



# Leasehold Services



A report from Overview & Scrutiny







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Reports that have been submitted to Council can be downloaded from [www.birmingham.gov.uk/scrutiny](http://www.birmingham.gov.uk/scrutiny).



# Preface

By Councillor John Cotton

Chair of the Leasehold Services Scrutiny Review Group



Birmingham City Council provides services to the leaseholders of over 4,000 flats and maisonettes that have been purchased since the introduction of the 'Right to Buy' in the early 1980s. Under the terms of the lease, the City Council retains the responsibility for a range of services, including day to day repairs, the maintenance of communal areas and the implementation of improvement programmes.

Our review arose out of the issues that are frequently raised with Members of the Council by leaseholders in their wards. We were keen to examine the basis upon which services such as repairs, maintenance and improvements are provided to leaseholders, the means by which the cost of those services is determined and apportioned and to consider the options for improvements.

Over several months, the Review Group took evidence from a wide variety of sources, including the Council's Housing and Legal Services departments, members of the City Council, Members of Parliament and the maintenance contractors working on the Council's behalf. Crucially, we also received considerable written and verbal evidence from the leaseholders themselves. I hope that in our report we have been able to address many of their concerns and provide the basis for further enhancement of the Council's Leasehold Services.

As Chair of the Review, I would like to extend my personal thanks to a number of people – to my colleagues on the Review Group, for their hard work, commitment and good humour as we worked to shape the report; to Andy Hercberg and his team for providing us with a considerable amount of detailed information and support and to all the witnesses who gave their time to contribute their knowledge and experience to our deliberations. Lastly – but by no means least, I know that all members would like to thank our dedicated staff from the Scrutiny Office – Jill Short, Sarah Fradgley and Amanda Simcox – for their work in supporting the review.



## Summary

Following the introduction of the tenants Right to Buy, the City Council has sold approximately 4,300 flats and maisonettes on long leases (RTB leases are required by statute to be 125 years). The City Council has an ongoing responsibility for the provision of some specified works and services for the maintenance and upkeep of these properties.

The majority of leases relate to low rise properties (4 floors and under), although there are a few concentrations of leaseholders in multi-storey blocks.

This review was undertaken in response to concerns that had been raised locally with Members of the City Council by leaseholders within their wards. Many of these concerns related to the level of costs being paid by leaseholders for both on-going services and more recently, the capital works being carried out under the Decent Homes Programme.

Members of the Housing and Urban Renewal Overview and Scrutiny Committee decided to explore how well the City Council's Leaseholder Services complied with both Government regulations and Audit Commission standards. In addition, it wanted to explore the application, calculation and collection of service charges and management fees and the impact of recent leaseholder legislation and policy initiatives on services so that areas for improvement could be identified.

The review was undertaken by a cross party group of Members from the Housing and Urban Renewal Overview and Scrutiny Committee and also included one of the co-opted members of the Committee.

The Review Group received evidence from a wide range of City Council officers, it also met with representatives of the Leaseholders Liaison Board, individual leaseholders and contractors. It undertook a comparative study of aspects of leaseholder services in other authorities and sought the views of local Councillors and MPs as well as Tenant Management Organisations and Resident Associations in the city. Finally, the Group visited leasehold properties at Civic Close, Yew Tree and Hurst Lane as well as the Leasehold Services office.

The Review Group heard evidence from a number of sources, many of whom commended the professionalism of the services offered directly by the staff of the Leasehold Services Team. However the following issues of concern and areas for improvement were identified by the group as a result of the review.

**Rights and Responsibilities of Leaseholders** - There is a general poor understanding by leaseholders of their rights and responsibilities. This is to a large degree being addressed by the Leaseholders Team by the introduction of two Home Ownership Information Officer posts that will now be available to proactively advise prospective leaseholders on all these matters prior to purchase. In addition, the revised Leaseholders' Guide will be a useful reminder and reference tool for existing and new leaseholders. However it was also felt more could be done by local solicitors to support leaseholders.



**Service Charges** - Issues raised included both the nature of the services and the quality of the service provided as well as the perceived lack of monitoring of its provision. Leaseholders felt that they should both have a clear description provided to them of the shape and remit of the services for which they are paying and some role in monitoring the quality of this (especially caretaking and cleaning).

**Council Policies** - Some leaseholders asked for the Council to give further consideration to adopting clear policies around buy back and for allowing leaseholders to opt into City Council contracts such as gas servicing.

**Major Works** - A key issue raised related to the cost of the external painting programme including replacement of fascias and soffits (in particular the cost of scaffolding). It was suggested that leaseholders should have the opportunity to obtain their own estimate of costs and have the work undertaken by their own contractors.

**Management Fees** - There are currently a number of ways that Management Fees are calculated depending on the type of lease that the leaseholder holds with the City Council. It is clear from the evidence heard by the Review Group that many people are confused by these different methods and that some people are disproportionately affected because of the way that these are calculated. There would seem to be benefits in moving towards a more transparent and equitable flat rate charging policy for management fees for all leaseholders.

**Day-to-Day Repairs** - A range of comments were made which focussed on the cost, quality and management oversight of these works.

**Hardship** - The Review Group supported and commended the flexibility afforded to leaseholders by the Extended Payment Scheme (Hardship Policy) and would just like to see more evidence that it is being understood and utilised by those leaseholders that might face hardship.

**Improvements to the Leasehold Services Team** - The following suggested areas for improvement were identified:

- The need to improve building access and document security at the team office.
- Improving Arrears Management - The Leaseholder Services Team receives information from the contractors on work completed but there are often issues regarding quality and the leaseholders may refuse to pay. It was suggested that support should be given to the Leaseholders Team to ensure that the quality of work was maintained through regular monitoring and inspection.
- Improving Customer Information - The Leaseholder Services Team has in the past had limited customer information. The Review Group was pleased that the team is now seeking to remedy this via the customer survey and hope that this is repeated on a regular basis.



## Summary of Recommendations

	Recommendation	Responsibility	Completion Date
R1	That the Cabinet Member for Housing brings forward proposals for making improvements to building access and document security at the Leaseholder Team Office.	Cabinet Member for Housing	July 2008
R2	That the Cabinet Member for Housing brings forward proposals for adopting a more transparent and equitable flat rate charging policy for management fees.	Cabinet Member for Housing	January 2009
R3	That the Cabinet Member for Housing puts in place an action plan for publicising the extended payments policy to encourage greater take up by those leaseholders who may be in hardship.	Cabinet Member for Housing	July 2008
R4	That the Cabinet Member for Housing, in conjunction with Service Birmingham, ensures an appropriate level of resource is available to support the development and implementation of the next stage of the Arrears Escalation Policy.  A further report on the implementation of the strategy will be presented to Housing and Urban Renewal O&S Committee.	Cabinet Member for Housing	July 2008
R5	We welcome the efforts made by the Cabinet Member to ensure that leaseholders are aware of their rights and responsibilities through the Leaseholder Guide and appointment of the Home Ownership Officers. However we did feel more could be done by local solicitors to support this. We would therefore suggest that if any opportunities arise in the future that the Cabinet Member makes representation to any appropriate bodies to remind solicitors of the need to fully advise prospective leaseholders on their rights and responsibilities.	Cabinet Member for Housing	July 2008





	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R6</b>	That the Cabinet Member for Housing investigates and develops ways in which the estimates for service charges, in particular repairs, can be made both more detailed and clear so that leaseholders can more fully understand what they are being asked to pay for. In addition that they are made aware of the process for appealing to the Leasehold Services Team.	Cabinet Member for Housing	July 2008
<b>R7</b>	That the Cabinet Member for Housing considers a policy on Buy Back and bring forward a report to the Housing and Urban Renewal O&S Committee on his findings.	Cabinet Member for Housing	July 2008
<b>R8</b>	That the Cabinet Member for Housing considers the feasibility of allowing leaseholders to access City Council contracts for additional services e.g. gas servicing, and improvement works e.g. kitchens and bathrooms.	Cabinet Member for Housing	February 2008
<b>R9</b>	Building on the replacement windows policy, the Cabinet Member for Housing brings forward proposals to enable leaseholders to obtain their own estimates for certain specific types of works, in appropriate cases.	Cabinet Member for Housing	July 2008
<b>R10</b>	That the Cabinet Member for Housing seconds a Clerk of Works to be attached to the Leaseholder Services Team.	Cabinet Member for Housing	April 2008
<b>R11</b>	That the Cabinet Member for Housing reports to the Housing and Urban Renewal O&S Committee on the development of the Housing Management Service Standards, especially those associated with improving local housing management, repairs reporting and the management of anti-social behaviour. The report to also update the Committee on action to ensure the monitoring of repairs and installation of security doors in low rise blocks.	Cabinet Member for Housing	July 2008
<b>R12</b>	That the Cabinet Member for Housing undertakes a review of the calculation and application of schedule of rates/ Bucket Prices to ensure a direct correlation between the charge and actual work carried out.	Cabinet Member for Housing	July 2008



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	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R13</b>	That the Cabinet Member for Housing uses the opportunities to learn from customers following the recent customer survey and undertakes similar exercises annually, taking steps to maximise survey return rates.	Cabinet Member for Housing	July 2008
<b>R14</b>	Progress towards achievements of these recommendations should be reported to the Housing and Urban Renewal O&S Committee in September 2008. The Committee will schedule subsequent progress reports thereafter, until all recommendations are implemented.	Cabinet Member for Housing	September 2008



# 1 Terms of Reference

## 1.1 Reasons for the Review

1.1.1 The review was undertaken in response to concerns and queries that were being raised locally with Members by City Council leaseholders. Many of these focussed on the level of costs paid by leaseholders for both on-going services and more recently, the capital works being carried out under the Decent Homes programme. Members of the Housing and Urban Renewal O&S Committee decided to undertake a focussed and detailed review of services to leaseholders in Birmingham to see how well this service complied with government regulations and Audit Commission standards. They also wanted to examine the application, calculation and collection of service charges and management fees, and the impact of recent leaseholder legislation and policy initiatives on services so that areas for improvements could be identified.

