

# RESIDENTS SCRUTINY PANEL

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SERVICE CHARGES FINDINGS REPORT:

## RESIDENTS' EXPERIENCES OF PEABODY SERVICE CHARGES

JUNE 2022

FINAL VERSION



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## ABBREVIATIONS

PAT Property Accounts Team

LH/SOs Leaseholders and Shared Owners

RA Residents Association

TRA Tenant Resident Association

FG Focus Group

EOD The preliminary stage of a resident complaint

## 1.0 INTRODUCTION

The Scrutiny Panel is an independent group of volunteer residents from all tenures who look at Peabody's resident-facing services. The Panel undertakes reviews of individual services and makes evidence based recommendations to Peabody's Executive Committee and Board.

The Scrutiny Panel chose to look at Service Charges because they have become a growing issue for many residents. We undertook the review between March 2021 and October 2021. We thank all the residents, TRAs and staff members who gave their time and help to our survey. We also thank the Resident Involvement team for their help and support.

The Report was submitted to management in December 2021. In January 2022, following an initial management response, a reference was added to include other management teams sharing responsibility for service charges. In May 2022 Appendix 7.2 was added to define the accuracy of the online survey after it had been queried by management. We received the management response to the report recommendations in June 2022.

## 2.0 METHODOLOGY

The Scrutiny Panel began their review by conducting a desktop review of documents relating to service charges including the Peabody policy. The panel then conducted an interview with The Head of Finance – Management and Property Accounts and had a follow up question and answer session.

With the considerable and welcome assistance from the Peabody Research and Insight Team we designed and compiled an online survey that was delivered to over two thousand residents by email. The sample was a stratified sample of residents, who were chosen at random based on their tenure to ensure a range of views on service charges were captured. The survey was sent to 2271 residents: 1000 tenants, 1000 leaseholders and 271 freeholders in July 2021. The survey questions were compiled solely by the Panel.

**The Research and Insight Team note that response rates in online surveys varies from 5% to 20%. Our survey had a response rate from all tenures of 19%, indicating how important the topic of service charges is for residents. Amongst leaseholders, shared owners and freeholders the response rate was 25%.**

The Research and Insight team removed any incomplete and test responses from the data set before providing this to the Panel. The penultimate question was whether respondents would like to discuss matters further with members of the Panel. This produced another large response from 189 residents resulting in 13 focus group meetings of an hour each between Panel members and 39 residents, with open ended conversations learning residents' experiences in detail. We also had lengthy telephone conversations with five Residents Associations who had responded to a request from us for interview. Residents also sent detailed information and copies of correspondence with Peabody by email. We believe the size and depth of our survey gives our findings considerable credence and weight.

The Panel also conducted a standardised set of interviews with the Peabody staff involved with service charges that provided insight into their side of the process. We made allowances in our survey for the effects of the pandemic, e.g. staff working from home and a reduced repairs service, and looked, where possible, for experiences that predated the pandemic.

As the scrutiny continued it became apparent that several Peabody departments and managers contribute to the process and residents' experiences of service charges. Therefore some of the recommendations that follow apply to several Peabody departments and teams.

All members of the Panel took an active part in the scrutiny process. This paper reports on the findings of the scrutiny review.

## 3.0 FINDINGS FROM RESIDENTS

Our online survey was of all tenures but the largest response (64% of all responders) was from leaseholders and shared owners who recorded high levels of dissatisfaction with service charges and

service charge enquiries. We are aware that leaseholder dissatisfaction is widespread in all housing - a YouGov survey in 2019 recorded 54% of leaseholders had experienced problems.

**However, our survey recorded**

- **87% of Peabody leaseholders and shared owners in our survey thought their service charges were unreasonable (Q5) for the services provided.**
- **57% of LH/SOs in our survey had queried their service charges (Q8.1) and only 4% found the process easy with 84% finding it difficult (Q8.2).**

This group of leaseholders and shared owners is the new market that Peabody looks to for future growth. Negative experiences amongst this group will inevitably damage the public reputation and possible development of Peabody. The quotations and examples given have been chosen to illustrate recurring themes from the survey and resident meetings.

1. Amongst all survey responders from all tenures, 74% considered their service charges were increasing faster than inflation with 90% of shared owners thinking that the charges were unreasonable for the services provided.
  - One RA chair quoted an increase of 180% in 13 years against general inflation of 43%.
  - One shared owner quoted a 108% increase in 4 years. FG
  - Another shared owner quoted a 100% increase in 5 years. FG
2. Amongst all survey responders 66% were either unsure of or did not know what all the charges were on their statements.

