



To: Kevin Price: Executive Councillor for Housing
Report by: Robert Hollingsworth, Head of City Homes.
Relevant scrutiny committee: Housing Scrutiny Committee 24 September 2015
Wards affected: All Wards

Leasehold Services Update Key Decision

1. Executive summary

1.1 The last review of the Leasehold Services was in July 2014 when the Executive Councillor instructed officers to review the level of staff resources, set up a working group to progress the action plan, review the Building Insurance cover and report back in 2015.

1.2 This report updates the Housing Scrutiny Committee on the progress made to date.

1.3 The team has been renamed “The Home Ownership Services Team“. A new post of Senior Home Ownership Officer has been appointed to. And a part time post of Right to Buy officer has been created and filled. The number of leaseholders is now 1,133.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 To note the current level of staff resources in the Home Ownership Services Team covered in 2.0 of appendix 1.
- 2.2 To note the changes to the Building Insurance covered in 3.0 of appendix 1.
- 2.3 To note the progress of the working group covered in 4.0 of appendix 1.
- 2.4 To agree the Discretionary Reduction in Service Charges covered in section 5.0 of appendix 1 and detailed in Appendix 3.

3. Background

- 3.1 The Leasehold services review in July 2014 identified a number of recommendations in response to the increasing demands on the service. The reduction in the RTB qualifying period to 3 years in May 2015 has increased the number of applications and 51 properties were sold in 2014/2015.
- 3.2 The buildings insurance contract has been reviewed and the contract awarded for 3 years.
- 3.3 Two working groups met to progress the action plan from the July 2014 report. The update of this action plan is presented in Appendix 1, section 4.
- 3.4 The working groups also looked at the consequences of carrying out several projects of major works on one block within five years and their conclusion is outlined in section 5 and Appendix 3.

4. Implications

(a) **Financial Implications**

There are no direct financial implications of this report.

(b) **Staffing Implications**

There are no direct staffing implications of this report. Recent changes are covered in this report.

(c) **Equality and Poverty Implications**

There are no direct equal opportunities implications of this report.

(d) **Environmental Implications**

There are no direct environmental implications of this report.

(e) **Consultation and Communication Implications**

Leaseholders will continue to be consulted.

(f) **Community safety**

There are no community safety implications.

5. Background papers

Background papers are attached as appendices to this report.

6. Appendices

Appendix 1 – Home Ownership Service Update

Appendix 2 – Action Plan – with updated actions from working groups

Appendix 3 – Discretionary Reduction in Service Charges

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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Appendix 1

HOME OWNERSHIP SERVICE UPDATE

1.0 Background

1.1 A review of the Leasehold Service was considered at the Housing Scrutiny Committee in July 2014.

1.2 The Executive Councillor for Housing resolved that:

- Officers be instructed to review the level of staff resources;
- Review the Buildings Insurance cover for leaseholders;
- Instruct officers to set up a working group to review an Action Plan for communal repairs to blocks.

1.3 This report sets out an update for the Committee on the progress made.

2.0 Staffing

2.1 In April 2015, the team have been renamed from Leasehold Services to Home Ownership Services, which better reflects the other areas of work the team deal with i.e. RTB and Shared Ownership, as well as Leaseholder issues.

2.2 The post of Senior Home Ownership Officer was recruited to, and a new part-time post – dealing purely with the Right to Buy – has been created and filled.

2.3 RTB continues to be busy, with 51 properties sold in 2014/2015. The qualifying period for being a tenant reduced to 3 years from May 2015, which has seen a further increase in applications.

2.4 The number of leaseholders is now 1133.

3.0 Buildings Insurance

3.1 From 1st April 2015, the Council's Buildings Insurers are AIG.

3.2 When tendering the contract, the council had asked for 2 prices, one for the existing cover and the other, specific insurance for leaseholders. When the quotes were received, unfortunately the specific cover for leaseholders was prohibitive due to cost. The council have not completely ruled out this option, but will look again next time we re-tender.

3.3 The contract has been let for 3 years, with an option to extend for a further 2 years.

4.0 Repairs Action Plan

4.1 A summary of the actions from the working groups is shown on the table, Appendix 2.

Action Points 1 - 3

4.2 When looking at improvements in the day-to-day repairs service, the working group had to be mindful of the fact that the average repair cost per year per leaseholder for the last 3 years has been less than £40.00 per annum.

