Engagement and leaseholders

For landlord providers, there is significant evidence that engaging leaseholders is viewed as more complex, difficult to achieve successfully and can be unmanageable.

Following the TPAS national research conducted 2014/15, findings indicated that indeed, there are some differences in the nature of engagement, involvement and influence that leaseholders want and are prepared to participate in.

But there are also some basic principles that should today be common to all forms of customer.

There are, legal complexities that apply to leaseholders quite differently to periodic tenants and freeholders.

There are expectations of different types of leasehold management provider that vary in terms of the commercial and social purpose of organisations.

All organisations provide services need to maximise use of resources, secure happy customers and focus on value for money: It simply makes sense!
Leasehold engagement requires a range of knowledge of the legal complexities that can be daunting to those less familiar. It requires effort, learning, development and engagement skills collectively.

Future housing provision is set to expand the home-ownership sector and for low to mid income households this will increasingly be via uptake of the Right to Buy, purchase of low cost home and shared ownership products.

Increasingly, management time spent in dealing with unsatisfied and unhappy leaseholders will impact on landlord provider resources affecting officer time and legal budgets.

TPAS has worked closely with leaseholders, providers, academics, specialist advisers and the Housing Ombudsman Service to research and develop expertise and to identify best practice resources for effective leasehold engagement: This session will provide you with an informative oversight into this critical but different area of customer engagement.
More than 60% of all leasehold customers are dissatisfied with their provider nationally. Drilling down into why paints a grim picture of ongoing communication and information failures far removed from current day expectations of good customer service.

These failings often become apparent after sale of the property, they indicate failings in legal advice; inadequate pre-sale information; a lack of effort to manage expectations and a customer base that has neither trust nor confidence in their provider or managing agent. Of course, these problems are not simply the fault of the service provider but they are most often left with the complaints and the management problems. Inevitability providers have to deal with the failings that result in forfeiture and home loss.

The UK sales process often emerges from a tenants Right to Buy or a sale where the provider knows little about the potential purchase. Many tell me there is not much they can do about issues that could and should have been addressed at the pre-purchase stage.

We identified organisations who have effectively managed these situations, embedded a culture and practices to sell homes to well informed leaseholders who trust them.

They set the scene from the start and so they can consult effectively and benefit from willing leasehold participants at later…
Marketing from all types of provider focus heavily on property sales. Beautiful imagery, property layout, interior designs, the basic cost of purchase and service charges. Buyers can call for a pack or download one, its so easy to access and is obvious that a lot of hard work has been invested. Some run open-days organised to promote sales particularly on new schemes. So why not?

Put as much effort into providing information about the implications of leasehold purchase?

Provide downloads, events, FAQ's, case studies, financial and affordability assessments etc.,

Why not set the scene for the future relationship as a provider that will keep leaseholders informed successfully.

A provider that will engage existing leaseholders throughout the journey and relationship, openly and transparently.

The fear of a lost sale may be real but, the financial and human resource cost of responding to on-going complaints; tail-chasing through income and debt recovery or even tribunal cases is also real. These activities quickly prove that waiting a little longer for a sale is preferable and certainly more economical.
Engaging potential new leaseholders in affordability checks is arguably more likely to succeed pre-purchase. There are indisputable benefits such as:

Informed sales - managed expectations about future charges and costs.

Income information builds up customer affordability data that benefits future planning of services, investments and business planning.

For management it helps to reduce potential for home loss incidents; time spent arranging emergency housing; locating leaseholders post abandonment and pursing income recovery through mortgage providers. These facts all add up to high negative costs.

With the trust and confidence of leaseholders experiencing financial difficulties they are much more likely to keep the provider informed.

Identifying solutions to affordability at the early stages logically produces more positive outcomes.

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Experienced leaseholders who are engaged definitely have more confidence and trust in their provider; they are well informed; they understand the costs and contractual arrangements they have with their provider and, are ultimately assets to the provider’s management.

In wider commercial sectors it is common to see customer reviews, testimonies and customer perspectives that promote services, sales and success.

Experienced leaseholders offer their providers, a local voice promoting the service provider's quality, customer care and commitment to the community.

Experienced leaseholders welcome options to carry out scrutiny of services; feedback findings and suggest improvements. They work in partnership with providers on service plans and reviews, value for money assessment and performance monitoring. The driver for these examples is mutual benefit for both provider and leaseholder.

Wider leaseholders who are less involved gain confidence from their involved peers who report through events, published information and their experience shared at key points e.g. consultations, pre-purchase sessions and interviews, service charge reviews, procurement of contracts and service inspection quality checks.

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Leasehold Service Improvement Groups where leaseholders are supported to, get involved, engage in learning about the service; to understand performance issues; agree service costs; consider pressures and priority needs of wider leaseholders is a valuable customer intelligence resource.

As guardians of the service these representatives offer real customer focus. By monitoring the service and satisfactions levels they are eager to work on projects tackling more serious service issues, capture realities behind complaint trends and offer perspectives on potential solutions that are preferable to wider leaseholders. Where there are limited options findings reported through the voice of these groups is more powerful, acceptable and trusted.

There are some excellent examples of improvement methods identified by these groups tackling service delivery quality; suitability of information; payment options; pre-purchase approaches and charging guides for leaseholders that have increased satisfaction and reduced complaints.
Service Charges are the source of many tpas membership queries. Yet the regulators guidance 'Affordability GP Guide' sets out clear guidance. Our research found rare evidence of affordability checks offered.

