

Explaining the rise in service charges March 2023 – frequently asked questions for our leaseholders

Arabic

إذا كنت ترغب في التحدث إلينا بلغتك حول محتوى هذه الرسالة ، فيرجى الاتصال بمجلس مدينة ويستمنستر 0800358 3783 أو زيارة مركز الخدمة المحلي الخاص بك

Bengali

আপনি যদি এই চিঠির বিষয়বস্তু সম্পর্কে আপনার ভাষায় আমাদের সাথে কথা বলতে চান, তাহলে অনুগ্রহ করে ওয়েস্টমিনস্টার সিটি কাউন্সিলের সাথে যোগাযোগ করুন (0800 358 3783) অথবা আপনার স্থানীয় পরিষেবা কেন্দ্রে যান

Portuguese

Se desejar falar conosco sobre o conteúdo desta carta no seu idioma, entre em contacto com a Westminster City Council através do número 0800 358 3783 ou visite o centro de atendimento da sua área local, através do endereço abaixo indicado.

Kurdish

Ger hûn dixwazin li ser naveroka vê nameyê bi zimanê xwe bi me re bipeyivin, ji kerema xwe têkilî Şaredariya Westminster (0800 358 3783) bikin an biçin navenda karûbarê xweya herêmî.

Spanish

Si desea hablar con nosotros en su idioma sobre el contenido de esta carta, comuníquese con el Ayuntamiento de Westminster (0800 358 3783) o visite su centro de servicio local.

What are service charges?

Day to day annual service charges for tenants and leaseholders are the share of the cost of managing, maintaining, repairing, insuring (for leaseholders), and providing services to the block or estate where you live.

The charges include cleaning, concierge, ground maintenance, repairs, and maintenance works, building insurance, pest control, heating, hot water (when supplied by the council for those on district heating systems), management costs and any other running costs to your block or estate.

These costs are shared between tenants and leaseholders, and leaseholders pay a proportion as described in your lease.

Why are my service charges different to my neighbours?

The service charge paid by each individual household will vary due to their lease percentage which is calculated by the bedspaces within their home and the services Westminster deliver. It is possible for properties that seem very similar to have different numbers of bed spaces and if different works or services are provided, then the service charge is different.

The most significant distinction is between tenants and leaseholders, with leaseholders paying for insurance, and repairs and between those connected to district heating networks and those who are responsible for their own in flat heating and hot water.

Why have the overall service charges for leaseholders increased this year?

The overall increase in service charges, excluding energy and insurance, is **8.6%** which is below inflation.

There are two big charges this year which make up most of the increase; energy costs and insurance. Both these costs are outside our control, and we have no option other than to pass on the full increase to leaseholders.

Buildings Insurance

Leaseholders must also contribute to the cost of insuring the buildings. The insurance market along with energy is in crisis, which has led to a large increase in costs. Westminster City Council's current insurer, Avid, has withdrawn from the insurance market, and at the same time several other insurance companies have also stopped providing insurance cover for local authorities. This has led to the very difficult situation that a company called Protector is now the sole provider of residential leasehold buildings insurance. This has led to a 30% increase in the buildings insurance this year in comparison to last year, which is an additional £139.00 (average) on each leaseholder's service charge bill. We worked hard to keep the increase as low as possible, and the insurer originally wanted a 60% increase.

Are there any other options?

Yes. Some councils have not been able to get any insurance cover at all from Protector, and they have no option but to "self-insure". This carries a great deal of risk to the local authority (the reason why we get insurance in the first place) and will most likely result in a higher service charge bill to leaseholders to cover the additional risk. So, due to the high risk to both the council and our residents of being self-insured, Westminster has decided to insure with Protector to cover our residential housing stock for one year and we will consider the options for future years.

Have all the other service charges increased this year and are we getting value for money?

There are 50 services which are billed as a service charge and 30% of these charges have decreased this year in comparison to last year. Accountancy and Administration for example is for services provided exclusively to leaseholders and has reduced by 17.02% from last year due to efficiencies in the department and an improved billing process. We strive to keep service charges as low as possible and this year excluding energy costs and insurance the overall service charge cost has increased by 8.6% which is less than inflation.

Why haven't I had more notice of these charges?

