

Housing(21)

A guide to understanding your service charges and rent





Service charges and rent

We are committed to providing high quality housing and services for residents. The money we received from service charges and rent helps us to do this.

This booklet should help in answering some common questions and help you to understand the service charge budget statement and how we set the service charge.



What is the difference between service charges and rent?

It is important that we explain the differences between our service charges and rent as these pay for different parts of your scheme and the services.



Service charges

Service charges cover the cost of the services you receive at the scheme. These are in addition to the provision of your home, so it is a separate charge. This includes:

- ✓ Local manager/management of the scheme
- ✓ Lifts
- ✓ Fire alarms
- ✓ Gardening
- ✓ Cleaning/window cleaning
- ✓ Communal light and power
- ✓ Communal equipment

Many of these services are agreed by you and the other residents at your scheme so you have greater control over costs and value for money. We record the things we have agreed with you in the Court Service Agreement.

There is more information later in this booklet about the services which you have greater control and those where you do not, along with the reasons why.



Rent

Rent covers the cost of Housing 21 providing your home and keeping it well maintained, safe and secure. Rent covers things like:

- ✓ Repairs to the structure and roof
- ✓ Repairs to doors and windows inside the property
- ✓ Repairs inside the property, including fixtures and fittings such as kitchens and bathrooms
- ✓ The provision and maintenance of heating systems within the property
- ✓ Buildings Insurance

The list above does not include Shared Ownership rent as this is lower than our social rents and is proportional to the percentage share of the property owned (no rent is paid on the final 25% share).

Additionally, Shared Ownership rent is not fully inclusive of property maintenance, as is the case with our rented properties. Shared owners pay for internal maintenance themselves and for any communal maintenance, improvements, buildings insurance, etc. through their service charge.

Eligible/ineligible service charges

All essential housing-related services shown on your annual service charge budget are usually eligible for Housing Benefit or the housing element of Universal Credit.

We cannot give absolute assurance about which services are eligible or ineligible as they can vary between local authorities. The list of eligible services can be found on [Shelter's website](#) which includes what we would normally expect to see, but you should always check with your local authority to be sure.

Setting Rents and Service Charges at Housing 21

Almost all Housing 21 tenancies are a social rent — this helps to ensure that they are as affordable as possible.

... Social rents are based on a formula that looks at property size, values and local income, hence, they are generally less than 60 percent of the market rent.

Service charges are 'variable' for each scheme, which means you only pay for services you have agreed and want at your scheme. You only pay for the cost of providing those services.

Understanding how we split the total cost for the Scheme Manager Service

The cost for the Scheme Manager Service is a combination of their salary (including national insurance and pension) plus the overheads for running the scheme office — office equipment, printer ink, paper, etc.

The total cost is not the cost that we pass back on to residents through the service charge. We split the total cost as follows:

- We attribute 70 percent of the cost to the day-to-day management of all the services at the scheme. This element of the cost is eligible for housing benefit as they are housing-related costs.
- We attribute 15 percent of the cost to providing housing-related support to residents. This element of the cost is not eligible for housing benefit.
- We do not attribute the final 15 percent of the cost to the service charge. This cost is incurred by Housing 21 as we recognise that some of the scheme managers' time is spent managing non-service charge activities.





Choice and consensus/ local contracts

We are proud of our devolved model, which means that we enable local teams to work closely with residents to determine how their scheme is managed.

In relation to your service charge this enables you and your scheme manager to use local contractors for local services. Scheme managers will work closely with residents in agreeing the specification, which contractors to invite to tender and the final selection of the successful provider. This is most evident for the gardening, window cleaning and cleaning services.

In relation to more technical matters, they will also seek support from our internal team of building surveyors to identify the best long-term solutions.

Wherever we can, we will consult closely with our residents.

