

Service Charge – the basics

A service charge is a payment made by a tenant, shared owner or homeowner towards the cost of shared services and repairs beyond those specifically for their home. It is paid in addition to the rent and/or mortgage.

Your tenancy or lease will set out whether you pay a service charge. If you have a tenancy your rent will include a charge for repairs.

Types of service charge	
Fixed service charges	At the start of the financial year we estimate the charges for where you live as we do not always know how much the maintenance costs will be in the coming year. We do our best to make our estimates as accurate as we can. Once the charge is set it will not change.
Variable service charges	These are based on the actual costs for a particular year together with any anticipated costs. At the end of the financial year we produce a final statement of the charges payable. In most cases any surpluses and deficits will normally be carried forward into the following year.
What items are covered by a service charge?	
Maintenance	The maintenance of the electrical and mechanical systems within the building / estate including of CCTV, fire alarm systems, lightning protection, lifts, door entry systems and mechanical ventilation.
Repairs	Minor repairs carried out to the communal parts of the block/estate, including the mechanical and electrical services, including TV aerials lifts door entry systems etc.
Cleaning and rubbish clearance	Cleaning of internal communal areas and communal windows, removing fly-tipping, bin hire.
Pests Control	This cost is for the prevention and extermination of pest infestations in the communal areas of your estate/block.
Grounds maintenance	Grounds maintenance for your block and/or estate, including car parks and hard services.
Utilities	Electricity supply to external/internal communal part, including unadopted street lighting, car park and pathway lighting. Water and sewerage charges for external taps and community rooms.
Management costs	Administering and managing the services listed in your annual service charge statement. It covers staff cost for dealing with income collection, setting service charges, carrying out consultation, dealing with enquiries and complaints. Where there is a managing agent, they may charge a management fee in addition to our fee.
Building insurance	Cost to insure the fabric of the building, but not any occupiers' contents.
Ground rent	Outright owners of flats may have to pay a ground rent. This will be included in the charge for the coming year. This may increase over time.
Sinking funds	With some leases we collect a 'sinking fund', also known as a reserve fund. Sinking funds are kept in an account that accrues interest and we only use this money for major items of expenditure such as external decorations, replacing door entry systems or lifts. If the cost of the work exceeds the amount in the sinking fund the difference will be charged to you.
Estate management costs	Where the estate or building are managed and maintained by a third part known as a Managing Agent we pass on some or all of their costs to residents under this heading.