*“Charges should show the percentage increase on the previous year and/or last year’s costs for transparency” - shared owner*

3. A majority of the leaseholders and shared owners had queried their service charges. Of these:
  - 84% found the process difficult.**
  - 63% then discovered that they had been overcharged (Q8.3).**
  - 27% were still waiting for an answer (Q8.3).**
  - Only 6% had been charged correctly (Q8.3).**

*“I finally got an adjustment for being overcharged. It took 14 months. I was told to keep it quiet and not tell other residents” - leaseholder*

4. Unlike general needs tenants, leaseholders have a legal right to inspect the accounts and invoices that make up their service charges. Only 4% who asked to do this found it easy. The Peabody policy, even during the pandemic, is that enquirers can inspect documents only by attending a Peabody office in central London within limited office hours. This policy discriminates against those less able to take time off work and those with mobility issues. Therefore it is possible the policy contravenes the Equality Act 2010.

*“Peabody have been completely unwilling to consider digital means of providing the paperwork” - shared owner*

Even when enquirers have attended a Peabody office to inspect invoices, many invoices have been missing and unavailable, leaving queries unresolved - RA chair and others.

- An enquirer in 2018 waited 6 months to get a response from the PAT. She was told by PAT staff that they had difficulty getting copies of invoices themselves. FG
- An enquirer in 2019 was allowed only one hour's access to a large folder of accounts and with no copying facilities. FG
- One leaseholder was twice told he could not see invoices because he was a shared owner. FG
- Enquirers have been told that the documents cannot be sent electronically because email delivery was not included in the Landlord and Tenant Act 1985. (Email was not in wide use until at least ten years later.) FG

*“Utility bills are all electronic so can be sent by email, no one needs to come into Peabody offices to view them” - shared owner*

5. Residents who challenged service charges all spoke of how difficult it was to communicate with Peabody - there was no consistent person to have contact with and, if they had any reply at all, it took months. When they challenged charges successfully the frequent Peabody response was to say that the overcharge had been an admin error and issue a refund.

*“I was told repeatedly that a communal boiler does exist when it doesn't. This happened for over a year until Peabody finally agreed I was right – this wasted a lot of my time.” - leaseholder*

6. The difficulty of communicating with Peabody and slow response from the PAT leads some residents to raise complaints, further increasing the workload. Peabody recorded 105 EODs relating to service charges in the year to March 2021. The vast majority related to poor communication.
7. Many leaseholders and shared owners are in new build properties. New builds often have some problems that need correcting. A recurring theme in the Focus Groups and RAs was of a slow and poor repair service e.g. security gates not working for 5 years, rain water leaking into a carpeted communal hallway for 10 years. Combine a poor repair service with fast rising service charges that are **often (63% in para 3.) found to be incorrect** and it is inevitable that Peabody will get dissatisfied residents.

*“There will be a mass exodus as soon as we can sell these flats”  
- shared owner*

8. Many leaseholders and shared owners expressed concerns during Focus Group sessions that there was no incentive for Peabody to check repair contractors’ charges because they would all be passed on to leaseholders anyway.
  - One quoted residents being charged £630 per day for the service of a handyman. FG
  - Another had taken to replacing the light bulbs in communal areas himself rather than have a charge of £120 from a contractor. FG
  - One RA chair found multiple charges had been made on the same day for the same repair. No checks on these charges had been made by Peabody.

*“It feels like daylight robbery” - shared owner*

9. Residents being charged for work that had not taken place was quoted with examples by several leaseholders and shared owners in Focus Groups. Once challenged, the charges would be withdrawn but it left residents suspicious of Peabody and the service charges. **Again, residents said that because all charges in leaseholder and shared owner only blocks are passed on to residents, there is no incentive for Peabody to verify the work or charges being made.** Some were concerned that the apparent lack of checks left the system open to fraud.
10. Focus groups brought up repeated problems in new mixed developments with a superior landlord. Peabody would have one block of shared owners with the other blocks being wholly private with facilities like gyms, swimming pools and a 24 hour concierge service. The Peabody shared owners know their leases give them no access to these facilities yet see their service charges being similar or even higher than the non-Peabody private owners.
  - In one development a Peabody shared owner was being charged £6.75 per square foot

compared to a private resident in a similar sized property in the same development being charged £5.61 per square foot but with access to all the facilities. FG

- Shared owners reported increases of up to 85% in their estimated service charge for the current year, whilst private owners (non Peabody) in the same development were seeing their service charges reducing. FG
- The chairs of two Residents Associations in different developments told us they had not been supplied with copies of Actual charges for 2 and 5 years.

