



The Hyde Group
Making a lasting difference



The Hyde Group
Service Charges Overview for
Chichester District Council





Background

Chichester District Council Overview & Scrutiny Committee – Task & Finish Group

The Hyde Group have been asked to provide a report, following a review by Chichester District Council's Overview & Scrutiny Committee Task & Finish Group, into complaints received from residents, stating that they had seen a large increase in their Service Charges.

We were asked to provide a full report to the January 2016 meeting of the Overview and Scrutiny Committee addressing:

1. **the methods used to calculate the service charge increases in identified schemes and the justification for any changes that have been implemented**
2. **the progress made in resolving complaints and improving communication**
3. **current performance against the organisation's key performance indicators**

Methods used to calculate the service charge increases and the justification for the changes that have been implemented

An outline of how service charges are calculated

Firstly, we set an individual budget for every scheme each year based on estimates using: previous year costs; any changes to the service provided; changes to the cost of contracts provided by the suppliers and any expected changes in VAT and inflation over the coming year.

This estimate is sent to residents each February in advance of the new financial year. The amount residents pay during the year is based upon this estimated Service Charge.

Home owners and tenants who pay variable service charges are sent a service charge statement which is a final account, showing actual costs and any surplus or deficit after September each year. The statement refers to costs incurred in the previous full financial year.

Scheme estimates and costs are apportioned to individual residents based on the provisions in the tenancy agreement or lease.

Overview of Chichester Schemes

We have carried out a review of the specific properties within schemes identified to us by Chichester District Council. The schemes identified to us were as follows:

- Pilgrim Court
- Bishop Luffa Close
- Butts Meadow
- Warrenside



- Townfield
- Culvers

We met with the residents at each scheme at a local venue to talk through their issues. The majority of the schemes have seen increases in their service charges. As we have previously outlined at the Task & Finish Group review meetings, the increases predominantly relate to recovery of Health and Safety Compliance Service costs.

Hyde has always been fully entitled to recover the costs related to Health and Safety Compliance charges, but in the past we have absorbed these amounts rather than pass them on to individual residents.

As part of the most recent budgeting exercise, we decided that these costs should be recovered and we made the necessary changes the Group's portfolio.

We have outlined below what the results of the changes would have been for selected properties within each of the schemes shown above. Please note that different residents may have received charges slightly different to those quoted, as we have picked a random sample of properties within each scheme for the purpose of conducting the review.

It should also be noted that any charges or apportionment of the costs are made in line with the relevant tenancy agreement or lease agreement that the specific resident has with The Hyde Group.

Details are provided below:

Pilgrim Court

2013-2014

The total estimated scheme service charge for 2013/14 was £15,564.82. This did not include costs related to Controlled Door Entry and Legionella control services.

2014-2015

The total estimated scheme service charge for 2014-2015 was £24,934.14. This was an increase in the estimated cost compared to 2013-2014; however this provided a more realistic estimate of the costs to be incurred within the financial year.

2015-2016

The total estimated scheme service charge for 2015-2016 was £29,524.60. This was an increase in the estimated cost compared to 2014-2015 and has been modelled on the estimated service costs, in addition to the inclusion of the Health and Safety compliance costs.

The difference in 15/16 Scheme costs compared to the 14/15 Scheme costs for Pilgrim Court residents are circa 18% mainly due to increased compliance costs recovery. The Service Charge for 2014/15 was an estimated weekly charge of £47.22 per resident. This has been increased to £55.92 for 2015/16 financial year – an uplift of £8.69 per resident, per week.



Pilgrim Court residents pay a Fixed Service Charge in accordance with their tenancy agreement/lease, which is based on the Service Charge Estimate sent out at the beginning of the financial year. Consequently the residents do not receive the final Actual statement.

A fixed service charge is based on how much we know or estimate it will cost to run the services in the scheme/block. If the scheme has overspent by the end of the year, those residents will not be asked to pay any additional amounts. If the scheme has under spent, a refund will not be made.

The breakdown for the compliance costs is:

Legionella

This relates to the maintenance and inspection of the water hygiene services in the building.

Electrical Testing

As per the existing schedule of rates, there are three annual rates depending on the size of the building.

