



# Leasehold management review – headline report

Tower Hamlets Homes

2019

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## 1. Introduction

Tower Hamlets Homes (THH) provides services to approximately 21,000 homes on behalf of the London Borough of Tower Hamlets. Nearly half of these homes are leasehold – and THH advises that it estimates some 51% of leasehold homes are privately rented.

THH wants to improve the services it provides to leaseholders. To do this, THH has been reviewing its performance and making changes.

THH asked HQN<sup>1</sup> to carry out an independent review of the leasehold management service. Our review included:

- A ‘desktop’ review of relevant policies, procedures and practices at THH as they relate to leaseholders.
- Interviews with 34 THH staff.
- Meetings with resident and non-resident THH leaseholders to find out what leaseholders thought about the services that THH provides and where improvement was necessary.
- An online survey that received approximately 256 responses from leaseholders
- Benchmarking of some of THH’s structures, policies and approaches. These were compared to four Local Authorities plus one Arm’s Length Management Organisation (ALMO), and to best practice.

This headline report sets out the key issues found by HQN’s review and related recommendations for improvement. The issues are set out in one of three groups, which were common themes identified from reviewing historic correspondence from leaseholders:

- Improving communication with leaseholders
- Improving transparency
- Improving value for money

Where relevant, this report also notes improvements THH has already recently put in place to address issues raised by leaseholders or staff, or found during the desktop review.<sup>2</sup> Our full report and list of recommendations is also available on THH’s website. The full report sets out the findings in more detail and includes additional recommendations including internal changes to processes and procedures.

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<sup>1</sup>HQN is a well-established consultancy providing expert advice and guidance to social housing landlords on policy and best practice. More information and details about HQN can be found on our [website](#).

<sup>2</sup>As this review is taking place as part of a wider service improvement project, THH was already in the process of identifying and making improvements to the services it offers residents. However, some of the changes underway before HQN’s work began would not have been in place for long enough for leaseholders to notice changes. We have therefore included the issues raised in this report and noted where improvement work has already started.

## 2. HQN's recommendations

### 2.1. Improving communication with leaseholders

Communication between THH and leaseholders featured strongly in the focus groups and survey responses as well as in the issues that came out of our desktop review. Looking at the concerns raised, we see room for improvement in both the way THH communicates *with* leaseholders, as well as in the way THH communicates information internally *about* the services provided to leaseholders.

We found:

- Leaseholders said they didn't understand some THH documents (especially those related to major works), and that letters weren't user friendly.
- Leaseholders told us about disjointed communications where letters arrived at similar times but did not reference each other.
- THH could do more digitally/online. For example, leaseholders wanted to use the MyTHH web portal to obtain a statement of accounts or see a payment made.
- Some information online is not updated regularly.
- Officers responsible for dealing with leaseholders were not given access to all the information they needed to help as effectively as they could.

#### 2.1.1. THH is currently improving communication with leaseholders

THH is already addressing some of the problems we found in our review. For example, we understand the organisation is reviewing all written information and standard letters so that leaseholders receive clear information in plain English.

As Housing Officers now have more responsibility to deal with issues raised by leaseholders, THH advises us that a training programme is underway to improve knowledge of the relevant issues. As a result, we anticipate that leaseholders should see a difference in the quality of advice they receive. In combination with this training, THH will also need to make sure that Housing Officers have quick access to the information they need to answer queries (see related recommendation below).

THH tells us it is also providing more information to leaseholders through MyTHH and has undertaken to review and improve the THH website during 2019/20. Making sure this information is updated regularly will be key (see related recommendation below).

Finally, THH advises us that it has invested in extra resources to enable it to provide increased consultation with leaseholders, in addition to the legally required consultation process (often referred to as a Section 20 process). The enhanced consultation process is planned to include an estate walkabout and discussion on proposals prior to formal consultation.

### 2.1.2. Areas for additional improvements

Considering the issues found and concerns raised, we believe there is a need for a set of recommendations which:

1. Ensure communication with leaseholders is in plain English and does not assume an advanced knowledge of technical areas for issues to be understood.
2. Ensure leaseholders are given up-to-date and accurate information.
3. Improve the process for exchanging information internally to ensure officers are well placed to answer questions whether they come from leaseholders or from other parts of the organisation (for example, so that a neighbourhood officer would know how to answer a question relating to information held by asset management).
4. Ensure 'Joined up' communications – specifically by making sure that multiple letters being sent out to leaseholders would refer to each other.
5. Meet the desire of leaseholders who want THH to do more digitally.

