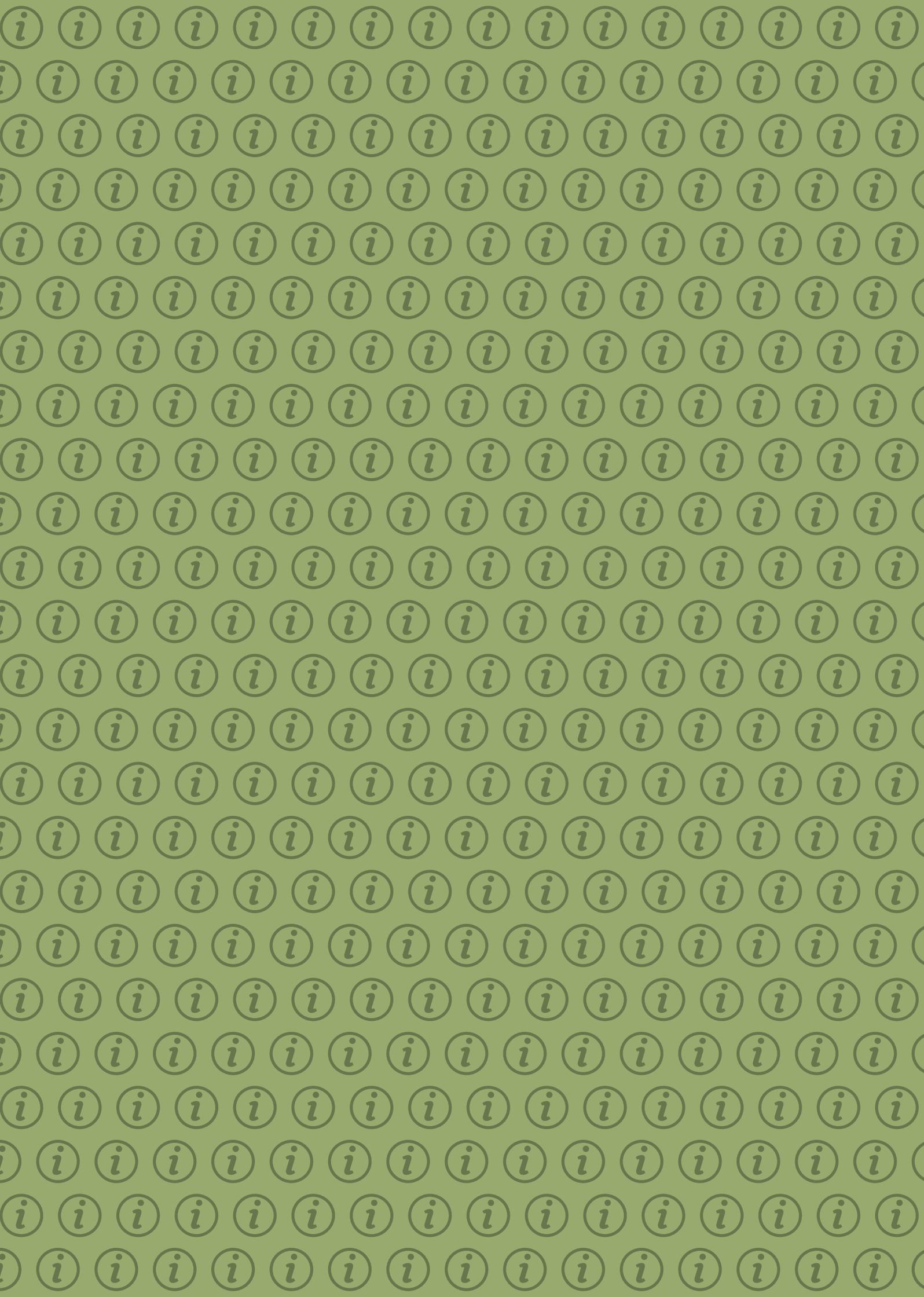


*We can explain*



# OUR SERVICE CHARGES





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## Service charges

One of the key aspects of being a leaseholder is that you will be required to pay a service charge. This is a sum of money which covers your share of the cost of maintaining the communal area of your development. It is very important that you understand how service charges work, how they are calculated and charged, and your rights and responsibilities.

