

# MAJOR WORKS GUIDE FOR LEASEHOLDERS

Guide to payment methods, advice and help available for leaseholders who receive a major works invoice

*June 2016*



# Major works guide

## Introduction

This guide is aimed at all Camden Council leaseholders receiving bills for major works. This includes leaseholders living on estates and those in street properties. It covers:

- Resident consultation
- Section 20 consultation
- Service charge demands and when to make payment
- Payment methods
- Help for leaseholders
- Additional information on legislation
- Alternate dispute resolution process

You will also find a glossary of terms and some frequently asked questions: **FAQ?**

## Please direct any queries about major works to:

[capitalservices@camden.gov.uk](mailto:capitalservices@camden.gov.uk)

### FAQ?

**What are major works charges?** – larger repair and maintenance works, which might include roof replacement, window replacement to the block, brick or concrete repairs, redecoration, lift replacement, boiler works etc.

## Resident consultation: How you can get involved

### The planned works consultation team

The team works closely on creating an effective engagement process prior to formal leasehold consultation, and uses various methods of contact to encourage resident involvement e.g. letters, meetings, door knocking and creation of resident's panels and block representatives. The programme allows residents to be involved in all aspects of the works scheme, from scoping works through to final quality inspections.

Options are flexible to fit with the differing community nature of each block or estate and the size of the scheme. We work with existing Tenants and Residents Associations (TRA) and also look to create resident's panels on suitable schemes. We feel that resident's panels are one of the best ways to allow residents to plan monitor and scrutinise the delivery of the works.

### FAQ?

**I would like to know more about creating a residents panel?** - The team can be contacted by email at: [consultationteaminbox@camden.gov.uk](mailto:consultationteaminbox@camden.gov.uk)

## The consultation process step by step

- The consultation officer works with the contract manager to develop a consultation plan. We identify if a TRA is present, and whether a resident's panel would be suitable.
- Liaison with existing TRA about works.
- Consultation officer books a meeting for residents and sends out the resident invites to a drop in session, which will explain the proposed works. Officers from the scheme and councillors are invited to attend.
- Meeting is held and feedback is used by the contract manager to firm up the scope of works.
- Works details are sent to leaseholder services to issue section 20 notices to leaseholders.
- Leasehold meeting is held to discuss the estimates given in the section 20 notice. The contract manager and officers from leasehold services attend the meeting
- Leasehold section 20 consultation closes after 30 days.
- Consultation team book Meet the Contractor (MTC) meeting and send the MTC letter to all residents.
- The next step in the scheme would be for the site team to send out letters about things such as scaffolding and any appointments they need to make, which depends on the type of work we are carrying out.
- Engagement during the work itself is then shared between the site liaison team and the consultation team. The site liaison team deal with day to day engagement and the consultation team oversee resident panels and monitor the quality of the communication that is sent out.

## Section 20 consultation

Landlords, including councils, are legally required to consult with leaseholders before carrying out major works. This means that as a leaseholder, you are entitled to further consultation, often called "Section 20" consultation because it was introduced by Section 20 of the Landlord and Tenant Act 1985.

Please note, a Section 20 notice is not a bill, it is an opportunity for you to provide feedback on the work we are proposing. We have to issue notices when one leaseholder's share will be more than £250, all the leaseholders in that block will be formally consulted regardless of how much they each have to pay.

The notice has to be issued before works start on site and is required to contain certain information including:

- Description of the proposed work
- Reasons for the work
- Estimated cost of the work
- Opportunity to make observations on the proposed works which must be made in writing
- The notice period is 30 days, observations must be made during this period
- The landlord must reply to the observations
- NB Section 20 consultation is carried out by leaseholder services

## 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**

- From April 2016 we will be providing service charge estimates for planned major works that are going to be carried out in the year ahead.
- This is an estimate of what we are going to spend in the year
- This should give you a much clearer picture of what the total service charge will be for the year (the service charge year is 01 April – 31 March).
- We will write to leaseholders when each scheme starts on site. At this point you will need to start making payments. Resident leaseholders who occupy their property as their principal home will be able to enter into extended payment agreements.
- The council offers a flexible range of payment options, which include a hardship scheme where payment of the major works invoice can be deferred, please read the section in this guide
- Sometimes it's possible that the works might not be completed in the same service charge year as they started. In these cases we will send you an estimate at the start of the next service charge year for the works due in the that year

