

1/1/2019

MAJOR WORKS AND SERVICE CHARGES POLICY FOR LEASEHOLDERS

Guide to payment methods, advice and help available for leaseholders who receive a Major Works invoice

Introduction

This major works and service charges guide is aimed at all Dartford Borough Council leaseholders receiving bills for Major Works. This includes leaseholders living on estates and those in street properties. It covers:

- Section 20 consultation
- Estimated service charge demands and when to make payment
- Payment methods
- Help for leaseholders
- Additional information on legislation

**Please direct any queries about Major Works to:
Leaseholders@dartford.gov.uk**

Major Works

Major works charges are for larger repairs and maintenance works to communal areas and the fabric of the building, which might include roof works/replacement, washing line areas, window replacement to the block, brick or concrete repairs, redecoration, stair works and flooring, door entry systems and security etc.

Section 20 consultation

Landlords, including Councils, are legally required to consult with leaseholders before carrying out Major Works in accordance with the Commonhold and Leasehold Reform Act 2002.

A Section 20 notice is not a bill, it is an opportunity for you to comment on the work we are proposing. Notices will be issued where the charge for the Major Works will equate to more than £250 per repair per leaseholder, and all affected leaseholders will be included in the S20 consultation.

The notice should be issued before works physically start on site and is required to contain the following information:

- Description of the proposed work
- Reasons why the work is being proposed
- Estimated costs of the work (where possible/applicable)
- Invitation to make observations on the proposed works (observations must be made in writing)
- The consultation period lasts 30 days and the Notice will specify the closing date
- The landlord must pay regard to any observations received and respond where appropriate

Estimated service charge demands & payments

This section explains when you will receive a bill and when payments should be made.

Estimated billing at the start of the service charge year

- We will provide estimated service charge statements in March for the financial year ahead. These are invoiced on a quarterly basis and are payable in advance on the first day of each quarter. These are for the estimated day to day repairs and service charges only. The service charge year is 01 April – 31 March
- Following financial year end, we reconcile estimated service charges to actual expenditure including any Major Works which have been completed during the year, and issue a balancing invoice or credit note by the end of September
- The Council offers a flexible range of payment options including monthly direct debit, online payment and a 24/7 telephone payment line.

End of year statement of expenditure (Actuals)

- We will send you a statement of expenditure by the end of September each year which will include all items of expenditure during the previous financial year. This will include all Major Works carried out during that year
- You will also get a breakdown of repairs and a statement showing the difference between the original estimated service charges which you have already paid and the actual costs incurred during the year. If you have an extended payment agreement already in place, your direct debit will be automatically adjusted to take account of any changes to your charges and you will receive a separate letter detailing the direct debit payments and when they are due

Payment options

Only resident leaseholders who occupy their property as their principal home will be able to enter into extended payment agreements for Major Works. Non-resident landlords who do not occupy the property themselves as their principal home will be required to settle the invoice in full within 30 days. This is non-negotiable.

The Council recognises that it can be difficult for some leaseholders to meet the costs of Major Works' bills. We therefore offer resident leaseholders an interest free period of up to 5 years to pay charges which relate to Major Works (the period allowed will be dependent upon the amount due). This option is available to leaseholders who provide income and expenditure information to inform a formal assessment and who agree to adhere to a payment plan by monthly direct debit.

If you wish to discuss this option and enter into a payment agreement, please contact the leaseholder services team at leaseholders@dartford.gov.uk. If you are unable to pay an invoice for your Major Works in full straight away, you should contact us immediately so we can discuss the options available to you. Your payment methods are set out below:

Note that these extended payment options are only available to resident leaseholders who occupy their property as their principal home.

Up to 60 Months Interest-Free Payments

- Interest free periods of up to 12 months on Major Works bills over £1,000

- Interest free periods of up to 24 months on Major Works bills over £2,000
- Interest free periods of up to 36 months on Major Works bills over £3,000
- Interest free periods of up to 60 months on Major Works bills over £6,000
- Instalment plans can only be agreed where payment is made by monthly direct debit
Once a payment plan has been agreed you are expected to keep to the terms with regular monthly payments until the charge has been cleared in full. This must be within the agreed period
- If you do not keep to the payment plan, the Council will commence debt recovery action in accordance with its arrears procedure. This may result in additional charges to you, as well as interest payable on the original bill
- Please keep the Council up to date with any payment problems that arise

Statutory Service Charge Loan

- Mandatory Service Charge Loans are interest bearing loans with set criteria that are applied as set out in accordance with the Regulations
- You must be the original RTB purchaser
- Applies only during the first 10 years of a RTB lease

You can make an appointment to discuss payment options

Please contact us at leaseholders@dartford.gov.uk and we will arrange a suitable time to meet you.

Help for those in financial hardship

The Council recognises that some leaseholders may not be able to make full loan repayments and offers some options to help; these allow payment to be deferred. We advise that you seek independent advice from your mortgage provider and other agencies before seeking assistance from the Council.

Hardship scheme options

Discretionary Voluntary Charge

This option allows resident leaseholders **where the property is the principal home** to defer payment of capital and interest.

