

## **EastendHomes**

### **HOMEOWNERS MAJOR WORKS POLICY**

#### **1. Aim**

- 1.1 EastendHomes is committed to providing an excellent housing management and maintenance service to its homeowners and to provide accurate information about its service charges. This includes meeting responsibilities under the terms of the leases and transfer deeds and meeting our customer care service standards. This policy sets out how these responsibilities are met when major works affect homeowners.

#### **2. Introduction**

- 2.1 EastendHomes, as a freeholder, has responsibility for maintaining common and structural parts of its buildings and common parts of its estates. This includes such estate common parts as roads, gardens and parking areas. All leaseholders are required under the terms of their lease to pay a proportion of the costs of repairs, maintenance and replacement works carried out. In addition leaseholders are required to pay for improvement works where the lease allows this. This includes a contribution towards the cost of any professional fees (for example for consultants, engineers or surveyors) and an administration charge.
- 2.2 EastendHomes in accordance with its legal obligations, and its service standards, will fully consult with all leaseholders about any proposed major works to their block and/or estate, whenever the cost of the work exceeds the prescribed amount.
- 2.3 When a leaseholder is an original transferring Tower Hamlets leaseholder then the respective Offer Document will be taken into account when calculating any leaseholder financial liability to major works charges e.g. if major works were 'promised' at the point of transfer these works are designated as 'non-chargeable'.
- 2.4 EastendHomes will aim to fully recover all monies due from leaseholders who are liable to contribute towards the cost of major works.

#### **3. Consultation**

- 3.1 EastendHomes has a duty to consult leaseholders on proposed major works or long term agreements before entering into a contract with a contractor.

Leaseholders will be fully consulted on any proposed major works to be undertaken to their homes, block or estate as statutorily required under Section 20 of the Landlord and Tenant Act 1985 (as amended). Before consultation commences EastendHomes will check to establish whether The Social Landlords Mandatory Reduction of Service Charges (England) Directions 2014 are applicable.

3.2 The Section 20 consultation comprises three stages:

- Stage One – Notice of Intention

This notice will inform leaseholders of EastendHomes of the intention to tender for major works, reason(s) why the major works are necessary, invite written observations, and allow leaseholders to nominate a contractor. Where a public notice is required, leaseholders will not be able to nominate a contractor.

- Stage Two – Notice of Proposal

This notice sets out the major works to be carried out and a leaseholder's contribution towards the cost of works and summarises written observations received during Stage One.

- Stage Three – Award of Contract

This notice will only be served if the lowest tender is not accepted and also summarises observations received at Stage Two.

When the lowest tender is accepted and a Stage Three notice is not served EastendHomes will inform leaseholders of the name of the contractor, estimated contract start date and contract length.

3.3 In the case of any emergency works EastendHomes will at the earliest opportunity make an application for dispensation to the First-tier Tribunal (Property Chamber) and inform leaseholders of the works and any financial liability.

3.4 EastendHomes will aim to ensure that major works are completed within the contract timescales provided to leaseholders in any consultation material. EastendHomes will inform leaseholders of the reason(s) for any delay in completing work.

- 3.5 If with landlord permission a leaseholder has replaced their windows and EastendHomes are satisfied that these works are completed to a satisfactory standard, and any property management issues resulting from the windows replacement are acceptable, then the existing windows can remain. EastendHomes will still require the leaseholder to contribute proportionally to the costs of the window installation to the block as this forms part of the structure.

#### **4 Consultation requirements for major works under a qualifying long-term agreement**

- 4.1 Leaseholders are not invited to nominate a contractor. There is one stage of consultation.

If qualifying works are undertaken under a qualifying long-term agreement, then competitive tendering is not required in that the contractor is already in place.

#### 4.2 Notice of intention – 30-day consultation period

A notice that the landlord intends to carry out works must be sent to each leaseholder and recognised Residents and Tenants Association (if there is one).

This notice will:

- describe, in general terms, the works proposed to be carried out, or specify a (reasonable) place and hours at which a description of the works may be inspected;
- give the reasons why it is considered necessary to carry out the proposed works;
- contain a statement of the total amount of the expenditure estimated by the landlord as likely to be incurred by him on the proposed works;
- invite observations in writing on the proposed works or the estimated expenditure;
- give the address to which such observations must be sent;
- state that they must be delivered by the due date;
- give the date on which the consultation period ends (30 days);
- if facilities to provide copies of the documents referred to in the notice are not available at the place specified there, then copies must be provided to the tenant free on request.

#### 4.3 Duty to have regard to observations

EastendHomes will have regard to any observations made by the due date. Where observations are made, EastendHomes will respond directly in writing to the leaseholder within 21 days of receipt responding to the observations.

## **5. Billing**

- 5.1 EastendHomes invoices all estimated major works service charges with the general estimated service charges, but on a separate invoice. The estimated major works service charge invoice will ask leaseholders to make a reasonable interim payment for major works costs over the coming year. An interim payment will be requested for all new schemes on site at year start. The invoice will summarise the works. Leaseholder contributions for major works will be apportioned based on the habitable floor area of the property. The final cost invoicing of the major works will be invoiced separately when the works are completed and the final account agreed. The statements issued with estimated and annual major works / general service charge invoices will include both general service charges and major works thereby ensuring leaseholders are aware of their annual total service charges.
- 5.2 If for any reason a final cost major works invoice cannot be issued within 18 months as part of the general service charge invoicing process then a notice under Section 20(b) of the Section 20 of the Landlord and Tenant Act 1985 as amended will be issued.