National contracts

There are some services where we do not invite a consensus opinion from residents over our choice of contractor. This is usually the case where there are health and safety or compliance implications. For these contractors, we have to maintain a very close working relationship with them as the maintenance services they provide are often specialist and/ or subject to regulation. It would be incredibly difficult for Housing 21 to give local choice to residents and then maintain a close working relationship with a large number of suppliers, each of whom will vary in the way they report on compliance.



Value for Money

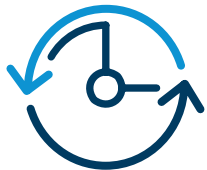
Providing Value for Money (VFM) is something at the heart of everything we do as well as being something we legally have to observe when collecting the cost of services through the service charge.

We think about VFM from three points of view:



Economy (i.e. cost)

Have we been able to get the best price possible?



Efficiency

We may not always choose the cheapest service and look at the “bigger picture”. For example, the emergency call monitoring service may not be the cheapest, but it is a fixed cost per connection. Other providers may have a cheaper base cost, but this rises if there is an excessive number of calls being made at peak hours.



Effectiveness

We look at the best possible outcome. For example, our lift maintenance contract is not just a servicing contract as it includes the cost of the most common repairs. We find this the most effective way of keeping the lifts operational as the engineer can proceed with any repairs any time they are on-site.

For local services, we think that the principle of choice and consensus puts the final choice in the hands of residents.

For our national contracts, we have a team of procurement experts who invite contractors to competitively tender for each of the contracts. We then use a robust

method of scoring and selecting those contracts — again, the principles around VFM will apply in getting the best service and cost for residents. Quite often, we will have more than one supplier across the country, ensuring that we are not putting all our eggs in one basket.

Utility contracts

A proportion of our residents are connected to communal electricity meters rather than having individual meters to each of their properties. Housing 21 arranges the energy supply for these properties and charge the costs back through the service charge.

Housing 21 works with an energy consultant called NUS who are experts in the purchase of energy. They purchase large contracts with energy companies and help Housing 21 understand energy consumption at each scheme plus they also help with our billing. NUS acts as an expert adviser to Housing 21 to guide us on a strategy for the year ahead and help us find the best value energy contracts. If the market-environment is stable, we may purchase a longer-term contract but when it is volatile we may purchase shorter term contracts.





Understanding your service charge budget

Each year we send out a service charge budget to all residents. The budget outlines the estimated costs we are likely to incur at your scheme for the next financial year.

These costs are specific to your scheme and are split between all properties over a 52-week period to calculate your weekly/monthly charge.

Date printed: Current Date

XXXX — Scheme Name	Tenure: Extra Care — Rented	Charges Next Year	Budget Current Year	Variance
This statement outlines your Service, Support and Fuel Charges for the year April xxxx to March xxxx				
SERVICE CHARGE COSTS				
Scheme Manager Service		32,302	30,372	(1,930)
Staffing and Associated Costs (See Note 1)				
Repairs of Communal Areas		4,534	4,600	66
Repair Costs		4,162	5,286	1,124
Maintenance Costs		2,691	2,056	(636)
Lift Costs				
Utilities for Communal Areas		2,526	3,330	805
Water Rates		4,152	4,863	711
Gas Costs		23,361	26,852	3,491
Electricity Costs				
Gardening		9,855	7,565	(2,290)
Gardening, gritting and other ground maintenance				
Cleaning		15,313	23,285	7,972
Cleaning Costs of Communal Areas		1,763	1,763	0
Window Cleaning Costs		1,776	1,242	(534)
Cleaning Materials Costs		245	245	0
Gutter Cleaning Costs				
Other Costs		119	222	103
TV Licence for Communal Areas				
24/7 Support		32,595	31,893	(702)
Staff Costs				
Renewal of Communal Assets		10,137	9,919	(218)
Contribution to Sinking Funds				
Administration		19,024	13,702	(5,322)
Management Charges				
Income		0	0	0
Guest Room Income		0	0	0
Common Room Income		0	0	0
Other Service Charge Income				
Total predicted cost		164,554	167,193	2,639
(Surplus)/Deficit brought forward from previous year		(23,720)	37,789	61,509
Total SC cost to be collected		140,834	204,982	64,148
Number of applicable properties 34 (Next Year), 34 (Current Year)				
SERVICE CHARGE PER PROPERTY PER WEEK		£79.66	£115.94	(£36.28)