Family Mosaic are dedicated to ensuring that we are fully transparent with you over the costs involved in being a leaseholder, as buying your new home is likely to be the biggest financial decision you have ever made.

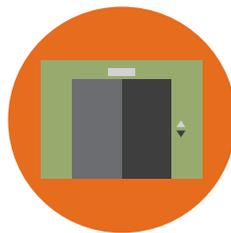
This brochure explains the basic components and rules of service charges. Please take the time to read this carefully and also review the service charge budget for the development in which you are buying a property.

*If you have any questions regarding the service charges for the property, please discuss them with your solicitor.*

## What are the differences between Family Mosaic managed developments and developments managed by an external managing agent?

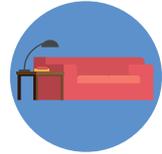
Most of Family Mosaic's developments are built for us. However, there are some developments built by private developers, where the developer has built a number of affordable homes as part of the conditions of their planning agreement. The developer has then worked with Family Mosaic to provide these homes. Some of these developments are managed by an external managing agent rather than Family Mosaic. These private managing agents will also produce the service charges for their development.

There are a number of differences between developments managed by Family Mosaic and those managed by an external managing agent. Opposite is a list of some of the main differences.



# Family Mosaic Managed Developments

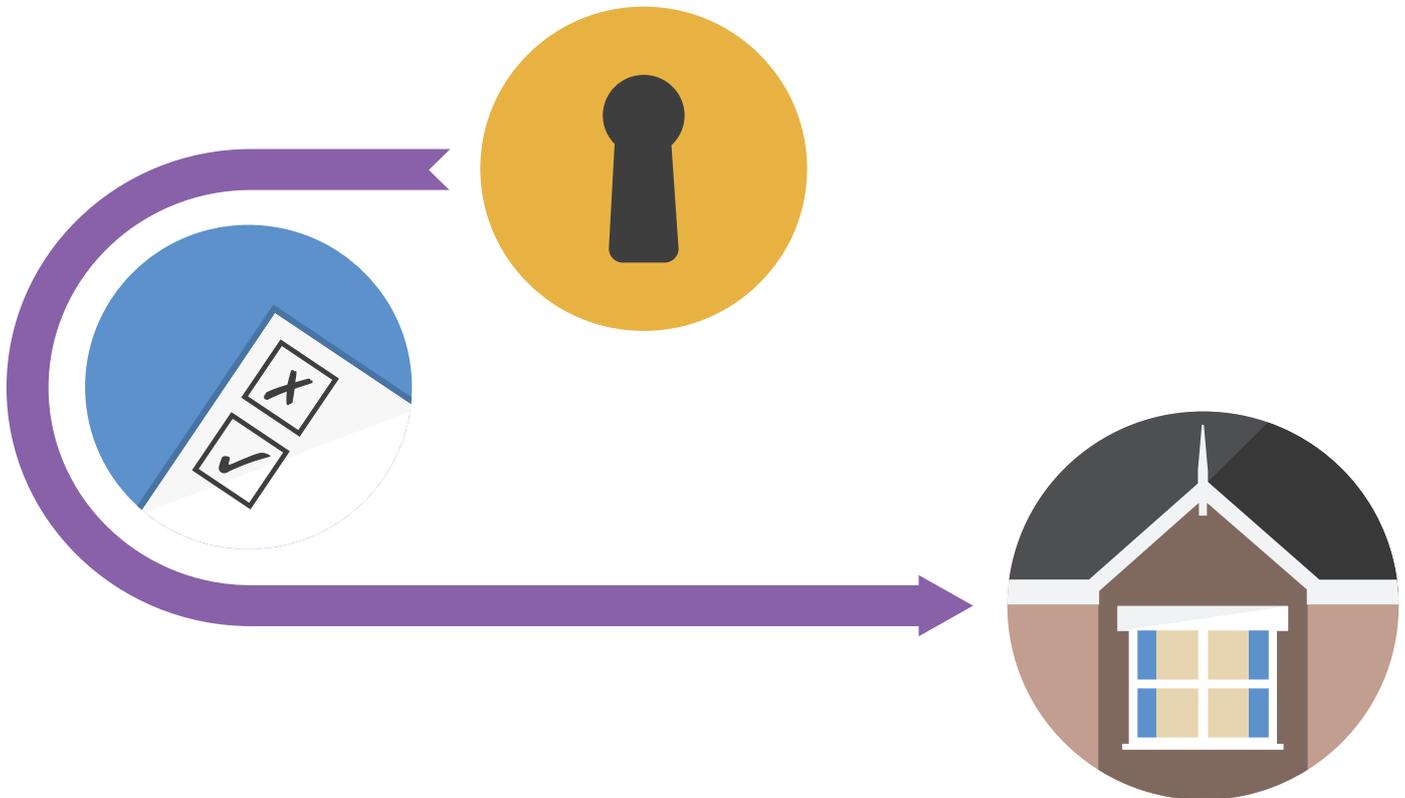
- ◆ Family Mosaic set up the service charge budget
- ◆ Family Mosaic charge a management fee to cover our costs
- ◆ Family Mosaic manages and controls all the communal area maintenance and repairs in the development



