What is a service charge?

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

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 estimated prior to the beginning of the financial year and can be adjusted (or varied) at the end of the accounting period.

Later in the financial year we compare what we have actually spent with 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. At the end of the financial year we will send you a statement of account which will show any surplus or deficit.

What are fixed service charges?

A fixed service charge cannot be varied. The charge is set for the beginning of the financial year. If, at the end of the financial year, the actual cost of the service is higher or lower than the estimate, the charge cannot be changed.

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

The 'service charge estimate' is an estimate of what we expect to spend in the coming year. We review this line with our current contracts and apply any applicable increases in agreed contractual amounts. We also take into consideration any additional works that maybe required during the coming year. The estimate is sent to you in February in advance of the new financial year that starts on 1st April. The 'service charge statement' shows the actual costs of providing the services to your home during previous the financial year and is sent to you at the end of September each year.

When can the charges outlined in the estimate or statement be challenged?

While we can respond to general enquiries at any time, we can only provide a breakdown of the costs for services once the service charge statement has been issued in September and not when the service charge estimate is issued. Please note that enquiries about the service charges should be made to the Service Charges team within six months of receipt of the service charge statement. Please see our 'Service Charges – summary of your rights and obligations' leaflet for more information.

What is the response target for service charge queries?

We aim to answer service charge queries within 28 days. This is longer than our usual 2-ten target as service charge queries are often complex and involve gathering information from different teams.

How can we challenge the service charge?

When we send you the service charge statement in September we also send you a 'Service Charges – summary of your rights and obligations' leaflet. This explains how to challenge the service charge. Please note, challenges can only be made after the service charge 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 estimate 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.

How are service charges apportioned across properties?

Service charges are always apportioned based on the terms within your lease or tenancy agreement. There are many ways to apportion service charges, dependant on your lease/tenancy agreement. We may set your charges on bedroom space, square footage or an even division of the units within the building or estate.

What is a deficit?

If your account is in debit and shown in brackets, this means that the amount that 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 the amount will debited over a 12 month period from 1st April.

What is a surplus?

If your statement of account is not shown in brackets this means that the amount you have paid towards your service charges for the year is more than the actual amount spent and will be credited to you over a 12 month period 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 normally be offset against the following year’s service charge. Only in cases where there is a significant surplus will this be refunded to you and we will notify you if this occurs. Please note that residents are expected to maintain one week’s credit on their rent account. If you are selling your property your solicitor should address the issue of any surplus or deficit at the time of sale.

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.

I am unhappy with the cleaning contractors and think I pay too much. Can Newlon end the contract and employ a new cleaning company?

If you have any concerns about the quality of cleaning you should raise them with the cleaning supervisor. Their details can be found on the notice boards your block. However, if this is unsuccessful please contact our Service Centre. Any issues will be raised in our monthly meetings and we will closely monitor the situation. If the contractor fails to demonstrate sufficient improvement we will take action in line with the terms of our contract with them.

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?

This is the cost for when we need to remove bulk refuse items in order to ensure that they do not attract vermin or pose a fire risk. Ideally, residents should contact their local council to remove bulk items. They usually offer a bulk refuse collection service to remove large unwanted items such as household appliances or furniture. In some areas these services are offered free of charge, in others the council may charge a fee. Where we have evidence of people dumping rubbish in communal areas we will take action against them.

What is the sinking fund for?

The sinking fund is paid by Leaseholders through the service charge to cover any major works and external redecorations which may be 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.

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’ estimates?

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.

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

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 this deficit, because the debt belongs to the property and
therefore its owner.

**Will I be informed about any unexpected service charge increases?**

Your service charge can increase as the cost of services rise. However we involve residents via a ‘Section 20’ consultation process if works have a significant cost which would lead to an unexpectedly large increase in service charges, such as for Japanese Knotweed treatment. In these instances a letter would be sent out in advance to inform residents. Where there is a third party managing agent we are not in control of their costs but are obliged to pass them on to residents. Third party managing agents are obliged to follow the same Section 20 consultation process with residents.

**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.