



Report to the Board

21 November 2013

Title: Review of Leasehold Management Policy

Report of: Head of Corporate Services

Purpose of Report

1. To approve a revised Leasehold Management Policy which has been developed in conjunction with leaseholders, following a recommendation by Customers and Communities Committee.

Background

2. The Leasehold Services Team provides leasehold management services for 818 owners of flats and maisonettes within the borough.
3. The team is focused on developing customer involvement, enabling leaseholder participation in improving services and ensuring that leaseholders are fully consulted on works and long term agreements entered into by the Company.
4. A primary function of the team is to calculate and collect service charge income, including major works, and to maximise collection by providing a range of payment methods and financial assistance packages.
5. The team have also recently taken on the role of marketing, selling and managing shared ownership properties on behalf of Keelman Homes.
6. The Leasehold Service Improvement Group meets every month to monitor and scrutinise performance and develop service improvements which are then implemented by the Leasehold Services Team.
7. The Customers and Communities Committee, at its meeting held on 7 November 2013, recommended approval by the Board of the revised Leasehold Management Policy.

Service Charge Policy

8. Attached at Appendix 1 to this report is the revised Leasehold Management Policy which was discussed and agreed by leaseholders at the Leasehold Service Improvement Group (SIG) on 14 October 2013.

9. The following information was discussed with leaseholders to identify changes/improvements they thought would be beneficial to include in the policy:
- Condense the current document to make it clear and easy to read
 - Combine the information contained within the current principals and policy
 - Agree 'commitments to leaseholders' rather than outcomes
 - Add Risk Management implications
 - Add Rights of Leaseholders
 - Add learning from complaints in relation to major works
 - Extend the review period from 2 to 3 years.

Link to Values

10. This report links to the following corporate values:-
- Being a listening and learning organisation
 - Being honest, accountable and transparent
 - Being motivated, trained and committed
 - Being positive and responsive
 - Being customer focused, innovative and professional

Impact on tenants

11. There is no impact on tenants directly. The impact on leaseholders is that services will be applied consistently across the leasehold housing stock.

Risk Management Implications

12. The changes to the policy will ensure that the following risks are effectively managed:
- The full cost of services is not recovered, resulting in leaseholders being indirectly 'subsidised' by tenants.
 - Poor customer satisfaction levels with the cost and standard of service charges and the way they are administered.
 - Leaseholders can refer the reasonableness of their service charges to the Leasehold Valuation Tribunal
 - Service charges could be applied inconsistently across the leasehold housing stock.
 - Failure to adhere to legislation in relation to consultation could result in loss of income to the Company.

Financial Implications

13. The Company may be unable to recover the full cost of the services provided if the policy, in relation to consultation with leaseholders, is not adhered to.

Equality and Diversity Implications

14. The policy will ensure that services are applied fairly to all leaseholders.

Value for Money Implications

15. The development of the leasehold management policy will enable staff to implement procedures to maximise income recovery from leaseholders.

Consultation carried out

16. Consultation was carried out with leaseholders via the Leasehold Service Improvement Group (SIG) and with Mears the Company's responsive repairs and maintenance provider.

Recommendation

17. The Board is requested to approve the revised Leasehold Management Policy, as detailed in the Appendix.



The Gateshead Housing Company

Working with Gateshead Council

Leasehold Management Policy

Date: October 2013

1. Aim of Policy

- 1.1 The Gateshead Housing Company on behalf of Gateshead Council ('the landlord') is committed to providing the same standard of service and customer care to leaseholders as it provides to tenants. Whilst doing this, The Gateshead Housing Company will comply at all times with legislation, regulation and good practice in leasehold management.
- 1.2 The Gateshead Housing Company is committed to meeting its responsibilities to leaseholders under the terms of their leases to provide good quality services in the management and maintenance of their homes, which meets the diverse needs and satisfaction of its leaseholders.
- 1.3 The Gateshead Housing Company will aim to deliver continuous improvements and value for money in our services involving leaseholders at an early stage in setting the service charges and in the provision of information about service charges, including costs how charges are budgeted for and increases calculated.
- 1.4 The Gateshead Housing Company will actively involve leaseholders in all aspects of the Leasehold Management Service including the development of the Annual Service Plan and monitoring and scrutinising of services. They will also be provided with clear and understandable customer information on the quality, cost and performance of the service and will be fully consulted to ensure the effective development of the service within the terms of their leases.
- 1.5 This policy has been developed in partnership with leaseholders.

