



CABINET – 30TH SEPTEMBER 2020

SUBJECT: LEASEHOLDER CHARGES

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

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1. The attached report was considered by the Housing and Regeneration Scrutiny Committee on 17th September 2020. The report outlined a proposal to revise existing recharges to leaseholders prior to consideration by Cabinet, so that Caerphilly Homes can recover the actual costs incurred for providing the service and the establishment of a leasehold buy back policy. Members were asked to note an amendment in the report at point 5.6 that the first increased payment would not be requested until September 2022 not 2021.
 2. Members were assured that leases include details of the leaseholder responsibilities for these charges and that copies could be provided if requested.
 3. Clarification regarding the statutory process for informing leaseholders of planned works was outlined with Members advised that leaseholders are contacted to inform them of any planned works and they can suggest suitable contractors that may be included in the tender process, however any nominated contractor must still meet the criteria for the tender process.
 4. The scrutiny committee were advised of the dispute process where leaseholders can query the costs, but the Council have the right to proceed as stated in the lease. Leaseholders can question the standard of work carried out and any substandard works will be rectified. There are plans to introduce a survey once works are completed in order to ascertain the views of leaseholders
 5. Following consideration and discussion the Housing and Regeneration Scrutiny Committee unanimously agreed to recommend to Cabinet that:
 - (I) The proposed increase in leaseholder management fees and the introduction of recharges for providing specific services be approved.
 - (II) A phased increase of the leaseholder management fees as outlined in section 5.6, option 2 of the attached report to become effective from April 1st 2021, be approved.
 - (III) To establish a Caerphilly Homes leasehold property 'buy back' policy, to be implemented in consultation with the Cabinet Member for Housing and Property.

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Appendices: Report to Housing and Regeneration Scrutiny Committee 17th September
2020 – Agenda Item 9



HOUSING AND REGENERATION SCRUTINY COMMITTEE – 17TH SEPTEMBER 2020

SUBJECT: LEASEHOLDER CHARGES

REPORT BY: CORPORATE DIRECTOR OF SOCIAL SERVICES & HOUSING

1. PURPOSE OF REPORT

- 1.1 To recommend to Members that they support the proposal to revise existing recharges to leaseholders prior to consideration by Cabinet so that Caerphilly Homes can recover the actual costs incurred for providing the service and the establishment of a leasehold buy back policy.

2. SUMMARY

- 2.1 This report sets out Caerphilly Homes' proposal to increase the leaseholder management fee currently charged to reflect the actual costs incurred for providing the service, these costs are currently subsidised by tenants via the Housing Revenue Account.
- 2.2 Also to introduce charging for specific services that are recoverable under the terms set out in the various leases that are in place.
- 2.3 Currently the Housing Revenue Account (HRA) bears the burden of unrecovered costs incurred from providing services to leaseholders. However, Caerphilly Homes should neither subsidise the services received by leaseholders nor seek to make a surplus income from the levied charges. Therefore, it is important that Caerphilly Homes adopts a more robust and transparent charging policy in order to demonstrate fairness and value for money.
- 2.4 Officers recognise the financial impact the proposals contained within this report will have on leaseholders and have therefore included, for your information, the mechanisms in place to assist leaseholders in meeting the various costs incurred and proposals for introducing a leasehold property buy back policy.

3. RECOMMENDATIONS

- 3.1 That members consider the proposed increase in Leaseholder Management fees and the introduction of recharges for providing specific services, prior to submission to Cabinet.
- 3.2 That members consider a phased increase of the Leaseholder Management Fees as outlined in section 5.6, option 2., prior to submission to Cabinet.

- 3.3 That members consider the establishment and implementation of a Caerphilly Homes leasehold property 'buy back' policy prior to submission to Cabinet which would be implemented in consultation with the Cabinet Member for Housing and Property.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Caerphilly Homes has a robust charging policy that reflects the actual costs incurred in providing the leaseholder service and has suitable mechanisms in place to assist leaseholders in meeting their associated costs.

5. THE REPORT

- 5.1 There are currently 408 flats within the council's housing stock owned by leaseholders following their sale under the Right to Buy (RTB) scheme. Many of these flats would have been sold onto others since the original purchase from the council. Due to local government reorganisations there are currently at least four different leases in use depending on when the RTB was exercised and who their landlord was at the time of sale. In addition, approximately 173 of these leasehold properties are sub-let bringing in rental income for the leaseholder who is thereby acting as the landlord.
- 5.2 Caerphilly Homes as lessor has the responsibility to maintain and repair the exterior and structure (including communal areas) of the block of flats in accordance with the terms set out in the lease. The legislation that covers leasehold matters including charging for services provided is the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002).
- 5.3 The following table shows the charges that leaseholders are currently required to pay in accordance with the terms set out in their property lease.

