

Service Charges – frequently asked questions

What is a service charge?

Service charges are payments made by residents/homeowners for services that are provided by the landlord or managing agent in respect of common parts of buildings and external communal areas of the estate.

What is a variable service charge?

Variable service charges are bound by legislation as set out in the Landlord and Tenant Act 1985. A variable service charge is a charge that can be varied at the end of an accounting period (the financial year, which runs from April to March). The service charge is estimated prior to the beginning of the financial year.

Later in the year we compare what we have actually spent against the estimated charge. There may be a surplus if we have charged you too much, or a deficit where we have not charged you enough. We do our best to set charges based on what we think the services will cost for the year. At the end of the financial year we will send you a statement of account which will show any surplus or deficit (see below for more details).

What are fixed service charges?

If your tenancy agreement states that there are fixed services charges it should define the applicable service charges. This means that any under or over spend is not reflected in the next financial year's service charges. Fixed service charges are often applied in street properties.

What is the difference between the service charge estimate and the service charge statement?

The estimate, which you receive in April, is an estimate of what we anticipate we are going to spend in the coming year. We review this in line with our current contracts and apply any uplifts that will be applicable. We also take into consideration, any additional works that maybe required. The estimated service charge is for the accounting period 1st April to the following 31st March. The statement, which you receive in September, states the actual costs/expenditure for the previous financial year, which ended in 31st March of that year.

When can we challenge the charges outlined in the estimate or statement?

We do not deal with requests for invoices and detailed explanations relating to estimated costs, as we can only deal with requests for invoices & detailed explanations about the amount charged once the statement has been sent out in September. However, we will deal with general queries at any time. You can only challenge the actual statement you receive in September. You have six months until March the following year, to request any detailed explanation.

What is the response target for service charge queries?

We aim to answer service charge queries within our 2-ten service standard – providing a response within 2 working days and a full reply in 10. Where some queries are complex and may require gathering information from different teams, this could take up to 28 days to complete.

How can we challenge the service charge?

When the statement is sent in September you will be provided with a leaflet outlining your rights and obligations. This will explain how to challenge the service charge. Challenges can only be made after the statement has been issued.

How do you work out my annual service charge?

For newly built developments the service charge is based on estimated costs. We make every attempt to ensure the budget is accurate and as close as possible to actual costs.

For established residential buildings, developments and estates, the previous year's costs are used to prepare the estimate for the coming year plus the contract costs for the year ahead. We have no control over charges such as VAT, or other external costs, so we can only anticipate what they are likely to be.

For utility costs such as electricity, we negotiate competitive rates that are significantly lower than normal domestic tariffs. Our aim is to ensure all charges remain as low as possible.

How are service charges shared across properties?

Service charges are calculated based on the terms within your lease or tenancy agreement. We will always adhere to the terms stated within the document. There are many ways to calculate service charges.

Depending on your lease/tenancy agreement we may do this based on the number of bedrooms, square footage or divided evenly between the properties within the building or estate. Leaseholders and tenants will be liable for different elements of the service charge as some elements, such as insurance, are included in tenants' rent.

Why has the service charge increased when services stay the same?

Where an increase in the service charge is shown on the budget, this will be an estimate, based on expenditure from the previous year, as well as including any programmed works for the next 12 months that we are aware of. In addition, prices will go up in line with market values. If the amount stated is not spent then it will be shown on the statement as a surplus.

What is a surplus?

If your Statement of Account is not shown in brackets, this means the amount you have paid towards your service charges for the year is more than the actual amount spent that same year. We will use this overspend to lower your service charges over a 12 month period starting from 1st April.

Can I have a refund when a surplus is shown?

Where there is a surplus from one year to the next, this will be offset against the following years' service charges.

What is a deficit?

If your Statement of Account is in debit and shown in brackets, this means the amount you have paid towards your service charges for the year is less than the actual amount spent. You are liable for the additional costs, and this amount will be recovered over a 12 month period starting from 1st April.

I have only just moved into my flat so why am I paying a deficit from the previous year?

For leaseholders, this should have been picked up by your solicitor on purchase and an arrangement made for how the outgoing leaseholder would pay. Please check your paperwork or ask your solicitor. If no arrangement was made then you will be responsible for the deficit. For all tenants, as the deficit belongs to the property, you will be responsible for this deficit.

I am unhappy with the service I am receiving and feel I deserve a refund. How can I make a claim for this?

Newlon has a compensation policy in place for failures in service delivery, the details of which are on our website. Claims for compensation are processed in accordance with this policy and not all service issues will result in compensation being made. Most compensation payments are made via vouchers, or as a credit onto a rent or service charge account.

