

Major Works – Business Process Review



Report to:	Cabinet
Date:	30 November 2023
Portfolio Holder:	Councillor David Carter, Deputy Leader and Portfolio Holder for Housing
Lead Officer:	Neil Euesden, Interim Director of Housing (01279) 446416
Contributing Officer:	Wendy Makepeace, Assistant Director – Housing and Property (01279) 446342
Key Decision:	No
Forward Plan:	Forward Plan Number I016395
Call In:	This item is not subject to call in procedures as it is for noting only
Corporate Priority:	Fix Council Housing
Wards Affected:	None specifically

Recommended that:

- A** Cabinet notes the improvements and enhancements made to the Major Works business process.

Reason for decision

- A** The review of business processes set out to strengthen the core principles of engagement and support for residents, aligned to the statutory requirements of the Section 20 of the Landlord and Tenant Act 1985 (As amended by the Commonhold and Leasehold Reform Act 2002.) The new procedure ensures that business processes associated with consultation for major works projects are robust and that appropriate financial support is available for leaseholders. The new process is aligned with government legislation which enables landlords to carry out repairs/replacement or maintenance of its buildings to ensure they are kept to a reasonable standard and to recharge those works to Leaseholders as per the lease agreement.

Other Options

A None as the item is for noting.

Background

1. In March 2023 officers submitted a report to Cabinet for approval to grant a contract to undertake Major works to blocks 7 -17, 38-42, 45 -49, 85-95 and 106-117 Five Acres.
2. The scope of works included, fire safety works identified within the Fire Risk Assessments external refurbishment works incorporating pitched roof and chimneys, replacement rainwater goods, brickwork, and crack repairs, replace shiplap cladding with upvc with insulation to reduce the risk of condensation and improve the energy efficiency of the block, replacement windows, flat entrance doors and communal doors and external landscaping repairs.
3. The works had been subject to a competitive tender process, in line with the Council's procurement procedures. Seven suitable qualified Contractors were invited to bid and following a detailed tender analysis a contractor was recommended and approved by Cabinet, contracts were awarded. Site set up commenced in September 2022.
4. Consultation with Leaseholders aligned to Section 20 requirements commenced in July of 2021, by way of the NOI (Notice of Intention), which advises leaseholders that major works were planned for the blocks. Enquiries during the period between the NOI, NOE (Notice of Estimates) and raised during the consultation meetings with residents, continued to be addressed and responded to aligned to the statutory consultation process for Leaseholders.
5. Formal representations from Leaseholders and questions were put to Cabinet in relation to the consultation process and cost of works. Matters were discussed and raised by Leaseholders at both the October and November Cabinet meetings. As a result of the concerns raised, Officers were instructed to cease all works at Five Acres pending a review of the Major Works Process.
6. Officers have reviewed the process in line with the statutory requirements of Section 20 Leasehold consultation and have enhanced the consultation with residents, prior to works commencing, during, on completion and post works. In addition to introducing two internal reviews of the proposed scope and scheduling of works. (Appendix A)
7. A summary of the key changes are:

Consultation

8. Early consultation with residents - letter to residents once works have been agreed as part of the annual Housing Capital Programme.

9. Major works guidance leaflet for tenants and leaseholder. (Appendix B).
10. Improved communication and contact with residents – whilst works are in progress.
11. Mid-term newsletter. (Appendix C).
12. Improved information available on the council's website including a video explaining the Major Works process which will go live later this year.
13. Closure letter on completion of works with key information on contacts post completion of works.
14. Due to the escalating cost of works, the scope of works is now subject to an additional review as part of the new surveying/inspection and procurement process. This is to ensure that it remains compliant with the latest statutory and regulatory obligations whilst maintaining the key Housing Investment principles of a total block refurbishment.

Repayment options for major works

15. The council offers a wide range of payment options for Leaseholders. In late 2022, the council reviewed the options available and extended the interest free loan period from 5 to 10 years on qualifying loans.

2.5% Prompt Payment Discount

16. Leaseholders can have 2.5% prompt payment discount if the invoice is paid in full within 30 days of the date of the invoice.

Payment Options

17. If a leaseholder is unable to pay immediately the council can offer the following payment options:
 - a) **Ten months interest free payments**
 - i) The cost of works is collected via 10 monthly instalments. This option is open to all Leaseholders.
 - b) **Interest free loan over term of up to 10 years (secured against the property)**
 - i) Leaseholders may apply for an interest free loan if they are an owner-occupier Leaseholder. Depending on the value of the invoice, they may have the option to repay the loan over a maximum period of 120 months (10 years).

- ii) Statutory regulations require that the loan is secured against the property by way of a legal mortgage. Leaseholders will be required to sign a loan agreement and will be charged an administration fee of £300 for this option. The administration fee is added to the loan and paid over the term of the loan. A redemption fee, currently £87.50, is also payable once the final loan repayment has been made.
- iii) Below is a table which details what repayments could be depending on the loan amount.

