Service charges: showing where every pound goes

How to run service charges so that leaseholders can see and trust the figures.

Collecting money from the people you share a front door with is uniquely sensitive. When the accounts are not clear, trust breaks down quickly, and it is hard to rebuild. These habits make the figures easy to see.

Start with a budget people understand

- Base it on actual costs from the last year, not guesses.
- Show each line separately: cleaning, insurance, lifts, repairs, management, reserve contribution.
- Explain what has changed since last year and why.

Keep the money apart

Service charge money should be kept separate from personal money and from other accounts. In general it is held on trust for the leaseholders. Use a dedicated account, appropriate signatories, and a separate reserve fund for planned and major works.

Demands that are right first time

- Issue demands on a clear schedule, with the correct share for each flat.
- Include the statutory summary of rights and obligations with each demand.
- Keep a record of what was sent, to whom and when.

> **Answer the question before it is asked.** Give every leaseholder a plain summary of what their service charge pays for. Most disputes begin with a question nobody answered.

Year-end accounts

- Prepare the accounts promptly after the year end.
- Compare actual spending with the budget, and explain any large difference.
- Share them with every leaseholder, not just the directors.

Tender and compare

Where works or contracts are significant, get more than one quote and keep the comparison. Check whether consultation rules apply before you commit.

What the platform adds

Leasehold Clarity gives directors a breakdown of what has been collected and spent, and gives residents a clear summary of where the money goes. The records stay with the building, whoever the directors are.

General information, not advice on your circumstances. Leasehold law is detailed and changes: check the current position and take advice before acting. Leasehold Clarity is provided by Leasehold Clarity Limited (company no. 16963931), with management and professional services from Murphy Thompson Moore LLP (LLP No. OC314041).