Each March, we send our leaseholders an invoice for the estimated day to day and major works service charge for the forthcoming year; and tenants receive a rent statement including service charges. We notified our residents of the increase in the energy prices late last year. Unfortunately, we were unable to notify our leaseholders of the increase in the insurance costs any earlier as Avid have only just served notice of their withdrawal from the insurance market.

What is the average service charges this year?

The service charge will vary depending on the size of your property and some of the specific charges delivered to your block and estate. The table below outlines the average base service charge (all services apart from insurance). The average insurance charge and the variance is also shown.

	2022/2023	2023/2024	Variance
Bedroom	AVERAGE BASE SERVICE CHARGE		
0	£ 571.69	£ 626.80	9.64%
1	£ 867.98	£ 966.73	11.38%
2	£1,476.01	£1,586.79	7.5%
3	£1,721.93	£1,865.04	8.31%
4	£1,847.71	£2,018.94	9.27%
	2022/2023	2023/2024	Variance
Bedroom	AVERAGE INSURANCE CHARGE**		
0	£ 198.27	£ 260.80	31.54%
1	£ 301.91	£ 392.65	30.06%
2	£ 417.59	£ 547.85	31.19%
3	£ 521.53	£ 680.74	30.53%
4	£ 617.27	£ 813.40	31.77%

** Please note, the insurance service charge is based on the number of bedrooms in each property and which storey the property is on. These elements provide a different service charge sum for each instance, but overall, the insurance premium for each property has increased by the same percentage.

Why can't the Council simply reduce the service charges and subsidise the costs?

All the services that make up the service charges are provided to our tenants and leaseholders. These services are paid for from the Housing Revenue Account (HRA) but the cost of services received by leaseholders must be funded by leaseholders. This is because the HRA is a ring-fenced account regulated by Central Government. This means that the money that is spent from this account on services can only fund services for Council tenants and is paid for from the rents and service charges that tenants pay into it. If we were to reduce the service charges for leaseholders, tenants through their rent would be subsidising leaseholders, which is not a lawful situation.

Why is there a rent support fund for tenants, but no similar fund for leaseholders?

The Rent Support Fund is paid for from reserves in the Housing Revenue Account. However, for the reasons outlined above, we cannot use the reserves to subsidise leaseholders as this money has been built up from tenants' rent. We therefore must recharge the full cost of leaseholders' service charges to our leaseholders. Westminster pays for the services to the blocks and estates from the HRA for the services which are not recharged to our tenants. As an example, our tenants do not pay insurance because they do not own their home. Westminster fully insures our blocks for the full reinstatement value.

What support is available if I am struggling to pay?

We will continue to work closely with our residents who require any support and assistance with their service charges. We can discuss an extended payment term or offer you a 3-month payment holiday if you are finding it hard to maintain your payments. You will need to discuss this agreement with a leasehold advisor to ensure any direct debit or standing order is adjusted before your next payment is due.

If you are worried about how to pay your service charges, please do not hesitate to contact us. The sooner you contact us, the sooner we can help you. We will work with all our leaseholders on a case by case basis to ensure we are offering you every means of support and we will do everything that we can to help you work out a manageable payment plan.

Further down in this FAQ, you will find full details of our cost of living support hub and all of the support on offer to our residents.

www.westminster.gov.uk/cost-of-living-support

Contact details: Telephone 0800 358 3783 Email: housing.enquiries@westminster.gov.uk

How do leaseholders pay the service charges?

Day to day service charges are payable over 12 equal monthly instalments.

For major works service charges, payment plans offer an extensive range of payment options. If leaseholders are finding it difficult to pay their day to day or major works service charge, please contact our leasehold advisers who will be able to discuss the options and support you with a payment option which works for you.

Contact details: Telephone 0800 358 3783 Email: housing.enquiries@westminster.gov.uk

Leaseholders who have had major works

Why am I having to pay for major works service charges as well?

Some leaseholders will be charged for major works as well. These charges are for necessary repairs, renewals, and in some cases, improvements to specific homes and blocks which we can't do under the normal day-to-day repairs due to the amount of work involved. Those leaseholders who are receiving these charges will have been consulted and will have received more information about the works.

What if I am struggling to pay the major works service charges?

From January 2023 we have made a significant change to our major works service charges payment options. These changes make Westminster's payment options the best in London.