### **End of year statement of expenditure**

- We will send you a certified statement of expenditure at the end of the service charge year and will advise you what was spent in respect of each major works scheme.
- This is usually sent out in the September after the end of the service charge year.
- The end of year certificate tells you the value of works completed for your block.
- You will also get a schedule showing the difference between the original estimate and the actual costs incurred in the year. If you have set up an extended payment agreement you may need to adjust your standing order to reflect any change.
- If the works scheme was added into the programme part way through the year you may not have had an estimated service charge. Where you have not received an estimate, resident leaseholders who occupy their property as their principal home, will be able to enter into extended payment agreements at this point.
- If at any time your financial circumstances change and you may not be able to make payments please let us know as soon as possible. We can then advise on the help available.

### **FAQ?**

#### **Will I receive more than one estimated invoice?**

If the major works project spans more than one year you will get an estimate at the start of each year. When all costs have been incurred we will send you a final summary.

#### **The works have not started, why has an estimated been issued?**

Camden is allowed to issue you with an invoice at the start of the financial year, for works which it will be carrying out during that year. It provides you with better information on the planned works.

#### **The works have not started. Do I have to start paying the invoice?**

No, you will only make payments towards the invoice once works have started on site. Although, you can start paying the invoice as soon as you receive it, if you wish.

## Payment options

The Council recognises that it can be difficult for some leaseholders to meet the costs of major works bills. We therefore offer a number of different payment options, in addition to that specified in your lease.

Options include interest free periods up to 5 years and interest bearing loans up to 25 years along with a hardship scheme that allows leaseholders to defer payment in certain circumstances.

If you wish to discuss these options or enter into a payment agreement, please contact Camden on 020 7974 4444. If you are unable to pay an invoice for your major works in full straight away, you should contact us so we can advise on the best option. Your payment methods are set out below:

The extended payment methods 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 10 months for annual service charges
- Interest free periods of up to 12 months on major works bills under £5000
- Interest free periods of up to 24 months on major works bills over £5000
- Interest free periods of up to 36 months on major works bills over £10,000
- Interest free periods of up to 48 months on major works bills over £15,000
- Interest free periods of up to 60 months on major works bills over £20,000
- All interest-free payment options are only available if you occupy the property as your only or principal home.
- Payments should be made from your bank using a Standing Order Mandate.
- Once an agreement has been made you are expected to keep to the terms until the bill is fully paid within the agreed monthly periods.
- If you do not keep to the agreement the Leasehold Team will start debt recovery procedures. This may result in additional charges to you, as well as interest payable on the original bill.
- if you want to use this method of payment you must:
  - Set up an instalment plan through the Camden Account or
  - Complete and return the instalment agreement form
- Please keep your leasehold officer updated with any payment problems that arise.

### 5% Prompt Payment Discount

To benefit from this option you must pay the estimated major works invoice in full within 6 weeks of receiving the works start on site notification letter requiring payments to commence. You will then be entitled to a 5% discount from the final account cost. A letter will be sent go to each leaseholder informing them of the payment date.

NB: available to resident leaseholders who occupy their property as their principal home.

## **Service charge loans**

A service charge loan from the Council may not always be the best option. To make a comparison, you should look at the 'secured loan' rates offered by banks or building societies. If you have an existing loan it may be better for you to add the sum to your existing mortgage.

### **Statutory Service Charge Loan**

- We are required to tell you about a Right to a 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 during the first 10 years of a RTB lease,
- This option is available but is not as flexible as Camden's discretionary loan, which offers longer payment periods.

