

Public Document Pack



	MID SUFFOLK CABINET
DATE	Monday, 7 August 2017 at 2.30 pm
PLACE	Council Chamber, Council Offices, High Street, Needham Market

PLEASE NOTE START TIME OF MEETING

Members

Chairman: Nick Gowrley
Vice Chairman: John Whitehead

Gerard Brewster
David Burn
Julie Flatman
Glen Horn

Penny Otton
Andrew Stringer
David Whybrow
Jill Wilshaw

A G E N D A

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1 Apologies for absence	
2 To receive any declarations of pecuniary or non-pecuniary interest by Councillors	
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For further information on any of the Part 1 Items listed above, please contact Committees on 01449 724681 or via email at <mailto:committees@baberghmidsuffolk.gov.uk>

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14 **TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME**

None received.

15 **MCA/17/6 2016/17 FINANCIAL OUTTURN**

Councillor Whitehead in introducing the report said that the report summarised the 2016/17 financial outturn for the General Fund, Housing Revenue Account, and Capital Programme and that the outturn would be subject to an external audit for the fiscal year 2016/17.

The positive outturn was a result of the budget holders and their collective diligence to ensure that the outturn remained robust for Mid Suffolk District Council.

Councillor Whitehead proposed the recommendations which were seconded by Councillor Horn.

Councillor Whitehead, Cabinet Member for Finance, made Members aware of a correction on page 13 under the heading of Photo Voltaic (PV) Panels. The number of properties should be 168 and not 68.

Councillor Penny Otton said she appreciated that £250,000 had been allocated to the SnOasis planning application in the reserves, but queried what the consequence would be if staff pay was to rise above the 1% pay increase and if the reduction of interim officers would improve on the savings.

Councillor Otton wanted to know when it would be possible to begin a marketing campaign for the Building Control Service and expressed concern that insufficient had been budgeted within the Premises Expenditure. She stated that the cost of fencing and on site security should have been included in the original business case figures. She also asked for an update on Shared Legal Services' recruitment.

Councillor Otton continued by saying that she felt that too much money was being allocated to the Transformation Fund and that she could not support this allocation.

In response to Councillor Otton's questions, Councillor Whitehead, Cabinet Member for Finance responded that staffing had been budgeted for carefully and that the vacancy management saving of £100,000 had been exceeded. The Premises Expenditure related to an in-year purchase and was therefore not included in the budget. He said the Shared Legal Services was an ongoing process and that staffing was being addressed.

Arthur Charvonja, Chief Executive, informed Members that recruiting was still ongoing for Shared Legal Services and once this had been completed the service would be fully operational.

Councillor Nick Gowrley, Leader of the Cabinet, informed Members that the Transformation Fund was being reviewed and would come to a future Cabinet meeting.

Councillor Andrew Stringer asked if the £71,000 for Shared Legal Services was an overspend, which was confirmed by the officers. He also wanted clarification on what was included in the £41,000 under bullet point c in the Public Access Transformation and ICT. Councillor Stringer suggested it would have been possible to spend £16,000 on the Tree for Life project since there now was a saving of £32,000 under the Sustainable Environment budget.

Members were informed that Building Control had a 2.4% reduction in services and this had created a shortfall of £17,000. West Suffolk Building Control were assisting in the preparation of a business case to prepare for the next three years and it would look at whether it was appropriate for the service to be located in Endeavour House.

Councillor Gowrley agreed with Members that Cabinet would vote on recommendation 2.2 c separately.

By a unanimous vote

RESOLUTION 1

That the 2016/17 financial outturn as set out in the report be noted

RESOLUTION 2

That the following net transfers of £528k be approved with the General Fund reserves:

- a) Transfer of £250k, being the income from SnOasis **to** an earmarked reserve, referred to in paragraph 10.9 of the report*
- b) Transfer of £257k, being the 2015/16 deficit on the business rates Collection Fund **from** the Business Rates Equalisation reserve, referred to in paragraph 10.9 of the report*

RESOLUTION 3

That the General Fund carry-forward requests that individually exceed £25k and totalling £314k referred to in paragraph 10.2 of the report be approved

RESOLUTION 4

That the Capital carry-forward requests referred to in paragraphs 10.20 and 10.21 of the report be approved

RESOLUTION 5

That the transfer of £72k, being the HRA deficit for the year (£790k better than planned) per paragraph 10.25, from Reserves be approved

RESOLUTION 6

That the HRA Capital carry-forward requests that exceed £25k referred to in paragraph 10.32 of the report totalling £751k be approved

By 6 Votes to 2

RESOLUTION 7

c) Transfer of £535k, being the balance of the General Fund favourable variance, to the Transformation Fund, referred to in paragraph 10.8 of the report

16

MCA/17/7 BUSINESS RATES - DISCRETIONARY RELIEF SCHEME

Councillor Whitehead introduced the report. He advised Members that after the revaluation from April 2017 the business rate reliefs were put in place as detailed in paragraph 9.10, page 38.

