



Report of Chief Officer Property and Contracts Housing Leeds

Report to Director of Environments and Housing Administrative Decision

Date: April 2015

Subject: Property & Contracts Housing Leaseholder Management Service

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

1.0 EXECUTIVE SUMMARY

- 1.1 There are 1,841 leasehold flats within the City. The Council has specific duties to Leaseholders and is entitled to recover a service charge and proportionate contribution to the cost of works to the structures and common areas of the blocks within which the leasehold flats reside.
- 1.2 The current Leaseholder Management budget used to establish the Leasehold Management Fee Review 2015/16 dated 29/01/15 identifies two Leasehold Officer SO2 posts within Housing Leeds Property and Contracts.
- 1.3 The Leasehold Officer posts do not appear on the current Property and Contracts structure and the roles are being performed by members of the Property and Contracts team alongside their substantive roles.
- 1.4 The creation of the two posts will create a pressure of £72,116 on the HRA Budget. Finance has been consulted and has confirmed the HRA budget can absorb this pressure.
- 1.5 The Leasehold Management Service is forecast to recover £655k properly due from Leaseholders for the Service charge and works undertaken on properties within 2015/16.
- 1.6 The Council is at risk of not recovering its full entitlement of service charge due to resource pressures.

2.0 RECOMMENDATIONS

- 2.1 The Director of Environment and Housing approve the revised structure for property and Contracts Housing Contracts and note the increase in cost of £72,116.

3.0 Purpose Of This Report

To create the posts of two Leasehold Liaison Officers within the Property and Contracts Division of Housing Leeds

4.0 Background Information

- 4.1 The Council has a portfolio of in excess of 1,841 leasehold flats. These are flats which have been sold under the Right to Buy and for which the Council retains responsibility for the provision of services.
- 4.2 The types of flats include low, medium and high rise blocks. The council retains the responsibility for maintaining the building structure and the provision of the services. The leaseholders are required to contribute towards the costs of these services through their annual Service Charges.
- 4.3 Management of the Leaseholder Service is split between Resources (Environment and Housing) and Property and Contracts. The Resources team manage the financial and legal aspects relating to service charge estimates and enquiries, legislative queries and debt recovery. The Property and Contracts team deal with operational queries, pre notification of chargeable works and services and respond to queries and complaints.
- 4.4 The Property and Contracts responsibilities are currently undertaken by members of staff who performed this role in their previous jobs within the ALMOs. These staff members have been moved to new roles following the restructure but are continuing to undertake the leaseholder management role alongside their new duties. There are no designated posts for these roles within the current structure. This is not sustainable in the medium term.
- 4.5 The estimated income from these blocks for the annual Service Charge is estimated at £609k in 2014/15.
- 4.6 The options available are:
- 4.6.1 Employ 2 x Leaseholder posts at SO2 grade (for which we currently have no budget provision) and continue to recharge leaseholders for the service. This would help to ensure that the legislated Consultation Process is adhered to where major works are to be carried out enabling recovery of the Service Charge. It could also lead to increased income through identifying works at source through closer liaison with surveyors and again enabling

recovery of costs through the Service Charge. The Leasehold Offices will also provide a single point of contact for Leasehold customers.

- 4.6.2 Do not employ 2x Leaseholder posts, risk claims against previous recharges made to leaseholders and leave new income generation untapped.

5.0 Main Issues

- 5.1 The leases between the Council and individual leaseholders places a responsibility on both parties; the Council to maintain the properties and services and the leaseholders to pay for these services. In addition legislation requires that strict consultation is undertaken with leaseholders where the council proposes to enter into contracts to provide works and or services to blocks containing leaseholders. Failure to properly consult with leaseholders renders the Council unable to recover monies properly due under the terms of the lease. In this regard these posts are seen as an integral part in supporting the surveyors and the contracts staff, along with call centre staff and the financial service.
- 5.2 The main task will be ensuring compliance with the legislative consultation requirements in conjunction with other Contracts and Property staff and the financial services staff. The legislation means that for each contract entered into there can be up to 3 separate consultation period of 37 days each, which requires that officers are available to respond to enquiries/observations made by leaseholders and Resident and Tenants Associations.
- 5.3 Notification of charges to leaseholders generates significant call volumes and frequently further correspondence responding to queries and challenges. Failure to respond reasonably to these requests can compromise the ability of the Council to recover legitimate costs.
- 5.4 The posts are an essential link between the various service providers within the Council and the Housing Management service. Leaseholders are paying for the services they receive and consequently there is an expectation that the services are provided and are of a high standard.
- 5.5 The posts are also seen as an integral part of the Service Charge production process, providing advice and information to the Finance Team responsible for production of the Service Charges.
- 5.6 Failure to provide the services and failure to consult with the leaseholders regarding the provision of services would jeopardise the recovery of service charges from leaseholders. This is specifically relevant for works carried out to blocks both on a programmed basis and on a day to day repairs and maintenance basis.
- 5.7 The post is also seen as an essential single contact point for leaseholders. The three ALMO's identified a contact officer to whom leaseholders could

refer enquiries and or concern/complaints. These posts have not been replaced and at present there is no definitive single direct link, which risks a reduced quality of service.

