

Service Charges

Service charges are monies collected to maintain the structure of the building and common parts and cover the cost of any services provided. These include; repairs, cleaning, lift servicing, gardening, on-site staff, utilities, buildings insurance, managing agent's fees, in fact any service that is provided under the lease.

The lease will dictate what service charges cover, when they are requested and how they are accounted for. Under legislation, the money is held in trust by the Managing Agent or Landlord for the benefit of the building. Except for the management fee, the money does not belong to the managing agent or landlord and must be accounted for separately.

Most leases state that a budget should be produced at the start of the service charge year. This is an estimate of what is likely to be spent during the course of the year and is prepared by the Managing Agent, Residents' Management Company or landlord; depending on the lease. The amounts you pay will be a proportion of the total. The lease will set out what percentage you are responsible for and the frequency of payments. At the end of the service charge year, accounts should be produced to show how the money has been spent and whether it is higher or lower than the budget estimate. The lease will say how any underspend/overspend is to be dealt with.