

# TMO ALLOWANCES AND YOUR SERVICE CHARGES



**Wellington Mills Housing Co-op  
2019**

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# OUR MONEY – IN MORE WAYS THAN ONE!

## Lambeth TMO allowances

- The allowances Co-op receives for tenants
- The ‘allowance’ Co-op receives for leaseholders

## Service charges

- The service charges that leaseholders pay
- The service charges that tenants pay

## Actual costs of Co-op services

- Links between all of the above

## Why do you need to know?

- Some confusion over all service charges
- Change up ahead – be prepared



# BACK TO BASICS – TMO ALLOWANCES



- Council pays allowance to Co-op to enable it to provide the services that Co-op has taken over
  - As set out in the management agreement
- **Principle – Co-op receives what it would cost the council to provide the same services to tenanted properties**
- **Leaseholder ‘allowance’ should reflect actual cost of Co-op services provided to leaseholders**
- If Co-op is efficient providing cost effective services – it makes a saving on the tenanted allowance only
- Savings = surplus which can be reinvested into community (in accordance with Co-op constitution)



## LEASEHOLDER ~~ALLOWANCE~~ ADVANCE

- Co-op receives payment which equates to the cost of services the Co-op provides to leaseholders
  - therefore the amount the Council has charged leaseholders
- At start of year (April) payment is based upon most recent year for which actual Co-op costs are available i.e. for current year 2019/20, the payment was based on 2017/18 actual costs for services to leaseholders
- This will be adjusted up or down in quarter 4 (January) when the previous year (2018/19) actual costs are available
  - in the same way as leaseholders bills are adjusted up or down when actuals are available around October
- Leaseholders can only be charged for the actual cost of the services at the point the Co-op provides them
- **TMOs cannot make a surplus on the leaseholder advance**

## EXAMPLE: ALLOWANCE FOR TENANTS CLEANING & CARETAKING IN 2019/20 ALLOWANCES - COUNCIL COSTS

<b>SERVICE (Tenants) Based on <b>COUNCIL COSTS</b></b>	Borough wide council cost	Council no of tenanted props	Per prop	Co-op tenants	
Providing a caretaking service to blocks - non staffing costs	823,090.49	13,867	£59.36	60	£3,561.36
Providing a caretaking service to estates - non staffing costs	261,019.18	14,820	£17.61	61	£1,074.37
Block Cleaning and caretaking (inc window cleaning)	2,634,062.12	13,869	£189.92	60	£11,395.47
Estates Cleaning and caretaking	1,128,883.77	14,820	£76.17	61	£4,646.55
<b>TENANT CARETAKING AND CLEANING ALLOWANCE (contractors)</b>					<b>£20,677.75</b>
STAFFING Caretaking service for blocks - permanent and temporary staff	154,503.57	13,867	£11.14	60	£668.51
Caretaking service for estates - permanent and temporary staff	66,215.82	14,820	£4.47	61	£272.55
Estate Services staff	420,397.23	20,365	£20.64	61	£1,259.23
<b>TENANT CARETAKING AND CLEANING ALLOWANCE (staffing )</b>					<b>£2,200.29</b>
<b>TOTAL TENANTED ALLOWANCE = £141,064</b>			<b>TOTAL TENANT</b>		<b>£ 22,878.04</b>

WMHGC 2019

# 'ALLOWANCE' LEASEHOLDERS CLEANING & CARETAKING - CO-OP COSTS

<b>Leaseholder allowance for current year 2019/20</b> Based on actual L/H service charges in 2017/18 which in turn reflect actual Co-op costs Will be adjusted in January when actual Co-op costs for 2018/19 are available		
SERVICE	77 leaseholders	Allowance
Caretaking	Service charges for each TMO estate are used in calculating each TMO's allowance.	Not charged separately
Block and estate cleaning	Service charges for each TMO estate are used in calculating each TMO's allowance.	£13,336.84
	10% management fee	£1,333.68
<b>TOTAL LEASEHOLDER</b>		<b>£14,670.52</b>
<b>TOTAL LEASEHOLDER ADVANCE £68,738 (£62,330 – estate services)</b>		

