

# Nottingham City Council Delegated Decision



NOTE: This decision has been superseded by Decision 3194 'Approach to Leaseholder Recharges' Policy

Reference Number:	2907
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Subject:	Policy to Recharge Leaseholders for Major Works
Total Value:	Nil (Type: Nil)
Decision Being Taken:	To implement the local authority policy for consulting with and recharging leaseholders for works over £250 in value (major works).

**Reasons for the Decision(s)**

Local authorities have the ability to recharge leaseholders (owners of flats and maisonettes in blocks that the council owns) for works in excess of £250 subject to consultation being conducted. It is stated in the lease documentation that there is an expectation of repayment for such works.

Though the power to undertake consultation and recharge is set out in regulation, the adopting of this policy will bring about significant change to the council's current position as well as the expectations of existing and future leaseholders.

At present, Nottingham City Council does not consult regarding or implement recharging leaseholders for works conducted to their property or block over £250, these costs are instead met from the General Fund (the HRA can only be used for tenants). This position makes the undertaking of programmes to improve the standards of our stock more financially challenging especially where the improvements pursued are ambitious, "spend to save" works such as RemoUrban and at a time when local authority resources are under increasing pressure.

c.45% of all leaseholders are non resident, that is they do not reside at the property they own and most likely rent it out privately; 16% of all leaseholders are non resident leaseholders and own more than one property in an NCC block.

Conversely, many resident leaseholders (owner occupiers) are the original RTB purchaser (25%) and we anticipate that a not insignificant number of resident leaseholders will be households of pensionable age or above.

The proposed policy takes the varying circumstances of leaseholders into consideration and offers a range of recharge options. The income from the implementation of the policy is unlikely to exceed £1m in the short or medium terms as the value of the proposed cap in £10,000 per property and furthermore will not create a net income or saving as this will be repayment in arrears.

The policy affects, at present, 1218 leaseholders across the city, though will do so to varying degrees depending on their circumstances. 60% of leaseholders are located in 4 wards, though they comprise a small proportion of the ward's households overall. The representatives of these wards will be consulted separately.

**Briefing notes documents:**

Recharging Leaseholders for Major Works - Background & Policy J16.docx

**Other Options Considered:**

**No change:** To continue to provide major works without recharging leaseholders would incur unnecessary financial pressures on the council resources and continue to see the council provide for improvements and added value in private rented properties. This option has been rejected.

**Partial or selective recharging:** To recharge non resident or landlord leaseholders and/or new leaseholders only. This option would not maximise the reasonable repayment that could be made to the council, however it would reduce the imposition on those who are potentially least able to engage with expedient payment. This option has been rejected at present.

**Background Papers:**

**Published Works:**

**Affected Wards:** Citywide

**Colleague / Councillor Interests:**

**Consultations:** Those not consulted are not directly affected by the decision.

**Crime and Disorder Implications:** n/a

**Equality:** Please login to the system to view the EIA document: EIA - Leaseholder Recharge Policy signed.doc

**Decision Type:** Portfolio Holder

**Subject to Call In:** Yes

**Call In Expiry date:** 10/08/2017

**Advice Sought:** Legal, Finance, Equality and Diversity

**Legal Advice:** Legal Services have reviewed the policy and agree with the content and proposals. The finance advice set out herein confirms the requirement to comply with the Financial Conduct Authority's rules and relevant regulatory requirements in certain circumstances. Advice provided by Rebecca Beecroft (Solicitor) on 15/06/2017.

**Finance Advice:**

The cost of works to council owned properties is included within the council's MTFP (the Public Sector Housing Capital Programme) which is funded by Housing Revenue Account (HRA) resources. Works to leaseholder properties cannot be funded from HRA resources (as this is a ring-fenced tenant account) and therefore this policy is required to enable the costs for major works can be reimbursed to the council by the leaseholders whose properties benefit.

By implementing this policy the council will be able to recover from leaseholders the costs of major works to blocks of flats and maisonettes, which will reduce the cost of delivering those schemes to the council. A variety of repayment options for leaseholders are available, which will have different impacts on the financing of major works.

For resident leaseholders that purchased their home through Right to Buy, the repayment can be made over a number of years (with interest on amounts owed beyond 12 months). The impact on the Council's MTFP will be to increase the expenditure in the capital programme which will be repaid over a number of years and will require funding in the interim.

In certain circumstances a leaseholder might be unable to afford any repayment options, then the council could place a charge on the property, which would be repaid on the eventual sale of the property (including interest charges).

For repayment plans over one year and property charges adequate financing will need to be identified as part of the approval of the budget for each major works scheme to fund this interim period and take account of the risk of payment plans being adhered to.

For non-resident leaseholders the repayment would need to be made within one year, ie an invoice would be raised and a short-term debtor created in the council's accounts. This would not have an impact on the MTFP.

The policy also allows for the option of buy back of leasehold properties by the council if this is in the interest of the council, which would increase the council's housing stock and require approval for the specific scheme within the Public Sector Housing Capital Programme of the MTFP.

Where the council offers charges interest on payment plans and if it places a charge on a property, it will need to comply with the Financial Conduct Authority's rules and relevant regulatory requirements. Finance will work with colleagues in Legal Services to ensure the scheme is compliant. Advice provided by Julie Dorrington (Senior Accountant (Housing Revenue Account)) on 22/05/2017.

**Equality and Diversity Advice:**

The commitment to continuous consultation and consistent monitoring to understand any adverse impacts must be central to the rollout of this policy if the Public Sector Duty to which the Authority is bound is met. Impacts on disabled and older people as identified in the narrative should be key. Advice provided by Adisa Djan (Equalities and Diversity Consultant) on 29/06/2017.

**Signatures**

Jane Urquhart (PH for Planning, Housing and Heritage)
SIGNED and Dated: 03/08/2017
David Bishop (Deputy CE, CD for Development and Growth)
SIGNED and Dated: 02/08/2017