

<b>Cabinet</b>  5 January 2016	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Aman Dalvi, Corporate Director, Development & Renewal	<b>Classification:</b> Unrestricted
<b>Extending Payment Support Options to Leaseholders for Repayment of Major Works Recharges up to 10 years</b>	

<b>Lead Member</b>	<b>Councillor Sirajul Islam, Deputy Mayor and Cabinet Member for Housing Management and Performance</b>
<b>Originating Officer(s)</b>	<b>Jackie Odunoye:</b> Service Head – Strategy Regeneration & Sustainability
<b>Author</b>	<b>John Kiwanuka:</b> Housing Partnerships Manager (LBTH)
<b>Wards affected</b>	All
<b>Key Decision?</b>	Yes
<b>Community Plan Theme</b>	<b>Great Place to Live</b>

## Executive Summary

In January 2013 Cabinet agreed a suite of payment options (appendix 1) which, subject to qualification, allowed leaseholders to spread repayments for major works over a period of up to five years. The report to Cabinet was informed by relatively unknown cost of works albeit at an anticipated cost of around £20,000 per property. Decent Homes works to leasehold properties commenced in 2013/14, and some of these works have been extensive because the original Decent Homes (DH) bid was based on stock condition data that was not fully comprehensive. Consequently, surveys are conducted to inform the annual DHs programmes with the latest stock information, which occasionally leads to additional work and translates into higher levels of recharges to leaseholders than was envisaged.

However, leasehold DH works comprising windows, roofs, structural and concrete normally have long useful lives in excess of 15-20 years. Therefore, it is sensible and beneficial to leaseholders, to increase the maximum repayment period to 10 years where the leasehold works have been extensive and costly, deeming the current five year maximum repayment period unrealistic.

It is the council's responsibility to recover major works costs incurred on leasehold properties by recharging respective leaseholders. This report attempts to balance the overall council financial requirements, including cash flow issues, whilst allowing fair and transparent repayment terms for leaseholders.

## **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Adopt the revised Leasehold Repayment Support Options 1-6 detailed at **Appendix A**, and agree that this will supersede the previous Leasehold Support Options adopted by Cabinet on 9<sup>th</sup> January 2013 – Appendix **B**
2. Note that the Council has received additional Decent Homes Backlog Grant funding of £13.27 million for the 2015-16 financial year. This will result in additional net Housing Revenue Account capital resources estimated at £12.21 million after applying the statutory leasehold cap (see paragraph 3.7).
3. Authorise the Corporate Director - Development and Renewal following consultation with Corporate Director Law, Probity and Governance and Monitoring Officer (or their nominee), to enter into all necessary documents to implement the decisions made.

## **1. REASONS FOR THE DECISIONS**

- 1.1 The council recognises that recharges of major works costs represent a significant financial burden to leaseholders and that paying the charges, particularly in a lump-sum may cause difficulties.
- 1.2 It is the council's responsibility to recover costs incurred on major works undertaken on leasehold properties by recharging the leaseholders concerned. However, as the council is committed to maintaining the standard of its asset portfolio, an increasing number of leaseholders are likely to be presented with charges for their share of the costs. It makes sense, therefore to offer assistance to leaseholders in meeting their major works bills.
- 1.3 Offering extended payment periods is still common practice with local authorities (LAs). LBTH's leasehold payment support arrangements are flexible and overall offer longer repayment periods.
- 1.4 The council intends to charge leaseholders fairly, but at the same time needs to maintain the fabric of its housing stock, and the financial integrity of its HRA capital programme, including the Decent Homes programme.

## **2. ALTERNATIVE OPTIONS**

- 2.1 The council could decide not to offer additional options to leaseholders to repay the cost of major works, and the Decent Homes Programme. However,

this would conflict with the council's aim of supporting its tenants/leaseholders during these challenging financial times. This course of action could cause financial difficulties for some leaseholders.