## External Managing Agent (EMA) Managed Developments

- ◆ The EMA sets up the service charge budget. FM carefully analyses this budget and challenge where necessary- but ultimately the charges levied can vary substantially between different EMAs, as well as be somewhat different to what Family Mosaic would charge if we were managing the development ourselves.
- ◆ The EMA charges a management fee to cover their costs and profit margin. FM also add a reduced management fee on top of the EMA's figures to cover our costs (e.g. maintenance of your rent and service charge account and the cost of running our Customer Care Line). Our charges are combined with the EMAs' costs, so that you just pay one monthly charge.
- ◆ The EMA manages and controls all the communal area maintenance and repairs in the development. This will mean that the frequency that EMAs carry out services, such as cleaning, may vary from the frequency of services at FM managed developments.

*Family Mosaic may decide in the future to bring in an EMA to manage a development we own on our behalf. If this happens, residents will be consulted beforehand in accordance with the relevant legal requirements.*



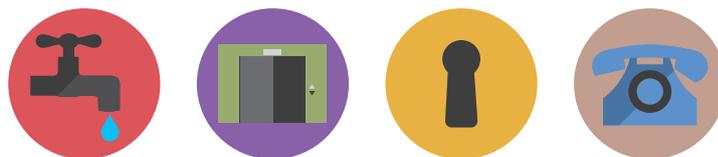
## What are service charges composed of?

Below is a list of items which are commonly found in service charge budgets. Every service charge budget is different, so your particular development's budget may not include all of the items below, but may include some items which are not listed. If there are any items in your particular budget that you have any queries on then please discuss with your solicitor.

It is important to state that how much you pay is dictated by the terms of your lease. You cannot be charged for any costs that the lease does not allow for.

