

<b>Leasehold Policy</b>		<b>Policy Section:</b> Major Works	
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<b>Abbreviations used in the policy</b>			
<b>LBTH</b>	<b>London Borough of Tower Hamlets</b>		
<b>THH</b>	<b>Tower Hamlets Homes</b>		
<b>GRV</b>	<b>Gross Rateable Value</b>		

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### **Introduction to the policy**

The purpose of this Policy is to set out the basis by which Leaseholders will be consulted about and charged for Major Works.

The divide between the content in this Policy and the Procedures that sit beneath it has been shaped by the following definitions:

**Policies** are principles, rules and guidelines formulated or adopted by an organisation to reach its long-term goals. Policies are designed to influence and determine all major decisions and actions and all activities take place within the boundaries set by them.

**Procedures:** are the specific methods employed to express policies in action in the day-to-day operations of the organisation.

### **Background to the Policy**

This policy applies to leaseholders on long lease agreements with properties within LBTH/THH estates on whom service charges are levied.

## **Legislative references**

- Law of Property Act 1925
- Housing Act 1980
- Housing Act 1985
- Landlord and Tenant Act 1985 as amended by the Landlord & Tenant Act 1987
- Landlord & Tenant Act 1987
- Consumer Protection Act 1987
- Property Misdescriptions Act 1991
- Leasehold Reform, Housing and Urban Development Act 1993
- Housing Act 1996
- Arbitration Act 1996
- Commonhold and Leasehold Reform Act 2002
- Housing Act 2004

## **Policy**

### **1. Policy Context**

- 1.1. LBTH recognises that it manages blocks and estates that contain a mixture of tenants, leaseholders and freeholders. LBTH also recognises the need to seek an appropriate balance between the needs of tenants, leaseholders and freeholders.
- 1.2. The most significant factors shaping the way that service charges, including those relating to Major Works, are calculated are:
  - The terms of the leases and deeds that describe the terms of the agreement made by each leaseholder at the time of their original purchase from LBTH.
  - The legislative framework: the calculation needs to operate in a way which is legal.
  - Good practice: the calculation needs to operate in a way that reflects good practice within the housing sector.
  - A strong priority has been given to creating a simple and transparent policy.
- 1.3. LBTH and THH are strongly committed to working continuously to improve the quality and value of the services it delivers to all customers. LBTH/THH will achieve this through:
  - Making sure our services reflect good practice
  - Minimising administration
  - Making services and costs as transparent as possible and seeking to reduce costs whenever possible

- Running the service in such a way that LBTH/THH employ, train and keep good staff

## **2. Equality and Diversity**

- 2.1. LBTH/THH recognise that they operate in a community within which there is wide social diversity, and are committed to providing equal opportunities and valuing diversity.
- 2.2. In the delivery of the Leasehold Management service, we aim to treat all customers fairly, and with respect and professionalism regardless of their gender, race, age, disability, religion, sexual orientation, gender identification and marital status.
- 2.3. To enable all residents to have clear information and equal access to the Leasehold Management Service, LBTH/THH publishes clear information in a range of appropriate languages and formats and through a range of media. Feedback is also accepted through a variety of different routes to reflect individual customer's preferences or needs.
- 2.4. To help demonstrate that our approach to managing Leaseholders is fully in keeping with our equality and diversity, we will collect equalities information on leaseholders who have accessed different elements of this service. This will feed into our consultation, monitoring and review processes.
- 2.5. Full details of our approach are set out in LBTH's and THH's respective Equality and Diversity Strategies.

## **3. Policy Statement: Major Works**

- 3.1. The Landlord will aim to limit the proportion of the costs of Major Works, which passes on to Leaseholders wherever possible, and as required by legislation.
- 3.2. The Landlord aims to recover from Leaseholders all monies due from them towards costs of major works in accordance with lease terms and legislation.
- 3.3. The subject of Major Works divides into 3 distinct sections each dealt with separately below:
  - Planning, consulting and letting a contract for the works
  - Carrying out the works
  - Charging and paying for the works

## **4. Planning, consulting and letting a contract for the works**

### **4.1. Definition of 'Major Works'**

- 4.1.1. The annual service charge includes day-to-day repairs and routine maintenance and repair work to buildings and estates (for example, unblocking drains, replacing broken roof tiles or

repairing the main entrance door). These are examples of the types of problem which LBTH/THH cannot plan for, and which LBTH/THH need to put right as and when they happen.