## 1.2 Terms of Reference

1.2.1 The objectives of the review were to explore and assess the following areas:

- Leasehold legislation
- Areas of concern and complaints about the service
- Service changes and management fees
- The impact of recent policies on leaseholders e.g. window replacement and the extended payment scheme
- The leaseholder consultation framework through the Leaseholder Liaison Board

1.2.2 The review was conducted by a Review Group comprising of Members of the Housing and Urban Renewal Overview and Scrutiny Committee. These were: Councillors Sandra O'Brien (until May 2007), Vivienne Barton, Emily Cox, Margaret Byrne, John Beadman, Ann Holtom (from May 2007) and Duncan Miller (non-voting co-opted member). The group was chaired by Councillor John Cotton.

## 1.3 Methodology

1.3.1 The Review Group met with the officers from the Council's Leaseholder Services Team, representatives of the Leaseholder Liaison Board, individual leaseholders, Contractor Wates Living Space, officers from Legal Services and the Housing and Constituencies Directorate, the Cabinet Member for Housing and the Acting Strategic Director for Housing and the Constituencies.



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- 1.3.2 In addition, all Birmingham City Councillors and MPs, Tenant Management Organisations, Resident Associations and individual leaseholders were invited to submit their comments on the service and a comparative analysis of leaseholder services provided by neighbouring local authorities was carried out to identify areas of good practice. The group also looked at the lessons learned by other authorities that had conducted Scrutiny reviews of their leaseholder services. The Review Group also visited leasehold properties at Civic Close, Yew Tree and Hurst Lane and the Leasehold Service Office.
- 1.3.3 The Review Group was also able to comment and contribute toward the content of the Leaseholders' Guide which was at the time being developed by the Team.



## 2 Background

### 2.1 Introduction

2.1.1 Following the introduction of the tenants Right to Buy, the City Council has sold approximately 4,300 flats and maisonettes on long leases (RTB leases are required by statute to be 125 years). The City Council has an ongoing responsibility for the provision of some specified works and services for the maintenance and upkeep of these properties.

2.1.2 The majority of leases relate to low rise properties (4 floors and under), although there are a few concentrations of leaseholders in multi-storeys e.g. Civic Close and Manor Close.

### 2.2 Legal Framework

2.2.1 The key legislation relating to the management of leasehold properties are contained in:

- The Housing Act 1980 - This gave tenants the 'Right to Buy' their properties at a discounted price with 10 years protection from the cost of structural defects not specified at the time of purchase.
- The Housing Act 1985 – Sets out the rights and obligations which affect what can be included in a lease.
- The Landlord and Tenants Acts 1985 and 1987 – Defined service charges and relevant costs (costs incurred or to be incurred in the management of the property). It also gave leaseholders a general protection in that costs and charges must be reasonably incurred and works and services must be provided to a reasonable standard. In addition it gave leaseholders specific protection and consultation rights on repair costs incurred for which they are liable (section 20), gave leaseholders the right to request to inspect the accounts and service charge invoices to be delivered within 18 months of the costs being incurred.
- The Leasehold Reform, Housing and Urban Development Act 1993.
- The Housing Act 1996.
- The Commonhold and Leasehold Reform Act 2002.

2.2.2 The Commonhold and Leasehold Reform Act 2002 introduced significant amendments to the other Acts, in particular:

- Expansion of the definition of Services Charges to encompass works of improvement.
- Revised procedures and financial limits for consulting leaseholders about major works and improvements (qualified works).



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- A new requirement to consult on service contracts of more than 12 months (qualifying long term agreements) e.g. repairs, cleaning contracts.
- A new requirement for regular statements of service charges accounts within 6 months of the end of the accounting period.
- Extended jurisdiction of Leasehold Valuation Tribunals to hear any dispute over liability to pay service charges and reasonableness of works or charges.

## 2.3 Leasehold Valuation Tribunal

2.3.1 The Leasehold Valuation Tribunal (LVT) is the formal name given to the body appointed to make decisions on various types of dispute relating to residential leasehold property. LVTs are part of the Residential Property Tribunal Service. They are independent and impartial and normally consist of three members, a lawyer, a valuer and a layperson. Individuals or groups may make applications to the LVT. In 1967 LVTs were given various powers previously exercised by the Courts. The Housing Act 1996 and the Commonhold and Leasehold Reform Act 2002 significantly increased their jurisdiction to determine:

- Reasonableness of service charges.
- Reasonableness of insurance.
- Jurisdiction regarding valuation for enfranchisement and lease extension.
- Whether or not a service charge is payable, including the amount payable, the date payable and the way in which it is payable.
- Reasonableness of administration charges and the way they are calculated.
- Variations to leases that do not make adequate provision in relation to various matters, including service and other charges.
- Award costs where they consider a party has acted unreasonably in bringing or conducting proceedings.

2.3.2 To date in Birmingham there have been six applications from individuals and groups of leaseholders seeking a determination as to the reasonableness of the cost of major works invoices. Following mediation a negotiated settlement was agreed in all cases.

## 2.4 Leases

2.4.1 A lease is a binding contract that sets out the terms on which the landlord (in our case, the City Council) allows the leaseholder to occupy the property described in the lease. The lease outlines the obligations and rights of both the leaseholder and the Council.



- 2.4.2 A lease is enforceable in law – the parties to it cannot simply walk away from a lease or decide unilaterally to act outside the terms of it. However, variation is possible by agreement of all the parties in certain circumstances by application to the LVT. It is essential that prospective leaseholders fully understand these obligations prior to entering into a leasehold arrangement.
- 2.4.3 In Birmingham City Council's case the lease sets out Birmingham City Council's responsibilities, which are to:
- Manage the estate.
  - Maintain the structure of the building and any area that is shared with other residents, such as lifts and stairs.
  - Keep communal lawns and gardens clean and tidy.
  - Insure the building (not the contents).
- 2.4.4 The leaseholders' responsibilities are to:
- Pay the ground rent, Council Tax and service charges within the time set.
  - Allow the Council access to their home to examine and repair the parts that it is responsible for.
  - Not to make alterations without consent from the Council.
  - Not to use their home for trade, business or immoral purposes.
  - Insure the contents of their home.
  - Tell the Council within 21 days of them selling their home.
  - Keep their home in good repair and condition.
- 2.4.5 The main principle from the landlords perspective is that Birmingham City Council is entitled under the lease to levy a **service charge** equivalent to the leaseholders reasonable share of the costs to the Council for carrying out caretaking, cleaning, maintenance and repairs to the structure and exterior of the block as well as repairs, lighting etc. to communal areas.

## 2.5 Changes Since 2002

- 2.5.1 Following the introduction of Right to Buy a number of variations of the lease utilised by the City Council have evolved. The latest in response to the Commonhold and Leasehold Reform Act 2002, introduced in 2003, incorporates two significant changes:
- The provision to charge for 'improvement' works as well as repairs.
  - The calculation of the management fee, chargeable on service charge invoices to offset the operational costs of the Leasehold Services Team, to be recovered as a proportion of the



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overall costs (total cost of the Leasehold Services Team divided by the number of leaseholders). Previously it was 10% of the service charge or £10, whichever was greater.





## 3 Leasehold Services Team

3.1.1 The following section sets out the structure and operations of the City Council's Leaseholder Services Team. Along with some of the policies that impact upon their work.

3.1.2 The current structure of the Team, comprising 7 posts, was established in 1999 to support the management of 2,550 leaseholders. The number of leases has increased to approximately 4,300 with up to 250 additional leaseholders annually. Proposals for the restructuring of the Leasehold Services Team to increase by 4 new posts, to 11 posts, have recently been approved to reflect a number of recent changes and emerging issues for example:

- The Commonhold and Leasehold Reform Act 2002 has introduced more onerous requirements, in particular relating to the consultation and the issuing of s20 Notices, estimation of costs and raising of final invoices.
- The need to strengthen management arrangements, and in particular performance relating to collection of service charges and major works income.

