

Leasehold Management Policy

1. What this policy is about

- 1.1 The Group provides a wide range of services to our leasehold customers. These include shared owners, older person shared owners, new buyers who have purchased 100% of the leasehold, and tenants who have exercised their right to purchase their rental property under the Right to Buy (RTB) or Right to Acquire (RTA).
- 1.2 This policy sets out the broad framework for an efficient, customer-focused service that offers value for money.

2. Our approach

2.1 Service delivery and provision of information

- 2.1.1 We will deliver services in accordance with legislation, lease requirements, our policies and internal procedures.
- 2.1.2 Staff responding to leasehold management queries will be sufficiently trained to respond to enquiries on the full range of leasehold matters detailed within this policy.

2.2 Management and Administration Fees

- 2.2.1 We will recover the costs for managing our leasehold properties. Management Fees will cover the cost of providing management services, in accordance with the terms of the lease on behalf of leasehold customers.
- 2.2.2 Administration charges will be charged where they are provided for within the lease. We will also charge administration charges for services we provide to the leaseholder that are not specified in the lease, for example the cost to the Group due to re-mortgaging (where applicable). We will notify leasehold customers of the costs of these services before we provide them.

2.3 Service Charges and accounting

- 2.3.1 We provide a range of services to our leasehold customers that vary from property to property. We will ensure that our leasehold customers know when the lease starts, which services will be provided, and the cost of these services.
- 2.3.2 Services may include cleaning of communal areas, grounds maintenance, communal lighting, communal water supply, door entry maintenance, lift maintenance, responsive repairs to communal parts, fire alarm testing, buildings insurance and any other services we are responsible for, in line with individual leases.

2.3.3 Service charges will be estimated and invoiced for in accordance with the individual lease agreement. For RTB/RTA leasehold customers, we send an estimate of the service charges for the current financial year by the end of June, reconcile accounts and send final invoices, or credits once the financial year has ended. Our Shared owner customers will be charged monthly with accounts reconciled once the financial year has ended.

2.3.4 We must charge leasehold customers for the cost of any services within 18 months of the date from when the cost was incurred. If the work is part of a long-term contract, which means that the service charge may not be charged until after 18 months, then the leasehold customers will be formally notified, allowing us to collect the costs at a later date.

2.3.5 Individual lease agreements set out our obligations and responsibilities for providing services and our Leasehold customers' obligations to pay for them.

2.4. Sinking funds

2.4.1 In accordance with the terms of individual leases, some blocks of flats / apartments will have reserve funds in place to cover the future replacement or renewal of key communal facilities such as roof replacement, lift replacement etc. Where the lease allows, sinking funds will be established to contribute towards the cost of such works.

2.5. Ground Rent

2.5.1 Some of our leases include the obligation for the Leaseholder to pay ground rent. We will observe the statutory requirements in respect of ground rent demands as provided within the Commonhold and Leasehold Reform Act 2002.

2.5.2 The due date(s) for ground rent may differ from those for service charges. We will ensure that all demands go out within the legal timescales.

2.5.3 Our shared owners will not be charged Ground rent.

2.6 Leaseholder's obligations

2.6.1 It is a Leasehold customer's responsibility to pay their rent, ground rent (if any), and service charges, and to observe any other covenants in their lease. Failure to make payments and observe the covenants may lead to a breach of the lease.

2.7. Leasehold Arrears

2.7.1 We will pursue shared owner and leasehold debt in accordance with the lease.

2.8 Advice and information

2.8.1 We will provide clear details about the cost of a new home to potential leasehold customers, so they can make informed decisions before buying a home. We will issue clear, regular statements to all leasehold customers, which include gross rent (if applicable) and service charge details.



2.9. Repairs alterations and improvements

- 2.9.1 For Leasehold customers of flats / apartments we are responsible for maintaining the structure and communal areas of the building and leasehold customers will be charged for their share of the costs of any work carried out.
- 2.9.2 We will put in place appropriate arrangements to maintain buildings/and or parts thereof in accordance with the lease obligations. This shall, where appropriate, include day-to-day repairs, cyclical maintenance and major works.
- 2.9.3 Leasehold customers may report communal repairs through our Contact Centre using varied contact channels e.g. phone, webchat and email etc.
- 2.9.4 Leasehold customers will be expected to maintain and repair their property in accordance with the terms of their lease and allow the Group to undertake periodic inspections. Some Shared Ownership leasehold customers have a ten-year period from the start of the lease when they can request to be reimbursed for certain repairs (as per the Homes England Capital Funding Guide). This right will be explained during the sales process with full information provided at Sale Completion.
- 2.9.5 Leasehold customers of houses are normally responsible for maintaining and repairing the exterior of the property. Depending on the terms of the lease, for Shared Owners we may be responsible for certain external and structural repairs for the first 10 years after the property is built.
- 2.9.6 Leaseholder require our permission if they wish to carry out any alterations or improvements affecting:
- The fixtures and fittings of the dwelling
 - The exterior of the building
 - The structure of the building (including the removal of internal walls)

The decision to grant or refuse consent will be confirmed in writing and we may charge for this.

