

LEASEHOLDER SERVICE CHARGES WORKING PARTY

POSITION PAPER FOR THE RCC – AUGUST 2021

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To: Members of the RCC

Date: August 2021

Foreword

This working party was convened 5 years ago, in June 2016 but has not made progress commensurate with the large amount of effort expended.

Over the last twelve months Paul Murtagh, Assistant Director, Barbican Estate & Property Services, Community & Children's Services, has joined the meetings. His interventions have led to greater access to the detail behind the Service Charge calculations.

However, the review of the 2003 RCC constitution and the push for greater clarity in answers to questions now provides an opportunity to review our objectives and propose solutions to the challenges we face.

This paper sets out our goals and the opportunities which currently exist to deliver this partnership.

Objective of the working party

Our goal, as residents, is a partnership between City Officers and residents, so that

- residents are assured of value-for-money and are engaged in decision-making which affects the charges they pay and the services they receive,
*It would be very useful to have a discussion around how we measure 'value-for-money'. We all know that the Barbican Estate is relatively unique in terms of construction and management. As such, it will be difficult to find 'similar' estates to benchmark against.
My view is that it is the residents who can best judge whether they get value for money.*
- the RCC is provided with advice and support on service charges for decision taking
A more collaborative way of working is welcomed and, to some extent, that is what we have been moving towards with the work that is being done by the LSCWP.

Due consideration must also be given to the governance arrangements. We still do not know what will become of the BRC (in relation to the recommendations from the Lisvane Report). If the BRC is removed, we need to understand what the new governance arrangements will be and how these proposals fit in with them. Inevitably, there will be occasions when, officers and residents disagree and, there needs to be clear arrangements in place for deciding how such disputes are resolved.

- officers are supported and informed by residents in a spirit of collaboration

Very welcome. We do have some ‘bridges to build’ following the fall-out from the proposals for the 12% savings (and the CPA’s) and, the less recent fall-out from the proposals for the GSMD.

Key Issues

We have not made progress commensurate with the large amount of effort that we have expended. *Here’s why:*

1. Officers and Residents have had different objectives.

As residents, we appreciate the services we receive. As leaseholders who pay for the services, we have an objective to improve efficiency, improve visibility of costs, engage residents in decision making, and, where required, improve service to residents. This may mean changing the way the BEO operates.

I think that this is more down to the way individuals operate rather than the BEO generally. In any event, it is a valid point.

Officer members of the BEO do not appear to share this objective. Their actions show that they see the working party as a vehicle to explain the charges to residents, and to demonstrate why the existing charges are justified.

I do see that officers feel the need to justify charges because, at times, that is what they are being asked to do.

For residents, the Working Party is seen as a vehicle for improvement. For the officers it is a justification exercise. We have different objectives.

Those objectives need to be reviewed and agreed between the various members of the group (residents as well as officers)

An objective to improve and change the BEO was in our Terms of Reference, June 2016, attached. Examples of improvements to the way the BEO works are listed below under “Solutions”.

2. We have seen no evidence of value-for-money

The Terms of Reference include “*ensure that charges made under the Leaseholder Service Charge provide good value in delivering services*”. From the information we have been given over the last 5 years, we cannot give that assurance. It does not show that these costs represent value-for-money.

Please refer to my earlier observations on ‘value-for-money’

To demonstrate value for money would be to demonstrate an efficient service. This is not the same as reducing services. We want to find ways of delivering the same or better service year-on-year without the current large increases in service charges. Where there are increases in charges, we expect there to be a corresponding increase in service. We would like to be sure that the current charges represent value-for-money.

There is no doubt that service charges have increased year-on-year in recent years. In some cases, there are very clear and obvious reasons for this. There is also evidence that the level and scope of service provided to residents has increased (with a subsequent increase in service charges) without adequate scrutiny, discussion etc. It is often said that “if residents are prepared to pay for it, then they should get it”. Whilst

this in principle, is true, I think there needs to be careful consideration given to requests for additional services in future.

We have been repeatedly told that “the only way to prevent cost increases is to reduce services”. This is not the case. It is possible to prevent cost increases by a programme of continuous efficiency improvement. We have seen no evidence that such a programme exists.

Agreed.

Efficiency improvements can be obtained by:

- use of technology;
- reducing the number of management layers;
I feel that there is a lack of understanding on occasions of the roles and responsibilities of the ‘managers’ in the BEO. This has become more apparent with some of the comments I have received from residents in relation to the car park proposals.
The cleaning and concierge staff for the BEO totals more than 80 people.
There has to be an adequate management structure in place to manage what is an extremely diverse and challenging workforce.
- reducing errors and reducing rework
- rigorously challenging the basis of allocations of corporate overhead charges.

These are just a few examples, applicable to the costs under the service charge.

We recognise that the provisions of the lease imply like-for-like replacement rather than investment for modern, technological but capital improvements. However, that is where a partnership should work towards solutions.

The most effective way to increase efficiency is by management attention. Currently, no single person has ‘service efficiency under the service charge’ as their focus of attention. Hence inefficiencies go unnoticed.