- A voluntary charge in recognition of the debt due is secured against the value of your property and is redeemed when the property is sold. The charge is noted at Land Registry and therefore the property cannot be sold without the debt being cleared.
- Leaseholders must demonstrate that they are unable to sustain loan repayments or obtain alternative finance.
- This scheme involves an up-front arrangement fee and we will charge interest on the secured debt.
- A Voluntary Charge may be available:
 - If there is sufficient equity to cover the debt.
 - On completion of an application form with details of any current mortgages and any other mortgage or charges on the property.
 - On completion of an income and expenditure statement

Other options to assist with hardship

Buybacks

In extreme cases, the Council will consider buying your home back from you if you are having difficulty paying your mortgage and service charges but this would need to be fully demonstrated to the Council and any offer would relate to the valuation of the property, the Council's need for such a unit and it having the funds available to buy back the unit.

If we buy back your home you will become a sitting tenant of the property, on a flexible tenancy, after the sale has been completed.

If the Council does buy back the property, and you are under occupying, we reserve the right to offer you accommodation of a suitable size elsewhere in Council stock on a flexible tenancy.

This decision however is entirely at the discretion of the Council and is not a right.

If you are within 10 years of the original Right to Buy purchase of the property, you are required to offer the property back to the Council before being able to place it for sale on the open market. In these cases, the Council will follow the Right of First Refusal legislative timescales during its consideration of your offer.

Defer payment for a year

Allows a resident leaseholder to defer payment for up to a year where the bill is over £10k in cases where there is financial hardship through a sudden change of circumstances like a job loss.

Contact leasehold services at leaseholders@dartford.gov.uk to discuss your options

Advice agencies that can provide information and support:

The Leasehold Advisory Service - an online resource for leaseholders: <https://www.lease-advice.org/>

Citizens Advice Bureau:

<https://www.citizensadvice.org.uk>

Additional information on legislation

A common question raised is "is the Council required to cap bills at £15k"

Capping leaseholder charges for works

Capping of leaseholders repair costs has been revised in the Service Charge Reduction Directions (2014). There are two sets of directions; mandatory which applies to Government funded works and discretionary which give the Council powers to cap in certain circumstances.

Mandatory Directions (2014). Social landlords must cap service charges for Repairs/Maintenance/Improvements at £15k if:

- a) The service charges exceed £15k in any 5 year period AND
- b) The leaseholder is resident AND
- c) The cost is assisted by Decent Homes Backlog Funding (or any other central government funding) AND
- d) The applications for assistance was after 11 August 2014

What do the changes mean for Dartford leaseholders?

Dartford is not likely to receive Decent Homes Backlog funding for works started after April 2016. This means that no mandatory capping would take place as schemes will be funded from other sources which are not subject to capping.

Please note that capping relates to qualifying leaseholders only. This is a leaseholder who is an individual and occupies the dwelling as his or her only or principal home

Limitation on Major Works charges for RTB Leases

During the first five years of a right to buy lease Major Works charges are limited to the amounts detailed in the offer notice issued prior to purchase.

- The offer notice would have contained details of possible works and an estimate of the cost
- The limitation applies to the sum listed plus an allowance for inflation
- The offer notice details the maximum that can be charged for day to day repairs and lists any planned Major Works which may be completed during the first five year period following the purchase of the property
- Any Major Works completed outside this five year period are fully chargeable

Please contact leasehold services team if you have any queries at leaseholders@dartford.gov.uk

Types of Major Works

Fire Risk Assessment Works

Works can include compartmentation (all electrical installations/intake and meters in communal areas must be enclosed using fire materials), intumescent strips/smoke seals, means of escape (replacement of mortice locks on communal doors with thumb turn locks), high grade hard wired smoke alarms, emergency lighting and signage works.

Electrical (excluding Lifts)

This can include works to electrical supplies, door entry systems or mechanical ventilation systems.

Communal Repairs and Decorations

These works include the redecoration of internal communal areas such as stairwells, balustrades and handrails, entrance lobby's etc.

External Repairs and Decorations

This may include concrete repairs to the external brickwork of the building and decoration to

external components such as balcony balustrades, external render etc.

Water works

This can include repairs or replacement of water tanks or water mains.

Roof works

The type of works covered can include repairs or replacement of the roof as well as replacement of gutters, rain water pipes, fascia's, soffits, barge boards and loft insulation.

Window works

This includes repairs or replacement of windows.

Asbestos Related works

This may include the cost of asbestos surveys and enclosing or removing of asbestos where required.

Estate works

These can include works to repair or replace paving, landscaping or fencing on the estate, rotary drying areas and bin stores.

Boundary Walls

This will include works to repair or replace the wall around your estate or block.

Please note the above is not meant to represent a definitive list of works that could be undertaken to your block or estate.

Estimated charges

Each March, we will send you a statement detailing the estimated day to day charges for the forthcoming financial year. In accordance with your lease, payments should be made quarterly in advance on 1st January, 1st April, 1st July and 1st October each year.

No adjustments to the estimated demand will be made until the actual service charge demand is issued.

Actual adjustments

In September each year we will send you an Actuals adjustment for the previous year. For example, in September 2019 we will send you the adjustment for the 2018/19 financial year.

If the amount of your estimated service charges for the previous year was lower than the Actual expenditure incurred by the Council, you will be sent an adjustment and an invoice for the additional amount. Your lease requires payment of the Actuals invoice in full within 30 days.

If the amount of your estimated service charges for the previous year was too high, you will be sent an adjustment and a credit note which will be applied directly to your service charges account.

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