Leasehold management review
Homes for Haringey
DECEMBER 2015
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1 Introduction

Homes for Haringey (HfH) asked HQN to conduct a thorough review of its leasehold management service. This work was agreed as part of HfH’s transformation project and also prompted by the low leasehold satisfaction which the service received as part of the recent Test of Opinion.

The HQN leasehold accreditation standards were used as the assessment framework. Jackie Dickins, HQN’s expert in leasehold services undertook the review during December 2015. We found HfH to be a self critical organisation with a focus on continuously improving the service offer to all its customers.

HQN’s accreditation assesses service delivery and outcomes against a range of challenging quality standards, covering the following seven modules:

- Assessment module one: customers and communities
- Assessment module two: service charge calculation and accounting
- Assessment module three: income management and recovery
- Assessment module four: asset management and stock condition
- Assessment module five: management of homeownership services
- Assessment module six: value for money
- Assessment module seven: leadership and performance management.

In addition to the leasehold management service in general, HQN was asked to comment, based on our experience of working with other organisations, whether the structure that was in place for managing the service is suitable/practical.

Jackie Dickins undertook a desk top review and several interviews and meetings with a range of officers within Homes for Haringey (HfH) as well as a meeting with leaseholders of HfH. This report sets out the findings and recommendations. The comments made by the leaseholders are provided at Appendix 1 and where relevant are also included within the findings under the appropriate module heading.

2 Context

HfH was formed as an arm’s length management organisation to manage the London Borough of Haringey’s council owned housing stock just over 10 years ago. Since this time HfH has been providing the leasehold service on behalf of the Council to 4,800 leaseholders representing almost 30 percent of the properties in management. Approximately 30 percent of leaseholders are known to sub-let their property.
Following a survey of tenants and Test of Opinion of the Council’s leaseholders earlier this year, the management contract with the ALMO has been extended for a further 10 years.

Since the 10 year extension was agreed with the Council a ‘housing unification’ process following has been carried out. Home ownership activities are located in HfH’s operations directorate. The head of service now has responsibility for income recovery for general needs tenants’ charges and for temporary accommodation.

The ‘core’ home ownership team is responsible for income recovery, RTB sales and re-sales, service charge accounting and lease compliance and enforcement, eg, managing sub-letting and breaches of lease. The team is also responsible for S20 consultation in collaboration with the project managers and consultants engaged to manage programmed and major works. There are sixteen members of staff in the team. Appendix 2 compares the numbers of managed leasehold properties and the staffing levels with a number of other organisations.

HfH is in its eight year of a ten year partnering contract for Decent Homes work.

3 Findings

3.1 Assessment module one: customers and communities

Module one sets out the criteria we expect an organisation to meet in order to demonstrate that its service is based upon knowledge of its customer base and takes feedback from customers into account. It also explores the ease of access to the service which, in this context, includes both existing customers and prospective purchasers, eg, by ensuring that information is easily understood and available in other languages/formats and/or by ensuring that challenging service standards are agreed with customers.

The review therefore considered the information which is available to prospective purchasers, both written and via the website, together with information provided to existing homeowners.

We found the following positive/good practice:

- The website was populated in September 2014 with average sale prices of council owned property by post-code to help to reduce the number of speculative RTB applications. This has assisted in managing the increase in applications following the increased discount levels

- The website link ‘Information for leaseholders’ holds a wide range of information including the Leasehold Charter and leasehold service standards, however it is now some time since they were last reviewed. The Leasehold Charter was drafted in 2008 and the service standards were last reviewed in 2009

- The leaflet that accompanied the 2015/16 accounts included the promotion of the sign up to the “Seemydata” facility with a £5 incentive
There are a number of useful advice booklets available for leaseholders covering a range of issues which are frequently asked by leaseholders such as guidance on extending the lease or enfranchisement, S20 consultation guidance, service charges explained both when the estimate is issued and a different format for when the final accounts are issued.

There is a plain English guide to the lease. In our experience many organisations are reluctant to provide a plain English guide therefore this is very positive.

All booklets/advice guides are provided with translation in a wide number of languages.

HfH established a ‘key leaseholder’ scheme over two years ago. There are now around 500 leaseholders signed up to the scheme. The ‘key leaseholders’ receive schedules of repairs twice a year to scrutinise, they carry out mystery shopping, and are invited to comment on a number of documents. They are also invited to comment on planned work in addition to the S20 consultation arrangements and to attend snagging visits with the project managers and surveyors.

An email database has been established which currently has 2,000 leaseholders signed up to it. This is incentivised by offering a £5 reduction in the management fee on sign up. The scheme is advertised on the website and is referred to in the Homezone newsletter.

There is a leasehold panel that meets quarterly (previously it was bi-monthly). The minutes and any reports are sent to the key leaseholders, referred to above. The ‘Service charges explained’ leaflet invites leaseholders to provide their email address so they can be invited to the meetings. The website holds the minutes of the meetings of the panel and the key leaseholders. However none have been posted for more than a year.

The website is easy to navigate and holds a wide range of material and advice leaflets referred to above. There are many links to other parts of the website with information about the organisation and its services, ie, to report repairs, how to make payments, report other issues such as ASB.

The Homezone magazine, which is distributed to all residents has a dedicated page for leaseholders.

We found that the website is helpful for tenants wanting to exercise the RTB as there is a page that holds average property values for different areas in the borough depending on property type/size, together with typical service charges for those properties. Where tenants find they will be unable to buy under the RTB the website has a link to the local home buy agent.

However, the following areas of weakness were identified:

Tenants exercising the RTB are not provided with any advice from the RTB administration officer to advise them of the main lease terms, or repairing obligations on the basis that they are receiving advice from their own solicitors.
In the 2008 satisfaction survey 59 percent of leaseholders said that they were satisfied at the way they were kept informed by the homeownership team. However the leaseholders we spoke to at the evening meeting felt pro-active communication at all times was poor particularly from the property services team.

We were advised that Involvis Ltd were engaged to carry out an on-line questionnaire with leaseholders to determine the most preferred method of ‘involvement/consultation’. The results are being prepared and the leasehold forum will be advised shortly. It is known, in advance of the formal report being prepared, that only 12 percent of leaseholders want to get involved via general meetings. Most want consultation through surveys or by means of focus groups on a particular issue.

There is no facility on the website for leaseholders to view the long term programme of works online. Other organisations are developing their self service facilities to enable their residents to see not only the programme of works but also specifications tender documents, S20 Notices.

The homeownership team use various databases to hold information about their leaseholders. For example the OHMS housing management system as for tenants, and Access database system that is used to calculate the service charges, the SAP system for processing service charge accounting information. All the systems require system maintenance and amendment. Not all officers in HfH or the Council can access the Access database which is where correspondence addresses and emergency contact details are held. This can cause difficulties if there are ‘out of hours’ issues and can result in errors in the records.

Seemlydata for leaseholders has only recently, by comparison with others in the sector, been introduced – since summer 2014. A demonstration was given to the leasehold panel on its functionality. However the system is not being used to its full potential and only 1,000 leaseholders are currently signed up to it. The system can enable sub-letting to be requested online. Other organisations have similar systems where leaseholders can register on line with the details of the sub-let and correspondence address and make payment online. Through the ‘My estate’ link the map of the estate that is provided enables leaseholders to see where issues have been raised such as repairs and graffiti. However, we were advised that due to delays in the system interface for the repairs service this may not be up to date.

The service charge account link within Seemlydata does not indicate method of payment on the statement of account.

We were provided with a schedule of logged complaints received between 1 June 2015 and 17 November 2015. There were 543 complaints logged of which 116 were received from leaseholders. Breaking down the leaseholder complaints into subject categories those that are the direct responsibility of the home ownership were three for Right to Buy, ten for incorrect charges, nine referred to as ‘billing’, and four for service charges; a total of 26 of the 116. The remainder were associated with property management or neighbourhoods, for example, water penetration, Decent Homes, fencing, windows, roofing, carpentry, plastering,
communal doors or for neighbourhoods, ASB, neighbour dispute and estate services to name the most common. The following areas were identified:

- There are limited processes in place for ensuring that service improvements are identified from the complaints received, ie, ‘you said, we did’ or lessons learnt; at Stage 1 only.
- The list of complaints were for issues across many directorates with no clear indication of a corporate lead on how services would be improved as a result. However we understand that HfHs business improvement team is leading on this issue and that all improvement plans include customer feedback.
- There was limited evidence that changes to the service had been made as a result of complaints with only one example provided – there has been a change to working practices following complaints from residents where leaks were occurring between properties.

