

SLOUGH BOROUGH COUNCIL

REPORT TO:	Neighbourhoods and Community Services Scrutiny Panel
DATE:	8 January 2015
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WARD(S)	All
PORTFOLIOS	Leasehold stock across the Borough

LEASEHOLD SERVICES – SERVICE CHARGE BILLING

1 Purpose of the report

- 1.1 To provide further information on 'Florries Law': The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014

2 Recommendations proposed/action

- 2.1 The Panel is requested to note the information contained within the report.

3 Summary of The Law

- 3.1 The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014 has brought in a cap on the amount of service charges that can be demanded from leaseholders.

The cap is applicable towards the costs of major works undertaken by the Council, where funding in the form of a grant or other financial assistance has been used and Leaseholders are expected to contribute a proportion under the terms of their lease. The funding relates to assistance from a grant or financial assistance of any kind, for any repairs, maintenance or improvement works to the block, including the Decent Homes Backlog Fund. This will also include any future funding or assistance provided by the Government or the Homes and Communities Agency.

The cap only applies to funding applications made on or after 12 August 2014 and applies for a five year period, meaning the Local Authority cannot demand more than the capped sum from Leaseholders over a five year period.

4 How this will affect Slough Borough Council

The cap is £10,000 for non London Councils and £15,000 for London Councils; therefore the cap for Slough Borough Council is £10,000.

Previous works undertaken by the Council that have received grant funding are Winvale, Pantile and Parlaunt Road currently the Non-Traditional Build external Cladding programme across the Borough. The latter programme of external cladding, grant application process commenced in March 2013, before the start date of the cap 12th August 2014 qualification date.

Slough Borough Council has undertaken a catch up exercise in recent years on major works programmes on its stock and is currently working on programmes identified

from stock condition surveys. This has enabled Property Services to bring the condition of Housing stock to an appropriate standard and keep all buildings in a good state of repair. Inevitably this reduces reactive maintenance and results in future programmes of works to be timely and affordable.

No works have resulted in the cap being applicable and Property Services and Leasehold Services will monitor ongoing works to identify where this may affect any programmes. The likelihood is slim as funding and assistance is minimal for programmes of works on stock within Slough.

The cap is only for owner occupiers and does not apply to those that sublet.

5 Conclusion

Leasehold Services offer a plethora of repayment terms for leaseholders facing major works bills and discuss these on a one to one basis where required.

Slough Borough Council to date has not billed individual Leaseholders for works in the region of £50,000. This is the sum billed by the Local Authority to Florrie Bourne, the Leaseholder whose unfortunate case triggered this legislation.

Leasehold Services work hard to ensure that Leaseholders pay an affordable and reasonable amount for major works, in line with their lease and legislation whilst not relying on funding from the Housing Revenue Account.

Whilst Tenants are not expected to subsidise leaseholders, it is paramount that leaseholders can afford to remain in their homes and Neighbourhood Services ensure this when agreeing when programmes of work from Property Services are undertaken and what the entail for future investment in the blocks and for good management.

9 Appendices Attached (if any)

9.1 Major works repayment terms

APPENDIX A

Scheme of financial assistance for leaseholders with major works bills			
Summary of terms and conditions			
	Option	Eligibility criteria	Operation
1.	Agreed maximum recharge	Applies to framework contracts where the agreed maximum price was approved on or after 1 st April 2009	Where the estimate or final account for the project exceeds the amount estimated in the Section 20 Notice, Slough Borough Council will not seek to recover more than the notified amount. The only exception would be where there is a need for additional works that were not included in the original scope of works. These will be separately charged for, following the serving of a further Section 20 notice consultation beforehand.

2.	Prompt payment discount	Estimate paid within six weeks of receipt.	If you pay your major works bill within six weeks of receiving the estimate costs (from your final section 20 notice letter), you will be entitled to a 5% discount.
3.	One to Three years Interest free repayment period	Costs must be at least £1,500. The amount of repayment time-frame is determined by the amount of the loan required.	<p>Conditions</p> <ul style="list-style-type: none"> • payment of equal monthly instalments • First payment is to commence within twelve weeks of receipt of estimate (sent soon after the works begin on site). • Breaches in payments will result in interest being charged at the rate set out in your lease • If the charge is below £1,500 you can still pay by interest free instalments, but the minimum payment each month must be at least £100. • A repayment agreement will need to be signed.