Months	Invoice Value (min)	Invoice Value (max)	Monthly Payments (min)	Monthly Payments (max)
12	£250	£1,000	£20.83	£83.33
18	£1001	£2,000	£55.61	£111.11
24	£2001	£3,000	£83.37	£125.00
30	£3001	£4,000	£100.03	£133.33
36	£4001	£5,000	£111.14	£138.88
42	£5001	£6,000	£119.07	£142.88
48	£6,001	£7000	£125.02	£145.83
54	£7,001	£8000	£129.65	£148.15
60	£8001	£9000	£133.35	£150.00
72	£9,001	£10,000	£125.01	£138.89
84	£10,001	£11,000	£119.06	£130.95
96	£11,001	£12,000	£114.59	£125.00
108	£12,001	£13,000	£111.12	£120.37
120	£13,001	£14,000 plus	£108.34	£116.67 plus

- iv) If there is more than one Leaseholder, they will be held jointly and severally responsible for the repayments. This means that each will be held responsible for the whole of the loan. This option is open to owner-occupier Leaseholders only.

c) Council loan – Mandatory (secured against the property)

- i) Leaseholders have a right to a loan if certain criteria are met including the following:
- The Leasehold of the property was purchased under the Right to Buy legislation,
 - The leasehold was purchased less than 10 years before the date of the Major Works invoice for the required loan.
- ii) Depending on the circumstances the law requires the council to provide a loan where charges are in excess of an amount stipulated by Government.

Currently the amount of loan cannot be less than £1,044 and not more than £40,740.

- iii) The law will not allow the Council to lend more than the amount due for the Major Works invoice plus the £160.69 administration fee.
- iv) Depending on the amount of the loan required, repayments may be spread over 1 to 10 years. The law requires that:
 - If the amount borrowed is less than £1,500 repayment period within 3 years.
 - If the amount borrowed is between £1,500.01 to £4,999.99 repayment period within 5 years.
 - If the amount borrowed is £5,000 or more, repayment period within 10 years.
- v) The Council's administration fee of £160.69 which is added to the loan and a redemption fee, currently £87.50, will be payable once the final loan repayment has been made.
- vi) The current interest rate is 3.56% variable. This option is open to eligible Leaseholders only.

d) Discretionary loan (secured against the property)

- i) The council offers discretionary loans to any Leaseholders with a Major Works invoice in excess of £500 where they do not meet the mandatory loan criteria. The eligibility criteria and terms (including interest rates) for discretionary loans are determined by the local authority. All discretionary loans are secured against the property by way of a legal mortgage.
- ii) The current interest rate is the local authority mortgage rate of 3.56% variable. This option is open to all Leaseholders (natural persons only. Limited companies are excluded from applying for a Council loan).

e) Voluntary charge

- i) This option is available to assist leaseholders who are struggling financially, have low/no income and deemed to be in financial hardship. The option exists for circumstances where the other repayment options would not be possible. The voluntary charge will only be offered where sufficient equity exists to allow a charge for the value of the Major Works invoice to be secured against the property.

- ii) Before an application is issued for this option, it must be established that “hardship” applies. Leaseholders will be required to complete a financial assessment and supply any relevant documentary evidence to support the application. With this option the amount of debt is secured, by way of a charge against the property.
- iii) Leaseholder do not have to make any repayments towards the debt, but interest will accrue until the debt is repaid. As with other loan options the current interest rate is the local authority mortgage rate of 3.56% variable which is set by central government.
- iv) This option is open to owner-occupier leaseholders who are in financial hardship only.

Conclusion

18. The review of the Business Process is robust and aligns with the council’s statutory requirements, it has addressed the issues raised by Leaseholders regarding earlier consultation, the escalating cost of works and payment options available and the ongoing requirement for communications with residents whilst works are in progress. The payment options available to Leaseholders are favourable when benchmarked against other local authorities. Examples of this can be viewed in the following table.

Organisation	Prompt Payment Discount	Interest free monthly instalments period	Interest free loan period
Harlow	Yes	10 months	10 years
Redbridge	No	12 months	3 years
Epping	No	Up to £1000k	
Stevenage	Yes	None, three payment options; Full Payment by the Leaseholder, Statutory Loan Scheme (Right to a Loan) and Discretionary Loan Scheme	N/A
Waltham Forest	Yes	Yes – sliding scale up to 36 months	No

19. As part of the review members requested that officers look at the potential of introducing a service charge for major works (sinking fund) for Leaseholders. Previous consultation with leaseholders on service charges for major works was rejected. However, a further review of the current lease agreement is planned for 24/25, and as part of this project

officers will look at options for the introduction of a monthly service charge for major works.

Implications

Equalities and Diversity

There are no direct implications for Equality and Diversity but leaseholders as a diverse group will have equal access to financial support as outlined in the report.

Climate Change

Improvements to the Housing stock via HDC capital investment programmes will have a positive effect on the fabric of properties and energy efficiency for residents.

Communities and Environment

The range of proposals set out in the report will help support the community as a result of a number of options being made available for the repayment of the costs of works required to help maintain the leasehold properties in a good state of repair. The measures that will be taken will also facilitate a better process to facilitate repairs programmes and ultimately will improve the energy efficiency and reduce carbon emissions of many homes.

Author: Simon Freeman, Deputy Chief Executive and Director of Finance

Finance

The financial implications and the regulatory background on which they are based is clearly set out within the report.

Author: Simon Freeman, Deputy Chief Executive and Director of Finance

Governance and Corporate Services

There are no implications as this is an information report. The proposals satisfy the requirements of the act.

Author: Simon Hill, Director of Governance and Corporate Services

Housing

As outlined in the report.

Author: Neil Euesden, Interim Director of Housing

Strategic Growth and Regeneration

The implementation of a revised business process will deliver greater clarity and certainty. In turn, this will speed up the delivery of projects which will be a major contributor to the ongoing regeneration of Harlow.

Author: Andrew Bramidge, Chief Executive

Appendices

Appendix A – Major Works Procedure

Appendix B – Major Works Guidance
Appendix C – Newsletter

Background Papers

None

Glossary of terms/abbreviations used

NOE – Notice of Estimate

NOI – Notice of Intention