How can residents get involved in the consultation procedure for the procurement of new contracts?

You can contact the Resident Involvement team who will keep your details for future consultations. We will also advertise these opportunities in our residents' newsletter.

Why don't we have fire extinguishers in our building if we pay for fire equipment and emergency lighting?

Fire extinguishers are not recommended in the common parts of residential buildings, as they require training to operate, are open to abuse, and may in some cases result in a resident putting themselves in unnecessary danger. The payment for fire equipment and emergency lighting is for the maintenance and the annual contract for items such as fire panels, automatic opening vents and emergency lighting. These assist in the prevention and control of fires.

We have trees in our grounds. How do we get them cut back?

Please report the matter to the Service Centre, giving details of the tree and its location so we can arrange for a quote for reducing the crown on the tree. We will have to ensure it is not in a conservation area or has a protection order before we proceed. These works are service chargeable and not covered under the ground maintenance contract. Please note that residents are responsible for maintaining their own private garden.

What does the bulk refuse charge include?

Ideally, residents should contact the local council to remove bulk items. The local council usually offers a bulk refuse collection to remove large unwanted items such as household appliances or furniture. In some areas these services are offered free of charge, in other areas the local council will charge a small fee. When bulk items are left in the communal areas, we are required to remove them in order to ensure that they do not attract vermin or pose a fire risk. Where we have evidence of people dumping rubbish in the communal areas we will take action against them.

What can we use the sinking fund for?

A sinking fund is only paid by leaseholders through the service charge to cover any major work which is needed to a leasehold property in the future. It is used for external redecorations, as well as major works such as lift replacements, subject to leaseholder consultation. There is legislation around how the sinking fund is used and we manage requests in accordance with this. The amount paid is held separately in an interest bearing account, and the interest accrued is added to the sinking fund account.

I live on the ground floor of a block and have my own entrance, so why do I have to pay for the lift and the cleaning?

Even if you live on the ground floor your property benefits from having a lift, as it will be used by contractors who undertake communal repairs such as fixing the roof or an aerial. Living in a block means costs are often shared amongst all residents. Therefore if your lease/tenancy states that you need to contribute to these items then they are payable through your service charge.

Why do we have to pay the deficit and what period is it for?

We try to avoid large fluctuations in the service charge. However where there has been an overspend (deficit), such as essential works to meet fire regulations, this can lead to an unexpected rise in costs or additional contract costs which we will then need to recover through the service charge. This will always be based on expenditure from the previous financial year.

Can we get involved in setting the budgets?

We are unable to involve residents in the budget setting process. However once the statement has been issued we will work with any active residents' associations to discuss and resolve service charge queries. If you do not have an active residents association then you can email your suggestions to us at ServiceCharges@newlon.org.uk, which may influence the following year's budget.

Can we have a breakdown of the managing agents' charges? (This applies to developments where some or all of the services are provided by a third party.)

On some developments we do not provide all the services, instead these may be provided by a third party managing agent who will carry out some or all of the services. You can request a breakdown of their fees from us. However, this can take some time as their financial year often does not correspond with ours.

Please note that we have no direct control over these fees, as they are determined by the managing agent.

Can residents challenge managing agents' budgets?

Yes. We would encourage you to set up a residents' association to work together to influence the managing agents. We can also raise individual queries with them on your behalf. If these informal routes are unsuccessful we can challenge them on your behalf via the First Tier Tribunal. However there are risks with this approach, as the legal fees alone can be significant and these are rechargeable.

Can leaseholders go to managing agents' meetings?

Yes. Managing agents normally send out invitations directly to residents if they hold meetings.

Will I be informed about any unexpected service charge increases?

Yes. Newlon will inform you, where possible, of any unexpected increases in your service charges.

What if I believe the charges are incorrect?

After receiving your statement of account issued in September which will show the estimate of costs at the beginning of the year and also the actual cost of providing the service, you can contact Newlon with any queries by emailing ServiceCharges@newlon.org.uk. If we discover an error we will make any necessary amendments and we would aim to provide a full explanation to justify the charges.

Does Newlon make any profit from service charges?

Newlon does not make a profit from service charges as we are only allowed to pass on costs that we have incurred.

As a leaseholder I only own part of my home. Why do I have to pay all of a major works invoice sent to me?

Although you may only own a share of the property you live in, you have rights to all of your home and are therefore liable for all of the costs of any repairs.

I am thinking about selling my Newlon leasehold property. Why am I asked to pay my deficit?

Newlon recovers deficits on Statement of Accounts over a period of a year, usually in monthly instalments. If you wish to sell your property within that year, we will ask you to pay the remaining balance on your deficit before your completion date.