



POLICY AND RESOURCES SCRUTINY COMMITTEE – 19TH JANUARY 2016

SUBJECT: LEASEHOLDER CHARGES AND CONSULTATION ARRANGEMENTS

REPORT BY: CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 This report responds to a request by a member of the Policy and Resources Scrutiny Committee for information on leaseholder charges and consultation arrangements.

2. SUMMARY

- 2.1 The report outlines the types and proportion of charges payable by leaseholders, the options available for payment of charges and the process followed to comply with the legal requirement to consult leaseholders when charges for works are likely to exceed set thresholds.

3. LINKS TO STRATEGY

- 3.1 The Single Integrated Plan 2013-17 has a priority to 'improve standards of housing and communities giving appropriate access to services across the county borough'.
- 3.2 The Local Housing Strategy has the aim of "providing good quality, well managed homes in communities where people want to live and offer people housing choices which meet their needs and aspirations "

4. THE REPORT

- 4.1 There are currently 417 leaseholders within the Council's housing stock who have bought their property (a flat) under the Right to Buy scheme. Approximately 50% of these properties are sub-let bringing in rental income for the leaseholder. The Council has continuing responsibilities to maintain the external structure and communal areas of the blocks of flats. The leaseholder has responsibility for maintaining the inside of the flat. A list of general responsibilities is attached as Appendix 1.

4.2 Charges

The items that leaseholders can be charged for are determined by their lease. The lease also stipulates the share that the leaseholder has to contribute towards charges. A leaseholder in a block of four would pay one quarter, in a block of six, one sixth and so on. This contribution is towards charges for **any** repairs to the outside of the block and to communal areas within the block. For example, if there is a repair to guttering above a tenant's flat in a block of four the leaseholder will pay a quarter. If the guttering above a leaseholder's flat is replaced the

leaseholder will only pay one quarter. Charges are billed annually for response repairs, ground rent, building insurance and a management fee on a service charge bill that is usually issued each September.

Response repairs used to be re-charged as an average cost according to the small, medium and large job rates but are now charged using the schedule of rates as this will provide a more accurate charge for the actual work undertaken.

Ground rent is currently a maximum of £10 per year and the current management fee of £10 per year is very low compared with other social landlords (some charge £80-£100 per year). This management fee is currently under review.

Major maintenance works are billed separately at the end of the contract. Again the items that can be charged for are determined by the lease. However, there are variations in the types of lease in existence. Mainly, but not exclusively, leases pre 1996 do not allow the Council to charge for any improvements. Leases after 1996 do allow the Council to charge for improvements. There is no universally accepted definition for what constitutes an improvement and what does not; however generally if something was repaired or if an item was part of the structure before, this would not be an improvement. The administration charge for major works is levied at 10% this also is currently under review but compares favourably with fees charged by other services.

With the external works undertaken as part of the Welsh Housing Quality Standard (WHQS) investment programme, major works costs could be substantial in some cases as they could include rectification of structural defects, re-roofing, re-rendering, replacement doors, paths, fences. There are, however, payment options in place to assist leaseholders with these costs which are explained below in item 4.4

4.3 Consultation

The consultation arrangements for leaseholders are set out in legislation, mainly the Landlord and Tenant Act 1985. The processes to be followed have a specific order and timescale. If any work is likely to result in a re-charge of £250 or more for an individual leaseholder the consultation process must be followed; if it is not, the amount charged is capped at £250 irrespective of the actual cost of the work. The consultation process can only be by-passed if an emergency repair is needed.

Leaseholders have an opportunity to nominate contractors for consideration for any work where their individual contribution would be estimated at more than £250 or the estimate for their block is more than £1,000 and providing these contractors are considered suitable they could be included within our procurement process. This is included in the Notice of Intention (example attached as Appendix 2). However, contractors have to meet the same requirements as those who would be appointed by the Council.

Major works are tendered competitively and leaseholders are given information on the quotes returned, their estimated contribution and the appointed contractor in the Section 20 Notice sent out before works start (example attached as Appendix 3).

4.4 Payment Options

Leaseholders already have the opportunity to pay their bills over 12 months interest free for service charge bills (which includes response repairs) and 36 months interest free for major works bills. There is also a statutory requirement to offer a loan with interest in certain circumstances. As mentioned above, with the ongoing WHQS programme, leaseholders could potentially find themselves with high costs to re-pay. It is therefore proposed to expand the payment options to include discretionary loans with interest payable and loans repayable on future sale or assignment of the property.

Each case will need to be looked at individually. In the case of loans repayable on sale or assignment, there would need to be checks for any other charges secured against the property and the likelihood of there being sufficient equity in the property to recover the charges. In terms of payment options, a distinction will be made between leaseholders who live at the property and leaseholders who sub-let. If the property is sub-let the leaseholder receives an income which it may be appropriate to consider is available to assist with the costs of repairs and maintenance.

Even with extended payment options, where there are high cost works this may still leave some leaseholders with no ability to pay. In these cases an option could be to buy back the property. If a need is identified, this option will need to be the subject of a future more detailed report.

5. EQUALITIES IMPLICATIONS

5.1 There are no equalities issues arising from this report, as it is for information only.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications arising from this report, as it is for information only.

7. PERSONNEL IMPLICATIONS

7.1 There are no personnel implications arising from this report, as it is for information only.

8. CONSULTATIONS

8.1 The views of consultees listed have been incorporated within this report.

9. RECOMMENDATIONS

9.1 Members are asked to note the information provided.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To inform members of the Policy and Resources Committee of the background to leaseholder charges and consultation.

11. STATUTORY POWER

11.1 Landlord and Tenant Act 1985.

Author: Mandy Betts, Tenant and Community Involvement Manager
Consultees: Cllr. David Poole, Deputy Leader & Cabinet Member for Housing
Phil Davy, Head of Programmes
Shaun Couzens, Chief Housing Officer
Nicole Scammell, Acting Director of Corporate Services and S151 Officer
Fiona Wilkins, Public Sector Housing Manager
Lesley Allen, Group Accountant
Laura Jones, Leaseholder Services Officer
Allison Davies, Leaseholder Services Officer
David A. Thomas, Senior Policy Officer (Equalities and Welsh Language)

Appendices:

Appendix 1	of 3	Leaseholder Responsibilities
Appendix 2	of 3	Notice of Intention
Appendix 3	of 3	Section 20 Notice