- 2.2 The increase in the variety and flexibility of repayment options should reduce the risk to the council of non-payment and lessen the costs of both debt recovery, and leaseholder queries regarding major works invoices, re-charges and other enquiries.
- 2.3 The enhanced repayment terms options in this report are comprehensive and attempt to balance the impact on leaseholders with the HRA's overall financial requirements, including cash flow issues.

### **3. DETAILS OF REPORT**

- 3.1 Tenants who exercise their "Right to Buy" on flats do so under a leasehold agreement (or 'lease') with the council. The lease sets out, amongst other things, those costs incurred by the council which can be recovered from the leaseholder, in respect of service charges, repairs, major works and improvements.
- 3.2 Leaseholders, being home-owners, are encouraged to be aware of their financial responsibilities in respect of covering the costs of major works. Failure to pay such charges is a breach of the lease, but the council also recognises that large bills for major works can cause financial hardship for some leaseholders.
- 3.3 Accordingly, where the leaseholders find it difficult to meet the charges for major works, the council through Tower Hamlets Homes (THH) will provide guidance on the options available and work with them to make sure they can pay the charges in the shortest possible period that is appropriate to their financial circumstances.
- 3.4 The Government in 2014 introduced a service charge cap under the '**Florrie's Law**' via *The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014* and *The Social Landlords Discretionary Reduction of Service Charges (England) Directions 2014*. These affect all funding, including decent homes funding, allocated from Government on or after 12 August 2014. This entails:
  - Capping leaseholder service charges at £15,000 (in London) over 5 years on works partly or wholly funded by Government;
  - Extending proposals to allow councils discretion to reduce charges below the cap if deemed appropriate.
- 3.5 Capping charges only applies to leaseholders whose principal home is the property facing repairs. Checks are undertaken by Tower Hamlets Homes to ensure that charges are not capped for leaseholders that are renting out their property.

- 3.6 The council was successful in securing additional Decent Homes backlog funding grant of £13.27 million towards the 2015-16 programme. This was in addition to the £94.5 million that was previously received for the 2011-12 to 2014-15 financial years. The contract with the GLA to formally accept the additional grant and its conditions was entered into following the approval of an Individual Mayoral Decision on 24 September 2015.
- 3.7 As part of the grant funding conditions, leasehold works which are partly or wholly funded by the £13.27 million grant will be subject to the leaseholder charge cap of £15,000 (see paragraph 3.4). The latest projections from Tower Hamlets Homes are that this will result in approximately £1,060,000 of works being unrecoverable. The funding for these costs will be 'top sliced' from the grant, meaning that net resources of £12.21 million will be available to the council. This additional income reduces the reliance on other HRA capital resources, and increases the grant funding for the overall Decent Homes programme.

### **3.8 Leasehold Payment Support Options**

- 3.8.1 Cabinet on 9<sup>th</sup> January 2013 agreed to offer leaseholders various options to spread the cost of large major works payments or service charges over a number of years. These are measures to help leaseholders pay large major works bills by giving them extra time to pay over and above the one year allowed in the lease.
- 3.8.2 Offering deferred payments to every leaseholder means that much of the income from leaseholder re-charges is delayed for up to five years under the current regime. Proposals in this report include an 'up to ten year' extended repayment arrangement.
- 3.8.3 The council is committed to maintaining the standard of its housing stock; as such an increasing number of leaseholders are likely to be presented with charges for their share of the costs. Therefore, it is reasonable to offer assistance to leaseholders for their major works bills whilst ensuring the fabric of the council's housing stock is maintained, including the integrity of the HRA, the capital programme, and the Decent Homes programme.
- 3.8.4 The DH programme commenced in 2011/12 but it wasn't until 2013/14 when leasehold properties received works. 2015/16 marks the fifth and last year of the DH backlog GLA funded programme. DH refurbishment works to some leasehold properties have been extensive. The analysis in table 1 below provides the extent of the costs of works and resultant invoices in various repayment bands for the original proposed 2013/14, 2014/15 and 2015/16 programmes. A total of 3,418 leaseholders, of which 35% are non-residents, have had DH works costing circa £39.8 million resulting in average recharges to leaseholders of £11,626 as exemplified in table 1 below.

