

IMPORTANT NEWS FOR LEASEHOLDERS

Changes to the way Service Charges are Apportioned

The lease of your property sets out how service charges are to be apportioned to each leaseholder. EastendHomes currently has two different types of lease; these were inherited from Tower Hamlets Council when the estates transferred.

With regard to service charge apportionment:

- The Tower Hamlets Lease says that the basis of service charge apportionment should be "reasonable".
- The Greater London Council (GLC) lease states that service charge apportionment should be calculated on the rateable value or the floor area of the property.

Tower Hamlets Council and EastendHomes have used Gross Rateable Value (GV) as the basis for service charge apportionment for both types of lease.

Many leaseholders, however, have told us that the GV method is complicated, difficult to understand and there have been complaints about anomalies because the incorrect GV is being used for individual properties. These anomalies have produced an unfair distortion in charges between similarly sized properties in similar blocks.

The Board of EastendHomes has now considered this issue and agreed that the GV method will be replaced by an apportionment of service charges based on the floor area of properties (ie based on the size of the property). Data on floor areas has been provided by Tower Hamlets Council and EastendHomes, which has been checked by EastendHomes for accuracy.

Those properties where no information on floor area was provided are now being measured by our technical staff and this information will be added to our computer records for all properties.

The work on this is almost complete and it is planned to use the new method for the 2011/12 estimated service charges, due to be sent out in April 2011. EeH believes that leaseholders will find the new method of service charge apportionment to be more transparent and more easily understood. Floor area will be used to apportion block and estate costs for the following services

- Door Entry System
- Lift Repairs and Maintenance
- Caretaking
- Horticulture
- Block Repairs and Maintenance
- Estate Repairs and Maintenance
- Refuse Container Hire
- Communal Energy
- TV Aerial
- Communal Boiler Repair and Maintenance
- Building Insurance
- Electrical Heating
- Concierge
- Heating Repair and Maintenance
- Management/Administration

To illustrate the likely effect of the change to service charge apportionment by floor area we have set out an example based on a range of different property sizes in a typical block.

Block 1				Estate based Caretaking Expense Apportionment by Property	
Property	Bedroom Size	Gross Rateable Value (GV)	Floor Area (Sq metre)	Gross Rateable Value (GV) Method	Floor Area Method
A	1	300	39.0	£242.76	£197.74
B	2	425	53.0	£343.91	£268.72
C	2	300	53.0	£242.76	£268.72
D	2	430	53.0	£347.96	£268.72
E	2	375	53.0	£303.45	£268.72
F	4	375	77.0	£303.45	£390.40
G	4	375	77.0	£303.45	£390.40
H	4	440	77.0	£356.05	£390.40
Total Charge				£2,443.81	£2,443.81

This example is based on a 2010/11 caretaking Service Charge estimate to leaseholders in an EeH block at Mile End.

The block comprises 1, 2 and 4 bedroom flats. Each similar sized flat could be expected to have a similar GV: However, there are a number of anomalies;

- Flat C, (2 bed) has the same GV (300) as Flat A, a smaller 1 bed, and so pays the same service charge, which is much less than the other 2 bed flats in the block.
- Flat D, another 2 bedroom property has a higher GV (430), than the other 2 bed flats in the block. The result is that Flat D pays higher service charges than the other 2 bed flats in the block.

- Flat H, (4 bed) with a GV of 440 is paying a higher service charge than flats F and G which are also 4 bed flats of the same size.

The new method of using floor area will address the anomalies of the GV method and will mean that similar sized properties in a block will pay similar service charges. This is shown in the last column of the example above.

Please contact Leasehold Services at Tayside House if you would like more information on this new method of apportioning service charges or if you would like to make any comments prior to the implementation of the new system.