## **6. Payment Method**

- 6.1 Leaseholders, under the terms of their lease, are required to pay within 21 days of the invoice date. However, EastendHomes will enter into the following arrangements to facilitate payment.
- 6.2 Leaseholders will be able to pay major works service charge invoices by: –
- Cash, cheque or debit card at a post office.
  - Cheque at EastendHomes Local Housing Centres
  - Cash, cheque and debit card at any local shop displaying the PayPoint logo with payment card.
  - Direct Debit.
  - Standing Order
  - Internet payment with a debit card.
  - Telephone payment with a debit card.
  - Bank transfer
  - Postal Order

## **7. Payment Options**

7.1 EastendHomes offers the following options to assist leaseholders who live at the address where the major works are being carried out to pay for the cost of major works in full:

- Full payment – 5% reduction if a leaseholder pays for the cost of works in full within 28 days of a demand for an interim payment using estimated costs being issued unless the invoice has already been capped at £10,000 (see 6.2).
- One Year Interest Free Direct Debit – This option applies if the payment period does not exceed one year.
- Credit Agreement – This option enables homeowners resident in their EeH property who meet East End Homes responsible lending obligation to repay over a period of up to four years depending on the amount to be paid. EastendHomes will add an administration charge to the repayment plans. The representative administration fee will be included in the monthly payment.
- Extended Instalments – Where a major works invoice has been issued and a leaseholder who lives in the property as their only and principal home expresses financial hardship an independent financial assessment covering income, expenditure and savings will be used to assess hardship.
- If found to be in hardship and ineligible for a credit agreement, EastendHomes may exercise discretion to extend the instalment plan, but if there is a change in ownership of the property the full amount is due and the instalment plan will no longer be valid. All cases will be entered on the hardship register and internally reviewed quarterly with the agreed amount to be paid revised if the leaseholder's financial circumstances change. The repayment plan agreed should enable the major works invoice to be fully cleared.
- Statutory Charge on Property – This is a payment option of the last resort when none of the above options can be used and is principally aimed at leaseholders of a pensionable age, who live in the property, are in receipt of a state pension and who do not have a mortgage or loan registered on their property and leaseholders whose principal income is means tested state benefit. The leaseholder must also be included on EastendHomes hardship register. EastendHomes will take a stake in the property equal to the value of the major works.

7.2 Discretionary capping – Leaseholders who were subject to stock transfer will have major works invoices capped to £10,000 subject to *all* the following eligibility criteria being met:

- Aged 60 plus and/or registered disabled when first liable to pay a financial contribution.
- The property must be the leaseholder's only and principal home and the leaseholder must have lived at the property continuously since transfer.
- Must be in receipt of a state pension or means tested state benefit or are able to demonstrate exceptional financial hardship.
- Must be the original 'Right to Buy' purchaser on or before transfer to EastendHomes.
- The leaseholder must not have any undisputed service charge arrears and have lived continuously in the property since transfer from EastendHomes.
- Where there is more than one named leaseholder, all leaseholders must be eligible, according to the criteria, in order for the cap to be applied.
- If a leaseholder sells their property within seven years of the recharge being limited to £10,000, EastendHomes will recover the difference between the £10,000 and the full recharge.
- Homeowners whose invoices are capped at £10,000 can repay over 24 months by Direct Debit interest free.

## **8. Disputes**

- 8.1 In the event of a leaseholder disputing a major works service charge then this will be responded to in accordance with the Association's Homeowners' Service Charge Dispute Resolution Process. Should this process not resolve the dispute then the leaseholder may decide to proceed with an action at their own expense to the First-tier Tribunal (Property Chamber). If the outcome of the dispute has been satisfied EastendHomes will begin the arrears process to recover the outstanding arrears. The leaseholder is also able to challenge the reasonableness of EastendHomes position through a referral to the First-tier Tribunal (Property Chamber).

## **9. Externally Managed Blocks**

- 9.1 When a block or estate is externally managed EastendHomes will liaise with the managing agent so that statutory requirements are met in relation to major works consultation and billing.

## **10. Estate Freeholders**

- 10.1 When major works relate to estate services affecting a freeholder's home EastendHomes will inform the freeholder in writing of these works. The transfer deed will be checked to establish whether the freeholder is covenanted to financially contribute towards the cost of the major works.

- 10.2 If a freeholder is covenanted to contribute to the cost of works the cost will be included in the annual estate rent invoice for the year in which costs will be incurred. If there is no covenanted liability EastendHomes will request a voluntary contribution towards the cost.
- 10.3 In cases of disputes about major works charges issued, freeholders are excluded from EastendHomes' service charge dispute resolution procedure, but can utilise any arbitration process within the property transfer deed.
- 10.4 In cases of financial hardship EastendHomes will only consider extended repayment periods after a financial assessment by an independent advisor.
- 10.5 As a last resort EastendHomes will consider obtaining a charge on the freeholder's home; this is principally aimed at freeholders of a pensionable age, who live in the property, are in receipt of a state pension and who do not have a mortgage or loan registered on their property or leaseholders whose principal income is means tested state benefit. EastendHomes will take a stake in the property equal to the value of the major works.

## **11. Review**

- 11.1 This policy will be reviewed in eighteen months and every three years thereafter or sooner if required by regulatory or legislative requirements or best practice within the sector.

## **12. Other Relevant Association Documents**

- The Leaseholders Handbook
- Communication Strategy
- Service Standards
- Service Charge Dispute Resolution Process
- Leasehold Management Procedure
- Homeownership Responsible Lending Policy