- 4.1.2. LBTH/THH carry out other large-scale work on a planned or ongoing basis, such as repairing and decorating the outside of buildings, replacing a lift, and repairing or replacing windows. These are examples of 'major works'.

#### 4.2. **Legal definition of when LBTH/THH must consult residents**

- 4.2.1. LBTH/THH will at all times seek to meet its' legal obligations to consult and will seek to consult with leaseholders in an open, simple and transparent way. This can sometimes be made more difficult by the legal and/or technical nature of the subjects that need to be communicated.
- 4.2.2. The leaseholder's share of the cost of major works is still a service charge. However, if the cost is over a certain amount, LBTH has to carry out a consultation to be able to charge the leaseholder for the cost of the works. So, LBTH carry out a consultation based on the cost of the works rather than on the type of the works. The procedure is known as a 'Section 20 consultation'.
- 4.2.3. LBTH/THH will carry out statutory consultations with leaseholders under Section 20 of the Landlord and Tenant Act 1985 (as amended) for all repairs and maintenance expenditure over the statutory levels of £250 for any one leaseholder for works of maintenance, repair or improvements, or £100 for any one leaseholder for works carried out under a qualifying long term agreement.

#### 4.3. **Leaseholders who have already replaced a component that is due to be part of a Major Works programme**

- 4.3.1. Sometimes a Leaseholder will have replaced a component that is due for replacement under a Major Works programme, for example their windows. Where this is the case the relevant component will not be replaced providing that:
  - All appropriate permissions have been obtained for the work (including Planning Permission where required)
  - The leaseholder's component is in good condition. Good condition means that the component has a remaining future life (assessed by a competent surveyor) no less than 2/3 of the future life of the component that LBTH/THH will install.
- 4.3.2. If the leaseholder's component meets all the criteria set out above then the component will be excluded from the programme.
- 4.3.3. Leaseholders wishing to claim exemption for a component should tell LBTH/THH in writing that they wish to claim an exemption as soon as they become aware of works being planned to their block. The latest point at which a leaseholder may claim an exemption is 6 months in advance of the planned start date for improvement works or within 14 days of the date on

which LBTH write to residents advising of the start date of the planned major works if this date is less than 6 months in advance of the planned start date for the major works contract. Exemption can only be granted if all work to replace the leaseholder component is or will be complete prior to the start of the major works contract on-site. Under no circumstances may a leaseholder (or their contractor) have any access to scaffolding put in place for the major works contract.

- 4.3.4. When a Leaseholder is successful in obtaining an exemption for one or more components this will change the amount they are charged for the Major Works. The lease holder will not be charged for parts or installation costs relating to the component that has been exempted. All other costs payable relating to Major Works payable under the lease will still be payable. Typically this may include (but is not limited to) preliminaries, professional fees and the costs of work to communal windows and common parts of the block. All leaseholders remain responsible for these costs for two reasons. Firstly, it complies with the terms of the lease. Secondly, if certain leaseholders were exempted from these costs then this would increase the share of the costs to be borne by other residents, tenants and leaseholders. This would not be fair.

#### 4.4. **Consulting leaseholders about Major Works**

- 4.4.1. The subject matter, content and timings of the consultation process are all set out in THH Procedures.

4.4.2. LBTH/THH will

- provide information and advice on large repair and improvement schemes to all residents, tenants and leaseholders, and ensure that all residents are involved in the planning, scope and delivery of schemes
- carry out statutory consultation on all Qualifying Long Term Agreements for contracts and services provided by Tower Hamlets Homes, and ensure that all such services are fully compliant with the legislation.
- ensure that income to LBTH/THH is maximised through the proper application of statutory consultation, effective invoicing and payment options suitable to individuals' needs.
- address the hardship caused to leaseholders by large repair and major works bills, and apply the relevant statutory and non-statutory remedies.
- ensure that major works provide Value for Money by ensuring that decisions on procurement and specifications for works are made transparently and that information regarding price and quality are made available to leaseholders as part of the consultation process.