The table below sets out recommendations for improvement. This includes some of the recommendations which THH has already started putting in place.

Recommendation	Outcome for leaseholders
Undertake a review of all written communication with leaseholders to ensure it makes sense, is free of jargon, and is in plain English	Clear, concise information
Leaseholders' feedback for major works consultation ('Section 20' consultations) could be done online	For some leaseholders, this would be an easier method to provide feedback ahead of major works
Ensure the MyTHH online facility gives leaseholders access to their account and an ability to view their account balance and a statement of payments made	Leaseholders can access services online, 24/7, potentially reducing future costs
Ensure the THH website is up to date – in particular pages related to planned works	Provides leaseholders with up to date information on planned works
Review and update all documents required for the Right to Buy sales packs and the resale information in response to pre-sale enquiries. Nominate officers to be responsible for maintaining the information	Tenants who will soon become leaseholders will be provided with accurate information in relation to after-sale costs, etc

Recommendation	Outcome for leaseholders
<p>Set a target timescale as part of the Right to Buy and re-sale process for amending the database to reflect the owner's name. We suggest a three day timescale from receipt of the Notice of Transfer/Deed of Covenant</p>	<p>Leaseholders will know that immediately following the purchase of their home they will be dealt with as a valued customer.</p> <p>New leaseholders will feel that they are quickly recognised as the correct owner and will receive relevant information in a timely manner during a period when they need this access the most</p>
<p>Review and develop scripts for the Housing Services Centre (HSC) to better deal with low level leasehold enquiries (eg, if a leaseholder calls to ask about a current balance or to ask a question about the final account)</p>	<p>Leaseholders will be able to get more information when they need/want it</p>
<p>Develop a training programme designed to improve organisational awareness of leasehold issues, particularly targeted at Neighbourhood Housing Office and HSC staff. HQN understands that this is already underway</p>	<p>Ensuring staff are well informed so they can answer leaseholders' questions accurately</p>
<p>Ensure that service charge accountants notify the leasehold team when exceptional spend is identified that will incur a significant increase to the original estimated costs</p>	<p>Help prevent leaseholders from being placed into financial difficulty (eg, as a result of a large unexpected bill)</p>
<p>Review the THH website and compare it to those of other local authorities, housing associations and private managing agents. Revisit the information provided to ensure it makes sense and is in Plain English</p>	<p>Improvements will enhance the leaseholders experience and build confidence with leaseholders that the information is accurate and that they can rely on the information provided</p>
<p>Clear policy placed on the website and in the accompanying information regarding THH's approach to major works (for leaseholders) but also to enlighten officers</p>	<p>Clarity for leaseholders about what they can expect (and what is expected of them) during major works on their estate</p>
<p>Ensure all formal consultation letters issued under Section 20 are scanned onto THH's database and document management system, and advisors are</p>	<p>Easier to answer leaseholder questions related to major works consultations</p>

Recommendation	Outcome for leaseholders
made aware of when invoices are sent	
Ensure that the policy of enhanced consultation for major works is clear, communicated to all officers, and always followed where it applies. This would include minutes/notes of meetings that are part of the enhanced consultation being accurately taken and documented	Provides leaseholders with better opportunities to raise queries/discuss payment options and provides transparency. It also provides evidence for THH, should there be ensuing challenges

## 2.2. Improving transparency

HQN considered where THH could improve transparency, as part of both the desktop review and in our conversations with leaseholders and staff. A key theme was a request for more information to be made available – and for it to be clear and easily accessible.

The need for information can be broadly divided into two categories. First, there is information about what comprises THH processes. For example, leaseholders told us they wanted to see improved information about the major works billing process so that they could better understand at what point of the process they currently were. Second, leaseholders wanted more information about costs and how they had been incurred. For example, clearer statements would provide specific headings referring to where money had been spent rather than putting amounts under general headings such as ‘overheads’. Leaseholders also said they wanted more information about planned works to blocks so they could plan ahead for large bills.

We found:

- Some leaseholders said they did not understand important processes such as major works. For example, a leaseholder told us that a demand for payment for major works did not make it clear that the invoice would be split over two financial years.
- Some policies are not in place or available to leaseholders (eg, there is no service charge policy).
- Some leaseholders said they did not understand what the management fee was for.
- Others said they wanted more information about what specific charges included.
- Some leaseholders said they wanted clear evidence on what works were carried out and how the money was spent.

