



## **Service Charges for Tenants Frequently Asked Questions**

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**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
- Laundry equipment
- 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
- Clos-o-mat toilets

**Q: Why were service charges reviewed in 2021?**

**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. 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
- Logging repairs
- 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 2021 and your entitlement to Housing Benefit will continue in the same way unless your personal circumstances change.

**Q: I'm currently in receipt of Universal Credit – do I need to do anything?**

**A:** Yes – it is your responsibility to contact the Department of Works and Pensions (DWP) to report any changes to your rent and service charges via your online journal. You will need to tell the DWP what your new rent and eligible charges are as soon as your rent changes on 5th April 2021.