



UNDERSTANDING YOUR SERVICE CHARGES

This guide has been put together by the GOVMC Directors to assist leaseholders to better understand the legal and financial structure of the Grand Ocean Estate and where, how and from who the service charge is generated.

THE LANDLORD

The Freeholder, Elmbirch Properties PLC, is the legal owner of the land that the Grand Ocean Estate is built upon. Elmbirch leases the land to the Head Leaseholders (tenants) in return for ground rent, which Elmbirch manages and collects directly.

The lease sets out the authority and responsibility to manage the estate. These responsibilities are devolved to a Resident Management Company, the Grand Ocean View Management Company Ltd.

THE RESIDENT MANAGEMENT COMPANY

When you buy your property, it should have been explained that you will be a Head Leaseholder or a Shared Leaseholder.

As a **Head Leaseholder** you own a stake in the ownership of the management company, and the opportunity to take a seat on its board of directors. You have 2 distinct legal roles:

- Leaseholder – this describes you in your personal capacity as the owner of your leasehold apartment.
- Member (aka shareholder) – this describes you in your capacity as an owner of the management company.

You pay your service charge to GOVMC, Managing Agent and the ground rent direct to the Freeholder. GOVMC has no income.

The Board of Directors are elected annually at the GOVMC Annual General Meeting. The Board of Directors elect the Lead Director (Chair), they appoint the Managing Agents and authorise all actions as detailed in the Lease and by the Law.

As a **Shared Leaseholder** you have a sub-lease from Hyde Housing Association (the landlord) who is the Head Leaseholders for all Shared Leasehold properties. Hyde is invited to attend the GOVMC AGM and makes a separate additional charge to Shared Leaseholders for their services.

As a Shared Leaseholder you purchased your apartment through the shared ownership scheme, where you buy a share of the property and pay rent to a landlord (Hyde Housing) on the remainder of your apartment.

When you buy a home through shared ownership, you:

- Buy a share between 10% and 75% of the home's full market value
- Pay rent to the landlord (Hyde) for the share that they own
- You pay your service charges to Hyde, who charge a fee to manage your service charge account and to whom all account issues should be addressed..

Shared owners can "staircase" and purchase 100% of their apartment and will then become a Head Leaseholder as described above, with no further relationship with Hyde. As far as we know Shared Owners do not pay any Ground Rent as shared or fully staircased Head Leaseholders

If you are unclear you should consult your purchase documents or your own conveyancer or solicitor.

The Directors cannot speak for Hyde Housing, you need to check with them.

WHAT ARE SERVICE CHARGES?

They are charges payable by the leaseholder to the landlord for the services the landlord is obliged to provide under the terms of the lease. Head Leaseholders pay Eddisons and Shared Leaseholders pay Hyde, but under the terms of the lease Eddisons as the managing agents for GOVMC manage the Grand Ocean Estate.

There are 2 key elements to the service charge:

- Estate expenditure (General / Estate) - items that apply to every building.
- Block expenditure - items that apply to your individual building. The buildings are numbered as follows: 1. Ionian, 2. Caspian, 3. Pacific, 4. Atlantic, 5, Baltic, 6. Grand Ocean Building.

The actual amount you get charged is calculated by the size of your apartment as a percentage of a)the whole estate and b)the whole of your building.

EXAMPLES OF SERVICE CHARGES

Service Charges can include maintenance and repair, and sometimes improvement of: – the exterior, structure, roofs, foundations, guttering, communal drains and pipes and common areas, gardens, garages also insurance of the buildings and the cost of management and staff. This list is not exhaustive.

The Directors are volunteer resident leaseholders and legitimately engage with professionals, solicitors, surveyors and experts to fulfil these responsibilities.

The GOVMC has been acting for the Leaseholders to deal with

- 25 claims brought against National House Building Council (NHBC)
- Applications to the Building Safety Fund (BSF) and Cladding Safety Scheme (CSS) to remediate issues with flammable issues (cladding etc) on our buildings
- Claims against the developer Laing O'Rourke for building defects

Other professional fees can include fees to collect unpaid service charges, costs and collection fees that have been unable to be reclaimed for the defaulting leaseholder. Costs to defend any claim brought against GOVMC or additional fees by those defending our legitimate claims

WHAT IS NOT CHARGED

Any items that is not authorised under the law or the lease, including any demised expenditure like water and electricity as opposed to estate water and electricity.

"Demised" relates to everything within the four walls of your apartment, including floorboards and plaster to walls and ceiling, windows, doors, kitchen, bathroom, electrics and plumbing but does not usually include the external or structural walls.

WHEN ARE SERVICE CHARGES PAYABLE?