### 2.2.1. THH is currently working to improve transparency for leaseholders

THH advises us that, on request, it provides a detailed breakdown of the costs that make up the overall service charge final account. These breakdowns are issued in September each year. The breakdown of costs is known as a macro. To request this, THH

leaseholders need to contact the HSC and ask for their service charge macro. For those who request it, these macros will provide detail about exactly what money was spent on under each broad heading.

THH advises us that, where possible, it now notifies leaseholders at the beginning of the year as to what they may be asked to pay towards major works carried out in that year. This estimate is sent out when leaseholders receive the annual service charge bill – an estimate of costs for all the other services such as caretaking and grounds maintenance. This is a recent change and is still work in progress but THH believes that the end result will improve the information provided to leaseholders. In future, THH advises us it will seek only to issue an estimate to lessees where a Section 20 notice has been served. This is designed to provide improved certainty of billing through sending lessees a statement of actual expenditure on major works each year as well.

Communal repairs are repairs carried out to the common area on an estate or in a block. To improve how these repairs are carried out and billed to leaseholders, THH has developed an action plan. This includes a number of actions that THH advises us are aimed at improving service quality, increasing transparency and accountability for residents and reducing avoidable contacts due to delays and other issues.

### *2.2.2. Areas for additional improvements*

Considering the issues found and concerns raised, we believe there is a need for a set of recommendations which:

1. Make more information available to leaseholders about the policies and processes that affect them. This should include what they will be charged for and what processes will be followed (eg, the process THH will follow during a major works programme; the service charge policy). This information should be accessible to those leaseholders who want it (eg, by making it available on the website and by post on request).
2. Ensure leaseholders have greater visibility of what actual costs are comprised of.
3. Ensure leaseholders have more information about what costs are likely to arise in the future.

The table below sets out recommendations for improvement. This includes some of the recommendations which THH has already started putting in place.

Recommendation	Outcome for leaseholders
Provide a comprehensive explanation of what costs the management fee covers, on the website and in a FAQ with the estimates and final accounts. Once drafted, test with leaseholders that it is comprehensive and in Plain English	Greater transparency for leaseholders about what they are required to pay for

Recommendation	Outcome for leaseholders
<p>Produce an illustrated/pictorial approach to present the programmed works to leaseholders. This should set out all the stages of both the legally required ('Section 20') consultation process and the enhanced consultation process THH has pledged to offer leaseholders. It should indicate the current stage of the process, and it should include such elements as appointment of contractors, enhanced consultation meeting, start on site, billing of % of work costs, billing of penultimate % of work costs and billing of retention</p>	<p>Will provide clarity for leaseholders about the billing arrangements and other timescales within the major works process</p>
<p>Ensure a service charge policy is in place and provided on the website to accompany the procedures and to clearly outline the organisation's approach to what will be recharged, THH's approach to monitoring, dealing with exceptional spend or the capping of charges.</p> <p>Ensure the procedure refers to target timescales for response and provision of information at the key points in the financial year, to include responses to internal enquiries raised by the leasehold advisors to ensure that those same officers can respond in turn to leaseholders in a timely fashion. Ensure performance against timescales is monitored and reported</p>	<p>Leaseholders will know what to expect of the service charge accounting process, when to expect to receive bills and final accounts, what is included in the service charge and how the budgets are monitored</p>
<p>Provide, within an accompanying FAQ to the estimates and final accounts, more information on how the costs were arrived at in respect of pest control, anti-social behaviour and removing fly-tipped rubbish</p>	<p>Leaseholders will be aware of how costs are calculated and why</p>

Recommendation	Outcome for leaseholders
Undertake a review of the asset management strategy (the strategy for making sure buildings are kept in good condition). Update key targets and objectives with up to date stock condition information	Ability to provide leaseholders with more accurate information about planned works.  Leaseholders can better understand how works are prioritised
Following the implementation of the revised approach to billing for major works, ensure leaseholders are advised of how the overall costs will be billed, ie, a percentage within the first year, a further percentage the following year and so on. Ensure leaseholders are made aware if there is a retention arrangement in place for the contract and that a further final request for payment will be made in respect of retention	Leaseholders will be in a position to arrange/source funding to meet the costs of the works
Consider introducing a 'getting to know you visit' as was suggested in the neighbourhood management review recommendations	Improve communication/raise knowledge and awareness of services and who to contact for new leaseholders.  Leaseholders will also have a raised awareness of their responsibilities

### 2.3. Improving value for money

Leaseholders want to be sure that THH is getting value for money on their behalf. This is particularly true for both the service charge (the annual charge paid by leaseholders for ongoing services such as caretaking), and major works (one-off projects to maintain buildings such as roof repairs).

