

cairn



Your service charge explained

Following feedback from tenants over the last couple of years, we have reviewed the way we calculate and manage service charge costs for the coming year. We appreciate that service charges can be confusing, so we have created this leaflet to answer all your questions and to help explain our new process.

WHAT IS A SERVICE CHARGE?

In addition to your rent, you also pay a service charge. This money goes towards the day-to-day running costs of your development and is used to cover communal costs such as:

- Staffing, for example, a Court Coordinator or Handyperson
- Cleaning of communal areas, such as stairwells
- Grounds maintenance and gardening
- Repairs and servicing of communal areas, such as door entry systems or lighting
- Repairing and servicing lifts
- Gas and electricity to communal areas, such as common rooms in our courts
- Legionella testing
- Electrical maintenance testing

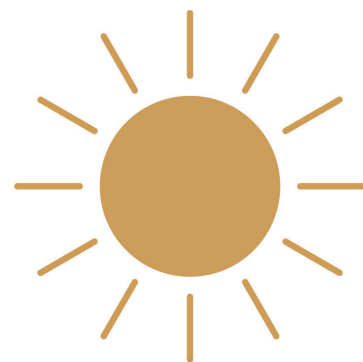
You can see a specific list of the items that your service charge covers in your annual estimate.

ARE CAIRN MAKING MONEY FROM SERVICE CHARGES?

Cairn is a non-profit making charity and we don't make a profit from your service charge. Only the cost of providing services and repairs, which includes a 10% administration fee, is included in your service charge. We record your service charge income and expenditure in separate accounts from the rest of Cairn's operations and at the end of the year we review the income that has been received and compare this to all costs paid out to provide the services. This is then used to consider what the following year's estimate will be.

HOW DO WE SET SERVICE CHARGES?

At the beginning of your service charge year (1st April) we will send you a service charge estimate. This estimates the amount we expect to spend on your block/estate/scheme or court during the next year. We calculate estimates based on known service costs, contracts and actual costs for the previous year. We also take into account any expected changes in VAT and inflation.



HOW DO WE DEAL WITH SURPLUSES AND DEFICITS?

At the end of the financial year we review the actual costs against the estimate we provided at the start of the year by block/estate/scheme or court. This may result in a surplus (the estimate we gave you at the start of the year was too high and there is money left over) or a deficit (the estimate we gave you at the start of the year was too low and the services ended up costing more money than you paid us).

We take any surpluses or deficits into account for the following year and will adjust your service charge accordingly. For example, if there is a surplus, we will propose a reduction to your service charge the following year. Similarly, if there is a deficit, we will propose an increase to the service charge.

In any one year we aim to avoid sudden increases or decreases for tenants. We do this by using the following approach:

- Tenants in general needs housing will not receive a reduction or increase to their service charge greater than 20% in a year. Where the reduction or increase is more than 20% this will be spread over a period of five years to smooth out peaks and troughs in any one year.
- Tenants in sheltered or retirement housing will not receive a reduction or increase to their service charge greater than 10% in a year. Where the reduction or increase is more than 10% this will be spread over a period of five years to smooth out peaks and troughs in any one year.

Service charges are variable, meaning they will change each year depending on the amount spent on your block/estate/scheme or court, therefore your estimate may increase some years and decrease in others. When there are variations from previous years this will be included in the pooled service charge statement.

WHAT HAS CHANGED THIS YEAR?

We have received lots of feedback from tenants that the way we calculate costs and how we communicate the charges to tenants is too complicated and should be clearer and easier to understand.

Some of the changes include:

- Rather than having different pricing structures in place, we now have fixed rates for communal services (with the exception of staffing costs) for all tenants. For example, the same hourly rate is in place for gardening across all our locations. The only difference in cost is due to the number of hours the gardener is needed at each location.
- Staffing costs are charged using an hourly rate based on whether this is provided by internal Cairn staff or an external company, and this will be calculated depending on the number of hours provided at each location. This will be block/estate/scheme or court specific and not pooled across all locations.

DO I HAVE AN OPPORTUNITY TO GIVE FEEDBACK?

Absolutely. We would be happy to arrange meetings in your block/estate/scheme or court to discuss any queries or issues you have with your service charge. You can also email us at enquiries@cairnha.com or give us a call on 0800 990 3405.



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This document is available on CD, in Braille, large print and community languages on request from Cairn, Bellevue House, 22 Hopetoun Street, Edinburgh EH7 4GH. Email enquiries@cairnha.com or call 0800 990 3405.

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