### **Discretionary Service Charge Loan**

If you have difficulty in paying the full amount of the major works bill straight away or by interest-free monthly instalments, you may be able to take advantage of the Council's non-statutory service charge loan scheme. This scheme is designed to be more flexible than the statutory scheme. If you wish to pursue this option please contact us and we will send out an application form. Details of the conditions are detailed below:

- Discretionary Service charge Loans are interest bearing up to 25 years, any resident leaseholder is eligible and currently attracts an interest rate of 3.13%.
- There must be sufficient equity in the property to cover the loan
- You must supply details of your current mortgage and any other mortgage or charge on your property
- We will ask you to complete an application form
- A charge over your property is required as security for the loan
- You will be required to pay the legal and land registry costs associated with setting up the loan.
- The loan must be paid in full if the property is sold
- Please bear in mind that you may wish to approach your mortgage-company and request they extend your mortgage to cover the cost of your outstanding invoices. You may also consider approaching another financial institution for a secured or unsecured loan.

[Contact your leasehold officer to discuss your options or if you can't make payment or need a longer payment plan](#)

### **You can make an appointment to discuss payment options**

- Please contact us and we will arrange a suitable time to meet with you.

## Help for those in financial hardship

The Council recognises that 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 redeemable 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 loan.
- A Voluntary Charge is available if:
  - There is sufficient equity to cover the loan.
  - Completion of an application form with details of any current mortgages and any other mortgage or charges on the property.
  - Completion of an income and expenditure statement
- Only available where the property is the principal home.
- It's important to note that annual interest is added to the loan.

#### Voluntary loan

- Is part of the hardship scheme where you may be able to pay the interest or be entitled to benefits, which leaves the capital sum to pay.
- An interest only payment is charged on the debt thus keeping the charge at a fixed level. You will be expected to pay all interest on the loan but may be able to receive assistance with this through the Department for Work & Pensions (DWP). Leaseholders in receipt of some forms of benefit may be able to arrange for the DWP to pay all or part of the interest due.
- The loan can be spread over a period of up to 25 years where the interest is paid monthly and the capital re-paid once the leaseholder sells the property.

### 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. If we buy back your home you will become a tenant of the property after the sale has been completed.

- Where a property is bought back it is at sitting tenant value with the leaseholders becoming a secure tenant and remaining in the flat.

## 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 your leasehold officer to discuss your options

**There are a number of local advice agencies that can provide information, support and advice to help you with money, debt or benefit issues**

**camdenadvice**

Camden Advice is a group of independent advice agencies in Camden providing free, confidential, unbiased advice and information on a range of issues affecting people living in the borough such as welfare benefits, housing, employment and debt and money management. The website has lots of factsheets, information and links to local sources of advice.



**London Mutual Credit Union** provides ethical financial services for people who live or work in Camden. They offer current and savings accounts as well as affordable loans. For more information visit their website [www.creditunion.co.uk](http://www.creditunion.co.uk). Telephone 020 7787 0770 or call into the branch at 347 Royal College Street, Kentish Town, NW1 9QS (Monday to Friday - 9.30am to 4.30pm)

**Collections Officers can help you access appointments with external and internal partners, for example:**

### **Wish+**

The WISH+ referral hub is a way for Camden residents to get access to a range of Warmth, Income, Safety and Health services. WISH+ puts people in touch with the services they need after discussing these with them first. Some services do have eligibility criteria so are not available to all.

### **Debt Advice**

If you have debts (including mortgage or service charge arrears) we can help you secure an appointment to see a specialist adviser at Camden Citizens Advice Bureau or the Mary Ward Legal Centre.

They will examine your circumstances and advise you of the options in dealing with your debts and help you to contact the people you owe money to if this is required.

### **Money Advice**

The Money Advice Service offer appointments at 5 Pancras Square for advice and information on many different types of financial issues, such as

- Budgeting and saving money; helping you to make the most of your money.
- Managing your money following a change in circumstances, like separation bereavement or unemployment
- Help with pension planning including NEST Pensions,
- Mortgages, home ownership and insurance

Please note - The Money Advice Service do not give debt advice. For more information visit the Money Advice Service website [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

### **Welfare Benefits Advice**

Camden's Income Maximisation Team provide specialist information, advice and a casework service to older and vulnerable Camden residents. They help increase benefit income by identifying and helping residents to claim welfare benefits, tax credits and grants.