- We were advised that the homeownership team used to invite new leaseholders to an ‘induction’ meeting on a quarterly basis at the weekend or out of hours, to advise them about their responsibilities and issues around the service charges. However this stopped due to poor attendance. Consideration is being given to re-introducing something similar as they have identified that there are gaps in the information being provided by solicitors. One approach being considered is either a DVD or online video.

- We were advised that the various residents’ panels are currently under review following a survey of all residents. The Home zone magazine refers to the survey and advises that a new engagement structure will be in place shortly.

- The leasehold panel meeting minutes held on the website are now out of date – the last one being November 2014.

- There is no vigorous and strategic approach to obtaining profiling information for leaseholders. HfH used to include a form with the welcome pack for new leaseholders, but this was not successful as leaseholders did not return the form. Discussions are being held with tenancy management to investigate how best to streamline the approach taken with tenants and leaseholders.

### 3.2 Assessment module two: service charge calculation and accounting

Module two explores whether there is a sound approach in place to manage service charge accounting and examines the degree to which the organisation focuses on sustainability and affordability (eg, in relation to new sales).

The standards require organisations to ensure that purchasers are fully aware of the method of calculation of service charges and reserve funds, where the lease allows for such collection.

There is also an expectation that the service charge accounting systems and budget monitoring processes are robust and that the organisation is compliant with current legislation relevant to service charge accounting and income recovery.
As for all of the modules, performance measures also need to be in place to ensure that the processes are being delivered effectively and efficiently, and the right outcomes are being achieved.

We found the following positive/good practice:

- New members of staff to the service charge accounting team undergo an induction programme that includes use of the various databases, eg, OHMs, SAP, Access, together with time spent with the legal department at the Council. A new member of staff in post for the previous three months had also attended two related training sessions; introduction to leasehold management and RTB and recovery of service charges. One of her immediate objectives is to introduce an induction process for leaseholders.

- The estimated service charges are issued in a timely manner, the format of the account is consistent with the final account and is fairly easy to understand. A schedule of what the management fee comprises is included with the statements of account. There is also a detailed leaflet sent that outlines what the service charges are, and why they must be paid and how to pay. The leaflet also details what the management fee covers.

- The service charge accounting team obtains its information to prepare the estimates and final accounts largely from two sources; the SAP system for concierge costs, costs of pest control, and internal and external cleaning. Costs of mechanical and electrical installations are obtained from the relevant business unit.

- There is a unit measurement approach to most services, for example grounds maintenance and external cleaning. However, internal cleaning is apportioned by the number of units. Where estates undergo regeneration the area is re-measured and the apportionment of costs altered accordingly.

- There is a dedicated S151 officer in the Council who has responsibility for final sign off of the costs and estimate. The leasehold panel has been advised of this process.

- A sinking fund (reserve fund) was introduced in all new leases issued since 2013. This will be beneficial to both the leaseholder and HfH as it will equalise the cost of any major works in the future and assist affordability.

- On completion of a RTB sale, the Council’s legal team notify the rent account team, the asset management team and the homeownership team on the day of completion. The RTB team send copies of the S125 offer notice and service charge estimate to the service charge accounting team. We were advised that the database is generally maintained within 5 working days to change the tenure type.

- There are a generous range of re-payment options for major works costs. This will be referred to again later in this report as an issue that HfH may want to review.
- A litigation booklet has been drafted and issued to leaseholders where there are issues with recovery. This ensures that leaseholders are aware of what measures HfH can take to protect the debt and ensure full recovery.

- Sales of houses under the RTB now include a requirement to contribute to estate charges in the transfer document which assists in maximising recovery of the costs of the services provided.

- Since the Southwark v Woelke determination, HfH has billed for the costs of major works in line with the lease.

However, more is needed in some areas. For example:

- As government grants will be used for some elements of future works programmes there will be a need in some cases for discretionary capping of charges. Currently there is no policy in place to cover this

- Leaseholders, during our meeting with them, commented that they feel all leaseholders should be issued with a copy of their lease plan so they can see what and where they can be re-charged for services

- The reserve fund that was introduced in new leases is being invoiced separately from the other service charges. The lease does not differentiate the collection of the fund from other service charge costs and therefore in our opinion, should be invoiced as for other service charges. We were advised that the finance department want to account for the fund separately and the only mechanism for doing this is to invoice to a separate general ledger account.

- It is understood that where service charges cannot be re-charged due to failure to consult correctly the sums lost for 2014/15 was a cumulative sum of £150,216.00.

**3.3 Assessment module three: income management and recovery**

Module three assesses the organisation's approach to income recovery. It also considers the ways customers can make payments and how robust the processes are when there is non-payment. As for all of the modules, there would be an expectation that there were performance measures in place that can be monitored to ensure that the processes are being delivered effectively and efficiently.

We found the following positive/good practice:

- The team was re-structured in 2012/13 when the numbers in the team reduced by seven members of staff. The team found better ways of working in order to ensure that performance was maintained for example utilising the technology to take early intervention measures and greater use of mail merging.
There are KPIs in place for recovery, ie, 104% for day to day service charges and 100% for major works. The debt is deemed to be recovered when an arrangement for repayment is agreed. Performance for day to day collection was 100.2% for 2013/14 and 101.6% for 2014/15. Collection rate for major works service charges was 102.1% for 2013/14 and 103.4% for 2014/15.

There are a generous range of re-payment options in place for major works costs. However, this issue is referred to later in this report. Leaseholders who enter into a repayment plan are required to make payment by Direct Debit only.

The website provides a full explanation with application forms that can be downloaded for the various loans on offer to repay major works charges and there is a separate link for older homeowners.

Payments are required quarterly in advance. The introduction of the sinking fund clause to new RTB leases since April 2013, will assist in the collection of major works costs and will benefit HfH and the leaseholder. This is good practice and a policy that is rarely adopted by local authorities as they believe it is difficult to account for.

Older leases contain a clause that requires payment of an advance payment for redecoration costs. Unfortunately although funds were collected they were not used and therefore were returned to leaseholders.

It is a requirement that income recovery officers attempt to contact leaseholders before legal action is taken as part of the recovery process. This enables the officers to assess if there are issues of vulnerability when the leaseholder can be re-directed to the relevant support services.

There are a wide range of ways to pay. Leaseholders and homeowners can make payment of rent and service charges by Direct Debit, standing order, credit or debit card over the telephone and online banking. There are no targets for increasing the numbers paying by Direct Debit although payment by DD is incentivised; £10 is given for those paying by DD.

Statements of account are sent on request only. HfH now has Seemydata that enables leaseholders to download and view their individual account.

Arrears letters invite leaseholders in financial difficulty to contact officers in the first instance to discuss their circumstances. However the copy 'letter before action' did not include reference to advice where there may be financial difficulties.

There is a ‘fast-track’ system for benefits and financial advice for all vulnerable leaseholders, and where it is known that leaseholders are house-bound or vulnerable, home visits are made/offered.

The council’s legal department is used for county court appearances. We were advised that there is a good working relationship with that department which is accessible and timely.
Further work needs to be carried out to address the following weaknesses:

- OHMs housing management system is the main database for all customers however an Access database is used to create letters and for escalating the income recovery process. There is a risk that the databases will hold inconsistent data if they are not updated simultaneously. Access database systems are usually unsupported.

- There is no mediation policy in place should there be challenges to the re-charges. The only route therefore is to the FTT which can be time consuming and resource intensive as well as costly.

- Non-resident leaseholders can also re-pay over a period of three years interest free without any financial assessment. Very few, if any other housing providers offer this option to non-resident leaseholders, though most inner London boroughs offer interest free or extended low interest options. Appendix 3 provides a comparison with some other organisations and the payment options they offer. Many leaseholders would take up the offer and use it as interest free credit even though they have funds available, or could source alternative funding despite the administration charges applied of £25 and £300 legal fee, both of which are included in the repayment plan.

