



# Your guide to service charges

**We review rent and other charges each year as set out in your tenancy agreement or lease and in line with inflation.**

**Because inflation is high at the moment, the increase to your rent and other charges for 2022/23 is also more than it has been in recent years. We appreciate that this is likely to cause concern, especially given other cost-of-living increases. To help you, we have a wide range of resources. You can find those on our benefits and money advice pages, where there's also a link to services provided through our partnerships with local support agencies.**

**If you're worried about paying your rent or other charges, please contact your housing or property management officer via My Account as soon as possible to let them know about your situation.**

## **In this guide**

- p3 What are service charges?**
- p3 Estimated service charges**
- p3 Final accounts**
- p3 Variable service charge**
- p4 Fixed service charge**
- p4 Service charge apportionment**
- p5 External managing agents**
- p5 Management fees**
- p5 Leasehold Charges**
- p6 Freeholder**
- p6 Service charge disputes**
- p7 Frequently Asked Questions**

# About this guide

This guide gives general information about your estimated service charges and the actual costs to you.

In this guide, we use the word **'tenant'** to describe both residents who lease or rent their property, although it is a term more often applied to our tenants who rent. Tenants who lease their property are referred to as leaseholders.

Notting Hill Genesis provides or manages the common services to your scheme – services such as cleaning, communal maintenance, servicing of plant equipment and gardening. We will ensure that your building is insured and will deal with any enquiries or general management issues you may have.

Where we are not the freeholder of the development, some or all services will be provided by an external managing agent.

This guide describes how we manage service charges and answers the common questions you have asked us.

## We aim to:

- deliver value for money on your services through our robust procurement process
- consult with you about any significant changes to your services
- give clear information about how your services are managed, ensuring that noticeboards in your block are kept up to date

# What are service charges?

Service charges cover the cost of managing, maintaining, repairing and insuring common parts of the building and external communal areas of the estate. The law says the charge must be 'reasonable' and the services provided must be carried out to a 'reasonable' standard.

Service charges include items such as cleaning, concierges/caretakers, ground maintenance, lifts, pest control, servicing and maintenance as well as management costs – but this list is not exhaustive. You will only be charged if your home benefits from that service.

Services vary according to where you live. For example, if you live in a block with a lift or on an estate with electric gates, you are more likely to receive a higher service charge than if you live in a block that is a converted house with self-contained flats.

If you live in a sheltered or supported scheme, your service charge may include an amount to cover staff employed at the scheme, such as support workers, or costs associated with maintaining communal areas, such as gardens, laundry rooms and shared lounges.

## Estimated service charges

Each year we review your service charges and estimate the likely spend. The financial year determines at what point in a 12-month period we can vary your rent and service charge. We manage several different service charge years.

At the beginning of your service charge year (as per your lease or tenancy agreement), we will send you an estimated service charge. When estimating the likely spend, we consider previous years' expenditure, any changes in contractual costs, and the rate of inflation.

## Final accounts

The summary of expenditure (final accounts), that we send out six months after the end of the accounting year, provides details of what we spent over a 12-month period. If we are unable to send you the summary within the six-month timeframe, we will serve you with a notice called a Section 20B advising of the delay.

## Variable service charge

This is a service charge which can vary and is set at the start of the year based on

an estimate of likely spend. When the final account is prepared this charge can increase or decrease depending on the actual cost incurred. If we spend less than we estimated, we will refund the difference into your account. If the costs are more than we estimated, you will be asked to pay the difference. This ensures that you pay the true cost of the services provided.

For our rented units, any surplus/deficit will be collected weekly in the new accounting year. For our lease/freehold properties we will aim to apply any credit/deficit direct to your account by 31 October.

## Credit

If your final account is in credit (also referred to as 'surplus') this means that we spent less than we charged you and you are due back that money.

## Deficit

If your final account shows a deficit (money owed to us) this means that we spent more than we estimated.

## Fixed service charge

In line with your tenancy agreement, fixed service charges are set for the year ahead based on the known costs, and unknown costs are calculated using the previous years' accounts for your building or estate, with a small increase to account for inflation. We also consider any information we have about service changes that may happen during the year.

Fixed service charges are different from variable service charges and are not re-calculated at the end of the year. This means that should the costs for your building or estate be overspent at the end of the year, we cannot come back to you to request any further money. It also means that should the building or estate be underspent, no money will be returned to you. Residents who pay a fixed service charge will not be sent a final account statement.

## Service charge apportionment

The percentage you contribute is calculated according to the terms of your lease or tenancy agreement. Costs are divided (or 'apportioned') among homes based on the relative floor area of the property, or how many bedrooms there are.

You may have three different apportionments, an estate, block and core. The estate costs are shared between all residents on the estate; the block costs are apportioned to all residents that benefit from the services in the block and the core costs are apportioned to all those who benefit from services in the communal area within a block.

# External managing agents

We are required to pass on costs from managing agents or landlords where they provide services to your estate or block. This is usually when our properties are part of a larger private development and we do not own the freehold. Some considerations for residents on schemes with a managing agent include:

- The managing agent's service charge year may be different to ours, e.g. 1 January-31 December. This can result in our actual accounts including both estimated and actual costs received from the managing agents that cover periods other than 1 April-31 March.
- We may get little notice of charges before the start of the service charge year. Therefore, we need to estimate charges using costs from an earlier period.
- Some managing agents provide a high-quality service that may include a concierge, which is likely to cost more.
- The managing agent may choose not to speak to you directly because their contract is with Notting Hill Genesis.