1.6 Our Commitments to Leaseholders

The Gateshead Housing Company has agreed with leaseholders that we will:

- Meet the responsibilities to leaseholders under the terms of their lease and to provide them with a high quality service in the management and maintenance of their properties.
- Provide good quality, cost effective services to leaseholders through a specialist Leasehold Management Section.

- Ensure service charges reflect the actual costs of providing services and are calculated and charged in accordance with the terms of individual leases and in accordance with legislation.
- Ensure major works charges reflect the actual costs of carrying out the work.
- Ensure that value for money is achieved in the provision of services and that the charges levied are reasonable.
- Provide a leaseholders handbook summarising rights, responsibilities and services to leaseholders.
- Involve leaseholders in the development of and review of policies, service standards and performance targets, which affect the management of their homes.
- Consult leaseholders on any works programmes in addition to the statutory responsibility to consult when letting certain contracts.
- Facilitate a service improvement group and leaseholder forum to enable leaseholders to become involved in issues which are specific to them.
- Endeavour to keep blocks and estates to the standard agreed with residents.
- Collect from leaseholders all monies due from them under the terms of their leases and offer support, advice and information to anyone having difficulty in making payment. Repay, in a timely manner, all monies and refunds due to leaseholders.
- Provide leaseholders with accurate and timely information about the services they receive, the cost and the amount due in service charge payments.
- Ensure all leaseholders are able to access our services and the needs of all our customers are addressed.
- Make available to leaseholders and their representatives details of the management charge.
- Ensure that leaseholders uphold the covenants in their leases, in particular with regard to harassment, neighbour nuisance and other actions taken by them likely to affect other residents.
- Ensure that leaseholders have access to a range of tenancy management services as far as possible aligned to those services available to tenants.

1.7 Contribution to The Gateshead Housing Company's Visions and Values

- Being customer focussed, innovative and professional
- Being honest, accountable and transparent
- Caring and respecting
- Being positive and responsive
- Being motivated, trained, and committed
- Embracing equality
- Being a listening and learning organisation

2. Policy

2.1 What is a Leaseholder?

A leaseholder is someone who has bought the right to live in a property for a fixed number of years. Although the term is fixed at the start, it decreases every year until it expires and the ownership of the property returns to The Gateshead Housing Company on behalf of Gateshead Council ('the landlord').

2.12 Gateshead Council ('the landlord') remains the owner of the overall building and the land it stands on. The Gateshead Housing Company on behalf of Gateshead Council ('the landlord') remains responsible for the maintenance and repair of the structure, exterior and internal communal areas of the building. Leaseholders are liable for their share of the total costs of such work.

2.2 **What is the Lease?**

2.2.1 The lease is the contract between the landlord and the leaseholder. It sets out the respective rights and responsibilities of each party. The lease is a legally binding contract and enforceable by law. Current legislation may override parts of the lease.

In order to assist leaseholders understanding of their rights and obligations they are provided with a Plain English conversion of the lease.

2.3 **Leaseholders' Rights**

2.3.1 The Gateshead Housing Company is bound by the terms of the lease issued by Gateshead Council ('the landlord'). All leases issued by Gateshead Council ('the landlord') will include information about:

- The service charge to be paid, how it is determined and when payment is due
- The arrangements for collecting contributions towards additional costs and for refunding over-payments.
- The procedures for the leaseholder to assign the lease
- The grounds for the landlord ending the lease by forfeiture or re-entry.
- The details of the respective responsibilities of the leaseholder and The Gateshead Housing Company, on behalf of Gateshead Council ('the landlord') for repairs, maintenance and improvement to the property, the structure and common parts.
- Details of how the lease can be ended
- Details of the responsibilities of both the leaseholder and Gateshead Council ('the landlord').