Table 1: Leasehold Decent Homes cost and average recharges

<b>Bands of Debt Outstanding</b>	<b>Estimated Number of Leaseholders Nos</b>	<b>Estimated Non Resident Leaseholders Nos</b>	<b>Total Leaseholder Recharges £</b>	<b>Average Leaseholder Charge £</b>	<b>Percentage Non Resident %</b>
Up to £1,000	269	98	208,422	775	36.4%
£1,001 to £2,000	209	72	298,954	1,430	34.4%
£2,001 to £6,000	304	129	1,349,869	4,440	42.4%
£6,001 to £10,000	482	159	3,816,464	7,918	33.0%
£10,001 to £15,000	1241	350	16,163,627	13,025	28.2%
Over £15,001	913	389	17,900,115	19,606	42.6%
<b>Total</b>	<b>3418</b>	<b>1197</b>	<b>39,737,451</b>	<b>11,626</b>	<b>35.0%</b>

3.8.5 From Table 1 above it can be seen that there are a significant number of leaseholders with invoices over £10,000. (The number of leaseholders within each band is based on the full Decent Homes Programme, including the current year 5. Therefore the analysis has been undertaken using the latest available cost estimates). Under the current payment options which Cabinet agreed in January 2013, leaseholders could have had to pay bills in excess of £10,000 within five years, which entails making significant monthly repayments. The DH works to some leasehold properties have resulted in costly recharges to leaseholders, therefore the Council is reviewing its leasehold support repayment options. The revised offer is shown in table 2 below.

### 3.9 Revised Extended Payment Options to Leaseholders

Table 2

	<b>OPTIONS</b>	<b>ELIGIBILITY CRITERIA</b>	<b>APPLICATION</b>
<b>1</b>	<b>5% discount</b>	<ul style="list-style-type: none"> <li>▪ Resident leaseholders</li> <li>▪ Non-resident leaseholders</li> <li>▪ Invoices over £1,000</li> </ul>	<b>Full payment is made within (90) days from the date of the invoice.</b>
<b>2</b>	<b>Two Year Interest Free</b>	<ul style="list-style-type: none"> <li>▪ Resident Leaseholders</li> <li>▪ Non-resident leaseholders</li> <li>▪ Invoices over £1,000</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Up to 24 monthly instalments</b></li> <li>▪ Minimum payment £100</li> <li>▪ Direct debit apply</li> </ul>
<b>3</b>	<b>Up to 5 year Payment Period: Partially Interest Bearing</b>	<ul style="list-style-type: none"> <li>▪ Resident Leaseholders</li> <li>▪ Invoices over £2,000</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Interest Free: 2 years</b></li> <li>▪ <b>Interest bearing: 3 years</b></li> <li>▪ <b>Direct Debit apply</b></li> <li>▪ <b>Up to 60 instalments</b></li> </ul>

			<ul style="list-style-type: none"> <li>▪ <b>Minimum payment £100</b></li> <li>▪ <b>Legal Charge created on the property which will be removed on full settlement</b></li> </ul> <p>*Interest free for the first Two years with the remaining Three years attracting interest at the Council's borrowing rate at the time.</p>
<b>4</b>	<b>Up to 10 year Payment Period: Partially Interest Bearing</b>	<ul style="list-style-type: none"> <li>▪ Resident Leaseholders</li> <li>▪ Invoices over £10,000</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Interest Free: 2 years</b></li> <li>▪ <b>Interest bearing: 8 years.</b></li> <li>▪ <b>Direct Debit apply</b></li> <li>▪ <b>Up to 120 instalments</b></li> <li>▪ <b>Minimum payment £100</b></li> <li>▪ <b>Legal Charge created on the property which will be removed on full settlement</b></li> </ul> <p>*First 2 years interest free, with the remaining 8 years attracting interest at the Council's borrowing rate at the time.</p>
<b>5</b>	<b>Voluntary Legal Charge on Property</b>	<ul style="list-style-type: none"> <li>▪ Leaseholder over 60 or receiving full benefit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compounded interest will apply – i.e. a charge at 0.5% above Council borrowing (currently at 5.34%) until redemption.</li> </ul>
<b>6</b>	<b>Statutory Council Loans</b>	Currently, the take up for these loans and their exposure to the Council is negligible	Statutory loans can be accessed by all leaseholders whose flats were purchased (by themselves or their predecessors) under right to buy, and are within the first ten years of their lease

