

Annual service charge FAQs for ex-PFI2 leaseholders

What are service charges?

Service charges are your share of the cost of work and services to your block/building that you have to pay under the terms of your lease. You pay an **annual service charge** for services such as day-to-day repairs, plus your building insurance premium and ground rent. Invoices for **major works** are sent 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.

Who should I pay my service charges to, the council or Partners?

Partners are responsible for invoicing and collecting your service charges for works and services they delivered up to the end of March 2022. Islington Council will invoice and collect your service charges relating to works and services carried out from April 2022 onwards.

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 the same points system as Partners to divide the actual costs for communal works and services between properties. 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 block/building. 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. Communal electricity estimates are based on the same energy consumption as 2022/23 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?

If your query is about service charges from 1 April 2022 onwards, please contact the officer named on the letter that was sent with your invoice or email us at homeownership@islington.gov.uk. You can also find useful information at www.islington.gov.uk/leaseholders

Please contact Partners if you have any queries about your previous years' service charges: tel 0800 587 3595, email: PFISCE@partnersislington.net

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.

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.

What your charges cover

Charge	What the charge covers
Block repairs and maintenance	Repairs and maintenance to the structural, external and communal parts of your block.
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.
Communal electricity	Electricity for the communal lighting and other services to your block.
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.
Ground rent	Ground rent as per the terms of your lease.
Grounds maintenance	Maintaining the communal grassed and planted areas including grass cutting, pruning shrub beds and trees, clearing leaves.
Management fee	It includes the costs of the Home Ownership teams who manage service charges and provide a leasehold management service, and the central costs of managing your block including: dealing with anti-social behaviour, leaks and general lease/tenancy issues; senior managers; health and safety etc.
Pest control	Treatments carried out by the Pest Control Team to deal with block infestations.
TV repairs and maintenance	Repairing and maintaining the communal TV aerial system. This includes the costs of servicing the equipment on a yearly basis.