3.4 Assessment module four: asset management and stock condition

Module four assesses the performance of the organisation in maintaining its stock and estates in a good state of repair (from a leasehold/home ownership perspective), whilst also ensuring that homeowners are aware of their repairing responsibilities. Where there are plans to carry out major works, it is expected that organisations publicise those plans to homeowners so that they can make appropriate financial arrangements to meet the costs of the work.

There is also an expectation that homeowners would be consulted, not only as required by legislation by the Landlord and Tenant Acts, but also as good practice in order to develop the service to the needs of the customer.

We found the following positive/good practice:

- HfH holds more than 90% of stock condition information since 2011 which is refreshed on a periodic basis. It is now in a position to provide a long term investment and planned maintenance programme for the structure and fabric of the buildings it manages.

- Quality assurance officers are aware of S20 consultation and monitor the provision of services and estates. Responsive repairs are monitored by team leaders, quality assurance officers and the client team.

- There are occasional client review meetings. There are also meetings between the delivery manager and the home ownership manager.
• Targets are being set in the new financial year for site safety inspections

• The elements of the asset management service are benchmarked with other organisations and indications are that HfH is obtaining good VfM in the costs of its supply chain.

• The asset management team worked with an organisation called ‘Value adding’ to assess the customer experience. The findings have been incorporated into a ‘Major works customer care improvement project’ that considers resident involvement and the process of surveying the properties pre-work. The project starts in January 2016. The primary elements of the project that will impact on leaseholders are the management of customer contacts, communication and better use of the website.

• We were advised that HfH has identified that improvements are necessary to the process of responding to leaseholder observations following the issue of S20 Notices. The technical officers, consultants and home ownership officers have held meetings to attempt to address this, most recently in September 2015. Training on S20 consultation is now a requirement under the contract held with external consultants.

• The council’s legal department ‘signs off’ the S20 consultation notices. This provides a second level of approval.

• We were advised that meetings have recently been introduced between officers from the housing repair service and the contract manager of the call centre to look at trends and service improvement. This will assist in identifying training needs.

• The homeownership team provides a schedule of repairs carried out during the year to the ‘key leaseholders’ on a quarterly basis and on request.

• We know that S20 consultation has been issued for £10M of leaseholder re-charges of £55M contract costs. Payments to contractors are being made on a rolling programme with a retention being held and not paid unless the work is found to be satisfactory.

• HfH has an alterations and improvements policy in place that includes the ability for a fee to be charged. The process involves tenancy managers and surveyors with the final decision for approval provided by the clients ALMO team in the Council.

• The website has a facility to report repairs and to keep a diary of the performance of the repairs service in carrying out repairs that can be sent on-line and is used to monitor performance and quality.

• HfH uses the Codeman 4 system to hold stock condition information. It is used to make long term projections for asset management planning and major works programming.

• Estate renewal and re-generation is undertaken by the Council. In some cases estates have been taken out of the Decent Homes programme where regeneration...
is planned. The reasons and justification for this have been communicated clearly to residents.

- The justification for a repair can now be supported with photographs whereas this was not the case historically.

However, the following weaknesses need to be addressed:

- Although HFH has already established a thirty year plan for mechanical and electrical installations, on which reserve fund contributions are based in the service charges, the mechanical and electrical programme has not yet been fully forecasted alongside structural works in an all encompassing major works programme. It is understood in the new financial year that work will commence to build a programme which will forecast both structural and mechanical and electrical works.

- HFH uses the Codeman asset database as its register however we were advised that this only holds the current programme and goes no further

- We were advised that new investment standards will be introduced in 2017/18 following the end of the existing contracts, and that there will be a six year investment programme and budget for the Borough. Nothing has been agreed with the Council beyond 2016 at the moment

- The internal process for providing S20 officers with adequate notice to carry out statutory consultation was found to be inefficient; however, we were advised that all notices were served correctly. The identified inefficiencies are being addressed to ensure that leaseholders are re-charged the costs of the work in full

- For current programmes the contractors have committed to carrying out more detailed surveys to ascertain the cost estimates. As part of the transformation programme property services will bring together all strands of property including mechanical and electrical, and responsive repairs will inform and drive capital replacement

- The KPIs in place for checking final accounts and for ensuring the final account is prepared is not met by the external consultants. Home ownership officers identify errors in the final accounts when they are received

- The housing repairs service uses a number of data base systems for recording and costing repairs. The responsive repairs are reported by residents to the contact centre within the Council onto the OHMs system. The repair is then scheduled using Optitime diary system. The TASK system then carries out the invoicing/costing of the job. We were advised that this is cumbersome, not robust and there are delay factors as each system interfaces. We were advised that a new comprehensive system is being built and should be in place in April 2016

- The current arrangement is resulting in duplication of repairs being applied to the database, mis-codings etc. Where a duplicate job is identified and cancelled the system records the job as being completed. There is the risk that the valid repair
could also be cancelled as a result. This issue will be overcome when the comprehensive system is in place in April 2016.

- There are occasions when repairs are ordered where the estimated cost will be more than £250 for a leaseholder. Due to the lengthy consultation period and depending on the urgency of the repair, the re-charge is ‘capped’ at £250 resulting in loss of revenue to HfH on some occasions, previously referred to.

- Only 50% of the 136 operatives are on mobile working arrangements at the moment and there is no PDA system in place. We were advised that there is a programme in place to increase this number.

- We were advised that there is a numerous schedule of rates and that there can be two rates for one job. One is used for individual works and the other one is used when a number of repairs activities are required to complete the job. HRS are moving towards a simplified system with fewer codes.

- The homeownership team provides a schedule of repairs carried out during the year to the ‘key leaseholders’ and on request, although leaseholders advised us that the schedule usually includes errors and duplication. They now feel, given the frequency and number of the errors that this can no longer be down to ‘incompetence’ and it must be deliberate. They are now very mistrusting of HfH.

- HfH holds consultation meetings with residents, issues newsletters regarding planned work and employs resident liaison officers however some technical officers would benefit from training on customer care.

- We were advised that there are commonly delays in responses to requests for information to include in the S125 RTB offer notice. There was a required turnaround time of three working days. This has since been extended to five as this now includes a requirement for the project manager to sign off the advice.

- Leaseholders are not provided with opportunities to buy into additional property services such as gas servicing. We were advised that this was offered previously but that no one took up the service and therefore it has been stopped. However we were advised that new additional service offers are being prepared and will be launched in 2016/17.

### 3.5 Assessment module five: management of homeownership services

Module five explores how well the organisation manages its estates. The standard expects that homeowners know what to expect of the service in terms of service standards, and that they are consulted effectively on the delivery of estate services.

The standard also requires that an organisation has an appropriate range of policies and processes in place for officers to efficiently manage the service such as lease assignments, shared ownership, stair casing, sub letting, consents, lease extensions, enfranchisement, deeds of variation and licences, boundary disputes and land ownership issues.
As for all of the modules, there would be an expectation that there are performance measures in place that can be measured to ensure that the processes are being delivered effectively and efficiently and achieve a high level of satisfaction with services such as grounds maintenance and cleaning.

We found the following positive/good practice:

- HfH is a member of the ‘HouseMark’ estate services club consisting of 150 members. A booklet was provided showing in photo form, the standards that must be achieved to attain a particular grading. Quality assurance officers are employed to monitor performance

- In the time allowed we only visited one estate:
  - The grounds were maintained to an acceptable standard
  - A notice was displayed on the entrance notice board indicating the schedule of estate services and frequencies
  - Fly-tipping was evident but we were advised that Veolia, the estate services contractor carries out a weekly collection of dumped items such as fridges/mattresses etc, and this is communicated to residents. We were also advised that the estate was used by the public for dumping of similar items of rubbish

- There are a number of guidance leaflets for leaseholders on a range of issues that have been drafted in recognition of the frequency of some queries for example a guidance on extending the lease and enfranchisement, a useful guide on S20 consultation, a major works booklet the contents of which were agreed with the leasehold panel, a booklet on installing windows and doors again the content was agreed with the leasehold panel, major works payment options, litigation booklet. We were advised that the major works booklet has reduced the number of enquiries received

- We were provided with a range of guides for officers to manage and process issues via the access database. The database is used to process sub-letting, S20 consultation, litigation and the service charges

- Leaseholders are provided with a welcome pack when they purchase that re-directs them to Seemydata, but this does not include information on the service standards for estate services, although the website does hold this information within the ‘Your neighbourhood’ page

- Under the terms of the lease all leaseholders have to register if they want to sub-let their property and make a payment of £20 per annum or £75 on each occasion the property is sub-let. It is known that there are at least 1800 leaseholders sub-letting based on the numbers who have registered

- The home ownership department administers the RTB applications received. Due to the increase in the discount, currently a maximum of £103,900 in Haringey, there has been a significant increase in applications. The team do not start to process the
application until they have carried out stringent verification; a visit is made by the
 tenancy officer and identification and residency is checked. Where there is thought
to be a suspicion of a fraudulent claim the audit and risk team are asked to
investigate further

- We were advised that all applicants are signposted to the government’s RTB agents
  who will support and guide tenants where necessary.