There are some stunning examples of good practice where leasehold engagement has improved services, accountability and has had a significant impact on satisfaction and complaint rates. These include:

Charging Guides
Photographic quality reference guides
Published and scheduled annual service charge block reviews

A set of basic principles was found to offer the best solution to reducing provider-leaseholder conflicts on service charge issues.
Service Charge Engagement

• Involve leaseholders in setting services
• Provide user-friendly info with leaseholders
• Engage leaseholders in VfM assessments
• Consult leaseholders on area based communal service contracts
• Involve leaseholders in procurement of contracts and train them

The big message to grasp is setting clear expectations about how you will engage leaseholders and what the limits of influence are.

The set of principles shown here provides a suggested list of 5 but you would obviously develop yours with your leaseholders. You would start or re-start your journey to achieve success and see a reduction in all that time spent resolving complaints.
Service charges can be 'pooled' and some providers let contracts regionally. For example gardening, cleaning etc.,

Leaseholders in small schemes often feel that the benefits of this are in favour of bigger schemes leaving smaller schemes disadvantaged. For example, larger scheme satisfaction can simply swamp the dissatisfaction of smaller and more remote schemes.

Leaseholders shared their experience of larger schemes getting preferential services because the impact of their satisfaction protects the contract.

When leaseholders and staff work together and can clarify service charges that leaseholders pay for, evidence shows a positive impact on satisfaction and complaint rates.

VfM is easier to demonstrate and contractor quality focus is stronger.
There are issues for both parties where service charges are pooled - as a result of the regulator VfM focus many are now looking to 'de-pool' services.

HouseMark noted in its 2013 subject guide that providers were uncovering costs that they were not collecting and could not account for to leaseholders.

Providers who de-pool can be sure that they are charging on all costs, to the right customers and more effectively identify those who should pay more or indeed less.
Whilst statutory consultation is required some leaseholders find themselves facing incredibly high bills for contributions to major works. Many are forced to re-mortgage or sell as a result because they can't raise the additional funds.

Engagement of leaseholders through good information sharing of Asset Management Plans in advance of planned works is becoming more common and some publish up to 5 years in advance.

Very often the additional borrowing is not reflected in the property value and so leaseholders increasingly want to be sure the works are necessary and VfM.

Engagement opportunities work best where leaseholders are well informed, understand investment needs from the point of purchase of the lease and are kept informed throughout their journey: It's about a consistent process of effective engagement.

Funding options can be eased by means of a Sinking Fund although some lease arrangements do not provide for this and need arises for alternative payment options.
Sinking funds are without doubt the preferred option for many leaseholders but for council providers there are issues related to holding the funds.

Where sinking funds are in place the leaseholder contribution is often built into the regular service charge with the sinking fund element being saved up to cover future building works. Interest is earned on the saved funds.

Where there is no sinking fund many social housing providers have set in place zero or low interest rate loans to help leaseholders cope with large bills for the works.

Engagement of leaseholders to develop payment options means that a range of suitable funding products can be in place to meet the different financial circumstances of leaseholders.

Involved leaseholders who are able to work with providers to consult widely and ascertain affordability levels can play an important role in shaping financial support solutions.
Procurement of contractors from development of the contract specification through to letting of contracts is an area where leaseholders particularly want to see representation. Of course this requires considerable knowledge, support and training.

Where this level of engagement takes place there is strong evidence of contractor accountability, adherence to strong customer standards informed through wider engagement and consultation.

On-site during the works engagement outcomes inform solutions to overcome issues with effective leasehold monitoring.

Contractors are found to become more accountable and engaging through routine performance reporting, problem-solving and are more communicative.
Value for Money is a critical area for all of us and leaseholder services are no different.

Leaseholder costs of mortgage repayments, ground rent, major works and service charges presents a list of routine and occasional costs. Some of the costs are variable as a result of national interest rates, increased supplier costs etc., Value for Money is ever important and leasehold engagement is a means of enabling joint focus on what is charged, the extent to which the service delivers an effective service whilst demonstrating efficiency.

Leasehold engagement models offering options for scrutiny of costs, service delivery, performance and satisfaction help to provide confidence for wider leaseholders and independent assurance to providers.

Leaseholders who can target dedicated projects to compare costs, quality and standards are able to challenge or confirm Value for Money.

These forms of engagement offer assurance and build the confidence and trust between leaseholders and providers effectively.
Critically leaseholders feel that they are the least least engaged and influential housing customer. Whilst many are aware of options to be involved, most indicated that this involvement is more relevant to tenant services and community projects.

Our research showed that some providers do make efforts to involve leaseholders and many have at least one leasehold engagement group that meets quarterly. However, these options are in most cases performance reporting mechanisms followed by question and answer sessions.

A range of inclusive options and good quality information developed specifically to suit leasehold interests is relatively rare.

Yet analysis of complaints made by leaseholders reflects high incidents of poor communications, information and opportunity to be consulted and engaged in decisions that critically affect them. Whilst, significant officer time is given to working with leaseholders through complaint processes and tribunals.

The Housing Ombudsman Service reported very high leasehold case loads as part of our study.

Trust levels expressed by leaseholders regarding relationships with their providers were found to be very low.

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How well do you engage your leaseholders?

TPAS Leasehold Engagement Quality Mark Assessment