

Chichester District Council

OVERVIEW AND SCRUTINY COMMITTEE

15 September 2015

Final report of the Hyde Review Task & Finish Group

1. **Contacts**

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2. **Recommendations to Cabinet**

To instruct the Head of Housing and Environment Services to write a letter to the Hyde Group, Chichester setting out the Council's concerns and recommending the following:

- 1) **A full and urgent review is carried out of blocks/estates where tenants have complained that incorrect service charges have been applied, in particular those considered as part of this review namely Pilgrim Court (Chichester), Butts Meadow (Wisborough Green), Bishop Luffa Close (Chichester), Warrenside (South Harting) and Townfield (Kirdford). However these properties are illustrations of something that the group has reason to believe is widespread and ultimately we would wish all serviced properties in the Chichester district to be re-examined.**
- 2) **A full report is made to the January 2016 meeting of the Overview and Scrutiny Committee covering:**
 - a) **the methods used to calculate the service charge increases in these properties and the justification for the changes that have been implemented**
 - b) **the progress made in resolving complaints and improving communication**
 - c) **current performance against the organisation's key performance indicators**

3. **Background**

- 3.1 Following reports of concern by local Hyde tenants regarding a breakdown in communication regarding the backlog of maintenance works, Hyde representatives were invited to attend a meeting of all Council members chaired by the Overview & Scrutiny Committee on 10 March 2015 and asked to explain the issues which tenants were experiencing and to provide answers. This meeting was held in private session.

- 3.2 Hyde gave details relating to issues experienced with their repairs service, in particular a new IT system and changes to an appointments system and processes. Complaints had increased and Hyde was working to improve its maintenance operation and communication with customers. We received Hyde's key performance indicators showing performance as at March 2015. Hyde agreed to attend a meeting of this committee in early 2016 with an update on this performance. A list of Hyde housing officers responsible for specific areas was received and this information was circulated to members.
- 3.3 In March/April 2015 Councillors and council staff started to receive reports from Hyde tenants of their dissatisfaction following the receipt of Hyde invoices for rent and increased service charges effective from 6 April 2015.

4. Terms of Reference

- 4.1 The Council's Constitution lists the functions of Overview and Scrutiny, two of which relate to 'reviewing the deliverability of local services whether provided by the Council or external organisations' and 'examining matters of wider local concern'. Legislation requires partner authorities or external organisations to 'have regard' to a scrutiny report or recommendations.
- 4.2 The Centre for Public Scrutiny Tenant Scrutiny guidelines suggest two areas for a scrutiny committee to be involved:
- a) referral of social housing providers to the regulator on the grounds of causing detriment to tenants and
 - b) Councillors/Scrutiny helping to support tenants to submit evidence to the Ombudsman. Councillors could also act as representatives for tenants at a tribunal.
- 4.3 This Task and Finish Group was established by the Overview & Scrutiny Committee to carry out a review of the reasons for customer concern following this recent increase in Hyde service charges and its terms of reference were as follows:
- To identify the reasons and understand the justification for the increase in service charges and the processes used by Hyde in assessing and initiating these.
 - To consider the evidence available from residents and from analysis carried out by officers.
 - To establish how the Council can assist Hyde in considering its processes and in carrying out more effective consultation with residents.
- 4.4 The outcomes agreed for this review were:
- Review of the service charge assessment, its implementation and the processes available to mitigate the impact on individual tenants.
 - Clarification from Hyde as to communication and consultation policy with tenants and future options to address issues raised by tenants.
- 4.5 The review was carried out over two meetings in June/July 2015 and meetings were held in private.

5. Evidence considered

5.1 Evidence was gathered from a number of areas. These included:

- Information from Hyde tenants on former and new service charges
- Evidence from the administrator of a newly set up Facebook page called Hyde Independent Resident Group of 580 members and from some of its members
- Analysis showing Hyde rents and service charges compared those of Affinity Sutton
- Information from Hyde's website relating to frequently asked questions (FAQs) and guidance on service charges
- Information from Arun & Chichester Citizens Advice Bureau on Hyde tenants who have approached that organisation for advice
- Legal advice on issues such as whether Hyde had a statutory duty to consult with tenants; the 'reasonable' test in respect of costs incurred and standard of works and services; statutory protection for tenants; making a section 21 request for relevant information; service charge disputes and escalation; and case histories.
- Attendance and questioning of Hyde tenants
- Attendance and questioning of Hyde representatives

5.2 Members heard that the Hyde Group had carried out a national exercise to increase services charges. Of the 7,890 social/affordable housing association properties in Chichester, 5,772 are Hyde properties, the vast majority of which are let at a social rent.

