

Leasehold Forum

28 March 2018

Council Chamber, Civic Centre

Welcome

The Chair, Annette Hogan, opened the Leasehold Forum by introducing herself, as the Chair of the Leasehold Standards Panel, and welcomed all attendees.

The Chair, drew the audience's attention to the housekeeping rules and requested they read the Code of Conduct leaflet in the front of the Forum Packs and requested all mobile phones were switched off. The Chair reminded the attendee's that questions raised during the Forum were general and all personal matters could be raised during the Market Stalls immediately after the presentations.

The Chair introduced panel members

Lynn Potter - Home Ownership Manager, Harlow Council

Claire Hicks – Home Ownership Manager, Harlow Council

Alison Curtis – Senior Service Accountant, Harlow Council

Stuart Moseley- Insurance and Risk Manager, Harlow Council

James Starling - Head of Business Development (Insurers) – OCASO

Ian Chlopas – Head of Underwriting Services(Insurers) – OCASO

Laura Harvey – Business Development Manager (Claims Handlers) – Davies Group

13 Apologies received

Attendance recorded at the end of Forum was 40 leaseholders in total.

Minutes of the last Forum - The Chair advised a copy of the previous minutes were in the packs and asked the attendees if there were any corrections required and any matters arising.

None raised or put forward.

The minutes were seconded.

The Chair declared the Minutes agreed.

The Chair confirmed – **A Question raised for the Forum was based on the increase to the Building Insurance, The Chair read out both the question and response. A copy of this will be found at the appendix.**

The Chair outlined the Market Stalls around the Chamber:

Mulalley & Co Ltd – Contractor for major works

Savills UK Ltd (Delivery Team) – Future Works

HTS – General repairs and any service issues

OCASO Insurance, Davies Group and Insurance Team Harlow Council

Harlow Council – Housing Officers – Estate & Housing related issues

Harlow Council- Home Ownership Officers – Service Charges & Major Works enquiries

The Chair introduced the first presentation

Housing Finance: Annual Update

Alison Curtis – Service Accountant – Harlow Council

Alison Curtis (AC) introduced herself and welcomed the attendees.

AC gave an explanation of the Key Themes the Council would be working on for the coming years:

- Fire Safety and Regulation.
- Inflationary pressures.
- Homelessness – New Obligations on Councils

Fire Safety and Regulation.

AC explained, that following the Grenfell Tower disaster, concerns were raised about external cladding, and that the results of the Public Inquiry as yet had not been published. AC confirmed that properties owned by Harlow Council were not clad with similar products. AC emphasized that the outcome of the Public Inquiry may require additional expenditure and the Council will borrow if necessary. A minimum working balance included £1.5m for unexpected work.

A Review of the Capital Programme had been brought forward from 2019/20 to cover the replacement of 'Warm Air' heating, and to identify fire risk, for Moor Tower, Stort Tower, Edmunds Tower, Willowfield Tower and Nicholls Tower. A table illustrated the 5 year programme for Fire Risk work.

The intention is to maintain Decent Homes Standard for all properties with the following being the Capital Programme budget estimates;

- 2018/19: £18.8m
- 2019/20: £15.7m
- 2020/21: £15.0m
- 2021/22: £13.9m

Inflationary pressures

AC outlined the pressures on the Council, noting the Consumer Price Index (CPI) which was +3% as per September 2017, employee salaries increasing by 2%, and contract payments to HTS increasing by 3%. Concerns were noted over the effect of Brexit on the exchange rate and the possibility of people leaving the work place, causing labour shortages, together with the statutory obligation to decrease housing rents by 1% for the 3rd year of 4 years. Government has stated that rents will increase in 2020/21 to 2024/25 by no more than CPI +1%. AC advised that Garage rents would increase by 5% to £9.68 per week and that Service Charges had increased/decreased in line with expenditure and illustrated this with graphs and tables. The illustrations showed the highest and lowest charges and outlined the average charge to leaseholders for:

- Amenity cleaning – Gullies
- Amenity cleaning – Bins
- Caretaking
- Cleaning
- Door Entry Management
- Grounds Maintenance
- Landlords lighting

Together with graph illustrations showing the breakdown and comparison to Annual Service Charges to Leaseholders for both 2017/18 to 2018/19, for the above and the following;

- Management Charges
- Lift Maintenance Charges
- Building Insurance
- District Heating
- Repairs and Maintenance.