Local authorities had been urged to design their own relief policies for the £300m, so they could grant relief to businesses in the greatest need. Appendix A set out in detail the criteria and the decision and appeal procedures for the Local Rate Relief Policy.

Councillor Whitehead moved the recommendations which were seconded by Councillor Glen Horn.

Councillor Whybrow asked for clarification of the number of businesses being supported by this scheme and if the funding level in bullet point 3.1 on page 35 represented the full maximum funding available from Central Government.

In response to the question Councillor Whitehead said that the Shared Revenues Partnership had identified 14 properties, which the relief would apply to. He confirmed the funding was the maximum amount.

Members asked further questions on how the Council intended to communicate the Business Rate Relief and were informed that businesses which had been identified as appropriate for the relief would be contacted.

Councillor Otton asked for a report detailing what Mid Suffolk District had already done regarding discretionary relief for small village and rural factories and enterprises.

Members requested further information on what would happen to the unspent funding from the Business Rate relief scheme if not enough businesses were identified to fully spend the funding.

The Assistant Director – Corporate Resources said that a response from Central Government was expected to establish if unspent relief funds could be carried forward to future years. If this was the case, Cabinet Members and Officers were to review the policies to enable a redistribution of the underspent funds for the duration of the Relief Scheme.

There had been no feedback from Suffolk Chambers and Federation of Small Businesses as suggested in bullet point 6.3, page 36.

By a unanimous vote

RESOLUTION 1

That Cabinet approves the discretionary local rate relief policy

RESOLUTION 2

That authority be given to the Assistant Director – Corporate Resources in consultation with the Cabinet Member for Finance and the Leader to vary the scheme this year and in future years to keep it in line with Government guidance and local circumstances

RESOLUTION 3

That authority be given to the Shared Revenues Partnership to administer and determine applications for relief within the policy

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MCA/17/8 HOUSING REVENUE ACCOUNT - SUMMARY OF THE 30 YEAR BUSINESS AND FINANCIAL PLAN 2017 UPDATE

Councillor Gowrley introduced the Report and explained to Members that the self-financing scheme introduced in 2011/12 required that housing stock holding authorities had to have a 30 – year business plan outlining the management of the housing stock.

The summary of the updated position of the Business Plan now ensured that the Council would be in a financially secure position and revenue under the debt cap which enable the Council to deliver additional homes in the future.

Councillor Gowrley moved the recommendation which was seconded by Councillor Brewster.

Members were generally pleased with the Business Plan as it reflected the Government White Paper for Housing. Some Member felt that caution was necessary when managing the community-led affordable housing schemes. It would also be necessary to be open minded for future change to the scheme and how it was managed. Some Members felt that the scheme could have included new build and higher levels of environmental standards.

Councillor Otton expressed some reservation on the Sheltered Housing and de-sheltering scheme which had taken place and thought it would be helpful to have a review on the success of the scheme.

Members were informed that a review was due in April 2018 as detailed on page 85 of the report.

Councillor Eburne, Chair of the Overview and Scrutiny Committee informed Members that the Committee had considered the report and that one of their concerns was that the report only recommended an annual review. The Overview and Scrutiny Committee had forwarded a recommendation to Cabinet that a reporting framework for performance monitoring system be put in place.

Councillor Gowrley agreed that the Business Plan would need constant monitoring and updating and would be reviewed by Portfolio Holders' reports. The Business plan should also be reviewed by committees such as Joint Housing Board as it was important to have tenants' involvement in the monitoring process.

By a unanimous vote

RECOMMENDATION TO COUNCIL

That the updated 30-year business and financial plan be approved

18 MCA/17/9 COMMUNITY HOUSING FUND

Councillor Gowrley introduced the report and said that the Community Housing Fund was introduced at the start of 2017 and that Mid Suffolk had received a total of £225,746 for the first year's allocation. The Fund was supporting the local community-led affordable housing schemes and was to enable sufficient capacity, capability, and confidence within local groups to develop housing projects. The recommendations in the report detailed the allocation and spending of the Community Housing Fund.

Councillor Gowrley moved the recommendations as detailed in paragraph 8 on page 92 - 95 which were seconded by Councillor Whybrow.

Councillor Whybrow said that the Community Housing Fund Scheme depended on the allocations of funding detailed in paragraph 8, page 92 – 95 and that the management of funds would determine the success of the delivery of the Community Housing Fund Scheme.

Councillor Stringer said that the Government was attempting to target areas which had a high proportion of second homes and enquired if there was a corporate approach on how to target the appropriate areas of this scheme.

The Professional Lead – Housing Enabling explained that the report detailed the problems connected with not just second homes but also the affordability of homes and that a variety of data had been investigated to determine the allocation of the funding. She said that all parishes had problems with the affordability of homes and that this year’s funding would be allocated to those parishes who were already investigating community-led housing initiatives. It was the intention to send information to all parishes to inform them of the Community Funding Scheme and encourage applications for funding. This will be followed up by a workshop in each district to give information on how to set up Community Land Trusts and how to apply for the funding.

