

## 2023 annual service charge FAQs

### What are service charges?

Service charges are your share of the cost of work and services provided by Islington Council to your block and/or your estate that you have to pay under the terms of your lease. You pay an **annual service charge** for services such as caretaking and day-to-day repairs, plus your building insurance premium and ground rent. We send invoices for **major works** separately, after the work is completed. These are repair, replacement and improvement works (such as replacing lifts or windows) where the charge to any leaseholder is £250 or more. We will write to you separately about any proposed works.

### What period does the 2023 invoice cover?

The invoice covers the following:

1. **The estimated charges for the current financial year** (1 April 2023 to 31 March 2024). We invoice estimated charges because we don't know in advance the exact cost of providing works and services to your block/estate, especially as repairs can vary from year-to-year.

**And**

2. **An adjustment for the actual costs for the previous financial year** (1 April 2022 to 31 March 2023). We have now calculated the actual costs for 2022/2023. If we overestimated your charges, your adjustment will be a credit for the difference between the estimated and actual costs. If we underestimated your charges, your adjustment will reflect the additional amount due.

### How have the actual charges for 2022/23 been calculated?

The council uses a points system to divide the actual costs for communal works and services between properties. For example, grounds maintenance costs on an estate are divided amongst the properties on the estate, whereas communal heating costs are divided by the properties connected to the system and block charges are divided by the number of flats in your block. Each property is allocated four base points (notionally to represent a living room, kitchen, hallway and bathroom) and one extra point for each bedroom. So bedsits are allocated four points and a one-bedroomed flat would be allocated five points and so on. The amount charged to each property is the number of points as a proportion of the total points in the estate or communal system. This means that larger properties (based on the number of bedrooms) are charged more than smaller properties. You can find more information about the points system on our website at

<https://www.islington.gov.uk/housing/council-homeowner-services/service-and-works-charges>

### How have the estimates for 2023/24 been calculated?

The costs are generally based on the 2022/23 actual charges, plus a percentage increase for inflation. For repairs estimates we use the average charge from the last five years, plus a percentage uplift to reflect inflation.

Gas and electricity estimates are based on the same energy consumption as 2022/23 plus a 4.3% increase for gas (as advised by our Energy Team) and a 3% increase for electricity (mainly due to non-commodity cost changes, particularly changes to how transmission costs are being recovered by National Grid).

### Why have building insurance costs increased in 2023/24?

Unfortunately, the leasehold insurance market is very challenging now and in the last few years three major insurers have withdrawn from the market. Across the country leaseholders in both public and

private sector multi-occupancy buildings are seeing significant increases in building insurance premiums. The Financial Conduct Authority recently investigated this and you can read their report here: <https://www.fca.org.uk/publication/corporate/report-insurance-multi-occupancy-buildings.pdf>

You may recall that we only received one valid tender for our contract, from Protector Insurance. Some boroughs have received no bids for their recent leaseholder building insurance tenders. The Department for Levelling Up, Housing and Communities (DLUHC) is aware of this situation and is undertaking a review of the market. Islington at least managed to procure insurance, albeit at a substantial premium increase. Although Protector's cover is similar to the previous policy, their premium rate (the cost per £1,000 insured) is £2.079 (rounded here to 3 decimal places) this year, compared to our 2022-23 rate of £1.25. We asked Protector if they would lower their premium rate if we increased our excesses, but they would only reduce their premium rate by 2% which is not cost effective.

Each year we must also increase the property rebuild values in line with building inflation, otherwise we risk underinsuring the properties. Insurers use the Royal Institute of Chartered Surveyors BCIS House rebuilding cost index, which in December 2022 was 19.4%. In previous years this has been around 4% to 8%.

You can view and download the building insurance policy and insurance FAQ documents at <https://www.islington.gov.uk/housing/council-homeowner-services/leaseholder-buildings-insurance>

### **Why don't you provide more detailed information about my service charges with my invoice?**

The majority of leaseholders are happy with the level of detail we provide so to keep administration costs down we only provide more detailed information on request. We are also still working towards making more information available on our website and via online service charge accounts.

### **Who should I contact if I have a query about my service charges?**

Please contact the officer named on the letter that was sent with your invoice or email us at [homeownership@islington.gov.uk](mailto:homeownership@islington.gov.uk). You can also find useful information at [www.islington.gov.uk/leaseholders](http://www.islington.gov.uk/leaseholders)

### **Do I have to pay service charges if my property is unoccupied?**

Yes. Unlike Council Tax (which may allow payment breaks or reductions when your property is unoccupied or being refurbished) your service charges remain payable during this time.

