

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny Committee **DATE:** 8 July 2013

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PORTFOLIO: Councillor James Swindlehurst (Commissioner for Neighbourhoods and Renewal)

PART I **CONSIDERATION & COMMENT**

REQUEST FOR REVIEW – LEASEHOLDER SERVICES

1 Purpose of Report

- 1.1 To advise the Committee of the receipt of a Member Request for Review and to seek the Committee's views and instructions on how it wishes to deal with it.

2 Recommendation(s)/Proposed Action

- 2.1 The Committee is requested to consider the Request for Review from Councillor Plimmer and to decide what action it wishes to take in response to it.

3 Key Priorities and Other Implications

- 3.1 There are no such implications arising from this administrative report.

4 Call-in Information

- 4.1 A Member Call-In has been received from Councillor Plimmer, requesting a review of a function of the Authority.

- 4.2 Councillor Plimmer has submitted the following call-in:

"I would like to call in to the Overview and Scrutiny Committee about the Leaseholders Annual Service Charge Statement for 2013-14 and the current arrangements for the collection of service charges by the Revenues Department.

I have been a Slough Borough Council leaseholder for the past 15 years and I have noticed that, despite improvements during People 1st Slough's management of housing services between 2006 and 2009, there appears to be lower than expected standards of service delivered by Housing Services towards leaseholders.

The most recent concern of poor performance has been the Leaseholders Annual Statement of service charges dated Tuesday 19th February 2013.

This letter was not dispatched from Airways House until Friday 22nd February and sent out by 2nd class post which was received by myself and other leaseholders on Tuesday 26th February.

The deadline for leaseholders to apply for payment by monthly instalments from the Revenues Department was at 4.00pm on Thursday 28th February which was less than 48 hours upon receipt to respond.

I complained about this deadline to Amanda Richards of the Revenues Department who advised me that the delay in sending out the annual statement of service charges was the fault of Leaseholder Services, and Revenues were unable to extend the deadline of 28th February.

This delay in sending out the annual service charges also occurred in 2012 when there was a delay in sending out the statement letters so that most leaseholder residents including myself only had four days to respond to the Revenues Department's imposed deadlines for applying for payment by monthly instalments.

I would like to know why the Revenues Department will not accept standing instructions by leaseholders to arrange monthly instalment payments on an on-going annual basis?

The other main issue concerning annual service charge statements is the continuing failure to list how the figure for responsive repairs has been calculated? I attended People 1st Slough leaseholder forums during 2007 and 2008 when recommendations by leaseholders to clearly show the responsive repairs that they have to make a contribution for, would be considered for inclusion on the annual statements. This inclusion has still not happened, and results in enquiries to the Right to Buy and Leaseholder Services team on a regular annual basis every February and March.

I have also noticed that there has been a significant increase in the administration cost on the annual service charge statement this year. Please can you clarify if there is a contribution towards the cost of the shared service agreement with the Arvato partnership for collecting these services charges?

Please can you arrange for a report to be presented to Overview and Scrutiny from the officers in Leaseholder Services and Revenues Department concerning these issues and how they can be resolved to the satisfaction of Slough Borough Council's leaseholder residents in future years?"

5 The Leasehold Services Team commented as follows:

5.1 Service Charge Accounts-Background

The leasehold service charge accounts are closed six months after the end of the financial year to reconcile actual spend of the service charges against the estimated amount of service charges collected from the lease (in general as a minority of leases vary on these terms and therefore procedure).

The standard Slough Borough Council lease covenants' for the leaseholders to be billed bi-annually in advance as an estimate of service charges. Subsequently, service charge estimates are calculated for the forthcoming year and then divided into two equal bills that are issued to the leaseholder in April and October each year. The estimate is calculated by the Leasehold Team and issued prior to the first debit in April, usually around the end of February to comply with the lease by notifying the leaseholder of this years coming service charge bill before billing them in April. The statement of account is done each year by the Leasehold Team and issued prior to 30 September; again this complies with statute of the 18 month ruling from the 1985

Landlord and Tenant Act (sections 18-30). Therefore, service charge statements and estimates are separate elements to the Leasehold accounting period as the latter is usually produced a year behind (within 18 months of incurring costs) and the former produced in advance of the financial year.

Statements and Estimates are mail merged letters issued manually from Leasehold Services. In both cases, the bills and associated invoices are raised by the Revenues Team directly to the leaseholder. Revenues are furnished with the amount to bill each leaseholder at both bi-annual debits from the Leasehold Team via a spreadsheet. The statement produced below, takes into account the amount spent for that financial year on the various elements of service charge and the amount already paid on the estimated service charge billed and calculates whether a credit or debit results.