4.3 Any improvements to be made in this area are reliant on a number of different factors including;

- Customer Service Centre staff having the time and resources to ensure trained staff are dealing with the reporting of repairs;
- The time taken to answer the repairs helpline;
- The Customer Service Centre staff asking the correct questions, and receiving accurate responses from customers regarding the repair and location, and recording the repair against the correct block;
- The operatives attending and completing the repair first time, being prepared with the correct tools and equipment;
- The financial cost of getting any of the reporting and recording of repairs stages wrong.

Action Points 4 – 7

4.4 For major works to communal blocks which cost any leaseholder more than £250, the council are governed by Section 20 legislation that has been in existence since the 1985 Housing Act. This provides leaseholders with the opportunity to:

- have advance warning of work;
- to comment on the work required;
- to nominate contractors;
- to have transparency in contracts;
- and have some control over costs recharged to them.

4.5 In Cambridge, leasehold properties currently make up 15% of the overall Local Authority stock, and maybe for this reason we have been slower than other authorities to embrace S20 consultation. Were the proportions to be higher, there would be a greater emphasis on getting the consultations right as the financial risk and losses would be greater.

4.6 The detail major works programme currently only extends to the current year 2015/2016. Draft programmes have been prepared for the next five years but these will now be subject to review and re-drafting once the outcome of the major HRA 30 Year Plan Review is known in Autumn 2015. Estates and Facilities Section will be in a position to re-produce a rolling five-year programme of work – which can be communicated to leaseholders and used by the Home Ownership team when notifying proposed works to prospective RTB applicants.

4.7 Leaseholders should be given advance notice of the works to be completed in the next financial year in their Estimated Service Charges – sent to each leaseholder each February. The proposed capital works programme for 2015/16 was circulated by Estates and Facilities in January 2015 and identified all properties at which major works were planned to take place during the period April 2015 – March 2016. Individual leaseholder costs for communal works were not confirmed due to the majority of projects being subject to pre-survey work, final specifications and tendering in the year immediately prior to commencement.

4.8 A comprehensive forward programme of works is required to ensure that:

- leaseholders do not avoid re-charges due to a lack of processes, procedures resulting from failure to pre-notify proposed major works and costs. Historically, the failure to publish a 5 year Capital Plan and hence failure to pre-notify leaseholders of major works has led to significant under-recovery of legitimate re-charges with subsequent excess costs payable from HRA capital budgets. The publication of a 1 year capital programme for 2015/16, ongoing work (including review of entire HRA Business Plan) to confirm a 5 year major works plan, together with improved working between Programme Managers and the Homeownership Team, has resulted in improvements.
- Where communal blocks have required several different areas of works over consecutive years, leaseholders are properly notified in advance. Some leaseholders have complained that they are having to pay multiple invoices for major works that add up into several thousand pounds over consecutive years – but they have very little opportunities to challenge or influence the priorities of the work;
- leaseholders can have full sight of all planned works proposals. Many leaseholders have had no works or investment to their blocks, and some are currently challenging the council on the failure to comply with the terms of their Lease with regards to keeping the block in good order.

4.9 The 2015/16 Capital Programme for upgrading communal areas affects around 600 leaseholders where Section 20 Consultation is required. Failure to consult will limit the council's ability to recover costs to a maximum of £250 per leaseholder. However, programmes are all agreed with contractors to allow sufficient time for full costs to be confirmed and communicated to leaseholders. Some difficulties can arise, however, where contractor pricing and Value For Money is challenged by Estates and Facilities managers or is challenged by leaseholders.

4.10 The current contract for Planned Works with Kier Services Ltd is due to expire in July 2016 although an extension of the current contractual arrangements has been proposed, and is anticipated until March 2017. This will ensure there is no disruption, mid-year, to Planned Works programmes during 2016/17. Leaseholder works for 2016/17 will be ordered prior to the expiration of the current Kier contract in July 2016 or will be separately tendered or deferred for the new Planned Works contract in April 2017 to ensure that leaseholder re-charges will be unaffected. It is recognised that all leaseholders will need to be fully consulted about any replacement contract arrangements for 2017 onwards to ensure that full

costs of planned works can continue to be properly recovered in accordance with Leaseholder legislation

4.11 Estates and Facilities plan to produce a single year 2016/17 detail programme and 2016/2021 five-year rolling programme of work by January 2016 following conclusion of the HRA 30 year Business Plan Review in October 2015.

4.12 There have been 2 major reports published in the last year ('Leaseholder Engagement Guide – Wates Living Space and TPAS' and 'Residential Property Management Services – Competition Markets Authority'), that have both highlighted that social landlords who deliver effective leaseholder information, communications, and opportunities for engagement subsequently achieve better business outcomes, satisfaction levels and improved customer relations.

