



watsons



Service Charges

Peace of Mind with Transparent Costs



Regulated by

RICS[®]

Service Charge Guidance

Service charges are contributions made by property owners within a block towards the upkeep and maintenance of communal areas and services. These charges cover essential expenses like building insurance, repairs, cleaning, grounds maintenance, and the management of the building. Understanding service charges is crucial as they contribute significantly to the overall living experience and property value.

There is no one size fits all approach to setting and managing service charges, which is why we build bespoke packages to suit the properties we manage. We understand no one likes to pay more than they have to, so we work hard to give you the best value for your service charge. Service charges are allocated and invoiced in accordance with the terms of your Lease or Transfer.

The money you pay can only be spent on your property, and only property owners in your block or estate can benefit from it. Money collected is never used on other developments nor is it money spent by Watsons in managing our business. These requirements are all designed to protect you and to ensure your fund is safeguarded.

Service Charge Calculations

Service charges are a requirement outlined by the individual lease or property covenants, enabling the recovery of costs associated with maintaining and servicing the common parts of the property. In some cases, freeholders particularly on new build estates may also be obligated to contribute under the terms of their property covenants.

Dependent on your setup you may have more than one service charge to contribute to – for example a separate building and estate charges. The charge normally covers the cost of general maintenance and repairs, communal amenities, and cleaning of common areas for example.

While this varies between properties, your service charge usually pays for things like keeping your communal windows clean, ground maintenance and landscaping - taking chores off your hands. Inside your building your service charge pays for the lighting, heating, and the regular cleaning of the communal areas.

It also covers maintaining the mechanical equipment that keeps your development running smoothly including lift maintenance, water pumps, security gates, communal heating boilers and fire equipment. Your budget will have been agreed in advance with either the directors who support the management of your building or the freeholder.

At Watsons, we organise health, safety, and fire risk assessments with suitable specialists to make sure your building is kept safe. Your service charge can also cover the insurance for your building, and the salaries of any onsite staff.

We will always be transparent about what is being spent throughout the year and will send you an itemised set of accounts for the annual spend so you can see exactly what has been done and how much it everything cost.

Our Fees

When you pay your service charge, a portion of the money goes towards our management fee. This covers the cost of us carrying out site inspections, our customer service and specialist teams working behind the scenes, and our procurement team arranging maintenance and repair work and negotiating competitive rates with suppliers.

We also take care of a wide range of regulatory and compliance activities to make sure the communal areas you share with your neighbours are safe.



Cost of Service Charges

The details of what can and cannot be charged and the proportion of the charge to be paid by the individual property owner in accordance with the lease or property covenants.

A service charge can be increased or decreased from one year to the next, but the charge must remain reasonable. Your lease should set out:

- What services you must pay for
- When you must pay
- How the freeholder collects the charges
- How the service charge is calculated
- How the charge is divided between the leaseholders
- Where there is a reserve/sinking fund

At Watsons we have a dedicated client finance department supported by specialist service charge technicians. This allows us to accurately manage a property owner's individual account and their overall service charges.

Our annual forecast is calculated based on known expenditure from previous years, existing service contracts and planned works for the coming year based on our experience.

What is a Sinking/Reserve Fund?

Many leases provide for the landlord to collect charges in advance to create a reserve fund. The aim is to build a sum of money to cover the cost of irregular and expensive works, and this protects property owners from a sudden large bill. If you sell your home before the reserve fund has been used for repairs, you are unlikely to receive a refund.

Section 20 Consultation Requirements

If there are any works to be carried out which will cost more than £250.00, for any one individual property owner, we will provide all property owners with a notice of intent to carry out works, provide two or more estimates for the work, and explain our choices for choosing a contractor. This is in accordance with the statutory process known as "Section 20" consultation. This helps ensure we provide complete transparency to the property owners in the buildings we manage whilst giving you the opportunity to recommend a contractor.



Payment on Account

For your benefit and peace of mind, all property owners will receive a certified set of accounts after completion of the first accounting year. Any surplus on your 'on account' payment will be credited in accordance with the terms of your Lease or Transfer. Similarly, any shortfall will be charged.

Various items of maintenance and repair clearly involve the expenditure of money. Most leases provide for advance payments to be made to ensure that we are in funds and able to meet bills as they fall due. Before the commencement of a new financial year, we will send you a budget of likely service charge expenditure.