2.4 **Breaches of the Lease**

2.4.1 The Gateshead Housing Company will take appropriate action whenever it becomes aware that a leaseholder is acting in breach of the terms of their lease, which may include:

- Unapproved works to the home or building
- Improper use of the home or building
- Failure to maintain, or damage to the premises
- Refusal of access to the Gateshead Housing Company staff and/or their agents
- Anti-social behaviour including harassment or neighbour nuisance

In all such cases The Gateshead Housing Company will work with the leaseholder to resolve the issue. However, if the breach continues legal action could be taken which may include seeking an injunction, or action for the forfeiture of their lease.

2.5 **Ground Rent**

2.5.1 Leasehold is a form of tenancy so it is subject to the payment of a rent to Gateshead Council ('the landlord'). The Gateshead Housing Company will ensure that you are sent a Notice of Ground Rent demand no less than thirty days before and no more than sixty days after the day your ground rent is due to be paid.

2.5.2 All ground rent payments should be collected in full on the 1st April each year.

2.6 **Service Charges**

2.6.1 The Gateshead Housing Company will make a charge for a range of services provided to a block. These may include: caretaking, concierge communal cleaning, grounds maintenance, communal lighting, provision of lift, door entry phone, CCTV, communal heating, communal aerials, wherever such services are provided to the block, as well as the repair and maintenance of the fabric of the building and common areas.

2.6.2 The Gateshead Housing Company will provide leaseholders with accurate and timely information about the services they receive, the cost of those services and the amount due in service charge payments. Service Charges are variable charges intended to cover management costs, repairs and maintenance, insurance and other associated costs. The Gateshead Housing Company will:

- Empower leaseholders so they can act on an informed basis.
- Provide details of contacts and agreements entered into for the supply of services.
- Provide a summary of the rights and obligations of leaseholders relating to service charges and administration charges when sending demands for payment in line with statutory requirements.

2.7 **Service Charge Bills**

2.7.1 The Gateshead Housing Company will provide all leaseholders with a breakdown of how the annual service charge is calculated. Any under-spend on the previous year will be transferred to the current years charge. Refunds will be provided if the current years charge is paid in full. Any overspend is recharged through the 'Actual' service charge bill.

2.7.2 The Gateshead Housing Company will provide leaseholders, with an estimate of charges, at least one month before the start of the financial year; so that leaseholders are aware of any proposed changes in service or service charge levels, and can plan their finances accordingly.

2.7.3 When preparing the estimated service charge bills The Gateshead Housing Company will look at the actual cost for each service in the previous year and the budget for the service in the coming year, in order to ensure that the estimated bill is as accurate as possible.

- 2.7.4 The Gateshead Housing Company will provide leaseholders with the actual cost of services provided, for the previous financial year, within thirteen weeks of the close of the accounting year.
- 2.7.5 The budgets for the estimated service charges and actual charges will be agreed with the Leasehold Service Improvement Group (SIG), prior to issue, to enable leaseholders to challenge the cost of services.
- 2.7.6 In line with legislation when a demand for payment is issued a notice explaining leaseholders Rights & Obligations (Service Charges) will be served.

2.8 **Service Charge Accounting**

- 2.8.1 Individual computerised accounts will be created for each leasehold property. Each account will be credited with the service charge income and debited with expenditure under the various budget heads. A six monthly account statement will be produced for each account.
- 2.8.2 Where actual costs, in any accounting year, exceed the income for the same period, the balance will be raised as a separate invoice (the actual bill).
- 2.8.3 Where actual costs in any accounting year are less than the income for the same period, the balance will be credited to the next years, service charge account.
- 2.8.4 The Gateshead Housing Company Leasehold Manager and the Gateshead Housing Company Finance Manager will produce the actual and estimated accounts and all supporting information.
- 2.8.5 Service charges are held in designated separate client accounts. Under the Commonhold and Leasehold Reform Act 2002 leaseholders have the right to ask for proof that this requirement has been met. The Gateshead Housing Company's Finance Service manages these accounts and balances the credit and debit entries. Gateshead Council ('the landlord') carries out all year end adjustments and transfers.