*"I would like to sell but I am trapped because the service charge is so high" - shared owner*

11. Shared owners reported that their online Peabody account did not distinguish between their rent and their service charge, showing the two figures combined into one. This made it difficult for them to know how much they were being charged. FG
12. Residents also spoke of how incorrect direct debit payments continued to be taken from their bank accounts. Some residents took legal advice over this because they thought they were being scammed. Other residents discovered that incorrect excessive direct debit payments continued to be taken from their accounts for up to a year. FG

*"My service charge was then backdated and £412 taken from my account without notice – this is unacceptable." - leaseholder*

13. The Peabody Leasehold Collections department have a default policy of issuing two standardised threatening letters to residents who have not paid the increased amounts of service charges demanded and are in dispute or are querying their service charges. In some cases, the Property Accounts Team had agreed that the increased amount need not be paid until the dispute was settled. However, the Leasehold Collections Team is generally not informed by the PAT of relevant service charge queries taking place. The tone of these default letters has caused anxiety to residents and for some to take legal advice fearing they could lose their lease. FG

*"I am being threatened constantly with prosecution unless payment is made even though my questions were ignored" - leaseholder*

14. Many shared owners complained about the fact that although they might own only 25% of their flat and Peabody 75%, the shared owners were liable for 100% of all building repair costs with Peabody not being liable for anything. They compared themselves with tenants who are not liable for any building repair costs. Peabody would benefit from the increase in property value of the 75% it owned but all building repair costs would be met by the shared owner, who would receive only 25% of the benefit.
15. Tenants make up more than half of Peabody tenures but only 27% of all survey responders were tenants. Of these, only half said they were paying service charges. For some tenants, service charges are included in their rent and not shown as a separate charge, but they are only 4% of tenants. Tenant dissatisfaction levels were lower than with LH/SOs.
16. 33% of tenants who responded thought their service charges were reasonable for the services provided but 45% thought them unreasonable. This compares with 4% and 87% for LH/SOs.
17. 60% of tenants who responded to Q6 knew what the charges on their statements were for. This compares with only 27% of LH/SOs. Statements for this latter group are more detailed and complex. Half the Peabody staff interviewed told us they thought the statement booklets were unhelpfully complex leading to more queries.

*“The presentation (of charges) is fine, the charges are just not accurate or true” - shared owner*

18. Freeholders make up only 2.5% of all Peabody tenure types, however they made up 9% of the survey responders. Their responses were similar to LH/SOs with 78% thinking their service charges are unreasonable for the services provided and none finding the enquiry process easy.

*“If I win the lottery I will tell Peabody they can shove the property”  
- shared owner*

19. A finding came out of Focus Group discussions that LH/SOs were often in isolated blocks and not in the larger estates that made up historic Peabody estates. As a consequence they were less able to share support and information in the same way that tenant led TRAs have historically done. This was probably a factor in the high response rate to our survey and offer of further contact through the Focus Groups. See later suggestion at 7.1.1



## 4.0 FINDINGS FROM STAFF

The Scrutiny Panel interviewed members of staff involved with service charges and the Head of the Team, who also responded to further written enquiries from the Panel.

1. The Panel were surprised to learn that the PAT had only 12 staff dealing with 66,000 properties compared with 100 staff in the Leasehold Collections Team. Since 2018 there has been some staff turnover in the Team and the number had reduced to 8 in July 2021 when we interviewed staff. All the staff we interviewed considered the low staff numbers were a problem for how well the team could operate. One said they were **'grossly understaffed.'** Some new staff were joining but they were inexperienced putting further strain on the system and current staff.
2. The Panel learned that most of the staff interviewed considered that there had been problems with new accounting software. This accounting software had been in use at Family Mosaic and was being applied to all Peabody properties. Before the merger Peabody had used Excel. There had been problems entering data and coding into the new software and there was a view that it was not ready for use but they were 'told to start using it anyway'. There was a view that this contributed to errors and then more enquiries from residents - which increased the workload.
3. Actual service charge booklets were sent out 6 months late in 2020 and were late again in 2021. Clearly reduced staff numbers contributed to delays but most of the staff interviewed considered that the new accounting software was at fault – that it 'underperformed' and was 'not ready for use'. Peabody staff reported that it was harder to locate and identify data problems within the new software than in Excel.