5.0 Reducing major works invoices for individual leaseholders

5.1 The council has very limited powers to reduce charges for Major Works. There are no powers to enable the council to reduce annual service charges.

5.2 Mandatory reduction

The Council must reduce a Major Works bill to a minimum of £10,000 if the works for which the bill was issued are funded under certain government initiatives (for example the Single Regeneration. Budget or New Deal for Communities). However, Cambridge City Council does not receive any grant funding for major capital works, and therefore leaseholders are not entitled to any automatic reduction.

5.3 Discretionary reductions

The Council, however, does has the power to reduce a single bill, (or a series of bills amounting to more than £10,000 in a five-year period) to £10,000. The most important factor in deciding to make the reduction is whether or not the leaseholder is suffering from extreme hardship.

The proposed criteria to be applied and delegated to officers in the Home Ownership Team are outlined in **Appendix 3**.

Appendix 2

Communal Repairs Action Plan – Summary of Working Groups A & B

Action Point	Update
1. Reporting of communal repairs	
The average actual cost of repairs and maintenance per leaseholder in 2013/2014 was £31.23 per property.	The average spend per property has been less than £40 per annum for the past 3 years.
All communal repairs should have an appointment and the leaseholder should be informed of the date/time	Since the introduction of mobile working in

when reporting the repair. CSC team have been reminded of this. (Only exceptions – Emergencies and Priority 2 work).	January 2014, the person reporting a repair to the Customer Services Centre is informed of the day that the repair will be carried out, and an AM or PM time slot.
Leaseholders to be reminded to request an appointment time at the time of reporting a repair to the communal area.	Leaseholders have been reminded through Forum meetings and newsletters.
Leaseholders can ask to be a nominated representative to receive repairs reported on the block. To extend this offer at the leasehold forum.	We are currently trialling five leaseholders and caretakers who receive details of repairs raised on their block. If the trial is successful, this can be developed across the city.
Consider the display of works ordered to the communal area in large blocks.	We will consider trialling to blocks in areas managed by a caretaker, as information has to be kept updated.
Estate Champions should be encouraged to report repairs to communal areas to improve standards and leaseholder satisfaction.	Estate Champions are now in post North and South of the city.
Future developments: <ul style="list-style-type: none"> • Allow leaseholders to view block repairs – using a job number to search. They could then see when job completed and cost. • Use of social media to communicate block repairs 	This is part of a larger project for self-serve and will be picked up as part of that initiative. No further action on this at present.
2. Notification to leaseholders of completion of works	
The Customer Services Centre can ask the leaseholder if they wish to receive a satisfaction card on completion of the work; or sign the hand-held copy. Remind leaseholders they can request to receive a satisfaction survey.	On-going Customer Service Centre (CSC). Raised at the Leasehold Forum in April 2015
Look at leaving a card to say the work has been completed – either in the communal area or through the leaseholder’s door.	CSC to detail in the Job that a satisfaction card is required. CSC to action
We need to review the number of tenants/leaseholders who decline to answer the satisfaction survey.	The number of responses has been high.
Future developments: <ul style="list-style-type: none"> • New version of hand-held technology allows 	Photo retrieval of repairs

before/after photographic evidence.	to communal areas and blocks. Photos can be taken and filed under the heading 'before', 'during' and 'after'.
3. Advising leaseholders of individual costs of communal repairs	
A report of communal repairs is now produced monthly detailing works costing more than £250.00.	Completed
A proposed satisfaction survey was circulated to leaseholders who expressed an interest in reviewing improvements at the last forum – and the survey content was agreed. Leasehold services have sent satisfaction surveys to all leaseholders in blocks with jobs over £250, which details the work completed/the cost and requesting a completed survey.	The Home Ownership Team write to individual leaseholders and request feedback on work costing more than £250. Responses are reviewed by Home Ownership Manager and the Operations Manager.
The Home Ownership Team review the actual costs of repairs for each block prior to the production of the Actual Service Charge Schedules in September each year.	The review is working to eliminate errors at the earliest opportunity.
4. Production of a 5-year rolling Capital Works Programme to be communicated to leaseholders and tenants for 2015/2016	
A draft programme for 2015/2016 was prepared. Leaseholders were invited through the Spring Open Door to contact the Home Ownership Team to find out about future maintenance plans and major works.	In 2015/2016, there are 10 major works programmes affecting approx. 600 leaseholders. These leaseholders will require to be individually consulted, in order for the Council to recover the full cost of the proposed works.
A draft 7-year External Cyclical Maintenance Programme has been prepared.	Leaseholders must be consulted prior to the completion of works.
The intention is for tenants and leaseholders to be able to search the website by street address to check for planned works.	This is not currently possible; leaseholders are required to phone Home Ownership Services or CSC to find out about major works to the block.
A review of HRA spending for Years 2 – 5 may influence future priorities.	Review of HRA by October 2015. The Estates and Facilities Team have been asked to prepare a five-year