- ◆ **Communal lighting** Cost of repairing lighting and replacing bulbs.
- ◆ **Communal repairs** Cost of general repairs to the communal areas of the development (e.g. repairing a broken bin store door).
- ◆ **Cleaning** A cleaning company will be employed to keep the communal areas clean. Cleaning is typically done on a weekly basis, although the regularity of cleaning can vary from development to development.
- ◆ **Door entry systems** Cost of maintaining the intercom system. If the intercom handset in your flat is faulty it will be fixed by Family Mosaic (or on some developments by the EMA) as a communal repair because the handset is part of a communal system. Note - This does not include replacement fobs or communal keys. These will be charged for separately.
- ◆ **Gardening and grounds maintenance** Cost of gardening and external sweeping and litter picking. Gardening is normally done more regularly during spring and summer when plants and grass grow more quickly, so need to be tended more frequently.
- ◆ **Building insurance** Cost of insuring the structure of your home. Please be aware that you do not need to take out your own building insurance. However building insurance is separate from contents insurance, which is not included in the policy we provide. You will have to arrange your own contents insurance.
- ◆ **Management fee** This covers the financial and administrative running costs of providing our service to leaseholders. This is a flat rate fee dependent on the type of property and whether we or an EMA manage the development.
- ◆ **Audit fee** Cost of an independent audit of the service charge accounts at the end of each financial year.
- ◆ **Lift maintenance** Cost of servicing, maintaining and repairing the lift.
- ◆ **Lift phone line costs** Many modern lifts have an emergency call button, which you would press if you became trapped in the lift. This button puts you through to a call centre that would then arrange for a contractor to attend and rescue you. This service requires a telephone line with its own number, as well as a number of test calls each month.
- ◆ **Reserve fund (sometimes called a sinking fund)** This is money held in an interest-gathering bank account and is put aside to contribute towards the cost of any cyclical decorations and/or major works to the block or estate. These cyclical works are typically carried out every five years. The aim of this fund is to fully cover the cost of major works, so that you are not given a large bill for your share of the cost. However, if there are insufficient funds in the reserve fund account to pay for these works, then the shortfall will be recharged to leaseholders in accordance with the terms of the lease.
  - Money paid into the reserve fund is non-refundable., So, for example, if you were to sell your home after four years, you would not be able to be repaid your previous reserve fund contributions, even if no major works had been carried out in that period.





- ◆ **Bin hire** Often bins are hired from the council rather than purchased. This hire fee covers the cost of any necessary bin repairs or replacements.
- ◆ **Bulk refuse clearance** Cost of removing items such as furniture, which the council will not remove as part of normal weekly collections. Family Mosaic strongly encourage you to arrange for your own removal of bulky items, to reduce service charge expenditure on this item.
- ◆ **Electricity** Cost of supplying electricity to the communal areas, e.g. to the lift, communal lighting and door entry system.
- ◆ **Water** Cost of supplying water for cleaning the communal areas. Please note that this doesn't include window cleaning. Window cleaning is very expensive so is not usually undertaken. If it is it will be shown in the service charges.
- ◆ **AOV System** This stands for automatic opening ventilation system. When smoke or fire is detected in communal areas such as a corridor, vents automatically open to allow smoke to be taken out of the building, usually via windows or a shaft to the roof.
- ◆ **Dry risers** These are pipes leading to communal hallways and stairwells throughout the development which the fire brigade can connect their fire engine's water supply to. This ensures that they can get a water supply in to all areas of a development, to enable them to put out fires more quickly. Dry risers need to be maintained to ensure they are fit for purpose.
- ◆ **Emergency lighting** When there is a power cut, emergency lighting will automatically switch on so that there is still lighting inside internal communal hallways and stairwells.
- ◆ **Lightning protection** Many larger developments are fitted with lightning protection systems, which ground any lightning strike into the ground below the development.
- ◆ **Man safe systems** These are secure wires installed on flat roofs, which any contractor working on the roof can secure themselves to using a safety harness. Man safe systems require an annual safety check.
- ◆ **Water pumps/boosters** The pressure of the water mains supply is not strong enough to pump water up to flats several floors from ground floor level so taller blocks require water pumps to ensure all flats can receive an acceptable level of pressure on their water supply. Sometimes these systems also include a water tank, which also requires servicing. Water tanks also require legionella testing.
- ◆ **Communal boilers** Many new developments contain communal heating and hot water systems. These systems have a large central boiler that typically feeds heating and hot water into every property, rather than each property having its own boiler.
  - These systems are expensive to maintain and service. Many systems also require that they are kept to a regular temperature all the time, meaning that they will need to be heated up (usually via a gas supply), even when there is little usage, for example during the middle of the night.
  - Leaseholders will usually be charged separately for their heating and hot water usage costs (as these are not service chargeable items). These bills are normally based on meter readings.
- ◆ **Playground equipment** Cost of carrying out safety inspections and repairs.
- ◆ **Other mechanical and electrical services** There can be a number of mechanical and electrical services in new developments that require maintaining and servicing. Examples include sprinkler systems, drainage systems, fire alarms, fire safety inspections, CCTV and electric vehicle gates.
- ◆ **On site staff** Some larger developments feature on site staff, such as caretakers and/or a concierge service.