AC included the HRA Business Plan 2017 – 2047, outlining that the Council has insufficient resources to repay debt at nearly £42m. That the Council must by law maintain a positive working balance and must be legally compliant at all times.

With objectives;

- Short term (2018/19) to balance the budget to avoid a deficit,
- Medium term (2020-2045) rental increases from 2020/21 of CPI+1% and
- Long term (2026-2047) the Council will be required to review rent setting, affordability, incomes and fairness.

This was outlined with graphs and tables showing the HRA Operating Account, Income and Expenditure for 2018/19

Homelessness – New Obligations on Councils

AC outlined that under the new Act the Local Authority has a duty to prevent homelessness with implications on the budget of the Council. Intervention can take place earlier regardless of circumstances. Costs increased in 2017/18 with demand was rising by 35%, and projections for 2018/19 are looking at a further increase of 25% equating to a sum of £400,000.

Other Matters

AC outlined other matters such as Supported Housing, the reduction in resources – previously funded by Essex County Council resulting in officers drawing up a Five Year Financial Plan.

Universal Credit rolled out since September 2017 combined a number of benefits; as yet, the impact on Council's revenue, such as rental income and bad debt is not clear.

Energy efficiency: billing for actual use, now Law; the replacement of 10 district heating and 15 communal heating systems. The Council investigates large changes in charges.

Building New Homes: to provide more bed spaces in existing temporary accommodation and 6 new flats will be built during 2018/19.

AC invited questions;

Q. What are you doing to manage the pressures and risks on the funding?

A. We carry out analysis, and investigations ensuring the best possible solutions are put forward.

No further questions put forward. AC thanked the audience and passed back to the Chair.

The Chair introduced the next presentation

Extending your Lease – Hannah Criddle – Senior Recovery Officer – Home Ownership – Harlow Council

Hannah Criddle (HC) introduced herself and greeted the audience.

HC outlined the main reason for extending a lease, this being that the shorter the remaining term, the more difficult it would be to sell and/or get a mortgage on the property. Outlining the two routes available:-

Statutory

Voluntary (The Council is currently working on this process).

Statutory process

HC advised that a S41 notice could be served initially to establish information about the building and Landlord. There are no fees payable at this stage and the Council must respond with the required information by the statutory deadline. The notice would help the applicant to make the decision whether to go ahead with the extension. HC continued to outline the Statutory process to renew the lease, under ss.39-62 Leasehold Reform, Housing and Urban Development Act 1993, which would allow an additional 90 year term to be added to the existing lease term. There would also be “peppercorn rent” which means no ground rent.

The serving of a S42 Notice of Claim on the Council commences the process. The leaseholder must meet the following criteria to qualify:-

2 year ownership minimum prior to application

The applicant is also required to pay all costs incurred by the Council from the date of the notice that has been served and a £250 deposit for land interest up front.

The advantage of the Statutory process is that, provided the leaseholder meets the criteria, there are statutory timescales in place that must be met on both sides. Also, in the event of a dispute, after 2 months, either party can take the matter to Tribunal for a decision to be made.

HC strongly advised that legal representation should be sought at the start of the process and for the issuing of the S42 notice as any errors would invalidate the application. If the notice is deemed invalid, it would be withdrawn. The leaseholder would then not be able to re-apply for a further 12 months.