*"Senior management rushed the booklet to get it out"*

*– Peabody staff*

4. Peabody staff spent much of their time – one quoted 80% - dealing with resident queries over service charges. There had been 2,458 queries in the preceding year. They pointed out that when a resident discovers one error in the charges they tend to question many more of the charges, greatly increasing the staff workload.
5. The Property Accounts Team does not take responsibility for checking invoices from outside contractors before recharging to residents. The PAT assumes they have been checked and verified by the relevant contract managers, at the 'front end', before being passed to them. Consequently, when residents query charges the PAT staff have to raise the queries with the other Peabody departments concerned. PAT staff reported that other Peabody departments can be very slow to respond to queries that they raise.

*"The front end should be accurate" – Peabody staff*

6. Peabody staff also reported that plans to enable them to become acquainted with specific local areas or 'patches' had been delayed. They reported that this made errors more likely.
7. The Panel learned that the Property Accounts Team worked to a primary objective of maximising income collection, that **'our goal is to maximise our recovery'**. The stated view we heard was that service charges were increasing, or 'looked like' they were increasing, because the charges were more accurate as a consequence of using the new accounting software.

The disproportionate increases in service charges experienced by many residents appears to contradict Peabody aims:

*'Our commitment to affordable rents and affordability more widely will continue. For shared owners we will work to identify opportunities to reduce service charges and costs as part of our continued drive to create thriving mixed tenure communities.'*  
*Peabody Group Strategy 2021-24*

## 5.0 CONCLUSIONS

*'We'll make our services easy to use and will get it right first time'*  
*- the first priority in Peabody's Mission, vision and values.*

We believe our scrutiny shows that this ambition has been failing and continues to fail significantly in the calculation and application of service charges. Errors in any system are almost inevitable but we found the scale of errors and the difficulty, even misguided resistance, to querying and correcting them were shocking.

It is important to recognise the considerable stress and impact on health and wellbeing suffered by many residents and staff caused by the problems with service charges and communications.

We believe the primary objective of the Property Accounts Team should be accuracy and not maximising income collection. Applying the 'right first time' approach to service charges would save money in the long run by reducing time consuming queries from residents.

All tenure groups experienced and reported problems but the tenure group most affected were shared owners and leaseholders. This group is the market that Peabody looks to for future sales growth in new build properties. Negative experiences amongst this group will inevitably damage the public reputation of Peabody as a good developer and landlord.

Consequently we recommend that Peabody urgently takes action to improve the performance of the departments and teams involved in calculating and delivering service charges to residents.

## 6.0 RECOMMENDATIONS

1.	Make the main goal and priority of the Property Accounts Team that all service charges are accurate and reasonable rather than maximising recharging. Getting the charges correct before sending out to residents will reduce the workload caused from enquiries. Follow the 'right first time' approach.
2.	Ensure that the Property Accounts Team is properly resourced in terms of staffing levels, training and fully functioning IT systems with appropriate software.
3.	The PAT should perform extra checks on the accuracy of the charges where service charges are being increased at a rate greater than inflation.
4.	Peabody to establish better procedures so Contract Managers understand that contractors' invoices need to be verified, accurate and correctly assignable before passing on to the PAT for recharging to residents.
5.	Peabody to establish better communication between the PAT and Contract Managers to allow the PAT to obtain and verify contractors' invoices.
6.	Contractors should provide photographic evidence to verify that work has been carried out and these should be made available to residents.
7.	Establish a procedure that allows residents to inspect and verify their charges in accordance with the spirit of the law. The procedure should allow electronic inspection of invoices and accounts and not be restricted to attending an office in central London.
8.	Allow shared owners to see their service charge separately from rent in their online accounts.
9.	Engage with residents to help clarify the display of charges in the service charge booklets.
10.	All service charge demands should show the percentage change from the previous year.
11.	The PAT should establish a regular, consistent and accessible point of contact for residents making enquiries about their charges.
12.	The PAT should establish better communication with the Leasehold Collections Team to ensure that letters threatening court action are not sent out by default to residents querying their service charges.
13.	The PAT should establish better communication with AllPay, the Direct Debit contractor, to ensure that only correct payments are taken from residents bank accounts at <u>all</u> times.
14.	All participants in the survey and focus groups should receive a copy of this report to give them assurance that their feedback is acknowledged.
15.	Peabody to respond with an action plan for improvements and with progress reports after 6 months and 12 months.