Date printed: Current Date

XXXX — Scheme Name	Tenure: Extra Care — Rented	Charges Next Year	Budget Current Year	Variance
SUPPORT COSTS				
Support Staffing Costs		6,922	6,508	(414)
Central Alarm Monitoring Repair and Maintenance Costs		2,470	5,100	2,629
Total Support Expenditure		9,392	11,608	2,216
(Surplus)/Deficit brought forward from previous year		(44)	1,269	1,313
Total Support Expenditure to be collected		9,348	12,877	3,529
Number of applicable properties 34 (Next Year), 34 (Current Year)				
SERVICE CHARGE PER PROPERTY PER WEEK		£5.29	£7.28	(£1.99)
COSTS OF UTILITIES FOR YOUR OWN HOME				
Residents Proportion - Gas Cost		17,300	20,260	2,960
Residents Proportion - Water Cost		10,524	13,875	3,352
Total Utilities Expenditure		27,824	34,136	6,312
(Surplus)/Deficit brought forward from previous year		(24,241)	20,000	44,241
Total Residents Utilities charges to be collected.		3,583	54,136	50,553
Number of applicable properties - small dwelling 29 (Next Year), 29 (Current Year)				
Number of applicable properties - small dwelling 5 (Next Year), 5 (Current Year)				
ESIDENT UTILITY CHARGE PER WEEK - SMALL DWELLING		£1.93	£29.19	£27.26
RESIDENT UTILITY CHARGE PER WEEK - LARGE DWELLING		£2.58	£38.92	£36.34
TOTAL COSTS		£86.88	£152.41	£65.53
TOTAL CHARGE PER WEEK - SMALL DWELLING		£87.53	£162.14	£74.61
TOTAL CHARGE PER WEEK - LARGE DWELLING		£87.53	£162.14	£74.61
NOTES				
Breakdown of Court Manager Service Costs				
Scheme Manager Pay Costs (includes Salary, NI, Pension, Other Benefits)		41,991	40,719	(1,272)
Scheme Office Costs		4,155	2,670	(1,486)
Total		46,146	43,389	(2,757)
Note 1. Scheme manager service attributed to housing & estate management and payable within your service charge	70%	32,302	30,372	(1,930)
Note 2. Scheme management service attributed to support services and payable within your support charge	15%	6,922	6,508	(414)
Scheme management service attributed to rent and payable by Housing 21	15%	6,922	6,508	(414)

Example Statement

The service charge budget provides a comparison of what you are paying now to what we will ask you to pay next year. We also highlight the differences between the two.

Here are explanations for each of the key headings within your service charge budget:

1 Heading

Confirms the name of your scheme and identifies the relevant year for the budget.

2 Scheme manager service

This is the cost of your scheme manager service (including salary, pension, National Insurance and office costs) in relation to the management of your scheme. We only show 70 percent of the total cost of this service under this heading as we split the total cost between the management of the scheme (70); providing support to residents (15); and providing support to Housing 21's central management teams (15). This part of the scheme manager service is eligible for Housing Benefit.





3 Repairs of the communal areas

This covers the cost of repairing and maintaining items in the communal areas (where you have them) such as: the central control alarm system, service contracts for door entry systems, repair and maintenance costs, lift cost, laundry equipment, communal and external lighting. (For bungalows, external lighting is referred to as anything outside the boundary lines of the property).

4 Utilities (communal area)

This covers all the utility costs for communal areas, such as the lounge and laundry and includes all types of utility, e.g., water, gas, electricity and oil.