	programme of works in the autumn of 2015 – from April 2016.
A review of outstanding invoicing for works completed by Apollo has been undertaken. Any outstanding invoices will be sent to leaseholders by the end of March 2015.	Completed in April 2015. In future, Estates and Facilities should ensure that final accounts are sent to the Home Ownership Team to enable invoicing of major works in a timely manner.
5. Ensuring all projects meet best value for money to both the authority and the leaseholder	
Estates and facilities surveyors are being asked to challenge prices from contractors.	The challenge to find alternative costs is causing delays in works.
A Business Case Document is being used for all new projects to ensure the Brief and Specification is right at the start of each project.	
Estates and facilities are now playing a key role in managing New Build Projects, to ensure the specification of works is to an agreed standard.	
6. Consider the scheduling of works so as not to excessively burden any one leaseholder with excessive charges in any 5 year period	
The 5-year rolling Capital Works Programme will be checked to ensure leaseholders in one area are not excessively burdened.	As there is no current programme or estimated costs for this year's work, it is not currently possible to say that some leaseholders will not be invoiced more than £10k in a 5-year period.
A Policy on the Discretionary reduction in service charges, and the criteria to be applied, is currently being prepared in cases of exceptional hardship.	A draft policy has been prepared.
We are investigating if Orchard can be used to flag up if charges exceed £10,000 in any 5-year period.	Not yet implemented.
7. Proactively engage with leaseholders on Major Works, where a choice of options is available	
The Resident Involvement Team is to contact TPAS to look at the Best Practice Guidance to identify the links between good leaseholder engagement and improved leaseholder satisfaction.	This will rely on the production of a five-year rolling programme.

Appendix 3

Discretionary Reduction in Service Charges

Cambridge City Council has very limited powers to reduce the charges for Major Works to leaseholders.

Mandatory reductions

The Council must reduce a Major Works bill if the works are funded under certain government initiatives (for example Single Regeneration Budget or New Deal for Communities) in accordance with 'The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014'.

The costs of repairs, maintenance or improvements are capped at:

- (i) £15,000 for dwellings within a London authority;
- (ii) £10,000 for a dwelling outside London.

If it is considered the value of the works have increased the value of the property by more than £10,000, but less than the amount of the full charge, then the reduction will be to the figure of the increased value.

Cambridge City Council does not currently receive government grant to fund our repairs and improvement programmes.

Discretionary reductions

The Council also has the power to reduce a single bill (or a series of bills amounting to more than £10,000 in a five-year period) to £10,000 under 'The Social Landlords Discretionary Reduction of Service Charges (England) Directions 2014'.

The most important factor in deciding to make the reduction is whether or not the leaseholder is suffering extreme hardship. The leaseholder would be required to apply to the Council to consider the circumstances, and each case will be treated on its own merits.

Criteria

The Council will have regard to the following criteria in deciding whether to waive or reduce a charge:

- a) Any estimate of the costs of the works of repair, maintenance or improvement notified to the lessee or any predecessor prior to the purchase;
- b) Whether the purchase price took account of the costs of the works or repair, maintenance or improvement;
- c) Any benefit which the council considers the lessee has received or will receive as a result of the works of repair, maintenance or improvement (including the increase in the value of the lease, the energy efficiency of the dwelling, and improvement in security of the dwelling and an improvement in services or facilities);
- d) Whether, upon receipt of an application by the lessee, the council in considering the criteria considers that the lessee would suffer exceptional hardship in paying the service charge;
- e) Any other circumstance of the lessee which the social landlord considers relevant.

Exceptional hardship

In considering an application to reduce the service charge because of exceptional hardship, the council should have regard to:

- a) If the property is not the principal home of the applicant, then their application for hardship will not be considered.

If it is the principal home then the following criteria will be considered:

- b) The total amount of the service charges paid or are payable by the lessee since the purchase of the dwelling;
- c) The amount of the service charge payable in the year in which the lessee applies for the reduction because of exceptional hardship;
- d) The financial resources available to the lessee;
- e) The ability of the lessee to raise funds to pay the service charge;
- f) The ability of the lessee to pay the service charge if the landlord extended the period for that payment;
- g) Any other relevant consideration.