Councillor Penny Otton said that the parishes were likely to need support to apply and manage the Community Housing Fund Scheme.

By a unanimous vote

RESOLUTION

To approve the recommendations set out in paragraph 8, page 92 – 95.

19 **MATTERS REFERRED BY THE OVERVIEW AND SCRUTINY OR JOINT AUDIT AND STANDARDS COMMITTEE**

There were no matters referred by the Overview and Scrutiny Committee or Joint Audit and Standards Committee.

Councillor Eburne, Chair of the Overview and Scrutiny Committee enquired if the recommendations forwarded to Cabinet with regards to the work on the Neighbourhood Plan were being responded to and if the Senior Leadership Team would report back to the Committee on how officers intended to support the parishes with the work on the Neighbourhood Plan.

Mike Evans, Strategic Director, said that officers were working on the recommendations and would report back to the Overview and Scrutiny Committee within the six months’ deadline.

20 **MCA/17/10 FORTHCOMING DECISIONS LIST**

RESOLUTION

That the Forthcoming Decisions List be noted.

The business of the meeting concluded at 3.25pm.

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Chairman

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Agenda Item 5

MIDSUFFOLK DISTRICT COUNCIL

From: Gavin Fisk	Report Number: MCa/17/12
To: Cabinet	Date of meeting: 7 August 2017

HOME OWNERSHIP REVIEW

1. Purpose of Report

- 1.1 To update members on the progress to implement the Home Ownership Review Action plan compiled by Housing Quality Network. (HQN)
- 1.2 To apprise members of the opportunity to improve service delivery, reduce operating costs, increase income and achieve a cost neutral operating model for Home Ownership Services.
- 1.3 To obtain authorisation to proceed with recommendations set out in Section 2 of this report.

2. Recommendations

- 2.1 Cabinet are asked to APPROVE the following recommendations:
- 2.2 Introduction of a new lease agreement with revised terms to support moving closer to a cost neutral service and strengthened legal obligations. Assistant Director of Housing to have delegated authority to revise the lease terms and conditions based on internal legal practice and advice.
- 2.3 To implement a 'flat rate' Management Fee Structure of £279.00 per annum for new Leaseholders

To implement a 3 year phased implementation of the Management fee for existing MSDC leaseholders, as set out in 10.5.1.
- 2.4 To implement a fee structure for 27 types of administration charges set at the current sector average (As set out in Appendix One)
- 2.5 Administration charges are increased annually on 1st April by CPI, as at 30th September, of the previous year, and a market review every 3 years.
- 2.6 To approve a 15% Major Work fee of the total contractor costs for the planned works project.
- 2.7 To approve a revised operating model which projects a saving of £20,258, or 24% of existing structure costs.

3. Financial Implications

- 3.1 The Home Ownership team provide leasehold services to 103 BDC and 40 MSDC leaseholders at a current cost of £81,954 including Corporate overheads. Current income to offset against the operating cost is just over £4,000 per annum.
- 3.2 It is intended the Home Ownership service should become cost neutral to ensure those Leaseholders who have purchased their property and continue to benefit from services provided by the Council are not subsidised by income received from general needs tenants rents. The current subsidy by general needs tenants could be spent achieving the organisations strategic priorities.
- 3.3 Section 10 of this report details how savings of up to £20,258 or 24% can be achieved on the operating costs as well as increasing income to achieve a cost neutral service.

4. Legal Implications

- 4.1 New policy and procedures being implemented ensure compliance with statute and regulations for the recovery of service charges. Achieving compliance will reduce demand upon the legal service as appeals and tribunals will be avoided.
- 4.2 The new legal shared service has actively been involved in the Right to Buy (RTB) and Leasehold process. The joint working has led to improved process and consequential efficiencies alongside ensure robustness to defend any claim from a Leaseholder.
- 4.3 To implement a new management fee structure for future BDC RTB sales a new lease is required. This provides an opportunity to update and review the leases for both Councils to ensure they are fit for purpose and reflect legislative changes. The leases were last reviewed in 2007.
- 4.4 It is intended to ensure legal compliance, prevent challenge in the form of appeals and tribunals, and to ensure a progressive relationship with leaseholders that we may seek the opinion of Leasehold Tribunal service when considering changes to the service including charging to mitigate against future risks. Further legal advice will be sought as we progress the management fee structure.
- 4.5 The new lease will apply to future RTB sales only. Existing leaseholders will keep the existing lease. Paragraph 10.4.13 explains in detail how existing Leaseholders could change to the new lease on a resale of the property.