3.9.1 Resident and non-resident leaseholders will be eligible for options 1 and 2 above. However, only resident leaseholders will have access to options 3 to 6. The council should not be subsidising leaseholders' business interests - this is particularly relevant because there are a number of leaseholders who are not residents but instead sub-let their property, some of whom have several properties in the borough.

- 3.9.2 It is in the council's financial interest for leaseholders to pay promptly after estimates are issued. Therefore, under the revised repayment option **1** the threshold for the 5% discount has been reduced from invoices above £2,000 to those above £1,000, and the time within which leaseholders can obtain the discount has been increased from 28 days to 90 days from the date of the invoice. The extended period will allow applicants more time to secure alternative sources of funding, potentially including re-mortgaging or other loans.
- 3.9.3 Similarly, access to option **2** has been streamlined for both resident and non-resident leaseholders. The requirement for means testing included in the current policy has been removed. To allow wider access whilst remaining objective, non-resident leaseholders will no longer be required to show exceptional circumstances to access option 2.
- 3.9.4 A new repayment offer - option **4** - of up to a 10 year extended payment period is proposed in this report. The primary aim of this offer is to help leaseholders spread their repayments for a longer duration, which should help to alleviate any financial and cashflow difficulties. The offer is available to resident leaseholders only, for invoices in excess of £10,000. Like option 3, the offer will be interest free for 2 years, but will bear interest for the remaining term.
- 3.9.5 A minimum payment of £100 per month and a direct debit regime are recommended. Assuming that sufficient equity is available in the asset, a legal charge will be applied on leasehold properties under option 4.
- 3.9.6 Option 5 – a voluntary legal charge will only be offered to resident leaseholders where sufficient equity exists to allow a legal charge against the property for the value of the works bill. THH must establish that 'hardship' applies before an application is issued for this option. Leaseholders will be required to complete a financial information form and supply any relevant documentary evidence which include details of income and identity. Under this option the amount of debt is secured with the leaseholder's agreement by way of a legal charge on the property. An arrangement fee will be applied on application. The leaseholder does not have to make any repayments but compound interest will accrue at the prevalent council borrowing rate plus 0.5% until the debt is paid.
- 3.9.7 Option 6 – the take up of statutory loans has been negligible. Statutory regulations require that the loan is secured on the property by way of a mortgage which means failure to keep up with repayments may put the leaseholder's ownership of the property be at risk.
- 3.9.8 The revised offers ensure that leaseholders can meet their financial responsibilities while recognising the difficulties they face in repaying major works costs.
- 3.9.9 The revised offer results in an estimated cost to the HRA as shown in table 3 below.

Table 3: Comparison of Existing with Proposed Options

<b>Policy</b>	<b>Total Discount Awarded</b>	<b>Total Interest Charged</b>	<b>Total Income Received</b>	<b>Net Present Value</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Proposed</b>	39,529	4,104,860	43,802,782	35,423,203
<b>Existing</b>	39,230	879,312	40,577,533	35,522,757
<b>Net Difference</b>	299	3,225,549	3,225,250	- 99,555

3.9.10 Table 3 shows that the Net Present Value (NPV) of the recommended offer, discounted at a rate of 6.5%, is £35,423,203 which, despite the 10 year extended repayment period, only marginally falls short of the current offer by £99,555. The table goes further to demonstrate that under the recommended offer, over a ten year period, the discount awarded is projected to total circa £40,000; interest received circa £4.1 million and cash received £43.8 million. The discount rate of 6.5% that has been applied to the income stream is consistent with the rate that was used by the DCLG when determining the HRA self-financing settlement.