3.1.3 The Team is responsible for managing and administering the Directorates leasehold properties. The main activities associated with this responsibility and key business processes include:

- Service Charges
- Ground Rents
- Major Works
- Consultation
- Policy Changes – including the Leaseholders Extended Payments (Hardship Policy) and Window Replacement Policy.

### 3.2 Service Charges

3.2.1 The annual service charges are billed in arrears. An estimated service charge invoice is calculated and sent in March of each year, the end of the financial period for which the services have been provided. The following September, after the accounts have been finalised and certified, a Certificate of Actual Costs Incurred is sent for the same period. An invoice for any shortfall, or credit note, if appropriate, may accompany this.

3.2.2 Service charges vary from block to block depending on the service provided, the lowest service charge raised is £40.16 (£30.16 standard charge for the 'call centre' and £10 minimum management fee), and can range up to £2,000 for leaseholders in high rise blocks where there is a concierge facility. Overall, 60% of leaseholders pay service charges between £200 – £400 and only 1% pay above. £1,000. Attached as Appendix 1 is an analysis of service charges by bandings and



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an analysis of service charge expenditure. (Further information comparing charges in Birmingham with those in other cities is shown on page 29).

- 3.2.3 Service charges also vary from year to year subject to the level of day-to-day repairs undertaken.
- 3.2.4 When leaseholders contact the Leasehold Services Team with concerns, generally relating to repairs charges, details of all repairs charges are forwarded to leaseholders. Individual repairs are investigated by the Contracts Work Team and the Repairs Contractor to verify whether a repair was completed and to a satisfactory standard. If not, an appropriate adjustment is made to the service charge account. Likewise, when leaseholders raise concerns regarding repairs charges relating to vandalism e.g. blocked waste chutes in tower blocks, if the circumstances are proved an appropriate adjustment is made to the service charge accounts of all leaseholders in the block.

## 3.3 Ground Rents

- 3.3.1 There are approximately 6,500 ground rents; this includes both houses and flats. Leaseholders are either billed twice yearly or annually, some in arrears and some in advance.
- 3.3.2 There are four billing dates, in March, June, September and December. The rent varies from lease to lease and can range from a couple of pounds a year to £1,300 in some cases. Most of the leasehold flats where Birmingham City Council is the head lessee pay £10 per year ground rent, either annually or £5 twice yearly.

## 3.4 Major Works

- 3.4.1 Examples of major works that affect leaseholders are window replacement, reroofing, rewiring, communal decorations and lift refurbishment or replacement. The Council may undertake major structural repairs and improvements to a block and leaseholders could be invoiced for Major Works Service Charges of anything up to £30,000, subject to the terms of the lease e.g. Civic Close, leaseholders with a repairs only lease will have Major Works Service Charge bills of approx. £12,000, whereas leaseholders with a more recent lease including a repairs and improvements obligation will have Major Works Service Charge bills of approx. £26,000.
- 3.4.2 The Commonhold and Leasehold Reform Act 2002 introduced revised procedures and financial limits for consulting leaseholders where the contribution by a leaseholder is greater than £250. If the Council do not consult with leaseholders in accordance with legislation prior to commencing the work, the Council cannot charge more than £250.
- 3.4.3 The impact of this legislative requirement has increased significantly following the introduction of the Governments Decent Homes Standard. The Council has developed an investment programme to bring the housing stock up to the standard by 2010. The Housing Department's current programme includes replacements of windows, guttering, soffits, fascias etc. and leaseholders are receiving service charges for window replacements which could vary between £1,500 - £6,000



subject to the number of windows replaced and whether any structural works, such as new lintels, is required. Service charges for replacement guttering, fascias etc. vary between £600 - £1,500.

## 3.5 Consultation on Major Works

3.5.1 The Council must consult with every Leaseholder or Residents Tenant Association (where applicable) in the block before starting the work. The letter must contain a Notice of Intention, which must include:

- Description of proposed works
- Reasons for the work
- Estimation of the costs
- Invitation for comments/observations
- Allow 30 days for observations
- Have regard and respond to all observations within 21 days

3.5.2 The process of consultation is managed jointly with the Contractors, Contract Works Team and Leasehold Services Team. To date, approximately 3000 Notice of Intentions have been issued.

3.5.3 When the Council undertakes major structural repairs and improvement to extend the life of a block of flats, consultation with leaseholders begins at the initial predevelopment/programming stage and consultation can last for up to two years agreeing the programme of works e.g. Civic Close, prior to the legislative requirement to consult as detailed above.

3.5.4 Following the completion of works, in accordance with the Landlord and Tenant Act 1985 the Council has to invoice actual costs within 18 months.

3.5.5 If the work is not being carried out under a long-term agreement e.g. Mitie, Thomas Vale, the Council must invite leaseholders to nominate a contractor (this only applies if the contract is not subject to EU procurement regulations).

## 3.6 Long Term Agreements

3.6.1 A long-term agreement is a contract for goods and services extending beyond 12 months e.g. repairs, building insurance etc.

3.6.2 When the Council wants to enter into a long-term agreement and the cost to any leaseholder is more than £100 for the year, it must consult with leaseholders before awarding a contract. This is a two stage process; the first or Pre-tender Consultation Stage involves the Council sending a Notice of Intention, setting out the details of the agreement and why it is necessary. The Council must allow 30 days to make any comments and observations in writing and must respond to any observations within 21 days.



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3.6.3 The second or Tender Consultation Stage involves the Council sending a Notice of Proposal informing the leaseholders about the contractors who have been asked to provide tenders and any comments received following the first stage. The Council must then allow a further 30 days for any comments or observations in writing and must respond to any observations within 21 days.

3.6.4 Recently, consultation has been undertaken relating to the following long-term agreements: Repairs North and South and Cleaning and Building Insurance.

## 3.7 Extended Payments/Leaseholders Hardship Policy

3.7.1 The Extended Payments (Hardship Policy) was agreed and introduced in January 2006 in response to the Decent Homes Programme, which would result in leaseholders receiving major works invoices. Leaseholders would normally be expected to pay the full amount on demand, which in some cases would mean obtaining a loan from a bank or building society. The aim of the policy is to assist residential leaseholders, who do not have the financial means to meet the cost of major works invoices through the use of extended repayment schemes. The Housing Department has previously assisted leaseholders with repayment schemes of up to 3 years. However, with the introduction of the Decent Homes Programme and potentially large major works invoices, it became apparent that further assistance would need to be provided.

3.7.2 The policy was developed having regard to the legal framework and the fiduciary responsibility to recover monies due. It is based on the Housing (Service Charge Loans) Regulations 1992 giving leaseholders of flats purchased under the Right To Buy scheme, the right to a loan for service charges in respect of repairs. Loans under these regulations are subject to interest and secured as a charge on the flat.

3.7.3 The options available are as follows:

- Option 1 – interest free payment over a period of 12 months.
- Option 2 – invoices up to £3,500 can be repaid over 3 years subject to interest.
- Option 3 – invoices over £3,500 can be repaid up to 10 years subject to interest.
- Option 4 – Legal Charge against the property – in exceptional cases of hardship. The debt becomes payable only on the sale of the property, interest is charged yearly.

3.7.4 The Leasehold Services Team is flexible in operating the policy and will reconcile the amount payable with the length of repayment, subject to a leaseholder's financial means. For example: Mr. A, received a major works invoice of £1,614.35, this would equate to £44.84 per month for three years under the Extended Payment (Hardship Policy). Following a home visit it was agreed with Mr. A, a pensioner with limited income that he could pay £25 per month over a period of 5 years and 4 months.

3.7.5 The Housing Department have already agreed to waive the security by means of a legal charge on major works invoices up to £2,000, due to the administrative cost chargeable to leaseholders. The



lease allows interest to be charged at bank base rate plus 2% to cover administration. However, under the Extended Payment (Hardship Policy) interest is charged only at the bank base rate.

- 3.7.6 In developing procedures to manage the process of agreeing extended repayments with leaseholders the Leasehold Services Team have been mindful of the impact of the Consumer Credit Act. Although the intention under the Policy is to charge interest in accordance with the lease, the extended repayment options are exempt under Consumer Credit (Exempt Agreements) Order 1989 which exempts debtor/creditor agreements under which the maximum interest fails to exceed 1% above the highest London clearing bank base rates.
- 3.7.7 Where possible, good practice under the Consumer Credit Act is included in the hardship procedures, for example, a financial IT programme has been developed to enable a quick comparison of the effect on extending or shortening the repayment period on the monthly amount payable. When the appropriate repayment period has been agreed e.g. 36 months, a financial statement is produced for the leaseholder stating the interest rate payable, amount of credit provided, comparison of cash and credit price, total amount payable etc.
- 3.7.8 For each of the repayment options a legal agreement and operational procedures have been developed in consultation with Legal Services.
- 3.7.9 A Policy information note and application form is sent out with every major works invoice. As at the end of October 2007, 1091 major works invoices had been raised. To date, there have been 207 extended repayment options agreed relating to major works invoices. The major works invoices vary between £350 - £2,500, with an average of £1,200 and generally related to work on rainwater goods, fascias, soffits and some window replacement. However, recently invoices have been raised relating to the major refurbishment of Civic Close with an average cost of approximately £7,600 for a one bed flat.

