Everything you need to know about service charges and major works

In this leaflet, you will find information about:
- What service charges are and how they are calculated
- What major works are and how these costs are calculated
- The Section 20 consultation process
- How and when to pay service charges and major works
- Help available if you’re struggling with payments
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Service Charges

What are service charges?

Service charges are charges to the leaseholders for the cost of maintaining the structure of their building and providing services that their home benefits from. These services can include some or all of the following:

**Cleaning** – This is charged to leaseholders in blocks which have internal communal areas cleaned by the PHP cleaning contractors AJL.

**Communal Electric** - This charge relates to the electricity cost for lighting or electric heating to any communal passageways and entrances to the block.

**Communal Gas** - This charge relates to those leasehold properties which are served by a communal gas heating system or where the communal areas are heated by a gas heating system.

**Buildings Insurance** - The Buildings Insurance premium is part of a block policy which covers all the Council’s properties. The policy documents can be viewed or downloaded from our website. All leaseholders are charged this element of the service charges.

**Grounds maintenance** - This charge is for blocks with communal grounds. The grounds are maintained throughout the year by Leisure Services and the Borough of Poole’s contractors, Continental Landscapes. This may include sweeping, mowing grass, pruning shrubs and trees and planting or re-planting where necessary.

**Response Repairs** - We are responsible for keeping the communal parts of your block in good repair. This means that we will look after the structure of the building (walls, roof etc.) and the landings and hallways (including lighting, door-entry systems, lifts, communal aerials and so on). This charge does vary from year to year depending on the number of repairs carried out but you will be provided with a breakdown of the repairs with your Annual Statement.

**Management Administration** - This is charged at a percentage, according to the terms of your lease, of the cost of services received and includes planning and managing the contracts, providing contract specifications, monitoring contractors’ performance, staff ordering repairs and inspecting work before and after completion.

**Records & Accounts Charge** - This is the cost of providing the leasehold service required under the terms of your lease and current leasehold legislation. The charge covers a wide range of items such as answering leasehold queries, dealing with neighbour disputes, preparing and issuing Leasehold Annual Statements, carrying out major works consultations, invoicing lessees and collecting service charges.
How are service charges calculated?

Leaseholders pay a percentage of the total cost that the Landlord has to pay for the services and maintenance to your block. The percentage charged is dictated by your lease and is usually roughly proportionate to the number of flats within the block. For example if you live in a block of 4, you will probably pay around 25% (1/4th) of the total costs to your block.

**Estimated / Actual Charges** - Your lease states that you have to pay service charges in advance and so service charges for the year are estimated. The estimates are based on the average over the last 3 years plus a percentage uplift. This means that sometimes we overestimate the charges and overcharge you and sometimes we underestimate and undercharge you.

At the end of the financial year, we calculate what the service charges for your block actually cost. If we have overestimated the charges, we will raise a credit to your account to cover the difference between what we estimated the charges to be and what the actual charges were. If we have underestimated the charges, we will raise a debit to your account which you will need to pay on top of your service charges.

**Charging Period** - The service charges cover the financial year, April to March each year. At the end of the financial year, we total the invoices for your block over the year to calculate what your actual service charges cost in the last financial year. From this we also estimate your next years service charges.

As invoices are still being received for a month or so after the financial year end for works/services completed during the financial year, the service charge information and Annual Statement will be sent to you a couple of months after the financial year end. The first quarters charges will then be due on 1st July.

**Frequently Asked Question about the charging period.**

Q. I did not take over the leasehold property until part way through the financial year so I should not pay for any part of the service charges prior to that date. The estimated/actual charges should go to the former leaseholder,

A. You are responsible for settling the account because this is an Assignment of the lease (i.e. the transfer of a property from one person to another). During the sales process we send out all information regarding the service charges and this should then be settled between the previous leaseholder and you via your solicitor. In some cases, the solicitor may hold a retention for some of the service charges. You should contact your solicitor or conveyancer dealing with the sale of the property to check this.
What are major works?

Major works are planned one-off works of repair, improvement or redecoration to your building, communal areas or estate. The charges for these works are calculated in the same way as your service charges are calculated, with you paying a percentage of the total cost of the works. The percentage you pay is dictated by your lease.

Major works are planned or cyclical works (except in an emergency). This work is usually needed when major parts of the building or area wear out, require improvement or to rectify normal wear and tear or weathering.

Examples of major works include: painting and decorating to the communal interior areas or external of the building, resurfacing car parks and drying areas, roof renewal, upgrading doors to meet current fire safety legislation, renewing rendering, balcony repairs or replacement, renewal of flooring, replacement guttering, replacement windows, door entry systems and works to sheds.

Major works are different to responsive/reactive maintenance.

Reactive maintenance is carried out on an as and when required basis usually because something has stopped working or has been damaged. For example, replacing blown light bulbs, replacing broken glass or repairing doors or windows that will not open or close.

We will normally carry out Section 20 consultation with you before carrying out any major works so you should be aware of the works and cost before we start them. There is more information about Section 20 consultation on the following pages.
In most circumstances, before major works are carried out to your building or estate, we will carry out formal Section 20 consultation with leaseholders.