Type of Charge	Amount	Comments
Ground Rent	Varies either 10 pence or 10 pounds	Recharged annually
Buildings Insurance	Varies in accordance with sum insured	Recharged annually
Management & Administration Fee	£10.00	Recharged annually The Management Fee covers: Leaseholder Officers costs, maintenance of accounts/ records, producing annual service charges/quarterly reports, provision costs, issuing invoices, cost recovery, dealing with queries, general and support costs, management of the building and estate. Providing information for and attending Leaseholder

Response Repairs	Varies in accordance with day to day works undertaken on the structure and exterior of the property	Valuation Tribunals. Support services - customer support, Central repairs, Finance, Tenant involvement, Communication, Business improvement, IT and Corporate Recharged annually where relevant
Major Works which includes an administration charge of 10% on all works undertaken (which is currently capped at £300 on WHQS works)	Varies in accordance with works undertaken	Formal consultation undertaken with leaseholders in accordance with relevant legislation. Recharged on completion of contract

5.4 As the council's HRA is a ring-fenced revenue account it is required to contain only those charges directly related to the management of the council's housing stock. In order to comply with this, leaseholder charges need to reflect the true cost of maintaining the block of flats in which their property forms a part in accordance with the terms set out in their lease. This prevents the situation occurring where tenants are subsidising the cost of leaseholders who have purchased their properties.

5.5 The leasehold management charge has been reviewed over the past year to reflect the actual cost of providing the leasehold service (*see Appendix 1*). A desktop exercise has also been undertaken with 6 other social housing providers in the area to compare charges (*see Appendix 2*) and all charge significantly more than the current Caerphilly Homes £10 management fee. The actual cost of providing the service is calculated to be £199 per leasehold property, based on 2019/20 actual costs.

5.6 There are 2 options for consideration regarding the proposed increase of the management fee.

Option 1 - Increase the recharge for the management fee to £199 with effect from 1 April 2021 to reflect the full amount payable. Review of costs completed annually, and recharges amended accordingly.

Option 2 – Phased increase over two-year period – year 1 in the sum of £100 and Year 2 at £199 to provide a transition period for leaseholders. After the initial two-year fixed period costs would then be reviewed annually, and charges amended accordingly.

Officers preferred option would be option 2.

Although for both options the first increase date would be 1st April 2021, service charge bills are issued annually in September of each year, so the first increased payment would not be requested until September 2021.

- 5.7 In addition to the proposal to increase the management fee is the introduction of recharging for specific services provided as highlighted in table below.

Task	Charge	Comments
Pre-contract enquiries – Form LPE1	£150	Leasehold information pack – issued to solicitors when a flat is being sold.
Communal lighting		To be considered for charging in the future when actual costs incurred are available. Leaseholders would be fully informed prior to any changes being implemented.
Grounds maintenance		To be considered for charging in the future when actual costs incurred are available. Leaseholders would be fully informed prior to any changes being implemented.
Communal cleansing		To be considered for charging in the future when actual costs incurred are available. Leaseholders would be fully informed prior to any changes being implemented.

- 5.8 Again, this is to ensure that the HRA is not subsidising services provided to leaseholders. It is proposed that the pre-contract enquiries charge is implemented by the 1st January 2021.
- 5.9 The Tenant & Community Involvement Team propose to inform Leaseholders of the changes prior to implementation. This will take the form of a letter detailing why the charges are being increased or introduced, the actual costs involved and an opportunity for them to contact the team for further information. In addition, if any leaseholders have concerns about paying the additional costs then the Leaseholder Services officers will be available to carry out one to one meetings to discuss the options available to them if required.
- 5.10 There are already a variety of payment options available to leaseholders to assist them with repaying charges levied. These are a repayment plan, Private Sector Housing loan, Private Sector Life-time loan, Voluntary registered charge (in exceptional circumstances only and now largely superseded by the Life-time loan option).
- 5.11 In addition, consideration is being given to the option of Caerphilly Homes buying back the property in exceptional cases e.g. if the leaseholder is in severe financial difficulties. This would not be a blanket policy applicable to all, it would be subject to satisfying certain criteria and evidence of financial position. Such criteria for example would include vacant possession of the property, potential financial investment required to enable it to be let as social housing, including meeting WHQS, housing need and demand for the specific property, and value for money. Any decision on individual buy back properties would be made by the Chief Housing Officer or

Housing Services Manager in consultation with the Cabinet Member for Housing and Property.

6. ASSUMPTIONS

- 6.1 The information contained in this report has been based on data collected over the previous years and therefore it has not been necessary to make assumptions.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 Corporate Plan 2018-2023.