	Cost	Cost Inc. VAT
Converted Houses	£777.70	£933.24
Up to 4 Floors	£930.97	£1,117.16
5+ Floors	£1,305.63	£1,566.76

We based this on the latest set of cost information from our system. No follow up or remedial works have been included within the budget as this cannot be predicted.

Emergency Lighting & Fire Safety (including Door Entry Systems)

All equipment has to be tested and serviced at regular intervals. Costs are determined by a schedule of rates and charged to each block depending on the particular elements within the common parts.

Grounds Maintenance

The Grounds Maintenance is carried out by Martlet Build (now called Hyde Property Services) and the estimate is based on their schedule of rates for the services carried out to the estate/block.

Bishop Luffa Close

Due to the number of blocks within Bishop Luffa Close, we will refer to the scheme with the highest percentage increase in service charges for a further explanation.

2014-2015

The total estimated scheme service charge for 2014-2015 was £694.06. This excluded the costs of Controlled Door Entry and Electrical Maintenance (including lightbulbs & inspections)

2015-2016

The total estimated scheme service charge for 2015-2016 was £4,557.24. This was an increase in the estimated cost compared to 2014-2015 of £20.12 per resident per week



and has been modelled on the estimated service costs and the inclusion of the Health and Safety compliance costs.

Similar to Pilgrims Court, this scheme is based on a Fixed Service Charge and the main increase is due to the additional recovery of the Compliance services costs such as Legionella, Electrical Testing, Emergency Lighting & Fire Safety and Door Entry Systems.

Costs are determined by a schedule of rates and charged to each block depending on the particular elements within the common parts.

We do acknowledge that for some the percentage increase is substantial. This is due to the initial estimate being low or where we had not set a charge for the previous year e.g. for the Bishop Luffa Close scheme (four units), the Fire Safety estimate for 2014/15 was £3.86 per annum. This has been increased to £1,114.24 per annum for 2015/16 financial year to cover the maintenance of the common areas and any testing of services required for health and safety reasons. This is an uplift from £0.02 per resident per week in 2014/15 to £5.80 per resident per week in the 2015/16 financial year.

When Hyde has previously carried out these works, we have generally not looked to recover the costs from the Residents. However such costs are recoverable as a service chargeable item and residents are now being billed accordingly.

Butts Meadow

Due to the number of blocks within Butts Meadow, we refer to the scheme with the highest percentage increase in service charges for a further explanation

2014-2015

The total estimated scheme service charge for 2014-2015 was £118.24. This excluded cleaning costs and Electrical Maintenance (including light bulbs & inspections).

2015-2016

The total estimated scheme service charge for 2015-2016 was £1,411.98. This was an increase in the estimated cost from 2014-2015 and has been modelled on the estimated service costs, in addition to the inclusion of the Health and Safety compliance costs.

The increases were due, in the main, to the additional recovery of the Compliance services costs such as Legionella, Electrical Testing, Emergency Lighting & Fire Safety and Door Entry Systems.

Properties within the Butts Meadow scheme did see increases in the 15/16 Scheme costs compared to the 14/15 Scheme costs. This led to an uplift from £1.23 per resident per week in 2014/15 to £14.71 in 2015/16. The extent of the uplift only occurred where no previous charges for recovery of the compliance costs were being made to the residents. Certain properties actually had reductions, in percentage terms, as the costs for other services reduced.

Warrenside



Due to the number of blocks within Warrenside, we refer to the scheme with the highest percentage increase in service charges for a further explanation.

2014-2015

The total estimated scheme service charge for 2014-2015 was £943.39. This excluded cleaning costs, Controlled Door Entry and Electrical Maintenance (including light bulbs & inspections).

2015-2016

The total estimated scheme service charge for 2015-2016 was £4,489.75. This was an increase in the estimated cost from 2014-2015 and has been modelled on the estimated service costs, in addition to the inclusion of the Health and Safety compliance costs.

The increases were due, in the main, to the additional recovery of the Compliance services costs such as Legionella, Electrical Testing, Emergency Lighting & Fire Safety and Door Entry Systems.

Properties within the Warrenside scheme did see increases in the 15/16 Scheme costs compared to the 14/15 Scheme costs. This led to an increase from £4.91 per resident per week in 2014/15 to £23.38. This occurred where no previous charges for recovery of the compliance costs were being made to the residents. Certain properties actually had reductions, in percentage terms, as the costs for other services reduced.

