



Report of Finance Manager

Report to Director of Resources and Housing

Date: February 2018

Subject: Leasehold Management Fee Review 2018/19

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

Summary of main issues

This report seeks the Director of Resources and Housing approval to increase the Management Fee which is charged to leaseholders of flats which have been purchased under Right to Buy.

Recommendations

The Director of Resources and Housing is requested to approve an increase in the fixed element of the Management Fee from £96 pa to £97 pa and reduce the percentage of the variable element of the Management Fee to 18%.

1. Purpose of the Report

The Council's Financial Procedures regarding fees and charges, require that Directorates at least annually review charges made for services provided. In addition Executive Board, in February 2016, agreed the fees and charge policy are in general designed to recover the full cost of the service. This report seeks the Director of Resources and Housing approval to increase the Management Fee which is charged to leaseholders of flats.

2 Main Issues

- 2.1** The Council has a portfolio of 2,040 flats sold on a leasehold basis as at the 31st December 2017. These properties have been initially purchased by tenants under the Right to Buy.
- 2.2** The type of blocks in which the various flats are situated varies, being cottage style, blocks of 4, 3 storey walk up blocks, maisonettes and multi-storey flats. Each leaseholder continues to receive services from the Council under the terms of their lease and these include, caretaking and cleaning, repair and maintenance and buildings insurance etc. The level of services provided is largely determined by the property type, with multi-storey flats generally receiving the greater number of services.
- 2.3** Whilst the Council retains responsibility for the provision of the services, repair, maintenance and improvement of the block, under the terms of the leases leaseholders are required to pay a reasonable share of the costs of these services.
- 2.4** The Service Charge demand is made quarterly to leaseholders and includes a sum for the management costs incurred by the Council and Housing Leeds. The Management Fee charged is to meet the costs incurred in managing the services provided to blocks of flats, dealing with enquiries and complaints, arranging and managing contracts for the various services, maintaining records of the properties, issuing debtor accounts, legal issues (e.g. issue of statutory notices, legislation interpretation etc.) and debt recovery.
- 2.5** The current approved Management Fee Charge is £96.00 fixed fee per annum and 19% charged on the majority of services provided (excludes building insurance and district heating).
- 2.6** The fixed fee is a charge to recover the fixed costs, which includes the staffing and overhead costs incurred in the administration of the Council's database, issuing the annual Service Charges, issuing debtor accounts, issuing Statutory Notices and any potential legal costs in the interpretation of legislation and staff within Housing Leeds being available to deal with enquiries or other issues. These costs are incurred in the provision of the services to all leaseholders irrespective of the number of different services which they receive. At present the Management Fee does recover the costs incurred by the Council in managing the leasehold portfolio of properties.
- 2.7** The variable fee is to represent the staffing and overhead costs incurred by the Council in establishing and managing contracts for the services provided to the various blocks of flats, managing the services provided direct by the Council and dealing with the day to management issues.
- 2.8** It was determined that a fixed and variable Management fee would be more equitable. The leaseholders receiving the greater level of services would therefore pay a higher Management Fee, whilst those leaseholders with few, or no services would be charged a minimum of the fixed fee to reflect the fixed costs incurred as described at 2.6 above.
- 2.9** It is proposed that the fixed element of the Management Fee will be increased from £96.00 to £97.00 with effect from 1st April 2018. This will result in estimated income of £202k to the Council in 2018/19.

2.10 It is proposed to reduce the variable charge to 18% of the total cost. This charge is raised on the elements which make up this service charge such e.g. cleaning, caretaker costs, repairs. This element of the Management Fee is estimated to generate approximately £69k although this will be variable dependent upon the level of services provided.

2.11 As a comparison to previous year

	2017/18	2018/19 – proposed
Number of leaseholders anticipated @ 31 st March	1952	2057
Fixed fee per annum	£96.00	£97.00
% increase	0.9%	1%
% variable charge	19%	18%
Estimated income to be generated	£262,000	£271,200
Average Cost per property	£132.30	£129.66
% of costs recovered	100%	100%

2.12 The proposed increase for 2018/2019 will mean that the cost of delivery of the service to leaseholders is covered by the charges.

3. Corporate Considerations

3.1 Consultation and Engagement

3.1.1 There has not been any consultation undertaken in respect of the Management Fee review. This annual review is a financial function required to be undertaken with the aim to recover costs expended.

3.2 Equality and Diversity / Cohesion and Integration

3.2.1 An EDCI form was completed in February 2017. Where a leaseholder is unable to meet their Service Charge demands the Council will try to assist by allowing rescheduling of payments in respect of arrears, or signpost leaseholders to appropriate organisations who may be able to provide financial advice or assistance.

3.3 Council Policies and City Priorities

The revision of the Management Fee will assist in the achieving the City Priorities of spending money wisely, treating people fairly and achieving savings and efficiencies to ensure frontline services are provided.

3.4 Resources and Value for money

- 3.4.1** The Management Fee is reviewed annually in compliance with the Council's Financial Procedures Rules and Fees and Charges Policy, with the aim to fully recover management costs in the provision of services to leaseholders.

3.5 Legal Implications, Access to Information and Call In

- 3.5.1** There are considered to be no legal implications in implementing this proposal.
- 3.5.2** The decision is a delegated decision under the Officer Delegated Decisions and is one which is not considered to be subject to call-in.

3.6 Risk Management

- 3.6.1** To not undertake a review of the Service Charge Management Fee would mean that a breakeven point in respect of the costs incurred and rechargeable to the leaseholders will not be achieved. This would mean that other tenants would be subsidising these costs.

4. Conclusion

- 4.1** The proposed increase in the fixed element of the Management Fee from £96 to £97 is a £1 per annum increase. This will generate income which will bring the service to a break even position.
- 4.2** The variable element is to decrease from 19% to 18%, as the variable costs have reduced over the previous 12 months.

5. Recommendation

- 5.1** The Director of Resources and Housing is requested to approve
- a)** An increase in the fixed element of the leasehold management fee from £96 pa to £97 pa.
 - b)** To increase the variable management fee from 19% to 18%.
 - c)** These revised charges to be introduced from 1st April 2018.

6 Background documents¹

None

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.