This report links to objective 3 and objective 6 of the Corporate Plan 2018-2023. By ensuring that the services received by leaseholders are recharged in accordance with the terms of their lease and not subsidised by the HRA. To address the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people's well-being. To support citizens to remain independent and improve their well-being

- 7.2 CCBC Strategic Equality Plan 2016-2020. The Consultation and Engagement Framework would support several key areas of the Strategic Equality Plan 2016-2020, not least the objective '*to ensure that the consequences of all new and updated policies and initiatives on specific groups are considered during the council's consultation and decision making processes*'.

- 7.3 Caerphilly Homes Service Plan 2018 – 2023.

- 7.4 Improving Lives and Communities: Homes in Wales (Welsh Government, 2010), which sets out the national context for improving homes and communities, including the energy efficiency of existing homes.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 Effective financial planning contributes to the following well-being goals within the Well-being of Future Generations Act (Wales) 2015

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A globally responsible Wales

- 8.2 The report recommendations are consistent with the five ways of working of the sustainable development principle, listed in the Act as defined below:

- Long Term – The importance of balancing short-term needs with the need to safeguard the ability of future generations to meet their long-term needs
- Prevention - How acting to prevent problems occurring, or getting worse, may help public bodies meet their objectives
- Integration – Considering how the public body's well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives

of other public bodies

- Collaboration – Acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives
- Involvement – The importance of involving people with an interest in achieving the well-being goals and ensuring that those people reflect the diversity of the area which the body serves.

9. EQUALITIES IMPLICATIONS

- 9.1 An EIA screening has been completed in accordance with the council's Strategic Equality Plan and supplementary guidance. No potential for unlawful discrimination and/or low level or minor negative impact has been identified; therefore, a full EIA has not been carried out.

10. FINANCIAL IMPLICATIONS

- 10.1 There would be financial implications for leaseholders by raising the management fee and by the introduction of new charges.
- 10.2 There are implications for the HRA by not recovering the actual costs of managing the leasehold service. Any non-recovery increases the amount that must be subsidised from tenant's rent payments.
- 10.3 There would be a financial impact on the HRA for the potential buy back of any leasehold property and therefore value for money will need to be demonstrated due to the impact this could have on the Housing business plan.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no personnel implications associated with the report.

12. CONSULTATIONS

- 12.1 This report has been sent to the consultees listed below and all comments received are reflected in this report.

13. STATUTORY POWER

- 13.1 Commonhold and Leasehold Reform Act 2002 and the Council's Financial Regulations.

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Consultees:

Dave Street	- Director of Social Services and Housing
Cllr Lisa Phipps	- Cabinet Member for Housing and Property
Cllr Andrew Whitcombe	- Chair of Housing & Regeneration Scrutiny Committee
Cllr Christine Forehead	- Vice Chair of Housing & Regeneration Scrutiny Committee

Stephen Harris
Lesley Allen
Robert Tranter
Todd Rawson

- Interim Head of Business Improvement and S151 Officer
- Principal Group Accountant (Caerphilly Homes)
- Head of Legal Services & Monitoring Officer
- Solicitor

Background Papers:

Policy and Resources Scrutiny Committee – 17th January 2017. Leaseholder Charges, author Mandy Betts, Tenant and Community Involvement Manager.

Leaseholder Handbook

Leaseholder Payment Options Flyer

Appendices:

Appendix 1 - Information regarding actual costs 2019/20

Appendix 2 – Desk top exercise comparing costs 2017/18 and 2019/20

Appendix 1

Leaseholder Services Review of Management Fee - MAY 2020					
<i>Figures based on 2019-20 actuals</i>					
Description	%	Salary cost £	Total £	% Allocate d cost £	Notes
Leaseholder Officer	81%	28198	28198	28198	Full
Leaseholder Officer	100%	29786	29786	29786	Full
Tenant Participation Officer - Consultation	10%	41645	41645	4165	10%
Tenant & Community Involvement Manager	10%	47934	47934	4793	10%
Estate Management Officer	2%	39582	39582	792	2%
Chief Housing Officer					Included in 12% over heads
Clerical Officer	10%	13055	13055	1306	10%
IT support over and above Service Level Agreement (SLA)	5%	33845	33845	1692	5%
Overheads/Stationery/telephone calls/SLA's/mileage	12%	86320	86320	10358	12%
Sundry Debtors					Included in 12% over heads
Insurance					Included in 12% over heads
Legal					Included in 12% over heads
IT Services					Included in 12% over heads
				81090	
Number of Leaseholders				408	
Annual Cost to each Leaseholder				199	

Appendix 2

Comparison of Leasehold Management Fees

Organisation	2017/18	2019/20
Bron Afon	£170.00	£191.31
Cardiff Council	£163.00	No response
Monmouthshire Homes	£90.00	£92.13
Newport City Homes	£58.00	£180.00 (approximate)
Merthyr Valley Homes	No response	£70.00
V2C	No response	£200 - £300