

<b>Report To:</b>	Cabinet	<b>Date:</b>	24.11.2016
<b>Heading:</b>	LOAN POLICY FOR MAJOR WORKS FOR LEASEHOLDERS		
<b>Portfolio Holder:</b>	HOUSING AND ASSET MANAGEMENT		
<b>Ward/s:</b>	ALL		
<b>Key Decision:</b>	Yes		
<b>Subject To Call-In:</b>	Yes		

### **Purpose Of Report**

To adopt a new flexible discretionary loans policy for council leaseholders whether they are resident or non-resident leaseholders.

The purpose of the new policy is to make paying for major works more affordable for leaseholders and thereby ensuring that works are completed across the Council's housing stock promptly and efficiently. These proposals would then lead to the improvement of the overall quality of the housing stock in the District in line with the Council's Housing Strategy (2016-20).

It is also timely to review the Council's policy on charging leaseholders for major works as the policy has not been updated to take into account a legislative change to charging which was enacted by the central government in August 2014.

### **Recommendation(s)**

1. To adopt the new discretionary loans policy as set out in the report for council leaseholders
2. To recognise that the Government has capped all major works<sup>1</sup> costs that can be transferred to resident council leaseholders to £10,000 (but **only** where the works involve central government funding) and agree that, that cap would apply to both mandatory and discretionary schemes in that circumstance.

### **Reasons For Recommendation(s)**

The Council is planning major works on a number of homes across the District (generally for roofs). The Council's housing strategy has a key proposal to improve the sustainability of all homes in the district. By providing an affordable solution for leaseholders to improve their

<sup>1</sup> The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014

properties alongside the council's improvements to its own housing stock this will improve the overall quality of housing in the district.

### **Alternative Options Considered (With Reasons Why Not Adopted)**

The option of not changing the policy was considered but rejected as the Council would not be acting in the best interests of its residents if it is not affordable for leaseholders to improve their homes and then by consequence that those homes are not improved across the District. The Council also needs to be compliant with government legislation and therefore the policy on loans needs to be updated.

### **Detailed Information**

#### **Introduction**

Council leaseholders are expected to pay towards major works on their properties this could be for a new roof on a flatted block or necessary fire prevention work. When such major works are planned leaseholders will be informed about what their share of those costs will be.

For freeholders they are required to maintain their own properties but often cannot afford the works required.

#### **Current policy**

The Council's current policy contains both mandatory and discretionary policies for council leaseholders. As the mandatory scheme is compliant with government legislation it is suggested that it remains as it is (See appendix 1) except that the mandatory scheme must be capped at a total cost of £10,000 over 5 years *if* the leaseholder has the property as his or her principal home *and* the works being carried out have central government funding. Across the country mandatory schemes have had very little take up as the interest rate set within the scheme is more expensive than the rates that can be obtained from High Street lenders.<sup>2</sup>

The Discretionary Policy has not been reviewed for some time and whereas other local housing authorities have used their discretion to enable leaseholders to be able to afford major works the Council's current policy has not been taken up probably because of the way it has been designed. A key flaw in the discretionary policy is that every year the amount that the works need to cost before any loan can be given is increased – in 2014/5 it was £2770 up from £1500 when the policy was introduced in June 2003. This is likely to be more than the cost of most works the Council would undertake to be charged to leaseholders.

#### **Other Local Housing Authorities' Policies**

Research has been conducted into what other local authorities are offering. There are a very wide variety of discretionary schemes on offer from other local housing authorities. Some local authorities allow leaseholders to have loans on much smaller amounts (LB Barnet) and some allow the sum to be made into a charge on the property (Leeds City Council, Slough Borough Council) thereby removing the need to for the leaseholder to pay back the loan while they remain in the property. Some offer to either charge the interest from the loan as the only cost to the leaseholder or offer a rolled up interest charge which adds to the loan amount secured on the property. Some authorities charge a set administrative fee to cover the costs of administering the scheme. Authorities tend to distinguish in the help they offer between resident and non-resident leaseholders. This distinction is made as those who let out properties are effectively running a business and are gaining an income which it is considered they should be using to maintain their property (or properties).

## **Proposed Discretionary Policy for Loans to Council Leaseholders**

Under the Housing (Service Charge Loans) Regulations 1992 the Council is permitted to offer discretionary loans to leaseholders, whose leasehold was purchased under the Right to Buy legislation. The Council has 177 leaseholders 102 are resident in their properties and 75 live elsewhere.

### **Resident leaseholders**

We are proposing a means tested approach to help where the Council offers more assistance as the individual's circumstances become more difficult.

All resident leaseholders would be offered the following help with paying for works.

<b>Level of charges</b>	<b>Payment Options</b>
Charges under £3,000	24 months interest free credit with the options to extend to 36 months where there is evidence of financial hardship
Charges between £3,001 and £6,000	48 months interest free credit
Charges between £6,001 and £10,000	60 months interest free credit

Where resident leaseholders are in receipt of long term benefits because of their age or long term illness/disability then the Council will be willing to consider placing the cost of a loan as a charge on the property. The full cost of the works plus a rolled up amount of interest charged at 3% per annum and an administration fee of £100 would be put as a charge on the property. This would enable the works to be completed at no initial cost to the resident leaseholder.

### **Non Resident leaseholders**

The Council will be willing to offer a loan at 3% per annum plus an administration fee of £100.

### **Advice and Support for Leaseholders**

The Council would look to the Citizens Advice Bureau to give independent advice to leaseholders looking to use this policy.

### **Implications**

#### **Corporate Plan:**

This proposal links to the following priority under "Housing" in the Corporate Plan:

- Support the delivery of energy efficiency in existing homes

It does this by making financing available for resident and non-resident leaseholders to be able to afford for the Council to carry out works to their homes which will improve their thermal efficiency.

#### **Legal:**

The proposals are within the Council's current legal remit under the 2008 Housing and Regeneration Act where section 308 enables local authorities to offer loans for service charge payments to leaseholders who have bought under the Right to Buy on terms other than an interest bearing loan.

**Finance:**

This report is effective from 24.11.2016 and has the following financial implications:

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	<ul style="list-style-type: none"><li>• The exact accounting treatment of the financial transactions contained in this report will be determined in detail by officers at a later date</li><li>• The leaseholder’s ability to pay will need to be assessed and there will be a cost to this assessment process</li><li>• The applications for loans will be assessed by the Housing Contracts team within their existing resources. A charge of £100 per application will be made to cover these costs.</li><li>• There will be a cost, to be determined of the work of the Council’s Legal team in drawing up agreements and the arrangements for placing charges on property</li><li>• On the interest free loans there will be a loss of interest which will be nominal; the rate however will be reviewed each year as part of the February budget report</li><li>• A condition of all loans will be that repayments must be made by direct debit</li></ul>

**Human Resources / Equality and Diversity:**

None identified.

**Other Implications:**

None identified

**Reason(s) for Urgency (if applicable):**

**Background Papers**

Ashfield Service Charge Loans Policy

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