[Contact your leasehold officer to arrange an appointment.](#)

## Additional information on legislation

A common question raised “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 Camden leaseholders?

Camden 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
- Any major works done outside this five year period are fully chargeable

Please contact the major works team in leaseholder services if you have any queries.

## Alternate dispute resolution: ADR

Leases are complex documents and often lead to different interpretations of clauses and sometimes disputes arise. Providing an alternative to action via the Court or the First Tier Tribunal (FTT) allows all parties to discuss disputed works. The Courts and FTT actively encourage landlords and leaseholders to enter into mediation prior to embarking on legal action. Courts are required to look at the conduct of parties and in particular the efforts made to resolve disputes before proceedings.

Camden has therefore developed an ADR process that allows discussion and mediation around disputed major works invoices. Our court officers are experienced mediators and will oversee and manage cases.

### Referrals

- Referrals to the scheme will be made by leasehold Officers once they have exhausted all avenues for dealing with disputed charges. Leaseholders can also request a referral.
- A Court Officer will liaise with leaseholders where communication between officers and Leaseholders has broken down, with a view to resolving the dispute eliminating the need to instigate legal action. Where an agreement cannot be reached either party is free to initiate legal action.

### ADR Process

- The key action is to review the facts of each case and allow leaseholders to present their concerns and evidence
- In some cases the review can be done on a one to one basis or in complex cases we will set up a panel with the required expertise.
- The review panel may include a court officer/ chair, leasehold officer and the contract manager.
  - NB the number sitting on the panel is not fixed; some cases may only need the court officer and leaseholder.
  - In some cases where there is a fairly minor issue; simple one to one mediation may quickly resolve the dispute
- Leaseholders will be invited to attend a panel hearing for the purpose of clearly identifying the dispute and may be accompanied by up to 2 others including a professional advisor the cost of which will be payable by the leaseholder.
  - We will invite you to submit any documents or reports; we would require them to be with the panel at least 5 working days before the panel meets.
  - Documents that we might rely on should also be with leaseholders 5 working days before the panel. This may include photos etc.
  - Length of time, simple cases may be resolved in an hour; other complex cases may need half a day allocated.
  - Cases will be allocated to fit with the knowledge and works area of the individual panel member. Some cases may be more weighted with leasehold management issues such as section 20 and may be best chaired by a court

officer. Others relating to the quality of works would be dealt with by a project manager

- In some cases it may be appropriate to use a schedule of works and ask you in advance to confirm what works are agreed and what is in dispute.

### **How will the panel work?**

- Hear evidence and concerns from leaseholders
  - Chair agrees points of dispute
  - Parties work to resolve outstanding issues
  - Some matters may be agreed, others may have to be taken forward for consideration
  - It may be possible to agree matters on the day, but is not the aim of the panel.
- Following the panel hearing, officers will fully investigate the dispute, if necessary completing a site inspection. The panel will draft a full report of their findings along with recommendations which will be presented to the Head of Leaseholder Services and Assistant Director Housing Management. Following this the panel will either:
    - Provide a written response to the leaseholder confirming their decision and reductions to be made (if any), or
    - Arrange a further meeting with the leaseholder to discuss their findings and agree settlement.
    - Where agreement is reached a written agreement will be drawn up by the chair and both parties will sign. It will be treated as a confidential agreement that should not be disclosed to other parties.
    - Where a settlement cannot be agreed the case may have to be transferred to our legal recovery process and a Court application made.

## Glossary of Major Works Terms

**Major Works** - bills for large maintenance works where costs are not included in the day to day service charge.

**Better Homes Works** – These are planned maintenance works and can include any of the works listed below.

**Better Homes Framework Agreements** – These are long term agreements with up to 36 contractors under the umbrella of a Better Homes Framework Agreement. Each of these agreements with contractors will be for a period of more than 12 months. The Framework Agreement is designed to deliver the works included in the Better Homes programme and deliver a planned programme of works that represents value for money for residents and maintains the housing stock in a good condition. See our Better Homes leaflet for more information.