2.9 **Payment of Service Charges**

- 2.9.1 Leaseholders pay for their proportion of the amount that the service actually costs for their block. Leaseholders have the right to appeal to the Leasehold Valuation Tribunal if they believe that the services or the cost of these services are not relevant or reasonable. Leaseholders are able to pay the annual charge either in advance for the whole year, quarterly or monthly over either ten or twelve months.
- 2.9.2 The actual service charge bill is payable under the terms of the lease within twenty one days of issue.
- 2.9.3 Major works repayment packages are available for actual bills which contain large costs for repairs and maintenance or major works/improvements.

2.10 **Service Charge Arrears**

- 2.10.1 The Gateshead Housing Company will send leaseholders details of their service charge accounts every six months. Any leaseholder who falls behind with payments will be contacted promptly by the leasehold services team and appropriate action for arrears recovery will be taken in accordance with the leasehold Income Recovery procedures.
- 2.10.2 The Gateshead Housing Company will be responsible in our actions to make sure anyone experiencing difficulties in paying charges is made aware of sources of advice available including welfare benefits and debt counselling.
- 2.10.3 Where The Gateshead Housing Company is satisfied that appropriate courses of recovery action have been taken by staff and service charges remain unpaid, legal proceedings will be considered. A number of legal measures would be considered for persistent failure to pay service charges including forfeiture (possession) in accordance with the lease.

2.11 **Disputed Service Charges**

- 2.11.1 The Gateshead Housing Company will take a proactive approach to the resolution of disputes by ensuring that complaints are dealt with as quickly as possible, to minimise customer dissatisfaction.
- 2.11.2 To ensure we provide the same standards of customer care as we offer tenants the Corporate Complaints Policy will be followed.
- 2.11.3 In appropriate cases, The Gateshead Housing Company will refer the particulars of a case to the Leasehold Valuation Tribunal (LVT), for guidance and a ruling.
- 2.11.4 The Gateshead Housing Company will review disputes with the Leasehold Service Improvement Group (SIG) to establish trends and identify service improvements.

2.12 **Major Works - Costs**

- 2.12.1 The Gateshead Housing Company will involve leaseholders in all major work programmes that affect them in addition to the statutory responsibility to consult when letting certain contracts. Leaseholders will be involved in choosing of contractors, materials, colours and finishes, where it is appropriate for them to do so.
- 2.12.2 The Gateshead Housing Company is responsible for maintenance of the communal and structural parts of the building and communal parts of estates such as drying areas and pathways.
- 2.12.3 Leaseholders will be required under the terms of their lease to pay a proportion of the costs of the upkeep and repair of these areas. This will include relevant and reasonable project management charges.

- 2.12.4 Leaseholders will not be able to opt out of structural works such as window replacements; unless The Gateshead Housing Company is satisfied that such works have already been done to a satisfactory standard.
- 2.12.5 The Gateshead Housing Company will provide leaseholders with full details of the proposed works in accordance with statutory requirements, including estimates for the total cost of the works and estimates for the individual leasehold contributions before the works commence. Leaseholders will be charged for works in accordance with the terms of the lease.
- 2.12.6 The process for issuing section 20 consultation is contained in the Major Works Procedural Guide.
- 2.12.7 Following initial consultation if additional works are identified when the contractor is on site, it will be the responsibility of The Gateshead Housing Company to ensure that all leaseholders are advised/consulted. Any additional charges should be discussed prior to the invoice being issued.
- 2.12.8 The Gateshead Housing Company will usually raise major works invoices to leaseholders after the works are completed and the contractors account has been finalised. Invoices will be raised within 18 months of the costs being incurred. Major works invoices will be sent out separately from the annual service charge bills.
- 2.12.9 The Gateshead Housing Company will aim to recover from leaseholders all the money due from them towards the cost of major works in accordance with the Major Works Payment procedures.

2.13 **Overpayments**

- 2.13.1 All overpayments of service charges by leaseholders will be automatically transferred to the next financial year.
- 2.13.2 If leaseholders cease to be a tenant before then a refund of the balance will be provided.

2.14 **Works Outside of Landlords Responsibility**

- 2.14.1 The Gateshead Housing Company will arrange with its gas contractor the provision of gas servicing for leaseholders, as part of its overall gas servicing contract specification. The cost of the service will be included in the annual service charge bill.
- 2.14.2 The Gateshead Housing Company will also arrange with contractors for leaseholders to have the option to have internal improvement works carried out at competitive prices as and when refurbishments (such as kitchen/bathroom replacements) are being carried out in tenanted properties in the area. In this way leaseholders are able to benefit from the bulk-buy savings that the Gateshead Housing company achieves. Leaseholders will be invoiced by the Gateshead Housing Company and will be expected to pay a 10% deposit with full payment on satisfactory completion.