However, there are some gaps:

- We were advised that due to the volume of applications, the checking process (to
  combat and fraud) and general staff resource issues a number of key statutory
timescales in the process are missed

- Some of the delays in the RTB process that result in a failure to meet the statutory
timescales are as a result of the delay in receiving the valuation report from the
Council’s valuers

- During the estate inspection we found the internal cleaning was poor. Cobwebs
were visible in a number of places within the communal staircase and the metal
banisters were dirty

- Almost all of the leaseholders at the evening meeting had not heard of the
HouseMark benchmarking standards

- Day to day issues such as leaks into properties from leasehold properties to
  tenanted properties are sometimes referred to the home ownership team to deal
with; this is appropriate where compliance issues are involved. Matters that can be
dealt with by neighbourhood teams are sometimes re-directed to the home
ownership team when the resident advises they are a leaseholder.

- We found that there are delays in meeting the service standard of 10 days to
  respond to re-sale enquiries due to delays in receiving information from the asset
management team. Only 32 percent were responded to within the 10 day target
timescale.

3.6 Assessment module six: value for money

Module six assesses how well the organisation understands the costs and benefits of the
service and that it is maximising the income available to the organisation by identifying the
range of services being provided, the cost of those services and the recovery of those
costs through the service charging process and via administration fees.

The standard also expects organisations to benchmark with other providers to ensure that
it is meeting best and good practice and that its costs compare well with others.

There is an expectation that the organisation will have a service development plan in place
with a view to improving the value for money of the service.
We found the following positive/good practice:

- HfH is aware of the costs of management and recharges the costs in full to its leaseholders. The fee reflects the structures in place. For example, the fees have reduced over the past couple of years to reflect the fact that the head of home ownership also has responsibility for income recovery for general needs tenants. There are three bands of charges in place:
  - £93 for converted houses
  - £186 flats in standalone blocks
  - £270 flats in blocks on estates, this has reduced from £290 in 2013/14, a reduction of 2%

- There are a range of fees in place for other activities such as providing pre-sale enquiry packs and lease extensions

- The homeownerhip team actively benchmark via the London ALMO benchmarking group and generally with other home ownership providers to ensure that they operate good practice

- Despite a reduction in members of staff in 2012/13 performance in income recovery has been maintained

- We found that 65 percent of leaseholders are making payments by Direct Debit. Payment by Direct Debit is incentivised with a £10 payment

- There has been only one case taken to the First Tier Tribunal during the past few years when the determination found in favour of HfH

- The homeownership team is encouraging the use of email as the preferred form of communication. It has 2,000 leaseholders registered for email communication and incentivises this by reducing the management fee in the first year by £5 on registration

- Wherever possible the home ownership team will use the access database system to automate as many processes as possible for example the Right to Buy, income recovery, sub-letting, S20 consultation.

- There is increased use if technology such as handhelds used by caretakers to report and track issues such as bulk rubbish or communal repairs. Tenancy Management will have tablets to workflow activities from February 2016.

3.7 Assessment module seven: leadership and performance management

Module seven has been designed to assess whether an organisation is aware of how good its performance is and if so whether it has plans to drive continuous improvement for example by training staff, investing in improved technology.
• We know that HfH has been awarded Gold star IIP accreditation and is shortly to be assessed for re-accreditation against the back-drop of the transformation programme.

• We found the operational directorate plan for 2015-18 to be wide ranging and challenging.

• Weaknesses in the day to day repairs service that had been identified through surveys have and are being addresses with the Haringey repairs Service Transformation programme 2013-15. A test of opinion survey carried out in July 2015 indicated that there was an improvement in satisfaction with all services by tenants.

However despite this we conclude that HfH fails to meet the criteria required for this standard as:

• Currently there is no service improvement plan for the home ownership team in place but we understand that this has been scheduled for preparation following the submission of our report. There are only a few KPIs for the various teams. For example KPIs are limited to income recovery, statutory timescales for administering the RTB, and ten days to respond to pre-sale enquiries.

• The leaseholder satisfaction survey carried out in 2008 showed that only 30% were satisfied with the service. Furthermore leaseholders ‘said’ that their three main priorities were value for money (20% satisfaction and 62% dissatisfaction), repairs and maintenance and dealing with ASB.

3.8 In summary

The home ownership team at HfH can demonstrate and evidence good working practices across the modules that it has responsibility for. The criteria have been partially or mostly met in modules one, two, three, five and six. Communication and customer care are high priorities for the team and this is evident. The service charge accounting and income recovery processes are automated and the processes are largely robust. Affordability is a key consideration; a revision to the lease will overcome some of the recurring issues of affordability by introducing a reserve fund clause to the lease. This in turn will provide the organisation with better value for money by not using its own resources for all major works.

Performance across key performance indicators is largely sound. Where it isn't this is because performance relies on the input from other directorates.

The key weaknesses that the review identified were in the main outside the control of the homeownership team; lack of development of technology for example limited mobile working or use of PDAs. Long term maintenance costs are currently incomplete as they do not include all elements of asset management such as mechanical and electrical components. Plans are in place, however, to address these issues.

The recommended actions which should be taken in order to achieve accreditation are set out in section 5. Many of them are ‘quick fixes’, are associated with communication and
processes and can be achieved in a short time frame. Others such as developing the information technology will require commitment and resources and will therefore take longer period of time to implement.

4 Structure

This section of the report addresses the arrangements and structures for managing key services provided by HfH for leaseholders and looks at whether they could be arranged in a different way, eg, de-centralised to generic teams. We have used our knowledge of working with other organisations and of the structures in place to comment on this.

4.1 The current arrangements at HfH

Currently there is a centralised leasehold team at HfH. Therefore there is one point of contact for a number of different issues. The benefit of having a centralised team is that it avoids multiple points of contact for leaseholders. With a de-decentralised team clear processes and periodic and regular training is required to ensure that the different points of contact are understood by contact centre staff and that leaseholders are signposted accordingly.

Leaseholders make contact with the organisation at discrete times during their relationship with it, and when a service request is triggered.

The table below provides a breakdown of the key components of the service showing the responsibilities and:

- What might be expected from the provision of the service in question
- The appropriate directorate or established ‘team’ that might have responsibility for the function in question if there is no centralised leasehold service department
- The key ‘ingredients’ to delivering the service effectively.