2.10. Cost of Capital / Major works

- 2.10.1 Periodic maintenance and capital/major works will be programmed to maintain the communal areas of any properties which are blocks.
- 2.10.2 We will pass on an appropriate proportion of the costs of capital works to leasehold customers, in accordance with the lease terms and legislation.
- 2.10.3 We will recover from leasehold customers all monies due from them for the cost of capital works and administration fees. Leasehold customers will be expected to meet the charge in full. In exceptional circumstances, following the approval by the Head of Service and the RTB and Leasehold Manager - payment arrangements may be offered to leasehold customers, to allow them to spread the cost.



2.10.4 We will advise leasehold customers of their possible right to any grants that may be available through other organisations, such as the local authority or voluntary agencies.

2.11 Section 20

2.11.1 We will observe the statutory requirements for consultation under Section 20 of the Landlord and Tenant Act 1985 (as amended). This requires the Group to consult our leasehold customers on:

- Proposed major works or improvements for which any leaseholder will be required to pay in excess of £250.00.
- Proposed changes to contracts for long-term maintenance contracts (for more than 12 months) for which any leaseholder will be required to pay in excess of £100.00.

2.11.2 The statutory consultation procedure will comply with leasehold legislation.

2.11.3 In certain circumstances we may request a dispensation from the First Tier Tribunal, to allow us to proceed without the consultation period e.g. urgent safety works.

2.12 Deed of variation

2.12.1 We manage leasehold properties occupied under a variety of different leases. On occasions it may be desirable to seek to amend leases:

- To reduce the number in use
- To provide a uniform format
- To enable consistency of service offering to our leasehold customers

2.12.2 The terms of leases will only be varied following consultation and with agreement of the leasehold customers involved and, where appropriate, their mortgagees, and where there is provision within the lease to do so.

2.13 Pre-assignment queries

2.13.1 On request we will provide a pre-assignment enquiry pack to all leasehold customers planning on assigning the lease of their property. The charge for this will be based on the amount of information requested and must be paid in advance of the pack being provided unless otherwise agreed.

2.13.2 For Shared Owners, we must confirm the eligibility of the new owner prior to any assignment taking place.

2.14 Adding and transferring a lease (shared ownership)

2.14.1 Leasehold customers are able to add another party to their lease, in order to share the legal title of the property. For shared ownership leasehold customers, the prospective leaseholder applicant must meet the relevant eligibility requirements and must not take the joint income over the allowed eligible level. The original leasehold customers remain fully liable for any outgoings and all breaches of covenant until the new leaseholder has been formally added to the lease.



2.14.2 We will recommend that Leasehold customers seek legal advice on the consequences of adding someone to their lease.

2.14.3 Joint leasehold customers of shared ownership properties can also request the transfer of the interest in the property into a sole name. To consider the request, we must be provided with the following information:

- Consent in writing from the person whose name is to be removed from the lease.
- Confirmation in writing from the mortgagee that they consent to the transfer.
- Confirmation from the person whose name will remain on the lease that they understand they will be solely liable for the covenants under the lease.
- All leasehold customers are responsible for rent (if applicable) and service charge payments up until completion of the transfer and the payment of any arrears.

We will consent to the transfer of the lease only once the above requirements have been met. The leaseholder's solicitors must send a Notice of Transfer and the appropriate fee to us. On receipt of the notice and payment we will confirm transfer completion in writing and update our records to confirm the change of the lease.

2.14.4 We will not object to any re-mortgaging of the property, provided that the remaining leaseholder can afford the additional mortgage payments. The leaseholder's solicitor must confirm that the additional mortgage funds are solely for the purchase of purchasing the joint leaseholder's share of the property.

2.14.5 If either party moves out of the premises without providing a forwarding address, the remaining leaseholder must seek legal advice. A lease transfer cannot take place without a court order, unless both parties agree.

2.15 Lease Extension

2.15.1 Our full Leasehold customers can request an extension to the years left on their lease using either a statutory or a voluntary route. If they wish to follow the statutory route, we will start the process on receipt of the Section 42 notice and meet all statutory timescales. If a voluntary route is used, we will start the process on receipt of a written request. Our Shared owners do not currently have a statutory right to extend their lease so must follow the voluntary route.

2.15.2 If we don't own the freehold of the property, it will depend on the terms and length of our head lease whether we can agree to extend the lease. If the extended lease is longer than our head lease, we'll try to agree an extension with the freeholder.

