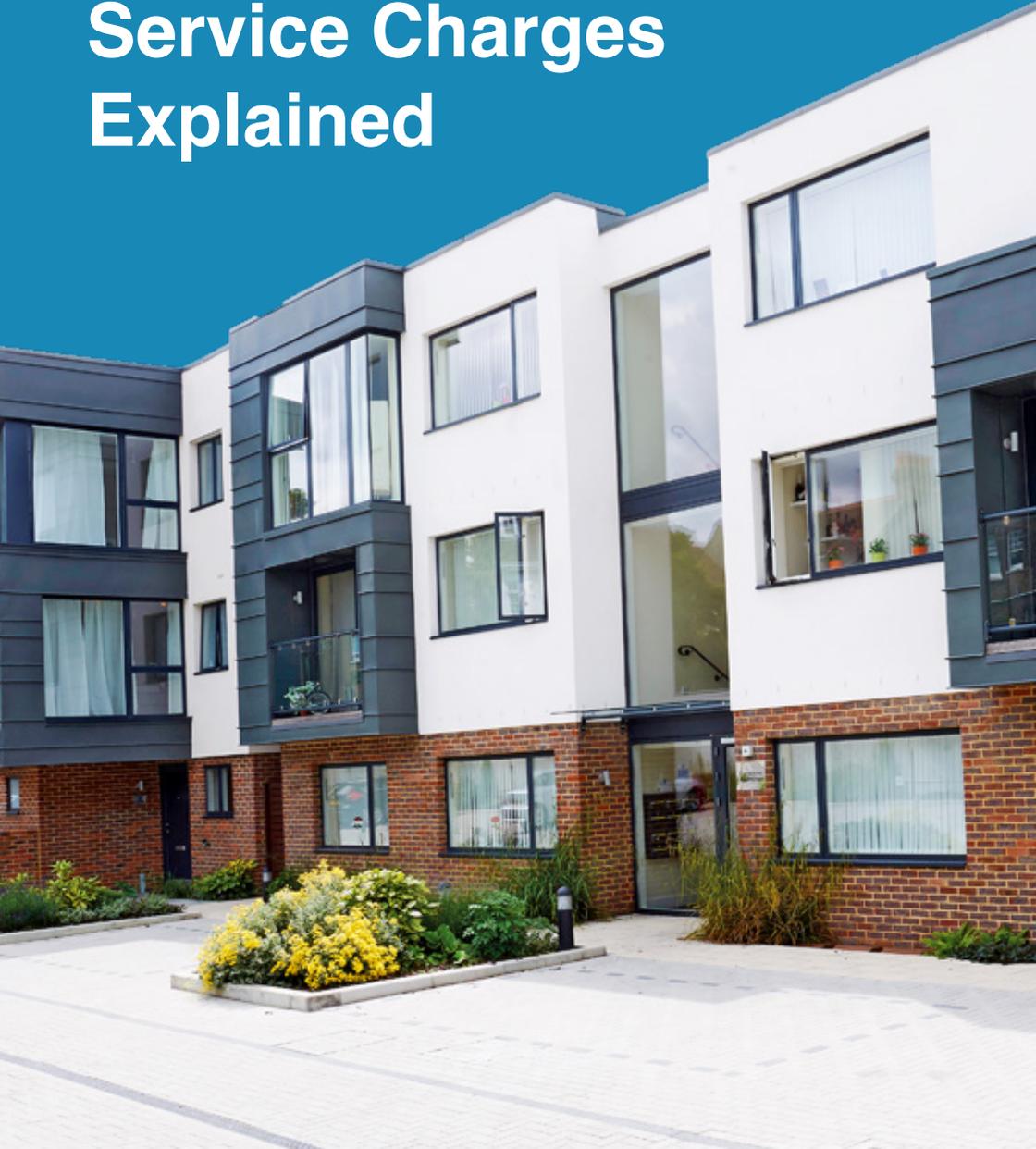




Metropolitan

Service Charges Explained



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What is a service charge?

