

Document Title	Service Charge Policy
Version	Final v2.0
Release Date	February 2017
Review Date	February 2020
Extension date	
Reason	
Approved by	Service Charge Programme Board
Document Type	Policy
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## ORBIT

### SERVICE CHARGE POLICY 2017 - 2020

<b>Executive Summary</b>	This document outlines Orbit's Service Charge Policy and links to the following Policies and Procedures, Commercial Rent Policy and Tenancy and Rent Policy. It provides a consistent framework within which all external complaints (excluding legal challenges or notices) will be considered and handled.
<b>Approved by</b>	Service Charge Programme Board – January 2017
<b>EA completed</b>	EA completed on conducted in May 2016 and reviewed and updated in January 2017.  A full Equality Analysis was not required as it was a minor risk. The actions required are completed or will be carried out if the circumstances arise.
<b>Explain how customers have been involved.</b>	Customers have not been involved in the formulation of the policy as the review was based on legal and regulatory requirements.
<b>Consultation</b>	The Service Charge Programme Board consulted with Housing and Income as the policy was reviewed with Futures and other Orbit stakeholders are represented by the Service Charge Programme Board.
<b>Applies to</b>	Estates, Leasehold and Commercial Teams (including the Service Charge Team), Housing Management, Orbit Independent Living, Property Services (including Maintenance, Planned Investment and Compliance), Finance and Income

**SCOPE:** This Policy sets out Orbit's approach to the setting and management of service charges payable by tenants, leaseholders, shared owners, freeholders and licensees across the Group. This must be read in conjunction with the Tenancy and Rent Policy.

## 1. INTRODUCTION

As a responsible business Orbit Group want to deliver quality, affordable value for money services to all its customers (residents, leaseholders, shared owners, freeholders and licensees). However, service charges need to be reasonable and self financing. In other words the operational costs of providing them are covered.

We also want to ensure we meet our legislative and regulatory requirements along with the terms included in the tenancy, lease, or licence agreement that apply to the setting and management of service charges.

## 2. DEFINITION

**A service charge** is the charge payable by a tenant, leaseholder, freeholder or licensee towards the costs of services, general maintenance repairs or reserve and sinking funds. It also covers other charges or costs, including any administrative or management costs, incurred now and in the future, where the cost is not recovered through a rental charge.

**A fixed service charge** is where we set the cost of providing services to a property at the beginning of each financial year. The customer pays the service charge throughout the year and at no point will there be additional amounts to pay or refunds due back.

**A variable service charge** is where we set an estimated charge at the beginning of the financial year, and then produce a final account once the year is complete. The final account compares our actual costs in delivering services to a property against the estimate that we set, and may result in a credit back or an additional amount due from the customer.

**A variable rentcharge** is where a service charge is payable by a customer not subject to lease or tenancy such as a freeholder. The freehold transfer document will set out the obligations of the freeholder to contribute towards charges and subsequent owners will enter into a deed of covenant agreeing to continue making the contribution. These have been included in our definition of a service charge policy and are treated the same as variable service charges.

**Management and administration fees** cover our costs associated with managing properties, administering service charge and rent accounts, income collection and providing customer services. These are charged in accordance with legal transfers, leases and tenancy agreements.

**Sinking fund or reserve fund** is a fund that saves money to pay for future long term maintenance and renewals required to maintained property, such as repairs to the roof or a lift. It provides a way to spread the cost of expensive repairs.

Customers subject to a tenancy agreement or license do not pay into sinking funds.

A **depreciation charge** is a contribution to items that are purchased where the costs are depreciated over the useful life of the asset rather than being paid for from the service charges at the time they are purchased or from a renewal or sinking fund.

In **apportioning** costs between customers we will seek to follow apportionment as set out in the legal agreement. Where the agreement does not specify any apportionment, we will seek to achieve a fair and reasonable apportionment and we will share the costs between all residents in a block and/or estate. Charges for internal communal areas (cores) will be apportioned across those customers with access to these areas.

### 3 **POLICY**

The policy is intended to:

- Develop a consistent approach to setting fair and reasonable service charges that provide value for money and that comply with current legislation and leasehold or tenancy terms and conditions.
- Deliver quality services that are cost efficient, clear and transparent.
- Comply with statute, case law and guidance issued by the Regulator
- Be read in conjunction with the service charge procedure

#### 3.1 **Affordability, Quality & Value for Money (VFM)**

We aim to:

- Ensure we provide good quality services for our customers that demonstrate good housing management practice and are value for money.
- Continuously improve challenge, manage and monitor the efficiency and effectiveness of our services.
- Ensure that the cost of supplying services is always competitive and offers best value for money.
- When considering which services to provide, we will consider if the charges will be eligible for payment under Housing Benefit or Universal Credit criteria to ensure they remain affordable and our properties remain desirable.