We have based this on a leaseholder’s experience of the service – from the point of purchase to the point of sale.
<table>
<thead>
<tr>
<th>Function</th>
<th>Tasks/expectations</th>
<th>Responsibility/team</th>
<th>Key requirements</th>
<th>Responsibility at HfH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance of database</td>
<td>• Change of ownership</td>
<td>One of the following:</td>
<td>• Policy</td>
<td>• Leasehold team and rent team within customer accounts team</td>
</tr>
<tr>
<td></td>
<td>• Change of tenure if sale under RTB</td>
<td></td>
<td>• Procedure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Adding/amending correspondence addresses where the property is sublet</td>
<td></td>
<td>• Work instruction</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision of information to leaseholders on sale.</td>
<td>Introduction to the organisation on purchase-points of contact/service charge information and ways to pay</td>
<td>One of the following:</td>
<td>• Policy</td>
<td>• Leasehold (sales) team</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Procedure</td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service charge accounting</td>
<td>• Producing estimates of projected service charges</td>
<td>• Finance</td>
<td>• Policy</td>
<td>• Leasehold services for all but 2&lt;sup&gt;nd&lt;/sup&gt; bullet</td>
</tr>
<tr>
<td></td>
<td>• Budget monitoring</td>
<td></td>
<td>• Procedure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Arranging for and issuing audited accounts</td>
<td></td>
<td>• Work instructions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Responding to enquiries with regard to the accounts.</td>
<td></td>
<td>• Staff training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Providing schedules of repairs</td>
<td></td>
<td>• Performance management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Responding to S22 requests for supporting information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Function</td>
<td>Tasks/expectations</td>
<td>Responsibility/team</td>
<td>Key requirements</td>
<td>Responsibility at HfH</td>
</tr>
<tr>
<td>------------------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Income recovery</td>
<td>• For service charges</td>
<td>One of the following:</td>
<td>• Policy</td>
<td>• Leasehold services team</td>
</tr>
<tr>
<td></td>
<td>• Sundry debts- garage rentals</td>
<td>• Centralised income recovery team</td>
<td>• Procedure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Major works costs</td>
<td>• Finance</td>
<td>• Work instructions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ground rent</td>
<td>• Legal after a point in the escalation process</td>
<td>• Staff training</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• External debt collector after a point in the escalation process</td>
<td>• Performance management</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S20 consultation</td>
<td>• Identifying requirement to consult</td>
<td>• Property services/asset management.</td>
<td>• Policy</td>
<td>• Leasehold services team</td>
</tr>
<tr>
<td></td>
<td>• Preparing Notices for – QLTA/responsive repairs/other major work.</td>
<td></td>
<td>• Procedure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Responding to observations</td>
<td></td>
<td>• Work instructions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Applying for determinations/dispensation.</td>
<td></td>
<td>• Staff training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Appearing on behalf of organisation to defend an action</td>
<td></td>
<td>• Performance management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Attending resident consultation meetings</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Function</td>
<td>Tasks/expectations</td>
<td>Responsibility/team</td>
<td>Key requirements</td>
<td>Responsibility at HfH</td>
</tr>
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<td>----------------------------------------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>----------------------------------------------</td>
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<td>----------------------------------------</td>
</tr>
<tr>
<td>Re-sale enquiries</td>
<td>• Responding to solicitors requests for information prior to sale</td>
<td>One of the following:</td>
<td>Procedure</td>
<td>• Leasehold services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Legal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applications for enfranchisement/lease</td>
<td>• Establish if the right exists – consider required criteria</td>
<td>One of the following:</td>
<td>Policy</td>
<td>• Leasehold services (compliance)</td>
</tr>
<tr>
<td>extensions/mortgage approvals</td>
<td>• Obtain valuations</td>
<td>• Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Process applications within statutory guidelines</td>
<td>• Legal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applications for alterations/improvements.</td>
<td>• Consider lease</td>
<td>• Property services.</td>
<td>Policy</td>
<td>Leasehold services (compliance and enforcement)</td>
</tr>
<tr>
<td></td>
<td>• Consider plans/drawings</td>
<td>• Neighbourhoods</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Process fee</td>
<td></td>
<td>Procedure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Give approval – general liaison with leaseholder</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Post inspection – where appropriate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident involvement</td>
<td>• Cross tenure issues</td>
<td>One of the following:</td>
<td>Policy</td>
<td>Central RI/E team, and</td>
</tr>
<tr>
<td></td>
<td>• Leasehold specific issues</td>
<td>• Resident engagement team</td>
<td></td>
<td>Leasehold services</td>
</tr>
<tr>
<td></td>
<td>• Arranging meetings/events/publications.</td>
<td>• Specific issues – raised by relevant</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Booking meeting rooms.</td>
<td>department</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anti-social behaviour</td>
<td>• Liaison with leaseholder</td>
<td>One of the following:</td>
<td>Policy</td>
<td>Leasehold services (compliance and enforcement)</td>
</tr>
<tr>
<td></td>
<td>• Legal action where necessary</td>
<td>• Estate/neighbourhood management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Legal – at higher level of escalation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Function</td>
<td>Tasks/expectations</td>
<td>Responsibility/team</td>
<td>Key requirements</td>
<td>Responsibility at HfH</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
</tbody>
</table>
| RTB/A                             | • Process applications for the Right to Buy  
• Liaison with property services/housing management/service charge accounting officers                                                                                                                                  | One of the following:  
• Sales  
• Legal                                                                                                      | • Policy  
• Procedure  
• Work instruction  
• Training  
• Performance management                                                                                       | • Leasehold services to the point of acceptance                                        |
| Policy review/development/Service improvement | • Keeping abreast of relevant legislation/FTT determinations.  
• Arranging relevant training/briefings                                                                                                                                       | One of the following:  
• Corporate policy team  
• Governance/strateg y  
• Legal                                                                                                      | • Policy                                                                                   | • Leasehold services                                        |
| Defending FTT applications for service charges | • Team dependent on nature of challenge  
• Legal                                                                                                                      | • Policy  
• Procedure                                                                                                     | • Leasehold services                                        |
4.2 Comparison with other organisations

The following table summarises the arrangements that are in place at other organisations.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Description of organisation</th>
<th>Total no. of properties managed</th>
<th>Total no. of leaseholders</th>
<th>Centralised homeownership/leasehold team</th>
</tr>
</thead>
<tbody>
<tr>
<td>HfH</td>
<td>Inner London ALMO</td>
<td>17,000</td>
<td>4,800</td>
<td>Yes</td>
</tr>
<tr>
<td>A</td>
<td>Inner London Borough</td>
<td>12,000</td>
<td>4,600 and 200 freeholders</td>
<td>Yes mainly</td>
</tr>
<tr>
<td>B</td>
<td>Inner London Local authority</td>
<td>23,800</td>
<td>9,200</td>
<td>Yes</td>
</tr>
<tr>
<td>C</td>
<td>Inner London Tenant management Organisation</td>
<td>9,700</td>
<td>2,600</td>
<td>Yes</td>
</tr>
<tr>
<td>D</td>
<td>Inner London local authority</td>
<td>55,000</td>
<td>15,000</td>
<td>Yes</td>
</tr>
<tr>
<td>E</td>
<td>Inner London ALMO</td>
<td>22,000</td>
<td>12,000 leaseholders and freeholders</td>
<td>Yes</td>
</tr>
<tr>
<td>F</td>
<td>Outer London ALMO</td>
<td>16,000</td>
<td>4,000</td>
<td>Yes</td>
</tr>
<tr>
<td>G</td>
<td>Outer London Local authority</td>
<td>8,500</td>
<td>1,450</td>
<td>No</td>
</tr>
<tr>
<td>H</td>
<td>South east based housing association</td>
<td>34,800</td>
<td>3,000-4,000</td>
<td>Yes</td>
</tr>
<tr>
<td>I</td>
<td>South East based housing association</td>
<td>66,000</td>
<td>13,289 including freeholders</td>
<td>Yes</td>
</tr>
<tr>
<td>J</td>
<td>South West housing association</td>
<td>27,000</td>
<td>3,000</td>
<td>Yes</td>
</tr>
<tr>
<td>K</td>
<td>London Housing Association</td>
<td>27,000</td>
<td>6,000</td>
<td>No</td>
</tr>
<tr>
<td>L</td>
<td>Inner London housing association</td>
<td>9,000</td>
<td>3,000-3,500</td>
<td>No</td>
</tr>
</tbody>
</table>

All of the above organisations manage a leasehold portfolio that includes a significant number of second generation leaseholders, and between 35-50% of their stock is sub-let. Thereafter their similarities are limited.

Of those organisations, nine local authorities, other than HfH, include the accounting process within their centralised team. It should be noted that this includes preparation of
accounts for the tenanted stock as well. This suggests that in effect it is a finance function which has been located within a centralised leasehold team.

It is known that a further two organisations prepare the leasehold service charge accounts within their centralised team, however, the information used to prepare the accounts is derived from a centralised finance team who prepares accounts for the tenanted stock as well. It could therefore be argued that the preparation of the accounts for the leasehold stock could just as easily be carried out within the centralised finance team with those same members of staff.

