

Assessment of the impact of the cost of repairs for Right to Buy leaseholders

Although this report was commissioned by the Office of the Deputy Prime Minister, the findings and recommendations are those of the consultant authors and do not necessarily represent the views or proposed policies of Communities and Local Government.

Introduction

The Office of the Deputy Prime Minister (ODPM) commissioned research designed to identify key issues related to the impact of the Decent Homes Policy on Right to Buy leaseholders. The overall objective of this study was to explore the practice and cost of service charges being billed to leaseholders in former RTB properties to pay for repairs resulting from local authorities' obligations to bring all council properties up to the decent homes standard by 2010. Specifically the study aimed to explore:

- the typical major works programmes authorities are undertaking;
- the extent to which works are to meet the decent homes standard and which go beyond the decent homes standard and in what circumstances;
- authorities' policies in relation to charging leaseholders for these works;
- whether costs are in line with Communities and Local Government's expectations of standard costs under the Decent Homes programme;
- the extent to which costs are influenced by the scale and approach to undertaking the repairs, for example undertaking works on an ad hoc basis or obtaining significant economies of scale with large contractors over a large number of stock and estates.

housing

The research was undertaken by the Centre for Urban and Regional Studies (CURS) at the University of Birmingham, in association with GHK Consulting Limited.

Methodology

The following methods were employed to gain information relating to RTB leaseholders:

- the collection of statistical data to give a clear understanding of the likely scale and nature of problems; and
- a series of six case studies designed to provide a fuller understanding of the processes involved and the issues around charging for repairs being made to achieve the Decent Homes standard.

The selection of case studies was based on a consideration of the data held by the then ODPM about the likely level of leasehold ownership in different local authorities, and sought to obtain examples that illustrate the range of circumstances that are likely to exist. The case studies were designed to indicate the different experience in authorities with relatively large numbers of leasehold properties. Due to this, the case studies focus mainly on London local authorities.

In order to provide some broader appreciation of the issues a postal questionnaire was sent to fourteen other local authorities and to the six case studies authorities.

Key Findings

Local authorities' and housing associations' responsibilities in relation to the management of leasehold residential properties have grown significantly since the introduction of the Right to Buy.

- Although not all of the leasehold properties involved have been sold under the Right to Buy, there is now a considerable stock of flats and maisonettes (over 250,000) where the local authority has the responsibility for key aspects of maintenance and repair of the fabric of the dwelling and of common areas.

The original Right to Buy purchasers in the past are steadily being replaced by open market purchasers.

- While some authorities have a continuing flow of sales of flats under the Right to Buy, the general expectation is that this will not continue to the same effect in the longer term.
- The balance between Right to Buy purchasers and open market purchasers is likely to swing towards the latter.

Leasehold management is now more systematic and professional.

- The background to leasehold management in England is one where prior to the growth of leasehold ownership, leasehold management was a very minor aspect of local authorities' activity. It did not merit major attention and was dealt with in a more casual way than would have been desirable.
- Although the evidence largely relates to local authorities with substantial leasehold portfolios, all of the evidence now suggests that local authorities and housing associations are adopting procedures which conform with the requirements of legislation, which include consultation with leaseholders and which are developed in the light of knowledge about the legislation and the entitlements of leaseholders to challenge charges which cannot be justified.

Leaseholder perceptions may not have changed.

- There is a considerable legacy of distrust among some leaseholders. Because practice in the past was not always of the highest standard, there is an assumption that it is not any better today.
- Leaseholders in general expect properties to be properly managed and maintained and are highly critical of any failures by local authorities and housing associations.

Decent Homes is part of the agenda which is driving an improvement in properties but it is the availability of funding to meet backlog which is the critical issue.

- For most leaseholders, as for most tenants, the increase in major works activity that is apparent at the present time represents a response to the demands that they have been making.

- Local authorities and housing associations are dealing with the backlog of disrepair in flatted accommodation. Unavoidably this means that there is an increase in service charge bills associated with major works.
- The Decent Homes Policy and some other regeneration activities have been the catalyst in enabling local authorities to address the backlog of disrepair. The evidence suggests that while Decent Homes is part of the explanation for the growth in service charge bills, the underlying issue is the increased capacity of local authorities and housing associations to deal with the backlog of disrepair.
- Local authorities are able to do more, more efficiently and more effectively, but the consequence of this is that in the short-term bills are higher. In the long-term the quality of work is likely to be better and the costs will be lower.
- The Decent Homes Standard is not the key driver of the level of improvement in flatted accommodation. It does not refer to some of the key issues that arise in the repair of some properties. For example it does not refer to lifts or external cladding, and these will be very expensive items in some cases. In dealing with the backlog of disrepair it is essential that these elements are included.
- Especially in relation to larger blocks of property, it would be much more expensive to carry out piecemeal repairs (requiring scaffolding, for example, on each occasion) than to carry out more comprehensive repairs. The consequence of this however is that some of the bills associated with major works to bring properties up to the standard required by the residents are high.
- In many cases these properties have been sold on the open market since the original RTB purchase and the owner would have no reason to expect not to incur the full costs.
- Where there is potential hardship, the research suggests that there are differences in policy and practice between local authorities in addressing hardship. The current directions provide wide discretion and in view of the changing nature of leasehold ownership it is appropriate to review these issues and to revisit the existing directions related to mandatory and discretionary reductions in charges.

The availability of data has limited the extent to which we can apply these findings to all Local Authorities.

- Communities and Local Government does not hold data on the number of leasehold properties owned by local authorities which prevents us from comparing the sample for which we have returns with the population of local authorities.
- The data asked for from local authorities on their leasehold properties and works charges was not always available and the findings have been based on the local authorities who could provide this information.

Recommendations

The authors have made four recommendations which are based on the findings from this research study:

This report suggests that the scale of problems, both in terms of the number of leaseholders faced with bills in excess of £10,000 and the numbers who are faced with hardship as a result of these high bills, is modest.

- The evidence that was obtained suggests that the average bills are well below £10,000 in most cases. There are, however, a small minority of leaseholders who are faced with bills above £10,000.
 - In some of these cases the household income and the ability to borrow against the security of the property may not be sufficient to finance costs. In the majority of cases however, high bills are associated with high value properties.
1. To improve the information held by Communities and Local Government about the scale and nature of social landlord residential leasehold ownership.
 2. To improve the quality of information held by social landlords in relation to leasehold properties.
 3. For Communities and Local Government to consider providing further guidance on the standards of works to be carried out in flatted accommodation and to clarify the position in relation to the Decent Homes Standard.
 4. For Communities and Local Government to provide further guidance in relation to defining hardship and the situations where deferring or easing charges should be considered.

Further Information

Further information is contained in the full report, *Assessment of the impact of the cost of repairs for Right to Buy leaseholders*, available on the Communities and Local Government website: <http://www.communities.gov.uk/housing>

Further copies of this summary are available on the Communities and Local Government website or from:

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