

SERVICE CHARGES – Questions and Answers.

What is a service charge?

A service charge is an amount payable for services received by tenants communally. This will include items such as cleaning common areas, maintenance of door entry systems and keeping communal gardens maintained. It also includes services such as heating which are provided communally but applied to individual flats or houses.

We have listed in appendix 1 items which might be included as service charges. These will only be applied to you if these services are provided to your property.

Is the service charge just another name for an amenity charge?

Yes. Blaby District Council used the term “amenity charge” but it covered the same things as a service charge, which is the term more commonly used.

Did the amenity charge include grass cutting and grounds maintenance?

No. Blaby District Council did not include this service in the amenity charge; it was hidden in the rent. However, it is a service provided for many residents so we do now need to include it in the service charge.

For those tenants who came over with the stock transfer, we have agreed with Three Oaks Homes Tenant Federation that we will reduce the rent where there is a grounds maintenance service and then apply a service charge for the same amount. This means nobody will pay more as a result of including grounds maintenance as a service charge.

For example, if you pay £50 rent now and the hidden cost of grounds maintenance is £2.50 per week, then we will reduce your rent to £47.50 and apply a £2.50 service charge on top, which comes back to the total of £50 per week.

The rent adjustment only applies to those tenants who were Blaby tenants at the time of the transfer. Tenants who have taken up their tenancy since November the 3rd 2008 already have grounds maintenance listed as a service charge where appropriate and do not need further adjustment to their rent.

What is a variable service charge?

Prior to transfer it was agreed that Three Oaks Homes would use a variable service charge system. The main effect of the variable service charge is for surpluses and deficits to be carried forward to the next accounting period. We will provide tenants with an itemised estimate of service charges for the year ahead. When we know the real cost we will then reconcile the real cost against the original estimate.

When will this happen?

It is taking time to establish what services tenants receive and how much they cost as the Council did not keep this information in the level of detail we need. We therefore plan to apply the new variable service charge as from April 2010.

Will my rent go up because of this change?

We need to draw a distinction here between rent and services as these are separate charges. Your rent covers the basic landlord service to manage, maintain and finance your home. The service charge is for those extra services listed in the appendix.

For tenants who came over with the stock transfer, your rent may go down initially if you get a grounds maintenance service. We will then apply a government formula to work out what increase, if any, will apply to all rents for April 2010 onwards. We will issue a rent notice in March each year telling you what your new rent will be from April.

Tenants who took up their tenancy after the 3rd November 2008 will not see any rent adjustment for grounds maintenance. However their rents will still be subject to the government formula that will work out what increase, if any, applies from April 2010.

In March we will also issue all tenants with a notice of their service charge from April. This will probably be in the same letter as the rent increase. We will provide an itemised schedule of the estimates based upon costs to date, which may be more than you were paying previously.

Will Three Oaks Homes try to recover costs for this financial year?

We have not issued itemised schedules to everyone and would find it difficult to back track to April 2009. A formal decision has not yet been made but Three Oaks Homes governing board is going to be asked to write off potential service charge increases for this financial year.

What if I find it difficult to pay?

Anyone who is worried about their ability to pay needs to talk to us as soon as possible. Some tenants are not receiving Housing Benefit even though they are entitled to it. We will help you make an application to get Housing Benefit. We know that some residents are reluctant to claim benefits but we would encourage everyone to do so as it is not charity, it is your right.

For those tenants already on Housing Benefit, we will work with the Council to ensure any amendments are made as quickly as possible.

Will Housing Benefit cover the whole of the rent and service charges?

Housing Benefit is means-tested and the amount you receive depends upon your income. It may not cover the whole of your rent and service charge, but your entitlement will change each year depending upon the increases in rent and service charges, any changes in your income and the changes the government makes to the Housing Benefit calculation.

Services provided to your flat are not eligible for Housing Benefit. For example, if you get heating and electricity inside your flat as a service charge this element is not included in the Housing Benefit calculation.

Why does the schedule show two charges for the entryphone system?

All equipment in common parts carries two service charges. The depreciation charge covers the cost of providing the equipment. For example, the original cost of installing the entryphone is divided by its life expectancy (15 years) and the depreciation service charge recovers that cost. Where existing items are already in place a notional 1p depreciation will be charged. Once that item is replaced an actual figure can be applied spreading the replacement cost over the items life expectancy.

In addition, there is a charge for maintaining the equipment which may require an annual service and occasional repairs during its life.

Can I challenge the charges?

Yes. We hope that we have got our calculations right but we will double-check for anyone who questions the schedule we issue. If you are still not satisfied you can make a formal complaint which we will address under the complaints policy as described in your Tenants Handbook. If you are still not happy you have the right to appeal to the Leasehold Valuation Tribunal (LVT), which can make a legally binding determination on the service charge you have queried. We can advise residents on how to appeal to the LVT if they wish to pursue this course of action.

Will I pay the same service charge as my friend who lives in a different Three Oaks Homes scheme?

No. Each scheme has costs that are attributable to the particular scheme. Some schemes have more services than other schemes. The more services that are supplied the greater the cost is likely to be.

What if there are owner-occupiers. Will they pay the same service charges?

Yes. Anyone who receives a service gets charged the same as everyone else for the costs relevant to that scheme.

This is complicated for the grounds maintenance charge as the Council did not include it when selling properties under the Right to Buy. We will however be apportioning the costs fairly so everyone who benefits from the service is asked to pay the same amount. For example, if 10 households get the grass-cutting service for green space in front of their homes, we will be charging all 10 households equally regardless of their status as tenants or owner-occupiers.

Why is TOH applying an administration charge?

We have staff working on providing the services and managing the processes. This is applied as a 15% charge to cover the cost of administration and staffing.

What is the audit\consultancy fee?

If we have to call in specialist advice (for example if there is a challenge at the Leasehold Valuation Tribunal) we need to charge the cost back against the services.

I still have some questions I would like to ask ?

We will be having a series of meetings with all residents over the next couple of months. In the meantime you can ask your Housing Support Worker or Housing Officer who should be able to answer most queries, or can at least get the answer for you.

Appendix 1

List of possible service charges

NB: only to be charged where service applies

ANNUAL	DEPRECIATION
Abandoned vehicle removal	
Audit\consultancy fee	
Car park maintenance	Car park depreciation (eg locking posts and resurfacing)
Cleaning materials	
Common parts cleaning	Equipment depreciation
Communal area ventilation	Ventilation equipment depreciation
Communal lighting	Communal lighting depreciation
Council Tax on common parts	
Door entry maintenance	Door entry system depreciation
Electricity	
Fire equipment maintenance	Fire equipment depreciation
Garden and grounds maintenance	Equipment depreciation
Gas	
Heating system maintenance	Heating system depreciation
Laundry maintenance	Laundry equipment depreciation
Lift maintenance (inc stair lifts)	Lift depreciation
Pest control	
Refuse Management	Refuse equipment depreciation
Security equipment maintenance	Security equipment depreciation
Site security (eg patrols)	
TV aerial\satellite dish maintenance	TV aerial\dish depreciation
TOH administration charge	
Tree surgery	
Unadopted roads and paths maintenance	
Water charges\rates	
Window cleaning common parts	