Managers, when asked, take the view that finance officers who are responsible for all tenures and are not employed within a centralised leasehold/home-ownership team, are not familiar with and conversant with the cost limits such as for leaseholders who have bought their property within the past five years, and or S20 cost limits on responsive repairs and major works. However, the associated risks can be overcome by ensuring staff are fully trained and the IT systems have the necessary checks and authorisation levels in place.

The manager of Organisation I, advised us that the service charge accounting function did not work well because the responsibility for that function was located outside of the centralised team. The reason being that enquiries received from customers, on receipt of the accounts, were received by the centralised team. Because of the location, the demands and pressures the finance team are usually under, the response to colleague's enquiries on behalf of customers is not always timely, resulting in poor customer service.

There are benefits from having a finance function, such as service charge accounting, located within a dedicated finance team, for example management of resources, and succession planning. Some would argue that measures can be taken to eliminate, or at least, reduce the number of enquiries received by customers regarding accounts.

Agreed protocols for responding to colleagues should queries be raised elsewhere within the organisation, can enable greater levels of responsiveness. Improved customer care training for officers, with role model exercises can assist in improving confidence in dealing with customers for officers who are not usually customer facing.

It should be noted, that where organisations have decided to de-centralise the services to other departments a number of years later the decision is taken to centralise, mainly due to issues mentioned above such as lack of knowledge and poor customer care.

4.3 Performance

When considering performance of those organisations that have a centralised or de-centralised team, one area that is often focused on is that of income management. At HfH performance for recovery of both day to day service charges and major works costs is good and targets are met; this is despite a reduction in numbers of officers a number of years ago. The income recovery processes are clear to both officers and to leaseholders and are automated.
Organisation A has a centralised service that differs from the other organisations in that each officer is responsible for most leasehold functions on a generic basis, whereas for the other organisations the responsibility for the various functions is met by different officers/teams, for example income recovery is the responsibility of one officer/team and S20 consultation is the responsibility of a different officer/team.

At Organisation A performance for income recovery at 99% is relatively high. Organisation E, is structured in a similar way in that the officers are responsible for multi-functions, and again performance is more than 98% recovery. There is no control test to compare to, to see what performance would be, all other things being equal, if there was a dedicated team.

The benefit of having dedicated team/officers is that performance can be readily identified and monitored and resources can be managed more easily and effectively. The income recovery function is located in the finance department at Organisation G where performance is not as high as for the other organisations where data is available.

There does not appear to be a correlation between performance and where a dedicated team exists.

One could argue that having dedicated officers within a centralised team, is the same as locating the same officers within a centralised income recovery team.

When we have asked the question as to the reason for locating the income recovery function in a centralised team rather than generic team managers could offer no justification. One manager did say that from experience, responsibility for income recovery should not be included with other responsibilities as this presents a conflict with other demands which could undermine the importance that income recovery requires.

The ratio of the number of units to collection officers is 500 – 1300; the average is 785. At HfH the ratio is approximately 1:1200. This provides limited information about staff to property ratios as it is closely associated with the functionality of the housing management systems.

4.4 Property services team – major works and S20 consultation

Where to locate responsibility for S20 consultation is frequently a challenge for organisations. There can be a variety of reasons for failure to consult properly:

- Lack of sound procedures
- Lack of training for relevant officers
- Lack of performance management.

There tends to be a lack of awareness of the tools available to achieve full recovery of costs such as applications for dispensation from full/part consultation or applications for pre-determination of costs/payability.
Property and asset management teams are often under pressure to spend budgets and to achieve value for money. Their skills are usually and not unexpectedly confined to technical aspects of buildings and performance targets are aligned to budgets and satisfaction.

The S20 process is largely an administrative function that runs alongside the management of carrying out repairs of a day to day nature and project management of programmed work. But S20 consultation should not be seen in isolation of wider consultation regarding major works programmes with all tenure groups. The lack of a comprehensive consultation strategy that includes S20 is usually one of the factors in low satisfaction.

Most of the organisations in the table above have retained the S20 process within a centralised leasehold/homeownership team. Managers when asked, explain that the process ‘works’ because of the proximity of the officers responsible for issuing the Notices, to the asset management teams, and regular meetings which take place with the asset management teams. No justification is offered for why the responsibility for consultation is not located within the asset management team. If, as managers, advise, location and communication is key to the success of the process, then one could strongly argue that the officers would be best located within the asset management team to ensure that the channels of communication are immediate.

At HfH, the S20 consultation function is the responsibility of the homeownership team. The asset management team triggers the process by sending a notification. The review identified that there is a final sign off of the S20 consultation notices by an officer within the Council. The identified weaknesses in the process and the criticisms made by leaseholders are due to unreliable costs being provided to the homeownership team or failure to notify the team of the need to consult, in particular for responsive repairs that exceed the cost limits prescribed by the legislation.

Training and regular liaison with the asset management teams can overcome the identified weaknesses – they do not require structural changes.

4.5 Service improvement

One of the disadvantages of splitting the various leasehold tasks across different teams is that the bigger picture can easily be overlooked. There can be lack of awareness of priorities and deadlines that are critical and if not met, can pose a financial risk.

Whilst benchmarking cannot be relied upon for all areas of the business, there are some issues where it provides an indicator of performance and good practice, such as the development of information technology for income recovery and service charge accounting, or approach to resident involvement. There is therefore a role for benchmarking, or for ‘networking’ with leasehold/homeownership management companies to ensure parity. Where the service is de-centralised, this function might be lost.

In the table provided above and when considering service improvement as one of the elements of the service, the suggested team/department to undertake this role, if there is no dedicated homeownership manager, is a strategy or governance team. Organisation K, is considering a Homeownership partner, essentially a role that interfaces with all of the
other relevant teams involved in service delivery. The role is a form of internal consultant providing advice and guidance on all leasehold/homeownership issues. It may also take the form of an internal quality auditor to ensure compliance with the procedures for all aspects of the service. Lack of sound procedures and training contributes to poor delivery of services. Putting them in place with clear performance management will overcome this.

Although HfH does not have a homeownership specific service improvement plan in place at present we understand that work on this is scheduled following the submission of this report, we recommend that this is addressed as soon as possible and the manager at the right level needs to have responsibility for developing it and driving it through.

4.6 Conclusions – comparison with other providers

There are some common themes but not across all of the organisations. It is difficult to draw out comparisons between them as no two organisations are exactly the same in terms of numbers, location, the stage reached in delivering the Decent Homes programme and so on.

Neither can benchmarking measures, such as satisfaction with the service, be relied upon on its own, as timing and other factors can distort the results. For example:

- We know of an organisation (ALMO) that manages a small number of leaseholders within its stock, but it charges no management fee. Satisfaction with the service is, not surprisingly, in the top quartile

- Because of the differing performance indicators used to measure performance with income recovery between local authorities and housing associations, this is not always a reliable indicator. Local authorities tend to measure performance by the income received (that may include arrears from previous years) against the debit for the year. Examples of performance are 105%. Therefore the debit for the year has been received in full and 5% towards previous debts. Performance of 120% could be interpreted as very good, or very poor in the previous year.

There are no shining lights in terms of best practice in the organisations used for comparison. Organisation C has improved customer satisfaction and income recovery significantly over the past few years due, in part to improved use of IT. However, it is not known if previous poor performance was as a result of structures, processes, IT, performance management.

Processes, training and internal communication are key to the success in delivering all elements of the service.

HfH ‘s performance for income recovery compares favourably with the other organisations and also in terms of efficiency, ie, the ratio of officers to leasehold properties in management. At HfH the ratio is 1:300 and performance is 101% for recovery, at organisation D where the ratio is 1:150 the performance for income recovery is 120%, and for organisation E the ratio is 1:315 and performance is only 98%.
Leaseholder satisfaction with the service at HfH is, however, low. We have not compared satisfaction levels with other organisations for the reasons cited above, ie, timing and other factors can distort the figures.

The arrangements and liaison with maintenance does need to be strengthened but this can be done with improvements in training, communications and processes.

Whilst in theory, there is no reason why the various leasehold and homeownership functions cannot be de-centralised, in practice and because the service is very reliant upon most of the other directorates, organisations generally use a dedicated team to ‘pull together’ the necessary information/data and communicate it to leaseholders in the required statutory format. If de-centralised, the communication is at risk of not being delivered in the correct manner resulting in loss of income. The service does need its own specific service improvement plan. It would be easier to develop this and drive it through a centralised team where the manager has clear responsibility for this.