A copy of a Service Charge Statement for last financial year closed (2011/12) is attached at Appendix A. A copy of a Service Charge Estimate for financial year 2013/14 is attached at Appendix B.

5.2 **Estimated Service Charge letters**

The covering letters and estimates were composed beforehand and produced by Leasehold Services on 19 February 2013 and dated accordingly. They were posted and franked at £0.44p frank on 22 February 2013. The Post Room confirmed this is a first class franking charge for a physical envelope and size of letter issued for the estimates, as they stated that franked letters cost less than stamped letter. The odd returned to sender letters confirmed this frank of £0.44 was on the letters. It is standard policy for letters to be issued second class from Housing Services unless a specific request is submitted for first class. Normally statements and estimates are issued 2nd class, however, given the delay in logistics of the documents between the Printing Team and Housing Services a request was issued for these letters to be issued first class in this instance.

The delay in the estimates being issued were due to several factors; namely using Printing Services for the first time, a reduction in staff available to help collate the various documents required for each letter and an IT issue with the spreadsheets and mail merge document from corrupted data.

The letters and estimates were composed on 19 February 2013 at Leasehold Services. The summaries of rights and obligations, a statutory document that accompanies service charge demands were emailed to Printing Services on 19 February 2013 to be printed and returned to Leasehold Services. However, it became apparent that the mail merge document was problematic and once issues were resolved it was then emailed to Printing Services on 20 February via email in order to print and return to the Leasehold Team.

The letters and estimates were emailed to Printing Services on 20 February 2013 due to administrative issues with the manual spreadsheets. Printing Services returned the letters and estimates, printed and collated by 21 February 2013 and Customer and Business Support commenced filling the envelopes on 21 February and they were sent to the Post Room on 21 and 22 February to be franked and posted on this date.

Prior to this financial year, printing of the documents, associated collating and enveloping of letters and estimates, as well as the issuing of said documents to the Post Room in order to frank is usually undertaken by Leasehold Services with the support of Housing's Customer and Business Support Services. This was the first

time the resource of using Printing Services had been used by Leasehold Services, as it was suggested to be more effective process, given the amount of manual labour involved and inconvenience to colleagues by blocking printers when producing the mail merge manually. A copy of a Service Charge Estimate covering letter issued in February 2013 is attached as Appendix C.

5.3 Monthly Instalments

The standard Slough Borough Council lease covenants that the council demands service charges from the lessee bi-annually and in advance. However the Council allows a monthly repayment for the annual Service Charge Estimate over ten equal monthly instalments for Leaseholders whom request this.

The majority of Leaseholders made the deadline for their requests for monthly instalments of their service charges as enquiries were received earlier than 26 February; phone calls and emails were received by Leasehold Services on Monday 25 February. The deadline of Thursday 28 February 2013 for requesting monthly repayments was decided by the Revenues Team; as usual each year in order that they can issue all their demands and other invoices. Further to this, they allowed an informal extension until Monday 4 March 2013 close of business. After receipt of Cllr Plimmers' email at Leasehold Services on the evening of Monday 4 March, I requested that Revenues extend this deadline in order to capture any straggling requests as he noted he had received his letter by 26 February and hadn't made the deadline. Unfortunately, Revenues could not agree to this due to their other workload and deadlines. As the majority of letters would have been received Saturday 23 February, this allowed over one week requesting monthly repayments in most cases. The covering letter clarifies contact emails and phone numbers for leaseholders to use to request monthly repayments from either Revenues (Arvato) or the Leasehold Team

We are not able comment on what happened in 2012 as there was an interim Leasehold Manager and Service Charge Officer in posts who are no longer employed by the Council.

5.4 Responsive Repairs

Responsive repairs on the estimated service charge bill are only an estimate and therefore the figure cannot be confirmed with a breakdown at estimate stage; it is only an expected cost of repairs for the coming financial year. However, when the statements of account are issued before 30 September each year, the actual spend on the repairs can be broken down and provided to Leaseholders upon request. The break down of repairs are not provided with the accounts as this is not a requirement under statute when producing the statement; equally it would increase the resource required and time to produce the accounts particularly as not all leaseholders request this information. The cover letter with the statement of accounts offers the provision of further information i.e. queries, calculations or breakdowns of costs by submitting a request, either via email, letter or telephone. Should a dispute be raised over an element of service charge, it must be done in writing enabling an audit trail to be followed, should the case be escalated to Court or Leasehold Valuation Tribunal in future. It is not in the council's interest to withhold such information as a breakdown of repairs as it is contrary to the transparent Leasehold Service as well as the statute pertaining to statements of accounts. Furthermore, it enables a quicker resolution of disputes by addressing and/or restating accounts where necessary should queries be raised at this point in time and limits any future liability on the council should legal action commence.