What is section 20 Consultation?

We have to go through a certain procedure known as consultation before commencing works which are likely to cost any individual leaseholder more than £250. This legal procedure ensures that leaseholders are aware of the works we propose to carry out and the estimated cost. It also allows leaseholders to raise any concerns about the works or cost before works are started. In some cases you will also be given the opportunity to nominate a contractor that you would like us to ask to tender for the works.

The Section 20 Consultation Process

First we will send you a Notice of Intention. This advises you what works we propose to carry out and why. You are given 30 days to make comments about the work and also to suggest a contractor. We must have regard to your comments and reply to you directly about them.

After 30 days have passed, we will obtain quotes and then send you a Statement of Estimate which will let you know what quotes we have received and the likely cost to you. You are given a further 30 days to make any comments about the works, the contractors or estimated prices. We must have regard to your comments and reply to your directly about them.

After 30 days have passed we can instruct the contractors to commence works. We may send a further Notice advising you of the reasons why we have chosen a specific contractor to carry out the works, but this is usually not required as we would normally choose the lowest priced contractor.

If the works are being carried out by a contractor who we already have a Long Term Arrangement in place with (for example Novus for painting and external decorations or Triangle for lift works) we only have to carry out one stage of the consultation procedure. We will send a Notice of Intention which will detail the works we intend to carry out, why the works are required, the contractor we intend to use and the estimated cost to you. You will be given 30 days to make any comments before works can start.
What do I need to do if I receive a consultation notice?

If you have comments, questions, or concerns about the works or cost, then you should write to us to tell us. You should do this within 30 days of the date of the notice.

If you want to nominate a contractor for us to approach about the works, you should inform us in writing within 30 days of the date of the notice.

If you want to start making payments at this stage you can do so, though we don’t require you to pay until we send you an invoice at the end of the financial year (see the following section on ‘paying for major works’ for more information about this).

If you don’t have comments or questions and you don’t want to nominate a contractor, you don’t need to do anything.

How we choose a contractor

We ask at least 2 contractors to tender for major works and we will usually choose the one quoting the lowest price. If we don’t choose the one quoting the lowest price we will explain why.

If you want to nominate a contractor to tender for the works, you are given this opportunity in the Section 20 consultation process. Nominated contractors should meet a certain criteria to be considered. They should have:

- A minimum of £5m public and employers liability insurance.
- Health & Safety policies.
- Equal Opportunities policy.
- 2 good references.
- A demonstration of expertise in the area of work.
- Satisfactory financial status.

Section 20 Consultation for entering into a Long Term Arrangement

If we are going to be doing a lot of the same works on a rolling basis (for example painting and decorating of internal and external blocks and properties), then rather than go out to tender (obtain quotes) for every individual block or property, we put a tender out for a contract or Long Term Agreement for these works as this will provide better value for money.

We will consult you about doing this so that you still have the opportunity to nominate a contractor.
When to pay Service Charges

According to your lease, service charges should be paid quarterly in advance. Payments are due on 1st July, 1st October, 1st January and 1st April each year.

However, we realise that quarterly payments do not suit a number of our leaseholders and so we will accept other payment arrangements, such as monthly or annually in advance. You should contact the income team to agree a payment arrangement.

When to pay Major Works invoices

You can pay or start making payments towards your major works bill at any point from when we advise you of the cost in the Section 20 consultation notice.

However, we do not require you to pay until the major works invoice is sent to you in the June following the works being completed, so you may wish to put money aside into a high interest account to use when you are invoiced for the works.

The table on the following page shows all of the payment options we currently offer.

We may offer a further flexible option by considering a combination of these options, subject to you meeting the qualifying criteria for those options.

You should contact the Income Team on 01202 264446 or email rent.php@poole.gov.uk to make a payment arrangement and to discuss your payment options or methods.

Payment Methods

We accept a variety of payment methods including:

- **Direct Debit** - Call or email the Income Team to make arrangements for this to be set up.

- **Standing Order or bank transfers** – payments can be made to our Barclays collection account, Account No 20627437, Sort Code 20 68 79. Ensure you quote your 12 digit account reference number.

- **Cash/Cheque** – payable at the Civic Centre cash office.

- **Debit/Credit Card** – over the phone on the automated payment number 01202 672932 and selecting Option 3. Or on the Borough of Poole website.

- **PayPoint Payment Card** – Request a payment card from the Income Team to make payments at Post Offices and other PayPoint outlets.

Financial help if you are struggling to pay

In some circumstances the Department for Work and Pensions (DWP) will pay or contribute towards the cost of service charges and major works. Our Your Money team can visit you to run through your financial situation to help you identify if you are eligible and to apply for this or any other financial help.

