

Cheltenham Borough Council

**Social & Community Overview & Scrutiny Committee –
10th June 2009**

Cabinet – 23rd June 2009

Leaseholder Major Works Repayment Policy

Report of the Assistant Director – Community Services

1. Executive Summary and recommendation

1.1 The issue

- 1.1.1** The Decent Homes works for the Council's housing stock may have some impact on properties occupied by leaseholders. Currently there are procedures in place for leaseholders to pay for minor works through the Council's debtor system, but there is no policy in place to support leaseholders who have difficulty in repaying the council for works where the amounts involved are significant. The report sets out a policy to support leaseholders facing difficulties in paying for major works.

1.2 I therefore recommend that Cabinet:

- 1.2.1 Approves the policy for supporting leaseholders facing difficulties in paying for major works on properties as outlined in the Major Works Payments Policy at Appendix 1.**

- 1.2.2 Delegates authority to the Assistant Director –Community Services to determine applications from leaseholders in regard to the Major Works Payments Policy at Appendix 1.**

1.3 Summary of implications

- 1.3.1 Financial** The Regulations were amended at the start of April 2009 to make it clear that the Council does not have to charge interest on the whole or any part of the loan. The Council will incur additional interest costs on its working capital as a result of any deferred payments; however the amounts involved are not significant and may be offset by interest charged to leaseholders.

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1.3.2 Legal

The duty upon local housing authorities to issue loans to its leaseholders in respect of service charge payments and the power to issue such loans in other circumstances, is governed by the Housing (Service Charge Loans) Regulations 1992 as amended. The eligibility criteria for these loans contained in the regulations is set out in the report and the draft policy.

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1.4 Implications on corporate and community plan priorities

1.4.1 Corporate Priority 5

We will re-dress the imbalances in our communities and build strong healthy geographical communities and communities of interest: Deferred payments and loans will assist leaseholders in having their properties maintained to a decent standard helping some of Cheltenham's most vulnerable people.

1.5 Statement on Risk

1.5.1 Risks were identified and are noted in Appendix 2

2. Introduction

2.1 Works to properties under the decent homes schemes may impact on leaseholders of properties previously purchased from the council where the council retains the freehold of the buildings. These works are necessary in order to raise the quality of the fabric of the housing stock e.g. balconies, encapsulation, or roofs on block of flats. Costs are initially paid for by the council but are recoverable from the leaseholders under the service charge provisions in the leases, but, there may be instances where the costs of the works may be significant and that repayment to the council may present difficulties.

2.2 The Housing Act 1985 and Housing (Service Charge Loans) Regulations 1992 require the Council to consider requests from eligible leaseholders for statutory loans to assist in meeting the cost of major works to their properties. A Major Works Payments Policy has been produced in response to this statutory requirement which also includes a set of discretionary options to help leaseholders pay these costs. A leaflet will also be produced to assist leaseholders on how they can apply for loans.

3. Background

3.1 As at 22nd September 2008, the Council had 449 leaseholders. Under the terms of

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Repayment of Major Works on Leaseholder's
Properties. Version 1

our leases, leaseholders are obliged to contribute towards the cost of works and services to their blocks and estates. Neighbourhood works is likely to impact 16 leaseholders in the region of £60,000, at an average of £3,500 per leaseholder. Over the forthcoming years there are also works planned for possible encapsulation, structural works, works to external fabric of blocks of flats (including windows and roofs) and a major external redecoration and repair programme which is due to commence later on this year. Some of these works could incur leaseholders costs above £5,000.

3.2 The Government's overriding view is that costs of homeownership should be met by homeowners themselves, however, local authorities should have strategies in place for advising and assisting leaseholders facing high bills.

3.3 The Major Works Payments Policy as shown in Appendix 1 aims to assist Council and Cheltenham Borough Homes officers by providing guidelines on support available to leaseholders facing difficulties in paying large works bills. The policy allows the Council to consider more favourable alternatives in cases of exceptional financial difficulties. These cover:

- Discretionary loans or legal charges outside the stated parameters
- Extended payment periods for invoiced costs

3.4 As this is a new policy offering a range of payment options, it is difficult to predict the take up. Awareness of the new policy could mean that loans are taken up regularly. With any form of deferred payment, the Council will incur additional interest costs on its working capital however the amounts involved are not significant and may be offset by interest charged to leaseholders.

4.0 Consultation

4.1 The Council's Legal Services, Business Revenues, Leaseholders Forum and officers from Cheltenham Borough Homes have been fully consulted in drafting these proposals as set out in the policy.

Background Papers

Housing Act 1985

Housing (Service Charge Loans) Regulations 1992

The Social Landlords Discretionary Reduction of Service Charges (England) Directions 1997

HQN – Briefing paper - Assisting leaseholders facing large bills for major works and improvements

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Accountability

John Rawson – Cabinet Member for Finance and Culture

John Webster – Cabinet Member for Community Development and Housing

