
Subject:	ADMINISTRATION CHARGES FOR LEASEHOLDERS
Meeting and Date:	Delegated Decision
Report of:	Beverley Williams, Accountant (Housing)
Decision to be taken by:	Mr Mike Davis, Director of Finance, Housing and Community
Portfolio Holder:	Councillor Pauline Beresford, Portfolio Holder for Housing, Health and Wellbeing
Decision Type:	Non-Key Decision

Decision Type:	Unrestricted
-----------------------	---------------------

Purpose of the report:	To seek approval to charge an annual fee for the cost of administration for leaseholders.
-------------------------------	-------------------------------------------------------------------------------------------

Recommendation:	It is recommended that the Director of Finance, Housing and Community approves the proposal to change from the current method of charging leasehold administration costs based on a percentage of the cost of works undertaken to charging an annual fee based on the actual costs incurred to administer the service.
------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

1. Summary

- 1.1 DDC currently recovers the cost of general administration for the leasehold service by an additional percentage charge added to the cost of repairs to the flats, and is currently under-recovering the costs using this method. This proposal is to change the format to an annual charge for general administration based on the actual costs incurred to administer the service. This will return the Council to a cost recovery position.

2. Introduction and Background

- 2.1 The leases state that the cost of administration for leasehold service charges can be recovered but do not specify how the cost of administration should be calculated. At present DDC charges a percentage fee based on works carried out on each block of flats. By using this system DDC is currently under-recovering the cost of administration. Over the last 8 years we have under-recovered on average £55k of costs per year. These costs create a pressure on the Housing Revenue Account (HRA) that can be alleviated by changing the charging method so as to achieve full cost recovery.
- 2.2 Using the percentage method means the costs vary from year to year owing to the nature of the works carried out to the blocks. Where no repairs are made to the blocks of flats, no administration charges are calculated, despite officer time being required to administer the service. In years of major works, the percentage charge is significantly higher than average which can impact the leaseholders with larger than anticipated bills being received. In 2015/16 the administration fee charged ranged from £0.00 to £435.84, with the average being £49.51.
- 2.3 General administration is undertaken irrespective of the level of maintenance undertaken. Insurance and ground rent has to be paid, leasehold charges calculated and payments

monitored throughout every year. Officer time is continuously needed to maintain the service.

- 2.4 There is precedent for other councils within the management of East Kent Housing recovering administration costs in the way proposed, and it is common practice in the non-council sector. Thanet DC charge an annual fee of £147. Canterbury CC charge £80.56 and Shepway DC charge £210.

3. **Method of calculation**

- 3.1 The cost of administration has been calculated using relevant staffing costs, including on costs, a small percentage of surveyors' time and management support costs at DDC.
- 3.2 Once the total cost of administration is calculated it is then apportioned to individual blocks of flats and the charge to be borne by individual leaseholders is apportioned between them in accordance with the mechanisms in the individual leases.
- 3.3 In order to provide a period of transition it is proposed to introduce the change gradually giving rise to an average annual charge of £155 in April 2017, £170 in 2018 and £185 in 2019.
- 3.4 The level of these charges will be reviewed annually in the Fees and Charges setting process.

4. **Detail and Evaluation of Options**

Current Option – Percentage charge on works undertaken

- 4.1 By continuing the current method of charging a percentage of the cost of works undertaken, the council will continue to under-recover the cost of administration of the leasehold service. It will also continue to give leaseholders uncertainty and volatility in the level of charges received annually. This option is not recommended.

5. Proposed Option – Annual Administration Charge

- 5.1 The proposal to introduce an annual administration charge would bring DDC in line with the three other Councils in East Kent Housing who already recover administration costs in this way, and would ensure the cost of the leasehold service would be paid for by the leaseholder in full and not subsidised by the HRA.

6. **Corporate Implications**

- 6.1 Comment from the Section 151 Officer: Finance have been involved in the production of the report and have no further comments to make. (BW)
- 6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.
- 6.3 Comment from the Equalities Officer: The report does not specifically highlight any equalities implications, however in discharging their responsibilities, members are required to comply with the public sector duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

Contact Officer: Beverley Williams, Accountant (Housing) - Extn 2109

