



southessexhomes

working together



Services Charges

Section 5

Service charges

Why do I have to pay service charges?

When you bought your lease, you effectively became a 'shareholder' in the building in which your flat is situated. This means that you have a responsibility to pay your share of the costs of maintaining and managing the building. This is a legal duty set out in your lease. If you do not pay your share, you are in breach of your lease agreement and we could apply to a leasehold tribunal and then to the courts to have your lease forfeited. In these circumstances, you could lose your home.

If you owned a freehold house, you would have to pay all the costs of running your house. As a leaseholder you share those costs with your landlord, and other leaseholders.

If you have not owned a home before, the cost of running it can come as a shock. As your landlord, we have a legal responsibility to maintain the building and charge you with your share of the cost, which you are legally obliged to pay. We also have to pay our share. The costs are shared among all the flats in the block (except where a cost relates only to one flat or to part of a block) using a percentage rate apportionment. The rent paid by our tenants includes an element to cover the cost of repairs to their homes.

South Essex Homes has a duty to maintain our blocks of flats to a good standard. This means that we have to spend money on keeping them in a good state of repair.

A proportion of everything we spend on your block of flats has to be charged back to you. Some leaseholders would rather we did not spend any money at all, but if this were the case, we would not be doing our duty to our tenants, and your investment would deteriorate.

Because we maintain several thousand homes we can, and do, obtain competitive quotes on our repairs contracts. All contracts issued by the Council are subject to competitive tendering regulations; these make sure that the contractors we use give value for money.

We will always be fair about service charges. We will explain how they are calculated, and you can query any charges with which you do not agree. As a leaseholder you are also responsible for paying ground rent, currently £10 per year, as well as paying your Council Tax, Water & Sewerage charges and your own Home Contents Insurance. If you are in financial difficulties, please contact the Council's Money Advice Officer or the Citizens Advice Bureau so that all your options can be explored, and also agreements can be made to pay back outstanding debts.

How your charges are made up

Your service charges are made up of the following costs

- Ground rent, currently set at £10 per year under the 1985 Housing Act, and billed annually on 1st April;
- Day to Day minor repairs and maintenance of the block of flats;
- Electricity costs for communal areas;

- Grounds maintenance for shared garden areas/ areas around your block;
- Management charge (our costs in managing leasehold flats);
- Buildings Insurance;
- Caretaking & Cleaning Services where provided;
- Entry phone maintenance where applicable;
- Lift maintenance where applicable;
- Refuse collection;
- Contribution to Renewals Fund (more about this later).

These costs will be itemized on your Service Charges invoice. Normally you will get one invoice each year but in some cases, such as where a repair or improvement work has been carried out only on your flat, or you are being charged for damage you have done, you may get a separate invoice.

How costs are apportioned

Costs have to be apportioned fairly between leaseholders and tenants and the method we use is based on the gross value of your home as a percentage of the gross value of the building. The figures used to calculate this are shown on the top of your Service Charge account.

Dividing costs equally between all flats with no differentiation for flat size means that a three bedroom flat would pay the same as a one bedroom property – hardly fair on the one bedroom flat owner.

Dividing all costs according to the number of bedrooms does not take into account room sizes, and not all two or three bedroom properties have rooms which are as generously proportioned as many one-bedroom properties.

South Essex Homes goes to a lot of trouble to make sure that you are charged only for costs relating to the block in which you live, and that you do not have to pay more than your fair portion; this is a very complex task.

How you get your bill

At the beginning of April each year, we will send you an estimated account for the Service Charge for the coming year. The Service Charge will normally cover all or most of what we expect to charge you in the way of day-to-day costs during the year. Actual costs may, however, turn out differently.

An Annual Statement is produced 6 months after the end of each financial year, showing the costs incurred in the previous year. If the amount that you were charged (and which you paid against the estimate) is greater than the final account, you will receive a refund. However, you may get an additional bill with the statement if the actual charges for the year turn out to be higher than were estimated.

Paying your bill

You need to pay your Invoice within 21 days. If you are unable to, you should contact the Borough Treasurers Department, Income Section to make alternative arrangements.