Service charges are payments made by residents for services that are provided by the landlord or managing agent in respect of common parts of buildings and external communal areas of the estate.

For example; if you live in a flat, you are required to pay services for internal communal areas in the building that your flat is situated as well as external communal areas. Examples of these charges could be internal cleaning and gardening.

If you live in a house, which is situated on an estate which Metropolitan manages, you are required to pay for the upkeep of the communal areas of the estate. Examples of some of the services you may be charged for are: sweeping of footpaths, litter picking and gardening to communal areas.

In short, service charges costs that are incurred by landlords for the upkeep of communal areas which are then charged to residents under the terms of their lease or transfer agreements.

Your lease will detail more information on your services charge and may specify your individual percentage share of estate/block costs.

How do service charges work?

Estimates

At the beginning of your service charge year (which is detailed in your lease) we will send you a service charge estimate.

This letter estimates the amount we expect to spend on your block/estate during the next year. We calculate the estimates based on known servicing costs, contracts and prior year actual costs.

You then pay for the full service charge year based on the amount listed within the estimate.

Service Charges are variable, meaning that they will change each year depending on the amount spent on your block or estate. Your estimate may increase some years and decrease in others.

Final Accounts

Once the financial year ends, Metropolitan have 6 months to review all expenditure carried out to each block and estate for the past 12 months. Once we have reviewed all of the expenditure, we post out an end of year statement to each resident which details the actual costs incurred.

The estimated service charge amount is also shown on this statement as a credit; the charges are shown as a debit amount. The end of year statement then shows whether overall your service charge for that year is in credit or in deficit.

Please note – your estimated service charge amount on your final account statement will be less any ground rent or sinking fund payments.

This means you only pay for the services that have been provided. Metropolitan do not make a profit from service charges as we are only allowed to pass on costs that we have incurred.

You can check your actual account against your estimate to see the exact differences between estimated costs for each element and the actual costs for each element.

If we are unable to finalise the review of expenditure to your block or estate within 6 months we will send you a Section 20B Notice. This is a formal notice required under service charge legislation which sets out the amount we estimate your service charge might be.

Credit

If your end of year statement of account is in credit this means that the amount you have paid towards your service charges for the year is more than the actual amount spent and money is due back to you.

Debit

If your account is in debit this means that the amount that you have paid towards your service charges for the year is less than the actual amount spent. You are liable for the additional costs under the terms of your lease.

Different Service Charge Elements

Depending on your lease you may be required to pay for the following service charge elements. A list of each service charge element and a brief description is shown below:

Service Charge Element	Description
Additional Housing Management	Tasks undertaken by Metropolitan Care & Support staff in addition to the standard Housing Services tasks. These tasks can include fire alarm testing, managing guest room bookings, helping tenants with benefit applications, assisting tenants with usage of Metropolitan equipment and health and safety checks
Aids & Adaptations (Communal)	The cost of servicing and maintaining aids and adaptation equipment in communal areas
Auditors Certification	Cost for end of year accounts to be externally audited each year
Buildings Insurance	Insures your property against unforeseen damage caused by fire or a flood. Does not insure contents
Building Repairs & Maintenance	The cost of repairing and maintaining the building. Most repairs are covered by the rent but some communal repairs are charged via service charges
Communal Utilities	Electricity for all communal lighting internal to the block or street lighting for the estate when not maintained by the local authority, fuel costs to heat and provide hot water to communal rooms including shared bathrooms, lounges and kitchens and the cost of communal water supply to gardens, kitchens, bathrooms and bin stores plus sewage pumps
Concierge & Caretaking	The cost of concierge and caretaking staff employed on site to provide services to residents
Domestic Electricity	Electricity supply to your individual property
Domestic Gas	Gas supply to your individual property
Domestic Water	Water supply to your individual property

