

EAST RENFREWSHIRE COUNCIL

CABINET

19 February 2015

Report by the Director of Environment

EAST RENFREWSHIRE COUNCIL FACTORING SERVICE

PURPOSE OF REPORT

1. To seek Cabinet approval for the introduction of an annual fee for factored owners and the introduction of a call out fee for non factored owners who request a service.

RECOMMENDATIONS

2. The Cabinet is asked to:
- (a) approve the introduction of an annual fee for factored owners; and
 - (b) approve the introduction of a call out fee for non factored owners who request a service.

BACKGROUND

3. The Property Factors (Scotland) Act came into force on 01 October 2012 and covers all organisations offering property and land management services. The Act contains three main elements:

- Register of property factors
- Code of Conduct
- Homeowner Housing Panel

4. Since the introduction of the Right to Buy (RTB) legislation, properties have been sold both with and without factoring clauses. The different legal obligations arising from the title deeds depend on the date of sale and the former district Council involved.

5. East Renfrewshire Council has difficulty delivering a response repairs service and meeting the Scottish Housing Quality Standard in mixed tenure blocks. The level of powers detailed in the factoring clause varies from block to block. Some properties have title deeds where the obligations are “silent”. This means that the delivery of these services is slow and open to error. In many cases key services to tenants cannot be delivered until the factoring situation is clarified and where necessary, agreement sought from owners.

6. Currently owners are charged a 5% administration fee. This does not cover the costs involved in the delivery of the service. As such the current arrangements can mean both that the Housing Revenue Account is required to subsidise the costs of services provided to owners and that services to owners are not always of a sufficiently high quality. For example, it can cost between £40 to £80 in staffing costs to undertake a repair where an owner is involved. This includes staffing costs to:

- Receive and process the request
- Pre-inspect the property
- Prepare estimates and quotes from external contractors
- Write to relevant owners to notify them of works or seek approval through a mandate
- Post inspect the work undertaken

7. It also costs the service £6.15 for every invoice issued. The average administration fee is under £5.00 per repair.

8. In addition activity is frequently undertaken that incurs a cost but does not result in the issue of an invoice. For example:

- Drainage issues can result in numerous inspections but owners are only charged for the trade time.
- Exploratory and investigative works are often required. The cost of investigations are expensive and can result in works that are not the responsibility of Housing Services.
- Boundary walls, footpaths, landscaping issues and unadopted roads are inspected by Housing Services. These are in areas of both tenants and owners. Owners do not contribute towards any inspection work.

9. In such cases the HRA has historically met this charge.

10. For 2014/15 the council's modernisation fund awarded Housing Services £100,000 to improve the current service and develop a new factoring service that would be self funding from 2015/16.

REPORT

11. East Renfrewshire Council's relationship with owner occupiers can come under two levels:

- Factor agreement in place – the title deeds will state clearly where the responsibilities lie for both ERC (the factor) and the homeowner. This allows the service to respond to repair enquiries effectively.
- No factor clause in place – agreement must be sought from homeowners for any services or work. Lack of a factoring clause delays the process for both tenants and for other owner occupiers. This can also create a substantial administrative burden.

12. All former RTB flatted properties were assessed in 2014-15 to clarify the legal factoring position. This exercise was undertaken by ERC legal services.

13. A full review of all procedures to ensure compliance with the Code of Conduct was undertaken.

14. Three new posts have been filled on a temporary basis:

- Development Officer – this post was created to lead the required changes. This includes:
 - consulting with internal partners such as legal services, debtors and customer services.

- Working closely with front line staff delivering factoring services to ensure improvements are made.
- Developing communication and consulting documents with affected homeowners and being available for enquires.
- Business Support Assistant – this post was created to improve the billing process and customer service for homeowners. The post is currently funded until June 2015 and will be reviewed thereafter. In the last 12 months Housing Service have cleared a historical backlog of invoicing as there was no dedicated resource. Owners will now receive invoices which are billed in a reasonable timescale and are accurate. The additional resource has also allowed Housing Services to respond promptly to any customer enquiries
- Technical Officer – this post was created to improve the process for estimating the cost of works and increase the proportion of works pre and post inspected. Before the introduction of this post inspections were undertaken by technical officers funded primarily by the housing revenue account. This new post has allowed the service to provide more accurate estimated costs and be more responsive to customer enquiries. Since April 2014 the time to undertake post inspections has reduced from 26 to 11 days.

15. The post of technical officer and development officer will be extended until March 2016. The posts will be reviewed to determine the staffing requirements and the income position after the first year of the new service. A decision will then be taken on what permanent posts are required.

