

Chapter 4

Service charges

This section gives a brief introduction to service charges. You can find more information in the booklets 'Consulting leaseholders and section 20' and 'Bills for major works.' You can get copies of these booklets by contacting the Home Ownership Team or you can download them from our website, at www.homesforharingey.org.

We also run induction sessions for new leaseholders to explain leasehold issues including service charges and the conditions of the lease. If you would like to go to an induction session, please contact the Home Ownership Team.

What are service charges?

Service charges are your share of the cost of work and services to your building and estate. We collect them from leaseholders on behalf of the council. The law says that they must be reasonable and any work must have been carried out to a 'reasonable standard'.

The charges include:

- a yearly service charge (for services, building insurance, day-to-day repairs and ground rent); and
- separate bills for major works.

Your yearly service charge

Your yearly service charge is for some (or all) of the following.

- **Cleaning**

The service charge includes the cost of paying the estate services officers and managers, buying their equipment and so on. It also helps to pay for support services, such as information technology and office space. We employ contractors to sweep the grounds, forecourts and access roads, and to remove litter. You can find more information in chapter 11 'Keeping our environment clean'.

- **Maintaining lifts**

We employ specialist contractors to carry out the work. Costs for maintaining lifts generally include a yearly contract and contractors' call-out charges and expenses.

- **Lighting and electricity**

For lifts, communal lighting and 'district' (shared) heating boilers (if you have them in your block).

- **Maintaining grounds**

For cutting grass, spraying weeds, maintaining play equipment and maintaining

planted areas and trees next to your block and on your estate.

- **Concierge services**

The service charge includes the cost of paying the concierge officers, buying equipment and so on. It also helps to pay for support services, such as information technology and office space.

- **'District' (shared) heating**

For the cost of fuel and maintenance for the shared heating system in your block.

- **Insurance**

We have building insurance that covers all leasehold properties. We have each property valued so we know how much to insure it for. This is part of the right to buy process. The insurance does not cover your home contents (your belongings). If your mortgage company says you need extra insurance cover, we can include this in your yearly service charge. You can find more details, including how to make an insurance claim and how we work out your premium, in chapter 8, 'Insurance'.

- **TV aerials**

For maintaining the communal TV aerial for your block. We employ specialist contractors to carry out the work. Maintenance costs include a yearly contract, call-out charges and expenses.

- **Controlled entry system**

For maintaining the controlled entry system to your block. We employ specialist contractors to carry out the work. Costs for maintaining the controlled entry system include a yearly contract, and contractors' call-out charges and fees.

- **Pest control**

For removing pests, such as insects and mice, from shared areas of your block.

- **Management fee**

All leaseholders pay this. It covers costs such as:

- the work of the Home Ownership Team (but not work relating to the right to buy or the tenants' Transferable Discount scheme, or work relating to resale information packs for individual leaseholders);
- work which relates to the building and the estate carried

out by the housing management teams; and

- the costs of support services, such as information technology, payroll, personnel, and office accommodation.

The management fee you pay will be a set amount. We have two set amounts. The first is for leaseholders who only have lighting and insurance. The second is for leaseholders whose building has more services.

The fee is for us providing a service, not for you using it. For example, if your block has a lift, we will charge you for maintaining it even if you do not use it.

- **Day-to-day repairs**

For day-to-day repairs we carry out to your flat, block or estate. These are minor repairs and maintenance jobs such as replacing a broken window in a shared area or repairing a damaged handrail on a shared stairway.

Repairs to your block are repairs to the roof, windows and doors in communal areas, corridors, the outside brickwork, your window frames and so on.

All leaseholders on an estate must also pay a share of the costs of repairs to the estate such as the clearing of sewers, repairs to play areas, to pathways fences and so on.

We will ask you to make an advance payment each year for this work. After the end of the financial year, we work out your share of the total cost of the work. You can also ask for a list of the day-to-day repairs we have charged you for.

- **Minor works**

Other works carried out to your block or estate that are not classed as major work as they cost £250 or less per leaseholder.

- **Ground rent**

This is £10 each year for each leaseholder.

Major work

There are three types of major work.

- **Outside (external)**

decorations – this work often involves repairs to door and window frames, replacing stone sills and painting outside woodwork, metalwork and communal areas.

- **Major repairs** – these are large one-off jobs, such as major repairs to the roof or replacing all the windows in a block.
- **Improvement work** – this is providing a completely new facility or service, for example, if we provide a concierge service where there wasn't one before.