5 Conclusion and actions

The criteria contained within the modules which form the accreditation must be met in full for accreditation to be approved. Or, where they are partially met, there must be a plan with clear timescales for the criteria to be met in order for accreditation to be conditionally approved.

In order to fully meet the criteria required and to achieve accreditation, action to address the following gaps must be taken.

5.1 Module one – communities and customer care

- The RTB administrators should ensure that tenants are provided with advice about the main lease terms particularly around repairing obligations and service charge costs before they buy – in the knowledge that solicitors fail to provide this level of service.

- The ‘induction’ process for new leaseholders should be put in place as soon as possible to ensure that repairing obligations and service charge accounting is fully understood by leaseholders.

- Introduce a means of gaining information on the profile of leaseholders even if limited to whether there are vulnerability issues such as hardship, disabilities.

- The website publications should be kept up to date, eg, minutes of meetings.

- Review existing policies and ensure they are posted to the website.

- Continue to promote the ‘key leasehold’ scheme, Seemydata and the email database via Homezone magazine and in welcome letters for new leaseholders.

- Develop ‘Seemydata’ in consultation with leaseholders to ensure that it holds information that they want to see.
• Ensure the homeownership team has a work-plan in place that drives performance and improvement with SMART but challenging targets linked to the IIP scheme

• Consider investment of a housing management system that includes service charge accounting for both tenants and leaseholders

• Ensure the complaints are logged and reported on to ensure that there is a central service monitoring performance with the policy, quality and service improvement as a result

• Ensure that there is a process and KPIs in place for monitoring and responding to the various homeownership email ‘inbox’s.

5.2 Module two – service charge calculation and accounting

• Provide new leaseholders with a copy of their lease plan when they buy so that they can see where they will be required to contribute to service charges

• Ensure that the services for all leasehold and future freehold properties are mapped onto the service charge accounting database to ensure that all costs are recovered in full and that re-charges are not made erroneously

• Put in place a policy for mandatory capping of service charges in cases where government funding has been received

• Identify who in HfH or the Council is responsible for various utility services as this can often be a service that is difficult to manage

• Invoice for major works costs in line with other service charges and the decision made in the L B of Southwark v Woelke case. The current arrangements delay income into the HRA and there is a risk of legal challenge if leaseholders are not invoiced in line with the terms of the lease

• Review how sinking funds (reserve funds) are accounted for alongside the overall service charge invoice to ensure compatibility with the lease.

5.3 Module three – income recovery

• Consider investing in a housing management database that can be used for both service charge accounting and income recovery to minimise risk of data being lost and to reduce the need for constant maintenance

• Ensure that arrears letters include reference to contact HfH if financial difficulties exist

• Consider developing a mediation policy and process to avoid the need for costly applications to the FTT

• Consider reviewing the repayment policy so that non resident leaseholders do not benefit as generously as they do now at the expense of service delivery to tenants
Consider reviewing the repayment policy so that resident leaseholders are required to have a financial assessment before interest free arrangements will be agreed.

5.4 Module four – asset management and stock condition

- As soon as possible survey and put in place a renewals programme for all mechanical and electrical installations
- Develop the planned programmes for all capital investment and cyclical work to provide an indicative 5-10 year programme on a block and estate basis that leaseholders can access via the website to ensure that they can make financial arrangements. This will also assist the service charge recovery process as leaseholders will have been forewarned
- Attempt to involve leaseholders in developing the new investment standards for 2017/18
- Ensure that consultants who are engaged on future projects are aware of S20 consultation arrangements and that there are performance measures within their contracts to ensure that the process and communication with the relevant teams is maintained. This will ensure that the timescales are adequate and that observations are given due regard
- Include within all project management contracts a requirement to meet on a regular basis with the home ownership team when final accounts are agreed to ensure accuracy for billing
- Ensure surveyors are aware of the need for robust supporting evidence to justify the need for works to be carried out for example repairs history, photos
- Ensure responsive repairs inform capital investment in the future
- Carry out periodic training for the Council’s call centre operatives to ensure that they are aware of the need for accuracy when coding and placing repairs onto the repairs systems
- Ensure that there is a process in place for dealing with responsive repairs that require S20 consultation to maximise recovery of the costs
- Review the schedule of rates to ensure that only one SOR is applied to each job
- Develop agreed protocols between departments in order that timescales for various tasks are met for example agreed timescales for providing information to the RTB administrators for them to complete the S125 offer notices, answers to enquiries raised so that home ownership officers can provide responses to observations received following issue of S20 consultation notices
- Agree collaborative working between the property services team, the home ownership team, and the neighbourhood teams and when holding public meetings to ensure that a customer focussed approach is adopted
• As soon as possible ‘roll-out’ the PDA system for operatives

• Work with the Council to agree working practices for identified regeneration schemes so that HfH can communicate with all residents and make their own investment plans in light of those decisions.

5.5 Module five – management of homeownership services

• Ensure neighbourhood officers are provided with awareness training of leasehold issues as part of their induction when they join HfH

• Review all policies held to ensure that they are current, and post to the website

• Agree timescales with the Council’s valuer for providing the property value for the RTB to attempt to reduce the delays being incurred

• Carry out an independent objective inspection of the communal halls/staircases of the blocks of flats to identify those that require greater attention to cleanliness

• Promote the HouseMark estate services benchmarking standards and invite residents to comment on how their block compares to the standard.

5.6 Module six – value for money

• Investigate the potential for investment in increased use of technology to reduce duplication and minimise risks

• Review the repayment options for major works charges to maximise income to the HRA

• Review the way major works charges are invoiced to bring them in line with the Southwark v Woelke decision and to recover payments earlier

• Actively encourage leaseholders to join the email database to reduce the need for paper correspondence

• Consider writing to all leaseholders who sub-let to inform them of the letting agency recently established by HfH. Provide incentives or have a reduced letting agency rate for HfH leaseholders. This may encourage them to use HfH which in turn will provide greater control over issues such as ASB. As this is one of the three key issues for leaseholders this would lend itself to greater satisfaction.

5.7 Module seven – leadership and performance management.

• Put in place a leasehold service improvement plan that links to the operations plan for 2015-18, with clear objectives and timescales that will then inform the team plan and individual targets

• Include customer satisfaction as a KPI for the team.
Appendix 1 – Leaseholder comments

2 December 2015

Present: 25 leaseholders,
7 male, 18 female
7 first generation (bought under RTB), 18 second generation
11 sub-letting

Estate service

Standards - only a few leaseholders could re-call receiving a handbook (now provided on-line only), some advised that there are no service standards so don’t know of frequencies or specification –‘have asked, but not given the information’

HouseMark estate services benchmarking club – only one leaseholder was aware of it.

1 x leaseholder knew about the monitoring visits and how to get involved – (an involved leaseholder)

Website contradicts the handbook one leaseholder advises. Website is out of date.

Service charge

Statements – are timely, but leaseholders have to ask for the schedule of repairs. One leaseholder said that a schedule is provided each quarter and raises queries but there is no response

Costs – cleaning costs have increased. The method of apportionment is across the whole borough divided by the number using the service despite how much cleaning is carried out. (This was confirmed by the service charge team)

Repairs

When repairs are reported it would be helpful if they are accurately recorded as the schedule refers to, for example, ‘balcony’ but no idea which one/floor.

The R&M service has been reviewed by the resident scrutiny panel. One leaseholder added ‘that some would say it has improved as a result’. There is a lack of accurate coding and monitoring.

One leaseholder said she has been reporting the wall in front of her property for weeks. It overlooks a school and she points out that there is a health and safety risk but still it hasn’t been attended to. She is intending to go to the MP now.

Builders told a leaseholder that HfH are ignoring all but essential repairs.

Mistakes lead to mistrust.
There was an FTT challenge about charges which the leaseholder won as the charges were for services not contained in the lease plan. HfH need to map out all of the leases to see what can be charged for.

A list of repairs is provided to the service charge team, but they do not know what the estate consists of. Service charge team make a provision of £100 for repairs but it is usually higher, ‘should be more realistic’

‘Should have a right first time’ policy.

**Communication/access**

Most were aware of:

- The email database
- Opportunities to become involved
- The issue of Homezone magazine.