16. In order to meet the terms of the Property Factors (Scotland) Act 2011 East Renfrewshire Council must ensure that a high quality and customer focused service is delivered. This can only be achieved through investment and extra resources. As noted at paragraphs 6-7, the current administration fee does not allow Housing Services to improve the service.

17. Many former RTB properties were sold with a clause allowing East Renfrewshire Council to act as factor and charge a fee for this service. It is proposed that a new fee of £90.00 plus vat per year will be charged where this clause applies. Homeowners without this clause can also opt in to the service if there is majority agreement within their block.

18. Where there is no such clause and homeowners do not agree to this service, East Renfrewshire Council will no longer provide a common repairs service. If emergency works are carried out or an owner makes a specific request, it is proposed that a one off fee of £30 will be added to the cost of the works. This fee will provide a competitive service for non factored owners if they chose to use this service. Some examples of current call out fees taken from an online search for trades are:

Trade/ Business	Call Out Charge
Telephone/ Internet Engineer	£50 - £130
Plumber	£40 - £60
Gas Engineer	£40 - £80
RAC	£60
City Building	£50
Electrician	£30 - £60
Out of Hours – all trades	£75 - £150

FINANCE AND EFFICIENCY

19. There are a number of financial implications of the act. Registration will cost approximately £370 every three years.

20. East Renfrewshire Council do not currently charge a factoring fee for services however the code of conduct introduces significant responsibilities for the service which will have an impact on administrative resources, therefore requiring additional staffing resources. The current 5% administration fee currently provides an average annual income of under £2000 per year for factored owners and £1000 for non factored owners.

21. An annual fee of £90 plus VAT will be charged for factored owners from April 2015.

22. Non factored owners will not be required to pay this fee. However if they request a repair from Housing Services or emergency work is undertaken a one off call out fee of £30 will be added for work undertaken.

23. The fee for factored owners is expected to generate a minimum of £63,000 income. The income generated from non factored owners is difficult to predict but based on the last three financial years this may be around £12,000

24. The proposed staffing costs for the factoring service are £81,000 per annum. The introduction of a fee along with a small contribution from the 'other housing budget' will cover these costs.

CONSULTATION

25. All owners in mixed tenure blocks were provided with key consultation information in January 2015. The information provided details of the new service and the charges. Owners also received a questionnaire to provide essential feedback. Homeowners will be in the following groups:

- Factored owners – these owners have a clause within their title deeds giving East Renfrewshire Council the right to factor the block and charge a fee for this service. This accounts for approximately 565 homeowners.
- Majority Ownership – there are some blocks where the sold properties do not have a factor clause. 56 additional homeowners will be factored as ERC own the majority of properties in the block and therefore can become the factor through majority vote. There are also 201 homeowners who have indicated they would like to use this service and will vote ERC to act as factor. This vote will be undertaken in line with the requirements of the Tenement (Scotland) Act 2004.
- Non Factored - there are a remaining 326 homeowners who East Renfrewshire Council do not have the right to factor and who may chose not to opt into this service.

26. It is predicted that by April 2015 East Renfrewshire Council will factor approximately 700 properties via their title deeds or by voting for the service through the Tenement (Scotland) Act 2004.

PARTNERSHIP WORKING

27. There are no partnerships with external organisations. However, Housing Services are working in partnership with internal services such as Customer Services, Creditors, Legal Services, the Communications Team and the Programme Management Office to deliver the factoring service.

IMPLICATIONS OF THE PROPOSALS

28. There are significant legal implications for East Renfrewshire Council as it is an offence to act as a factor but not register to do so.

29. Some owner occupiers may oppose the introduction of the fee. This is because for many years owner occupiers have received a service that is substantially subsidised.

30. The staffing implications of the proposal are detailed in section 14.

31. There are no equality implications of the proposals. All processes are in line with the Property Factors (Scotland) Act 2011.

32. There are no specific IT implications. An additional IT system is being implemented and will receive continuous development in 2015-16. This was financed through the modernisation fund.

33. There are no property, financial or sustainability implications of the proposal.

CONCLUSIONS

34. The introduction of a factoring fee for factored owners and a call out charge for non factored owners will allow Housing Services to provide an efficient and customer focused service.

35. The additional staffing resources are vital to ensure that Housing Services can continue to meet the code of conduct as set out in the Property Factors (Scotland) Act 2011.

RECOMMENDATIONS

36. The Cabinet is asked to:

- (a) To approve the introduction of an annual fee for factored owners; and
- (b) To approve the introduction of a call out fee for non factored owners who request a service.

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KEY WORDS

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