2.15.3 For Voluntary lease extensions a RICS valuation must be carried out. This is also recommended but not required for statutory extensions. In addition to paying for this the Leaseholder will also be responsible for our reasonable legal and administrative costs.



2.16 Collective enfranchisement – purchasing the freehold

2.16.1 The Leasehold Reform Housing and Urban Development Act 1993 (as amended by the Commonhold and Leasehold Reform Act 2002) gives leasehold customers the right, upon qualification, to compel the sale of the freehold of the building or part of the building. Where there is any intervening interest, like a Head Lease, this must generally be acquired as part of the purchase. We will comply with legislation regarding any request submitted.

2.17 Right to Manage

2.17.1 The Commonhold and Leasehold Reform Act 2002 provides a right for leasehold customers (of flats, not houses) to force the transfer of the landlord's management function to a company set up by them. The right empowers leasehold customers to take responsibility for the management of their block. We will comply with legislation to any request submitted.

2.18 Re-mortgaging, Further Advances and Postponement of Charges

2.18.1 Any shared owner leasehold customer wishing to re-mortgage their home must request our approval in accordance with their lease. We may refuse an application if the proposed lender is not recognised as an approved lender.

2.18.2 We will only give our consent to further advances for the following reasons

- To enable the shared owner to staircase
- To enable them to buy out another shared owner in the same property
- To enable them to comply with the covenants in their lease e.g. necessary repairs to the property

2.18.3 If any lender asks us to agree to postpone our charge in their favour, we will charge for this.

2.19 Subletting

2.19.1 Any requests by shared owners to sub-let the property will be dealt with in accordance with the provisions of the individual lease. In some circumstances we may give permission for a shared owner to sub-let their home.

2.19.2 Applications will be assessed on a case-by-case basis. The decision will be made jointly by the Head of Service and the RTB and Leasehold Manager

2.19.3 If approved the maximum period allowed for subletting will not exceed 12 months.

2.19.4 We will investigate all reports of unauthorised subletting of shared ownership and will take legal action for any breach of the lease.

2.19.5 Shared Owners are allowed to sublet a room in their house with our permission.

2.19.6 Leasehold customers that own 100% of the equity in their property are permitted to sublet their homes unless otherwise stated in the lease. We must be provided with a mailing address and contact details for the Leasehold customer, and they will remain responsible for paying all relevant charges for the property and ensuring that all



covenants of the lease are adhered to by their tenants.

2.19.7 Leasehold customers that sub-let their property are required under law to have a gas safety check of their property carried out annually.

2.20 Staircasing (applicable to shared ownership only)

2.20.1 Staircasing is the term for when shared owners purchase more shares in their home. There is no requirement for shared owners to do this but if they wish to take up the option we will support them to do so based on the terms of their lease.

2.20.2 Staircasing can be interim, where a bigger share is purchased, or final, where the increased share takes them to 100% ownership and the property converts to Freehold. Some leases do not allow 100% ownership e.g. Older persons shared ownership only allows a maximum of 75%.

2.20.3 For any Leasehold customer staircasing we will require an independent open market valuation report. This can either be provided to us by the Leaseholder or we can arrange it. In this case the Leaseholder must pay us in advance. The report must meet the following requirements:

- The valuer must be Royal Institute of Chartered Surveyors (RICS) qualified
- The valuer must be independent
- The valuation should include comparable properties and sale prices where possible
- The valuer must inspect the interior of the property and provide a full valuation report
- The valuer must be informed of any improvements undertaken to the property by the Leaseholder (these improvements must have received prior written approval from us)
- Valuations carried out for bank or mortgage purposes are not acceptable

2.20.4 The valuation will be valid for a period of 3 months. If the staircasing does not complete within 3 months a revised valuation report may be required.

2.20.5 Once we have the valuation report we will inform the leasehold customer in writing of the sale price for the remaining equity/share to be purchased. They must confirm in writing their acceptance, details of their solicitors and proof of the funds to pay for the share. This can be a mortgage offer, a bank statement showing the necessary funds or if the money is coming from a third party, a signed gifting form and evidence of funds. Leasehold customers are responsible for their own legal costs, and we will pay for ours.

2.20.6 Any Shared Ownership homes funded from the Affordable Homes Programme (AHP) 2021-2026 include the right to staircase by 1% each year for the first 15 years. Those customers will also have the right to staircase by a minimum of 5% throughout the life of the lease.

2.20.7 The value of the 1% share will be based on the original price of the home as valued by a RICS surveyor as the baseline valuation. Each year, we will use the latest



available House Price Index (HPI) data for the appropriate Local Authority area and property type to adjust the valuation upwards or downwards and produce an up-to-date valuation for shared owners who wish to purchase an additional 1% of their home via gradual staircasing. We must provide these Leasehold customers with an updated valuation (for the purposes of 1% gradual staircasing only) at least once per year, and at any other point the shared owner requests to purchase an additional 1% using the same formula. There will be no right to appeal an estimated valuation, but the Leaseholder can opt to use a RICS valuation at their own cost.

