

Service Charge Guide 2019



Hera Management Services – Service Charge Guide – April 2019

This guide contains information for home owners about the items covered by your service charge, including the answers to some frequently asked questions.

About Service Charges

Service charges are your share of the cost of providing services to the block and/or estate where your home is located. This includes things like keeping the communal areas clean, general repairs, maintenance of lifts and security systems as well as gardening and litter picking around your development. There is a full list of services detailed later in this guide. These services are managed by Hera Management Services.

The buildings are owned by Swan New Homes, they are responsible for providing all communal services and they have appointed Hera Management Services as their agents to deliver those services.

The Timetable for the year

The timetable for a service charge year is as follows;

- **March:** In March of each year, we will send you an estimated service charge for the service period starting and payable from April.
- **September:** We will finalise accounts for the financial year ending 31st March in that year and will send you a service charge summary showing the actual costs of the services delivered. At this point, any underspend is credited back to home owners and likewise, if there is an overspend, this will be demanded from home owners.

Estimated Service Charges

Every March we will send home owners an estimate of the service charges due from you for the next financial year (1st April to 31st March the following year). This is based on the service charge budget set by Hera, which is a forecast of how much we think it will cost to provide the communal services during that service charge financial year. As per your lease or title document, you must pay an estimated service charge upon receipt of demand.

The difference between estimated and actual service charges

After the end of the year, when Hera knows the final cost of providing the services, we will prepare the year end accounts. These compare the amount estimated during the year with the actual costs of the services provided.

If the actual costs are lower than the amount estimated and charged to you, there may be a surplus. If there is a surplus, you will receive a credit on your service charge account once the accounts have been certified. If the actual costs are higher than the amount estimated there will be a deficit on your account. Your lease requires you to pay your share of this deficit on demand.

An surplus or deficit will appear on your account as an 'End Of Year Balancing Charge'.

How annual service charges are calculated

Hera calculates the annual estimated cost of providing services to your building and/or estate. From this estimation we calculate each individual owner's share of the total. The cost of providing services are split into schedules based on who has access to which area. This is calculated as follows:

- **Block:** Is divided by the sum of the internal floor areas of all the homes in the block (in square feet) and then your home's share is calculated based upon the floor area of your home (in square feet).
- **Estate:** Is divided by the sum of the internal floor areas of all the homes in the estate (in square feet) and then your home's share is calculated based upon the floor area of your home (in square feet).

Your service charge may be different depending on whether you live in an apartment or house and depending on the number of services you receive and that you are required to contribute to. Your service charge schedule will show the percentage of the total block and estate service costs that are payable by you, reflecting the type, location and size of your home.

Example: 2-bedroom apartment measuring 753sq feet that is required to pay block and estate costs;

- The total **block** cost will be divided by the total square footage of all the homes that have access to the services in the block. If 753sq feet amounts to 1.5% of the total floor area of all the apartments in that block, the home owner will be expected to contribute 1.5% of the block charges
- The total **estate** cost will be divided by the total square footage of all the homes that have access to the services in the estate. If 753sq feet amount to 0.35% of the total floor area of all the apartments in that estate, the home owner will be expected to contribute 0.35% of the estate charges

How to pay your service charges

Your lease says you must pay your service charge based on the estimate you receive. For home owners, your lease will normally require you to pay this in advance either annually/bi-annual or quarterly. If you do not pay your service charge you will be in breach of your lease and this may result in you losing your home. The following methods of payment are available:

- Credit/Debit Card
- Standing Order
- Online (Internet Banking)
- Allpay Payments (App or Website)

Service Charge Items

Below is a list of services that may appear under any of the schedules that your home has access to, and includes a brief description of what the service covers:

Service Charge Item	Explanation
Audit/Accountancy Fees	This fee covers the cost of getting the service charge accounts certified by qualified independent accountants.
Buildings Insurance	This covers the cost of insuring the entire fabric, structure and communal areas of the block/estate, including your property.
Bulk Rubbish Removal Refuse Disposal	This covers the cost of removal of bulk rubbish or managing the refuse/recycling bins in the refuse area.
Car Park Maintenance Car Park Gates Maintenance Car Park Gate Risk Assessment	This covers the cost of maintaining and repairing electronic gates/shutters, maintenance of parking areas and any associated risk assessments.
CCTV Maintenance/Monitoring	This covers the cost of servicing, maintaining and repairing the closes circuit television system. Where a monitoring contract is in place, the cost will also include this.
Central Boiler Maintenance Central Heating Plant Maintaining Communal Heating Plant	This covers the cost of servicing, maintaining and repairing the communal boiler system.
Communal Cleaning Communal Clean & Carpet Clean	This covers the cost of cleaning and maintaining the cleanliness of the internal communal areas in the block.
Communal Water Testing CWS Tank Servicing Water Hygiene Testing Maintaining Cold Water Pumps & Tank	This covers the cost of treating and maintaining communal water storage tanks which is a statutory requirement.

Communal Lighting Maintenance	This is the cost of maintaining and repairing the communal lighting in the block/estate.
Communal Repairs Repairs and Maintenance Estate Repairs and Maintenance	This covers the cost of any general repairs that need to be carried out to your block/estate.
Communal Water Supply Water and Sewerage	This covers the cost of supplying the communal water supply that may be used by the cleaning or grounds operatives.
Concierge Equipment	This covers the cost of equipment/stationary/essentials needed by the concierge team.
Concierge & Security Patrols	This covers the cost of providing a concierge and or security to your block/estate.
Door Entry Maintenance	This covers the cost of maintaining and repairing the door entry/intercom system.
Eco Strip Maintenance	This covers the cost of maintaining the Swale area of the development.
Electricity	This provides the cost of powering the landlord supply that could serve your block or estate.
Emergency Lighting Testing	This covers the cost of testing, maintaining and repairing the emergency lighting in your block/estate.
Engineering Insurance	This cover is for passenger lifts and or other machinery/plant on site.
Fire Risk Assessment	This covers the cost of the fire risk assessments, which are a statutory requirement.
Fire Equipment Maintenance Maintenance of Fire Protection	This covers the cost of servicing, maintaining and repairing the fire equipment, some of which also are a statutory requirement.
Gardening & Landscaping Grounds Maintenance	This covers the cost of maintaining external areas and will include gardening works such as grass cutting, pruning shrubs, weeding, flowerbeds, planting, sweeping and maintenance of hard surfaces and footpaths.
H&S Risk Assessment	This covers the cost of health and safety risk assessments which are a statutory requirement.
Latchway (Mansafe) Suspended Equipment Maintenance	This covers the cost of certifying and maintaining the harness points and suspended equipment which are also a statutory requirement.
Lift Maintenance	This covers the cost of maintenance, servicing and repairs of the passenger lifts. This is also a statutory requirement.
Lightning Conductor Maintenance	This covers the cost of maintenance of lightning conductors serving your block/estate.
Management Fees (Block/Estate/Flats/Houses)	See below for details on what the Management Fees cover.
Out of Hours Service	This covers the cost of providing and emergency out of hours service.
Pest Control	This covers the cost of pest control to the block/estate (e.g. rodent infestation, vermin etc.)

Podium Maintenance	Similar to grounds maintenance but for areas that are only accessible by the blocks with access to a shared courtyard.
Professional Fees	Provision for any fees such as legal/surveyors services.
PV Cell Maintenance	This covers the cost of servicing, maintaining and repairing any photo voltaic (solar) panels.
Reserve Fund	<p>This fund is held by Hera to build up a reserve of money which can pay all or some of the cost of future major repairs and improvements to the block/estate. The money collected from home owners is held in a Trust Account whereby the money earns interest that stays in the reserve fund.</p> <p>Items normally paid for from the fund include planned replacement works such as flooring, doors, lighting, windows, lifts, door entry systems, CCTV equipment, TV Aerials, roofs, fire alarm/equipment and cyclical redecorations.</p>
Resident Meeting Hall Hire	This covers the cost of hiring rooms for AGM's or residents' meetings.
Risk Assessment for Playground	This covers the cost of the risk assessment to the play areas which are a statutory requirement
Road Maintenance	This covers the cost of Swan Estate Services carrying out general litter picking and sweeping to estate roads.
Sprinkler System	This covers the cost to maintain and repair the sprinkler system which is also a statutory requirement.
Telephone	This covers the cost of any phone lines that could be connected to your lift/fire alarm or CCTV system.
Tree Maintenance	This covers the cost of any tree lopping works that could be needed during the year.
TV Aerial Maintenance	This covers the cost of maintaining and repairing the communal TV/Radio and Satellite systems installed to serve your homes.
Water Pump Maintenance Water Boosters	This covers the cost of servicing, maintaining and repairing the water pumps/boosters.
Window Cleaning	This covers the cost of cleaning communal and or your flat windows, dependent on what the lease requires your landlord to do.