5. Risk Management

- 5.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Lack of clear and concise communications explaining why	2 (Unlikely)	2 (Noticeable)	Increasing existing charges may lead to negative publicity, a

change is required may cause reputational damage			comprehensive communication plan will ensure we proactively manage all communications with leaseholders
Leaseholders may express dissatisfaction with service and challenge quality and or cost of service.	2 (Unlikely)	2 (Noticeable)	One aim of the review has been to improve VFM and increase satisfaction within the service for leaseholders by providing a more efficient and effective all round Leasehold service
Leasehold operating costs increase and we are unable to recover these costs	1 (Highly Unlikely)	1 (Minimal)	The recent review of the service, and changes to the current structure will ensure costs do not increase beyond reasonable adjustments e.g. pay rises, cost of materials etc.
Inability to account for costs may result in legal challenge by leaseholders and potential refunds if successful.	2 (Unlikely)	2 (Noticeable)	Significant amounts of time and investment are being put in to ensuring we only charge for costs that we can account for, and for which we are permitted to charge within the lease agreement which is an improvement on existing systems and structures.

Delay in agreeing the new lease may result in legal challenge by a leaseholder.	3 (Probable)	1 (Minimal)	Work is actively taking place between the Home Ownership team and the legal team to ensure we introduce a new lease which is robust, compliant and is developed using best practice. Any challenges will be discussed with the Assistant Director for Law & Governance.
An extremely small staffing resource with leasehold experience limited to one officer who is likely to leave this year	4 (Highly Probable)	2 (Noticeable)	Introduce a revised staffing structure now, and mitigate through training and development of staff members before any further retirements take place

6. Consultations

- 6.1 It should be noted Legal, Finance and Accountancy, Public Realm and Building/Property Services are actively involved and supporting delivery of the Home Ownership action plan. Updates on the progress that has been made have been presented to the Joint Housing Board.
- 6.2 Informal discussion has taken place with Senior Leadership Team SLT in April, until the report has been agreed formally, within the current governance model, any further consultation with stakeholders: leaseholders cannot commence.
- 6.3 A structure of consultation will be developed to support any changes to either existing leaseholders or potential new leaseholders in the future. There are plans to hold an event to attract leaseholders to engage with us by providing them with information whilst at the same time discussing any planned changes.

7. Equality Analysis

- 7.1 New policies will have an equality impact assessment to ensure no discrimination in relation to any of the protected characteristics.

8. Shared Service / Partnership Implications

- 8.1 As per paragraph 4.2, Legal Services have actively been involved in the project. The shared service brings the benefit of a consistent legal approach across both Councils. Alignment of the leases to the same terms for future resales provides clarity and simplicity to operational staff who need to refer to the lease before completing tasks such as ordering repairs and recovering costs.
- 8.2 Joint working with Suffolk Coastal, Waveney and Ipswich Council shared audit service has strengthened BDC & MSDC approach to verification of Right to Buy applications.

9. Links to Joint Strategic Plan

- 9.1 The successful delivery of this project will meet several of the Councils' strategic priorities:
- a) Better service delivery model
 - b) Better use of our existing Housing Assets
 - c) Manage our housing assets effectively
 - d) Financial stability
 - e) More efficient public access arrangements
 - f) Digital by design
 - g) Strengthened and clear governance to enable delivery within statute law

10. Key Information

- 10.1 The current stock profile for both Councils is summarised in Table 1.

Table 1: Stock Profile

	BDC	MSDC
No. of General Needs	3393	3235
No. of Shared Ownership	3	14
No. of Leaseholders	103	40
Total No. of Properties	3499	3289

Correct figures as at Monday 24 July 2017

- 10.2 Leaseholders represent a small percentage of the stock but require a reasonably significant amount of resource to manage daily activities and contact due to current operating practices. Economies of scale would only be produced by a significant increase in leaseholders. Current operating costs are shown in Table 2.
- 10.3 **Reducing Operational Costs and Improving Service:**
- 10.3.1 The Home Ownership Review and Action plan actions achieve a cost neutral Leasehold service, reduce operating costs alongside increasing income, legal compliance and improving the service. It will be important to demonstrate to Leaseholders the Council is working with them to ensure any potential increase in management fee is justifiable and clear.

10.3.2 The current operational structure includes 3 permanent staff working on Leasehold Services. One member of staff retired in May 2017 and a further expected staff turnover provides an opportunity to review the structure and consider alternative appointments at a grade consistent with existing staff and the sector average.

10.3.3 The Home Ownership project is reviewing operating practices and is implementing new methods to improve efficiency. It is anticipated that this will increase productivity and efficiency as we introduce simplification, technology and provide clarity of roles. Operating practices have been reviewed with consideration to the “All Together Programme” and move to Endeavor House.

10.3.4 Much of the leasehold work is currently undertaken by one person and this provides a risk. The proposed future structure shares leasehold work across 2 employees removing the single point of failure.

Table 2 shows current costs and table 2a shows projected costs in a revised operating structure that can be achieved through natural staff turnover in the next 12 months. Savings of up to 24% can be achieved.