It is not appropriate nor a statutory requirement to include a full breakdown of repairs with each statement of account produced. However, it is a statutory requirement to provide this information upon request within a given timeframe. A copy of the cover letter issued with Service Charge Statements is attached at Appendix D.

5.5 Leasehold Forums are held bi-annually for each of the three housing management areas of the Borough and leaseholders are invited by way of formal letter prior to the event, with a copy of the agenda. The last Leasehold Forums were held November/December 2012 and Service Charges were discussed as one of the agenda items. It is standard for Leasehold Services to include Services Charges as a topic at the winter Leasehold Forums because the statement of accounts will have been issued prior to the Forums therefore, most queries are raised at this time so, in effect we offer a platform to discuss them and individual queries. It is considered an important condition of being transparent with service charges and good practice as we also consult Leaseholders as to whether they wish any changes to their services during the Winter Forums. A copy of the invite/agenda to the last Leaseholder Forums held is attached at Appendix E.

5.6 Administration Costs

Administration costs or Management Fee are calculated at 25% of the cost of variable service charges as implemented during People First. Administration costs (Management Fees) for Major works are calculated by Property Services and they employ a staggered percentage calculation dependent upon the works. However, it is reasonable for service charges to increase each financial year, for example utilities for landlords lighting increase each year and the contract for Grounds Maintenance has an uplift to increase each year at an agreed rate in the contract as well as an increase in inflation, labour costs generally increase too which could affect caretaking or repairs. However, a recent Leasehold Valuation Tribunal dated 4 June, which is a matter of public record, confirms that the Service Charges billed by Slough Borough Council are at the lower end of the scale for that particular block and we believe this to be the case generally across the Borough from benchmarking data and particularly on Management Fees (Source Housing Quality Network- Leasehold Excellence Network). For example, caretaking did not increase for the last three years prior to this financial year.

5.7 Having checked the complaints received by Leasehold Services for both 2012 and 2013 from February through to May, of the two complaints received, neither is pertaining to the points raised in this report. Furthermore, the Complaints Co-ordinator within Housing Services confirmed she did not receive any formal complaints about the short deadline for requesting monthly repayments. The two complaints received during both these periods for 2012 and 2013 are below.

Logged Date	Service Area	Description
<u>Leaseholder (Housing Service, Leaseholder)</u>		
19/03/2013 15:18	Leaseholder (Housing Service, Leaseholder)	Complaint regarding correspondence being sent to wrong address
1 Row(s)		
Total 1 Row(s)		
Logged Date	Service Area	Description
<u>Leaseholder (Housing Service, Leaseholder)</u>		
27/04/2012 15:45	Leaseholder (Housing Service, Leaseholder)	tenant still completing the Right to Buy has been billed for service charges.