HC explained the process once a valid notice has been served on the Council. HC confirmed the Council would return the notice with deadlines for the applicant to; pay the £250 deposit, deduce the title and confirm availability for the valuation appointment. On receipt of the deposit and availability for a valuation appointment, an appointment with the independent valuer would be arranged. HC confirmed that availability for valuation appointment must be received within 14 days of the Landlords Notice and deduction of title within 21 days. Once the Council has received the valuation, Legal Services would serve a Counter Notice which would include the cost and terms of the extended lease. Subject to agreement a new lease would be granted for the remaining term plus 90 years.

HC outlined the Councils initial fees (as per 1st April 2018)

| | |
|--------------------|---------|
| Valuation Fee | £540.00 |
| Legal Fee | £750.00 |
| Administration Fee | £162.32 |

HC confirmed the leaseholder would also be liable for their own solicitor's fees.

HC advised that the Council are looking at providing a Voluntary Extension process whereby the Council and leaseholder are free to contract outside of the Statutory process.

HC illustrated the following website addresses for further information:-

www.harlow.gov.uk/leasehold-or-freehold

www.lease-advise.org

www.gov.uk/leasehold-property/extending-changing-or-ending-a-lease

HC invited questions:-

Q. What does it mean to "deduce"?

A. To deduce is to prove ownership. You or your legal representative will need to prove that you own the Leasehold (a land registry title will be suffice).

Q. Voluntary Extension process- when will this be available?

A. The Council is currently working on a policy, however, we cannot confirm when the process will be ready. If you would like to speak to me at the end of the presentation, I can take your details and arrange for the voluntary information to be sent to you when available.

Q. If I start the Statutory process, would I lose my fees if I then wanted to commence the Voluntary process instead?

A. Not clear if this can be carried out.

Q. If we wait for the Voluntary process the cost of the lease extension will increase due to the delay.

A. As the process hasn't been agreed I can't advise. It may be decided that the Voluntary process would have shorter qualifying years to that of the Statutory process.

Q. Do you have an example of the average cost for the premium?

A. The Council is unable to advise this without a valuation. You may get a rough indication on the Lease website as they have a calculator for cost of premium.

Q. What happens if you've got 80 years or less left?

A. Marriage value will be added to the cost of the premium and the process will be more expensive. Please see me afterwards and we can calculate how many years you have left on your lease.

Q. Is this presentation just for general information or are you encouraging us to extend?

A. The presentation is for general information. We have had lots of interest and enquiries regarding the process. Leaseholders can extend at any stage, however, as it gets closer to the 80 years it will become more expensive.

Q. I'm selling the flat so it's not a problem at present, no need to renew as yet.

A. Some mortgages companies will not offer a mortgage on properties with leases below 80 years. It may be difficult for a buyer to get a mortgage on a property with sub 80 years.

A member of the audience – I'm a mortgage advisor and most lenders accept short leases of 30 years, least happy as it effects the value of the property.

Q. The S41 "try before you buy" notice is not clear. What do we get? Please can you give some idea of costs.

A. It does not cost to serve a S41 information notice. The notice enables the applicant to request information from the freeholder. Your legal representative will be able to determine whether this notice is necessary. It may not be necessary as with Harlow Council properties Harlow Council is the main freeholder.

Q. What is the purpose for this notice and what are the benefits?

A. The freeholder has to provide you with the information requested regarding the freehold, leasehold and the block. You do not have to use this notice if you don't want to.

Q. The Voluntary process- will it be cheaper or bureaucratic?

A. There will be no statutory timescales to adhere to, however, the Council needs to make policy decisions regarding costs.

Q. Why do it?

Lynn Potter (LP) responded. With the Statutory process you must be a leaseholder for 2 years, whereas with the Voluntary process, the Council may decide that you can apply immediately on purchase. Also, the process may be quicker and easier. These are the types of criteria that the council may want to relax under a voluntary scheme.

Q. How long have you been looking into this?

A. A couple of months because of the number of enquiries we are getting.

Q. Sounds like a minefield.

A. The Voluntary process needs to be looked at and agreed.

Q. With the Statutory process, the fees are £540 and £750. What is the total cost of extending the lease. If the cost cannot be agreed, what is next step?