## 3.8 Window Replacement Policy

- 3.8.1 The Housing Department's Window Replacement Policy was amended in 2005 following consultation with leaseholders to allow them to replace their own windows using contractors of their own choice, subject to an agreed specification, proposed method of installation etc.
- 3.8.2 Leaseholders who have replaced their own windows would not be requested to contribute to current window replacement costs for other properties in the block, only the communal windows.

## 3.9 Management Fees

- 3.9.1 The leasehold management fee aims to recover the direct costs of the Leasehold Services Team e.g. employees, premises and supplies and services. The Housing Department has a fiduciary responsibility to recover the costs of providing a leasehold service. It does not attempt to recover



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the costs of Departmental/Corporate overheads e.g. Human Resources, Finance, IT etc. or support/ advice provided through housing neighbourhood offices etc.

3.9.2 The management fee is rechargeable on all leasehold service charges to pay for the management and administration of the Housing Department's leasehold properties by the Leasehold Services Team. This involves the provision of advice, support, information associated with the key business processes of service charges, ground rents, major works, consultation etc.

## Calculation of Management Fee

3.9.3 There are two methods of apportioning the Management Fee. For Lease Type 1 the apportionment is 10% of the annual service charge or £10 which ever is greater (as identified in the lease). The apportionment of Lease Type 2, introduced in 2005, is the total cost of the Leasehold Team divided by the number of leaseholders.

3.9.4 Under the terms of the Housing Directorate's Lease Type 1 (approx. 3,800), the management fee is set at 10% of the service charge or £10 whichever is the greater. This means that the management fee can vary between £10 minimum up to £200 each year for leaseholders living in high-rise blocks with large service charge bills. The management fee chargeable is therefore variable subject to the service charge bill each year.

3.9.5 Although leaseholders in high rise blocks represent only approximately 375 out of the total number of leaseholders with the old lease, approx. 3,800, they pay a disproportionate amount of the total management fee collected, approx. 50%.

3.9.6 The management fee is also chargeable at 10% on major works service charge bills. Therefore a leaseholder faced with a major works bill for £2,500 for window replacement would be charged a 'one off' management fee of £250.

3.9.7 Following the introduction of the Housing Department's new lease during 2004, the basis of calculating the management fee has been amended from a variable charge to a standard charge calculated as follows:

Total cost of LST e.g. For 2007/08 £338,000 = £78.60  
 No. of Leaseholders 4,300

3.9.8 As at the end of March 2007, 472 leaseholders were charged on this basis. The cost of the Leasehold Services Team and the recovery of income through the management fee for the period 2005/06 – 2007/08 is identified below.

	Actual 2005/06 £000's	Actual 2006/07 £000's	Projected 2007/08 £000's
Employees	185	236	300
Premises	20	20	20
Supplies/ Services	15	28	18
	220	284	338



	Actual 2005/06 £000's	Actual 2006/07 £000's	Projected 2007/08 £000's
Fees & Charges	(4)	(22)	(25)
Mgt Fee – Service Charge -Variable	(100)	(105)	(110)
-Fixed	(10)	(22)	(50)
Mgt Fee – Major Works Service Charge	-	(77)	(153)
Net Deficit	106	58	-

- 3.9.9 The increased cost of the Leasehold Services Team reflects the restructuring of the section in response to the increased number of leaseholders and the more onerous requirements arising from the Commonhold and Leasehold Reform Act 2002 e.g. Section 20 consultation etc.
- 3.9.10 The management fee recoverable on major works service charges is variable, for example during 2007/08 the completion of the Civic Close refurbishment due to the large number of leaseholders and the large major works invoices (approx. £12,000) in excess of £100,000 could be recovered.

## 3.10 Performance

### Performance Monitoring Framework

- 3.10.1 The Leaseholder Service Team has developed and implemented a performance management and monitoring framework as from 1 April 2006 which monitors the number of enquiries against the main work types by month e.g. Notice of Assignments, and indicates the number of responses sent outside of the agreed service standard of responding within 10 days.
- 3.10.2 This performance monitoring is presented to the Leaseholders Liaison Board each month for information and discussion. See Appendix 2.
- 3.10.3 The Team is working in close co-operation with Service Birmingham regarding the development and implementation of an Arrears Escalation Policy on SX3, together with specific reports i.e. monthly level of arrears, payments received etc. to improve performance management and monitoring. The Arrears Escalation Policy relating to Service Charges was implemented in June 2007 and the Arrears Escalation Policy for Major Works has been programmed for implementation by Service Birmingham in March 2008.

### 3C's Reports

- 3.10.4 3C's is the Council's corporate system to record comments, compliments and complaints. Queries can be received by any service within the Council and logged onto this system to be allocated to the correct department for a response.





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3.10.5 The Leasehold Team received 44 3C's queries throughout 2006/2007 and the Head of Home Ownership received 15. The queries can be broken down as follows:

Complaints re. Leasehold Team	1
General Service Charge Queries	13
Complaints re. Day-to-Day Repairs	8
Complaints re. Major Work Costs	<u>34</u>
	56
Compliments re. Leasehold Team	<u>3</u>
	<b>59</b>

3.10.6 Responses can either be sent direct to the customer (leaseholder, Councillor or Member of Parliament) or are drafted as a response from the Cabinet Member for Housing. Of the 44 3C's enquiries allocated to the Leasehold Services Team, 28 were received directly by the Cabinet Member for Housing.

3.10.7 Although the queries received have mainly been in relation to repairs, the Leasehold Team liaise with the operational teams to collate the appropriate information and to respond accordingly.

3.10.8 The Leasehold Team performance monitoring indicates that for 2006/07 the Leasehold Services Team dealt with approximately 17,000 enquires/issues relating to the processing of Notice of Assignments, Resales, s125 Offer Notices etc. and general day-to-day enquiries.

3.10.9 The majority of complaints logged on the 3C's system against the Leasehold Service relate to other aspects of the Housing Service, primarily the cost of major works. The Leasehold Service Team, nevertheless, collates the information and responds accordingly.





## 4 Findings

### 4.1 Evidence Received by the Review Group

4.1.1 This section sets out the written and oral evidence received by the Review Group.

### 4.2 Evidence from the Leaseholder Liaison Board

4.2.1 The Leaseholders Liaison Board (LLB) was established in 2000 and reports to the City Housing Liaison Board. The LLB represents leaseholders of Birmingham City Council on the following issues:

- Leases
- Service Provision
- Service Charges
- Major Repairs Programmes
- Consultation

4.2.2 The board meets every month (except August and December) with an agenda, minutes etc. The board is elected every two years, elections were held recently in the 10 Constituencies (2 members per Constituency) and the new board held its first meeting in January 2007.

4.2.3 The LLB has in consultation with Birmingham City Council been successful in supporting a number of changes e.g. the Window Replacement and Extended Payment (Hardship) Policies, charging of professional fees etc.

4.2.4 The major areas of concern identified by the LLB are as follows:

- Day-to-Day Repairs – comments made focussed on work being incomplete or of a poor standard.
- Major Works Repairs – the cost of scaffolding etc. and the request that leaseholders should be able to nominate their own contractors to undertake the work. Recent press articles have highlighted cases where leaseholders nominated contracts have tendered quotes much cheaper than Birmingham City Council's contractors.
- Major Works – the main issue for leaseholders was at Yew Tree Flats where they were facing major works service charge bills of approximately £21,500 for an extended life of 15 years for the blocks.
- Service Charges – a large number of leaseholders are not aware of their obligations under the lease to pay for services provided to the block. The LST have drafted a Leaseholders' Guide, for publication and circulation to all leaseholders during 2007.



- Caretaking and Cleaning – concerns that the service provided is poor but leaseholders still pay through the service charge.

## 4.3 Evidence from Survey of Councillors, MP's and Residents Groups

4.3.1 As part of the evidence gathering process for the review the following groups were invited to submit written comments and views for the consideration of the Review Group:

- All Birmingham MPs
- All Birmingham Councillors
- Tenant Management Organisations
- Resident Associations
- Individual Birmingham City Council Leaseholders

4.3.2 The following issues were raised with the Review Group:

- Concerns were raised about the impact of major works costs to leaseholders who are on relatively low incomes.
- For some, the Management and Service Charges were considered to be too high and others queried the accuracy of the calculation of the costs charged to leaseholders.
- Some felt that charges for repairs and maintenance seem very high compared with what a private contractor might charge and they perceived competitive quotes were not sought for costing this work.
- The amount charged for scaffolding hire was seen to be a problem as it increases the price for the window and painting programmes.
- Some leaseholders said that they had experienced problems when contacting the call centre to report a repair in the communal areas.
- Some individual leaseholders mentioned that they did not always get their telephone calls returned or their queries dealt with efficiently.
- One Tenant Management Organisation requested that the informal procedure whereby the Leasehold Service Team issued them with estimated / actual figures for checking before they are dispatched to individuals be made formal.
- Some respondents felt the service would be better if the caretaker could do basic repairs i.e. changing light bulbs and unblocking rubbish chutes.



