

# **Rent & Service Charges**

## **FREQUENTLY ASKED QUESTIONS**

### **Information for Leaseholders and Shared Owners**

#### **I am a shared owner. How is my rent reviewed?**

As set out in your lease, your annual rent is reviewed with an increase of the retail price index (RPI) plus an additional percentage usually 0.5 to 1%. Your lease will state the exact amount, when the increase should happen and which month's index we use. This is reflected on your annual rent review letter.

#### **How does ISHA work out service charges?**

Service charges cover the cost of any communal services. The most common communal services include grounds maintenance, cleaning, replacing light bulbs and fittings and electricity usage. The charges also cover the cost of maintenance and repair to equipment within shared areas such as lifts, communal TV aerials, CCTV, electronic gates, door entry systems and fire equipment. We use a variable service charge system to calculate the charges. This means we estimate the cost of each communal service and charge you your share of that estimate. These estimates are calculated using contractual information or through analysing past costs.

#### **Why am I paying more towards the service charge than my neighbour?**

The method for charging service charges is set out in your lease. The cost of providing a service must be shared fairly between all the flats in the building. To calculate your share of the cost we split all the costs between the flats in the block. In some cases where the flats are different sizes, the larger flats may pay more in service charges.

#### **What happens if the estimate is lower or higher than we have been charged?**

To make sure you pay the actual cost of the service, we annually compare our estimated cost with the actual cost over the past year and adjust the charge to take the difference into account. We tell residents whether the charge is more or less than the estimate within six months of the financial year end. This is the annual service charge statement of accounts and you should normally receive it in October. If for some reason, we cannot send you the information, we will let you know.

#### **Why do the estimates for utilities fluctuate so much?**

In the past some of our costs were based on estimated reading but we are now taking readings on a regular basis and costs are now more realistic. We also use an energy company which buys energy on the wholesale market. This helps reduce our costs.

## **Why am I being charged an estimate for a risk assessment - water treatment/ legionella testing?**

Where there is a water supply that is not directly connected to the main water supply and held within a storage tank, an annual assessment must take place. This is so we can monitor any possible risks to the people who use the water supply, such as exposure to bacteria like legionella and also make sure we take suitable precautions, to ensure we're compliant with the Health and Safety Executive legislation.

## **Why am I being charged an estimate for risk assessment - fire?**

Fire risk assessments assess the risk of a fire starting and the consequences of the fire and/or smoke. It is a legal requirement to reduce the risk of fire, where practical, and to assist the person who produces the risk assessment for each block. A comprehensive assessment is carried out every year.

## **Can I get a refund when you have charged me for maintenance of equipment that has frequently broken down?**

The charges for the maintenance and repair of equipment shown on your service charge schedule are to ensure continuity of the service through regular maintenance checks and a prompt repair service.

If an item covered by the maintenance contract is not fixed within our targets, we will reimburse you the service charge element. This will normally be paid into your rent or service charge account.

## **Why am I being charged for communal repairs, and what are they?**

Leaseholders pay this charge in their service charge. It is for repairs to communal areas for things like carpets, manual gates and communal garden equipment.

Tenants are not charged this as these costs are paid from their rent. For shared owners, the rent payments only cover ISHA's mortgage payments so there is no contribution towards services.

## **Are my services provided by ISHA or a managing agent?**

Your charges should make it clear where the services are provided by an external management agent. Where the agent provides all the service, our management costs are reduced and we will arrange for you to receive a copy of the charges they pass on to us.

## **What does the management fee cover?**

The management fee covers the cost of working out and managing services to our leaseholders. It mainly includes:

- a proportion of the staff costs for the departments within ISHA who deliver services to you such as neighbourhood management, customer accounts, rents and service charges, maintenance partnerships, procurement and the customer contact centre (this will depend on your type of lease and tenure, some departmental costs may not be applicable to you).
- overheads such as the cost of the offices which includes things like utility and telephony costs, recruitment and training, insurances and IT.
- stationery, printing and postage.
- and if applicable, there will be a fee charged from a managing agent where the estate services (or part thereof) are not delivered directly by us.

## **I am a shared owner - why am I contributing to sinking fund?**

This fund is for major works to your block which occur approximately every five to seven years for things like painting window frames and internal areas, replacing fencing, hiring scaffolding for these works and also a contribution to future long term works such as the replacement of roofs in older blocks. Unexpected major works are also charged from this fund when the work relates to the fabric of the building or surrounding grounds. We maintain a sinking fund primarily for two reasons. (1) to ensure that all occupiers contribute to major works, not just those who are in occupation at the time they are carried out, and (2) to spread the annual charges to assist with your budgeting. All reserve funds earn interest which benefit leaseholders.

## **How do we set the sinking fund?**

The costs are based on what we think it would cost to carry out the major works. We know that we will carry out the works every five to seven years so we spread the estimates of that period. This way we build up a fund which contributes to this work. It may not pay for all the works as sometimes we find that extra works need to be carried out. When this happens we have to invoice for the difference. For this reason we need to review the costs and we plan to do this over the next 2 years.

## **I am a freeholder, why do I still need to pay a service charge and long term maintenance charge?**

You may need to contribute towards a service charge and a long term maintenance charge if, for example, your property is built on an un-adopted road, which is a road that has been built as part of your development but isn't the responsibility of the council to maintain. As part of the original planning permission, we have a responsibility to look after the un-adopted road which could also include lighting columns. We collect a service charge for the communal service provided for the road. A long term maintenance charge is collected for the reserve fund for any future proposed works on the road.

**If I am paying insurance to ISHA, do I need to have my own buildings insurance?**

You do not need to obtain your own buildings insurance ISHA hold the freehold and therefore covers this. However, you will need to obtain your own contents insurance.

**What can I do if I'm having problems paying my rent and service charges?**

If you have problems paying your rent, coping with debt, or would like advice on welfare and benefits, please contact us and we will refer you to a debt advisor. To arrange an appointment phone our Revenue Team on 020 7704 7300.