- We have extended the current 60-month interest free payment option to include a further option of up to 60 additional months (120 months in total) for service charges of £20k or more for our resident leaseholders. No interest will be charged on months 1-60. Interest is charged on the balance at month 60 for months 61-120.
- We now offer a new Discretionary Service Charge loan which could extend loans, with payment terms up to 25 years.

To provide support to our leaseholders we offer the following payment options for our major works service charges;

Invoice	Term	Payment options available
Up to £2,000	12 months	If your invoice is under £2,000 you can spread your payments over 12 equal monthly payments. No interest is charged.
£2,000 and above	24 months	If you receive an invoice for more than £2,000 you can spread payments over 24 equal monthly payments. You must complete an extended payment instalment form. No interest is charged.
£2,000 and above (Resident Leaseholders only)	60 months	If you receive an invoice for more than £2,000 you can spread payments over five years in 60 equal monthly payments. This option will not be made available where the property is sublet, owned by a company, or owned by a housing association. You must complete an extended payment instalment form. No interest is charged.
£20,000 and above (Resident Leaseholders only)	12 months	If you receive a bill for more than £20,000 you can spread payments over ten years in 120 equal monthly payments. No interest is charged for months 1-60. Interest is charged on the balance remaining at month 60 at 1.5% above the Bank of England Base rate for months 61-120. This option will not be made available where the property is sublet, owned by a company, or owned by a housing association. You must complete an extended payment instalment form.
£20,000 and above	300 months	If you receive a bill for more than £20,000, Westminster City Council is now offering a Discretionary Service Charge loan, available to all leaseholders who are unable to secure borrowing from their mortgage company or a personal loan. The service charge loan will be secured by a way of a legal charge on the property for a maximum of 25 years. Interest will be charged at a variable rate of 1.5% above the Bank of England base rate and will be reviewed annually. You will also need to pay the administration costs involved. Westminster City Council is only a lender of the last resort.

If you are finding it difficult to pay your service charge then it is important to contact us as soon as possible, our friendly Service Charge Collections Team are here to help. The sooner you contact us, the sooner we can help you.

Contact details: Telephone **0800 358 3783** Email: housing.enquiries@westminster.gov.uk

Support with service charges can be found here;

www.westminster.gov.uk/housing/leaseholders/service-charges/service-charge-support

Book a 20 minute online appointment



You can now book 20 minute online appointment to discuss your service charge account with one of our leasehold advisors. We are available every Monday, Tuesday, Thursday, and Friday you can book between the hours of 9am to 5pm and on Wednesdays between 9am to 8pm.

Once you have booked your appointment you will receive an email to confirm your upcoming booking on Microsoft Teams. You can manage your booking, reschedule, or cancel your appointment at any time. Please join the meeting via the Teams link you receive; we will call you after ten minutes of your appointment time if you have not joined the call. Please provide a summary of what you would like to discuss regarding your service charge account to help us to prepare for your appointment.

Book a 20 minute appointment now by scanning the QR code or follow the link below

www.westminster.gov.uk/housing/leaseholderbooking



Cost of living support hub

The cost of living crisis is affecting us all. We have found that around a quarter of households in Westminster, more than 31,000, face a serious reduction in living standards due to rising costs, such as fuel, energy bills and food. The information provided here can help you with everything from accessing government financial aid to finding local advice services. Whatever hardships you're facing, we're here to help.



For further information, scan the QR code or follow the link below.

www.westminster.gov.uk/cost-of-living-support

Contact us

If you have any queries in relation to your service charges or major works, or any other housing matter please contact us:

Telephone: 0800 358 3783 (freephone)

Email: housing.enquiries@westminster.gov.uk

South Area Service Centre - 137 Lupus Street, SW1V 3HE

<https://goo.gl/maps/yut3Det5ZSifQM8c7>

What other help is available

You can also call the following for advice:

- Citizens Advice Westminster - Advice Line 0808 278 7834
<https://www.westminstercab.org.uk/advice/online-enquiry/>
- National Debtline - Freephone 0808 808 4000
www.nationaldebtline.org
- Step Change - Freephone 0808 138 1111 808 4000

www.stepchange.org

- Contact your mortgage provider who has an interest in the property and may offer assistance. We recommend that you contact them to discuss how they can help you.