- Concern was raised about the standard of cleaning that was carried out and whether leaseholders should have to pay cleaning charges for the whole block when they keep their own part clean.
- It was requested that consideration be given to leaseholders being consulted to see if they could also have new central heating installed at the same time as the tenants.
- Issues were also raised regarding the cost leaseholders pay to the City Council for building insurance and whether the cost was competitive. It was also felt that insurance should also pay for any window and door replacement. Some leaseholders felt that they should have the option to take out their own building insurance and were unsure what is and what is not covered.

## 4.4 Evidence from Individual Leaseholders

4.4.1 The Review Group met with some individual leaseholders who raised the following issues:

- Concerns were raised about the quality of the work undertaken to a block.
- It was also felt that the process for obtaining tenders was of a poor standard yet the cost relayed to the leaseholder was high. There were also add-on costs relating to administration.
- One leaseholder said he had considerable correspondence with the department, including making an appeal, which came to no avail and felt there should be a clear method for handling leaseholder comments and complaints. He had no complaints in relation to the staff of the Leasehold Services Team but felt they should be given authority to take action in some cases.
- Some felt that the system for day-to-day repairs and capital works needed to be quality controlled and accountable and that the Leaseholder Liaison Board should be given powers and its workings and decisions recorded and circulated to all leaseholders.
- One leaseholder asked for leaseholders simply to be treated fairly. He was impressed by the professionalism of staff within the Leaseholder Service Team, but felt that like leaseholders the team were marginalised.
- It was also felt that communications with leaseholders could be improved.
- One leaseholder said that he felt Birmingham had allowed its housing stock to become dilapidated. He did not think the descriptions used on invoices were accurate and in particular, he was unhappy about was the use of a 'bucket price' process adopted by the department for repairs regardless of the work undertaken.
- It was suggested that an inspector should be assigned to the Leaseholder Team responsible for inspecting repairs for both leaseholders and tenants and would be able to produce the evidence to support this.



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- One leaseholder said he had contacted a number of solicitors and was concerned that not all were aware of the legal issues in relation to leaseholders' obligations and responsibilities.
- It was felt that the department could be more proactive in the way they dealt with leaseholders. However it was pointed out that this information was provided in the leaseholder guide and the department had also appointed Home Ownership Officers who would go through with prospective leaseholders their responsibilities.
- Another leaseholder stated that had he been aware of the fact that leaseholders would be required to fund the capital works prior to becoming a leaseholder this may have deterred him from doing so.
- One leaseholder pointed out that a recent installation of double-glazing had reduced the visibility and light coming into his property in one particular room by 30%. He was not aware this would be the case and had only been given limited notice of consultation on the proposal to carry out the work and four days after the consultation ended the work commenced. He had obtained a number of quotes for secondary glazing, which were lower than the amount he was invoiced for by the department.
- One leaseholder felt that a sinking fund would assist leaseholders in relation to the receipt of large invoices. The Directorate discontinued the Sinking Fund in 1997/98, the main disadvantage being that the fund relates to the property not the individual so a leaseholder cannot access the funds for any other purpose. Furthermore the introduction of the Extended Repayment scheme is in effect a sinking fund in reverse. With leaseholders being able to spread the cost of paying for major repairs over ten years.
- Another leaseholder stated he was unhappy with the service he was getting from the Housing Department. He was the only leaseholder in his block and felt that it was inappropriate to be charged for repairs caused by tenants. The cleaning service to the block was unsatisfactory to the extent that he undertook some of the cleaning himself. He rang to report repairs to communal areas he was advised that he could not do this, as he was a leaseholder. He had been charged £33 each for replacement of two light bulbs in the communal area and felt that the repairs undertaken should be investigated by the Department.

## 4.5 Evidence from Partnership Team Manager

### Procurement Processes of the Birmingham Construction Partnership

- 4.5.1 The Review Group received details of the Birmingham Construction Partnership (BCP) which was founded in January 2004 to assist the Housing Department implement the Decent Homes Programme. The Partnership is a long term arrangement with three major construction companies: Thomas Vale Construction, G. F. Tomlinson Building Limited and Wates Construction which is tasked with delivering projects in the city with a budget of more than £100,000.



- 4.5.2 The Review Group was told that entering into a long-term partnering arrangement allowed Birmingham City Council to achieve best value by reducing costs and the time taken to tender projects on an individual basis; thus improving delivery.
- 4.5.3 Existing delivery providers would not have been able to resource the volume of work required for Decent Homes within the timescales for delivery. Currently the annual budget for Decent Homes is £75million of work per year, which will deliver work to more than 18,000 individual properties in 2007/8. The partnership aims to deliver the programme with greater efficiency and less waste.
- 4.5.4 It was stated that a culture of efficiency has developed, with effective teamwork between the client and contractor. The partnering contractors supplied vital programming and management skills to the Council. This has given BCP time to develop innovative solutions, a number of which improve communications with residents – therefore enhancing customer relations and customer satisfaction. Customers are given choice and ownership of decisions subject to compliance with regulations and practicalities. Knock on effects promote a sustainable community and increase value to the council. Customer Liaison Officers provide a central neutral point of contact for continuous liaison with residents prior to and during the works process. Data management systems are in place and weekly review meetings are held.
- 4.5.5 Combined procurement by partners of complete work programmes provides year on year savings. Certain elements of work have shown savings in excess of 16%. e.g. the design style of windows has been reviewed and savings were achieved in the region of 15% on manufacturing costs. Online bidding had been used to purchase materials for new front doors, pvc soffits and fascias and rainwater goods saving the Council £850,000 in 2005/6, with the potential for a similar saving in future years. A safety committee has also been created, taking a proactive approach towards health and safety.

### **Issues Affecting Leaseholders**

- 4.5.6 The following matters were recognised as being issues for leaseholders by the Partnership:
- 4.5.7 Where multiple occupancy blocks are scheduled for Decent Homes improvements the leaseholders are charged for their share of the joint costs. Commonly leaseholders are asked to pay for the cost of structural repairs, replacement windows, new roofs, external redecoration of the blocks and overcladding of timber soffits and fascias with UPVC through the Decent Homes programmes.
- 4.5.8 There has been criticism from leaseholders about the costs they have been quoted. Some of this is undoubtedly due to a sense of unfairness that their council tenant neighbours are having the works “for free”, but also a perception that they could get the works done more cheaply if they employed small local contractors direct. The Review Group was told that this fails to take into account the Council’s high specification requirements which ensure a long maintenance and problem free life for the elements of work. The partnership contractors have also been through a rigorous selection process to ensure a high quality of workmanship and provide full insurances and extended guarantees on their work. There is also the Council’s obligation to meet stringent



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standards of health and safety in carrying out works, particularly the use of scaffold and other proprietary access systems when working at a height which may not be followed by private contractors.

- 4.5.9 It was pointed out that there are issues around the extent of repairs necessary but some of this has been mollified by offering leaseholders alternative options to pay for their works.
- 4.5.10 The partnership believed that the cost of windows and roofing elements are generally accepted by the leaseholders as being competitive especially when the level of specification required is taken into account. However owners of ground floor flats sometimes have difficulty with being asked to pay a share for scaffolding to carry out structural works, fascias and soffits or external painting to upper flats if they have already had their own windows fitted privately. They agreed that the main issues seem to be around scaffolding, soffits and fascia work and external decoration. It was noted that work has now been done to agree lower fixed costs for multiple use of scaffolding and better prices have been obtained for material costs for soffits and fascias through on line bidding. The repair and redecoration of any remaining woodwork on the properties has created problems in getting subcontractors interested in the work, however the partnership is seeking to ensure these costs are comparable with the fixed costs paid to Morrisons and show value for money.
- 4.5.11 The Review Group was told that Decent Homes work has consistently achieved high levels of customer satisfaction from Council tenants. The leasehold procedures in year 2 have been reviewed to achieve the same levels of satisfaction from leaseholders.
- 4.5.12 The Review Group met the Leaseholder Liaison Officer for Wates Living Space. He advised that his role as Leaseholder Liaison Officer was to ensure that leaseholders were informed as much as possible. He saw himself as a 'friend' to the leaseholder and worked with the Leaseholder Services Team.
- 4.5.13 He undertook searches to identify the leaseholder, in relation to serving of notices. It was noted that the leaseholder was not necessarily the person living at the property. He advised that he was involved in a group comprising of representatives from the construction partners, Leaseholder Services and Housing Directorate officers, which met monthly to resolve issues, share ideas and standardise procedures.
- 4.5.14 He said that a regular complaint made by leaseholders was the lack of maintenance and the impact this had on major works programmes. He pointed out that leaseholders would like to be able to undertake their own work in relation to soffits and fascias.

