

# **Residents Consultation Committee Discussion Document**

## **Proposal to form a Leasehold Service Charge Working Party**

### **For discussion at the RCC AGM 8 February 2016**

A report of the Chairman of the RCC, 29 January 2016.

## **1 Summary**

RCC has a small number of working parties that allow for more detailed examination of specialised topics than is possible in committee. Two of these working parties are focused on the RCC's 4th term of reference (the Service Level Agreement) and others from time to time are formed to discharge its 6th (Major works). There is, however, no working party specifically tasked to look at the service charge budgets which is the object of item 5 in the RCC's terms of reference.

This absence confines discussion to Committee, where there is limited scope to do more than raise questions in a reactive way or seek clarification over information presented in large and complex reports. This largely characterises how the RCC has engaged with Service Charge matters to date.

Several questions raised in the past, and a paper now submitted by a resident for consideration by the RCC indicate that the RCC would benefit by having a working party to discharge its responsibilities to monitor service charges, and to apply the same principles as practiced in other areas where it is involved, in actively and co-operatively seeking improvements – in this case by actively controlling costs and exploring ways to avoid unnecessary increases, or even reduce them (without impacting on services provided).

This report therefore proposes that the RCC forms a specific Service Charge working party to work closely with City officers in discharging the RCC's responsibilities with regards to monitoring Service Charge costs.

## **2 The background**

### **2.1 Responsibilities of the RCC**

Item 5 of the RCC's terms of reference (TOR) state that one of the responsibilities of the RCC is:

- 5. To identify Service Charge items and monitor service charge costs, receiving reports of all accounts relating to the estate*

This falls between item 4, which describes similar responsibilities with respect to the Service Level Agreement, and item 6 which covers major works.

I consider these three items form the substance of the work that the RCC undertakes in monitoring the work of the Barbican Estate Office in managing the residential estate.

## **2.2 Service Charge finances and the RCC**

The RCC currently fulfils its duties to residents under items 5 by receiving and reviewing financial reports produced by the BEO, according to an annual cycle which is defined in the BRC's published agenda cycle, which the RCC follows, receiving the financial reports relating to the Service Charge immediately prior to BRC receiving them. According to the typical agenda plan, the financial reports that provide information about the Service Charge are received as follows:

<b><i>Report Title</i></b>	<b><i>RCC Meeting Date</i></b>	<b><i>BRC Meeting Date</i></b>
Revenue & Capital Budgets	November	December
Revenue Outturn Relationship of BRC Outturn Report to Service Charge Schedules – RCC Only	September	September

These reports are presented to the RCC "For information" and to the BRC "For approval". RCC members can – and do – ask question in response to the reports, and the comments they raise are minuted and presented to the BRC.

Increasingly, since written questions were introduced, more detailed questions are put by members in writing but questions are also put verbally by members at the meeting, One or more officers of the department preparing these reports always attends RCC meetings in order to provide answers to question, or clarify their responses to written questions. The information provided is rich and comprehensive – but the ability for members to interact with it is constrained.

## **2.3 Questions raised by residents**

Questions raised by members about Service Charge related items tend to fall into three categories:

1. Questions relating directly to the financial reports presented in the September and November meetings
2. Questions raised by members at any meeting, in relation to the Service Charge implications of other reports being presented
3. Questions raised spontaneously by members, which may have been asked by House Group committees.

Officers have also run special induction or introductory sessions to explain the reports and more generally how the costs are organised and this has had the effect of reducing the number of questions, especially those seeking clarification. At several recent meetings when these reports have been presented, your Chairman has observed that there have been no questions raised at all, and little or no ensuing discussion or comments this important subject.

Those raised at other times (categories 2 and 3) are often to clarify what will be rechargeable to residents, rather than examining the actual cost, processes or assumptions within those costs and the scope there is to vary them.

Overall, then, discussion around Service Charge can be characterised as being about receiving information, and not around any active participation in making changes that could achieve a better outcome.

## **2.4 Electricity recharges**

One significant departure from this practice has been the formation of the Underfloor Heating Working Party. For this, the primary goal was to explore options when the incumbent supplier announced a change in the tariff structure which would have meant much higher electricity charges for the Estate. This outcome was achieved by the Estate moving to a new tariff structure and type of contract which was novel to the City at that time, and avoided the cost increases that initially seemed almost inevitable.

The Working Party worked closely with officers in a highly co-operative manner, with the result that everyone benefited from the skill and experience that different members of the group could bring (both residents and officers). Furthermore the high quality of discussion and analysis during meetings of the group meant that officers were better able to prioritize how to apply resources, define what to procure and recognise what offered best value. Most importantly for residents, costs were controlled without affecting the quality of service received.

## **2.5 Discussion of budgets**

At present, though, the experiences of the UHWP in achieving better cost outcomes in the Service Charge account are an isolated one. Though both the September and November meetings provide an opportunity for RCC members to discuss budgets with officers, discussions are reactive in nature, and the Committee approach does not allow for the kind of creative reappraisal of the situation experienced with the UHWP.

In the past, members have asked about the scope there is for them to influence the budgets, and have been informed that the majority of the costs are essentially pre-determined, but there could be scope for some modest changes around setting priorities. To date, no action has been taken to make this effective.

## **2.6 Budget planning and inflationary assumptions**

I have received a paper prepared by Jane Northcote, a resident of Cromwell Tower asking that the RCC should take steps to examine Service Charges particularly with regard to the built-in assumptions that baseline costs will normally increase in line with inflation, and some preliminary analysis showing that over time, costs increases appear to have exceeded general consumer price inflation.

While these observations may be explainable by other factors, I consider the questions raised in this paper are entirely reasonable, and warrant investigation by this Committee.

## **2.7 Experience from other working parties**

RCC currently has two on-going working parties – the Service Level Agreement working party which meets quarterly, and the Gardens Advisory Group, which covers a specific area of service provision.

All of the RCC's current Working Parties can provide example of where resident and officers working together have brought about improvements in service delivery or amenity to residents. However the UFHWP shows that this model can also include achieving better cost outcomes as well.

## **3 Proposal: A new Service Charge Working Party**

RCC participation in discussion of the Service Charge could be improved by setting up a specific Working Party to engage more closely with officers involved in the budgeting and operation of the Leasehold Service Charge account.

There is no specific working party undertaking this responsibility. Other working parties have from time to time focused on specific aspects of achieving better cost outcomes for residents, but these are usually secondary to their objectives.

Taking into account that this committee may wish to investigate the questions raised by Ms Northcote, the absence of a relevant working party means that a more detailed examination would fall to this committee as a whole, which will limit the time allowed for discussion and not allow for the depth of inquiry or understanding needed to (a) establish what is happening to the underlying costs of both regular and cyclical expenditure and (b) to work with officers to bring about change.

The proposal is that this committee:

1. Forms a new working party specifically to engage with officers in discussions about Service Charge costs
2. Appoint four members from this committee and a further four by open invitation to residents to apply, who (a) have relevant experience to bring to the work of the WP (b) represent diverse areas of the estate and offer a diversity of views
3. Ask the Working Party to prepare terms of reference for RCC to approve at its May/June meeting.
4. Request that the Working meets at least four times within the year and reports back to this committee through minutes and an annual report.
5. Require that any proposed changes are presented back to the RCC for it to approve or determine whether wider consultation with residents is necessary.
6. Ask for an officer appointed by the CoL and agreed by this committee to chair the meetings

Tim Macer,  
Chairman, Residents Consultation Committee