5.3 The difference between social rents and affordable housing rents needs to be explained. In the past social rents were based on a formula that combined local wages and local property values so that rents would be set at around 50% of local market rents. Social housing rents allowed people to work without being dependent upon housing benefit. Housing Associations are now encouraged by the Government to replace social rented housing with a new product called affordable housing. The affordable rent will be set at up to 80% of the local market rent and will normally include the service charge element within the rent.

6. Reasonableness of charges

6.1 Councillors had received multiple enquiries relating to a number of estates and blocks across the district. There appeared to be an inconsistency in services and service charges for identical properties. Examples include:

- staffing costs had increased by 215% between 2014 and 2015 despite no (or minimal) changes in cleaning service
- on an estate of 11 flats and 19 bungalows the flats had been charged £9,500 p.a. for the grass cutting and the bungalows £1,069 p.a. The tenant (from the flats) had received an estimate from a local gardener to carry out this work at a cost of £2,244.
- tenants at one estate in Chichester with multiple blocks of the same style of flats had received charges which varied considerably
- one block of flats had been charged for a communal telephone and for a lift when neither existed
- Tenants in some cases reported increases of up to 1900% in service charges

- Many tenants state that they receive minimal maintenance for the high service charges imposed.
- At some Hyde properties there are posters up inside the stairwells stating that it is up to tenants to maintain the cleanliness and upkeep of the communal areas. These same tenants are being charged communal cleaning costs.

- 6.2 Hyde representatives explained that service charges are calculated from a standard list – such as Care Call/monitoring systems, caretaking/other staff costs, cleaning costs, communal electric bills, communal telephone calls, communal water charges, controlled door entry, fire safety including servicing and inspections, grounds maintenance, TV aerial costs, and communal Legionella – and based on historical information. Hyde holds six years of historical data to handle discrepancy issues.
- 6.3 Hyde had not been able to carry out individual visits to properties to assess the reasonableness of the increased charges - a Hyde team evaluated this as a desktop exercise.
- 6.4 Information available on the Hyde website attributes the increase in charges to certain inspection tasks and administration costs.
- 6.5 As social housing providers Hyde is unable to make money out of service charge increases.
- 6.6 Tenants' service charges are based on what is reflected in the tenancy agreement and should not normally include charges to maintain the fabric of the property they rent.
- 6.7 The management charge was 8% in 2012 and is now fixed at 15% across the board, an increase of 87.5% in 3 years.
- 6.8 An analysis of rents and service charges carried out by officers had identified some anomalies. In some cases the difference between social rents and affordable rents was marked, with social rents (including increased service charges) coming out higher than affordable rents.
- 6.9 Hyde advised that budget statements are issued to tenants detailing the estimated costs spread over the year and then up to 18 months later tenants receive the actual statement with applied variations at which point there could be either a balance to pay or credit due back to the tenant. Any variation would be as a result of amendment to contractor invoices. Hyde has in place an internal challenge process for any contractor invoice deemed incorrect.
- 6.10 Hyde is to be requested to re-examine the service charges at the properties considered as part of this review. However these properties are illustrations of something that the group has reason to believe is widespread, and whilst these properties illustrate the problem, the group would wish them to re-examine all serviced properties in the Chichester district.