- 5.8 It is anticipated that the post holders will be able to provide advice and training where required to housing management staff, Call Centre Staff on an ad hoc basis. This training can also extend to the property services surveyors who have a similarly vital role to play in ensuring contracts are identified at an early stage.
- 5.9 The posts will be within the Housing Contracts service under the procurement workstream. A copy of the structure is enclosed within appendix A. The enclosed Job Description has been evaluated at SO2.
- 5.10 Failure to provide a Leasehold Service which can respond both to the needs of the leaseholders and also comply with the legislative requirements placed upon the Council is likely to result in a financial loss to the Council. This loss is likely to be through the Council's inability to recover service charges.

6.0 Revenue Implications

- 6.1 The Council is legally entitled to recover costs incurred on the maintenance and upkeep of multi occupancy blocks. The Council currently recovers revenue through the Service Charge but there are gaps in recovery relating to investment projects as identified below.
- The estimated service charge income for 14/15 is £609k.
 - Major Works recharges for 14/15 £46k to date.
 - Known lost income from works not recharged 2013/14 £23k.
- 6.2 Housing Leeds has an investment programme in multi storey blocks of circa £65m over the next five years. Currently 2% of all flats are occupied by leaseholders.
- 6.3 Should Housing Leeds not undertake the correct consultation programme and properly administer the process then the maximum charge that could be levied may be limited to £250 per leaseholder.
- 6.4 The Job Description (attached) has been evaluated at SO2. This reflects the responsibility held by the post holder in dealing with enquiries from a range of sources and the responsibility of the post in providing support and advice to other services within the Council on leasehold matters.
- 6.5 The cost of the two posts including on costs is £72,116 based upon the January 2015 salaries. The cost of this post will be met from the Management Fee recovered from leaseholders as part of their annual service charge. The current Service Charge Management Fee as approved by Director Environment and Neighbourhoods on 29th January 2015 includes provision for 2 x SO2 FTE's which was included to reflect the

assessed costs incurred by the ALMOs in the provision of their staff. More recently this is the equivalent costs incurred for staff within the Property and Contracts Division of Housing Leeds.

- 6.6 The creation of the two posts will create a pressure of £72,116 on the HRA Budget. Finance has been consulted and has confirmed the HRA budget can absorb this pressure.

7.0 Corporate Considerations

7.1 Consultation and Engagement

- 7.1.1 The recommendations have been developed by Property and Contracts Senior Management Team in consultation with the Leaseholder Finance Team in Finance (Environment and Housing) and the Housing Revenue Account Finance Team.

7.2 Equality and Diversity / Cohesion and Integration

- 7.2.1 The Equality Impact Assessment is enclosed within this report as Appendix B

7.3 Council policies and City Priorities

- 7.3.1 The proposals within this report support wider aspirations for Leeds set out in the new Leeds Vision, City Priority Plans, Directorate Priorities and Cross Council Priorities.

- 7.3.2 The proposals support the Best Council objectives of:-

- Ensuring high quality public services; and
- Becoming an efficient and enterprising Council.

7.4 Resources and value for money

- 7.4.1 The two SO2 posts will add an additional £72,116 to the current structure for which no allowance has been made.

- 7.4.2 The full cost for the service including these officers is £237,331 per annum.

- 7.4.3 The Council is forecast to recover circa £730k through the service charge and major works recharges in 2014/15.

- 7.4.4 If these posts are not filled the Council will be at risk of under recovery of leaseholder contributions.

- 7.4.5 The Council is at risk of not providing the specified service to leaseholders in the future due to resource pressure.

7.5 Legal Implications, Access to Information and Call In

- 7.5.1 The decision being requested in this Report is a Significant Operational Decision and as such is not eligible for call in. Powers of delegation to the Director for this decision are contained within the scheme under Part 3 of the Constitution.
- 7.5.2 There are no significant legal implications associated with this decision. The report contains no information which is considered confidential or exempt as determined by the Access to information Procedure Rules within part 4 of the Constitution.

7.6 Risk Management

- 7.7 There are a series of financial and operational risks to the Council as identified in section 5.5 above.

8.0 **Conclusions**

- 8.1 There is a need to provide a Leasehold Liaison Officer Service within the Housing Leeds Property and Contracts Division. This will ensure that there is a direct contact point for leaseholders and staff within E&H and the wider Council and that the Council is able to recover monies due under the lease agreements.
- 8.2 The two leasehold officers will provide the following benefits to the Council
- Ensure compliance with Council's Obligations under the leasehold agreements.
 - Ensure service charge and major works charges are levied and recovered, generating circa £730k income to the HRA.

9.0 **Recommendations**

- 9.1 The Director of Environment and Housing approve the revised structure for property and Contracts Housing Contracts and note the increase in cost of £72,116.