It is not the role of residents to scrutinise the numbers and suggest improvements. That is the role of skilled and focussed managers in the BEO. As a working party we expect to see evidence that continuous improvement is happening, that costs are benchmarked, and that the costs we pay represent value-for-money. We have not seen such evidence to date.

3. We are prevented from engaging in identifying opportunities.

We have been aware that there have been historical restructuring proposals which have not been delivered. Whilst the assumption has to be that they would provide the Estate with more cost effective services, we have been denied access to them. The recent proposals on the CPA structure, which also deletes 8 posts within the Service Charge account has further demonstrated the failure to bring us, as customers, and as members of a joint Working Party, into a partnership looking to deliver an optimum mix of cost effective delivery.

Solutions

There are a number of actions which can improve the situation. These must meet the objectives of the RCC and be agreed by the City.

A. Annual budgets which are used for managing costs and decision taking and not just the latest estimate

This change anticipates a move away from continually varying estimates of the financial outcome for residents paying service charges. The RCC, in conjunction with the BEO, can initiate changes as necessitated.

Again, we need to be mindful of future governance arrangements.

B. A single point of accountability in the BEO for efficient and effective management of the Service Charge account

The recruitment of a new Head of Barbican Estate provides an opportunity to ensure that this role is tasked with the efficient delivery of services under the service charge and accountable to the RCC/BRC for the management of an annual budget, including reporting progress against budget and managing a programme of efficiency improvements to deliver services, at the agreed service levels, within the budget.

In its current form, the Head of Barbican Estates simply could not take on this responsibility. Michael's role has changed significantly in recent years with a much greater (although welcome) involvement with the RCC and the BA in terms of agenda planning, meetings, working parties.

C. Costed options so that the RCC and House Groups can have control over certain elements of the package of services they receive

We envisage that for some elements of the service charge, residents might opt to pay more for a higher level of service, as some do for weekend cleaning currently. The "gardening surcharge" is another recent example. This concept needs to be more widely used, so that RCC members and House Groups can understand the cost of the services they ask for.

Agreed, as per observations I made earlier.

D. Resident engagement with the specification of service tenders to ensure that they meet the broad requirement of residents before put out to tender.

This simple measure will ensure that tendered services meet the current requirements of residents.

From a repairs and maintenance perspective, this is something that the Asset Maintenance Working Party should already be doing. Indeed, I do know that resident members of the AMWP were very involved in the recent retendering of the Repairs and Maintenance Contract.

E. Resident engagement in structural changes to service delivery.

This measure follows on from D, above, but ensures that the delivery from the direct labour force is also focussed on the needs of the resident.

F. Improved 5 year forecasts of major costs

Historically these forecasts have been of limited use as they include only those elements which have passed through the Corporation's Gateway processes. They should include all potential future major projects, whether or not they have yet passed through a Gateway, to allow residents to set funds aside for future charges.

This is not an unreasonable request and, something I am surprised is not already available (and for which I must accept some responsibility having been here nearly six years). Once the Stock Condition Survey work is completed, this should be much easier to introduce.

Conclusion and recommendation

The combination of the current circumstances, with discussion on the 2003 constitution, the review of the post of the Head of Barbican Estate, and a recognition of the limitations of the current working party has resulted in a reconsideration of both the goals of the working party and solutions to afford a better method of working with the BEO and other Officers to deliver more effective and efficient services with the Barbican Estate.

We recommend that the objective of the working party is restated as a partnership between City Officers and residents, so that

- residents are assured of value-for-money and are engaged in decision-making which affects the charges they pay and the services they receive,
- the RCC is provided with advice and support on service charges for decision taking
- officers are supported and informed by residents in a spirit of collaboration

We ask the RCC to consider the changes to the BEO ways of working listed in A-F above, and if approved, to request that the BEO implement them.

We further ask the RCC to recommend that the new Head of Barbican Estate, is tasked with accountability for expenditure under the Service Charge Account within their Job Description.

Leaseholder Service Charge Working Party
Terms of Reference
June 2016

Objectives

- To examine Leaseholder Service Charges (LSC) and basis of their calculation, and ensure that information about charges is transparent and is communicated effectively to the RCC and Working Party.
- To understand and where possible improve, processes and policies within the BEO that ensure charges made under the LSC provide good value in delivering services as defined in the Service Level Agreement and engage with officers to achieve this.

The objectives will be fulfilled through:

- Meetings to review financial reports to be presented to the Residents Consultation Committee (RCC) relating to the LSC account.
- Review and examine historical LSC expenditure and comparing this with current or planned levels of expenditure.
- Reviewing draft budgets for the LSC and discussing with officers the basis on which these estimates have been made.
- Engaging in discussion with officers to understand the processes and policies around achieving value for money within the LSC.
- Consider whether more forecasting is required and to consider what is and isn't currently forecasted.
- Forwarding any relevant comments that may impact on service delivery to the Working Parties of the RCC including the Asset Maintenance Working Party and Service Level Agreement Working Party for comment.
- Report annually to the RCC.