Table 2: Current Cost of Leasehold / Home Ownership Service

Job Role	Salary inc on costs £	% of time spent on Leasehold Mgt	Cost Based on % Leasehold - £
Assistant Director	72,554	5	3,627
Corporate Manager	58,172	10	5,817
HRA Officer (Leasehold)	30,524	90	27,471
HRA Officer (Right to Buy)	34,856	20	6,971
Surveyor	36,348	75	27,261
Involvement Officer	36,348	5	1,817
Corporate on Cost* (based on 3 FTEs)			9,000
Total cost of the leasehold service			81,964

Table 2a: Projected Cost of Leasehold / Home Ownership Service

Job Role	Salary inc on costs £	% of time spent on Leasehold Mgt	Cost Based on % Leasehold - £
Assistant Director	72,554	5	3,627
Corporate Manager	58,172	10	5,817
HRA Officer (Leasehold)	34,856	50	17,428
HRA Officer (Right to Buy)	34,856	50	17,428
Administration Support	22,173	20	4,435
Clerk of Works	34,856	20	6,971
Corporate on Cost* (based on 2 FTE's)			6,000
Total cost of the leasehold service			61,706

***Corporate on costs including e.g. HR, Finance, ICT etc. equates to approximately £3,000 per FTE staff member.**

10.3.5 Operational savings have been achieved by removal of the Surveyor Job Role and introduction of a Clerk of Works. Historically the BDC Surveyor undertook work better aligned to the HRA Officer for consistency and efficiency.

10.3.6 The Involvement Officer role represented a small part of their work and this has been assumed into the HRA Officer Role. The All Together programme is expected to reduce corporate costs in the long term, further helping to achieve a cost neutral operating cost.

10.4 Increasing Income Options:

10.4.1 The leases currently allows for the Council to charge for certain items to provide services to Leaseholders. Those chargeable items include – administration charges, management fee and major works fee.

10.4.2 Administration Fees should be defined to reflect the additional effort required to provide information, complete a lease transaction taking place or where a resident is in breach of the lease. At present, both Councils only charge an administration fee on 3 transactions.

10.4.3 Benchmarking with Councils and Housing Associations reveals a potential for 27 different administration fees with an estimated annual income of approximately £7k. Appendix 1 details the proposed administration fees based on the average cost from benchmarking within the social housing sector. The Council is RECOMMENDED to implement the 27 fees set at the sector average. A further recommendation is these fees are increased annually on the 1st April by CPI as at 30 September.

10.4.4 Major Works - The lease makes provision for a charge to oversee major work projects and the prescribed S.20 consultation. This fee is typically a ‘%’ of the contract value. Currently both Council’s charge 10% and the industry average is 12% and the highest 15%. It is RECOMMENDED to increase the major works fee from 10% to 15%. This fee covers the cost of managing the contract to deliver the improvements to the flat, the required statutory consultation and income collection.

10.4.5 Major works such as replacement doors, windows, roofing and painting would be subject to a 15% fee. In 2016/17, approx. £36k of major works were completed in BDC only. With a new 5 year planned programme being developed the value of major works completed will increase. The Council is RECOMMENDED to approve a major work fee of 15%.

Table 8: Potential Major Works Income

Value of Major Works	10% Fee - £	15% Fee - £
£36,000	3,600	5,400
£50,000	5,000	7,500
£75,000	7,500	11,250

10.4.6 Management Fee - Under the terms of the Council leases, a management fee is charged to reflect the cost of providing a management service to leaseholders purchasing a flat. Typically, this includes the cost of providing, managing and monitoring services provided on estates, the operational costs of running the estate and contact with leaseholders. Appendix 2 details the roles undertaken which would be defined within the management fee.

10.4.7 The BDC and MSDC current leases contain different clauses in relation to the management fee. For BDC this will restrict increasing the management fee for existing leaseholders as the lease term sets this at 10%.

The structure and calculation of the management fee can be determined by the Council and 3 options exist:

- a) Flat Rate – The most common method sees leaseholders all pay the same management fee regardless of how heavily the service is used.
- b) Percentage Uplift on Services – This is the current arrangement for both Councils. The cost of providing the services to the estate has a percentage uplift applied – currently 10%
- c) Tailored to Each Estate – The management fee is set depending on the likely effort and input required for each estate.

Table 4: Advantages and Disadvantages of each Charging Mechanism

Method of Charging	Advantages	Disadvantages
Flat Rate	<ul style="list-style-type: none"> ✓ Clear & easy to administer ✓ Fixed cost giving the customer greater certainty on the cost ✓ Greater certainty the Council can operate a cost neutral service without subsidy from tenants 	<ul style="list-style-type: none"> ❖ Maybe seen as unfair by some who do not use the leasehold service much ❖ Justification to leaseholders may be challenged by those not using the service as much
Percentage Uplift	<ul style="list-style-type: none"> ✓ Seen potentially as a fair system – more services provided on an estate = a higher service charge with bigger % uplift ✓ Existing Leaseholders currently benefit from a very low charge due to the Council's excellent value for money 	<ul style="list-style-type: none"> ❖ Not recommended as an appropriate method of charging leaseholders as the % will vary year on year, provides no certainty on cost to the leaseholder. ❖ Landlord maybe encouraged to charge more / provide services to receive a larger % management fee. ❖ No current benchmark on what is considered acceptable amount. 15% is the norm.