It is important to appreciate that, this is only an estimate (often based upon experience in prior years and known items of current expenditure). We cannot anticipate all circumstances.

We will then invoice you for advance payment on account of this Budget at least 21 days before the advance payment must be made. Please ensure that your payment reaches us by the due date.

Payment Plans (via Direct Debit)

Depending on the terms of your lease and the management agreement with you or your residential management company or similar, we may offer a payment plan to split the service charge into 4,6,9 or 12 monthly direct debit payments.

This makes it easier on your finances as we do not spend your service charge on day one. However, the reason we cannot offer 12 months at all developments will relate to cash flow restrictions (for example when the block insurance policy is due).

Late Payments

Payments in respect of service charge expenditure are due to be paid on the dates specified in your lease. We will invoice you at least 21 days before the payment date.

It is important that payments are made promptly otherwise there simply will not be the funds to pay for necessary expenses. It is our duty to ensure that all contributions are collected in full and in a timely manner for continuity of service.

If any payments are late, we will send an overdue statement. If payment is still not received, we will send a firm reminder, which may incur an administration fee. Some property owners take objection to receiving such a communication and we regret its necessity. However, a minority of property owners take a somewhat casual approach to Service Charges and make payment when they feel like it.

This is clearly unfair on most other property owners who do pay on the due dates. We retain the right to add interest (at a rate specified in your lease) or such rate as may be allowed by the courts on any sums that are more than 14 days overdue.

If we receive no response to our reminder, we will have no alternative but to place the debt with our debt collection agency/solicitors for collection and seek to recover not only the outstanding sums but also interest and legal costs.

Failure to pay service charge accounts could lead to an action for forfeiture of your lease after we have obtained a certificate from the Court or the First Tier Property Tribunal that the Service Charge is reasonable.

If you are going to have difficulties making payment, please contact our Client Finance team as soon as possible. It may be possible to work out a sensible payment regime. However, if you do not communicate with us, we will pass the papers to our solicitors and you will then become liable for legal costs as well as the amount outstanding.

RICS Client Money Protection

RICS' rules say that firms regulated by RICS, such as Watsons, shall preserve the security of clients' money entrusted to it.



This means that a firm regulated by RICS should ensure that:

- your money is protected
- any money you entrust to the firm is held in a client account, separate from the firm's own money the client account is a bank/building society account with the word 'client' in its title and contains only money that belongs to clients
- the firm confirms the details of the account with you in which your money is held
- your money can only be used for those purposes that you have agreed with the firm.

Protection Scheme

RICS also funds a Clients' Money Protection Scheme. This is a free service provided by RICS to clients of firms that are regulated by RICS. RICS purchases insurance to protect its exposure under the Scheme.

Clients who entrust money to firms regulated by RICS are protected in the unlikely event that the money is mishandled. You can easily recognise a firm that is regulated by RICS by the strapline "Regulated by RICS" used on their business stationery.

Any money, up to the scheme limits, entrusted to a firm that is regulated by RICS will be covered by the scheme.

If you wish to be assured that Watsons is regulated by RICS please contact the **Regulation Helpline** 0207 695 1670.



CONTACT DETAILS & USEFUL INFORMATION

All Services - 0333 220 1234

We have a dedicated team who are available on Monday - Thursday from 9am to 5.30pm and Friday from 9am - 5pm.

Block & Estate Management Team
01603 226500
management@watsons-property.co.uk

Client Finance
01603 226512
finance@watsons-property.co.uk

Out of Hours

Outside these hours, we have a 24/7 out of hours team available to deal with any emergencies, to give our clients peace of mind throughout the night.

Out of Hours Emergency (Paid Service)
01603 574031

Company Details

- Watsons Property Group Limited, trading as Watsons. Registered in England.
- Company No: 12362918 | VAT Registered | No. 304 700 708
- Registered Head Office: 18 Meridian Way, Norwich, NR7 0TA
- Regulated by RICS - Royal Institution of Chartered Surveyors: Firm No. 874643



The firm and our employees are members of professional and regulatory bodies. These include the Royal Institution of Chartered Surveyors (RICS), the Association of Residential Letting Agents (ARLA), and The Property Institute (TPI). We are also ISO 9001 certified. This is a globally recognised standard for quality management. It helps organisations of all sizes and sectors to improve their performance.





0333 220 1234
www.watsons-property.co.uk