

Leaseholder Service Charge Working Party Annual Update report to RCC

Members

Anne Mason - Chair (BEO), Michael Bennett (BEO), Helen Davinson (BEO), Graham Wallace (Chair of the RCC) , Helen Wilkinson, Mary Gilchrist, Jane Northcote, Phillip Burgess, David Lawrence, David Graves.

The resident members of the service charge working party propose the following recommendations to the RCC.

Recommendation 1

We recommend that the Key Performance Indicators (KPI) of officers of the BEO include specific and measurable targets to demonstrate that they have controlled or reduced costs recharged to Long Leaseholders, while maintaining service Levels.

Recommendation 2

This working party also recommends that it continues to meet during 2018 in order to monitor progress in the delivery of greater value for money for Long Leaseholders and to consider further how to improve communications with residents on service charges and related issues.

Background

The working group has been meeting for just over a year.

After defining more specific Terms of Reference it has spent a significant time in the early months coming to terms with the complexity of the service charge arrangements, the process for allocating costs, controls, and recharges.

The group then moved on to improve their understanding of two major areas of the service charges namely staff costs and general repairs.

Whilst the work in understanding and thinking through the issue of general repairs has only just started, the work around staff costs has moved forward with clearer thoughts about the issues here. These are set out below and whilst they may be of no surprise to the RCC, they will hopefully reinforce their understanding.

It is clear from the effort we have had to make to understand what happens that the average resident is unlikely to have much grasp of the detail behind the information they currently receive. So, we think it would be helpful for all if we spent some time in the coming months undertaking more work around communications. This should help both the BEO and the resident understand service charges.

Staff costs

The BEO produced analysis of staff costs for areas such as the lobby porters, cleaners and car park attendants from 2013/14 to 2017/18 estimates. We looked through these to test our understanding of how these are made up, any apparent issues of value for money and any opportunities for cost savings / efficiency.

We noted that there was a marked drop in costs for 2014/15 with an upswing in 2015/16. The explanation for this historical issue was not clear, although we would have expected commentary on variances of this type. However, as it is an historical issue we will follow up on the use of management / financial reports in the review of general repairs.

Whilst we are still looking at issues such as sickness our broad conclusions exploring these costs with BEO members of the group are twofold:-

Cost changes are driven by the pay and pension arrangements of the Corporation of London.

Smaller reductions in costs may be available. In particular the BEO are now considering whether a full time floating staff member could be utilised to reduce agency or overtime costs in areas such as the Lobby Porters where the combined agency and overtime estimate for 2017/18 is £114,000, with a further £89,000 of similar costs for the car park attendants.

Conclusion

At this stage it is too early to form a conclusion on value for money across the range of service charges. However, there is strong support to maintain the level of services provided by staff throughout the Estate and, whilst potential efficiencies so far identified may be available vis-a-vis areas such as the use of floating staff, these will be relatively small.