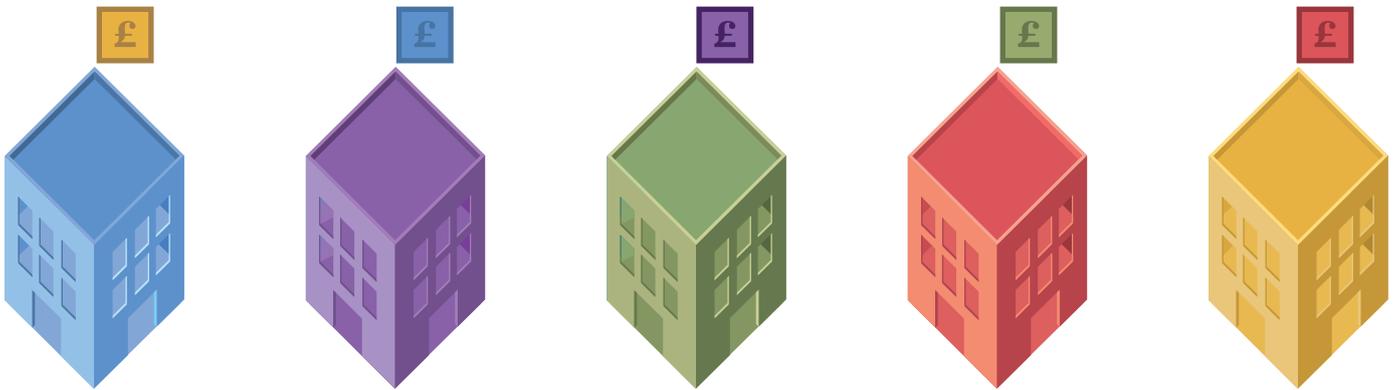
## Estimating the service charge

Service charge budgets are an estimate based on what Family Mosaic (or in some cases the EMA) believes the costs of maintaining the communal parts of the development will be over the financial year. The service charge year runs from the 1st of April to the 31st of March each year. With a new development, Family Mosaic will obtain quotes for items such as cleaning and lift maintenance and estimate annual charges for items such as communal electricity use and repairs.

After we have audited the accounts for a couple of years we will have a more detailed idea of the cost of managing a development, so we should be able to set more accurate service charge budgets. However it can take just one very expensive repair to send a previously balanced budget into a deficit.

In new developments the service charge costs can sometimes increase sharply after the first year as the actual cost of providing services becomes clear and the constructor's warranty on items within the development expires. If you are considering becoming a leaseholder in a new development you must ensure that you are able to cope financially with potential service charge increases.

The monthly payments you make for your service charges during the year, known as "on account" payments, will be based on the budget. At the end of the financial year we will reconcile the actual cost of providing services against the budget and ascertain whether the overall service charge account is showing a surplus or a deficit.



## Ground rent

Ground rent is an annual charge levied by the freeholders of a development onto the Leaseholder. The level of ground rent charged is bound by the terms of the lease. In developments where Family Mosaic own the freehold, we do not charge ground rent to leaseholders unless you staircase to 100% ownership of your property. When you own the property 100%, ground rent is charged from January to December and is collected separately from the service charge.

