

## Residential Service Charges

### 1.0 Policy Summary

1.1 Stonewaters key objectives in service delivery are:

- To provide excellent services that represent value for money to customers provided to a high standard;
- To ensure that services are delivered in a way that is appropriate for customers.

This policy sets out our approach to services delivered to, and paid for by customers' through a fixed or variable service charge. It applies to all tenancies, leases and transfers of properties owned and directly managed by Stonewater where the occupancy agreement specifies a requirement for payment of a fixed or variable service charge.

This includes general family and sheltered rented accommodation; supported housing, shared ownership and other leasehold/ freehold homes. Commercial properties are not covered by this policy.

### 2.0 Policy Objectives

- The key objectives of this policy are:
- To ensure that the services we provide are, required, wanted, affordable and provide value for money to customers whilst ensuring we are meeting the overall service need, our legal and regulatory obligations;
- Subject to the requirements of individual occupancy agreements, to adopt a consistent approach to the calculation, apportionment and recovery of service costs from all homes and customers within the scope of this policy;
- To minimise year-on-year fluctuations in the level of service charges;
- To ensure that service costs and charges meet necessary legal requirements;
- To offer a range of alternative methods of payment so that the collection of service charges is flexible, economical and effective for both customers and Stonewater;
- To work in partnership with customers in determining what services are provided, the standards they are provided to, and where possible how they are provided;
- To regularly assess the quality, effectiveness and cost of the services provided. To keep customers informed about our performance against the agreed standards;

- To ensure that service charges meet all reasonable costs incurred in the provision of services.

### **3.0 Policy Details**

#### **3.1 Newly built and acquired properties.**

Stonewater will only acquire or build new homes where any services that are provided and charged for are within the scope of the objectives of this policy

In acquiring and constructing homes, Stonewaters specification and design requirements will place an emphasis on 'designing out' unnecessary chargeable services. Where chargeable services are necessary to provide sustainable homes there will be a focus on providing value for money.

Our scheme and service design will take into account environmental factors providing the most environmentally sustainable options where ever practically possible in terms of design and cost.

The calculation of the initial service charge and any necessary sinking fund or provision for future maintenance will reflect the actual costs anticipated for the development and will be reviewed on a 5 year cyclical basis or time frame appropriate for the assets of the scheme.

#### **3.2 Calculating and charging service charges.**

Service charges will be calculated annually, in line with the terms of the occupancy agreements. Service charges will be based on known scheme or development costs, and where estimates or projections are required these will be based on existing developments of a similar size and service charge profile.

Stonewater will meet legal requirements by providing audited accounts where required; give all residents a break-down of the costs incurred in the previous accounting period and the revised service charge budget.

Annual budgets will be set for service charge costs and income and expenditure, at scheme or development level where possible. Alternatively, a reasonable distribution of costs will be applied based on the likely proportion of costs attributable.

New customers will be advised of the estimated service charge costs as part of the information pack provided for the home at the earliest stage possible to ensure they have all the information required to make an informed decision.

#### **3.3 Procurement of services.**

Services paid for by service charges will be procured in compliance with the Procurement Policy.

We will ensure that customers paying service charges are aware of the procurement arrangements for their scheme or development, and the standards to which the contractor or service provider should be working.

We will regularly monitor contractor and service provider performance, and their compliance with agreed specifications including health and safety and

environmental standards the extra costs of which we will seek to recover through the service charge process.

We will take prompt action where a contractor or service provider fails to perform to the contract standards and specifications. Where we can we will impose financial penalties for non – compliance, unless in the view of Stonewater there are extenuating circumstances to be considered. In instances of repeated and proven under performance we will seek to terminate contracts.

### 3.4 Service Charge Setting Team

The Head of Rent Setting and Service Charges is responsible for ensuring that service charges are calculated and issued in line with legal agreements, adhering to legislation and regulation and within the specified annual time cycle.

Service Charge Analysts are responsible for the calculation of Service Charges, creating new service charges and the peer review, quality checking and approval of service charges prior to issue.

