



## Property Management

# Service Charge Policy

<b>Regulation and Legislation</b>	<p>This policy links to:</p> <ul style="list-style-type: none"><li>• Landlord &amp; Tenant Acts 1985 &amp; 1987</li><li>• Commonhold and Leasehold Reform Act 2002</li><li>• Leasehold and Freehold Reform Act 2024</li><li>• Housing Act 1988</li><li>• Localism Act 2013</li><li>• Value for Money Standard</li><li>• RSH Consumer Standards</li><li>• National Housing Federation Service Charges; a guide for housing associations 5th ed, 2015</li><li>• Royal Institution of Chartered Surveyors (RICS) Code of Practice</li><li>• Universal Credit: service charges – guidance for Landlords</li></ul>
<b>Supporting documents</b>	Service Charge Procedure; Property Management Operational Policy; Procurement Policy; Rent Policy, Tenancy Policy; Asset Management Strategy; Debt, Service Charge and other Arrears Policy
<b>Scope</b>	<p>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 Orbit. This policy will be delivered through the Service Charge procedure.</p> <p>This policy does not cover commercial properties.</p>
Reference to "Orbit" means Orbit Group which consists of Orbit Group Limited, Orbit Housing Association Limited, Orbit Homes (2020) Limited, Orbit Treasury Limited and Orbit Capital Plc.	

## 1. Introduction

- 1.1 As a responsible business, Orbit wants to deliver quality, affordable value for money services to all its customers (residents, leaseholders, shared owners, freeholders, and licensees). Operational costs of providing services must be covered, but we acknowledge that service charges need to be reasonable, self-financing and represent value for money.
- 1.2 Full explanations of terminology used in this policy are set out in the Glossary at the end of the document.

## 1.2 Policy objectives:

- 1.2.1 Ensure we meet our legislative and regulatory requirements along with the terms included in the tenancy, lease, or license agreement that apply to the setting and management of service charges.
- 1.2.2 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.
- 1.2.3 Ensure that service charges are reasonable bearing in mind we are spending customers money.
- 1.2.4 Deliver quality services that are cost efficient, clear, and transparent and take account of affordability.
- 1.2.5 Deliver services that our customers want, allowing them to input on frequency/ level of service when not dictated by legislation.
- 1.2.6 Engage with our customers when setting service charges and provide them with clear information about service charges.

## 1.3 Key outcomes

- 1.3.1 Service charges are judged to be reasonable.
- 1.3.2 Recorded level of customer satisfaction with the services provided by Orbit is consistently high.
- 1.3.3 Service charge is clear, transparent and easy for customers to understand.
- 1.3.4 Service charge reconciliations and budgets are completed in an accurate and timely manner.
- 1.3.5 The management of/ any variation to services is compliant with all legal and regulatory requirements.
- 1.3.6 Collection of service charges due from customers is maximised

## 2. Policy Statement

### 2.0 What is a service charge?

- 2.1 The Statutory definition of a Service Charge, under S.18 of the Landlord & Tenant Act 1985, states: *Service Charge means an amount payable by a tenant of a dwelling as part of, or in addition to the rent, which is payable:*

- ... for services, repairs, improvements, maintenance, insurance or the landlord's costs of management **and**

- *The whole or part of which varies or may vary according to the relevant costs*

- 2.2 Orbit therefore levies a service charge towards the costs of services, insurance, general maintenance, repairs or reserve and sinking funds (Please refer to Glossary of Terms for further details). A management fee will also be included to cover Orbit's cost of providing the services. The management fee is based on a tiered structure, based on the services provided to each development.
- 2.3 Service charges can apply to any property that shares common areas.
- 2.4 Service charges are either **variable** or **fixed**, and this is specified in individual tenancy agreements and leases. (Please refer to Glossary of Terms for further details)

## **2.5 Planned maintenance & cyclical repairs**

- 2.5.1 We will identify within future stock condition surveys any repairs, servicing, testing and refurbishments, which are chargeable under a service charge. This information will be used for subsequent planned maintenance and cyclical maintenance repairs programmes, and we will budget for these works accordingly. A renewals/sinking fund forecast will be developed from this information which will be shared with customers as and when required.

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

- 3.1 Orbit will continuously improve, challenge, manage and monitor the efficiency and effectiveness of the services we provide. We will treat each scheme on an individual basis to ensure that services provided are of good quality, offer good value for money, demonstrate good housing management practice and meet the needs of the specific scheme.