## 4.6 Evidence from Housing Management

- 4.6.1 A District Housing Manager gave evidence to the Review Group. He stated that there was no distinction made between tenants and leaseholders in terms of services provided and that both groups were treated equally. He was aware that there were some tensions in some blocks in relation to anti-social behaviour and he had heard of concerns related to the quality of caretaking



services and in particular cleaning services. These issues were generally dealt with on a local basis. It was stated that it was clear that if leaseholders raised a housing management issue it should not be referred onto the Leaseholder Team to be resolved but dealt with by the local housing office.

## **4.7 Evidence from the Cabinet Member and Acting Strategic Director of Housing and constituencies**

- 4.7.1 The Review Group met the Cabinet Member for Housing and Acting Strategic Director of Housing and Constituencies and the following points were raised:
- 4.7.2 The Review Group was told that the Leaseholder Service is working to a 3 Star Action Plan and milestones monitored by the 3 Star Chamber. Once regarded a 'poor relation', service quality has improved as has the accuracy of information provided to leaseholders. There was more work to do to ensure housing management was aware of the leasehold service.
- 4.7.3 The Department would not be able to support leaseholders misled by solicitors. It would be for the individual to make a complaint to the Law Society. However, advice is now included in the Leaseholders Guide, as well as on the Leaseholder Website and two Home Ownership Information officers had been appointed who explain the Right to Buy process, and the rights and responsibilities of being a leaseholder.
- 4.7.4 The Review Group was advised that the number of invoices issued and their accuracy is performance measured as part of the 3 Star arrangements.
- 4.7.5 The Acting Strategic Director agreed that there was a need to clarify repair reporting arrangements with contractors to ensure that leaseholders could report repairs required to communal areas.
- 4.7.6 The Acting Strategic Director indicated that she was in favour of looking at the feasibility of leaseholder opt in for future kitchen and bathroom replacements.
- 4.7.7 It was pointed out that a policy of wholesale buyback was not considered to be value for money because the Council would have to fund the cost of buy back from within its own capital resources (reducing the resources available to fund Decent Homes) and potentially the property could then be sold under Right to Buy and 75% of the capital receipt would be repaid back to Government. However, the Directorate would consider buy back in exceptional circumstances e.g. to prevent homelessness.
- 4.7.8 It was felt that the extended payments (hardship policy) was a useful vehicle for supporting those leaseholders who might find themselves suddenly faced with large bills but there was some disappointment at the low take up to date (approx. 207). It was felt that this policy may need to be better publicised.
- 4.7.9 The need for a more proactive approach to providing front door security was also discussed.





## 4.8 Evidence from Leaseholder Services Team

4.8.1 The Leasehold Services Team presented a full and detailed range of evidence to the Review Group in response to the whole range of issues raised with the group during the evidence taking sessions, in particular this sought to address the following areas in more detail:

- The levels of fees and charges made to leaseholders and comparisons with those charged by other authorities/ benchmarking data
- Service improvements proposed / 3 Star Action Plan
- The results of the Leaseholders Survey

### Fees and Charges Benchmarking with Other Authorities

4.8.2 The Core Cities Homeownership Group (both Homesales and Leasehold Services) consisting of Birmingham, Bristol, Leeds, Liverpool, Manchester and Sheffield, developed a benchmarking framework to enable comparison of both operational and financial performance to support the achievement of value for money. The group also acts as a forum for sharing good practice, discussing/reviewing all major leasehold issues and responding to consultation papers on proposed legislative changes.

4.8.3 Operational and financial information relating to 2005/06 and 2006/07 has been collated by the group to enable a comparison between authorities. The intention is not to identify the 'poorest' or 'best' performing authority, but to identify the reasons for the difference in performance so that all authorities can benefit and improve their own performance.

4.8.4 General benchmarking data for 2006/07:

	Number of Leaseholders	Local Authority Housing Stock	% Leaseholders to stock	No. of Staff	Staff/ Leaseholder ratio
<b>Manchester</b>	<b>1,284</b>	<b>42,420</b>	<b>3.03</b>	<b>2.0</b>	<b>642</b>
<b>Liverpool</b>	<b>412</b>	<b>16,886</b>	<b>2.44</b>	<b>1.0</b>	<b>412</b>
<b>Bristol</b>	<b>1,303</b>	<b>29,000</b>	<b>4.49</b>	<b>4.2</b>	<b>310</b>
<b>Leeds</b>	<b>1,623</b>	<b>60,109</b>	<b>2.70</b>	<b>2.5</b>	<b>649</b>
<b>Sheffield</b>	<b>1,750</b>	<b>45,000</b>	<b>3.89</b>	<b>4.5</b>	<b>389</b>
<b>Birmingham</b>	<b>4,264</b>	<b>66,790</b>	<b>6.38</b>	<b>7.0</b>	<b>609</b>

4.8.5 Benchmarking data relating to Service Charges and Major Works:

	<b>SERVICES CHARGES 2006/07</b>				
	Total £	No. of Leaseholders	Average £	Highest £	Lowest £
<b>Manchester</b>	<b>587,101</b>	<b>1,284</b>	<b>486</b>	<b>2,390</b>	<b>2</b>
<b>Liverpool</b>	<b>45,714</b>	<b>412</b>	<b>269</b>	<b>553</b>	<b>10</b>





<b>SERVICES CHARGES 2006/07</b>					
	<b>Total £</b>	<b>No. of Leaseholders</b>	<b>Average £</b>	<b>Highest £</b>	<b>Lowest £</b>
<b>Leeds</b>	<b>402,754</b>	<b>1,623</b>	<b>248</b>	<b>2,011</b>	<b>86</b>
<b>Sheffield</b>	<b>185,000</b>	<b>1,750</b>	<b>161</b>	<b>471</b>	<b>11</b>
<b>Birmingham</b>	<b>1,299,348</b>	<b>4,264</b>	<b>304</b>	<b>2,000</b>	<b>40</b>

<b>MAJOR WORKS 2006/07</b>			
	<b>Total £</b>	<b>No. of Invoices Raised</b>	<b>Average Major Works Invoices £</b>
<b>Manchester</b>	<b>293,617</b>	<b>N/A</b>	<b>N/A</b>
<b>Liverpool</b>	<b>15,314</b>	<b>49</b>	<b>310</b>
<b>Leeds</b>	<b>270,789</b>	<b>72</b>	<b>3,761</b>
<b>Sheffield</b>	<b>226,000</b>	<b>208</b>	<b>1,086</b>
<b>Birmingham</b>	<b>845,321</b>	<b>665</b>	<b>1,269</b>

4.8.6 Birmingham City Council's Decent Homes Programme is far more advanced than the other authorities who are still progressing Stock Transfer options either to ALMO's or Registered Social Landlords. This is reflected in BCC having an established a Hardship Policy offering extended repayment options to leaseholders. The other authorities are considering extended repayments, whilst Leeds is also considering the option of offering Equity Share Loans.

4.8.7 The Leaseholder Services Team costs and recovery through the management fee is provided below.

	<b>Total LST Costs £</b>	<b>Management Fee Recovered £</b>	<b>Short Fall £</b>	<b>Basis of Recovery</b>	
				<b>%</b>	<b>Fixed Charge</b>
<b>Manchester</b>	<b>175,282</b>	<b>(53,023)</b>	<b>122,259</b>	<b>10</b>	<b>-</b>
<b>Bristol</b>	<b>313,107</b>	<b>(309,881)</b>	<b>3,226</b>	<b>15</b>	<b>190</b>
<b>Leeds</b>	<b>210,813</b>	<b>(115,957)</b>	<b>94,856</b>	<b>19</b>	<b>48</b>
<b>Birmingham</b>	<b>283,560</b>	<b>(204,443)*</b>	<b>79,117</b>	<b>10 or £10</b>	<b>62</b>

\*Includes £76,847 management fee recovered from Major Works

4.8.8 Bristol is the only authority which recovers almost entirely the operating costs of the Leasehold Services through the management fee. It should be noted that both Bristol and Leeds charge both the % recovery and the fixed fees, whereas BCC charges either the % or the fixed fee, not both.



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4.8.9 The Birmingham Homeownership Team is proposing to establish a similar group amongst West Midland Authorities.

## **3 Star Action Plan/ Self Assessment**

4.8.10 As part of the Housing Directorate's commitment to developing a 3 Star Service the Leasehold Services Team (LST) undertook a self assessment against the Audit Commission Key Lines of Enquiry Criteria. This identified the following:

### **Analysis of Current Performance**

4.8.11 There are 4,300 leaseholders (increasing by 250 – 300 per annum). There are also 6,500 ground rents (houses and flats) raised each year. Service charge estimates are raised in March and final invoices sent in September. A manual based performance management monitoring framework (non-financial) has been developed and implemented to provide monthly information on the number of assignments, alterations, hardship policy requests, enquiries etc. A detailed comparison of performance as at the end of 2007 compared with the same period last year is provided at Appendix 2. Overall the number of enquiries/requests has increased from 7,645 to 11,118. This represents an increase in workload of 31%. The percentage response rate outside of the service standard of 10 days has improved from 8.58% to 3.6% in the same period.

