



New and Transferring Tenants – 1st April 2018

In line with the Government's most recent guidelines for rents and service charges, we are currently carrying out a review of how we calculate those charges and provide that information to tenants.

We are proposing that from 1st April 2018 **new tenants and tenants who transfer between properties** are charged what is known as 'formula rent'. This was set by the Government in 2002 under their rent reforms, commonly known as 'rent restructuring'. It is based on a number of factors such as area, the value of the property and average earnings. Local Authorities and Housing Associations were given a set number of years to reach that 'formula rent' using a specific formula, however, not all tenancies reached the 'formula rent'. This means that the 'formula rent' can sometimes be slightly higher than the rent we currently charge existing tenants.

Also from 1st April 2018, where a service is also provided as part of the tenancy, we propose that this is charged for separately to the rent and the charge will be based on the actual cost of providing that service. Detail of the services provided and charges applied will be provided to tenants on an individual basis as these can vary from property to property.

The basic rent you pay is for the right to live in the property and maintenance of the building. Set out below are some examples of items that are classed as services and therefore may form part of your service charge in addition to basic rent. Please note that the items listed below are merely examples and you may or may not receive those services or may receive other services that are not listed here.

Electricity for shared areas* Heating/Gas Bills for shared areas* Lighting Repairs / Replacement Bulbs in shared areas Fire Alarm/Emergency Lighting in shared areas Fire Safety Equipment in shared areas Water Rates for shared areas Window cleaning of shared areas Cleaning of shared areas	White Goods / Laundry Equipment in shared areas Refuse Disposal/Pest Control in shared areas <u>Sheltered Housing Only</u> Scheme Manager Service (Housing Management) Carelink Response when Scheme Manager is off duty Broadband/Telephone for Scheme Manager Service TV Aerial / Satellite Dish Alarm System
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Please see the 'Service Charges - Frequently Asked Questions' sheet below for more information.

If you receive Housing Benefit, the charges (including communal gas and electricity) are currently eligible for Housing Benefit.

When we advertise our properties for rent we will make it clear what the rent and service charges are and what they cover.



Service Charges for Tenants Frequently Asked Questions

Q: *What is a service charge?*

A: A service charge is a payment for the costs of managing, maintaining, repairing and providing specific services in addition to the basic rent you pay for living in your home.

Examples of services are:

- Cleaning of communal rooms, hallways, corridors and staircases
- Window cleaning in communal areas
- Door entry systems
- Fire alarm/emergency lighting
- Fire safety equipment
- Landscaping/grounds maintenance
- Lifts
- Electricity, water and gas in communal areas
- Scheme Manager
- Alarm system

You may receive more or less services depending on where you live and the above are merely examples. **Residents in sheltered schemes generally receive the most services.**

A service charge can also be payable in respect of specific items installed within your home which are over and above the normal bricks and mortar and fixtures and fittings you would expect to find in a home which are covered by your rent. Examples of these are:

- Stairlift
- Track and hoist
- Through floor lift

Q: *I already pay a service charge so why is it changing?*

A: We have carried out a full review of the costs of providing services to identify their actual costs.

The review has been carried out on a service by service basis and will allow us to clearly show tenants what they are paying for. In the past there has been no breakdown of the costs of the services provided.



This review has highlighted that in some cases the actual costs of services provided are higher than we are currently charging tenants.

The total service charge you currently pay is made up of 'general service' costs and 'support' costs (where applicable). The support part of the costs is not eligible for Housing Benefit. It was originally eligible for 'Supporting People funding' but this is gradually being phased out and in some areas has now been removed completely. This has led to some tenants who previously received support with those costs now having to pay some of it themselves, even if they are on Housing Benefit.

The review has identified that some of the costs that were originally classed as 'support' costs are actually 'housing management' costs. This is because a higher percentage of the duties of the Scheme Manager are actually related to management of the scheme. In future, these 'housing management' costs will be eligible for Housing Benefit.

Q: *What exactly has changed between 'general service' cost and 'support' cost?*

A: Many of the services provided to you by Scheme staff are not related to personal support – they are related to 'housing management'. Some examples of housing management services are:

- Carrying out fire alarm tests
- Cleaning
- Ordering supplies
- Dealing with contractors

Again, the above are merely examples and Scheme staff carry out many duties that are not related to personal support. As these duties are not related to personal support and are the provision of services to tenants they are eligible for housing benefit.

We have estimated that around 85% of the Scheme Manager's time is related to housing management and only around 15% of their time is spent on providing personal support to tenants.

We have included these costs together with the costs of the provision of the alarm service equipment and telephone line in the service charge and removed them from the support charge resulting in more clarity for tenants and a bigger percentage of the overall charge being eligible for housing benefit. We have also re-calculated them on a service by service basis rather than charging a 'one fits all' charge.

Details of the charge will be provided to you annually with the rent review letters, at the start of any new tenancy or on request.



Q: *Why carry out this review now?*

A: The review has been undertaken in response to the Government's annual 1% rent reduction policy. We need to ensure that the costs of providing housing services are covered by the income we receive.

Income from rents and services is used to fund the maintenance, repairs and the services provided to our tenants' homes. Over recent years some of the services we provide to tenants have been subsidised, and the Council can no longer afford to continue to do so.

In addition, when all of the charges were covered by Housing Benefit and Supporting People any tenant who was eligible for Housing Benefit was also eligible for Supporting People. The Government encouraged housing providers to use the Supporting People funding when it was introduced. Now that the Government has changed the rules on Supporting People this has left many tenants worse off financially.

By making these changes, we can provide a transparent and fair charge to all tenants, ease the financial burden on those tenants in receipt of Housing Benefit and ensure the income we receive covers the cost of providing housing services.

Q: *How are service charges set?*

A: We will assess the cost of providing the services before the start of the financial year (April) and then apportion the charges to you plus a 15% management/administration fee. The charge will be apportioned using the number of flats in the block or scheme you live in. We will limit the financial impact on current tenants by capping annual increases to a maximum of 5% until the actual service charge applicable is reached. We will give you 4 weeks' notice of any service charge applicable to you at the same time we notify you of any changes in your rent.

Q: *Why do you charge a management/administration fee?*

A: This fee covers our costs incurred in offering services to contractors, managing the contracts, dealing with any queries and complaints, calculating the costs and the checking and payment of invoices. The management/administration fee is charged in addition to the estimated and/or actual costs. If you rent your home, the fee is set at 15% of the total cost of services which is a standard percentage used by other councils and housing providers.



Q: I'm currently in receipt of Housing Benefit – do I need to do anything?

A: No, you do not need to do anything. We have been working with the Housing Benefit Department to ensure that the proposed service charges will be eligible. We will inform the Housing Benefit Department of all new charges from April 2018 and your entitlement to Housing Benefit will continue in the same way unless your personal circumstances change.

Q: Is there anything else I need to know?

A: The Government is currently reviewing once again how **sheltered housing** is funded. The current proposal is to bring in a form of 'sheltered rent' from 2020 which will include an amount for sheltered services. It is still unclear what this will be or how it will work as it is still at the consultation stage. We will keep you informed if this will affect you as soon as we know what the changes will be.