7. Consultation

- 7.1 Hyde explained that the company had no legal requirement to carry out consultation with tenants prior to issuing service charge statements; however upon pressing they agreed that morally they should have consulted with tenants. No councillors are involved with or invited to attend Hyde tenants' panels.
- 7.2 Hyde did not discuss the proposed increase in service charges with Council housing officers. They did, however, raise the increase at the meeting with members on 10 March 2015 and responded further to Mrs Rudziak, Head of Housing Services, towards the end of March 2015 with further detail.
- 7.3 The first indication tenants had to the hike in service charges was receipt of their invoice statement.
- 7.4 Hyde advised that they had not carried out an impact assessment or put in place any mitigation for tenants' hardship and difficulty in paying the increased costs.
- 7.5 Despite requesting details from Hyde of the local Chichester tenants' panels, this information was not provided to us, therefore it is unclear how many local tenants are on this panel and what issues are consulted on.

8. Communication and complaints

- 8.1 There had been claims from tenants that their calls were answered by a South London operator who then had no knowledge of the Chichester operation and who to put calls through to. Hyde advised that there is a freephone telephone line and call centres in Lewisham, South London and Chichester. Calls are answered by the next available operator, the call is logged and put through to the relevant extension in Chichester. There is a minimal call charge from mobile phone.
- 8.2 Hyde advises that it aims to deal with service charge enquiries within 10 days however tenants will be informed if there is likely to be a delay of up to 28 days. There is a fast track procedure for dealing with queries for MPs and Councillors.
- 8.3 Councillors are aware of some tenants, particularly single parents, facing hardship and unable to find the extra money to cover the increased charges. These tenants have contacted Hyde to advise them of this and have received no response or scant advice on what to do. Hyde advised that their Income team handle calls relating to hardship and payment difficulty.
- 8.4 There are reports of tenants feeling fearful to approach Hyde directly to complain. They are also frustrated that they cannot get assistance or help from those they speak to at Hyde, sometimes for long periods of time. Tenants are reporting loss of work time and loss of money chasing up enquiries.
- 8.5 The group was concerned that there appeared to be a lack of ownership and empowerment by Hyde operatives in finding out relevant information and returning calls to tenants. Staff should be adequately trained in the issues they can expect to receive calls on.

9. Process of Hyde's review of properties

- 9.1 Hyde stated that they are currently in the process of creating a multi-tasking workforce to cut down on the number of contractors they use and they have a new management team in place. A new mapping system will provide greater detail for more accurate assessment of what should be included in services charges. The new system will allow Hyde to provide more detailed data for future customer enquiries.
- 9.2 Hyde had recently begun a three year project to audit all its buildings and complete a full estates review. This included asking contractors to submit tenders covering a minimum standard and providing value for money. A Residents Assurance Panel would be given access to review the tender process.
- 9.3 Hyde is sending the Council's benefits department a weekly list of service charge amendments. It is not clear whether Hyde is making these amendments to service charges by block/estate or to the tenants who have raised them.

10. Findings and Outcomes

10.1 The following findings were noted:

- There are anomalies between service charges in similar properties
- In some cases service charges have been wrongly applied
- There is no confidence in the methodology applied in reviewing these charges
- Hyde has not consulted with its tenants and has had no communication with the Council housing department regarding the service charge increases
- Communication with tenants has been poor
- There is no confidence in Hyde's ability to review queries in a timely manner
- It is costly for the tenant to pay the increased charges
- It is also costly for the tenant to take time off work and to pay telephone call costs in trying to resolve their queries (as well as frustrating and inconvenient)
- The higher service charges and the relation to benefit payments is costly to the Government and to the taxpayer
- There is a resource implication to the Council with the requirement to process benefits amendments as a result of Hyde reviewing service charges

11. Resource and legal implications

There are no significant resourcing or legal implications as a result of this review.

12. Alternatives that have been considered

There are no alternatives to consider.

13. Consultation

Consultation has been carried out with members and with tenants affected by the service charge increases imposed by Hyde to understand the scale of the problem.

14. Community Impact and Corporate Risks

There is an impact to local residents who are tenants of Hyde due to wide scale

complaint and dissatisfaction with Hyde following the introduction of increased service charges. There is a corporate risk to the council's ongoing relationship with Hyde.

15. **Other implications**

Are there any implications for the following?		
	Yes	No
Crime & Disorder:		x
Climate Change:		x
Human Rights and Equality Impact:		x
Safeguarding		x

16. **Appendices**

None

17. **Background papers**

Notes from the Task and Finish Group