### **Quality – Strengths**

- Dedicated team of specialised officers who provide advice on service charges, payment options. The Department operates several types of leases and leasehold officers are aware of the restrictions and covenants that apply. Leaseholders can visit the LST without prior appointment for specialist advice and officers attend Residents Associations meetings to discuss leasehold issues.
- Detailed knowledge of Leasehold legislation, obligations included within the different lease types and supporting organisations e.g. LEASE.
- The Leaseholder Liaison Board is supported by the Team and acts as a forum for discussion of issues/concerns and in the decision making process e.g. Window Replacement Policy (Elections are held every two years).
- A Leaseholders' Guide has been drafted and includes information on services provided, calculation of service charges, consultation process etc.
- The LST takes a more pro-active approach to customer consultation than is required by section 20 legislation e.g. leaseholder representative on Tender Evaluation Panel and implementation of major works programmes e.g. Civic Close.
- Development and implementation of a Hardship Policy, offering advice and extended repayment options.



## Weaknesses

- Limited customer satisfaction and equalities information available.
- Number of temporary staff in Team to deliver services.
- Weak systems functionality of SX3 to produce performance/monitoring information e.g. level of arrears.
- The Arrears Escalation Policy has not been developed and implemented on SX3.
- Leaseholders' newsletter (Leaseholders Voice) needs to be drafted and sent out as part of existing communications to tenants.
- Need to strengthen the major works consultation process e.g. window replacement.

## Key Actions To Achieve 3 Stars

- Service standards and customer satisfaction evaluation agreed and included in Leaseholders Guide and leaseholders newsletter (Leaseholders Voice) produced on a regular basis and information provided on website.
- 'Open Forum' meetings with leaseholders to be held every 6 months in each Constituency.
- Implement Arrears Escalation Policy and improve service charge collection levels by October 2007.
- Ensure the Leaseholder Module on SX3 is developed and integrated to existing financial and accounting systems. Operational IT systems to be developed by July 2007.
- Service Charge collection levels to be improved (challenging targets to be set for 2007/08 by year end).
- Complete recruitment to the new structure of the Leasehold Services Team.
- Develop explicit working practices and arrangements in conjunction with Housing Management for Estate Services/Repairs and communicate to service users.
- Implement recommendations from Scrutiny Review of Leasehold Services.

## Progress on the development and implementation of the Leaseholder Service 3 Star Action Plan

- 4.8.12 The Leasehold Services Team is committed to delivering a 3 Star service and has developed and implemented a 3 Star Action Plan listing key objectives, tasks and timescales.
- 4.8.13 The 3 Star Action Plan is amended on a regular basis and progress is monitored inline with the Audit Commission's Key Line of Enquiry assessment criteria relating to leasehold services and reported to the Housing Department's 3 Star Chamber.
- 4.8.14 Key objectives completed include - Recruitment to new structure; Development and agreement to Service Standards; Customer Satisfaction Survey of all leaseholders undertaken; Customer



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Satisfaction Survey undertaken on major works programme e.g. Civic Close; Leaseholders Guide; SX3 Arrears Escalation Policy for service charges implemented; Leaseholders Voice Newsletter; and Performance Management Framework implemented.

- 4.8.15 Ongoing developments include - Leaseholder Services Website; Risk Register; Extension of gas servicing to leaseholders; Management of service charge/major works arrears; and Benchmarking with Core Cities.
- 4.8.16 Future key objectives will include - Development of communication/consultation strategy; Raising of major works invoices within 6 months of completing work; Liaison with Asset Management and Investment Division on the formulation of future investment strategies/programmes e.g. Decent Homes, improved consultation with leaseholders etc.

## Current Customer Satisfaction

- 4.8.17 The Leasehold Services Team conducted its first customer satisfaction survey in June 2007. The aim of the survey was to collect satisfaction measures to see how leaseholders thought the services could be improved and their experiences of contacting the LST and associated services. The postal survey was sent to 4,300 leaseholders and 324 (7.5%) replied.
- 4.8.18 It is proposed to undertake an annual Leasehold Customer Satisfaction Survey and take steps to encourage a higher response rate.
- 4.8.19 A summary of the key findings is detailed below:
- 4.8.20 **High Levels of Dissatisfaction** - There was a relatively high level of dissatisfaction with services provided to leaseholders. This was both overall and for individual services. Dissatisfaction was particularly high for repairs and maintenance and less pronounced for the concierge service.
- 4.8.21 **Contact with Leasehold Services** - The dissatisfaction is further reflected in the finding that contacts with the Leasehold Services Team tended to be complaints. These particularly related to the service charge, repairs and major work. Satisfaction with the different contractors varied considerably. Wates Living Space contractor had the highest satisfaction levels. It had appointed Leaseholder Customer Liaison Officer.
- 4.8.22 **Service Charges** - Respondents also had a relatively poor view of the value for money of their service charges.
- 4.8.23 **Satisfaction with Homes** - Respondents were more satisfied with their homes. Whilst views were more mixed about the blocks within which their homes were situated.
- 4.8.24 **Leaseholder Liaison Boards** - There was relatively high awareness of the existence of Leaseholder Liaison Board but less awareness of particular contacts.
- 4.8.25 **Potential Improvements** - Several areas of improvement were identified. Most notably, high proportions of respondents felt that they would like more detailed information in their service charge bill, in particular a breakdown of repairs. Other improvements which would be appreciated by reasonable proportions of respondents included: more information on contacts and complaints



with Leasehold Services; clearer payment methods; a better response to contacts; and improved repairs, maintenance and cleaning services.



## 5 Conclusions and Recommendations

### 5.1 General Comments

5.1.1 The Review Group heard evidence from a number of sources all of which commended the professionalism of the service offered directly by the staff in the Leasehold Services Team.

5.1.2 Members were somewhat concerned about the access to the Leaseholders Team offices in Mole Street which they did not feel afforded a safe public access route. They were also concerned about the possibility of records being lost at the offices in the event of a fire owing to the lack of fireproof cabinets.

	Recommendation	Responsibility	Completion Date
R1	That the Cabinet Member for Housing brings forward proposals for making improvements to building access and document security at the Leaseholder Team Office.	Cabinet Member for Housing	July 2008

### 5.2 Management Fees

5.2.1 It is right and proper that the direct costs of the Leasehold Services Team should be borne by those that benefit from the service. However there are currently a number of ways that management fees are calculated depending on the type of lease that the leaseholder holds with the City Council. For example, the majority of leaseholders pay on the variable basis of 10% of the service charge or £10 which ever is greater. Management Fees are also chargeable on at 10% on major works service charge bills. Since 2004 for the new leases the management fee has been amended from a variable charge to a standard charge calculated by dividing the total cost of the Leaseholder Services Team by the number of leaseholders.

5.2.2 It is clear from the evidence heard by the Review Group that many people are confused by these different methods and that some people are disproportionately affected because of the way that these are calculated. There would seem to be benefits in moving towards a more transparent and equitable flat rate charging policy for management fees for all leaseholders.

	Recommendation	Responsibility	Completion Date
R2	That the Cabinet Member for Housing brings forward proposals for adopting a more transparent and equitable flat rate charging policy for management fees.	Cabinet Member for Housing	January 2009



## 5.3 Extended Payments/Hardship Policy

5.3.1 The Review Group supports and commends the flexibility afforded to leaseholders by the Extended Payments Scheme (Hardship Policy) and would just like to see more evidence that it is being understood and utilised by those leaseholders that might face hardship.

5.3.2 The Scheme was introduced as it was considered to be more flexible and appropriate to meeting the financial circumstances of leaseholders whilst complying with the fiduciary responsibilities of the City Council to collect all monies due whereas other alternatives, e.g. equity loans, could lead to excessive surpluses being generated owing to rising property prices whilst monies due would only be recovered on disposal of the property.

	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R3</b>	That the Cabinet Member for Housing puts in place an action plan for publicising the extended payments policy to encourage greater take up by those leaseholders who may be in hardship.	Cabinet Member for Housing	July 2008

## 5.4 Managing Arrears

5.4.1 In monitoring arrears for service charges it should be recognised that service charge estimates are raised in April – need to understand the position as at the following March.

5.4.2 To improve arrears management there needs be support for the Leaseholder Services Team to build upon the Service Charge Arrears Escalation Policy which has been implemented and supports the further development and implementation of the Major Works Arrears Escalation Policy.

	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R4</b>	That the Cabinet Member for Housing, in conjunction with Service Birmingham, ensures an appropriate level of resource is available to support the development and implementation of the next stage of the Arrears Escalation Policy.  A further report on the implementation of the strategy will be presented to the Housing and Urban Renewal O&S Committee.	Cabinet Member for Housing	July 2008



## 5.5 Rights and Responsibilities

5.5.1 There is a general poor understanding by leaseholders of their rights and responsibilities. This is to a large degree being addressed by the Leaseholders Team by the introduction of two Home Ownership Information Officer posts that will now be available to proactively advise prospective leaseholders on all these matters prior to purchase. In addition the revised Leaseholders' Guide will be a useful reminder and reference tool for existing and new leaseholders.