- address the diverse community served by Tower Hamlets Homes and ensure that the consultation procedure and arrangements do not directly or indirectly discriminate against any service user on the grounds of age, disability, ethnicity, gender, religion/belief, sexual orientation or transgender.
- ensure that the consultation policy and procedures provide high levels of resident satisfaction and are constantly reviewed in the light of legislative change and good practice
- carry out leaseholder consultation on major works schemes including preparation of statutory letters and responses to leaseholders' observation
- offer public meetings and drop in sessions, and inspections of completed works by block representatives or other involved leaseholders in all cases where these are the expressed wishes of residents.
- include tenants in consultation on large schemes and address tenants' queries at the same public meetings and drop in sessions as for leaseholders
- ensure Leaseholders are involved in contractor procurement through proper consultation under the legislation and also through leaseholder representation on procurement and shortlisting panels, and through discussion of procurement and shortlisting at the Leaseholder Forum and focus groups (subject to the restrictions of the relevant European Union and UK procurement law and regulations)
- will give presentations on works planned in the Capital Programme at public events such as repairs days, Estate Action weekends, Residents Fairs and other periodic public events

4.4.3. All correspondence will be answered within statutory timescales and also in accordance with the provisions of the Tower Hamlets Homes Customer Promise which states that residents' letters will receive an acknowledgement within three days of receipt and a full response within 10 days.

#### 4.5. **More information on major works**

4.6. LBTH/THH will produce, and keep up to date, publications designed to help Leaseholders understand how Major Works will be planned, delivered, charged and paid for.

### 5. **Carrying out Major Works**

#### 5.1. **Managing the works on-site and ensuring quality**

5.1.1. LBTH/THH are determined to deliver

- good quality workmanship and minimised disruption

- excellent opportunities for residents to be involved with the major works being done to their block
- high levels of resident satisfaction
- good value for money

and have put a number of arrangements in place to make sure that we achieve the right outcomes.

5.1.2. The detailed description of how contracts will be planned and delivered can be found in THH Procedures.

## **6. Charging and paying for Major Works**

### **6.1. How LBTH/THH calculate major works charges**

#### **6.1.1. Invoice issued at start of works on-site**

6.1.1.1. Following the terms of the lease LBTH/THH will issue an invoice to each relevant leaseholder for their share of the estimated cost of the works based on the amount in the Section 20 Notice that will have been issued previously. This invoice will be issued when works have started on-site.

#### **6.2. How each individual invoice will be calculated**

6.2.1.1. **Preliminaries:** Preliminaries are fixed overheads arising from contracts e.g scaffolding and site buildings. Preliminaries are charged as a £value within the total cost of the works.

6.2.1.2. **Additional professional and technical fees charged on major works contracts:** When a major works contract is delivered the costs of professional and technical input to the delivery of the contract are charged in addition to the main contract cost. Examples of these fees are:

- Professional Fee
- Clerk of Works fee
- Planning Supervisor

6.2.1.3. Within the relevant procedure LBTH/THH will use a method of calculating the Major Works fee that is transparent and fair.

6.2.1.4. **Administration Fee:** This fee recovers the administrative costs incurred in delivering a major Works contract. Within the relevant procedure LBTH/THH will use a method of calculating the Major Works fee that is transparent and fair.

6.2.1.5. **Generally costs are pooled:** Unless specifically stated otherwise all costs will be pooled at block level. The way in which leaseholders will be charged if they have a component within the Major Works programme that is exempted from the programme is described at 4.2.4



above. Where it is fairer to do so certain costs will be allocated against the specific property where the costs were incurred. Examples of costs that are not pooled and are therefore charged using actual costs incurred per property as the base price (before on-costs) are:

- Electricity reconnection costs
- Heating system replacement
- Window replacement costs for windows in individual properties
- The specific list of the items that will be billed at the level of individual properties can be found in THH Procedures.

6.2.2. The government sets a ‘cap’ on certain leaseholder costs and LBTH will always keep to these capped maximum amounts whenever necessary.

6.2.3. Where costs are pooled each leaseholder’s share of the total costs will be worked out using the Gross Rateable Value (GRV) of each home as a proportion of the total GRV for all the homes in the block.