Service Charge Element	Description
Door Entry & Entry phones	The cost of servicing, repairing and replacing door entry systems including keys, entry phones, key cards and automatic doors
External Cleaning	Litter picking and sweeping of any car parks, roads or paths which are not maintained by the local authority. Can also include window cleaning
Gardening and Grounds Maintenance	Gardening to communal outside spaces around your block or within your estate. This includes grass cutting, maintaining any green spaces which are not maintained by the local authority and tree maintenance
Guest Room Receipts	Income received from hiring out guest rooms in your scheme
Heating Repairs & Maintenance	The cost of maintaining and repairing any communal heating system
Internal Cleaning	Cleaning of communal areas to the block such as corridors, stairwells, windows, flooring, communal lounges and kitchens
Lift Maintenance	The cost of repairing and servicing of lifts within the block
Management Fee	Metropolitans charge for managing all services listed, setting up contracts, costs for staff salaries and administration costs
Other Income	Income received from Laundry equipment or any other communal facility or equipment
OK Each Day	The cost of providing the OK Each Day contact, news and information service
Pest Control	The cost of providing pest control services to your block
Refuse Services	Collecting dumped items within the estate when not managed by the local authority, cost for the hire and collection of bins from the local authority

Service Charge Element	Description
Security & CCTV	Costs for repairing and servicing equipment and obtaining CCTV images when required
Sinking Fund	Sinking funds are collected each year and usually spent on large items of expenditure such as lift replacements, door entry replacements or re-laying tarmac on a road within the estate
Statutory Testing & Servicing	The cost of Ventilation & Lightning Protection Services, Statutory Asbestos Surveys, Testing of Electrical Installations and equipment, Fire Risk Assessments, Servicing and repairs to Fire Detection and Fire Fighting Equipment (including AOV's), Water Risk Assessments and servicing
Telephone & Internet	The cost of provision of telephone lines, phones and internet services that are accessible to all residents in a scheme/block
Third Party/Managing Agent	The cost of services where a Management Company provides some or all of the services to the block or estate
SC - Non-Building Repairs (e.g. Communal Fencing)	Responsive general repairs to areas entirely outside a building (e.g. repairs to fencing, paving, TV Aerials)
Vehicle Management	Costs for removing any abandoned vehicles on land within the estate which is not managed by the local authority
Warden Call System	Cost for monitoring, maintaining and servicing the emergency alarms/pull cord system



End of year account statement explained

Metropolitan		 Metropolitan <small>Improving life together</small>				
Block: B123456 Metropolitan Close		2				
Property: 1 Metropolitan Close, London, MET RQP				Date from 01/04/16		
Property reference: P123456				Date to 31/03/17		
Block reference: B123456						
Estate reference: E400123						
Type of unit: Flat						
Total number of units in block: 12						
Total number of units in estate: 15						
Service Charge Statement						
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Key

1. Key details about your property, the block it is situated in and the estate.
2. The dates that the service charge statement relates to.
3. Different elements of the service charge.
4. Total costs for estate services, to the right of this there is the total costs for the block services.
5. Your share % of the estate services, to the right there is your share % of block services.
6. Your share of the estate and block services for each element.
7. Total column to show total amount spent on estate, block and your share of these.
8. Individual services to your property listed and the estimated for the service charge for the year. Please note you estimated service charge will be your monthly service charge less ground rent and sinking fund payments.
9. Credit or Debit applied to your account. This is the estimated service charge less the total expenditure for your block services and individual services.

Other Charges

In addition to your service charges depending on your lease you may have to pay the following additional charges.

Rent

Rent is payable if you are a shared owner and have not purchased the full 100% of your property. In this situation, under the terms of your lease you will be required to pay rent on the remaining share of your property. More details on your rent and how this is increased each year is detailed within you lease.

Ground Rent

Some leases allow Metropolitan to collect a ground rent for leaseholder and shared owners. Please refer to your lease for more information on the amount of ground rent and information on when/how this increases.

Sinking Fund

Some leases allow Metropolitan to collect a sinking fund from leaseholders and shared owners. Sinking fund monies are held separately from service charges in a bank account. They are collected each year and usually spent on major works for the block / estate; for example: A lift replacement, a new roof for the block or re laying tarmac on a road within the estate. Please refer to your lease for more information on the sinking fund.