5 Gardening

This is the cost of the upkeep of external communal areas and includes gardening, gritting, ground maintenance and any additional works such as cutting back trees. (For bungalows, this does not apply if you have a private garden).

6 Cleaning

This is the cost for cleaning the communal areas at your scheme, either for a contracted service or for the cost of employing a cleaner. This includes cleaning material costs and external windows and gutters of the main block.

7 Other costs

This covers other various costs on a scheme, such as, lock fittings in communal areas, the TV license for the communal lounge, sundry purchases (tea, coffee etc.), payment to a third-party management company (if applicable).

8 24/7 Core Support costs

These costs only relate to services provided on Extra Care schemes and contribute towards the cost of providing 24-hour support on site. (Where applicable, local authorities will contribute via Housing Benefit).



9 Renewal of communal assets

Many of the service charge costs relate to the maintenance and repair of equipment, such as lifts, fire alarms, emergency call system, etc. All this equipment has a finite life cycle and will need to be replaced at some point, so we collect an annual contribution towards the cost of replacing equipment. We set this sum in relation to what we expect each component will cost and how long we expect it to remain serviceable. The principle is the same for both shared owners and rented properties.

10 Administration

This fixed charge covers costs incurred by Housing 21 in providing additional services for the scheme. This may include:

- Management costs e.g. overheads such as paying for teams who look after payroll, finance, provide financial advice and undertake scheme surveys;

- Procuring contracts and specifications for services to get the best value for money; or
- Administering insurance

11 Income

This shows any income received for the scheme, including income from the use of the guest room and communal areas. Any income helps to reduce your overall service charge cost.

12 Surplus or Deficit included in the final total

Because we operate variable service charges, at the end of March each year we review what has been spent at your scheme and compare this to what you have paid. Any difference between the two is included within your service charge for the following year.

13 Support costs

This is the cost of your scheme manager service (including salary, pension, National Insurance and office costs) for housing related support services. We only show 15 percent of the total cost of this service under this heading as we split the total cost between the management of the scheme (70); providing support to residents (15); and providing support to Housing 21's central management teams (15). This part of the scheme manager service is not eligible for Housing Benefit.

14 Costs of utilities for your own home

On some of our schemes, the utilities coming into the building may not be metered or invoiced by the utility company to each resident individually. On these schemes, Housing 21 pays the utility invoices and then passes on the cost to each resident — these costs are shown here. We will differentiate

between the larger and smaller properties at the scheme. If you pay your own bills, then you will see zero costs applied here. This cost is not eligible for Housing Benefit.





Service charges and rent Frequently Asked Questions (FAQs)

Service Charges FAQs

Q: What affects the change in service charges?

A: Annual service charge budgets are always set by meeting and consulting with residents at their scheme between October and December every year. This gives you an opportunity to contribute to us setting the final service charge for the coming year. We base many of the costs on the services you have agreed with us in the Court Service Agreement.

There are some core services that we buy centrally, usually those services over which we have to comply with regulations. These include services such as the lift maintenance, emergency call systems, fire alarm systems. For these services we are able to show that we get good value

for money through our procurement processes.

The main reasons for changes within the service charge (aside from the usually annual cost of inflation) include the surplus or deficit carried forward or the ever changing cost of utilities.

If you have any questions, concerns, or would like the opportunity to input into the cost of your service charges, there will be a consultation meeting at your scheme. These take place between October and December each year giving you an opportunity to be heard.

If you do not know when the consultation meeting at your scheme is taking place, please speak to your scheme manager.

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Q: What does the 24/7 core support charge cover in Extra Care schemes?

A: If you live in an Extra Care scheme, you will find this information in your Core Support Agreement.

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Q: My service charges budget mentions 'large and small dwellings'. How do I know which one my property is?