Management Fees and Administration Fees

Management fees

We charge a management fee to cover all the costs involved in providing management services your estate/block. This includes your share of general expenses such as:

- Offices, wages and office expenses
- The cost of billing and collecting service charges
- The cost of monitoring Hera's performance
- Staff time in answering resident queries
- Staff costs for our Leasehold management services
- Other costs for those staff (including pension costs)
- Staff training costs
- Computer systems
- Telephone Support
- Estate and block inspections
- Setting up service charge accounts
- Consulting with you (a statutory requirement)
- Newsletters and publications sent to homeowners.
- Hera's staffing that support and deliver the management services of your Estate and block.

Administration Fees

We charge an administration fee to cover additional services provided such as:

- Solicitors Information Pack (Standard LPE1), additional queries will attract a surcharge
- Notice of Transfer
- Certificate of Compliance
- Deed of Covenant
- Subletting Fee
- Pet Consent
- Late Payment Charge
- Key Fobs

A QUICK REFERENCE TO GUIDE YOU THROUGH YOUR DEMAND FOR PAYMENT

The name of our client and your freeholder/landlord

This Demand is issued for and on behalf of:
Client/Freeholder Name
 Client/Freeholder Address



Your name and postal address

Mr Smith
 1 Example Road
 Example Town
 Example County
 EX1 1LE

Your property address that we manage on behalf of the client

Date: 01/01/2000
 Demand No: 00001
 Tenant Ref: EXP0001000101

Date demand issued

The demand number unique to the charges

Your unique reference number

SERVICE CHARGE DEMAND

Re: 1 Example Road

Balance brought forward: £100.00

Your balance prior to the demand for payment

From	To	Description	Nett	Vat	Gross
01/01/2000	31/03/2000	Quarterly Service Charge in Advance	£50.00	£0.00	£50.00

The period of which the charge covers

A description of the charge being

Total demanded: £50.00

Balance to pay including arrears: **£150.00**

Your balance including the brought forward balance and the amount demanded for payment

Interest will be charged on late payments as provided under the terms of your lease. Please return the Remittance Advice below with full payment to the address shown.

All funds received demanded for service charge in advance are held in a dedicated bank account in accordance with regulations and guidance. Service charge funds held in trust are secured in a non-interest bearing bank account registered with Barclays Bank PLC, PO Box 885, Martlock House, Histon, Cambridge, CB24 9DE. Reserve funds held in trust are secured in an interest bearing bank account registered with Barclays Bank PLC at the above named address. There are no restrictions for withdrawal. (Reserve bank account details: Account name: Client Monies Reserve Account, SC:20-12-21, AC:23940551)

METHODS OF PAYMENT

For payment by bank transfer, please use the following account details:

Bank: Barclays Bank PLC
 Account Name: HERA M S CLIENTS PRM
 Account Number: 23696898
 Sort Code: 20-12-39

Bank details for payment

Please quote the following reference number: EXP0001000101

Total to pay: £150.00

Card payments may be made by telephone 0345 683 8812, Monday to Friday 9am to 5 pm

Alternatively, please make cheques payable to: **Hera Management Services Limited**

Send to:
 Hera Management Services Limited
 Pilgrim House
 High Street

At Hera Management Services we understand that service charge can often be confusing. That is why we are here to help. If you wish to discuss your account and/or your demand, please do not hesitate to contact a member of our dedicated support team.

Frequently Asked Questions

I am a freeholder, why do I have to pay service charges?

During your purchase of the property, the sales representative would have informed you of the service charge liability for maintenance of the wider estate/development. Your title of ownership, or TR1 that you would have signed, may have the same covenants as a lease in relation to the collection of service charges for the maintenance of the estate.

Does Hera make a profit from service charges?

No. The amount of service charge you pay covers only the costs in providing these services to you.

Do homeowners subsidise tenants?