Understanding your sinking fund statement

Each year when you receive your end of year account you will notice at the end of the service charge statement there is a sinking fund statement. This is where any information regarding the sinking fund will be displayed.

Sinking Fund Statement									
									€
1	Balance Brought Forward							€	30,000.00
2	Sinking Fund Income							€	5,000.00
	Sinking Fund Interest							€	200.00
	Sinking Fund Expenditure							-€	1,500.00
3	Closing Balance							€	33,700.00

Key

1. Balance of the sinking fund brought forward from the previous year. Also known as the opening balance.
2. Sinking fund income for the year, interest that the sinking fund has gained throughout the year and any expenditure that has been incurred throughout the year.
3. Closing balance of the sinking fund for the year, this will then match the opening balance of the next years account.

Managing Agent sites

Some of Metropolitans stock is jointly managed with other agents, this means that Metropolitan may own the freehold, but another provider manages and maintains the estate on a daily basis.

In other estates Metropolitan may manage some areas of the estate (such as the internal block services) but a managing agent manages the external areas of the estate.

Customers will receive an estimate and a final reconciled account at the end of the financial year which will include a charge against the element 'Third party Managing Agent'. This is the fee that the managing agent charged to residents for their services provided on the estate and to blocks.

There are a number of Managing Agents scenarios:

- Metropolitan are the freeholder and a managing agent carries out all the services.
- Metropolitan are the freeholder and both the managing agent and Metropolitan contribute to the services/ maintenance of the estate.
- Metropolitan are not the freeholder and the managing agent carries out all services to the estate
- Metropolitan as a Lessee contribute towards services/ maintenance in specific areas of the estate i.e. internal block cleaning, the managing agent provide services to other areas i.e. Refuse.

In most cases the Managing Agents are appointed by the freeholder of the land.

How to pay your service charges

Service charges should be paid in advance on the first day of each month preferably by direct debit. The income team deal with all payments and are able to set up a direct debit for you over the telephone. The income team can be contacted on **020 3535 3535**.

You pay your monthly service charges as per your estimate for each financial year. If you pay by direct debit, this will automatically increase or decrease each year as your estimate changes. If you pay by any other method, then it is your responsibility to amend your estimate each year to ensure that your account does not fall into arrears.

Service charge refunds

- **Am I eligible for a refund?** – You are eligible for a refund if there is a credit balance on your account and you have no other accounts with Metropolitan that have a balance (in which case this will be used to reduce or clear the balance of the other account) and that you pay in advance on the 1st of each month/ in line with your Lease.
- **How do I request a refund?** – You can email lsc.refunds@metropolitan.org.uk or telephone **020 3535 3535** and ask for the Income Team or write in to our correspondence address.
- **How will my refund be paid?** – **a)** If you live in a jointly owned property in one or more names your refund will be sent as a cheque payable to those names (if you wish for a sole

named payment, all other parties named on the Land Registry as a proprietor will be required to give their written authorisation before this can be processed). **b)** You can request a BACS payment by supplying your Bank Sort Code and Account Number. **Please note:** We do not have your bank details stored even if you pay by Direct Debit or have submitted them previously.

● **How long will my refund take to process?** In busy periods such as year end accounting your refund may take up to 6 weeks from the date your credit has been applied. In normal circumstances it may take up to 10 working days.

● **Can my Direct Debit be adjusted to accommodate my refund?** – You can email lsc.refunds@metropolitan.org.uk to request this should you prefer this method. Our 3rd party payment provider will notify you of the change dates and amounts by letter.

Service charge debits

● **My account has had a debit applied – How do I pay this?**
We offer you a variety of quick and easy payment methods (see "ways to pay" insert).