- 5.8 We encourage all our leaseholders to attend the Forums in order that we can address any queries about individual service charge accounts or the accounting process for clarification. We have had requests via email and letters for a breakdown of the repairs undertaken to blocks after the statement of accounts are issued by 30 September each year and these are provided as standard.
- 5.9 Further to a meeting with Arvato and Leasehold Services, Arvato have agreed to a rolling continuation of monthly repayments from Leaseholders year on year. Therefore any leaseholders who request a monthly repayment term will have this automatically offered and implemented next financial year of 2014/15, unless a request to opt out is submitted by the Leaseholder.
- 5.10 To clarify, the statements of accounts are produced before 30 September each year and any credits or debits are added to the lessees account on 1 October each year. Any breakdown of spend or costs pertaining to financial spend of service charges can be requested within six months of the actual accounts being issued each year. The estimates are produced before 1 of April each year and are only an estimate of the forthcoming financial service charge costs, i.e. the anticipated spend.
- 5.11 There is a service charge project that endeavours to add the leasehold service charge accounts to the Housing Management System, Capita, in order to streamline the service charge accounts going forward. This project should allow leaseholders the opportunity to pay by Direct Debit (DD), hopefully reducing the request further for monthly repayments each year as there will be an automatic renewal of monthly DDs each financial year unless the leaseholder requests otherwise. It is best practice to offer such payment options to Leaseholders. Furthermore, the Capita Housing System should be able to produce the service charge estimates and statements of account letters, all things being equal. Whilst it is possible there could be teething problems this should result in the end of the manual and labour intensive current process.
- 5.12 Whilst it is regrettable that leaseholders had a limited window of opportunity to request monthly repayments for the estimated service charge accounts, it is not an obligation of the council to offer such a service in order to comply with Leasehold Statute. Affordability is an issue considered to be at the heart of the service and the team has worked tirelessly to bill major works and agree repayment agreements whilst dealing with historic disputes and debts. Monthly repayments are offered by Housing Services but it is not an obligation or statute for the council to do so to its leaseholders.
- 5.13 Leasehold Services are commencing a review of the Management Fee charged to Leaseholders with a view of consulting residents and benchmarking for best practice as to whether it is more appropriate to charge a fixed fee rather than a percentage.
- 5.14 Regarding the comment of “a lower than expected standard of service delivered by Housing Services towards leaseholders”; there have been changes in the service driven with aim of improving the customer experience which are reflected in the Housing Services Strategic Plan. Prior to 2011, Leasehold Forums had not been held for a significant period of time and nor were they successful with substantial combatant discussion. These were overhauled with a strategic view of offering the forum on a bi-annual basis for leaseholders in the three areas of the Borough encouraging Leaseholders to attend and air views and raise questions as appropriate. The Forums include consultations on Services and therefore Service Charges, in line with governance and best practice and speakers present relevant

and informative topics with a view to demystify some Leasehold issues, regulation and statute. We also offer Leaseholders Home Contents Insurance via the Councils Insurers, even though tenants have been able to benefit from this for at least the past 8 years, this commenced in 2011. Slough Borough Council also offers Gas Safety Checks for a very reasonable fee for its Leaseholders as well as any associated works for repairs to their gas appliances, again this commenced in 2011. We have undertaken various repairs for Leaseholders in the event they have paid for this work beforehand and are looking at offering this service in the future across the borough. We also have a complaints dispute resolution process that results in the service charge officer undertaking a full investigation with the associated department of any issues/disputes that arise; this includes site visits to blocks and estates with the production of a formal response to issues raised. The sales enquiry process has been overhauled to streamline the process, resulting in accurate and timely information being provided to solicitors acting on behalf of leaseholders who are selling/buying the Councils Leasehold stock. Leaseholders can email the team on the generic email address allowing quick effective responses to a whole plethora of enquiries.

- 5.15 Housing Services is currently working on a project “tenant on-line” which aims to give all residents access to a service that can confirm amongst other things all communal repairs that have been raised on individual blocks.
- 5.16 Housing Services are also currently embarking on a service charge review across the borough, with a view to assessing service charges; ensuring parity and value for money are achieved whilst residents are consulted on the services they receive. This is an opportunity to reconcile services and service charges for both tenants and leaseholders of Slough Borough Council’s housing services borough-wide.

6 **Conclusion**

- 6.1 The Overview and Scrutiny Committee must decide whether to accept this request to review the function of the Authority dealing with the specific leaseholder service issues raised.
- 6.2 The Overview and Scrutiny Committee, in considering what action to take, should have regard to:
- the adequacy and completeness of the information available at the meeting;
 - the appropriateness and relevance of the subject matter;
 - the possible implications on other services and available budgets;
 - any other reviews which currently may be undertaken or proposed to be undertaken to avoid any duplication of responsive action; and
 - the respective priority within the Committee/s overall work programme to be afforded to any approved request for review.
- 6.3 In assessing the request for review, the Committee may take the following action on the call-in:
- agree to take no further action on the request;
 - make representations/views known to the Cabinet in respect of decisions taken and implemented within Cabinet or Officer delegated powers;

- agree the request for review of any function of the Authority or matter affecting the Borough or its inhabitants and determine the matter at the meeting or a named future meeting; or
- agree the request for a review of a function or other relevant matter and delegate conduct of the review to a Scrutiny Panel, and determined the priority that should be allocated to it.

7 **Appendices**

- A - Copy of a Service Charge Statement for last financial year closed (2011/12)
- B - Copy of a Service Charge Estimate for financial year 2013/14
- C - Copy of a Service Charge Estimate covering letter issued in February 2013
- D - Copy of cover letter that is issued with service charge statements
- E - Copy of an invite/agenda to the last Leasehold Forums held

8 **Background Papers**

None.