



Managing Agents for



Service Charges – Major Works Explained

Introduction

Leathermarket Joint Management Board ('the JMB') is a resident managed organisation which manages the street properties, blocks and estates in which your flat is situated, on behalf of your freeholder, Southwark council.

From 1st of April 2019 the JMB has been responsible for the construction, billing and collection of service charges. From this date all service charges should be paid to Leathermarket JMB – you will be given details of how to change existing bank mandates in due course.

Until a few years ago Southwark council delivered all homeownership services themselves, this included the construction, billing and collection of all service charges for JMB managed properties. A decision was made by the JMB Board to deliver the services directly and a timetable, overseen by a group of JMB leaseholders, was developed to manage a gradual transfer of responsibility. There were several reasons for the JMB's decision to take on responsibility for homeownership services:

- (a) The JMB has always delivered the day to day services for its properties, for example cleaning, grounds maintenance and repairs. It is far more accountable for the JMB, which spends money on these day to day services, to answer queries from homeowners who pay a share of the cost of these services in their service charges.
- (b) Southwark council prepares over 15,000 service charges for homeowners whilst the JMB will be doing this for only 450. This smaller scale will enable the JMB to give a more detailed level of explanation about costs included in your bill.
- (c) Leathermarket JMB's staff are responsible for the standard and quality of services and are therefore best placed to answer questions raised about the level of service delivered.
- (d) From April 2016 Southwark council started to charge the JMB £56,000 each year to deliver homeowner services. Subsequently they indicated that they considered this amount did not properly reflect their costs and that the JMB could see a significant increase in the charge. The JMB has no control over the level of this fee which must be transferred in full to its homeowners.
- (e) The JMB became 'self-financing' in 2013 which meant service charges collected by the council were paid over to the JMB. It is more efficient for the JMB to simply collect the service charges direct from its leaseholders.

What are Major Works?

Major Works comprise large items of work, such as repairs or renewals to the exterior and communal elements of the block. This includes the roof, windows and external structure, the communal electrical supply, and communal services such as

lifts, door entry systems and communal heating. Under the terms of your lease the landlord is responsible for these works to your property.

Some major works contracts are for extensive refurbishment of the whole building. It may also include work to the inside of tenanted properties, and where this is the case, the cost of these works is excluded from the major works service charge.

Major works service charges differ from annual revenue service charges such as day to day maintenance and repairs. Major works usually have a longer-term effect on the building than the work carried out by the responsive repairs contract. The JMB invoices major works separately to the annual revenue service charges in order to facilitate various payment options outside of the terms of the lease.

How does the Leathermarket JMB decide what works are required?

The JMB use stock condition and historic maintenance records to identify the age of the main elements of the blocks to indicate which blocks may require works. Surveys are carried out and referenced against repair and maintenance records to determine what works may be required. The capital programme is approved by the Leathermarket JMB's Board of Directors and Statutory Leaseholder consultation commences. Prior to commission of any works, more detailed surveys are undertaken and professional consultants engaged in order to draw up a specification of works and go out to tender.

Who carried out the major works?

Leathermarket JMB are in Long Term agreements with professional consultancy firms that provide specialist services to facilitate and manage the major works programme. Individual Major works contracts are tendered on the open market and leaseholders are provided with the opportunity to nominate contractors as part of the Section 20 process (4 part 2).

Estimate

The major works service charge estimate is based upon the tendered contract cost and the rechargeable elements of the specification of work. The specification is drawn up from surveys of the block and/or estate, however there will be works that cannot be accurately specified or measured until the contract is on site, and where appropriate, until scaffold is in place. Therefore, the specification will usually include provisional and contingency sums which allow an estimate for what we could expect to spend on unmeasured works.

Final Account

The final account is prepared and agreed by the professional consultants based on the actual works the contractor has carried out on site. It shows the measured quantities of any work that was previously provisional and takes out any contingency

sums, replacing them with detailed contract instruction should it of been necessary to utilize the funds.

