

Meeting:	Tenants' and Leaseholders' Consultative Forum
Date:	27 July 2006
Subject:	Leasehold Services
Responsible officer:	Gwyneth Allen, Interim Head of Housing
Contact Officer:	Sally Thompson
Portfolio Holder:	Marilyn Ashton Portfolio Holder for Development and Planning (strategic)
Key Decision:	No

Section 1: Summary

Decision required

- 1.To recommend that TLCF consider the increased charges set out in 2.2.1(a) and 2.2.1(b) of this report.
- 2.To recommend that TLCF note the consultation in respect of the proposed increases in charges to council leaseholders.

Reason for report

To agree a clear framework for charging leaseholders for services provided.

Benefits

The key benefits will be an improved service for the council's leaseholders, and a fair distribution of the costs of providing leaseholder management services.

Cost of proposals

The costs of making the changes are negligible. They can be contained within the existing budgets for 2006-2007. and income will be increased.

Risks

The council's leaseholders may not welcome the changes in charges.

Implications if the recommendations are rejected

If the recommendations are not accepted, there will be less money coming into the Housing Revenue Account. The current system will continue, which means that the distribution of the costs of providing services is not fairly distributed between tenants and leaseholders.

Section 2: Report

2.1 Brief history

Harrow Council has 1099 leaseholders. The Home Ownership Section provides a management service for the council's leaseholders, including answering questions, consulting about major works, and managing the Right to Buy process.

We invoice leaseholders at the end of each year for ground rent and service charges. For most people, there is a ground rent of £10 per year. In addition leaseholders are charged the costs of repairs and improvements, and services such as looking after the grounds, together with a 10% fee to meet the costs of running the Home Ownership Section.

When we reviewed the way we manage Housing, we found that a 10% fee doesn't cover the full cost of providing the leasehold service. We are currently reviewing the costs of providing this service to leaseholders and will implement any changes on a phased basis.

2.2 Options considered

2.2.1 Charges

(a) Costs of providing the service

We have a duty to collect the cost of providing our leasehold services. The Housing revenue account has to pay for the shortfall and therefore we need to increase our charges.

We can either do this by charging a higher percentage for administration within the service charge and/or by charging each leaseholder a flat fee. The leases provide capacity for Harrow to take either route.

(b) Legal enquiries

If someone sells or sublets a leasehold property, we have to deal with the solicitor's enquiry – we get about 200 enquiries per year. It takes at least three hours, and up to two days, to deal with each enquiry, including:

- Getting lease and ground rent information
- Changing records
- Photocopying
- Checking legal information
- Checking financial information

At the moment, the most we charge is £64.25. That just doesn't cover the costs, which are usually between £100 and £200. Other London boroughs charge more, so we propose putting

up our prices in line with Camden, which runs its services in the same way to Harrow. Camden provides a three star service.

Transaction	Current Harrow	Camden	Proposed Harrow
Assignments	£64.25	£200 for pre assignment enquiries, including preparation of documents and serving the Notice	£200
Solicitors' enquiries	£64.25	£90	£90
Notices for Land Registration	£42	£45	£42
Re-mortgages	£42	£90	£50
Postponement	£49.35 + VAT	£100	£60 + VAT
Registering a sub-letting	No charge	£20	£10

The proposed charges for Harrow are based on the time spent by leasehold services and the legal section in dealing with an enquiry, which we have compared to Camden for best practice.

c) Major works

We currently charge leaseholders costs plus a 10% administration fee for any work done. But this doesn't include the internal cost of designing and arranging the work. We propose to charge leaseholders that have work done to their property, the amount it costs the Council to carryout that work. We intend to charge leaseholders separately for major work, as soon as the final figures are available, not grouped with the annual service charge.

2.2.2 Collection of charges

We intend to bring charging up to date and make it easier to understand. We will separate the estimated costs from the actual costs. We will introduce these changes incrementally over two years.

The proposed timetable is set out below:-

July 2006

Invoice actual costs for year ended 31 March 2005 and estimated costs for year ended 31 March 2006. All invoices have now been sent out.

September 2006

Invoice actual costs for year ended 31 March 2006

March 2007

Invoice estimated costs for the year ended 31 March 2007

July 2007

Invoice estimated costs for the year ended 31 March 2008

September 2007

Invoice actual costs for year ended 31 March 2007

This is a catch-up to achieve good practice, and it will mean that leaseholders receive three invoices over a two-year period.

This change is not intended to cause hardship. If it does put some leaseholders in a difficult financial situation we will ensure that leaseholders that have problems are able to make payment by installments.

We are in the process of setting up a leaseholders' forum. This forum will enable us to discuss the proposals set out in the report with the people who are going to be directly affected by the changes. This forum will also enable us to address the other issues that were mentioned in a recent leaseholder survey.

Debts

Total leaseholder debts billed and not collected are £325,507.68.

Of this, £219,000 relates to charges invoiced before October 2005.

We have made considerable progress in the collection of outstanding debt. This time last year (£718,290) was outstanding. We have a policy of collecting arrears, and our home ownership team is working hard to collect all outstanding service charges.

In 2005/6 we wrote £37,000 off as bad debts – we didn't write any bad debts off in earlier years. A debt review is now undertaken at the end of each financial year in line with good practice.

2.3 Consultation

We'd like TLCF to discuss this report at its meeting on 27 July. There after full consultation with leaseholders will take place.

2.4 Financial Implications

The financial implications are laid out within the body of the report. Information has been collated from different sources within Harrow Council.

All costs included in implementing these proposals will be met from within existing Housing Management budgets. The proposed changes will help to ensure a fairer distribution of the costs of providing leasehold and management services.

Additionally, the proposed timetable for Collection of Charges should ensure that charging is brought up to date as well as making it easier to understand.

2.5 Legal Implications

2.5.1 The Local Government Act 2000 gives the Council power to do anything that they consider likely to achieve one or more of the following objects: (a) the promotion or

improvement of the economic well-being of their area;(b) the promotion or improvement of the social well-being of their area, and(c) the promotion or improvement of the environmental well-being of their area.

2.5.2 The Landlord and Tenant Act 1985 imposes a general requirement of reasonableness in relation to service charges. Costs may only be taken into account in determining the amount of a service charge if they are reasonably incurred and, where the costs relate to services, if the services are of a reasonable standard. Where a service charge is payable before the relevant costs are incurred, no greater amount than is reasonable is so payable.

2.5.3 In circumstances where the service charge relates to works on a building or agreements for a term greater than 12 months (see section 20 of the Landlord and Tenant Act 1985), then tenant contributions are limited to a prescribed amount unless consultation requirements specified in the Service Charges (Consultation Requirements) (England) Regulations 2003 have been complied with.

2.5.4 An application may be made (including by a tenant or leaseholder) to a leasehold valuation tribunal for a determination whether a service charge is payable.

2.6 Equalities Impact

None