However, at developments where Family Mosaic is not the freeholder, ground rent sometimes has to be paid by shared owners and 100% leaseholders. At these non-Family Mosaic owned developments we will normally charge you the ground rent through your service charge payments

## Year end actual service charges

If your share of the actual costs for the year is lower than what we have already charged you in "on account" payments we will refund you the difference. This refund will be applied to your rent and service charge account. If you wish, you can request that this refund be paid directly into your bank account or you can use it to reduce the "on account" payments you are making for the current year.

Likewise if your share of the actual costs is greater than what you have already been charged "on account" you will have to pay the difference between the two. This payment will need to be made within 28 days of receipt of your final accounts.

Family Mosaic have to provide leaseholders with a copy of the financial year's audited accounts within six months of the end of that financial year. If we are unable to make this deadline then we will send leaseholders a Section 20b Notice, which grants us an indefinite time extension on providing the audited accounts.

Service charges are based on the property and not the individual. If you sell your property after the financial year end but before the audited accounts are available it is your responsibility to ensure your solicitor makes arrangements with your purchaser's solicitor in relation to any surplus or deficit and arranges who this is to be covered by.

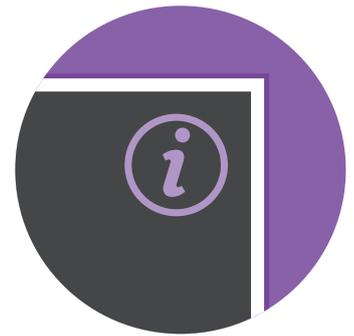
## Charging of cyclical and major works

For developments that Family Mosaic own and manage, we aim to carry out major cyclical works every five to seven years. These works include items such as redecorating communal areas and items such as window replacement and roof renewal when appropriate.

We hope to cover the cost of these works via money collected in the reserve fund. But if the reserve fund is not sufficient to cover the full cost of the works, then Family Mosaic will need to recharge each leaseholder their share of the deficit. This will be done via a separate invoice rather than via service charges. You will be expected to make payment within 30 days, though payment arrangements can be made.

## Section 20 consultation

According to Section 20 of the Landlord and Tenant Act 1985 (as amended) if works are required that will cost more than £250 per resident, the landlord or managing agent is legally bound to carry out a consultation process with residents. This process is called Section 20 Consultation. It gives you the chance to formally comment on the works as well as nominate your own choice of contractor to carry them out.



Similarly, if a landlord or managing agent enters into a long term agreement (i.e. for more than 12 months) with a supplier that will cost more than £100 per resident per year, they are required to carry out Section 20 Consultation with you.

If the works are urgent and cannot wait for the consultation to be carried out (for example if a security system needs replacing), then Family Mosaic can apply to the Leasehold Valuation Tribunal for permission for the works to be done immediately, without going through the Section 20 consultation process.

## Making payment of service charges

Service charges are charged on a monthly basis at the beginning of the month and collected as a joint payment along with your monthly rent charge if you are a shared owner. Family Mosaic prefers to take payment via a direct debit, although you can set up a standing order if necessary.

Any deficit between your estimated "on account" payments and your share of the actual costs at year end will need to be paid within 28 days of receipt of your final accounts.



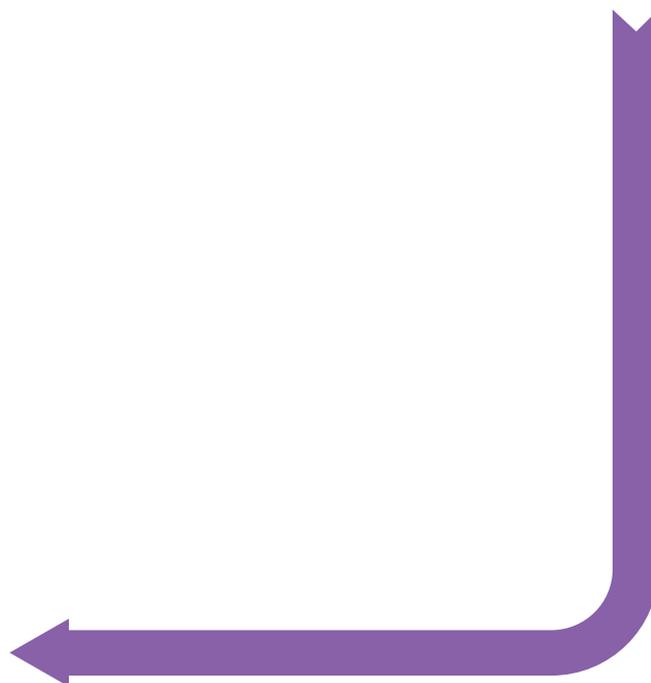
## Enquiring or complaining about service charges and the role of the FTT