**S20 consultation:**

‘Communication is poor’

Evening meeting was advertised as a ‘drop-in’ but it wasn’t as when I turned up later in the evening the meeting ended shortly after I arrived.

Annoyed that the notices are always sent around Christmas or the summer when people are busy or away on holiday and so miss the deadlines (*for observations*)

‘Would like the notices to be less legalistic’

‘No-one takes responsibility’

‘Project managers can’t cope with public meetings’

No communication as to why scaffolding is up for months and nothing is done.

The notice advising of costs is only a ‘guesstimate’ and there is no communication along the way.

Observations not responded to although we did have meetings.

No consistency in advice.

**Home ownership team:**

‘Nice people’ ‘they try’
Lack of expertise about construction matters.

Send emails many times – to a specific person and the generic email box and have to chase. There needs to be a structure in place for dealing with (taking ownership) those emails.

‘Found them quite good’

One leaseholder has been challenging the service charge and commented that the team has ‘been quite good answering questions’

They should give leaseholders a map when they buy of what and where they are charging for.

No relationship has built up (knowledge) – they do not know the attributes of the blocks/estates.

On the website there is the leasehold charter but is out of date.

**ASB**

Tenancy officer is not enforcing the obligations of the tenancy agreement.

**Resident involvement**

Felt it is positive that there are residents on the board of management – ‘on paper it looks good’

‘Some individuals are nice’ ‘meet people only when an issue is catastrophic’ ‘well intentioned’
## Appendix 2 – Staff level comparison

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Number of leaseholders</th>
<th>Centralised</th>
<th>Number in team</th>
<th>S20 consultation</th>
<th>Service charge accounting</th>
<th>Income recovery</th>
<th>RTB admin</th>
<th>Re-sales admin</th>
<th>RTB volume</th>
<th>Re-sales Vol.</th>
<th>Income recovery Perf.</th>
</tr>
</thead>
<tbody>
<tr>
<td>HfH</td>
<td>4,800</td>
<td>Yes</td>
<td>16</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>500 appr</td>
<td></td>
<td>101%</td>
</tr>
<tr>
<td>A</td>
<td>4,800</td>
<td>Yes</td>
<td>15</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td>99% income collected</td>
</tr>
<tr>
<td>B</td>
<td>9,200</td>
<td>Yes</td>
<td>57</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>415</td>
<td>502</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>2,600</td>
<td>Yes</td>
<td>9</td>
<td>Yes</td>
<td>Yes, partially</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>20-25</td>
<td>70-90</td>
<td>87% (13/14) income collected</td>
</tr>
<tr>
<td>D</td>
<td>15,000</td>
<td>Yes</td>
<td>100</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>754</td>
<td></td>
<td>120% income collected</td>
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<tr>
<td>E</td>
<td>12,000</td>
<td>Yes</td>
<td>38</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>227</td>
<td>381</td>
<td>98% income collected</td>
</tr>
<tr>
<td>F</td>
<td>4,000</td>
<td>Yes</td>
<td>16</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>N/K</td>
<td>n/k</td>
<td>N/K</td>
</tr>
<tr>
<td>G</td>
<td>1,450</td>
<td>No</td>
<td></td>
<td>Strategy team</td>
<td>Finance</td>
<td>Finance</td>
<td>Strategy</td>
<td>Finance</td>
<td>40</td>
<td>130</td>
<td>40% - 88.5% in year range</td>
</tr>
<tr>
<td>H</td>
<td>3,000</td>
<td>Yes</td>
<td>37</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No- dealt with by sales team</td>
<td>7</td>
<td>485</td>
<td>2.27% arrears as % of debit</td>
</tr>
<tr>
<td>I</td>
<td>13,289</td>
<td>Yes</td>
<td>54</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>13,289</td>
<td>638</td>
<td>Range across regions 1.7%/4.6%/7.5% up to 21.5%</td>
</tr>
<tr>
<td>J</td>
<td>3,000</td>
<td>Yes</td>
<td>14</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>3,000</td>
<td>N/K</td>
<td>N/K</td>
</tr>
<tr>
<td>K</td>
<td>6,000</td>
<td>No</td>
<td>N/K</td>
<td>Finance</td>
<td>Finance</td>
<td>Income recovery team</td>
<td>Sales</td>
<td>Finance</td>
<td>n/k</td>
<td>N/K</td>
<td>N/K</td>
</tr>
<tr>
<td>L</td>
<td>3,000-3,500</td>
<td>No</td>
<td>47</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>40</td>
<td>&lt; 2%</td>
<td></td>
</tr>
</tbody>
</table>
**Appendix 3 – Payment options comparison**

*O/O = owner occupier, ie, resident leaseholder, Both = resident and non-resident leaseholders, AL – Absentee landlord, ie, sub-letting,

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Repayment options provided</th>
</tr>
</thead>
</table>
| Inner London local authority          | Both – 12 months interest free  
O/O only – 36 months interest free payable immediately from receipt of the estimate of costs of work **NB-estimates are issued in April with other service charge costs.**  
Up to 10 years but interest charges in line with the lease as the debt is unsecured.  
Voluntary charges  
Equity share  
Legal charges (Equity loan scheme)  
Service charge loans if RTB purchaser within previous 10 years and value of costs is at certain amount. |
| Inner London local authority          | Leaseholders required to contact within 30 days of date of invoice to agree terms.  
Both – 2.5% discount for payment in full within 30 days of date of invoice.  
Both – 12 month interest free, must apply in writing and must pay by 12 equal monthly instalments.  
O/O – Extended interest free:  
18 months for values of £4,201-£6,300  
24 months for values of 36,301- £8,400  
30 months for values of £8,401-£10,500  
36 months for values of more than £10,000  
5 year repayment terms for values more than £12,601 depending on circumstances, 3 years interest free and 2 years variable interest.  
Service charge loans as above  
Discretionary loans if none of the above apply.  
Voluntary charges  
Equity share |
<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Repayment options provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner London local authority</td>
<td>Interest free for O/O only: 10 months – value of less than £5,000 with minimum monthly payments of £50</td>
</tr>
<tr>
<td></td>
<td>24 months – value of £5,000-£10,000</td>
</tr>
<tr>
<td></td>
<td>36 months – values of more than £10,000</td>
</tr>
<tr>
<td></td>
<td>And only where the arrangement is entered into following receipt of the estimate at the beginning of the financial year.</td>
</tr>
<tr>
<td></td>
<td>Voluntary charges</td>
</tr>
<tr>
<td></td>
<td>Service charge loans</td>
</tr>
</tbody>
</table>

<p>| Inner London stock transfer RP       | Interest applied to instalment arrangements and only permitted where leaseholder:                  |
|                                      | - Not in arrears                                                                                   |
|                                      | - Has been refused by two other lenders.                                                           |
|                                      | - Debt must be secured by a charge on the property                                                 |
|                                      | - Must make payment by Direct Debit                                                               |
|                                      | - There must be sufficient equity in the property for a charge                                   |
|                                      | - Not eligible for any other assistance                                                           |
|                                      | Or                                                                                               |
|                                      | Service charge loan from the HCA                                                                  |
|                                      | Directed to obtain loan for bank or building society                                              |
|                                      | Voluntary charge                                                                                  |</p>
<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Repayment options provided</th>
</tr>
</thead>
</table>
| Outer London ALMO                  | The following payment options are available for leaseholders  
- Personal savings  
- Private finance, ie, obtaining a loan/borrowing  
- Service charge loan from the HCA if eligible  
- Home Improvement Agencies – available in some circumstances for people over 60 years or who have a disabled person living with them, options include equity release or voluntary charge, sometimes referred to a care and repair schemes.  
- Discretionary deferred payment agreement as follows providing for instalment payments on the following basis:  
  - Between £500 and £999 - 12 months  
  - Between £1,000 and £1,999 - 24 months  
  - Between £2,000 and £2,999 - 36 months  
  - £3,000 and over – maximum 5 years |
| London based housing association   | Where there is a shortfall in sinking fund provision compared to the costs of works:  
  - Under £2000 12 months interest free  
  - £2000 - £5000 24 months interest free  
  - £5000+ up to 5 years, dependent on circumstances, variable interest applied as per lease. |
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