In some areas, we found evidence of good practice in respect of driving value for money. For example, we are advised that THH does not rely on major works contractors to provide evidence of the work required. Instead, THH employs its own surveyors or will hire a consultant to provide condition information. Leaseholders can also commission their own surveyor if they want to. THH has also changed its approach to inspecting communal repairs to target resources more sensibly. We understand a risk-based approach that takes into account the value of the works is now adopted.

However, we also found:

- Room for improvement in how THH holds contractors to account.

- Leaseholders who said they wanted improved assurances (eg, that works undertaken have actually resolved the underlying issues).

### *2.3.1. THH is currently working to improve value for money for both leaseholders and tenants*

THH has reduced its management fee over the past four years from £217.62 in 2014/15 to £186.04 in 2017/18. This is a total saving of about £300,000 for leaseholders, or £31 each.

We are advised that THH continues to deliver savings on overhead costs (eg, on the amount paid for office space). These savings should also result in further reductions to the management fee.

Looking to major works, THH is seeking to ‘future proof’ the blocks it manages so that on-going maintenance costs are lower. One example of this outlined by THH is that ensuring installations such as door entry systems and lifts are more robust which should lead to lower on-going maintenance costs.

THH advises us that an end-of-contract walkabout has been introduced with an invitation to the Councillors for the area and any recognised tenants’ association. This should enable problems with works to be raised and fixed before contractors are paid.

THH has introduced a range of repayment options for leaseholders who may have financial difficulties in repaying large major works costs. This, it believes, results in a real benefit to leaseholders in financial difficulty.

THH advises us it has offered leaseholders the opportunity to buy additional services via THH contractors, for example gas servicing, to add value to the basic service it has to provide under the terms of the lease.

THH has introduced a specific value for money strategy. THH advises us that the strategy seeks to embed value for money at the heart of what it does as a business. The aim is to ensure that value for money features throughout budget setting and that efficiency improvements are captured by the business.

### *2.3.2. Areas for additional improvements*

Considering the issues found and concerns raised, we believe there is a need for a set of recommendations which:

1. Looks at opportunities to lower costs (eg, by reviewing pricing mechanisms to ensure THH is getting the best prices from contractors).
2. Ensures work carried out is of good quality and resolves the issue it is intended to.
3. Improves how contractors are held to account.

The table below sets out specific recommendations for improvement around these themes. This includes some of the recommendations which THH has already started putting in place.

Recommendation	Outcome for leaseholders
Investigate the high value repairs pricing mechanism. If it is established that high proportions of work by volume have been raised through a schedule of rates system, then ensure that alternative pricing and procurement approaches are considered	Ensures leaseholders receive value for money as high value repairs could potentially be costed at a more competitive rate
Ensure the asset management strategy and its aims and objectives are reviewed by leaseholders or a body that has leaseholder representation	Provides assurances to leaseholders that planned programmes are accurate and co-ordinated and that they are receiving value for money
For all new contracts, ensure the contractor is required to provide the final account within three to six months. There should be a 10% retention on completion and 5% retained until the end of the defects liability period	Provides leaseholders with greater confidence that work will be properly carried out
Ensure all warranties and guarantees are stored for all completed works and where they are stored is made known to, and easily accessible to, officers of THH. In general ensure that filing of relevant documents is maintained and understood by all officers	Documents can be retrieved easily and provided to leaseholders if requested

### 3. The next steps

The immediate focus, going forward, should be on providing more information about service charges and major works, particularly because THH has introduced a new way of invoicing for major works. For example, this might set out how the charging process will work and what might be included in major works. For the service charge, more detail should be made available as to how some costs have been calculated, such as for removing ‘fly tipped’ rubbish. We also felt that THH should inform and empower its staff by providing officers with clear policies and processes for dealing with the many types of enquiries received from leaseholders. This would mean leaseholders get an immediate response to their enquiry and are not passed from one department to another.

HQN recommends that THH draw up a strategy and action plan for implementing the changes outlined in this report in a timely manner. We understand that following our review, THH has in fact developed an action plan that takes forward the recommendations made. This plan includes timescales that THH believes are achievable. We are advised that the action plan will be implemented in a phased way with recommendations that will have the biggest impact for leaseholders implemented first. Progress will be monitored by a project team which has been set up for that specific purpose.

THH advises us that it will provide leaseholders with progress reports over the coming months so that they can check for themselves that these recommendations are being implemented in a timely fashion.

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