## 7.0 APPENDICES

### 7.1 FOCUS GROUP SUGGESTIONS

1.	Peabody should set up a Forum for their LH/SOs similar to the Camden Leaseholders' Forum supported by Camden Council. This would provide easily accessible information, mutual help and support for the many Peabody LH/SOs who experience problems.
2.	In sales information, Peabody should show the service charge as a % of a flat's value.
3.	Peabody should publish the service charge records for the last 5 years for flats.

### 7.2 SURVEY ACCURACY

The online survey used for this report was conducted by the Peabody Research and Insight Team using a stratified sample of Peabody residents.

The Research and Insight Team note that response rates for online surveys are expected to be between 5% and 20%. The overall response rate for our survey was high at 19%. Amongst Leaseholders, shared owners and freeholders the response rate to our survey was 25%.

Looking at the findings relating to Leaseholders, shared owners and freeholders only - the survey was sent to 1,271 of these tenure types. That was 9% of what was the total number of those tenure types at the time (13,785). So the survey reached a very high proportion of the people affected. 313 people from these tenure types responded to the survey (25% of those surveyed).

Following repeated questioning of the survey data from management, the Panel carried out an analysis of the survey accuracy and reliability. The analysis was done using an online calculator provided by SurveyMonkey, the online survey company used until recently by Peabody. It is the Margin of Error calculator and it shows how likely it is the survey findings represent the views of all residents. That likelihood is affected by population size (the total number of residents) and survey size (numbers responding) with a third variable of % certainty – we used 95%.

Overall for those three tenure types of Leaseholder, shared owner and freeholder, with the known figures of 'population' size and survey size, it is possible to say with 95% certainty that the survey findings have an overall margin of error of plus or minus 5% when all respondents record an answer. That means, for example, if 80% of all survey respondents recorded that their service charges are increasing it might, in terms of all Peabody residents in those tenure types, be a view shared by between 75% and 85% i.e. plus or minus 5%.

When survey questions had fewer respondents the margin of error increases. So Q8.2 which asked if it was easy or difficult to query the charges - 82% of respondents recorded that it was difficult. However, fewer respondents answered that question so it has a larger margin of error of 7%. That means we can be 95% confident that amongst all residents who might query their service charges between 75% and 89% would record it as difficult.

Q8.3 asked 'When you queried the charges did you find that you were being overcharged, undercharged or that they were correct?' 63% of survey respondents found they were being overcharged, with 27% still waiting for a reply. But fewer people answered this question so it has a margin of error of 8%. Therefore, amongst all eligible residents the figure could be between 55% and 71% who would discover they had been overcharged with 19% to 35% still waiting for a reply.

No survey is ever likely to be 100% accurate but this one had a large sample size and a high proportion of residents responding to it, particularly leaseholders and shared owners. The Panel believe it fairly represents the views and experience of residents.

### 7.3 BENCHMARKING

A 2020 survey of residents of all tenure types from nine different Housing Associations (which included Peabody) reported that 52% of residents had found that they were being overcharged.

Our survey of all tenure types recorded that 63% of Peabody residents had found they were being overcharged with 27% still waiting for a reply. Survey results are difficult to compare directly but this tends to show that Peabody may be overcharging more than other HAs.

Housing Association	Who decides	How it is calculated	What it is charged on	Resident involvement
Notting Hill Genesis	Management Office (PMO) decides the service	The amount of the service charge is based on the costs incurred on the building during the recent years and the anticipated costs of the major works. The service charge is billed in advance and reviewed at the end of each financial year. Over charges are refunded and under charges have to be paid. <u>Leaseholders:</u> The copy of the leaseholders' document particularly next to 'Specified Proportion', helps to understand how the figure is calculated.	Repairs, insurance, maintenance, property managing. Utilities  <u>Reserve fund:</u>  'Reserve fund', funds are money collected in advanced for future repairs. It added on service charges. This helps to avoid charging Lease holders large sums at the time of major repairs	
Hyde/Catalyst	Management	The exact make-up of your service charge depends on the type of property one lives in. If you pay rent, the service charge is additional to your rent.  Hyde /Catalyst do not have clear guidelines on how service charge is calculated.	Tenant, leaseholder, shared owner or freeholder, pay a charge for the servicing and maintenance of any internal or external communal areas where they live.	