Due to the complexity and specialised nature of certain schemes the head of Supported Housing and Head of Retirement Living will be consulted on finalised accounts before they are approved for issue.

### 3.5 Service Charge Types

Stonewater is responsible for the calculation of a number of different service charge types including:

- Fixed service charges for rented homes;
- Variable service charges for rented homes;
- Fixed service charges for supported housing homes;
- Variable service charges for supported housing homes;
- Variable service charges for Leaseholders;
- Variable service charges for shared owners;
- Variable estate charges for Freeholders following transfer;
- Deed of covenant based charges for private owners.

A number of leases for variable service charges include the provision for a reserve or sinking fund. Contributions are made to the reserve fund which is held in trust via the service charge to spread the costs for major planned expenditure over several years.

### 3.6 Service Charge Legislation

The key acts of parliament that legislate the rules and regulations around the calculation and issuing of service charges and outline Tenants and

Leaseholders rights in this area are the Landlord & Tenant Acts of 1985 and 1987.

Stonewater will always comply with the above acts as well as any supplementary legislation and formal directives and guidance issued by government departments such as the Ministry for Housing, Communities and Local Government and agencies such as Homes England and the Regulator of Social Housing as well as note the outcome of significant case law for future policy guidance.

### 3.7 Section 20 Consultation

Stonewater will follow the guidelines set down in Section 20 of the Landlord and Tenant Act 1985 (as amended) and serve statutory consultation notices for planned works and service contracts which exceed the statutory trigger figures for consultation where there is a legal requirement to do so.

### 3.8 Customer Involvement

Stonewater is committed to involving all residents in the decisions and choices about which services are provided, the way that they are provided and the standards that should be met. Within the framework of the Voice of the Customer Strategy, we will work to agree both national and local standards. In particular:

- We will involve customers in setting and reviewing standards;
- We will involve residents in the monitoring of service standards, actively collect information from them as to their satisfaction with the services provided, and use the information to improve the quality and value of the services provided in the future;
- We will provide customers with clear, easily understood information about the services being delivered.

### 3.9 Arrears of service charge

Stonewater will ensure that customers understand the importance of regular service charge payments, and wherever possible work with them to avoid the escalation of debt, in accordance with the Income Management Policy.

Where required to do so we will liaise with mortgage lenders to comply with the shared ownership model lease mortgage protection clause.

### 3.10 Migration of Variable Service Charges to Fixed Service Charges

We will actively encourage the migration of variable service charge payers to fixed service charge accounts for all social and affordable rented tenancies following consultation and signed agreement.

The migration to fixed service charges is to ensure consistency and to enable us to better estimate expected income from this revenue stream.

All new tenancies will be let with Fixed Service Charge covenants inserted into tenancy agreements where legally possible.

### 3.11 Reporting of Information

An annual report will be compiled for the Stonewater Board summarising the metrics of the service charge cycle including the number and monetary value of service charges issued broken down into different service charge and tenure types including comparison to the previous year by highlighting the number of additions and disposals of homes attracting service charges.

## 4.0 Key Outcomes

Key outcomes of the policy are:

- To maximise the collection of the service charges due from customers;
- To achieve consistently high levels of customer satisfaction with the services provided by Stonewater;
- To ensure that service charge reconciliations and budgets are completed in an accurate and timely manner;
- To ensure that the management of and any variation to services is compliant with all legal and regulatory requirements.

## 5.0 Equality and Diversity

We will apply our residential service charges policy consistently and fairly and will not discriminate against any person on grounds of their race, colour, ethnic or national origins, religion, sexual orientation, disability, gender, age or any other matter that may cause a person to be treated with injustice.

The needs of vulnerable residents where this affects their ability to make payments will be considered in accordance with the Pre –Action Protocol for possession based on rent arrears and the Equality Act 2010.

## 6.0 Version Control

Created by:	Marcus Canning, Head of Customer Experience – Home Ownership
Created on:	16 December 2020
Approved by Board on:	
Date of next revision:	
Version 1:1	16 December 2020