## TOTAL ALLOWANCE – SPLIT TENANTS/LH

MA		Lease holders	Tenants	Total
Chap 1	Insurance	£384	£304	£688
Chap 2	R & Maintenance	£1,072	£88,428	£89,500
Chap 3	Rents	£0	£10,728	£10,728
Chap 4	Leasehold Services chgs	£62,330	£0	£62,330
Chap 5	Audit	£0	£5,962	£5,962
Chap 6	Tenancy man	£0	£6,315	£6,315
Chap 7	Staffing/office (20%L/H)	£4,181	£23,717	£27,897
C & C	Comm training	£770	£5,610	£6,380
<b>TOTAL TMO ALLOWANCE 2019/20</b>		<b>£68,738</b>	<b>£141,064</b>	<b>£209,801</b>

# ALLOWANCE REVIEWS



- Lambeth have a 3 year plan (2019/20 is year 2) and make annual changes for
  - Changes in number of tenanted/leasehold properties
  - For current year 2019/20 an increase corresponding to the increase in council staff salaries
  - Leaseholder ‘allowance’ changes to reflect more recent year – 2017/18 for current year
    - This resulted in reduction of Co-op L/H income this year of £57,000
- Lambeth plan to carry out a full (back to basics) review to come into effect in 2021/22
- Significant changes 5% or more phased in over 3 years unless council and TMO agree otherwise



# WHAT DO WE PAY?

Tenants pay  
Formula rents  
plus service  
charges

Government formula  
rent based on the  
relative property value,  
local income levels and  
the size of the property



Leaseholders pay  
service charges

Lease sets out  
what can be  
charged and how it  
will be apportioned

# THE SERVICE CHARGEABLE COSTS ARE APPORTIONED BETWEEN ALL DWELLINGS



## TENANTS

- Estate services costs are pooled across the borough, admin fees added on and then added to the formula rent as the Tenants Service charge (*lack of transparency*)
- **No link between tenants charges and what Co-op actually spends on service**
- Repair costs are met from the formula rent except for the leaseholders' proportion of communal repairs which is charged to leaseholders

## LEASEHOLDERS

- **The council bills leaseholders for their proportion of Co-op's estate services costs and communal repair costs**
- Council also bills for proportion of council costs and management fee %
- **Direct link between serv charge bills and Co-op's actual spends on services**
- What can be charged is set out in each lease (*contract between each leaseholder and the council*)
- Lease uses the **rateable value** of each property to apportion costs.

# ABOUT RATEABLE VALUES – USED BETWEEN 1967 AND 1990



- Rateable values were set by the then Inland Revenue and last assessed in 1973
  - Assessment of annual rental values including property size, no. of rooms, location, general condition, access to local amenities
  - Usually the larger the property the higher the rateable value
- Cost shared across the building or estate based on the rateable value (RV) of your flat compared to the rateable value of all flats benefiting from the service or work
- The RV for your block and for the estate should be set out in your lease

# EXAMPLE – RV APPORTIONMENT OF COSTS



- X = block cost of service, Y = estate cost of service  
BRV = block rateable value, ERV = estate rateable value, PRV = property rateable value

- *For block service charge the calculation is:*

X divided by BRV multiplied by PRV = your contribution

$$\mathbf{\pounds 500 / 350 * 140 = \pounds 200}$$

- *For estate service charge the calculation is:*

Y divided by ERV multiplied by PRV = your contribution

$$\mathbf{\pounds 3000 / 6225 * 140 = \pounds 67.47}$$

# TROUBLE UP AHEAD?



- Housing income under severe pressure
  - 1% rent reduction per year until 2020
  - Universal Credit direct payments – increasing rent arrears , reduction of income
- Council may have less money to spend on managing/maintaining housing
- Most councils streamlining housing service
  - Staff restructures, joined up backroom services - with other departments and with other councils
- Overall council expenditure may well reduce
- Will impact on the allowances that Co-op receives

# BY FAILING TO PREPARE - ARE YOU PREPARING TO FAIL?



- Know your rights – *allowances*
  - Be aware of what council can and cannot do – refer to the Guidance /your management agreement
- Plan for the rainy day
  - Adequate contingency reserve fund
  - Look afresh at how and at what cost you provide services
  - Reduce outgoings – better value for money, joint procurement, employment V contracts
  - Look at other sources of income?
- Don't wait till the storm is here!