Metropolitan		<p>There are different Service Charge Elements Depending on the lease.</p> <p>They manage Care and Support facilities' at the same time.</p> <p>Most repairs are covered by the rent but some communal repairs are charged via service charges</p> <p>The Metropolitan Housing does not have clear guidelines on how service charge is calculated.</p>	<p>Aids &amp; Adaptations, Auditors Certification, Cost of yearly audit of accounts Buildings Insurance, Building Repairs &amp; Maintenance, Communal areas, Communal utilities and many more.</p> <p><u>Sinking funds:</u></p> <p>Sinking funds are collected each year and usually spent on large items of expenditure such as lift replacements, door entry replacements or re-laying tarmac on a road within the estate Management Agent costs</p>	
Southern Housing		<p>Anyone who lives in a property that features shared areas or facilities will pay a service charge.</p> <p><u>Calculating service charges:</u></p> <p>The service charge, is calculated by working out the exact cost of providing services to an estate and block, and then charging each residents' share of these costs.</p> <p><u>For leaseholders:</u> The apportionment is defined in the lease terms, while for <u>tenants</u> it is often based on the number of people who share the estate, block or scheme. Sometimes this means that all flats pay the same proportion of charges or the larger properties pay a higher proportion. This is because it is recognised that the services, could be used by more people.</p>	<p><u>Tenant Service charge:</u> Cleaning the communal areas,</p> <ul style="list-style-type: none"> <li>• Maintaining the estate gardening.</li> <li>• Rubbish removal.</li> <li>• Utilities such as gas and electricity.</li> <li>• Maintenance of lifts and door entry phones.</li> <li>• Pest treatments.</li> </ul> <p><u>Lease holders, shared owners and freeholders</u></p> <p>leaseholders and shared owners pay a proportion of the cost of all services (including repairs and maintenance) provided or carried out in their building or on their estate.</p> <ul style="list-style-type: none"> <li>• Insuring the buildings.</li> <li>• Day to day structural building repairs</li> <li>• maintenance and replacement of more costly</li> </ul>	<p><u>Resident involvement:</u></p> <p>"On some developments, we have worked with residents' associations to agree priorities".</p>

	<p>Service charges are usually payable in advance either weekly or monthly in addition to any rent or any mortgage they may pay.</p> <p>Shared owner's rent does not cover any element of the service charge, and so are expected to pay 100% of the costs of these charges.</p> <p>" We do not make a profit on the money we collect and make sure that you are paying the correct amount by':</p> <ul style="list-style-type: none"> <li>• Only charging you for the services you are supposed to receive. This includes any charges for services that may be available to you but that you choose not to use (e.g. if you live on the ground floor of a block with a lift, you may still be charged for the lift maintenance and servicing costs).</li> <li>• Only charging you for the services that we are legally allowed to charge for.</li> </ul> <p><u>Monitoring:</u></p> <p>We check that the resident received the services they are being charged for (e.g. whether the gardener turned up the correct number of times). We will normally make regular visits to our estates to make sure that the level and quality of services are of a good standard.</p>	<p>items like roofs and windows.</p> <ul style="list-style-type: none"> <li>• Managing the building and any associated estate.</li> <li>• Communal water supplies.</li> </ul>	
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8.0 MANAGEMENT RESPONSE June 2022

Introduction from management:

We would like to thank the scrutiny panel for conducting their thorough review of service charges, and apologise for the length of time it has taken to respond. We are taking the recommendations extremely seriously and have reviewed them in detail. Our responses to each of the recommendations are below and we welcome the opportunity to discuss these with you.

Panel response:

The apologies are accepted. The Scrutiny Report was submitted to management in December 2021.