2.14.3 The Gateshead Housing Company will also provide leaseholders with an opportunity to join the tenants' contents insurance scheme. The policy covers potential loss to contents through theft, fire, vandalism or burst pipes. Gateshead Council has negotiated exclusive cover for leaseholders with low cost premiums. The cost of this service will be collected with the annual service charges.

2.15 **Board Membership**

2.15.1 Leaseholders are able to stand for election to Tenant Board Member places as existing members come up for re-election. There are no places specifically dedicated to leaseholders.

2.16 **Leaseholder Involvement**

2.16.1 The Gateshead Housing Company has a vision 'of involving residents in everything we do' and 'being a listening and learning organisation'. To provide services that people want and to meet the needs of our diverse community, customers need to be at the heart of all that we do.

2.16.2 The Gateshead Housing Company will provide leaseholders with opportunities for participation and involvement on a similar basis to those offered to tenants including:

- Influence decisions that affect the housing service
- Make the neighbourhood a better place to live
- Give views on the services they receive
- Be part of an interest, improvement or review group
- Help us better understand the needs of people from diverse groups
- Help us to provide better quality, customer focused services
- Develop their own skills

2.16.3 The Gateshead Housing Company will also work with leaseholders through the annual leasehold forum and neighbourhood drop –ins to provide leaseholders' with the opportunity to share information and ideas, to influence services provided to them and to provide the opportunity to discuss issues that are important to leaseholders. This may include the level and quality of services provided and the way charges are set.

2.17 **Buildings Insurance**

2.17.1 The Gateshead Housing Company will work with Gateshead Council ('the landlord') to ensure that value for money is obtained when insuring the buildings so that leaseholders can benefit from any cost savings. Leaseholders will be provided with copies of the relevant buildings insurance policy confirming the sum for which the property is insured, the name of the insurer, and the risks covered in the policy.

2.18 **Alterations or Improvements**

2.18.1 Leaseholders can make alterations or improvements to their flat as long as they do not remove or effect any structural walls or change the appearance of the outside of the building or the shared or communal parts in any way. This

includes the boundary walls, fences and gardens areas generally where these have been included within the curtilage of the individual lease to the leaseholder.

2.18.2 Any leaseholder wishing to carry out improvements to their home must submit full details of the proposed works to The Gateshead Housing Company.

2.18.3 Each request will be looked at on its own merit and a decision will be sent to Gateshead Council ('the landlord') who will formally respond to the request.

2.18.4 Any detail of the proposed alterations will be accompanied with a full written explanation.

2.18.5 Planning and Building control regulations will need to be obtained and paid for by the leaseholder where applicable if the alteration is approved.

2.19 **Sale of Loft Space**

2.19.1 The Right to Buy lease does not include the purchase of the loft space.

2.19.2 Gateshead Council ('the landlord') will consider applications from leaseholders to purchase the loft space. The Gateshead Housing Company will establish viability of selling the loft, taking into account communal facilities (eg water tanks, lighting etc.)

2.19.3 A formal letter of permission will be issued by Gateshead Council ('the landlord') once agreement has been reached. When permission is refused, the reasons for refusal must be put in writing to the leaseholder. The full guidance for the sale of loft spaces is detailed in the 'Sale of Loft Space' procedural guide.

2.20 **Subletting**

2.20.1 Under the terms of the lease, leaseholders can sub-let their property without landlord permission. However, if the leaseholder has a mortgage it may be a requirement of the lender that the property is not rented out.

2.20.2 Breaches of the lease between the landlord and the leaseholder whether caused by the leaseholder, by their sub-tenant or by any visitors to the property will result in legal action being taken against the leaseholder not the sub-letting tenants.

2.21 **Collective Enfranchisement**

2.21.1 Leaseholders have the right to buy the freehold of the building their flats are in from the landlord. This is a right in law and the landlord cannot refuse to sell the freehold, as long as the building and those applying to buy the freehold meet the legal requirements within the Leasehold Reform, Housing and Urban Development Act 1993 (as amended) by the Commonhold and Leasehold Reform Act 2002.

