

Service Charges

Frequently asked questions

Q What does the service charge pay for?

A If you live in a block of apartments, you will no longer need to organise for the repairs and upkeep of the main building. This will be undertaken by Grange in accordance with your lease.

Similarly if you live on a private housing development where a management company has been formed to maintain the communal grounds, a managing agent may have been employed to manage these areas on behalf of the management company.

The service charge will be different from estate to estate, block to block but some of the things that might be included are;

- Buildings insurance (but not contents insurance – this will be the homeowner’s responsibility to provide)
- Maintenance of the shared parts of the building (as defined in the lease)
- Grounds maintenance or gardening
- External or internal communal lighting or heating
- Cleaning of internal communal areas
- General repairs to the communal areas
- Cost of on site staff such as a Scheme Manager

A reserve fund to address future repairs and replacements of items such as lifts, communal windows and doors, fire alarm systems, roofs, drives and paths, car parks etc.

Q How much will I have to contribute?

A The amount you and your neighbours will have to contribute will be defined in your lease or transfer document. The amount will be stated as a fraction, as a percentage or sometimes it will say that you should pay a reasonable share.

This may mean that you will contribute towards the cost of the lift even though you live on the ground floor. You may also have

an obligation to pay for communal facilities which you believe you do not benefit from. Unfortunately you will not have the ability to opt out of these costs.

Q How is the service charge set and by whom?

A A service charge budget is prepared for a 12 month period, typically from January to December but this may vary dependant on the lease or management company details.

The budget will be prepared some months in advance. As managing agents, we will obtain quotes from contractors ensuring you receive best value for money based on the level of contributions residents wish to pay. We shall also prepare the budget based on the scheme’s expenditure to date. It will be necessary to ensure any increases for VAT or RPI are taken into account and thus you may see an increase to the cost of various services. You will however receive detailed notes to accompany the budget.

Q Must the managing agent hold a meeting to discuss the budget?

A Unless the lease or transfer document requires a meeting to be held, we are under no obligation to meet you before the service charge budget is set.

However, it is Grange’s policy to discuss draft budgets with residents either at a meeting or with the directors of the Resident Management Company or Right to Manage Company.

Once the budget is agreed, it shall be issued to all residents and will be effective from the beginning of the financial year.

Q What happens if the budget is wrong?

A At the time the budget is set, we use all the information we have to be able to prepare a service charge budget. Should the service

provided change during the course of the year or should the scheme incur expenditure which was unforeseen, the actual costs may differ from those estimated at year end. If this is the case, the service charge accounts will show the over spend.

However, some services provided may also cost less than the estimated figure. In this instance, the service charge accounts will show a surplus.

Both over spends and credits will be highlighted in the notes which accompany a copy of the certified annual service charge accounts.

Q What happens to the surplus or over spend?

A Any surplus belongs to the homeowner's but the lease or transfer documents may stipulate how the surplus is refunded. The surplus is usually refunded to homeowner's or off-set against future bills. Some leases or transfer documents may stipulate the surplus is to be transferred into the reserve fund, but you will be notified of the specific arrangements for your scheme.

Any over spend will need to be recovered from the homeowners. You will receive an invoice for your share of the over spend.

Q Must the managing agent hold a meeting to discuss the annual accounts?

A As Grange is member of the ARHM (Association of Retirement Housing Managers), we are obliged to hold a meeting at least once a year to discuss your service charge arrangements.

It is also your statutory right to request all copies of invoices relating to your scheme.

Q My property has not been occupied for several months. Must I pay the service charge even though the property is empty?

A Some properties may become empty for example whilst a sale is progressing, due to a bereavement or whilst landlords are trying to arrange for tenants to occupy them. The lease or transfer document does not allow for discounts to be given during periods of non-occupation as there would not be enough money to pay the cost of the services provided.

For example, 10 leaseholders each paid one tenth of the cost of the services and contribute £1,000 towards the £10,000 annual service charge. If one resident did not pay their share, there would only be £9,000 collected to pay the scheme bills. The lease or transfer documents does not permit the landlord to instruct the managing agents to recover the extra £1,000 from the other resident's so there will not be enough money.

Q Can the managing agent take commission or keep a rebate when they buy services on behalf of the leaseholders?

A It is lawful to keep commission earned from services purchased on behalf of the scheme or management company.

Grange declares to our residents that we make a charge of 10% of the premium for placing the buildings insurance.