● **I pay my Service Charges by Direct Debit – Will this be adjusted to cover my debit?** – Yes. Please review the table below:

£0.01 - £50.00	We will amend your Direct Debit to clear this amount over 3 months.
£50.01 - £100.00	We will amend your Direct Debit to clear this amount over 6 months.
£100.01 - £200.00	We will amend your Direct Debit to clear this amount over 10 months.

If you have a Debit over £200 and cannot afford to pay this in one go you should call the Income Team on **020 3535 3535**.

● **I pay by Standing Order – Will this be adjusted to cover my debit?** – We do not control Standing Orders so you will need to either pay in full by calling **020 3535 3535** and asking for the Income Team or by paying in one instalment by increasing your next Standing Order payment.

If you would prefer us to control this by setting your account up on Direct Debit please call **020 3535 3535** and ask for the Income Team.

If you are unable to make your payments at any time, it is important you call **020 3535 3535** immediately and ask for the Income Team, who will be able to discuss possible options of support for short term problems.

Help and Support

If you still have queries surrounding your end of year service charge account then please contact our customer service centre on **0203 535 3535**. They will be able to direct you to the correct team who can assist you with your query.

Outside of Metropolitan there are also other organisations that may be able to assist you with your queries.

The Leasehold Advisory Service

Website: www.lease-advice.org

The Leasehold Advisory Service can provide free information, initial advice and guidance to members of the public about residential leasehold law.

Frequently Asked Questions

Q: Why do I have to pay a service charge?

A: We provide services to your property that are essential to the structural integrity of the building, or grounds. The charge normally covers the cost of such matters as general maintenance and repairs, insurance of the building and where the services are provided, central heating, lifts, lighting and cleaning of common areas etc. You have to pay for these services as detailed in your lease.

Q: I do not believe I receive one of the listed services.

A: In that case, please contact the Customer Service Centre and ask to speak to your Housing Officer. Your housing officer will then contact the Leasehold and Service Charge Team if any changes need to be made to your monthly payments.

Q: Metropolitan provides tree surgery to the grounds at my block/estate. This is not itemised, why?

A: We have included this within “Grounds Maintenance”, we still provide this service.

Q: Metropolitan provides pest control to the grounds at my block/estate. This is not itemised, why?

A: Primarily this work is carried out in London, and we have included it within ‘Building repairs & Maintenance’ element. We still provide this service.

Q: How have you calculated my share?

A: We have either done this by a “fair and reasonable” method, which is either based on rateable value, estate/block size, size (in square metres, typically as defined in the lease), number of bedrooms per property or as a fixed percentage share as detailed in your lease.

Q: This percentage varies from the percentage in my lease. Why?

A: Please contact the Leasehold and Service Charge Team – **0203 535 3535**.

Q: Can I see a breakdown of the costs within my end of year statement of account?

A: Yes, please request this from the Service Charge Team within 6 months of receiving the end of year account and we will provide a full breakdown.

Glossary of Terms

Term	Description
Common Parts/ Communal Areas	Areas of the building / estate which are not demised to individual units and are therefore maintained by the Landlord/Managing Agent.
Contracts	Contract costs for particular services.
Freehold	A company / person who owns the building outright.
Ground Rent	Rent payable under the terms of the lease.
Individual Services	Property services which are billed individually such as buildings insurance and management fee.
Landlord	The owner of a property which is then rented or leased out to a tenant or lessee.
Lease	A contract between Landlord and Lessee.
Managing Agent	A company appointed by the Freeholder of a property to manage that property.
Section 20B Notice	A notice which can be sent instead of a demand for payment if end of year accounts are not prepared within 18 months of the costs incurred.
Servicing Costs	Regular costs for servicing equipment.
Sinking Fund	A fund which is set up to set aside money for works which may be required at a later date.

If you need this leaflet in your own language, or an alternative format (e.g. **large print**, Braille, audio disc), please contact us on **020 3535 3535** and we will take reasonable steps to arrange this.

Metropolitan, The Grange, 100 High Street, Southgate,
London N14 6PW

Metropolitan is a leading provider of integrated housing services, care and support and community regeneration.