord's cost of providing services to the building and common areas in and around the tenant's home.

5.2 A tenancy agreement is a legal agreement, which gives details of rights and responsibilities of both the tenant and the landlord.

5.3 A 'fixed' service charge is a charge that is set at the start of the tenancy and does not vary according to the cost of delivering the service. The charge is based on how much we know or estimate it will reasonably cost to run the services at a scheme or property. If we spend more on providing services than we charge the tenant, we will pay to make up the amount. If we spend less on providing services than we charge, any money left over will not be refunded.

5.4 A service charge scheme is a group of properties that receive a service. For example, the scheme may be a defined block, homes that are all part of a sheltered housing scheme or street properties that benefit from shared local facilities and services.

## **6. Policy statement**

6.1 On 12 December 2011 Wycombe District Council transferred its housing stock to us and tenants at the time of transfer became our assured tenants with preserved rights. Where we were already providing a service to these transferring tenants we will not introduce a separate service charge for these services until April 2022 at the earliest. This service charge guarantee ends if a property is purchased as service charges are due from leaseholders and freeholders.

6.2 We may introduce new services in the future, which may result in additional service charges for all tenants including those transferring tenants referred to above. Any additional service charges will only be introduced after full consultation with tenants who would be affected by the charge.

6.3 We will let all homes to new tenants for rent plus service charge except in exceptional circumstances. The Executive Management Team is authorised not to levy service charges in cases where it is considered that it would be uneconomic or inequitable to do so.

- 6.4 If a transferring tenant with protected rights moves to another Red Kite home before April 2022, we will honour the service charge guarantee at their new home as well.
- 6.5 We will only look to recover our estimated cost of providing services through service charges. We will not look to inflate charges to make a profit.
- 6.6 Our service charges will be transparent by identifying them separately to the rent on the tenancy agreement.
- 6.7 We will recover unpaid service charges in accordance with our rent arrears policy and procedure.
- 6.8 Calculating Service Charges
- 6.8.1 Service Charges are calculated by identifying the services provided within each of the service charge schemes. The full cost of providing these services for the forthcoming year is estimated using contractual costs, prior years' costs uplifted for inflation and any known changes to the service provision.
- 6.8.2 The cost of providing these services is then allocated to individual properties using relevant allocation principles for the service and scheme.
- 6.8.3 A 15% management charge is added to the service charge to fund the management and admin related costs relating to the provision of those services.
- 6.8.4 We will spread the cost of large items of service charge expenditure over a number of years to ease the burden on the tenants. For example, installation of a communal fire alarm system may be spread over 15 years. Where depreciation costs are not eligible for Housing Benefit/Universal Credit at the time of letting, we will show these ineligible charges separately on the tenancy agreement.
- 6.9 Allocating costs
- 6.9.1 We will allocate costs on a fair and reasonable basis that is appropriate to the service being provided and the group of homes it is provided to.
- 6.9.2 Allocations are not adjusted if a tenant or group of tenants choose not to use the available service.

## **7. Related Policies & Strategies**

7.1 The following policies and strategies are related:

- Allocations policy
- Feedback policy
- Rent collection and arrears policy

## **8. Policy Review**

8.1 This policy will be reviewed annually by the Commercial Manager unless there are material changes in legislation relating to service charges.

8.2 Parties to be consulted on reviews of this policy include the following teams:

- Policy Group
- Neighbourhood Interest Group
- Relationship pod
- Commercial Team
- Finance Team