The Council offers a wide choice of payment methods

- By cash, cheque or credit card at the Civic Centre or the Area Offices (Alexandra Street, Southend; Mendip Road, Westcliff or Delaware Road, Shoebury) during normal office hours; See back of handbook for full address and contact details.
- By Bank Giro Credit at any Barclays Bank within the Borough;

- By Post Office Giro at any Post Office. The standard Post Office counter fee will be charged at all Post Offices;
- By Standing order from your bank;
- By Direct Debit. Forms and further details are available from the Borough Treasurer's department;
- By Credit or Debit Card by telephoning 01702 215796 during office hours or 08702 406650 (this is a secure and easy to use 24 hours a day payment service). Calls are charged at the National rate as charged by your provider. Quote option Sundry Debtors and your Invoice Number.
- By Internet. Simply visit WWW.southend.gov.uk and go to on-line payments.
- By Pay.Net. Simply call the Rating & Income section and you can pay by credit or debit card over the phone.

Renewals Fund

Included in your Service Charge account is an item called Contribution to renewal of Landlord's structure and fittings and equipment (commonly known as the Renewals Fund).

This is a charge, calculated on the estimated costs, of future likely large expenditure for major works, new roof, replacement windows, external and communal parts redecoration, replacement of lift mechanism etc.

These items, which fall into the Council's planned maintenance schedule, can be very expensive, and the idea of the 'Renewals fund' is to build up a credit which can be used to offset these costs. The monies paid into this fund are attached to the property not the person. They attract interest, and when the property is sold, transfer to the account of the purchasers. These monies can only be 'spent' as payment for items for which you receive a S20 Notice to carry out major works.

The first five years

If you buy a council flat as a secure tenant under the Right to Buy, we have to tell you how much your Service Charges are likely to be in the first five years. We do this by estimating work and repairs to your block during this time and how much it may cost.

Once we have estimated the cost of your major works for the first five years and have notified you of this on the Itemised Works Sheet attached to your Offer to Purchase, we cannot charge you more than the amount shown for these jobs, plus inflation. If your Itemised Works Summary did not show external decorating and the Council decided to paint the outside of your block of flats two years after you purchased, we would not be able to charge you for the works, even though your flat benefited. If we find we have over-estimated on the summary, we will only charge you what it actually cost.

After the first five years you then have to pay your share of the actual cost.

The five-year protection period applies to repairs and improvements from the date the first buyer buys the lease. If you sell the lease within this time the next buyer is entitled to the remainder of the five-year protection period. There is not a new five-year period each time the lease is sold on.

Your right to be consulted

Under Section 20 of the Landlord & Tenant Act 1985, you have a right to be consulted about major repairs to your block. 'Major repairs' means any work to be carried out on your block, which is expected to cost more than £250 for any property in the block. However, under the Commonhold & Leasehold Reform Act 2002, a further stage in the consultation has been introduced.

If we expect a job to cost any leaseholder more than £250, in most cases we must now consult you prior to contracts being awarded, giving details of the work to be done, the reasons for doing the work,

and give you, as leaseholder, the chance to nominate, within 30 days, a contractor who you think could and would be interested in doing the work. Following this, initial consultation tenders will be sought from contractors, including any nominated by you, to carry out the work, and the estimates received will be scrutinised. We will then be in a position to send you a Section 20 Notice for the work. This notice will

- Give you a full description of the work required;
- Give you at least two cost estimates from different contractors, one of which is unconnected to the council;
- Tell you to whom you should send your comments about both the proposed works, and on the estimated cost;
- Give you at least one month to give us your comments;
- The Council will then give due consideration to the comments made.

We may also put up a notice in the entrance of your block. We will give you the name and telephone number of the Officer to whom you can speak about the job.

These rules do not apply if we have to start work urgently in response to a genuine emergency (such as gale damage to the roof). Please tell us if you feel we have not consulted you properly about major works.

Charging for Major Works

When Major Works are carried out, there are time limits imposed during which the Council must either charge for the work or send a Section 20B notice to say costs have been incurred and the right to charge at a later date is reserved.