No.	Recommendation	Management Response	Responsible Officer	Panel Comments	Target Date	Review Date
1.	<p>Make the main goal and priority of the Property Accounts Team that all service charges are accurate and reasonable rather than maximising recharging.</p> <p>Getting the charges correct before sending out to residents will reduce the workload caused from enquiries. Follow the 'right first time' approach.</p>	<p>This has been and continues to be our priority</p> <p>Our strategy is to recover costs incurred so that we can invest in our existing homes, ensure building and resident safety, deliver value for money and further our social purpose. Of equal importance is a commitment to provide high-quality services to our customers that take account of local needs.</p> <p>The role of the Property Accounts Team (PAT) is to accurately recharge the costs that have been incurred in maintaining and repairing our properties through the service charge. The costs are recharged in line with the lease agreements.</p> <p>Service charges only cover the costs of delivering services and maintaining and repairing our estates. They do not generate a profit. We know that errors and inconsistencies between estimated and actual service</p>	Craig Robinson	We welcome the change of stated goal and any improvement in service is also welcomed.	Completed	Ongoing



		<p>charges are incredibly frustrating for people and we are working hard to improve our processes to prevent mistakes happening. We are committed to delivering a first-class service to our residents.</p> <p>We have implemented additional steps in our internal review process to improve the accuracy of charges and the information provided to our residents. This was implemented for the issue of the FY20/21 actuals.</p>		<p>We welcome additional steps to improve the accuracy of charges but note that significant errors have been reported in the FY20/21 actuals.</p>		
2.	<p>Ensure that the Property Accounts Team is properly resourced in terms of staffing levels, training and fully functioning IT systems with appropriate software.</p>	<p>Agreed: We are committed to investing in our people and our systems. We had difficulty recruiting suitable staff during covid resulting in staff shortages which placed extra strain on the team. However recent successes in recruitment have brought staff numbers up to normal levels.</p> <p>Certain PAT IT systems have been in a transition period for the past 18 months. This is now complete, and this aspect of the recommendation has been implemented.</p> <p>We will provide training to help ensure miscoding of accounts does not occur.</p>	<p>Craig Robinson</p>	<p>Welcomed.</p> <p>What is the normal level of staff numbers?</p>	<p>Recruitment Complete (May 2022)</p> <p>Blue Box implemented (April 2021)</p> <p>Ongoing</p>	

3.	The PAT should perform extra checks on the accuracy of the charges where service charges are being increased at a rate greater than inflation.	<p>Agreed: We have implemented additional steps in our internal review process to improve the accuracy of charges and the information provided to our residents.</p> <p>One of these is looking at trends such as these to identify and investigate them before issuing statements. This was implemented for the issue of the FY20/21.</p>	Craig Robinson	<p>Welcomed.</p> <p>We note that FY 20/21 actuals still contain errors.</p>	Completed.	
4.	Peabody to establish better procedures so Contract Managers understand that contractors' invoices need to be verified, accurate and correctly assignable before passing on to the PAT for recharging to residents.	<p>Agreed: Invoices are paid with approval from the relevant department responsible for the service.</p> <p>We have taken steps to avoid miscoding of costs and the review described in [3] above adds an extra level of protection to improve accuracy. Our new operating model (localities model) will further increase the level of local review and oversight.</p>	Usman Ejaz and Agnieszka Thakur (localities)	<p>Welcomed.</p> <p>Is there to be any change in Contract Managers' procedures as recommended?</p>	March 2023 (Localities)	
5.	Peabody to establish better communication between the PAT and Contract Managers to allow the PAT to obtain and verify contractors' invoices.	<p>Agreed: The implementation of the Profit and Loss account for each locality will include detailed analysis of service charge accounts.</p> <p>We will also work collaboratively with the Head of Finance/ Business Partners who will provide further control checks.</p>	Agnieszka Thakur	<p>According to Response 1, service charges do not make a profit. So what is the Profit and Loss account?</p> <p>The response does not refer to the recommendation about contractors' invoices.</p>	April 2023	

6.	Contractors should provide photographic evidence to verify that work has been carried out and these should be made available to residents.	Agreed: Residents can request for photographic evidence of completed works.	Usman Ejaz	Welcomed.		
7.	Establish a procedure that allows residents to inspect and verify their charges in accordance with the spirit of the law. The procedure should allow electronic inspection of invoices and accounts and not be restricted to attending an office in central London.	Agreed: We are currently reviewing if and how this process can be modernised within the current statute and in a feasible manner. This service has never been comprehensively provided electronically, although we have made some small exceptions for specific invoices.  We are assessing the opportunity for further investment in technology to simplify the process.	Craig Robinson and Andy Isted	This response is misleading.  As noted in page 5 of the report, 'current statute' (the 1985 Act) is given by PAT as a reason for not using email to provide residents' access to invoices and other account information.  This response allows that limit on access to remain.  What further investment in technology is required to send emails?	Sept 2022	
8.	Allow shared owners to see their service charge separately from rent in their online accounts.	Agreed: My Peabody (our new customer self-service portal) is launching. It will improve the information available to residents about their property online and we will investigate what can be done.	Andy Isted	Welcomed.	Sept 2022	