### **What happens if I don't pay my service charges?**

If you are struggling to pay your invoice, please get in touch so we can help. Otherwise we will send you reminder letters including a letter before legal action, and if you still don't pay or keep to an agreed payment arrangement we will seek a County Court Judgment against you. In addition to paying the service charges you owe you will have to pay legal costs and interest. Further legal action, interest and costs would follow if the debt remains unpaid.

### **Are any costs for the upkeep of the estate paid for by council tax?**

No. By law, the council has to keep all of the income and expenditure associated with its housing stock separate from the income and expenditure relating to all other council services (education, social services, libraries etc). This means the council cannot recover the costs of maintaining and managing its housing estates from the council tax. Instead, council tenants contribute towards the costs through their rent and leaseholders and freeholders contribute through their service charge.

### **I'm a shared owner. When will I receive my next rent invoice?**

Your rent will be invoiced in accordance with your lease. This means it will be invoiced separately to your annual service charges on or around the date that your lease specifies that your annual rent review is due. This is usually the anniversary of the date your lease started. You will need to pay your rent in full before the next rent review.

# What your charges cover

## **Block mechanised services**

Pressure washing to clean areas of your block (e.g. dustbin chambers) and remove graffiti or spillages; using mechanical sweepers to clean and wash the communal pathways and areas of your block.

## **Block repairs and maintenance**

Repairs and maintenance to the structural, external and communal parts of your block, including lifts. Regular maintenance jobs could include CCTV repairs, electrical testing & inspections, water tank monitoring, water hygiene assessments and monthly lift inspections.

## **Building insurance**

Premium to cover the cost of insuring your property in the event of structural damage. This insurance does not cover your contents. The premium is calculated from the rebuild cost of your property, where you pay £2.079 (rounded here to 3 decimal places) for every £1000 insured. We also have to include 12% insurance premium tax (this tax is set by the government). The rebuild costs for 2023/24 have been increased by 19.4% to reflect property rebuilding and claims cost inflation based on the RICS Household Rebuilding Cost Index.

## **Caretaking**

The caretaking service for your block/estate. Duties can include cleaning communal corridors and staircases, picking up litter, reporting damage to communal areas and dealing with blocked rubbish chutes.

## **Communal electricity**

Electricity for the communal lighting, lifts and other services to your block/estate.

## **Communal heating/gas**

Hot water and/or heating from a communal heating system to your property. If you have had a switch 2 meter installed in your property then this section will no longer show the cost of gas consumption but will include the annual maintenance cost for your meter, which is £65.

## **Concierge**

The security service for your block. This can include: providing a physical presence on site, meeting and greeting visitors, CCTV monitoring, reception cover, answering the intercom and providing incident reports.

## **Entry phone repairs and maintenance**

The repair and maintenance of the communal entry phone system in your block.

## **Estate mechanised services**

Removing lumber and bulk rubbish; pressure washing to clean areas of your estate (e.g. bin chambers) and remove graffiti or spillages; using mechanical sweepers to clean and wash paths, roads and other communal areas.

## **Estate repairs and maintenance**

Repairing and maintaining the communal areas of your estate, estate roads and paths etc.

## **Fire safety**

The cost of Fire Risk Assessments, fire door checks, the maintenance of fire safety equipment (e.g. dry riser testing and fire detection inspections) and related repairs. Also technical surveys and drawings (up to £250 per leaseholder) so we can meet our legal obligations under the Building Safety Act 2022 including registering buildings with the new Building Safety Regulator.

**Ground rent**

Ground rent as per the terms of your lease.

**Grounds maintenance**

Maintaining the communal grassed and planted areas on the estate including grass cutting, pruning shrub beds and trees, clearing leaves.

**Heating repairs and maintenance**

Repairing and maintaining the communal heating system. This includes monthly maintenance inspections.

**Management fee**

It includes the costs of the Home Ownership teams who manage service charges and provide a leasehold management service, together with the central costs of managing your block/estate including: dealing with anti-social behaviour, leaks and general lease/tenancy issues; health and safety etc.

**Pest control**

Treatments carried out by the Pest Control Team to deal with block infestations.

**TMO management and maintenance**

Your local management organisation's costs for managing your building and/or estate. This will apply if your building or estate is managed by a tenant management organisation (TMO), a co-operative or an estate management board. You have to pay their fee for the services they provide, as well as a management fee to the council. Your TMO/co-op work out their costs based on the services they provide.

**TV repairs and maintenance**

Repairing and maintaining the communal TV aerial system. This includes the costs of servicing the equipment on a yearly basis.

Do you need this information in another language or reading format such as Braille, large print, audio or Easy Read? Please contact 020 7527 7715.