3.9.11 The cost analyses above for the current and the recommended offers is premised on the following assumptions:

- All the calculations for both existing and proposed are based on the assumption that 2% of all leaseholders will pay early in order to take advantage of the 5% discount.
- In the proposed extended payment options, early payment discounts will apply to all invoices exceeding £1,000 as opposed to £2,000 in the existing extended payment options.
- Under the proposed extended payment options early payment discounts can be claimed if the invoice is paid within 90 days as opposed to the 28 days under the current extended payment options.
- Apart from the changes to the early payment discounts, the arrangements for non-resident leaseholders have not changed. The existing arrangements are that non-residents can pay by monthly instalments over a period of two years interest free. Based on the information received there is a high proportion of non-resident leaseholders (35%).
- Under the proposed extended payment options the interest free period is restricted to two years, unlike the existing extended payment options which has a three year interest free period for all invoices over £6,000.
- Under the proposed extended payment options resident leaseholders can pay by monthly instalments over a period of 5 years (60 instalments) for all invoices from £2,001 up to £10,000. There is no



longer any distinction for invoices over £6,000. The resident leaseholder will receive two years' interest free and pay interest on the balance outstanding for the remaining 3 years (36 instalments)

- Under the proposed extended payment options resident leaseholders can pay by monthly instalments over a period of 10 years (120 instalments) for all invoices that exceed £10,000. There is no longer any distinction for invoices over £6,000. The resident leaseholder will receive two years' interest free and will then pay interest on the balance outstanding for the remaining 8 years (96 instalments)

#### **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 Due to the high number of properties within the council that have been sold under Right to Buy legislation, a significant element of the Housing Revenue Account capital programme is rechargeable to leaseholders. Charges are currently mainly levied in respect of additional external or communal area works that are being undertaken to blocks as part of the Decent Homes programme, but other charges recover the costs of necessary works within the non-Decent Homes element of the programme. The recovery of major works costs from leaseholders is a key assumption within the thirty year HRA financial model, with this report outlining that charges of approximately £39.7 million should be recoverable in respect of the Decent Homes programme (Table 1).
- 4.2 All major works costs should be recharged in accordance with the terms of the lease to ensure that the council meets its legal duty to fully recover costs incurred, and to avoid the eventuality that tenants are subsidising leaseholders. Failure to achieve this will present a significant risk to the ultimate resourcing of the capital programme.
- 4.3 In order to ease the repayment burden on leaseholders, but also to improve recovery rates, this report recommends that the Mayor in Cabinet adopts the revised Leasehold Repayment Support Options outlined in Appendix A. These will replace the current payment options that were agreed by the Mayor in Cabinet on January 9<sup>th</sup> 2013. The changes from the previous policy can be summarised as follows:
- i. The 5% early payment discount period has been increased and will now apply to invoices paid within 90 days (rather than the previous 28 days)
  - ii. The 5% early payment discount will apply to all invoices over £1,000 (rather than the previous threshold of £2,000)
  - iii. Apart from the changes to the early payment discount arrangements the options for non-resident leaseholders remain unchanged, in that they can pay by instalments interest-free over two years
  - iv. Resident leaseholders will no longer receive an interest-free period for three years for debts that exceed £6,000. The maximum interest free period is two years for all debts