9.	Engage with residents to help clarify the display of charges in the service charge booklets.	Agreed: We continue to be open for comments and suggestions. In the booklets we are inviting residents to contact us with suggestions and feedback on how we can improve the communication.	Craig Robinson	Welcomed.	Ongoing	
10.	All service charge demands should show the percentage change from the previous year.	Agreed: We will investigate the possibility of adding additional information.	Craig Robinson	Welcomed.	March 2023	
11.	The PAT should establish a regular, consistent and accessible point of contact for residents making enquiries about their charges.	Agreed: Booklet advises residents to contact CCLHomeownership (the consistent and accessible point of contact for residents making enquiries about their charges).  We advise residents that if they have any concerns or questions, in the first instance they should contact Customer Hub. We communicate proactively with CCL Homeownership so that they can respond quickly on common queries, more detailed questions are referred internally to the property accounts team.	Craig Robinson	Welcomed.	Ongoing	
12.	The PAT should establish better communication with the Leasehold Collections Team to ensure that letters threatening court action are not sent out	Agreed: We will work with our colleagues in the Leasehold Collections team to establish an improved way of communicating when Leaseholders are querying their service charges.  We will look at the process to identify areas for improvement and agree changes that will help to	Agnieszka Thakur and Caroline Turberfield	Welcomed.	August 2022	

	by default to residents querying their service charges.	improve our communications with residents.				
13.	The PAT should establish better communication with AllPay, the Direct Debit contractor, to ensure that only correct payments are taken from residents bank accounts at <u>all</u> times.	Agreed: We will work closely with the Leasehold Collections team to ensure accuracy.  We will work to identify any part of the process that may lead to incorrect payments being taken and agree changes to reduce/mitigate the likelihood of this happening.	Agnieszka Thakur and Caroline Turberfield	Welcomed.	August 2022	
14.	All participants in the survey and focus groups should receive a copy of this report to give them assurance that their feedback is acknowledged.	Agreed: A summary report of improvement and actions will be sent to the involved residents.	Comms team and Engagement team.	All members of the Scrutiny Panel expect the full report to be made public as usual. All previous scrutiny reports are available on the Peabody website in complete form. A summary report made by management is not acceptable to the panel.		
15.	Peabody to respond with an action plan for improvements and with progress reports after 6 months and 12 months.	Agreed: The action plan will be shared with the Panel.	Agnieszka Thakur and Craig Robinson	Welcomed.	In 6 and 12 months as requested.	

	Focus Group suggestions					
1.	Peabody should set up a Forum for their LH/SOs similar to the Camden Leaseholders' Forum supported by Camden Council. This would provide easily accessible information, mutual help and support for the many Peabody LH/SOs who experience problems.	<p>We will benchmark against the Camden Leaseholders' Forum to understand how it operates and specific benefits/outcomes leaseholders have received.</p> <p>We will then engage a sample of residents to understand appetite for a forum of this nature.</p> <p>Following these first two stages of investigation, we will review what internal resources/take into consideration the development of the new resident involvement structure and feedback on the feasibility of introducing a Forum.</p>	Matthew Weekes	Welcomed.	March 2023	
2.	In sales information, Peabody should show the service charge as a % of a flat's value.	<p>Agreed: The information is available on request so the buyer's solicitors should be able to advise. Please note the service charge doesn't link to the equity of flat owned.</p>	Sales Team	The response does not answer the suggestion which refers to <b>sales information</b> – not information only available once a solicitor has been instructed.		
3.	Peabody should publish the service charge records for the last 5 years for flats.	<p>Agreed: The information is available on request for staircasing purposes. In line with recommendation 8 above we are looking at what information can be included on My Peabody.</p>	<p>Sarah McGowan</p> <p>Andy Isted (My Peabody portal)</p>	Welcomed.	<p>Completed.</p> <p>Sept 2022</p>	