#### 3.2 **Service Charge Setting and Statements**

We will manage service charges in a transparent way, providing our customers with clear up to date information and provide:

- Standardised budgeting and accounts information
- The accounting period will be in accordance with the lease, licence or tenancy agreement or other legal requirement. Where any discrepancies are identified we will seek to vary the agreement or

agree with customers a plan for moving over to the accounting period within their agreement.

- Standardised information on the method of apportionment of charges to all customers within the same block of accommodation, unless otherwise stated in the lease, licence or tenancy agreement or other legal requirement
- Properties let under the Affordable Rent scheme include service charges as part of their overall charge. Rent is set at a percentage of the market rate or other calculation determined in the development process with the view that this includes costs which would otherwise be service chargeable. Where a property would incur a service charge this will be set annually and be reflected in our internal accounting systems, however the customer will only receive details of the total rent figure. (see Tenancy & Rent Policy )

We will also ensure relevant salaries and overhead costs are apportioned appropriately, fairly and consistently between rent, service charge and Supporting People charge and any other relevant charges.

Comply with all statutory obligations to provide annual service charge statements and accounts in the prescribed format and in accordance with the relevant lease, tenancy or licence agreement.

### **3.3 Recovery**

We will collect service charges in a flexible and effective way, promoting a choice of payment methods, where the agreement allows, and deliver or signpost to debt advice if required. We aim to minimise annual service charge fluctuations unless a significant change to a service contract is experienced.

All directly linked costs together with administration or management costs will be recovered in accordance with the terms of any lease, tenancy, licence or legal transfer agreement.

Any service charge demand will be accompanied by a summary of the customer's rights and obligations.

### **3.4 Planned maintenance & cyclical repairs**

We will identify within future stock condition surveys any repairs and renewals which are chargeable under a service charge. This information will be used for subsequent planned maintenance and cyclical repairs programmes and budget for these works accordingly.

### **3.5 New developments**

It is our objective to build and develop new homes, which have appropriate service charges to meet the needs of each development.

## **4. Consultation**

- 4.1 In accordance with current legislation and with a customer focussed approach we will consult with and listen to our customers views about service provision and the charges for any works completed. We will ensure

that our customers have a minimum of 4 weeks notification/consultation period of changes. Where practical, we will offer opportunities for our customers to be involved in the decision making and monitoring process, providing the appropriate responses and feedback.

4.2 For customer groups covered by legislation relating to Qualifying Long Term Agreements, Qualifying Works and Qualifying Works within a Long Term Agreement a separate consultation exercise will be undertaken. These are defined as:

- Qualifying Long Term Agreements is any agreement to provide services for a period exceeding twelve months when the cost of the service to any one service charge payer exceeds one hundred pounds in any accounting period per property.
- Qualifying Works are defined as: any work proposed as a one off cost where the cost to one service charge payer exceeds two hundred and fifty pounds in any one accounting period per property.
- Qualifying Works within a Qualifying Long Term Agreement are defined as: any works proposed as a one off cost as part of a Qualifying Long Term Agreement where the cost to one service charge payer exceeds two hundred and fifty pounds in any one accounting period per property.

## 5. **Complaints**

A formal complaint is defined as:

*'a dissatisfaction about the actions, decisions or failure of our services after Orbit has had the opportunity to put things right.'*

All formal complaints are covered by our [Complaints Policy](#).

Complaints related to legal remedies or service charges cannot be dealt with through our complaints procedure. The First Tier Tribunal (Property Chamber) should be used for matters relating to the requirement to pay or the reasonableness of service charge.

## 6. **EQUALITY AND DIVERSITY**

Orbit policies are developed in line with our [Group Equality and Diversity policy](#) approach. An Equality Analysis has been conducted and the details can be accessed by clicking [here](#).

## 7. **CONFIDENTIALITY AND INFORMATION SHARING**

We will only share information as outlined in our [Data Protection Policy](#).

## **8. MONITORING AND ACCOUNTABILITY**

8.1 Compliance with this procedure will be monitored by the Policy Sponsor for the effectiveness of this policy and recommend policy changes to improve service delivery.

## **9. REVIEW**

We will carry out a fundamental review of this procedure every three years or sooner subject to legal, regulatory changes or if internal changes require