




## Minimising Service Charges to drive Affordability for your Customers



A presentation for the National Housing Federation

Wednesday 3rd September 2014

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## Adrian Waite Introduction and Experience

- ♦ Managing Director of AWICS Ltd
  - Provides management consultancy and training services principally to social housing organisations
  - Recently advised Denbigh CC, Northampton BC and Oldham BC / Housing 21 on introducing service charges
- ♦ Chair of Impact Housing Association
  - Former board member of Calico Housing Association

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## What I will cover

- ♦ Understanding which chargeable services are valued by customers.
- ♦ Minimising the costs of utilities when overall prices are sharply rising.
- ♦ Putting measures in place in the development stage to ensure lower cost services.

♦ This has a lot to do with Value for Money

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## Affordability

- ◆ Understand the economic profile of the tenants, leaseholders (and the leaseholders' tenants)
- ◆ Challenge existing practices
  - We don't have to do things the way we always have done!
- ◆ Think innovation
  - Partnering
  - Do-it-yourself services

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## Which Services?

- ◆ Make sure that you know which services you provide and that you could charge for
- ◆ Make sure the residents know what you do
- ◆ Find out whether the residents want the services
  - They may want more or less
  - Especially if they have to pay for them
- ◆ Prepare for Universal Credit

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## Management and Delivery

- ◆ Need to manage the services actively rather than administer what happens already
- ◆ How effective is delivery?
  - What is the attitude of contractors?
  - How satisfied are the residents?
- ◆ Do you achieve Value for Money?
  - Economy, Efficiency, Effectiveness
  - Do you provide what customers want?

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## Know your Budgets

- ◆ Direct Costs of providing services
  - Do we know costs for each scheme?
- ◆ Indirect Costs (overheads)
  - Do we know these costs?
  - How do we apportion them to schemes?
- ◆ Calculation of Service Charges
  - How to apportion costs to individual dwellings?
  - Per dwelling, Bedrooms, bed spaces or other?

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## Communication

- ◆ Do customers get what they want?
- ◆ Do you know what customers want?
- ◆ Costs and basis of apportionment
- ◆ Quality standards
- ◆ Benchmarking
- ◆ Seek consensus and agree changes
- ◆ Use existing networks including residents' associations

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## Communication Plan

- ◆ Do more than send out annual service charges statements
- ◆ Residents' packs
- ◆ Resident involvement
- ◆ Two-way communication
- ◆ Landlord, contractors and residents to work together
- ◆ Promote your service charges
- ◆ Focus on improving quality of life for residents

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## Consultation with tenants and leaseholders

- ◆ Bush HA – Consultation meetings based on estimates and details. Value for Money assessed based on residents' views before and after works done.
- ◆ Raglan HA – Consult local forums on works as part of consultation on wider issues and then report to board.
- ◆ Restormel Housing Trust – assesses value for money through service reviews, residents' groups and general consultation.
- ◆ William Sutton Trust – used MORI to assess residents' views of value for money of service charges

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## Minimising the Costs of Utilities

- ◆ Affects tenants directly, through communal heating schemes and through service charges for common areas
- ◆ Economical supplies
  - Including purchasing consortia
- ◆ Efficient heating schemes
- ◆ Effective insulation

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## The easy way to 'design out' Service Charges

- ◆ Build homes that don't have services
  - But what if we need to build flats or want to build supported housing?
- ◆ Reduce costs of services by reducing pay or standards
- ◆ Delay maintenance
- ◆ Hide the service charges in the rents

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## Build Relationships with Developers

- ◆ Developers and Development Teams may not be very interested in long-term maintenance, costs in use or service charges
- ◆ They may want to:
  - Build a scheme that appears impressive
  - Maximise the number of units
  - Ensure prompt completions
  - Reduce development costs
- ◆ Beware 'off the shelf' schemes

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## Aspects of Design to Focus on

◆ Things that are well used:	◆ Mechanical and Electrical items:
– Lifts	– Water Pumps
– Access Control Doors	– Sewerage systems
– Telephone Entry Systems	– Heating and Ventilation
– Floor Coverings	– Fire Safety
– Fences and Gates	– Lightning Protection

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## Competitive Tendering

- ◆ Landlords have found savings especially in:
  - Building Repairs and Maintenance
  - Grounds Maintenance
  - Building Cleaning and Caretaking
- ◆ Savings can also be found in joint procurement and shared services
- ◆ But is this at the expense of the standard of service and conditions of the employees

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## Other Issues

- ◆ Invest in the buildings at the outset
  - Ensure a good quality specification to ensure a long life with low maintenance
- ◆ Keep up with cyclical maintenance and major repairs
- ◆ Ensure that Combined Heat and Power (CHP) schemes are efficient and there are not overheated buildings
- ◆ Invest in security to reduce repairs and complaints
- ◆ Meter all the utilities to reduce service charges

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## Conclusions

- ◆ Know your budgets
- ◆ Communicate with your tenants
- ◆ Build relationships with developers and development teams
- ◆ Focus on long-term maintenance and costs in use
- ◆ Briefing Papers are available on my website at <http://www.awics.co.uk/Housing>

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## National Housing Federation

### Minimising Service Charges to drive affordability for your customers

## The End – Any Questions or Comments?

Adrian Waite (Independent Consultancy Services) Limited,  
Room 3, Shire Hall, The Sands,  
Appleby in Westmorland,  
Cumbria. CA16 6XN.  
Tel: 017683-52165 or 07502-142658.  
E-mail: [adrian.waite@awics.co.uk](mailto:adrian.waite@awics.co.uk)  
Website: [www.awics.co.uk](http://www.awics.co.uk)  
Twitter: [@AdrianWaite](https://twitter.com/AdrianWaite)

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