



Leaseholder Service Charge Calculation Policy

1. Introduction

1.1. Medway Council's Landlord Services has a duty to charge its' leaseholders for services carried out to the building and communal areas where they live. The service must ensure that income from tenants' rent payments does not subsidise services provided to its' leaseholders. Service charges must be accurate and reflect the services that the Council provides.

2. Purpose

2.1. The purpose of this policy is to set out:

- how Medway Council Landlord Services will bill for services provided
- how often bills will be sent out
- what will be charged for
- how to pay
- the allowed payment periods
- how disputes will be handled

3. Scope

3.1. This policy applies to all Medway Council Leaseholders and Landlord Services employees.

4. Legislation and Regulation

4.1. External

- Landlord and Tenant Acts 1985 and 1987,
- the Leasehold Reform,
- Housing and Urban Development Act 1993
- The Commonhold and Leasehold Reform Act 2002,
- Audit Commission

4.2. Internal

- Leaseholder Handbook

5. Policy

5.1. Service Charges

5.2. All leaseholders are required to pay ground rent and day to day service charges for their property. The day to day service charges are raised to cover the actual cost of services provided by Medway Council Landlord Services, such as costs for repairs to communal areas, communal lighting, major works to the building and an insurance premium. These costs can vary from year to year.

5.3. Ground Rent

5.4. Ground rent is a fixed £10 charge that is payable annually and is separate from general service charges. Ground rent is a condition of the lease. Medway Council Landlord Services must issue a formal written demand for payment.

5.5. Service Charges for Major Works

5.6. Medway Council Landlord Services conducts regular inspections in accordance with the relevant statutes, guidance, and notes of good practice to maintain all of its housing stock in good condition.

5.7. Where major works are identified, for example replacement roofing, fire regulation compliance etc., the occupancy list for any flats in blocks will be checked to identify if any of the units are leasehold.

5.8. In cases where a leasehold property identified, Medway Council Landlord Services will comply with the requirements to consult leaseholders prior to carrying out any major works for which the leaseholder/s will be recharged the cost in accordance with the Section 20 consultation process. For More information please refer to Landlord Services Section 20 Consultation policy.

5.9. Service charges Billing and Payments

5.10. Leaseholders will receive two service charge bills in any given financial year.

5.11. In April each year an estimated service charges bill will be issued providing a clear breakdown of the charges estimated to be accrued during the financial year for which the estimate is issued.

- 5.12. In September leaseholders will receive a reconciliation of balances to reflect the actual charges from the previous financial year ¹
- 5.13. Terms of payment for both estimated and actual service charges require them to be paid in full within 30 days of the date of the invoice.
- 5.14. In some instances, the “actual service charge bill” may be less than the estimated bill for the previous financial year. Where this happens Medway Council Landlord Services will refund any monies owing to the leaseholder’s account within 30 days on request, or at the request of the leaseholder hold the money to be used against the following year’s bill.
- 5.15. A full breakdown of the charges will be made available for leaseholders.
- 5.16. Ground Rent Billing and Payments**
- 5.17. The formal demand for ground rent will be made no less than 30 days, and no greater than 60 days before the ground rent is due for payment.
- 5.18. The due date for ground rent is the 1st April every year.
- 5.19. Ground rent must be paid in accordance with the terms contained within the demand.
- 5.20. If ground rent is not paid under the above terms Medway Council Landlord Services can take legal action to recover this money from the leaseholder.

5.21. Payment Methods

- 5.22. Medway Council’s Landlord Services currently accepts payments for service charges by the following methods:
- Cheque
 - Standing Order
 - Cash at a handy till in one of the councils contact points
 - Debit / Credit card

¹ Medway Council will make every endeavour to calculate the estimated service charges at the start of the financial year from historic information so that the estimated charges are as accurate as possible. As soon as all accounts are received and settled they will be compared to the estimated service charge bills issued in the previous financial year. At this time any discrepancies will be adjusted to make sure leaseholders are only charged for the services they actually received in any financial year.

5.23. Loans

5.24. Leaseholders may be eligible for a loan to pay for service charges for repairs that have been carried out to their block. For more information please refer to the Service Charge Loans Policy

5.25. Leaseholder Arrears

5.26. Full details of how service charge arrears are dealt with can be found in the Service Charge Arrears Policy.

5.27. Review Process

5.28. In the event that a leaseholder does not agree with the level of service charges that they have been asked to pay, they will be able to query these. In the first instance, they should address their questions, in writing, to Medway Council's Homeownership Officer who will try to resolve any issues they may have with their bill.

5.29. If agreement regarding the level of charges still cannot be met, the leaseholder has the right to approach the First-tier Tribunal (Property Chamber) (FFT) to ask for a ruling. They are an independent body that will look at the charges for services provided and decide whether or not they are fair. The FFT will charge the leaseholder for using their service.

5.30. Medway Council's Landlord Services may also contact the First-tier Tribunal (Property Chamber) (FFT) to resolve disputes with leaseholders.

5.31. Complaints

5.32. Leaseholders who are not satisfied with the way in which their queries have been dealt with are free to use Medway Council's Complaints Procedure as detailed on the Medway Council website.

6. Role, Responsibilities and Authority

6.1. The Assistant Director of Physical and Cultural Regeneration retains the overall responsibility for the implementation of this policy.

6.2. The Head of Housing Management is responsible for the operational delivery of this policy and the associated procedures. This includes responsibility for monitoring and reviewing, staff awareness and training, policy development and communication to tenants.

7. Monitoring, Review and Evaluation

- 7.1. Medway Council's Landlord Services has developed this policy in full consultation with customers.
- 7.2. Landlord Services will monitor trends in service charge collection to check that levels are maintained and make adjustments to the policy, where necessary, to ensure that this happens.
- 7.3. This policy will be reviewed every two years or in line with legislative or regulatory changes.

Policy Version Control Sheet

Policy Title: Service Charge Calculation Policy V2

Policy Author(s): Home Ownership Officer, HRA Income Manager, Policy and Partnership officer

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Cross References: Leasehold Agreements, Service Charge Arrears Policy

Amendments Made: September 2018 - This policy has been updated with minor amendments; there has been no change to legislation. Some text from the original policy has been removed to avoid replication.