

Service Charge Policy

Customer Service

GENERAL - EXTERNAL

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1. Purpose

The Service Charge policy sets out the Riverside's Group Limited approach to how we determine, review and manage service charges across all properties that have a service charge. These principles ensure that our service charges are fair, reasonable, transparent, accurate and consistent.

We will meet the requirements of the Landlord and Tenant Act 1985, as amended, if the service charges are variable. We will meet the requirements of the Housing Act 1988 if the charges are fixed.

The policy takes account of The Government's Policy Statement on Rents for Social Housing (updated December 2022). This includes the following expectations, that:

- Registered Providers set reasonable and transparent service charges which reflect the service being provided to tenants.
- Tenants should be supplied with clear information on how service charges are set, and
- For social rent properties, service charges should be identified separately from the rent charge.

The policy also takes account of the following:

- Universal Credit Regulations 2013. This defines what is meant by a service charge for the purposes of benefits paid under Universal Credit.
- Affordable Homes Programme 2021 - 26 and the Greater London Authority Affordable Homes Programme 2021-26. This includes the Right to Shared Ownership and the revised model lease for shared ownership which sets out clearer information about service charges.
- Fire Safety Act 2021 and the Fire Safety (England) Regulations 2022. This requires landlords to undertake certain specific works which are rechargeable under the service charge. This may affect the charges we apply to some leaseholders who own their home outright and shared owners.

2. Scope

Service charges allow the recovery of the costs of Riverside providing services, maintenance, and Riversides' costs of management. For tenants, it is charged as part of, or in addition to, the rent. The liability of the Customer to contribute towards the costs by way of a service charge will usually attach to the right to use a service, rather than just the actual use of it. For example, the costs of providing a lift in a block of flats will usually be charged to all Customers in the block, even if some tenants or leaseholders are living on the ground floor and may not

GENERAL - EXTERNAL

Policy Approval Date:	11 July 2024	Date of next review:	July 2026
-----------------------	--------------	----------------------	-----------



use it. The Occupancy Agreement will confirm this. Only costs reasonably incurred as a direct result of providing services are recharged in the service charge.

Riverside are permitted to charge a management and administration fee in addition to the service charges. Both charges are set in line with the service charge regime applied to the customer account.

The policy applies to the following types of Occupancy Agreements:

- Assured Tenants;
- Secure Tenants;
- Licensees;
- Leaseholders (including 100% leasehold, right to buy tenants/right to acquire and shared owners);
- Freeholders who receive an estate service, such as grounds maintenance;
- Commercial properties

The policy is designed to set out high level principles which are relevant across all parts of the group that deal with service charge setting, management, and administration. A more detailed Service Charge Framework setting out appropriate service charge setting guidelines has been developed to support this policy.

Affordable, intermediate and Market Rent properties are out of scope as the services are included in the rent.

Service charges may be variable or fixed. The type of service charge payable is stipulated in the Occupancy Agreement. Both of these service charge regimes are covered by this policy.

3. Principles

Riverside aims to ensure that service charges are dealt with in accordance with the terms of the contract, for example the lease, licence, tenancy (together referred to in this policy as 'Occupancy Agreements') but are also set taking into consideration legal, regulatory and best practice requirements.

If there is a variance between the policy and individual Occupancy Agreements, then the Occupancy Agreements will take precedence.

Mergers, Acquisitions and Stock Transfer agreements sometimes require Riverside to cap service charges for a period of time. This sets an annual limit or ceiling on the service charges, regardless of the actual amount that Riverside may spend in a service charge year. During this period Riverside fully review service charges across the stock to ensure the correct charging methodology is applied.

The key objectives of this policy are:

- To establish clear principles on service charge setting that are understandable to tenants, leaseholders and colleagues.

GENERAL - EXTERNAL

Policy Approval Date:	11 July 2024	Date of next review:	July 2026
-----------------------	--------------	----------------------	-----------



- To ensure that service charges are reasonably incurred, and the provision of services and works are of a fair and reasonable standard.
- To adopt a uniform, transparent, and consistent approach to the calculation, apportionment, and recovery of service charges, within the constraints of the Occupancy Agreements.
- To minimize fluctuations in the level of service charges from year to year.
- To regularly monitor, manage, and assess the quality, effectiveness, and cost of the services provided.