4.	Five year repayment period	Charge must be at least £1,500.	<p>Conditions</p> <ul style="list-style-type: none"> • a legal charge will be placed on the property, for which an administration fee of £200 will be payable in advance • contact Leasehold management within twelve weeks of receipt of estimate costs (from your final section 20 notice letter) <ul style="list-style-type: none"> • no interest will be charged for first 36 months • Years four to five, interest charged at a discounted rate (Bank of England base rate) provided the agreement is adhered to. Breaches in payments will result in interest being charged at the rate set out in the lease.
5.	Seven year repayment period	Charge must be at least £10,000.	<p>Conditions</p> <ul style="list-style-type: none"> • A legal charge will be placed on the property, for which an administration fee of £200 will be payable in advance • contact Leasehold Management within twelve weeks of receipt of estimate costs (from your final section 20 notice letter). <ul style="list-style-type: none"> • no interest will be charged for first 36 months • Years four to seven, interest charged at a discounted rate (Bank of England base rate) provided the agreement is adhered to. Breaches in payments will result in interest being charged at the rate set out in the lease.
6.	Ten year repayment period	Charge must be at least £20,000.	<p>Conditions</p> <ul style="list-style-type: none"> • A legal charge will be placed on the property, for which an administration fee of £200 will be payable in advance • contact Leasehold Management within twelve weeks of receipt of estimate costs (from your final section 20

			<p>notice letter).</p> <ul style="list-style-type: none"> • no interest will be charged for first 36 months • Year's four to ten, interest charged at a discounted rate (Bank of England base rate) provided the agreement is adhered to. <ul style="list-style-type: none"> • Breaches in payments will result in interest being charged at the rate set out in the lease from the date of the missed payment.
7.	Flexible Home Improvement Loan	Aged over 60. Must be the leaseholder's main home. Charge must be at least £1,000	<ul style="list-style-type: none"> • Administered by SHIA (Slough Home Improvement Agency). • A legal charge to be placed on the property as security for the loan. • Three options 1) to repay capital and interest 2) repay interest only or 3) no repayments until property is sold. • Fees applicable for processing this loan
8.	Bank or building society loans/Mortgage	Available to all	You can approach a bank or building society for a loan/ mortgage or ask your lender to increase your current mortgage.
9.	Statutory right to a Loan under the Housing Act 1985 Section 450A (mandatory) or 450B (Discretionary)	Lease must have been granted within the last ten years. Loans must greater than £1,500 but less than the maximum £20,000 (these are subject to inflationary increase)	<ul style="list-style-type: none"> • Loan periods depend on the amount borrowed. <ul style="list-style-type: none"> • These include interest rates at the Local Authority Mortgage Interest Rate. • Must apply within six weeks of receipt of the estimated cost of the major works. <ul style="list-style-type: none"> • A charge will be secured against your property for the duration of the loan • There are admin costs of £200 payable for this loan • You do not need to have equity in your property to qualify for this loan but a charge will be secured against the property for the duration of the loan

10.	Income support	Determined by the Department of Work and Pensions (DWP).	<ul style="list-style-type: none"> • Leaseholders receiving income support, job seekers allowance or pension credit may be eligible for assistance with the cost of certain works or interest on amounts borrowed. • Leasehold Management can help obtain direct contact details at DWP for you to enquire.
11.	Independent advice service	Via Shelter 27 Church St Slough SL1 1PL 0844 515 1380	Shelter can provide independent financial advice for leaseholders wishing to know which financing options best suits their circumstances.
12.	Voluntary Legal Charge Option (securing the cost against your property)	Leasehold must have undertaken the Right to Buy and was not aware of work at the time of purchase. Over 60 or on disability benefits. Either on or eligible for means tested State Benefit. Charge must be at least £10,000 and have savings of less than £8,000	<p>A charge will be placed on the property for which an administration fee of £200 will be payable. This can be paid in advance or included in the charge. The interest rate will be 0.25% greater than the Bank of England base rate. There are two alternatives.</p> <ul style="list-style-type: none"> • No repayments until property is sold (interest will be 'rolled up' and recovered with the amount of charge is paid back when the property is sold) • The interest is paid on a monthly basis until the property is sold, but the amount of the charge remains the same and is paid back when the property is sold.