A. If after two month of negotiation a price for the premium cannot be agreed, the matter can go to tribunal for determination. The fees are set prices. LP added the fees are for external valuers and the Council has benchmarked the fees.

Q. Legal costs, other costs, how much will it cost to add 90 years? I don't like the costs and feel that the leaseholder has no benefit.

A. LP responded. The fees have been explained. There is a calculator on the Lease website. This website can give a rough indication of the cost of the premium. Leases with 80 years or less can be more expensive to extend.

Q. Legal costs at £750 will they increase or one off payment.

A. One off fee.

No further questions raised. HC thanked the audience and passed back to the Chair.

The Chair introduced the next presentation

Building Insurance – Leaseholder Insurance – Stuart Moseley – Insurance and Risk Manager, Finance - Harlow Council; James Starling - Head of Business Development (Insurers) – OCASO; Laura Harvey – Business Development Manager (Claims Handlers) – Davies Group

Stuart Moseley (SM) introduced the representative James Starling (JS) from Ocaso Insurance and Laura Harvey (LH) the Claims Handlers Davies Group and himself.

(SM) started the presentation explaining that Ocaso were appointed as Leaseholder buildings insurers in 2015 out of 3 bids.

He went on to explain that there has been an unexpectedly high numbers of claims, with higher than average costs associated with them relating to Leasehold properties. Explaining that out of 37 claims during 2017, 25 were as a result of escape of water, with 14 of the 25 from adjacent properties. The average cost of an escape of water claim was £3,410. SM continued to explain that the claims costs for 2017/18 have cost £193,806.17 to date.

JS took over the presentation with a chart explaining the increases in losses, for each year since their appointment in 2015. He explained that the total losses illustrated for the 3 years before their appointment was £92,000. JS illustrated that escape of water was the main reason for the increased volume of claims, with 50 claims in 2015/16, 41 for escape of water with 22 being from an property adjacent. The total amount paid out in claims was £239,631.51 as at March 2018. 18% of claims were withdrawn by leaseholders, there were no claim costs but costs involving the assessors were incurred.

In 2016/17, 53 claims were reported with 40 claims for escape of water, 22 from an adjacent property. The total paid out in claims was £240,306.51 as at March 2018. This showed a higher volume of claims.

LH from Davies Group stepped forward to illustrate with graphs for 2015/16, 2016/17 and 2017/18, with the number of claims made, stating that trace and access cover is provided to locate the leak. It was stated that leaks were also incurred from white goods such as washing machines and often from adjacent properties being either above or alongside. Escape of water claims incurred the highest costs with the exception of fire damage claims. The graphs did show that over the last 3 years, between 40-55% of claims were within a leasehold property, with 18-26% were claims as a result of an adjacent leasehold property.

LH went on to explain, they were unable to sustain continual losses, and to reach an even point, were required to increase the premium by 65%. They are not in an attempt to make a profit but to sustain the Long Term Agreement, and to be in a position to bid for the account in the next tender.

Questions were then asked:

Q. Why not insure individually, Why insure through the Council not on your own?

A. The Freeholder (Harlow Council) is responsible for the maintenance of the block as well as insuring the property on your behalf.

Q. Leaseholders insurance appears to be covering council risks and council losses.

A. The leaseholders insurance policy does not provide cover for losses incurred to Council properties. Harlow Council has insurance cover for Council properties. This

(leasehold) policy covers damage to the leasehold flats and leaseholder's interest in communal areas as extends under the lease agreement.

Q. 65% and 50% of claims are as a result of escape of water, isn't there an underlining problem, maybe the standard of workmanship needs to be looked at, not just wear and tear. As insurers are you happy with the amount of claims for escape of water?

A. This is a fair point. Substantially the leaseholder is responsible within their own property while the Council is responsible for the communal aspects. The Council can inspect water claims within properties of Leaseholders. Are all Leaseholders maintaining pipework appropriately within their flats? In addition, leaseholders naturally want the property to look nice and the installed kitchens and bathrooms are often expensive to replace which increases the cost of the claim.