		<ul style="list-style-type: none"> ❖ If used at BDC & MSDC, the cost of providing existing services is exceptionally good value and a very large % uplift would be required to achieve an income that reflects cost of service provision.
Tailored Estate	to ✓ Seen potentially as a very fair system	<ul style="list-style-type: none"> ❖ Requires a far greater level of understanding to determine where officers spend their time ❖ Requirement to introduce a time recording mechanism to calculate cost per estate, increasing administration and consequential costs ❖ Increased chance Leaseholders will compare with neighbouring estates and challenge fairness of charges. ❖ The small number of leaseholders at BDC & MSDC it is likely that little variance will occur.

10.4.8 The Council is RECOMMENDED to adopt the Flat Rate Management Fee option. The current lease terms differ between BDC and MSDC and the following solution is proposed to meet existing legal obligations within the leases.

Table 5: Current Lease Terms and Proposal

Current Lease Term	Transition	Outcome
BDC – “An amount equal to 10% for all other items included in the service charge”	Implement a new lease with a new clause to allow a management fee based on a flat rate that reflects the cost of providing the service	Current management fee income is c£19.00 per Leaseholder p/a. For new leases this will increase to reflect the cost of service provision. Existing leases will remain on a 10% management charge
MSDC – “Costs and expenses of the landlord”	Change the method of calculation from a percentage uplift on services provided to a flat rate that reflects the cost of providing the service	Current management fee income is c£28.00 per leaseholder p/a. For existing and new leases this will increase to £279.00 to reflect the cost of service provision

10.4.9 Flat Rate Fee Management Fee for BDC & MSDC - Table 6 shows the income required (£43,786) from the management fee based on the new reduced operational costs, ground rent income and new increased income from administration fees and major works fee.

Table 6: Flat Rate Management Fee Options

	Expense £	Income £	Difference £
Project Future Cost of Leasehold Service	61,706		
Ground Rent - £10 p/a per Leaseholder		1,420	
BDC Existing Leaseholders		2,000	
New Administration Fees		7,000	
New Increased Major Works Fee (see table 8)		7,500	
Total	61,706	17,920	43,786

10.4.10 Due to the existing lease term for BDC leaseholders, current leaseholders will remain on a percentage uplift. The flat rate would apply to new BDC leaseholders. It is recommended the Council assumes the existing BDC leaseholders are paying the same flat rate management fee when calculating the overall management fee to be charged. This will ensure MSDC leaseholders are not paying an increased management fee to subsidise the BDC leaseholders who must remain on 10% management fee.

10.4.11 The Council is **RECOMMENDED** to approve Option 3 and introduce a new management fee that almost achieves a cost neutral service. Table 7 details the 4 options.

Table 7: Flat Rate Fee Options

Flat Rate Management Fee Options	Total Income - £	Difference to Achieve Cost Neutral Service £
Option 1 - £138 (lowest in sector)	20,286	23,500
Option 2 - £221 (sector average)	32,487	11,299
Option 3 - £279 (highest in sector)	41,013	2,773
Option 4 - £297.86	43,786	Nil

10.4.12 Benchmarking has taken place within the social housing sector only. Benchmarking with the private sector was deemed to provide unfair comparisons due to the commercial sector seeking to make a profit and charge higher amounts. The Council's social value and purpose acknowledges leaseholders and the contribution to the community and is not therefore seeking to exploit higher charges to make a profit.

10.4.12 Existing BDC leases prevent a change from the 10% management fee. In the coming years, we expect Leaseholders to apply for a lease extension as the remaining lease term drops below 90 years. This does provide Babergh Council with an opportunity to negotiate with the Leaseholder and agree to the new lease in exchange say, for the Council paying their legal costs. This will be explored with Legal Services and if practicable will over time reduce the subsidy as existing leaseholders agree to the new lease.

10.4.13 The Council has explored the buying back of more ex-Council stock as existing leaseholders sell the property. The purchase of the flat and returning to the Council stock for renting not only increases rental stock, should the property be sold again through the RTB, the new leaseholder will be on the new lease and flat rate management fee. Whereas, if the ex-Council property is sold to a private purchaser, they will benefit from the existing lease and 10% management fee. Consultation with Louise Rawsthorne (Assistant Director – Investment and Commercial Delivery) has taken place and she has agreed that they may consider the process of ‘buy back’ on a case by case basis.

10.5 Implementation:

The increased fees will be supported by a communications plan to ensure leaseholders are well informed as to what they have been paying for and why such increases are justifiable and correct for the future.