The charges for these Major Works are not included in your annual Service Charge bill but invoiced as a separate item. The account you receive for these works will be reduced (and in some cases fully paid) by the monies that are held in your Renewal Fund.

If you have difficulty paying your Service Charges or Major Works invoice.

If you find you cannot pay your Service Charge bill straight away, don't ignore it! It will not go away, and you could end up losing your home if you make no attempt to pay.

Check firstly if you are entitled to any benefits. Leaseholders cannot get Housing Benefit, but you may be entitled to Council Tax Benefit and, in some cases, Income Support.

There are also ways in which we can help you spread the cost of a large bill

- Firstly, you can ask to pay by monthly installments. This will allow you to spread the cost over 12 monthly payments;
- If you cannot afford to spread the cost over one year, you can ask for a loan which will spread the cost over several years.

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A loan is a good way of dealing with a bill that is unusually large, such as window replacement or refurbishment of your block. It is not so good for dealing with an ordinary annual charge if you are likely to get the same charge again next year as you will still be paying the loan charges on last year's bill when you have to start paying next year's bill. You therefore need to think carefully whether a loan is the best thing, or whether you would be better off trying to pay the bill in the current year by monthly installments (this way you avoid interest charges and legal fees).

There are two main ways you can obtain a loan to cover all or part of your Service Charges

- A personal loan (ask your bank or building society for details);
- A secured* loan from your mortgage lender.

* A secured loan is one that is 'secured' against your property, like a mortgage. It means that the lender has a right to recover the loan from the value of your property (by selling it if necessary) if you do not make the proper repayments.

What if I don't agree with my charges

We will always try to calculate your charges properly and fairly, but if you think we have miscalculated or charged you for something you haven't had, please do the following

- First of all tell the Leasehold Services Section straight away - we will look at your account again and make corrections if necessary;
- If you are still not happy with what we tell you, write to the Finance Manager at Cheviot House setting out your reasons (you need to be clear exactly what you are disputing and why). Your case will be investigated fully and a response sent to you, usually within 28 days. See back of handbook for full address and contact details.

If you still think you are being charged unfairly, you will be able to apply to an independent Leasehold Valuation Tribunal.

A Leasehold Valuation Tribunal is an arrangement established by the Housing Act 1996, which came into effect in April 1997. Either the tenant (you) or the landlord can apply to the tribunal to settle a dispute over charges. The Tribunal will decide

- If the cost of the services we are charging for is reasonable;
- If the work being charged for is of a reasonable standard;
- If the amount we are asking for in advance is reasonable.

You cannot appeal to a Tribunal if

- A Court or Tribunal has already made a judgement about your charges;
- You have previously agreed that the charges are correct.

The Tribunal may decide that you must pay all of the charges; they may decide that we must reduce our charges to you or they may decide that the charge is not payable. Once the Tribunal has made a decision, we are both bound to accept it. There is a right of appeal to the Land Tribunal, against the decision but this must be approved by the Leasehold Valuation Tribunal or Land Tribunal.

The Tribunal can charge up to £500 to hear your case. They may decide not to charge you costs, or they may decide to charge costs against us. They are more likely to charge you if they think your claim is unjustified.

If you want your Service Charges to be considered by a Leasehold Valuation Tribunal, let us know and we will tell you how to go about it.

What happens if I don't pay my charges

Your lease is a legal contract between you and the Council. It requires you to pay all reasonable charges incurred by South Essex Homes in managing and maintaining your block on behalf of the Council. If you refuse to pay your charges you are in breach of contract and we can start proceedings to have your lease forfeited.

If you have a loan from a bank or building society, we would tell them before we start legal action. As they have a legal interest in the property, they could decide to pay the bill and then take their own legal action against you.

If you have problems paying your charges, we will always try to help by agreeing payment plans, but if it becomes clear that you are making no effort to pay your charges we can

- First, apply to a Leasehold Valuation Tribunal for a determination that your charges are fair;
- Then apply to the court for your lease to be forfeited and your home repossessed.

We hope that things never get to this stage, but it does happen, and people do lose their homes!