Townfield

Due to the number of blocks within Townfield we refer to the scheme with the highest percentage increase in service charges for a further explanation

2014-2015

The total estimated scheme service charge for 2014-2015 was £350.70. This excluded Fire Safety costs and Electrical Maintenance (including light bulbs & inspections).

2015-2016

The total estimated scheme service charge for 2015-2016 was £2,854.99. This was an increase in the estimated cost from 2014-2015 and has been modelled on the estimated service costs, in addition to the inclusion of the Health and Safety compliance costs.

The increases were due, in the main, to the additional recovery of the Compliance services costs such as Legionella, Electrical Testing, Emergency Lighting & Fire Safety and Door Entry Systems.

Properties within the Townfield scheme did see increases in the 15/16 Scheme costs compared to the 14/15 Scheme costs. This led to an increase from £1.83 per resident per week in 2014/15 to £14.87 in 2015/16. This occurred where no previous charges for recovery of the compliance costs were being made to the residents. Certain properties actually had reductions, in percentage terms, as the costs for other services reduced.

Culvers



2014-2015

The total estimated scheme service charge for 2014-2015 was £293.10. This excluded Electrical Maintenance (including light bulbs & inspections)

2015-2016

The total estimated scheme service charge for 2015-2016 was £1,571.65. This was an increase in the estimated cost from 2014-2015 and has been modelled on the estimated service costs, in addition to the inclusion of the Health and Safety compliance cost.

Similar to all of the above the increases were due, in the main, to the additional recovery of the Compliance services costs such as Legionella, Electrical Testing, Emergency Lighting & Fire Safety and Door Entry Systems.

Properties within the Culvers scheme did see increases in the 15/16 Scheme costs compared to the 14/15 Scheme costs. This meant an uplift from £1.53 per resident per week in 2014/15 to £8.19 in 2015/16. This occurred where no previous charges for recovery of the compliance costs were being made to the residents.

We do recognise that the increases in the service charges for Compliance services will have impacted on our residents. We will attempt to meet with the residents at these particular schemes should it be necessary. Where individuals face financial problems we will offer advice and support.

More information on communications that have taken place with residents since the OSC was held is outlined below.

Progress made in resolving complaints and improving communication

Sarah Chatfield, Service Charge Manager at The Hyde Group has met (alongside local colleagues) with residents at almost all of the relevant schemes highlighted at the OSC Task & Finish Group Meeting.

Sarah also attended the meeting with the local councillors at the Hyde Office in Chichester on the 18th November.

We outline below the latest update from the relevant meetings and the next steps:

Pilgrims Court

Five Residents attended the scheduled meeting. The main issue discussed with Sarah related to a number of ongoing concerns with Hyde around cleaning and caretaking costs, communal electricity bills, telephone lines and grounds maintenance. We have created a dedicated Action Plan to specifically cover-off these items which has been sent to the residents. The residents will be updated on the actions on a monthly basis until all the issues have been resolved.

Bishops Luffa

We invited 60 residents but only five attended (we were also joined by the local Councillor for part of the meeting). Residents were angry about the additional compliance costs. Sarah explained the reasons for the costs, which the residents did



understand and accept. We also apologised to them for the way we had communicated this to them.

The residents raised concerns around the inconsistency across all the blocks in Bishops Luffa in terms of charges. We have agreed that Hyde's Service Charge Team will provide our local team with a breakdown of all services and the local team will visit to try to determine if there really is a difference in the blocks in question. The local team is to report back and we will then review the differences. Visits are to be completed by early December 2015 and Service Charge Team is to complete the review by the end of December 2015.

We have acknowledged that we need to find better ways to communicate with residents like these who are on Fixed Service Charges (as are many of the schemes in Chichester).

Warrenside

We had five residents attend the meeting, along with the local Councillor, and we believe that the Residents understood the need for the new charges but could not understand why there were discrepancies in the charges. Again, we have agreed to review the charges to ensure consistency across Warrenside. The meeting was quite wide ranging with a number of issues apart from service charges being raised and the local Resident Services Team undertook to deal with all the local issues and confirm in writing to the residents.