10.5.1 The proposed implementation is

- a) **Administration Fees** – Implementation for both Council’s from 1 January 2018.
- b) **Major Works Fee** Increase from 10 to 15% - Implementation for both Councils from 1 January 2018
- c) **BDC Management Fee** – Option 3 for all new leaseholders with immediate effect following the new lease being approved.
- d) **MSDC Management Fee** – Option 3 for all new leaseholders with immediate effect and a phased implementation for existing from 1 April 2018. Table 9 shows 3 options and a 3-year phasing is recommended for the 40 MSDC Leaseholders.

Table 9 – Phasing of MSDC Management Fee

	Current	Year 1	Year 2	Year 3
Immediate	£28.00	£279		
2 Year Phasing	£28.00	£128	£279	
3 Year Phasing	£28.00	£100.00	£200.00	£279.00

10.5.2 A communications plan is attached as Appendix 3 showing who and how relevant parties will be communicated with to explain the new fees.

11. Appendices

Appendice	Title	Location
Appendix One	Administration & Major Works Fee Benchmark Data	Attached
Appendix Two	Management Fee – Expected Roles	Attached
Appendix Three	Communications Plan	Attached

Authorship:

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Tenant Services Corporate Manager

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Appendix 1 - Administration & Major Works Benchmark Data

Administration Fee Type	Current	Benchmark Data			MSDC	BDC	Potential
		High	Low	Average	Est. No.	Est. No.	Income*
	£	£	£	£			£
Leaseholder Enquiries (Flats/maisonettes)		440	285	360	3	6	3,240
Resales/Landlords Enquiries (Flats & Apartments)	85	300	100	179			0
Notice of transfer	24	102	30	64			0
Notice of charge		100	30	64			0
Deed of covenant		120	30	74			0
Copy of lease if held in our records		100	15	39	1	2	117
Insurance policy document		45	25	31	2	4	186
Standard valuation fee (basic market valuation)		350	175	260			0
Lease extension admin fee		300	50	182			0
Enfranchisement admin fee (per unit)		500	100	288			0
Home improvements (permission request - basic)		180	25	83	3	6	747
Home improvements (permission request - complex)		410	50	174	1	2	522
Home improvements (Survey in respect of alterations)		205	100	163	1	2	489
Home improvements (Survey and licence)		350	75	173			0
Retrospective consent with surveyor visit		410	25	184			0
Breach of Lease		50	25	36			0
New lease plan drafting		250	60	140	1	1	280
Rent reference - Right to buy/acquire		25	25	25			0
Removal of land charges entries		235	40	118			0
Deed of postponement	85	190	45	99			0
Deed of variation/rectification administration fee		750	40	264			0
Remortgaging and further advance fees		130	30	74	2	4	444
Buying more shares/staircasing		235	60	167			0
Notice to sublet		170	30	91	2	5	637
Postponing right to buy discount repayment - deed of postponement		180	125	117			0
Copy of Service Charge account		40	20	29	2	4	174
Late Service charge reminder		25	15	20	8	20	560
Total							£7,396

Major works management fee		15.00%	8.00%	12.00%			£8,400*
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* based on £60k Leasehold Major Improvement Work

*Potential Income - based on predicted numbers. Some transactions are rare so no financial income assumption has been made.

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Functions Undertaken by the Home Ownership / Leasehold Team

Home Ownership Team

- Housing management issues related to leaseholders and shared owners
- Enforce lease conditions
- S20 consultation on major works
- Leaseholder involvement
- Resolution of disputes with leaseholders
- Liaison with general needs housing management teams
- Resident meetings
- Responsibility for providing point of contact for leaseholders
- Advising customer services on lease issues
- Service charge setting – estimates and actuals
- Instructing finance to send service charge, ground rent & major work demands
- Decision making on arrears recovery
- Processing re-mortgage applications
- Processing cheque refunds to leaseholders where applicable
- Coding and re-coding of properties/schemes
- Liaison on service quality / level and demand
- Processing solicitor's enquiries on service charges
- Estimating service charges for new schemes

Leasehold / Property Services

- Estate inspections to review quality of cleaning, identify communal repairs, review breaches of lease
- Decisions on permissions for leaseholder property alterations
- Processing works/services invoices on behalf of housing services
- Inform Leasehold team when Section 20 Consultation for major works, long term agreements and one offs) needs to take place
- At the point of sale – any planned improvements (internal/external)/repairs that are foreseen in the next five years.
- Any construction related leasehold liaison for repairs and maintenance, follow up queries, disputes, cost
- Management of Fire risk assessments, asbestos, legionella, emergency lighting.
- Management / maintenance of contracts such as window cleaning etc
- Inform Leasehold team on need for sinking funds – estimated life cycles and costs
- Regular programme of block inspections where leaseholds apply – and act on findings – inform leasehold team of any lease breaches
- Attendance at leasehold meetings with leaseholders on any property related meetings.