Example:

GV of 1 home		GV of all homes in the block		Total Value of Works		Share of total costs of works payable by this leaseholder
£350	÷	£17,500	×	£200,000	=	£4,000

### 6.3. Five year Right to Buy protection period

6.3.1.1. When a property is sold under the Right to Buy Scheme the purchaser will be sent a Section 125 Offer Notice. On this Notice will be listed some ‘itemised repairs and improvements works.’ During the first 5 years after purchase LBTH/THH can only charge for items of major works listed on the Section 125 Notice and can only charge up to the amount specified on the Section 125 Notice (with an allowance for inflation).

### 6.4. Paying for major works

6.4.1. **Getting advice about payments and debt:** LBTH/THH will provide a wide range of general debt and welfare advice both themselves and through a network of partnerships. LBTH/THH are committed to giving all their customers, including leaseholders, convenient access to good quality debt and welfare advice.

6.4.2. **Payment methods:** LBTH/THH will provide a range of convenient ways that customers can make payments online, over the phone, by post and in person.

6.4.3. **When is payment due?** The terms of LBTH leases require that all Service Charges, including those for Major Works, must be paid for within 14 days of receipt of the estimated invoice. However LBTH/THH recognise that this could cause difficulties for many leaseholders.

6.4.4. LBTH/THH have developed a number of ways to help leaseholders pay their share of the cost of their service charges. In order to avoid LBTH commencing work to collect the debt leaseholders need to make a payment agreement within 12 weeks of receiving an estimated bill and keep up the payments promised in the payment agreement.

#### 6.5. **Reconciling the final cost**

6.5.1.1. When the final cost of the contract is known it will be divided as described above between all the relevant tenants and leaseholders. Adjustments will be made to leaseholder accounts to reflect any difference between the final actual cost and the estimated cost.

#### 6.6. **Different ways to make and spread payments**

6.6.1. **One off payment:** Leaseholders can pay their estimated bill in full. The bill will be adjusted if needed when the Final Invoice is produced.

6.6.2. **Interest Free Monthly Payments:** Leaseholders may pay by monthly instalments without having to pay interest or administration charges:

- If the bill is £1000 or less: 12 monthly instalments
- If the bill is more than £1000: 24 monthly instalments

#### 6.6.3. **Extended Payment Options / Help for Leaseholders having difficulties paying for major works**

6.6.3.1. Details of both these items can be found in the sections that follow. Both sets of options are only available to leaseholders who reside in the leasehold property. Both sets of options may be offered to non-resident leaseholders in exceptional circumstances. The offer of any of these options to a non-resident leaseholder is entirely at the discretion of LBTH/THH.

6.6.3.2. **Extended Payment Options:** LBTH/THH will offer Leaseholders the opportunity to extend the monthly repayment option from 12 to 24 months in cases of financial hardship. In exceptional cases the 24 months may be extended to 36 months. LBTH/THH has discretion whether to allow either of these options. For both options interest will be charged at a local rate based on the amount of the original bill.

6.6.3.3. **Help for Leaseholders having difficulties paying for major works:** LBTH/THH recognise that some leaseholders will have difficulty paying for major works due to the size of the bill and their financial position. LBTH/THH have in place a range of options to help leaseholders in this position.

6.6.3.4. **Service Charge Loan:** the Housing (Service Charge Loan) Regulations 1992 tell LBTH that we are obliged to offer a service charge loan to help people pay large bills. There are specific criteria that must apply for leaseholders to qualify. The period is fixed depending on the amount borrowed. The interest rate is set out in the rules and is likely to be higher than the leaseholder could obtain from a bank or building society.

6.6.3.5. **Voluntary Charge:** leaseholders who do not qualify for any other kind of assistance may qualify to have a voluntary charge put on their property, registered at the Land Registry which secures the debt against the value of the property. The debt must be paid in full if the property is sold. If the eligible leaseholder dies then the remaining leaseholders, assignees or inheritors will be liable to pay the charge. LBTH has discretion on whether to approve a request for a Voluntary Charge.

6.6.3.6. **House Proud Scheme:** Provides help for home-owners in financial hardship if they are over 60 or disabled and meet other qualifying criteria.

In relation to Major Works examples include but are not limited to:

- preparing notices for major works
- issuing estimated costs of major works
- supplying information to leaseholders on loan and payment methods
- collecting payment for major works
- meeting with residents about Major Works