The final account is cross referenced with the payments made by the JMB to ensure that all costs are accounted for.

How are my charges calculated?

Your lease states that the landlord may adopt any reasonable method for calculating service charges and may adopt different methods in relation to different items of costs and expenses.

Typically, for works to the structure of a building such as roof, windows or communal and external decorations, service charges are based on a unit based system. This is calculated by adding four to the number of bedrooms in a property. For example, a bedsit has four units, a one-bedroom-flat has five units. The number of units for each block or estate is totaled and divided into the cost to give a cost per unit, and that cost is multiplied by the number of units for each individual property to come to the charge for that property. This means that the owner of a three-bedroom property will pay more for an individual service than the owner of a one bedroom flat in the same block. This method was agreed by the Leathermarket Joint Management Board and matches to the methodology used to calculate annual revenue service charge apportionments and to how Southwark Council apportion costs.

For contracts that are specific solely to service items such as door entry systems, costs are equally apportioned to all properties.

All service charges are fairly apportioned between all properties in your building. The JMB pays the proportion relating to rent-paying tenants from the rents received. Then cost of services to tenants is not subsidised in any way by homeowners.

Professional fees

The JMB uses specialists such as building consultants and quantity surveyors to prepare the specification of works and oversee the contract. These professional consultancy services are incidental to the carrying out of the contract and their costs are charged as a percentage of your contribution towards the works.

Management Costs – 9.74%

These are the 'overhead' costs associated with delivering the communal services you receive. They fall within one of two broad categories: **staffing costs**, these include an apportionment of senior managers' time, the reception service, staff involved with human resources, finance etc; and **office running costs**, which include items such as business rates, electricity, gas, water, heating, lift, cleaning together with insurances, banking charges and IT services.

Our basic methodology is to assess how much it costs the JMB, in terms of overhead costs, to deliver the communal services to all our residents. This total therefore does not include the overhead costs associated with services to secure

tenants such as rent collection and accounting, allocations or internal repairs. The total does include overheads associated with costs which are only attributable to leaseholders, for example, costs associated with service charge accounting and Southwark council's homeowner management costs. The grossed total of all these costs are then spread as an on cost to the total direct costs of all the communal services: in this way we can calculate how much it costs the JMB to manage the communal services to each block and estate it manages.

How are service charges for major works billed?

Before the start of a major works contract, you are served with a notification of service charge indicating the estimated amount we expect the years' service charge total to be. Prior to the 1st Quarter payment date, the major works estimated service charge sum is invoiced in full in order for leaseholders to make payment arrangements.

When the contract has completed on site and the defects liability period (12-month warranty by the contractors) has ended, the final account is prepared and used to calculate the actual major works service charge contributions. If the JMB has overestimated the charges, you will receive a credit on the service charge account, but if we have underestimated the charges, you will receive a further invoice for the additional costs.

Freeholders are not sent estimated charges but are invoiced upon actualisation.

Queries Regarding your Service Charges

If you have any queries about your service charge account you should contact the collections team as detailed on your **invoice**. Please see the reverse side of your **invoice** for the different ways you can choose to pay your service charge.

Useful Contacts

- London Mutual Credit Union is a financial co-operative that exists for the benefit of its members who live and/or work in Southwark, Lambeth, Westminster or Camden.

www.creditunion.co.uk

- The Money Advice Service is set up by the government to offer free and impartial advice.

www.moneyadviceservice.org.uk

- National Debtline offer free independent and confidential advice and are available to discuss options that may be available to you.

www.nationaldebtline.org

- The Southwark Citizens Advice Bureau offer an independent advice service aimed specifically at leaseholders.

www.citizensadvicesouthwark.org.uk

- The Leasehold Advisory Service (LEASE) is a government funded body providing free advice on leasehold law.

www.lease-advice.org