You can contact the Your Money team on 01202 264495 or email yourmoney.php@poole.gov.uk
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<td>1. Early payments</td>
<td>Available to all leaseholders. Once we have sent the Section 20 consultation notice, you have the option to pay or start paying straight away.</td>
<td>Any amount.</td>
</tr>
<tr>
<td>2. Payment in full</td>
<td>Available to all leaseholders. 2.5% discount on total charge if paid within 30 days of invoice.</td>
<td>Any amount.</td>
</tr>
<tr>
<td>3. 12 month interest-free repayment period</td>
<td>Available to all leaseholders. You must agree this with the Income Team within 30 days of the invoice date. Payment must be in instalments over the 12 month period as agreed.</td>
<td>Any amount.</td>
</tr>
<tr>
<td>4. Extended interest free period. 36 months.</td>
<td>Available to all leaseholders. You must agree this with the Income Team within 30 days of the invoice date. Payment must be made in instalments over the period as agreed.</td>
<td>Over £10,000.</td>
</tr>
<tr>
<td>5. Voluntary Legal Charge (deferred payments loan)</td>
<td>Only available to owner-occupiers. If you are unable to pay the debt by any other means including re-mortgaging or a personal loan, we <strong>MAY</strong> be able to secure the debt with a charge on your property. This will incur interest and other legal fees. It will be means tested; there must be enough equity in the property to cover the bill; all payments on the loan are postponed and the interest is “rolled up” until the whole amount has to be paid – for instance when the property is sold or transferred to someone else.</td>
<td>At least £3,000.</td>
</tr>
<tr>
<td>6. Voluntary Legal Charge with monthly interest</td>
<td>Only available to owner-occupiers. Similar to option 5 but interest is paid in monthly instalments until the property is sold or transferred. Legal fees apply.</td>
<td>At least £3,000.</td>
</tr>
<tr>
<td>7. Mandatory Reduction</td>
<td>We must reduce your bill to £10,000 if the works have been full or part funded by specific government initiatives. This mandatory reduction will be made automatically if it applies to the works carried out. There is no need to apply for this.</td>
<td>Over £10,000</td>
</tr>
<tr>
<td>8. Discretionary Reduction</td>
<td>Only available to owner-occupiers for bills over £10,000. We may be able to make a reduction to your bill if you are suffering from extreme financial hardship. Contact the Leasehold Services Officer/Income Team to apply for a discretionary reduction.</td>
<td>Over £10,000</td>
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Queries & Disputes

Whilst we do our very best, we are only human and sometimes we make mistakes. If you think something has been charged incorrectly on either your major works or service charges, contact the Leasehold Services Officer in the first instance.

If we have made a mistake contact the Leasehold Services Officer and we will ensure the mistake is put right on your next annual statement.

If works or services have not been carried out satisfactorily you should contact us straight away about this. Do not wait to receive your service charge invoice before you query works and services.

The sooner you tell us about an issue, the easier it will be for us to resolve it.

If you want more information about what a charge is for contact the Leasehold Services Officer who will look into your enquiry and liaise with the contractors/surveyors involved to find you the information you need.

If you are not satisfied with the way your query is handled you can make a complaint through our complaints procedure. Your complaint can be made in writing or over the phone.

Leasehold Valuation Tribunal

If you are not satisfied with the outcome from us you can take the matter to the Leasehold Valuation Tribunal (LVT).

The LVT hears both sides of a dispute and gives a decision based on the evidence and judgement of the LVT members.

The LVT is part of the legal and judicial system and you will have to pay a fee for this service. It is therefore very important that you have a very good legal case before making an application to the LVT.

You can represent yourself or you can use a solicitor but you should generally obtain professional advice beforehand.

The Citizens Advice Bureau can provide you with free advice about this procedure.
Useful Contact Details

At Poole Housing Partnership

Leasehold Services Officer
will look into queries or disputes you may have about proposed or completed works, what the charges are for, and any queries relating to Section 20 consultation. Contact the Leasehold Services Officer on:
Tel: 01202 264452
Leasehold.php@poole.gov.uk

The Income Team
will deal with any queries in relation to your payments and your account, including making payment arrangements. Contact the Income Team on:
Tel: 01202 264446
Rent.php@poole.gov.uk

The Your Money Team
Can help you to check your eligibility and apply for financial help and other ways of dealing with financial issues. You can contact them on:
Tel: 01202 264495
Yourmoney.php@poole.gov.uk

You can find us on social media including facebook and twitter, and there is more information on our website: www.yourphp.org.uk

For general enquiries, call reception on 0800 652 3900.

Contact PHP free from your mobile on 0300 2003900 and ask for the relevant department.

External Contacts and Advice

Citizens Advice Bureau
Can help you with a wide variety of issues including service charge disputes, debt problems, Leasehold Valuation Tribunals and much more.
Tel: 0300 33 00 650 (free from mobiles)
www.poolecab.co.uk

The Leasehold Advisory Service
is a Government funded service which provides free information and advice about the law affecting leasehold properties. They have a wealth of information about all leasehold matters.
Tel: 0207 832 2500
www.lease-advice.org

The Association of Residential Managing Agents (ARMA)
For information about the leasehold system, understanding the role of managing agents, your general rights and responsibilities.
Tel: 020 7978 2607
www.arma.org.uk

Leasehold Valuation Tribunal
For application forms to apply to the LVT and for more information about costs and procedure:
www.justice.gov.uk/tribunals