2.21.2 The Gateshead Housing Company will co-ordinate requests for collective enfranchisement with Gateshead Council, Legal and Corporate Services.

2.22. **Equality and Diversity**

2.22.1 The Gateshead Housing Company will collect, record analyse and monitor customer profiling information of leaseholders and use it to inform service delivery and prioritise resources. We will ensure that this policy is applied fairly to all our customers. We will not directly or indirectly discriminate against any person or group of people because of their race, religion or belief, age gender, gender reassignment, disability, pregnancy or maternity, marital status or civil partnership, sexual orientation and social or economic deprivation or other grounds set out in our Corporate Equality Plan.

2.23 **Survey**

2.23.1 Every year a service user satisfaction survey will be sent out. From the information received, The Gateshead Housing Company will investigate to see if any improvements can be made to the service. The results will be collated and discussed with the Leasehold Service Improvement Group (SIG). They will also be published to all leaseholders via the Leasehold Newsletter and internally within the organisation.

2.24 **Performance Monitoring and Reporting**

2.24.1 The Gateshead Housing Company will regularly monitor service provision, associated costs and our performance in collecting service charges. We report our performance to the company board on a regular basis.

2.24.2 Performance will also be monitored against service standards and leaseholders will be advised of the outcomes on a quarterly basis through the Leasehold Service Improvement Group.

2.25 **Feedback**

2.25.1 Any dissatisfaction or complaints received in any format will be responded to within ten working days. If the leaseholder is unhappy with any area of the service provided, the issue will be progressed through The Gateshead Housing Company complaints procedure or Leasehold Valuation Tribunal (LVT). Applications to the LVT can be made at any time without reference to The Gateshead Housing Company complaint procedure.

2.26 **Service Delivery and Value for Money**

2.26.1 The Gateshead Housing Company will encourage leaseholders to become involved in assessing value for money through the Annual Leaseholders Survey and Service Improvement Groups. We will also develop monitoring and scrutiny procedures involving leaseholders.

2.26.2 The Gateshead Housing Company will establish good practice through our involvement with the Housing Quality Networks, Leasehold Excellence Network and the North East Leaseholders Benchmarking Group.

2.26.3 The Gateshead Housing Company will endeavour to set reasonable charges in advance and involve leaseholders in budget setting and will provide leaseholders with feedback on the performance of contractors.

2.27 **Auditing**

2.27.1 Income and expenditure within the service charge designated account will be reconciled on a quarterly and annual basis.

2.27.2 Gateshead Council Internal Audit Service, under the Service Level Agreement, will audit Leasehold Services every two years. The audit will cover all procedures, risk assessments and accounting.

3. **How the Policy will be delivered**

3.1 The delivery of this policy and associated procedures will be the responsibility of the Leasehold Services Manager.

3.2 If staff become aware that there are problems with effective operation of the policy or the associated procedures, they should report this to the policy owner. This feedback will be incorporated into the policy/procedural review process.

4. **Risks**

- The full cost of services is not recovered, resulting in leaseholders being indirectly 'subsidised' by tenants.
- Poor customer satisfaction levels with the cost and standard of service charges and the way they are administered.
- Leaseholders will refer the reasonableness of their service charges to the Leasehold Valuation Tribunal.
- Service charge could be applied inconsistently across the leasehold housing stock.
- Failure to adhere to legislation in relation to consultation could result in loss of income to the Company.

5. **Related Procedures**

5.1 The following procedures need to be followed to implement the policy:

- Section 20 Consultation Procedure
- Income Recovery Procedure
- Major Works Payment Procedure
- Corporate Complaint Policy
- Corporate Equality Plan
- Sale of Loft Space Procedural Guide

6. **Review**

6.1 This policy will be reviewed with leaseholders at least every three years. It will be updated to reflect any changes to corporate requirements, targets and legislation.

- 6.2 We will use customer feedback to inform reviews and recommend changes to this policy and procedural documents.
- 6.3 The Gateshead Housing Company's management board will approve the document and any substantial changes to it.