The desired outcomes of the policy are:

- **Legal and regulatory**, both policy and practice will be within the law and will meet all regulatory requirements.
- **Contractual obligations**, the setting and administration of service charges will be consistent with the provisions of the applicable Occupancy Agreement.
- **Value for money**, to ensure that the costs incurred which are recovered through the service charges are fair, reasonable, accurate and provide value for money. We will always seek to achieve value for money when procuring services. Riverside will seek opportunities to benchmark to ensure that its service charges are comparable with other properties and schemes of a similar size and nature.
- **Consultation**, Riverside will be transparent in its dealing with service charges. Within the constraints of the Occupancy Agreement and any relevant legislation, we will seek to consult with customers in decisions made about the services provided, the way in which they are provided, and the standards that should be met.
- **Controls**, Riverside has sufficient controls in place to ensure costs 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 Riverside's stock and tenure type.
- **Training**, Riverside is committed to training and developing staff and board members, so all have a good knowledge of the policy, procedures, and systems in place, meeting the expectations of customers and stakeholders. Accordingly, any colleague involved in the delivery of this policy will be provided with appropriate training and guidance to ensure its aims and objectives are met.
- **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.

GENERAL - EXTERNAL

Policy Approval Date:	11 July 2024	Date of next review:	July 2026
-----------------------	--------------	----------------------	-----------



- Rent Setting Policy
- Procurement Policy
- Approval and Control of Contractors Policy
- Income Management Policy
- Complaints Policy
- Equality, Diversity and Inclusion Policy

5. Roles and Responsibilities

Policy and Strategy	• Joint policy owners • Lobby government around potential changes in legislation and best practice • To regularly review all legislation that may require changes to the policy and procedures.
Customer Charges	• Joint policy owners • Ensure the accuracy of the charges are in line with the Occupancy Agreement • Ensure systems set up accurately reflect the service charge apportionment rules • Regularly review all legislation and make changes to the policy and procedures • Production of customer communication • Support resolution of complex customer queries
Finance	• Budget setting and cost reviews with budget holders • Production of customer communication • Support resolution of complex customer queries
Asset Services	• Ensure chargeable services procured by Assets are fair and reasonable • Inform the accurate apportionment of service charges of new services • Set and regularly review budgets and actual spend • Ensure customers are consulted on any changes to costs/services through formal section 20 process • Support resolution of complex customer queries
Front Line Teams	• Ensure chargeable services procured by front line teams are fair and reasonable • Inform the accurate apportionment of service charges of new services • Ensure customers are consulted on any changes to costs/services through formal section 20 process • Support resolution of customer queries
Customer Service Centre	• Ensure customer queries are resolved at first point of contact, where possible, or routed to the correct team to resolve
Development	• Ensure all new developments are built with service charges designed appropriately • Ensure all service charges are calculated and are included in the property hand over • Inform the accurate apportionment of service charges on new developments

GENERAL - EXTERNAL

Policy Approval Date:	11 July 2024	Date of next review:	July 2026
-----------------------	--------------	----------------------	-----------



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 or not 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.

7. Sinking Funds

A sinking fund is a fund collected through the service charge to pay for future major repairs which may be unaffordable if requested in the year it was incurred (for example roof replacement, lift replacement). Funds are held within separate deposit accounts. In circumstances where it has not been possible to collect sufficient sinking fund contributions to fully cover the cost of major work, depending on the wording of the Occupancy Agreement, it may be possible to recover the balance through the service charge in the year the work is undertaken.

8. 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 Riverside as the Head Leaseholder and Riverside re-charge these to customers. Care and Support also have third party managing agent relationships.

In these scenarios, Riverside does not set or manage the service and subsequent service charges. Riverside 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.

9. Risks

The Riverside Group 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

GENERAL - EXTERNAL

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-----------------------	--------------	----------------------	-----------



compliance and assurance of service charge setting, a Service Charge Process Assurance is completed annually.

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

10. Appeal & Complaints

Customers can complain about Riverside'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 Riverside 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.

11. Equality, Diversity and Inclusion

Riverside is committed to Equality, Diversity & Inclusion. We strive to be fair in our dealings with all people, communities and organisations, taking into account the diverse nature of their culture and background and actively promoting inclusion. This policy aligns with Riverside's [Equality, Diversity and Inclusion Policy](#) and has been subject to an Equality Impact Assessment.

GENERAL - EXTERNAL

Policy Approval Date:	11 July 2024	Date of next review:	July 2026
-----------------------	--------------	----------------------	-----------



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 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 Riverside 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.
I&E	Income & Expenditure, also known as the balancing charge, is the difference between the estimated service charges at the beginning of the year and the actual cost of the services.
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.
Sinking Fund/	This is a fund to pay for future large-scale works. Some tenancy agreements and leases allow us to request a contribution towards this fund via the service charge. It is sometimes known as a "reserve fund".

GENERAL - EXTERNAL

Policy Approval Date:	11 July 2024	Date of next review:	July 2026
-----------------------	--------------	----------------------	-----------



Reserve Fund	
Management Fee	This is a fee to recover the reasonable business costs incurred by Riverside 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.

GENERAL - EXTERNAL

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