A: The majority of our schemes consist of properties with different numbers of bedrooms. For a scheme that has a mix of studios and one bedroom properties, the small dwellings would be the studios and the large dwellings would be the one bedroom properties. For a scheme that has a mix of one and two bedroom properties, the small dwellings would be the one bedroom properties and the large dwelling would be the two bedroom properties.

The split is used to calculate the utility cost for your property, presuming a larger property is incurring more cost than a smaller one.

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Q: Why are the 'surplus' figures in my service charges budget shown in brackets?

A: The service charge budget is presented as a list of expenditure costs we expect to incur. We need to differentiate costs from income and a surplus carried forward is effectively income. For this reason, we show any surplus in brackets simply to differentiate it from the expenditure costs and show that it is being used to reduce your service charge.

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Q: I pay by Housing Benefit — do I need to do anything?

A: Housing 21 provides information to the local authority so you should automatically receive a letter confirming the changes to your claim to cover the new rent charge. If you do not receive this, you must contact them as this is your claim and you should make sure you are receiving the correct amount.

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Q: What if I have concerns about paying the revised charges?

A: If you are worried about money, Housing 21 has a Helping Hands Service which includes a fund, for which you may be eligible. Please speak to your scheme manager who can help you if you would like further information about this, or if you have any other questions or concerns.





Rent FAQs

Q: When does my rent increase?

A: Rents will increase in April each year.

Q: When will I know my rent charges for next year?

A: You will receive a formal notification letter by the end of February at the latest detailing the new charges.

Q: By what percentage will rent increase by in April?

A: As a registered provider, we observe something called the Rent Standard, which is set out by the Regulator of Social Housing. The Rent Standard allows housing associations to increase rents by the September Consumer Price Index (CPI) plus one percent. This is the percentage increase we usually apply.

Our Shared Ownership residents will receive the increase as stated in their lease agreement.

Q: Why is Housing 21 increasing rents?

A: Housing 21 increases the rent each year so that we can continue to provide good quality and well-maintained homes. If we did not increase the rent, we would not keep pace with rising costs and this would impact on our ability to maintain our high standards.

Q: How does Housing 21 set rents?

A: Housing 21 sets rents for our social rent units using the Rent Formula set out in the Rent Standard provided by the Regulator of Social Housing. The majority of Housing 21's rents are social rents, which are classed as low-cost rents, being around 60 percent of the local market rent.



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Q: What is Housing 21 doing to ensure value for money (VFM) on your behalf?

A: Housing 21 is committed to ensuring all the services we provide are value for money. VFM is core to our three strategic principles of '21', 'Better' and 'Experience'. We try to embed VFM within our day-to-day operations and we consider cost, quality and effectiveness when making decisions about the goods and services we buy. Value for money does not always mean the cheapest, which is why we also consider the quality and effectiveness.

Housing 21 is committed to investing in our properties to ensure good quality homes and communal areas and investing in our people to ensure they deliver high quality services.

Each year we publish a VFM self-assessment which summarises our achievements, highlights areas for improvement and sets out our key VFM priorities for the coming year. The self-assessment is published within our annual financial statements which can be found on the Housing 21 website.

Q: What is the rent spent on?

A: Rent covers the cost of providing a home for you to live in and ensures we can keep it well maintained and safe. Rent includes costs we incur in repairing, maintaining and improving our properties.

Housing 21 is a not-for-profit organisation, which means that we reinvest any surplus we make on our income.

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Q: Can I appeal against the rent increase?

A: If you are concerned with the calculation of your rent, please let us know by speaking to your scheme manager so we have a chance to resolve your concerns. If we cannot resolve it, then you can go to the First Tier Tribunal (www.gov.uk/courts-tribunals/first-tier-tribunal-property-chamber) and ask them to reach a determination.

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Q: I pay by Housing Benefit — do I need to do anything?

A: Housing 21 provides information to the local authority so you should automatically receive a letter confirming the changes to your claim to cover the new rent charge. If you do not receive this, you must contact them as this is your claim and you should make sure you are receiving the correct amount.





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