2.20.8 On completion of the staircasing transaction we will amend all internal records to reflect the current ownership position.

2.20.9 In exceptional circumstances, and where viable. We may allow customers to downward staircase. At our discretion, we may buy back some equity, to allow the customer to stay in their home. This will be dealt with on a case-by-case basis and will require Executive Director approval. We will look to utilise RCGF in doing this and will liaise with Homes England. The same principles as upwards staircasing will apply in relation to charges, RICS valuations etc.

2.21 Disputes

2.21.1 We are committed to resolving all leasehold customer enquiries in line with this policy and the terms of the individual lease. We will inform Leasehold customers how to appeal a decision and how we will consider it. A manager who has not been part of the decision process will consider the appeal. Where the Group or the leaseholder are not in agreement with any decision made, either party reserves the right to apply to the First Tier Tribunal for the dispute to be heard.

2.21.2 The First Tier Tribunal is the formal name given to the body appointed to make decisions on various types of dispute relating to residential leasehold properties. It is an independent decision-making body which is completely unconnected to the parties or any other public agency. Following an application to the First Tier Tribunal by a leaseholder, the tribunal will look at the dispute and can:

- Decide the price to be paid when a leaseholder want to buy (enfranchise), extend or renew the lease of their home and the value cannot be agreed with the leaseholder
- Vary estate management schemes under the Leasehold Reform, Housing and Urban Development Act 1993
- Adjudicate in disputes about the right of first refusal procedure (which gives leasehold customers the right of first refusal to buy the freehold when the landlord wishes to sell it) and the compulsory acquisition of the landlord's interest in blocks of flats, decide liability for payment of service charges and can settle disputes about the landlord's choice of insurer
- Decide applications on dispensation of service charge consultation requirements, administration charges, the right to manage, the appointment of managers, the variation of leases and estate charges.



2.21.3 Leasehold customers have the right to refer any of the issues above without reference to the landlord. We may also look to refer longstanding disputes to the First Tier Tribunal, where we have been unable to resolve them. Some applications may require the payment of application and hearing fees.

2.22 Breaches of the lease

2.22.1 We will take appropriate action whenever we become aware that a customer is acting in breach of the terms of their lease. Such breaches may include the following:

- Non-payment of rent, ground rent and service charge
- Unapproved works
- Failure to maintain, or damage to, premises
- Harassment or anti-social behaviour
- Improper use
- Refusal of access to the Group's officers

2.22.2 In all such cases we will first draw the breach to the leaseholder's attention in writing and request they remedy it. If this fails a notice will be served on the leaseholder requiring them to remedy the breach. If the breach continues, further action will be taken, which may include seeking an injunction or, as a last resort, taking further action against the leaseholder for forfeiture of their lease.

3. Responsibilities

3.1 All colleagues are responsible for carrying out their work in line with this policy and associated procedures. The Director of Development, Sales and Growth is responsible for the overall implementation of this policy. Specific responsibilities are set out below:

Role	Responsibility
Executive Director Finance, Risk and Performance	Final approval of the policy.
Director of Development Sales and Growth	Operational implementation of the policy
Head of Sales and Home Ownership	Operational oversight of service delivery
RTB & Leasehold Manager	Oversee the management of Leasehold Services

4. Monitoring and review

4.1 We will review this policy every 3 years, or sooner if our monitoring of the policy identifies that changes are required, for example because of changes to law, regulation or related Livv strategies and policies.



Control framework

Compliance

This policy supports compliance with:

- Law of Property Act 1925
- Landlord and Tenant Acts 1985 and 1987
- Housing Act 1985
- Housing Act 1996
- Commonhold and Leasehold Reform Act 2002
- Leasehold Reform, Housing and Urban Development Act 1993
- Fire Safety Act 2021
- Leasehold Reform (Ground Rent) Act 2022
- Leasehold and Freehold Reform Act 2024
- Capital Funding Guide
- Royal Institute of Chartered Surveyors (RICS) Code of Practice
- Association of Residential Housing Managers (ARHM) Code of Practice
- Institute of Residential Property Management (IRPM) Code of Practice

Document control	
Version	1.0
Policy applies from	17 October 2024
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Responsible Executive Director	Executive Director – Finance, Risk and Performance
Policy author	Head of Sales and Home Ownership
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Environmental Impact Assessment	Not required
Circulation	Intranet; Livv Housing Group website

Version control		
Version	Date of Review	Summary of changes made
1.0	October 2024	New policy.