### **3.2 Procurement**

- 3.2.1 Services paid for by service charge will be procured in compliance with Orbit's Procurement Policy. Orbit regularly re-procures contracts to ensure that our customers are receiving good value for money. We will continue to deploy our procurement process to ensure that new contracts provide maximum benefit for customers. Added emphasis will in future be placed on ensuring that the contract is suitable for each scheme.
- 3.2.2 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.
- 3.2.3 We will actively seek customer to be involved in the procurement process of service chargeable contracts.

### **3.3 Housing Benefit or Universal Credit**

- 3.3.1 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.

3.3.2 There are four categories of eligible service charges, those being.

- *Category A: Maintaining the general standard of the accommodation*
- *Category B: Areas of communal use*
- *Category C: Basic communal services*
- *Category D: Tenant accommodation specific charges*

3.3.3 The below are examples of service charges that are ineligible for Housing Benefit or Universal Credit;

- Individual living expenses, such as utilities provision for tenant's accommodation
- Personal services, such as meals, laundry or cleaning service
- Any personal care, medical, counselling and support services

3.3.4 Further information regarding Housing benefit and Universal Credit can be found in the *Universal Credit: service charges – guidance for Landlords* guidance note issued by the Department for Work and Pensions.

## 4.0 Service Charge Setting and Statements

4.1 Orbit will manage service charges in a transparent way, compliant 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 license agreement.

4.2 We will provide our customers with clear up to date information i.e.:

- Standardised budgeting and accounts information
- Bespoke information relevant to each scheme and, if applicable, each customer

4.3 The accounting period will be in accordance with the lease, license 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.

### 4.4 Apportionment of charges

4.4.1 For our **existing developments**, costs will be apportioned on an equal basis between customers at Estate, Block and Core, unless stated otherwise within the lease, license or tenancy agreement.

4.4.2 **New developments** - unless stated otherwise within the lease, license or tenancy agreement, costs will be apportioned on an equal basis between customers at Estate and Block. At Core level, the costs will be apportioned based on the gross internal floor area.

## 5.0 Recovery

5.1 We will collect service charges in a flexible and effective way, promoting a choice of payment methods, where the agreement allows, and signpost to debt advice if required.

- 5.2 All directly linked costs, together with administration or management costs, will be recovered in accordance with the terms of any lease, tenancy, license, or legal transfer agreement.
- 5.3 Any service charge demand will be accompanied by a summary of the customer's rights and obligations.

## **6.0 Customer involvement**

### **6.1 Customer Consultation**

- 6.1.1 In accordance with current legislation and with our customer-focused approach, we will consult with and listen to our customers' views about service provision and the charges for any works completed.
- 6.1.2 Consultation over works or contracts will be made in accordance with legislation, in particular the Landlord and Tenant Acts 1985 and 1987 (as amended by the Commonhold and Leasehold Reform Act 2002), case law, and the content of tenancy and leasehold agreements.
- 6.1.3 Where not dictated by legislation, we will consider our customers' views regarding the level/ frequency of service we are providing and either increase/ decrease that level/ frequency of service where possible to do so.
- 6.1.4 We will ensure that our customers have a minimum of 4 weeks notification/ consultation period in regard to any charges.
- 6.1.5 We will provide opportunities for our customers to be involved in the decision making and monitoring process, providing the appropriate responses and feedback.

### **6.2 Customer Complaints and Queries**

- 6.2.1 Customer queries and complaints will be dealt with in accordance with Orbit's published Complaints and Customer Care policy.

## **7. Data retention**

- 7.1 Retention of Service Charge information is subject to the Limitation Act 1980.
- 7.2 S8 of the Limitation Act 1980 specifies that charges which are payable under a deed/lease are subject to a 12 year limitation period.
- 7.3 All Service Charge information is held electronically on Orbits servers and document storage system.
- 7.4 Service Charge information will be held for a period of 12 years and then securely destroyed.

## 8. Roles and Responsibilities

8.1 The table below sets out the levels of ownership in this policy;

<b>Role</b>	<b>Responsibility</b>
<b>Head of Property Charges</b>	Delivery of Policy
<b>Finance Manager – Service Charge</b>	Management of Assistant Accountants to ensure carrying out responsibilities.
<b>Assistant Accountants</b>	Ensures all Finance ledgers are up to date
<b>Property Charges Operations Manager</b>	Leads and co-ordinates the Property Charges Team Leader, ensuring effective delivery of Service Charges to customers.
<b>Property Charges Financial Officer</b>	Reconciliation and preparing customer service charge statements
<b>Property Charges Team Leader</b>	Management of Property Charges Financial Officers to ensure they are carrying out responsibilities effectively.
<b>Contract Managers</b>	Effective management of our contractors to ensure we provide good quality services for our customers and demonstrate value for money
<b>Property Managers</b>	Management of Estate/Block to ensure delivery/quality of services
<b>Head of Strategic Asset Management</b>	Calculation of the sinking charge funds for asset maintenance and renewal
<b>New Homes Officer</b>	Creation and calculation of new development service charge budgets.