5.5.2 Members of the Review Group were somewhat dismayed to hear that local solicitors sometimes let leaseholders down by failing to fully advise them on the contents and provisions contained within the leases. Members wanted to explore if there was any way in which they could be lobbied in order to improve their service.

	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R5</b>	We welcome the efforts made by the Cabinet Member to ensure that leaseholders are aware of their rights and responsibilities through the Leaseholder Guide and appointment of the Home Ownership Officers. However we did feel more could be done by local solicitors to support this. We would therefore suggest that if any opportunities arise in the future that the Cabinet Member makes representation to any appropriate bodies to remind solicitors of the need to fully advise prospective leaseholders on their rights and responsibilities.	Cabinet Member for Housing	July 2008

## 5.6 Service Charges

5.6.1 A major area of concern to leaseholders relates to Service Charges. This includes the nature of the services included and the quality of the service provided and the perceived lack of monitoring of its provision. Leaseholders felt that they should both have a clear description provided to them of the shape and remit of the services for which they are paying and some role in monitoring the quality of this (especially caretaking and cleaning).

5.6.2 In particular leaseholders want more transparency/detail set out in the estimates which they receive so that they can understand exactly what they are actually being asked to pay for, e.g. list of repairs, to be sent out with the Service Charge estimate.





	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R6</b>	That the Cabinet Member for Housing investigates and develops ways in which the estimates for service charges, in particular repairs, can be made both more detailed and clear so that leaseholders can more fully understand what they are being asked to pay for. In addition that they are made aware of the process for appealing to the Leasehold Services Team.	Cabinet Member for Housing	July 2008

## 5.7 Council Policies

5.7.1 A number of leaseholders felt that there needs to be full consideration given by the City Council to adopting a clear buy back policy.

5.7.2 In other cases some leaseholders would like to have the opportunity to opt into City Council Tenants contracts such as that for gas servicing or further stages of the Decent Homes Programme such as kitchen improvements.

	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R7</b>	That the Cabinet Member for Housing considers a policy on Buy Back and brings forward a report to Housing and Urban Renewal O&S Committee on his findings.	Cabinet Member for Housing	July 2008
<b>R8</b>	That the Cabinet Member for Housing considers the feasibility of allowing leaseholders to access City Council contracts for additional services e.g. gas servicing and improvement works e.g. kitchens and bathrooms.	Cabinet Member for Housing	February 2008

## 5.8 Major Works

5.8.1 Decent Homes has addressed some of the previous criticisms that had been made of the Council in terms of its role as landlord and its failure to invest in stock maintenance and asset management. Leaseholders have to pay for these improvements some of which they perceive have arisen owing to a lack of investment in ongoing maintenance.

5.8.2 A specific issue raised in relation to Major Works was the cost of the external painting programme including replacement of fascias and soffits (in particular the cost of scaffolding). It was suggested that leaseholders should have the opportunity to obtain their own estimate of costs and



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have the work undertaken by their own contractors. This could be implemented via an approved list of contractors, similar to the provisions under the replacement windows policy.

5.8.3 The Leaseholder Services Team receives information from the contractors on work completed but there are often issues regarding quality then the leaseholders may refuse to pay. It was suggested that a clerk of works attached to the Leaseholders Team would ensure that the quality of work was maintained through regular monitoring and inspection.

5.8.4 On occasions Members felt consultation with some leaseholders, for example, on the style and scope of works, was insufficient. (We heard of evidence relating to replacement windows resulting in a significant loss of light and visibility).

	Recommendation	Responsibility	Completion Date
R9	Building on the replacement windows policy, the Cabinet Member for Housing brings forward proposals to enable leaseholders to obtain their own estimates for certain specific types of works, in appropriate cases.	Cabinet Member for Housing	July 2008
R10	That the Cabinet Member for Housing seconds a Clerk of Works to be attached to the Leaseholder Services Team.	Cabinet Member for Housing	April 2008

## 5.9 Housing Management/Asset Management Investment Team Issues

5.9.1 A number of issues raised as areas of concern by leaseholders are clearly within the remit of the local Housing Management Teams e.g. caretaking, cleaning, management of anti-social behaviour and grounds maintenance.

5.9.2 Other issues raised are clearly within the remit of the Asset Management and Investment Team:

- Management oversight/monitoring of the repairs service including quality of work cost schedule rates/checking of invoices was also an area leaseholders felt needed to be improved.
- Need to ensure remit is clear for all works and that these are logged checked and the costs verified before payment is made perhaps by the caretaker playing a role in this process.
- Bucket prices – should it cost £33 each for two light bulbs to be replaced?
- Call centre issues – need to reinforce the right of leaseholders to report repairs in communal areas.
- Security issues particularly in relation to communal doors.



	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R11</b>	That the Cabinet Member for Housing reports to the Housing and Urban Renewal O&S Committee on the development of the Housing Management Service Standards especially those associated with improving local housing management, repairs reporting and the management of anti-social behaviour. The report to also update the Committee on action to ensure the monitoring of repairs and installation of security doors in low rise blocks.	Cabinet Member for Housing	July 2008
<b>R12</b>	That the Cabinet Member for Housing undertakes a review of the calculation and application of schedule of rates/Bucket Prices to ensure a direct correlation between the charge and actual work carried out.	Cabinet Member for Housing	July 2008

## 5.10 Customer Information/Survey

5.10.1 The Leaseholder Services Team has in the past had limited customer information. The Review Group was pleased that the Team is seeking to remedy this via the customer survey and hope that this is repeated on a regular basis.

5.10.2 It was suggested by some witnesses that there was a need to strengthen the role of the Leaseholders Liaison Board. However the Review Group noted the very positive ongoing work now being undertaken by the Leaseholder Services to support the active involvement of the LLB in all service developments.

	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
<b>R13</b>	That the Cabinet Member for Housing uses the opportunities to learn from customers following the recent customer survey and undertakes similar exercises annually, taking steps to maximise survey return rates.	Cabinet Member for Housing	July 2008
<b>R14</b>	Progress towards achievements of these recommendations should be reported to the Housing and Urban Renewal O&S Committee in September 2008. The Committee will schedule subsequent progress reports thereafter, until all recommendations are implemented.	Cabinet Member for Housing	September 2008



## Appendix One – Service Charge Estimates for 2006/07 and Bandings

The service charge estimates for 2006/07 totalled £1,299,348. This can be analysed as follows:

<b>Services</b>	<b>£</b>
Caretaking	128,081
Cleaning	64,930
Concierge	43,009
Communal Electricity (High Rise)	38,861
Communal Electricity (Low Rise)	24,043
Grounds Maintenance	60,665
Buildings Insurance	544,087
Lift Maintenance	6,990
Repairs Admin.	125,148
Day to day repairs	135,937
Management Cost 1	105,228
Management Cost 2	22,368
<b>Total</b>	<b>1,299,348</b>

An analysis of service charges by 'bandings' is provided below:

	<b>No. of Leaseholders</b>
Less than £100	117
More than £100, less than £200	312
More than £200, less than £300	1,457
More than £300, less than £400	1,034
More than £400, less than £500	565
More than £500, less than £1,000	615
More than £1,000, less than £1,500	35
More than £1,500	25
	<b>4,160</b>

Overall, 60% of leaseholders pay service charges between £200 - £400 and only 1% pay above £1,000.

# Appendix Two – Leasehold Services Team Performance

Monthly	2007				2006				Total
	Apr-Jun 07	Jul-07	Aug-07	Sep-07	Apr-Jun 06	Jul-06	Aug-06	Sep-06	
Notice of Assignment	228	32	89	16	86	22	79	12	482
Resales Enquiry	124	10	77	15	67	15	67	2	335
Consent for Alterations/Windows Replacement	47	2	14	2	16	1	16	3	93
Councillor/MP/3C's	10	0	4	0	11	0	3	0	28
Arrears	38	2	429	4	20	6	29	0	516
Voucher Book/Standing Order	750	0	99	0	109	0	114	0	1072
Payment - Service Charge, Ground Rent, Major Works, Fees	314	14	142	7	152	28	103	4	711
Major Works/Observations	88	4	22	9	16	3	35	0	161
Day to Day Repairs	83	11	44	4	11	3	11	1	149
Extended Payment Applications	11	2	1	0	0	0	8	0	20
\$125 Offer Notices	199	0	92	0	126	0	73	0	490
New Sales	20	0	17	0	12	0	8	0	57
Legal Queries	29	7	2	0	12	5	12	0	55
Disputes	84	51	40	3	16	2	14	2	154
General	349	59	180	12	145	23	53	12	727
Telephone Queries	3459	646	1898	1585	1802	1177	6068	11118	
<b>Total</b>	<b>5833</b>	<b>1898</b>	<b>1585</b>	<b>1802</b>	<b>4617</b>	<b>712</b>	<b>764</b>	<b>1552</b>	<b>7645</b>

Please note that the figures in black indicate the number of enquiries received and the figures in red indicate the number of responses sent outside of the 10 working day turnaround target

Total outputs	2007	2006
Dealt with longer than 10 days	11,118	7645
% Longer than 10 days	410	656
	3.69	8.58