No. Homeowners only pay for their home's share of the block and estate costs. Tenants do not pay a service charge on some shared block and estate cost items (for example, repairs, statutory assessments, etc), the cost of these services is included within the rent they pay to Swan Housing. Their share of these service costs is **not** paid for you through your service charge.

How can I challenge my service charge demand?

If you have an issue with your service charge, you should contact Hera. If you think the service charge is incorrect, you can challenge it by writing to us, either by email or by post. Please make sure you include your address, and the item or items that you are disputing. Once we receive your letter or email, we will consider your reasons for the challenge, check the costs and then decide whether to accept your challenge and, if necessary, amend the service charge accordingly.

How can services change?

From time to time, changes in services may be required, including the removal or introduction of new services. These changes can be proposed by the landlord and/or residents however there would need to be full consultation across the entire estate.

What if I am still not satisfied?

We aim to sort out any queries and disputes in accordance with our customer standards. If you are unhappy with our reply, you can escalate your query through Hera's complaints policy. If you remain unhappy with the outcome, you have the right to challenge the service charge item you are unhappy with at a First Tier Tribunal (Property Chamber) (also referred to as FTT). An FTT is a panel of three independent and impartial members which looks at the facts of various disagreements between residents and landlords to settle disputes.

What should I do if I am unhappy with the services provided?

If you are unhappy with any of the services provided by Hera, please get in touch with your Property Manager and we will investigate your concerns.

What should I do if I'm having problems paying?

If you are having problems paying for your service charges and rent, you should contact us straight away to explain your situation. We may consider a payment plan for you. You must not ignore the situation as this could lead to court action. You could also lose your home.

SUMMARY OF TENANTS RIGHTS AND OBLIGATIONS

To comply with legislation, we have to include the following text with demands for additional fees or service charges to tenants and leaseholders (home owners). The wording is fixed by law, and so we are not allowed to change it. By "tenants" we mean leaseholders and tenants that pay a variable service charge.

1) Administration Charges Rights and Obligations

2) Service Charges Rights and Obligations

1). Administration Charges - Summary of Tenants' Rights & Obligations

- (1). This summary, which briefly sets out your rights and obligations in relation to administration charges, must by law accompany a demand for administration charges. Unless a summary is sent to you with a demand, you may withhold the administration charge. The summary does not give a full interpretation of the law and if you are in any doubt about your rights and obligations you should seek independent advice.
- (2). An administration charge is an amount which may be payable by you as part of or in addition to the rent directly or indirectly –
 - for or in connection with the grant of an approval under your lease, or an application for such approval;
 - for or in connection with the provision of information or documents;
 - in respect of your failure to make any payment due under your lease; or
 - in connection with a breach of a covenant or condition of your lease.

If you are liable to pay an administration charge, it is payable only to the extent that the amount is reasonable.

- (3). Any provision contained in a grant of a lease under the right to buy under the Housing Act 1985, which claims to allow the landlord to charge a sum for consent or approval, is void.
- (4). You have the right to ask the First-tier Tribunal whether an administration charge is payable. You may make a request before or after you have paid the administration charge. If the tribunal determines the charge is payable, the tribunal may also determine –
 - who should pay the administration charge and whom it should be paid to;
 - the amount;
 - the date it should be paid by; and
 - how it should be paid.

However, you do not have this right where –

- a matter has been agreed to or admitted by you;
 - a matter has been, or is to be, referred to arbitration or has been determined by arbitration and you agreed to go to arbitration after the disagreement about the administration charge arose; or
 - or a matter has been decided by a court
- (5). You have the right to apply to the First-tier Tribunal for an order varying the lease on the grounds that any administration charge specified in the lease, or any formula specified in the lease for calculating an administration charge is unreasonable.
 - (6). Where you seek a determination or order from the First-tier Tribunal, you will have to pay an application fee and, where the matter proceeds to an oral hearing, a hearing fee, unless you qualify for fee remission or exemption. Making such an application may incur additional costs, such as professional fees, which you may have to pay.
 - (7). The First-tier Tribunal and the Upper Tribunal (in determining an appeal against a decision of the First-tier Tribunal) have the power to award costs in accordance with section 29 of the Tribunals, Courts and Enforcement Act 2007.
 - (8). Your lease may give your landlord a right of re-entry or forfeiture where you have failed to pay charges which are properly due under the lease. However, to exercise this right, the landlord must meet all the legal requirements and obtain a court order. A court order will only be granted if you have admitted you are liable to pay the amount or it is finally determined by a court, a tribunal or by arbitration that the amount is due. The

court has a wide discretion in granting such an order and it will take into account all the circumstances of the case.