- v. Resident leaseholders who take advantage of the extended payment options will be required to pay a minimum monthly payment of £100, by direct debit.
  - vi. Resident leaseholders with debts between £2,001 and £10,000 can continue to pay over a 5 year period (60 instalments)
  - vii. Resident leaseholders with charges exceeding £10,000 can now pay over a period of 10 years (120 instalments)
- 4.4 Analysis has been undertaken comparing the revised payment options with the existing terms for Years 3, 4 and 5 of the Decent Homes programme. The analysis (Table 3) takes into account the effects of the discount offered and the additional interest which is projected to be received under both options, together with the net effect on future cash flows.
- 4.5 The assessment indicates that the projected impact on the Housing Revenue Account (HRA) over a ten year period is projected to be marginal on a Net Present Value basis, i.e. a possible reduction in income in the region of £100,000 (0.3%) on a projected major works cash income of in excess of £35 million.
- 4.6 It should be emphasised that the analysis is based on the initial Decent Homes programme profile and therefore is for comparative purposes. It does not reflect the actual expenditure being incurred by the programme which is still on-going.
- 4.7 The council adopts a prudent approach to the financing of its capital programme, and generally only allocates resources to schemes once they have been received. This also applies to the recycling of Leaseholder Major Works charges back into the HRA capital programme, with income only being applied to fund schemes when contributions are received.
- 4.8 It is essential that the Authority continues to implement all policies to ensure that both service charges and major works costs are appropriately recovered from leaseholders.
- 4.9 While the Authority will be offering a reduction in charges if full payment is received within 90 days, this loss must be balanced against the benefit of receiving income earlier than would otherwise be the case. The costs of any discounts offered will be met from within the HRA capital programme. The offering of these discounts is affordable within the modelling that has been undertaken on the council's thirty year HRA business plan.
- 4.10 Some of the options outlined above require a charge to be secured on the leasehold property to ensure that the council's interest is protected in the event of a default on the loan agreement. It is essential that all appropriate charges are secured to enable the council to ultimately recover all charges due to it.
- 4.11 Certain options include an interest charge based on the prevalent rate set by the council. The proposed interest rate is the council's Consolidated Rate of

Interest plus ½%. This equates to a current rate of 5.34% per annum. . The rate charged for each individual loan will be fixed over its lifetime, based on the rate that is in effect at the time that the loan is agreed. The interest rate charged for new loans will be reviewed regularly.

- 4.12 The amendments to the available Major Works repayment options are likely to result in additional costs being incurred in the administration of the various alternative payment methods. There may also be other costs involved in the provision of the systems to maintain loan and repayment schedules over a ten year period. These costs will be met from within the Housing Revenue Account and recovered as appropriate.
- 4.13 This report also requests that the Mayor in Cabinet notes that the grant conditions for the £13.270 million of additional Decent Homes funding received by the Authority in 2015/16 state that resident leaseholders whose works are wholly or partly funded by the grant must have their contribution capped at £15,000. The level of unrecoverable income as a result is projected to be in the region of £1.06 million, however this must be seen in the light of the substantial additional grant that the Authority has been awarded, and the fact that the council was effectively already funding these works as part of the Decent Homes Programme. The net additional HRA capital resources that have therefore been secured are estimated at £12.21 million.

## **5. LEGAL COMMENTS**

- 5.1 The report recommends the adoption of revised payment support options in order to provide financial assistance to certain leaseholders in the borough against whom service charges for works carried out have been levied by the Council.
- 5.2 The Council has a duty to recover the cost expended in carrying out works on leasehold properties. Council Officers need to ensure that such recovery is compliant with the Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014 and the Social Landlords Discretionary Reduction of Service Charges (England) Directions 2014. The Decent Homes Backlog grant agreement entered into with the GLA is also likely to impose conditions on the terms of the funding and any expenditure/recovery will need to be consistent with its terms.
- 5.3 The Council has the general power of competence under section 1(1) of the Localism Act 2011, which permits it to do “anything that individuals generally may do”, save that there must be no statutory prohibition against the proposed action. Given that there is no such legislative prohibition, the power can be used to offer the assistance to leaseholders as set out in the body of the report.
- 5.4 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficient and effectiveness. Offering the flexible payment support

options, including the discount for early payment of sums due, could reasonably be regarded as an efficient measure given that the Council will not need to expend resources in chasing late payments. Further, giving eligible leaseholders the option for the Council to secure a legal charge over their properties guarantees cost recovery, which may otherwise have to be recovered by the Council as a debt through legal proceedings.