For Head Leaseholders service charges demands are sent out twice a year in advance for the periods March to August and September to February and become due on receipt. You can negotiate with Stacey to pay service charges by an agreed monthly standing order. Each Leaseholder signs the lease and agrees to pay all legitimate service charges. There are consequences for withholding fees and you strongly advised to seek legal advice before taking such serious action (see section below)

For shared Leaseholders the service charges demands are sent out twice a year in advance by Hyde Housing and are payable on receipt. You should revert to Hyde for all payment arrangements and accounts queries.

The Directors cannot speak for Hyde Housing, you need to check with them.

RESERVE FUND

Also known as a "sinking fund", we maintain contribution towards the reserves via the service charge. The purpose is to build up a fund to pay for future larger scale works, such as repainting/redecorating, replacing a lift etc. This means leaseholders will not face such a large one off bill when the work becomes necessary. When a leaseholder sell their apartment they do not get any of this contribution back. We are thinking ahead and saving for a rainy day!

ESTIMATED COSTS (BUDGETS) AND FINAL ACCOUNTS

The annual service charge cycle starts with the managing agents drawing up the budget. This is an estimate of future expenditure, drawing on the previous financial records, their expertise and liaising with the Directors to establish the estate priorities. There will also be a discussion about the level of reserve funds and future major works or other matters to consider. The managing agent will provide their expert advice to ensure the Directors do not breach the lease and the law.

When authorised by the Directors the budget forms the basis of the annual service charge request for payments legally called "Demands" sent out to Head Leaseholders, twice a year as outlined above. On the reverse of the service charge demand is a summary of leaseholders' rights and obligations.

The demands for Shared Leaseholders are sent to Hyde and they will process the details and eventually issue their own service charge demands to shared leaseholders. You must contact Hyde to discuss any accounting issues with Hyde. NB. Eddisons or GOVMC do not have the data or authority to discuss these matters with Shared Leaseholders.

During the year the managing agents Eddisons provide the Directors with a quarterly update on all financial figures, comparing spending with the budget and where possible spending plans will be adjusted to stay within the overall budget. Sadly in recent years the Buildings Insurance premiums, the business rate charges electricity and water and a Leaseholders action brought against GOVMC, were not foreseen adequately, which resulted in spending in excess of the budget.

At the end of the financial year 31 August, all expenditure and income is reconciled and the accounts audited.

The variations with the budget are discussed and if there is a shortfall a balancing service charge demand may be sent out.

All this financial information is either sent out or available to ALL leaseholders and forms part of the Annual Report and is shared and discussed at the Annual General Meeting.

WHAT HAPPENS IF I DO NOT PAY

You will be given a number of payment reminders and if you have any issues we very strongly advise that:

- Head Leaseholders should speak to Eddisons
- Shared Leaseholders should speak to Hyde.

If your service charge account is overdue or remains unpaid it will be sent to a specialist legal collections company.

Not paying your service charges on time is a costly business, there are late payment fees and you have to pay all the legal fees and collection costs.

In extreme circumstances you can lose your home.

Leaseholders who are in breach of their lease by not paying their service charge cannot legally be communicated with by GOVMC or agents.

Once matters have been passed to an outside agency you must communicate with that agency. If you do not settle the outstanding debt you could end up in the County Court with a County Court Judgement (CCJ) judgement against you. Your mortgage company, bank or lender will be informed and this will affect your credit rating with serious and far reaching ongoing consequences. Take advice from Citizens Advice Bureau or a solicitor before going down this route.

WHERE CAN I READ MORE INFORMATION ABOUT OUR SERVICE CHARGE

Regular newsletters are produced by the Directors and you can read them and all the Annual Reports online or download them from the GOE info website members area, once you register and log in. See website: <https://grandoceanestate.info/members-area/>

Leaseholder newsletters and the Annual Report contains complete financial information and explanations available to head and shared leaseholders. This financial information refers to Head Leaseholders and will differ to the financial information provided by Hyde.

Contact Hyde to get accurate information or query accounts.

Tenant newsletters do not have the detailed financial information but are available online for registered members who login.

News updates is also posted on the info website and on both Facebook groups.

AGENTS CONTACT DETAILS

<https://grandoceanestate.info/about-our-estate/>

Kevin Daniells - kevin.daniells@eddisons.com - Head of Properties - 01329 221199

Stacey Birley - Stacey.birley@eddisons.com - Head of Accounts - 01329 221199

Eddisons Site Manager Surgery On the last Wednesday of each month. If you would like to discuss any issues please email Kevin for an appointment: kevin.daniells@eddisons.com

Hyde Housing

Phone 0800 3 282 282

<https://www.hyde-housing.co.uk/contact-us/>

The Directors cannot speak for Hyde Housing, you need to check with them.