## Management fees

The management fee is our cost for the services we provide. This includes but is not limited to providing account statements, paying invoices, dealing with standard enquiries, the costs of receiving payments, managing shared-ownership rents and carrying out our obligations and regulatory requirements as a social landlord. Our current management fee charge is 15-20% for our tenants and a tiered flat fee, depending on the number of services for our leaseholders.

## Leasehold charges

In addition to the day-to-day service charges, there are some charges that are not payable by our tenants and are chargeable to leaseholders only. The law requires the landlord to maintain and repair a building's communal and external areas, roof etc. These costs cannot be passed on to our tenants, however they are chargeable to leaseholders.

## Reserve and cyclical or sinking fund

This is an annual contribution to future repairs and renewals or large items such as the roofs, windows, or internal redecorations. These contributions are referred to as a sinking fund or reserve fund. This charge will be reviewed each year in line with our planned works programme, to ensure the sinking fund can meet future

replacement, cyclical, and major works costs.

## Insurance

Where Notting Hill Genesis is the freeholder, we must provide full buildings insurance and property owner's liability insurance. Please remember contents insurance is always your responsibility.

## Audit fees

Audit fees are charged to cover the cost of engaging an external auditor to audit service charge accounts. Some landlords include this cost within their management fee, but it is good practice to show this as an individual separate charge. Notting Hill Genesis' audit fee is for an independent auditor to undertake a review of our service charge calculations and expenditure accounts.

## Day-to-day repairs

This covers the cost for any day-to-day repairs that are needed to the internal/external areas of the property. Repairs can be reported via MyAccount.

## Freeholder

A freeholder owns the freehold of a property which can include the land and the building. If the freehold property sits on an estate the freeholder can be charged what is called an 'estate rent charge'. This is calculated and managed in accordance with the 'Title Transfer' – this can be in line with a fixed or variable service charge regime or charged on an estimated or actual cost.

## Service charge disputes

Service charge disputes are managed through your housing officer. We aim to resolve all issues raised. If we are unable to resolve an issue satisfactorily and all other avenues have been exhausted, such as complaint stage 1 and stage 2 reviews in line with our complaints procedure, we then encourage residents to seek resolution from external agencies or court, such as First Tier Tribunal.

If you would like to make a complaint, this can be done in accordance with the Complaints Policy that can be viewed via our web page:

**[www.nhg.org.uk/contact-us/make-a-complaint](http://www.nhg.org.uk/contact-us/make-a-complaint)**

# Frequently Asked Questions

## Q. Why has my service charge increased?

**A.** Costs can rise for several reasons such as general inflation, price rises from suppliers/contractors, and changes to service levels.

## Q. Which service charges are eligible for housing benefit?

**A.** Housing benefit will cover all service charges that you have to pay if they are a condition of occupying your home – for example cleaning of communal areas or communal electricity costs.

Housing benefit will not cover any 'personal' costs such as heating/hot water charges related to your home, or meals. These costs are shown separately on your service charge estimate.

## Q. What is the difference between block, core, and estate services?

**A.** We structure services by block and estate to ensure we only charge you for the services you receive. Depending on where you live you may receive services in the following areas:

**Block:** This includes any repairs, maintenance and upkeep to the internal communal areas of a building. For example, if your block has a lift, we will carry out monthly maintenance inspections.

**Core:** Charges apply to any services that are provided in a communal area within a block, such as a lobby or staircase where only certain properties have access.

**Estate:** Charges apply to services to the communal areas of an estate, such as repairs, maintenance and upkeep of the grass areas or play equipment. These costs will be shared by all properties on the estate.

## Q. I am in a street property not a block.

**A.** We refer to our all buildings as blocks even where the joined buildings have self-contained units. For example, a house on a street, divided into two or three flats would be referred to as a block.

## **Q. Why does my neighbour pay a different amount?**

**A.** The cost is shared out amongst the properties in the block or estate in a 'reasonable' way. This can be equal shares but may also be based on floor area or number of bedrooms. If you are a leaseholder, your lease may set out the percentage share or state 'fair and reasonable'.

## **Q. Who monitors the contractors?**

**A.** Your housing officer monitors the contractors and carries out regular inspections of the block and estate. The cleaning should meet specific standards agreed with the contractor and residents. If you believe the quality of cleaning and ground works are poor, or the contractor is not attending, please discuss the problem with your housing officer immediately.

## **Q. Why am I charged bulk rubbish when I already pay the council?**

**A.** This cost is not for the removal of domestic rubbish, as your local authority provides this service. Bulk rubbish is where residents have failed to make appropriate arrangements for its removal from the estate or block. This can be part of a cleaning contract or may be invoiced separately. If we can identify the culprits, we will recharge them directly – otherwise, the cost will be shared amongst all residents.

## **Q. I do not use the communal gardens. Why should I pay?**

**A.** The communal gardens are a shared area available to all residents. You must pay this charge whether you choose to use the gardens or not. For leaseholders, this will be set out in your lease agreement.

## **Q. What is a previous year balance (PYB)?**

**A.** Previous year's balance is the service charge owed or owing from the previous year's expenditure. This could be shown as a credit or a debit on your weekly service charge.



**Q.** Can I withhold payment of my service charge if the service is poor?

**A.** No, this is a breach of the terms of your lease/tenancy agreement and Notting Hill Genesis will follow the recovery process as set out in your lease/tenancy agreement. If you have concerns over the quality or lack of service, please contact your housing officer who will speak to the contractors.

**Q.** Do I need to change my direct debit when my service charge changes?

**A.** No. We will automatically adjust your direct debit, however it is your responsibility to ensure the amount you're paying is correct. If you pay by standing order you will need to amend this yourself via your bank.

**Q.** How can I claim a refund?

**A.** If your account is in one month's credit, as set out in your tenancy/lease agreement you can request a refund. Please contact your housing officer.