Butts Meadow & Townfield

We have not yet been able to meet with the residents but we are aiming to hold these meetings in December or very early in January 2016.

Complaints

Our records indicate that we currently have zero formal complaints outstanding from Residents based in the Chichester area. We only have a total of eight formal complaints across the whole of The Hyde Group currently in progress that are directly related to a Service Charge issue in the context of 30,000 estimates and statements issued annually.

Review of charges - what has changed?

Over the last 10 years or so, Landlords have faced increasing legislation and regulation particularly around Health & Safety of the properties they manage. This has been particularly true in blocks of flats where nationally a number of high profile cases regarding resident safety have put these issues under the spotlight.

The regulations have led to an increase in servicing and testing of equipment such as:-

- Firefighting equipment (extinguishers, dry risers, AOVs etc.)
- Smoke Alarms
- Emergency Lighting
- Lighting conductor testing
- Electrical testing of communal areas
- Legionella testing of communal water tanks/equipment
- Testing of safety harnesses on flat roofs
- Testing of pumping stations and sewage plants



- Lift Servicing/Safety checks
- Door Entry Servicing

We are also under a duty to carry out a Fire Risk Assessment on all internal communal areas to ensure the risk of fire is minimized and to ensure that any Asbestos in our properties is regularly checked. Hyde, as a responsible Landlord, takes the safety and security of its residents very seriously and will not compromise on their safety.

Over the past two years Hyde has focused on establishing consistent approaches to service charges across the Group and we have improved our processes for analysing what charges can be made. We are working to put into place new systems and resources to ensure that the relevant charges are raised and correctly apportioned and recovered from all relevant residents.

This approach is based on ensuring greater accuracy in capturing and passing on relevant costs and more detailed analysis of relevant charges. We are reviewing every Lease and Tenancy Agreement to ensure that we are charging appropriately for every aspect of applicable services.

We do recognise that any increase in service charge does impact on our residents, and we provide support and advice to those in financial need.

Communication

Earlier this year we introduced a comprehensive Communications Plan for Service Charges, with input from service charge paying residents, and this is fully operational across the Group.

The aims of the Communication Plan are as follows:

- Clearly articulate the responsibility of setting service charges i.e. Hyde or third party.
- Clearly define the reasons behind changes in service charges.
- Provide a consistent message as to the way service charges are calculated and the data this is based upon.
- Provide a way of capturing and responding to more general service complaints which reference service charges
- Reassure customers / stakeholders that our service charges are completely transparent.
- Acknowledge the changes may be difficult for some residents and signpost to support.

We will continue to communicate with residents on a regular basis in relation to their statements and we are also making further improvements in the quality of the information we provide to customers on their Service Charges, as part of our ongoing commitment to invest in the delivery of all our services.



Current performance against the organisation's key performance indicators

As outlined above we currently have no outstanding complaints relating to Service Charges in Chichester.

Our performance for all schemes across Hyde (not just Chichester) in November 2015 was 2,079 enquiries received relating to a Service Charge or Home Ownership matters from 30,000 service charge payers. Of those, 1,926 were actioned within the agreed service level (10 days) and 153 were completed just outside of this target.

Our latest independent satisfaction indicators for Service Charge & Home Ownership customers show that satisfaction for the last month (November) is at 87%, +3% points higher than in October (84%). The Year to Date score is currently at 83%. Satisfaction with staff helpfulness is at 88% for the Year to Date.

An overview of current performance across other key Hyde Services will be presented to members at the meeting.

Conclusion

Hyde does fully acknowledge that the addition of Health and Safety Compliance costs and the impact of better informed service cost estimates, could have been communicated more effectively.

We also concur that in the case of the schemes highlighted, the overall percentage increases are high. In the main, this is due to the compliance service costs being included for the very first time in charges to residents. We are committed to delivering services that are value for money but also accurately reflect the costs we have incurred. We acknowledge the work of the Task & Finish Group in highlighting these concerns and we will continue to liaise with senior staff and residents in the Chichester area to resolve any specific issues or concerns they may have around their charges.

The Hyde Group remains committed to working in close collaboration with all key stakeholders in Chichester to provide affordable new homes and efficient landlord services to all residents.

DAVID MORRISSEY
DIRECTOR OF CORE OPERATIONS, THE HYDE GROUP