- 5.5 The Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). Some form of equality analysis may be required in order to ensure that the scheme or the effect of the scheme does not serve to disadvantage those who share a protected characteristic.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 This report sets out the case for changing leasehold payment options to (i) encourage leaseholders to settle charges quickly by offering early payment discounts,(ii) reducing the interest rates for those leaseholders unable to make full settlement quickly to reduce the financial burden and (iii) to limit access to those leaseholders not in need of such assistance. The extent to which this can be achieved and DH programme targets reached will have a direct bearing on helping to achieve the Council's objectives in regard to tackling some of the inequalities and poverty effects in the borough.
- 6.2 The objective is that not only will the relevant leasehold properties have the much needed capital works carried on their homes, but also leaseholders will be supported with a raft of measures to lessen the burden of the resultant costs. The raft of support options in this report predominantly has leaseholders who are resident occupiers in mind, but non-resident leaseholders will also have access to two of the recommended options.

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 The proposals contained in this report are made to ensure the council can maximise its resources, minimise costs on recovery action and offer leaseholders suffering financial hardship reasonable opportunity to fulfil their obligations under the terms of their lease.
- 7.2 The figures shown in the report do not take into account recovery rates or the proportion of bad and doubtful debts. Payments against the Major Works invoices that are raised for the Decent Homes programme are being monitored, with income only being applied as a resource to finance the capital programme when contributions are received. Ultimately, the proposals in this report should ensure that legal charges against the property are put in place to enable the council to recover its major works expenditure in the long term as appropriate.

## **8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 The DH Programme contains specific provision to improve the energy efficiency of the council's own stock. For example, a significant proportion of the DH programme consists of renewing outdated, less efficient boilers with modern equivalents. In addition, all schemes, especially those involving new roofs, windows, heating and insulation are developed to maximise energy efficiency benefits. Work is also being undertaken to further develop this aspect of investment as part of the improvement plan arising from the Best Value review of the council's major works function.

## **9. RISK MANAGEMENT IMPLICATIONS**

- 9.1 The Decent Homes Backlog funding programme is in its last stages, and a significant amount of council resources have been invested in the housing stock. Therefore it is imperative that DH costs to leaseholders are recharged, invoiced and collected on a timely basis. To achieve optimal recovery of leasehold DH improvement costs, it is vital that S20 consultations are conducted in line with the prescribed procedure, ensuring that stages 1-3 are duly concluded. Inappropriate S20 consultations severely limit the amount a landlord can re/charge for major works.
- 9.2 There is a risk arising from the council being required to forward fund leaseholders' DH capital works. The options recommended to Cabinet for approval offer the best opportunity to ensure that income is received quickly and with the minimum effort in terms of debt recovery action. Leasehold payment support options are designed to alleviate excessive burden to leaseholders. Although it comes at a cost, as seen in 3.9.11 above, the arrangement should help leaseholders to make the relevant repayments for their major works in a smoother manner.
- 9.3 The current billing at practical completion places a risk to the council. Billing at later stages means the council is deprived of cashflow at the time when the HRA is under pressure. Constrained cashflows as a result of the deferred billing practices adversely, impact on the council's capability to recycle capital investment into leasehold properties for other stock improvement works. Moreover, the increased term for the support adds more administrative costs to manage the "loans" accorded to leaseholders which further exacerbate HRA exposure.
- 9.4 Tenants and local tax payers may challenge the council for extending favourable paying terms to non- resident leaseholders especially those who sublet their properties in a business arrangement. However, the restriction of some of the support to resident leaseholders may act as mitigation to this risk.

## **10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 10.1 Crime and Disorder reduction implications on the DH Backlog Investment Programme is limited; however working closely with the ASB teams and local residents, schemes for e.g. door entry systems and environmental improvements, like additional lighting, contribute to a reduction of crime and disorder.

## **11. SAFEGUARDING IMPLICATIONS**

- 11.1 There are no adverse Equalities implications relating to this proposal the recommendations offer support to both resident and non-resident leaseholders.
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Linked Report: **None**

Appendices: **Appendix A and Appendix B**

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- **NONE**

Officer contact details for documents: **John Kiwanuka – D/R Strategy, Regeneration & Sustainability Ext 2616**