How we consult you about work and services

Under section 20 of the Landlord and Tenant Act 1985 (amended by the Commonhold and Leasehold Reform Act 2002), we must consult all leaseholders who will be affected before we:

- carry out major work that will cost any leaseholder more than £250;
- agree a long-term contract (for over 12 months) with a contractor for services, goods or work that will cost any leaseholder more than £100 a year; or
- carry out work under a long-term agreement, if the work will cost any leaseholder more than £250 (even if we have already consulted you about the long-term agreement itself).

How we consult you depends on the work we are going to do. In some cases you will have the right to nominate a contractor you want us to ask for a quote. In all cases, you will have the chance to make any comments before the work begins. We will usually organise a meeting of all residents to give you the chance to ask questions and give your views.

We have produced a separate booklet, 'Consulting leaseholders and section 20,' which tells you in much more detail about how we will consult you. If you would like a copy, please contact the Home Ownership team. You can also download a copy from our website, www.homesforharingey.org.

How we work out your share of the costs

Your lease says how we must work out your share of the costs. However, by law, the charges must be reasonable.

We work out your charges by taking the cost of the work or service for your block and dividing it by the number of flats in the block. Your lease sets out your block and the estate (if there is one). However,

your lease also takes into account the size of your flat. So, we charge more for larger flats than smaller flats in the same block. We have two standard types of leases, and the type of lease you have will depend on when the council sold your flat.

- If the council sold your flat before 1 April 1990, your charges are based on the **rateable value** of the property. The council used the rateable value system to raise money for local services before Council Tax was introduced.
- If your property was sold by the council on or after 1 April 1990, your charges are based on the **number of bedrooms** you have. This is because the ratings system ended in 1990.

There is one other significant difference between the leases. This concerns whether or not you have to pay for improvement works. The type of lease you have will depend on when the council sold your flat.

- If the council sold your flat with a lease that was agreed under the Housing Act 1980, you will not have to pay for improvements. This usually means flats that the council sold before 1987.

- After 1987, the council sold flats with a lease that was drawn up under the Housing Act 1985 and the Housing and Planning Act 1986. If your flat was sold under this type of lease, you will have to pay towards the cost of improvement work.

On the following pages are two examples of how we would work out the service charge using the 'rateable value method' or the 'bedroom formula method'.

Bedroom formula for working out service charges

This shows how we work out your service charges if you have a lease with the bedroom formula.

Your share is: **The total cost of the repair divided by the number of bedrooms in the block, plus one for each flat. This figure is then multiplied by the number of bedrooms in your flat, plus one.**

We add an extra bedroom to each flat, so that people in bedsit flats (which do not have a separate bedroom) pay their share of the charge.

Example: a repair that costs £500 was carried out in a block with four flats. The number of bedrooms for each flat in the block is shown below.

Flat number	Number of bedrooms	Plus one
1	3	= 4
2	2	= 3
3	1	= 2
4	0(bedsit)	= 1

The total number of bedrooms in the block (plus one for each flat) = 10

If you owned flat 3, your share would be $£500 \div 10 \times 2 = £100$

If you owned flat 4, your share would be $£500 \div 10 \times 1 = £50$

Rateable value formula for working out your service charges

This shows how we work out your service charge if you have a lease with the rateable value formula.

Your share is: **the total cost of the repair divided by the rateable value of all the flats in your block. This figure is then multiplied by the rateable value of your flat.**

Example: A repair that costs £500 was carried out in a block with three flats. The rateable value for each flat in the block is shown below.

Flat	Rateable value
A	£350
B	£250
C	£200
Total	£800

If you owned flat A, your share would be
 $£500 \div £800 \times £350 = £218.75$

If you owned flat C, your share would be
 $£500 \div £800 \times £200 = £125$

How you can pay your yearly service charge

In March each year, we will send you the **estimate** of your yearly service charge for the next 12 months. We will also send you a bill for the amount of this estimate.

Your lease says that you must pay the yearly estimated service charge every three months in advance (for the three months to come). Leaseholders can also pay in 10 monthly instalments, or they can pay the whole service charge in one go.

