



REPORT TO:	Homeownership Service Improvement Panel	Version 2	
From	M Olley, Homeownership Manager	04/02/2011	

Report Title Review of Leasehold Management Administration Costs

Purpose of Report

1. To present the findings of an initial review of the current leasehold management administration costs to ensure that the accurate costs of managing the service are reflected in the Leasehold Service Charge. Leasehold Service Charges are Housing Revenue Account income and any increase in this element of the charges would be Housing Revenue Account income and not Blackpool Coastal Housing income.

Background

2. The current management administration cost is a standard charge to all leaseholders which has been updated each April. The increases have in the past been based on the Retail Price Index figure for March, and more recently in line with the rent increase percentage set annually by the Council's Executive Committee and ratified by full Council. The current charge is not reflective of the true cost of running the service.
3. The Audit Commission KLOE's indicate that a three star authority "Has assessed the true cost of home ownership management and has taken steps to charge a management fee which ensures that services are self financing and are not subsidised by tenants".
4. Leaseholder consultation shows that Leaseholders want to be assured they receive value for money and are involved in decisions that affect the services provided. Consultation replies showed we needed to raise awareness of the services provided by Homeownership and the wider business.
5. There are 3 versions of the Right to Buy Lease, the majority of Leases being version 2 (89%), these and the other two versions of the Lease allow under para 3 for the collection of costs and expenses, and the Leases' do not provide an exact list of services, so, for the purpose of this review no BCH/Council services are excluded from consideration.
6. The Management Administration Costs for the previous 4 years are :

2006-07	2007-08	2008-09	2009-10	2010-2011
£57.43	£59.84	£62.60	£64.16	£65.64

7. The average total Service Charges for the periods (not including Ground Rent & Buildings Insurance)

2006 -07	2007-08	2008-09	2009-10	2010-11
£227.64	£298.98	£260.13	£588.89*	£283.28

includes Section 20 charges.

8. The estimated cost of the Homeownership service which is charged for in the Management Administration Cost for the period 2011-12 is £66,044.36.

Staff Costs are based on following:

- Homeownership Manager @ 75% of time spent on Leasehold
- Homeownership Officer @ 80% of time spent of Leasehold
- Business Support Manager @ 2% of time spent of Leasehold
- Plus Finance & Resources, Administration, IT, Accountancy & Office costs & Leasehold expenditure

9. In addition the Management Administration Cost should include a contribution towards the management costs of services such as the Decent Homes contracts, Customer Involvement, Estate Management and the Hot Line service. The actual cost so far identified of the wider BCH services is an additional £12,061.90.

10. What is supplied through Homeownership?

- A dedicated specialist Homeownership Officer & Manager as a first contact point for dealing with Leaseholder enquiries.
- Quarterly forums /annual conference
- Twice yearly Specialist Newsletter
- Collating and inputting charges onto Leasehold Accounts
- Issuing Invoices and associated information twice a year
- Collecting payments
- Arrears actions as necessary
- Updating Leasehold records and change of details
- Dealing with pre sale Solicitor enquires
- Gas Safety for Leaseholders
- Advising on payment methods and making acceptable payment arrangements
- Twice yearly statements of account
- Statutory consultation under the Commonhold & Leasehold Reform Act 2002
- Leaseholders Handbook
- Leasehold Service Standards
- Leaseholders pages on BCH web site
- Advising Leaseholders as to their rights and obligations under the terms in the Lease
- Enforcing lease conditions and granting consents to improvements, sub letting etc
- Liaison with wider BCH services
- Monitoring and reporting on accounts to Leaseholders, Accountants
- Reviewing service to ensure all legal and Government legislation is being met, improvements as suggested by Leaseholders are implemented; best practice from benchmarking is introduced.
- Providing information at Inspections
- Face to face interviews on request, home visits.
- Homeownership is part of the Business Support Team and a % of the Business Support Manager, other Accounts Officers and Administration Assistants time is spent supporting the work of Homeownership.