## 9. Performance Controls and Business Risk

9.1 Compliance with this policy will be monitored by Head of Property Charges. The policy will be delivered through the Service Charge procedure.

- 9.2 The following performance metrics are used to evaluate the performance of the policy. The policy owner is responsible for routinely monitoring the below performance metrics on an agreed basis (e.g. quarterly, monthly).

The metrics below will also be monitored as a part of Policy & Standards' routine policy reviews, as well as during monitoring checks depending on risk mitigation activities and/or legislative changes.

PI Code	PI Title	Target	Monitoring Frequency (Policy Owner)
PRC003	Service Charge Budgets Issued in Time (Annually)	100%	Annually (Sept)
PRC004	Service Charge Statements – Issued in time	100%	Annually (Feb)
PRC016	General Needs Queries received		Monthly
PRC017	Homeowner / Leaseholder Queries received		Monthly
PRC020	Property Charge Complaints Received		Monthly

- 9.3 We will provide services in accordance with the terms in each individual lease and tenancy agreement.
- 9.4 Customer statements will be prepared in accordance with relevant legislation.
- 9.5 We will use information obtained from future stock condition surveys for planned maintenance and cyclical maintenance repairs programmes to assist in setting budgets
- 9.6 The Service Charge procedure sets out the criteria to be followed to ensure that costs are accurately allocated to each scheme. The procedure contains several safeguards to eliminate errors.
- 9.7 Property Charges Team Leader will carry out regular audits/ reviews of the work carried out by Property Charges Financial Officers to ensure the procedure is being followed
- 9.8 Contract managers and Property managers will monitor and carry out regular reviews of contractor and service provider performance and their compliance with agreed specifications. 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, including refusal of payment for noncompliance, unless there are extenuating circumstances. In instances of repeated and proven under-performance, we may seek to terminate contracts. We will engage with our customers to ensure that we can capture and examine real time and other relevant feedback, to ensure that our customers concerns are being heard and acted upon.
- 9.9 We will benchmark our costs against other registered providers and other organisations at least on an annual basis.
- 9.10 We will regularly seek all opportunities to directly consult with customers regarding the quality and frequency of services being provided at their scheme before issuing



budgets and statements and where possible, we will look to amend services and/ or charges to maintain affordability.

- 9.11 Orbit will carry out a fundamental review of this policy every three years subject to legal, regulatory changes or in accordance with the agreed Policy Review programme.

## 10. Essential information

- 10.1 All Orbit policies and procedures are developed in line with our approach to the following, data protection statement, equality diversity and inclusion (EDI) approach, complaints policy and our regulatory and legal obligations to ensure we deliver services in a lawful manner and treat people equally and fairly. Orbit's privacy policy can be accessed on our website [www.orbitcustomerhub.org.uk/publications/policies/](http://www.orbitcustomerhub.org.uk/publications/policies/)

## Glossary of key terms

<b>Apportioned or Apportionment</b>	the basis on which the costs are charged to customers
<b>Block</b>	the External Parts of a building where there is more than one customer
<b>Core</b>	the internal parts of a building where there is more than one customer
<b>Estate</b>	all customers on the scheme/development
<b>Management and administration fees</b>	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.
<b>Rent charge - Variable</b>	a service charge payable by a customer who is 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
<b>Service Charge</b>	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
<b>Service Charge -Fixed</b>	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.
<b>Service Charge - Variable</b>	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.
<b>Sinking fund or reserve fund</b>	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

<b>EA</b>	The Equality Analysis is being refreshed and this section will be updated accordingly.
<b>DPIA</b>	A DPIA was approved and is available to view by request.
<b>Consultation</b>	<b>Internal:</b> This policy has been shared and reviewed by Customer and Property Heads of Service.
	<b>External:</b> The Service Charge Policy has been reviewed and updated in conjunction with Orbit's Engaged Customers.
<b>Applies to</b>	Business wide

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