- **Paying in 10 monthly instalments** – you must agree this with us at the beginning of the financial year. Most leaseholders choose this option as they can make regular payments, which helps them to manage their money. We will give you a £10 discount (as at January 2008) if you set up a direct debit or standing order to pay this way.
- **Paying every three months** – you must pay on 25 March, 24 June, 29 September and 25 December. These are known as 'quarter days'.

- **Paying the bill in full within 14 days of receiving it** - we will give you a discount of between £15 and £25 (as at January 2008) depending on the services you receive if you pay this way.

About six months after the end of the financial year, we will work out exactly how much your share of the costs was and send you a 'certificate of actual service charge' (we call this the **actual**). This will tell you the actual cost for each service provided and the difference between the actual cost and the estimate. If the actual cost is lower than the estimate, we will credit the difference to your account. If it is higher than the estimate, you will have to pay us the difference. You can pay the difference you owe us in the following ways:

- **in full within 14 days of receiving the bill** - if your bill is over £100 and you pay it this way, we will give you a discount of £10 (as at January 2008); or
- **in four instalments over four months** – if your bill is over £100 you can set up a direct debit or standing order to pay it monthly over four months.

We will give you a discount of £10 if you pay this way (as at January 2008).

You can pay your service charge by:

- direct debit;
- standing order;
- going to our website, www.homesforharingey.org, and using your credit or debit card;
- phone, using your credit or debit card;
- bank transfer; or
- sending us a cheque in the post.

Most people pay in monthly instalments by **direct debit**. Paying by direct debit saves you time and effort. Payments will always be for the right amount and your bank will pay you back if you pay too much.

Please contact the Home Ownership Team for more information about how you can pay your service charge. You can also get more details in the 'Estimated Service Charge' and the 'Actual Service Charge' booklets which you will get with your bills, and in the leaflet 'Ways to pay your service charge.' You can also download copies of these from our website, www.homesforharingey.org.

Please remember that although we manage housing services, the council is your landlord, so you should make all payments to the 'London Borough of Haringey'

Bills for major work

Major work can be expensive. Although this type of work may not happen very often, it is a good idea to save some money towards the costs. We won't expect you to pay large bills in one go. There are a number of ways you can pay.

The booklet 'Bills for major work' includes information on:

- the legal requirements we must follow when we charge you for major work during the first five years of your lease, improvement and structural works; and
- the ways you can pay for this work.

We must also consult you if we plan to carry out this kind of work. You can find more information on page 35, 'How we consult you about work and services' and the booklet 'Consulting leaseholders and section 20.'

You can get this booklet from the Home Ownership Team or download one from our website, www.homesforharingey.org.

If you believe you have not received a service, you must tell us as much as you can about the problem, as soon as possible.

You should continue paying your service charges. If a reduction has to be made, we will let you know and it will be included in your actual service charge. We aim to provide efficient, effective and high-quality services. If our services drop below the standard you have a right to expect, we will make a credit to the accounts of all the leaseholders affected by the drop in standards.

If you don't pay your service charges

If you miss a payment, you must contact the Home Ownership Team straight away, or we will take the following steps to get you to pay the money you owe.

Step 1

We will send you 'reminder' letters asking you to pay the full amount you owe (see page 42 'What are administration charges?' for more information).

Step 2

If you still don't pay, we will send you a 'Letter before legal action'. We will charge you an administration charge for this.

Step 3

If you still don't pay your service charges, we or the council will take you to court and you will have to pay court costs and interest on top of the service charges you owe. If we get a county court judgement against you, you will find it very difficult to get loans and hire purchase from banks, building societies or other companies.

If you do not pay your service charges, you may lose your flat.

What are administration charges?

Administration charges are what you must pay when:

- you ask us for a particular service (for example, you want a copy of your lease); or
- we have to carry out work because you have broken the conditions of your lease (for example, if you do not pay your service charges).

We make these charges so that all leaseholders do not have to pay (through the management fee) for administration work for individual leaseholders.

We will always tell you if we are going to make an administration charge. From January 2008 we must also send you a summary of your rights and obligations relating to administration charges in line with the Commonhold and Leasehold Reform Act 2002.

For the current administration charges, please contact the Home Ownership Team or look on our website, www.homesforharingey.org.

Help and information

If you have a question about how we provide a service, you should contact your local Customer Services Centre. If you have a question about how we have worked out any charges or how you can pay bills, you should contact the Home Ownership Team.

If you have problems paying your service charges, you may be able to get help. Please see chapter 5, 'Managing your bills' for more information.