

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 6 July 2010	<b>Meeting Name:</b> Housing and community Safety Scrutiny Sub-Committee
<b>Report title:</b>		Briefing for Leaseholder Service Charges	
<b>Ward(s) or groups affected:</b>		Borough wide	
<b>From:</b>		Strategic Director of Environment and Housing	

1. Southwark Council, like most other landlords today, charges its homeowners “variable” service charges, as opposed to the “fixed” service charges paid by secure tenants.
2. This means that the service charges vary from year to year dependant on the cost incurred in delivering services required by the lease to the homeowners’ block or estate in any given year. So, for example, if many repairs are carried out to a block in a particular year or the trees on an estate are pruned, the service charges for homeowners in the block/ on the estate will rise. The service charges will however likely to be lower the following year as these services will not be required.
3. Variable service charges are governed by the rules set out in the Landlord and Tenant Act 1985 (as amended) inter alia:
  - Landlords must consult with leaseholders if procuring services for more than a year that are estimated to cost over £100 per annum (£250 for building works)
  - Service charges must be reasonable and can be challenged in the Leasehold Valuation Tribunal
  - Demands will be in a prescribed format and must be accompanied by statutory information.
4. The legislation allows and our leases dictate that service charges are demanded in advance. As a result, service charges are initially issued as an estimate. The estimated demand is then subject to an adjustment, which may be a credit or debit, once the actual costs are finalised.
5. Legally there is no distinction between an annual (revenue) service charge and a “one off” service charge in respect of Major Works. However because of the different funding, procurement and delivery processes Southwark (in common with other councils and ALMOs) bill these charges separately and have separate payment mechanisms.

Year	Rev., billed (£m)	Rev., collected (£m)	Maj. Works, billed (£m)	Maj. Works, collected (£m)
2004/5	9.7	7.4	11.0	4.7
2005/6	9.9	11.1	7.6	7.5
2006/7	12.6	12.3	7.2	7.6
2007/8	13.6	14.5	13.1	7.7
2008/9	16.4	17.4	8.2	8.1
2009/10	16.3*	16.3	5.2	8.0
<b>Totals</b>	<b>78.5</b>	<b>79.0</b>	<b>52.3</b>	<b>45.6</b>

Arrears

@31.3.10 **3.1m**

@31.5.10 **11.3m** \*\*

\* Estimate

\*\*£6.8m covered by payment plans