11. The total cost in 2011-12 of the services to be received by Leaseholders is estimated to be £78,106.26, a cost to each current Leasehold Account of £194.78.
12. Based on these figures if the 2011-12 increase to this Service Charge element is based on the previous increases of 2.5%p.a the Leaseholder accounts will be subsidised by the HRA by £127.50 each.

Proposal

13. In order to ensure that services provided to leaseholders are self financing and not subsidised from the HRA this report has been prepared to identify the total cost of services provided and the rate of the charges that could be made to Leaseholders.
14. Based on this review the Management Administration Cost element of the Leasehold Service Charges should be £194.78 per Leasehold account. This is based on the total cost of the services received divided equally between the number of Leasehold Accounts (currently 401).
15. The decision to act on this review and the Management Administration Cost charge to be made in 2011-12 will be taken by the Landlord – Blackpool Council.
16. That all properties are charged the same Management Administration Cost element in the Service Charges irrespective of the type of property/block. Note: as BCH Homeownership only manage 2 leasehold flats in the Queens Park High Rises these types, which have higher than average service charges, are not treated differently in this review.

Financing the proposal

17. By assessing the true cost of home ownership management we will ensure that services are self-financing and are not subsidised by the HRA.

Impact on Leaseholders - Impact Assessment Report

18. The provision of more accurate charges to leaseholders could result in a 3 fold increase in the Management Administration Cost.
19. Leaseholders have been charged considerably less than they should, this means that they have been subsidised by the HRA and would continue to do so if the charge increases were phased in.
20. The introduction of a revised Management Administration Cost will attract negative publicity and leaseholder objections no matter what the level of phasing is.
21. Some Leaseholders will face this increase in addition to their contribution towards Section 20 costs.

22. Risk Management Implications

- Service Charge arrears increasing
- Leaseholders defaulting resulting in Court Costs
- Financial hardship to Leaseholders
- Negative publicity for BCH and the Council.

23. Equality and Diversity Implications

All Leaseholders would be charged the accurate Management Administration Cost based on the services provided under this element.

24. Value for Money implications

Demonstrating value for money by understanding our true costs and reviewing the services provided and the cost of these services which are re-charged to our customers.

25. Consultation and Comparative information

This subject was an agenda item at the Leaseholders forum held on 26th October 2009 and appeared as an article in the December 2009 Leaseholders Newsletter. Included with the Newsletter Leaseholders were provided with benchmarking information and a list of BCH services together with a consultation questionnaire. The results from that consultation have been recorded and show a 9.3% response rate. These were presented to the January 2010 Leaseholders Forum (now called the Homeownership Service Improvement Panel).

26. The majority of responses show

- That only a slight majority of Leaseholders were aware of the services they have access to 54.3%
- That the overwhelming majority agree that the Management Administration charge should be reviewed to ensure it represents Value for Money 88.2%
- That the overwhelming majority did not think Leaseholders should pay for more services through Service Charges 80%
- That the majority did not agree that separate charges should be made for consents, pre-sale enquiries or sub letting administration average 72.6%

27. Further consultation included:

- June 2010 – The full list of services provided and charged for in the Management Administration Cost published on the BCH web site and as an amendment to the Leaseholders Handbook,
- July 2010 – The Leaseholders Newsletter included the list of services and advertised the next Leaseholders meeting at which this would be a subject for discussion.
- July 2010 – Leaseholders Forum (SIP) meeting - benchmarking a topic of discussion.

28. Benchmarking

The charges made to Blackpool Council Leaseholders have been benchmarked against charges made by housing organisations in the Northwest of England. The

comparison with other housing providers shows that most leaseholder management charges are between £150 - £200 per year.

Recommendation

29. That Leaseholders having been consulted are kept informed of progress of the exercise.
30. That any increase in this element of the Service Charge be a formal decision made by the Council as the Landlord.