Once you have purchased your property, if you have any queries over service charges then you will need to contact Family Mosaic's Customer Care Line. If you believe that your service charge is too high or unreasonable relative to the works carried out, or that any fees that comprise the service charge are unreasonable, then the Customer Care Line (0300 123 3456) will instruct the Service Charge Team to investigate and provide you with an explanation.

This does not in any way affect your right to go to the First Tier Tribunal (FTT). The FTT is empowered by the government to rule on disputes related to service charges. More information on the FTT can be found at [www.direct.gov.uk](http://www.direct.gov.uk). Application to the FTT may be a chargeable service.

If you are not happy with the recommendations of the FTT, you may appeal to the Lands Tribunal under section 175 of the Commonhold and Leasehold Reform Act 2002.

Permission for you to appeal to the Lands Tribunal must be granted by the FTT. Family Mosaic has the same right of appeal.



## Your lease

The lease you will sign is the contract between Family Mosaic and yourself, and it will typically specify that the leaseholder will pay a 'fair and reasonable' proportion of the overall service charge budget. It is very important that you read the lease thoroughly, as we will not consider negotiating the terms of the lease, or amend the lease in the future.

The lease will state that Family Mosaic can charge you for the cost of managing your development. Some properties will have their own external entrances, so residents of these flats will not need to use the internal communal hallways and associated items such as lifts and AOV system. However, these flats will usually still be charged the full service charge, as permitted by the lease. If you are buying a property with its own external entrance door it is important you understand this, as this is non-negotiable.

You should make yourself aware of what services you are being charged for as these are all non-negotiable and will not be changed at a later date. You should also make yourself aware of the proportion of the overall budget that you will be paying for your property as, again, this is non-negotiable.



## Audited accounts

Leaseholders living in developments containing five or more leasehold properties are sent a copy of the audited accounts at the end of every financial year. We aim to get a copy of the audited accounts sent to you by the 30th of September each year. The accounts confirm the money spent on every item in the service charge, as well as showing if there is an overall credit or debit.



## Frequently asked questions

### Q. Do service charges cover the cost of maintaining my individual property?

A. No, they only cover the cost of maintaining the communal (shared) areas of the development, e.g. communal hallways, the entrance lobby area, shared gardens and the cost of maintaining external walls and the roof.

You are responsible for maintaining the inside of your own property and private gardens, including all necessary repairs and decoration. This is separate from the Defects Liability Period, wherein the contractor will rectify any defects that occur inside your home.

### Q. Is the cost of rectifying defects during the Defects Liability Period charged through service charges?

A. No, the cost of rectifying defects is picked up by the contractor in the first year of build (this is from the day the builder completed the property, not the day you move in). However if the contractor assesses that a defect has been caused by misuse by you, then you will be directly charged for the associated repair and callout fee.

### Q. My development contains a communal heating and hot water system. Are my bills included as part of my service charge payments?

A. Generally the answer is no, although what your service charge covers in terms of communal heating systems can vary depending on the development. Normally you are invoiced separately on a metered basis for the cost of heating and hot water. The actual cost of maintaining the heating system is billed via the tariffs we charge for heating and hot water, which ensure the water supply is at the correct temperature at all times. Please contact the Sales Co-ordinator if you require clarification on the exact nature of how communal heating and hot water is charged at your development.