Davies response; Leaks tend to show where plumbing has come to an end of life. Any household leaks are possible. Leaks within Leaseholder properties can also affect neighbouring properties i.e. escape of water under the sink of a leaseholder property, which floods the property below.

Davies added that DIY is a major issue especially with Leaseholders because often less expensive materials are used such as pipework that is less durable and may not have been fitted correctly. This is not an issue with Council flats. Many (leasehold) leaks are not seen until there's a knock on the door. Also flexi plumbing and push fit joints are culprits to leaks.

Q. Interesting information, is this particular to Harlow or any other area? (Following on from the same leaseholder to the previous question)

A. Insurers as a whole are seeing an increase of escape of water claims nationwide, as with burst pipes due to adverse weather.

Davies response; Escape of water is a problem across the country and as a result, excesses have increased to £500 to combat the cost.

SM - To keep premium costs as low as possible for 2018/19, currently still only an average of £160 per property per year, there may be potential to increase your excess to £250.00. The current excess is £100.00. However, this will be discussed at renewal of the long term agreement.

Q. As a leaseholder I suffered many a flood in the early days and never claimed as I didn't know I could. Could Harlow Council communicate the correct way of plumbing etc.. to stop the self-repairs.

SM - We could put something in the Harlow Times. Some Leaseholders use managing agents and many properties are sublet. Tenants are required to report escape of water as soon as possible, to minimize costs and damage. However, tenants and managing agents often do not report the issue until substantial damage has occurred.

Q. Wouldn't a separate policy, like gas be more advisable, I get it stopped and fixed quickly. Tenants are not bothered to tell, then call and expect an emergency plumber.

A. The plumber will go out and carry out an emergency repair, regrettably tenants are often not concerned, and do not inform the Leaseholders who are responsible for organising the repair. Often neighbours do not report leak until the damage has occurred.

Also, some tenants do not allow access into the property, causing a further delay and the Housing team will then be required to liaise with the tenant in an attempt to gain access. The Council do try to manage this issue as quickly as possible, however in some instances, this involves a legal process.

Q. Could you sue them for no access within 2 days, if Leaseholders don't open the door.

A. The process is the same with tenants, as it is with Leaseholders. We don't normally sue to claim for damage.

No further questions were asked. The team thanked the audience and passed back to the Chair.

The team thanked the audience and passed back to the Chair.

The Chair thanked the leaseholders for attending and taking part, advising that the presentations were complete, and that both, Mulalley's and HTS had donated a gift voucher each for the raffle draw. 2 tickets were drawn and the vouchers were handed out.

The Chair invited the attendees to visit the market stalls situated around the hall, reminding them that nomination forms were available to self nominate to the panels, and to also complete and hand in their feedback forms before the close of the evening.

The Forum closed at 9.00pm.

Appendix

Questions for the Leasehold Forum Wed 28th March 2018

Q. The cost of Insurance has increased within the annual service charge. A statement on the reverse of the form states that the Insurance Co “proposed” an increase of 64%. This appears to have been applied unilaterally. Was any attempt made to negotiate this increase or was it merely accepted without challenge?. No information has been provided regarding the increase in claims, the reason for the increase. Can further information be provided?.

A. A new insurance contract for buildings insurance was taken up by the Council with Ocaso in 2015. At that time the initial insurance premium was substantially less than that of the previous insurance provider and was realistically based on the prior year’s claims experience. The typical saving to leaseholders in 2015 as a result of the reduced premium was in the order of 30% when compared to previous years’ charges.

Unfortunately since 2015, the cost of claims has been far higher than in the years leading up to the contract renewal and have been far in excess of the premiums paid to Ocaso. Whilst the insurer has tried to absorb the initial claims results the continuing high level of claims from leaseholders has meant that the insurers now are in a position where premiums have to be increased to address those losses.