2). Service Charges – Summary of Tenants' Rights & Obligations

- (1). This summary, which briefly sets out your rights and obligations in relation to variable service charges, must by law accompany a demand for service charges. Unless a summary is sent to you with a demand, you may withhold the service charge. The summary does not give a full interpretation of the law and if you are in any doubt about your rights and obligations you should seek independent advice.
- (2). Your lease sets out your obligations to pay service charges to your landlord in addition to your rent. Service charges are amounts payable for services, repairs, maintenance, improvements, insurance or the landlord's costs of management, to the extent that the costs have been reasonably incurred.
- (3). You have the right to ask the First-tier Tribunal to determine whether you are liable to pay service charges for services, repairs, maintenance, improvements, insurance or management. You may make a request before or after you have paid the service charge. If the tribunal determines that the service charge is payable, the tribunal may also determine –
 - who should pay the service charge and who it should be paid to;
 - the amount;
 - the date it should be paid by; and
 - how it should be paid.

However, you do not have these rights where –

- a matter has been agreed or admitted by you;
 - a matter has already been, or is to be, referred to arbitration or has been determined by arbitration and you agreed to go to arbitration after the disagreement about the service charge or costs arose;
 - or a matter has been decided by a court
- (4). If your lease allows your landlord to recover costs incurred or that may be incurred in legal proceedings as service charges, you may ask the court or tribunal, before which those proceedings were brought, to rule that your landlord may not do so.
 - (5). Where you seek a determination from the First-tier Tribunal, you will have to pay an application fee and, where the matter proceeds to an oral hearing, a hearing fee, unless you qualify for fee remission or exemption. Making such an application may incur additional costs, such as professional fees, which you may have to pay.
 - (6). The First-tier Tribunal and the Upper Tribunal (in determining an appeal against a decision of the First-tier Tribunal) have the power to award costs in accordance with section 29 of the Tribunals, Courts and Enforcement Act 2007.
 - (7). If your landlord –
 - proposes works on a building or any other premises that will cost you or any other tenant more than £250, or
 - proposes to enter into an agreement for works or services which will last for more than 12 months and will cost you or any other tenant more than £100 in any 12 month accounting period,
 - your contribution will be limited to these amounts unless your landlord has properly consulted on the proposed works or agreement or the First-tier Tribunal has agreed that consultation is not required.
 - (8). You have the right to apply to the First-tier Tribunal to ask it to determine whether your lease should be varied on the grounds that it does not make satisfactory provision in respect of the calculation of a service charge payable under the lease.
 - (9). You have the right to write to your landlord to request a written summary of the costs which make up the service charges. The summary must:
 - cover the last 12-month period used for making up the accounts relating to the service charge ending no later than the date of your request, where the accounts are made up for 12-month periods; or
 - cover the 12-month period ending with the date of your request, where the accounts are not made up for 12 month periods.

- (10).** You have the right, within 6 months of receiving a written summary of costs, to require the landlord to provide you with reasonable facilities to inspect the accounts, receipts and other documents supporting the summary and for taking copies or extracts from them.
- (11).** You have the right to ask an accountant or surveyor to carry out an audit of the financial management of the premises containing your dwelling, to establish the obligations of your landlord and the extent to which the service charges you pay are being used efficiently. It will depend on your circumstances whether you can exercise this right alone or only with the support of others living in the premises. You are strongly advised to seek independent advice before exercising this right.
- (12).** Your lease may give your landlord a right of re-entry or forfeiture where you have failed to pay charges which are properly due under the lease. However, to exercise this right, the landlord must meet all the legal requirements and obtain a court order. A court order will only be granted if you have admitted you are liable to pay the amount or it is finally determined by a court, tribunal or by arbitration that the amount is due. The court has a wide discretion in granting such an order and it will consider all the circumstances of the case.



hera

Tramway House
3 Tramway Avenue
Stratford
London
E15 4PN

0345 683 8812

info@heramanagementservices.co.uk

www.heramanagementservices.co.uk