### Q. Why are my neighbours being charged a different service charge than me?

A. In some developments everyone pays the same service charge, whereas in other developments, service charges are based on the size of the property (meaning those with large flats pay a higher charge). In some Family Mosaic developments the charge you pay depends on how many bedrooms your property contains.

### Q. When is your financial year end date?

A. Our financial year runs from April 1st through to March 31st for service charges and January 1st to December 31st for ground rent.

### Q. What happens if I cannot afford to pay my service charge?

A. Family Mosaic takes payment of rent and service charge very seriously, and we will commence our arrears collection procedure against any leaseholder who falls behind with payments. If you believe that you are not able to make payments, then you will need to urgently contact our Credit Control Team to discuss your options. Ultimately if you can not afford to pay your monthly rent and service charge on a regular basis, you will need to sell your home. Purchasing a home is a very big decision and you must be sure you can afford the commitment you are taking on.

### Q. Will my service charge payments go up in the future?

A. Service charges generally do rise year on year, to take into account inflationary measures as well as the cost of providing services, which does tend to rise. It is not unheard of for service charges to reduce, but this is rare. It is very common for service charges to rise after the first year and you should be aware of this and take this into account when ascertaining if a service charge is affordable in terms of your budget.



**Q. I live on the ground floor. Why should I pay for the lift when I never use it?**

A. Although you live on the ground floor, your property would still benefit from having the lift as it gives access to all floors including the roof – therefore the lift will be used by any visiting contractors attending to fix a communal repair, such as a faulty communal television system or a roof repair.

**Q. I know people who live in other developments who pay much less in service charges than I do. Why is this?**

A. Every development is very different in terms of the services it contains and the costs required to manage the block satisfactorily. Family Mosaic aim to keep our service charges as low as possible, but also at a realistic level so that we are not underestimating costs, resulting in a deficit at the end of the financial year.

We believe our management fee is exceptional value for money when compared with what most managing agents charge.

**Q. My service charge contains a provision for fire alarm maintenance, yet this has not been done. Why should I pay for something which hasn't been done?**

A. If Family Mosaic have collected money from residents via service charges and one of the services that make up service charges has not had any expenditure on it (in this case the fire alarm), then Family Mosaic is likely to have a surplus on this item when the accounts are reconciled at the end of the financial year. If there is an overall surplus on the budget we will refund this money back to residents.

Family Mosaic are not allowed to make a profit on service charges. So, any surpluses that arise will always be refunded to residents and evidence of the surplus will be shown on the audited accounts.

**Q. I want Family Mosaic to change or improve an aspect of the communal area of my development (for example install new security features such as boundary fence or CCTV). How do I request this?**

A. For developments managed by Family Mosaic, we require collective agreement amongst leaseholders before proceeding with any works. This is because there are costs associated with more expensive works that have to go through the Section 20 Consultation process (please see page 8 for more details on Section 20). These costs must be paid in full by you and your fellow leaseholders. For some works, even obtaining quotes will involve a cost (for example instructing a surveyor), therefore Family Mosaic would require a prior collective agreement amongst leaseholders to pay for the preliminary costs, even before the actual costs and specification of the proposed works are known. Family Mosaic will still charge these preliminary costs to residents, even if you then choose not to proceed with the works.

Even for works which fall below the Section 20 Consultation threshold of £250 per leaseholder property, Family Mosaic will require collective agreement from leaseholders before proceeding with any works.

Please do note though that Family Mosaic are under no obligations to consider and consult on any works you may wish for us to carry out, and we reserve the right to reject any requests for improvements to your development that we do not feel are necessary or beneficial to leaseholders.

If you live in a property managed by an external managing agent (EMA), then you would need to contact the EMA directly so that they can advise you on their improvement policy and associated costs.





## For further information please contact:

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