**Contractor** – the company employed by Camden to undertake the work.

**RLO** – Resident Liaison Officer will be your first point of contact once works start until they finish. If you need any assistance during the work or have any concerns then you can discuss these with the RLO.

**Retention** – We withhold part of the payment to the contractor until the end of the Defects Liability Period (DLP). The DLP usually lasts up to 12 months after the works are completed, depending on the size of the scheme. You will receive a demand for your final share of the retention once it's been paid.

**Contract Manager** - The contract manager works for the Council and has overall responsibility for the work. They are your main point of contact before work starts. Once work is taking place the contractor will be able to answer queries in the first instance and you should contact the contract manager if you have any concerns after this.

**Clerk of Works** – The clerk of works is employed by Camden and is responsible for monitoring each stage of the work on a regular basis. They ensure that work is done properly and meets our quality standards.

**Consultants** - we employ consultants to provide a range of services to support the delivery of work. The services include:

- Design;
- Engineering;
- Contract administration and employer's agents;
- Valuing the contractor's work for payment;
- H&S compliance;
- Asbestos;

- Fire risk assessment;
- Scoping surveys.

Services are generally procured from the Camden's consultancy construction framework.

**Scoping** - This is the cost for architects and structural engineers to undertake surveys/develop designs prior to the works being undertaken. The scoping fee will be included in your actual adjustment it does not form part of the estimated demand.

**Major Works Supervision Fee** - This is charged when the services of a consultant are employed when work is on site. Please note: the cost for supervision can change depending on the level of supervision required.

**Overhead** - is for the contractor's site set up costs, previously called preliminaries. It includes costs for the site office and storing material, as well as for staff such as site managers and RLOs. Please note: the overhead cost calculated on your estimate demand will not be the figure on your actual demand. The actual overhead cost will be calculated based on actual costs.

**Contractor central Overheads and Profit** - includes all other costs and profits that the contractor charges. For example staff training, IT equipment, their Legal and Corporate Finance teams and Purchasing. Please note: the contractor central overheads and profit cost calculated on your estimate demand will not be the figure on your actual demand.

**Indirect Costs** – This is the cost incurred by Camden for delivering major works. It includes salaries etc. for Camden officers who carry out consultation, management of works and billing.

The indirect cost is calculated on a yearly basis. To calculate the percentage to be added for indirect costs we apportion staff expenditure relating to major works over the total amount spent on major works in the year.

### **Type of works:**

**District Heating** – This can include works such as repairs or replacement of the district heating system, individual boiler replacement or works to the gas distribution network.

How your charge for heating works has been calculated

The estimated charge for heating works has been apportioned using the heating estate rateable value. This is calculated by adding together all the property rateable values for each property attached to the heating estate.

**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.

Lift Works – This includes the cost of major repairs to or replacement of the lift or lifts in your block.

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 your windows.

Asbestos Related works – This may include the cost of asbestos surveys and enclosing or removing of asbestos where required.

Estate works – These will include works to repair or replace paving, landscaping, fencing on the estate.

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 February/March, we will send you a demand for the estimated day to day and major works service charge for the forthcoming year. Your lease says payments should be made quarterly in advance on 31st March, 30th June, 30th September and 31st December each year. Payment of the estimated sums for major works may be deferred until the scheme goes on site. You can pay the demand in full if you wish. Alternatively you can contact us to set up an instalment plan.

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

**Actual adjustments:** In September each year we will send you an actual adjustment for the previous year. So in September 2016 we will send you the adjustment for 2015/16.

If your estimated service charge for the previous year was too low you will be sent a demand asking you to pay the additional amount. Your lease requires payment in full within 30 days. Alternatively you can contact us to make arrangements to pay by instalment.

If your estimated service charge was too high we will advise you of the credit to be put on your service charge account

### **Estimated demand costs v Consultation costs**

The major works estimate demand is based on the consultants scoping surveys. Estimate demands are usually issued prior to formal Section 20 consultation having been carried out.

Our contractors will undertake a mini tender competition to provide a detailed scope of works with costs and these will form the basis of the Section 20 consultation.

**END**