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**COMMUNICATIONS PLAN**

Implementation of New Leasehold Service Fees

	COMMUNICATION TYPE	AUDIENCE	TIMING	DISTRIBUTION	HOW
1	Briefing Document	Internal Staff	1 month & 2 weeks before implementation	Corporate Managers	Email Face to Face Briefings
2	Briefing Document	Members	1 month & 2 weeks before implementation	Member Briefings Committee Services	Email
3	Letter to Existing Leaseholders	Existing Leaseholders	1 week before implementation	Leaseholders Customer Services Team Corporate Managers	By Post and Email
4	Leaflet for New Prospective Leaseholders	New Prospective Leaseholders	On implementation date	Leaseholders Officers	Leaflet
5	Website	Leaseholders Public Members	On implementation date	Website	News article Specific section on website
6	Residents Newsletter	All tenants and leaseholders	Next and future editions	Tenants and Leaseholders	Post

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Forthcoming Decisions list (KEY, EXEMPT AND OTHER EXECUTIVE DECISIONS)

July to December 2017

Status	Subject	Summary	Decision Maker & Decision Date	Contacts:		Reason for Inclusion
				Portfolio Holder(s)	Officer(s)	
Amended	Local Plan	To agree	Council 18/20 July 2017	Lee Parker/David Whybrow	Bill Newman Julie Abbey-Taylor 01449 724782 Bill.newman@baberghmidsuffolk.gov.uk	
Amended	Home Ownership Review	For agreement	Cabinet 7/10 August 2017	Jan Osborne/Jill Wilshaw	Gavin Fisk 01449 724969 Gavin.fisk@baberghmidsuffolk.gov.uk	Key Decision
New	Boundary Review	For agreement	Council 8/9 August 2017	Nick Gowrley Jennie Jenkins	Emily Yule 01473 825891 Emily.yule@baberghmidsuffolk.gov.uk	
New	Leisure Strategy	For comment and agreement	Cabinet 4/7 September 2017	Julie Flatman/Margaret Maybury	Chris Fry 01449 724805 Chris.fry@baberghmidsuffolk.gov.uk	Key Decision
New	Quarter one Budgetary Control	For comment and agreement	Cabinet 4/7 September 2017	Peter Patrick John Whitehead	Katherine Steel 01449 724806 Katherine.steel@baberghmidsuffolk.gov.uk	Key Decision
New	Lawshall Neighbourhood Plan	For comment and agreement	Cabinet 7 September 2017	Lee Parker	Paul Bryant/Paul Munson 01449 724771 Paul.bryant@baberghmidsuffolk.gov.uk	

Amended	Future Options HQ Sites	To agree and recommend to Full Council for adoption	BDC Cabinet 7 September 2017 BDC Council 19 September 2017 MSDC Cabinet 4 September 2017 MSDC Council 21 September 2017	Nick Gowrley Jennie Jenkins	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@babberghmidsuffolk.gov.uk	
New	Quarter Two Budgetary Control	For comment and agreement	Cabinet 6/9 November 2017	Peter Patrick John Whitehead	Katherine Steel 01449 724806 Katherine.steel@babberghmidsuffolk.gov.uk	Key Decision
Amended	Suffolk Framework for Growth – Housing, Economic and Infrastructure Strategies	To agree and recommend to Full Council for Adoption	Cabinet 4/7 December 2017	John Ward/Gerard Brewster	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@babberghmidsuffolk.gov.uk	
New	Half Yearly Report	For comment and agreement	Cabinet 4/7 December 2017	Peter Patrick Glen Horn	Karen Coll 01449 724566 Karen.coll@babberghmidsuffolk.gov.uk	
New	Neighbourhood Plan Update	For comment and agreement	Cabinet TBA	David Whybrow/ Lee Parker	Paul Bryant/Paul Munson 01449 724771 Paul.bryant@babberghmidsuffolk.gov.uk	
New	Introduction of Fixed Term Tenancies	For comment and agreement	Cabinet TBA	Jan Osborne/ Jill Wilshaw	Sue Lister 01449 724758 Sue.lister@babberghmidsuffolk.gov.uk	

Amended – Date to be advised	Business Case Investment Proposal	EXEMPT	BDC Cabinet TBA 2017	John Ward	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions.
Amended – Date to be advised	Business Case Acquisition	EXEMPT	MSDC Cabinet TBA 2017	Gerard Brewster	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions.

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If you have any queries regarding this Forward Plan, require further information about Council or Committee meetings, please contact the Governance Team on 01449 724673/01473 826610 or Email: Committees@baberghmidsuffolk.gov.uk.

If you wish to make any representations as to why you feel an item that is marked as an “exempt” or confidential item should instead be open to the public, please contact the Monitoring Officer on 01473 825891 or Email: emily.yule@baberghmidsuffolk.gov.uk. Any such representations must be received at least 10 working days before the expected date of the decision.

Arthur Charvonia

Chief Executive

Babergh and Mid Suffolk District Councils

If you require this document in large print, audio or Braille or in a different language, please contact the Governance Team on 01449 724673/ 01473 826610 or email Committees@baberghmidsuffolk.gov.uk

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