

4. Leaseholder Guidance for Major Works





Leaseholder Guidance for Major Works

Major Works

Your annual service charge includes day to day repairs and routine maintenance to your building and estate – for example repairing the main entrance door or unblocking drains. These are things that cannot be planned for, and need to be put right as and when they happen.

Other work that is more large-scale and carried out on a planned basis, such as roof replacement, repairs and decorations, replacing a lift, repairing or replacing windows are also referred to as ‘major works’.

As your landlord Hackney Homes has an obligation to repair, maintain and sometimes improve the main structure and common parts of the block and estate.

Hackney Homes has to divide the costs of doing this between the properties affected. To do this, we send you a service charge or major works bill, depending on the amounts and the type of work involved.

Your share of the cost of major works is still a service charge under the terms of your lease; however, if the cost is over a certain figure, we have to carry out a consultation procedure to be able to charge leaseholders appropriately. So it is the cost of works, rather than the type of work, which decides when the consultation procedure must take place. The procedure is known as ‘Section 20 consultation’, as it is set out in Section 20 of the Landlord and Tenant Act 1985. These consultation requirements were amended by the Commonhold and Leasehold Reform Act 2002.

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Types of Major Works

Here are some examples of major works that we may need to carry out to your block or estate.

- o Window renewal
- o Roof renewal, repair or replacement, including recovering
- o Rewiring of Landlord's electrical supply
- o Major structural repairs to the block
- o Concrete repairs
- o Lift renewal
- o Major lift repairs
- o Door entry installation
- o Installation of independent heating systems
- o Environmental improvement schemes
- o Installation of CCTV systems
- o Replacement water tanks, including relining
- o External painting and repairs

The Decent Homes Standard

Hackney Homes has to comply with the Government's Decent Homes Standard by 2010. The Government's Decent Homes' Standard is applicable to all public sector housing.

For leaseholders, the Decent Homes' Standard includes works undertaken to the external fabric of the building. Examples of the types of works that are affected by the Decent Homes' Standard include roofs, windows and concrete repairs, brickwork pointing, gutters and downpipes.

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Under the Decent Homes' Standard, tenants receive kitchens and bathrooms. Leaseholders are responsible - under the terms of the lease - for the upkeep of the internal parts of their property and as such do not have kitchens and bathrooms replaced by the Council's contractors. However, communal heating systems, where provided, are within the scope of the Decent Homes' Standard for leaseholders. The Decent Homes' Standard's aim for leaseholders is to keep Hackney Homes' properties wind-and weather-tight. This complies with our statutory obligation to keep properties in good condition.

As Decent Homes works involve large scale capital works, this will involve scaffolding, or another form of access, being used to enable contractors to inspect, survey and access the block. If on inspection we find we need to carry out associated works we will do this while the scaffold is in place to facilitate access and keep costs down.

Decent Homes Works come with a guarantee/warranty in addition to a 12 month defect liability period during which the contractor will rectify any defects free of charge. For roofs the guarantee is for 20 years and for windows the guarantee is for 10 years. These guarantees should assist in limiting future major works expenditure on these properties. If problems with works covered by guarantees are reported to the Housing Contact Centre (Phone: 020 8356 3691) arrangements will be made for the contractor to return to carry out remedial works. This will be at no charge to leaseholders, provided the works are under guarantee.

Hackney Homes monitors the decent homes contract. Contractors have to comply with a number of Key Performance Indicators including customer satisfaction, quality of work and value for money. We have won a national award for the procurement of the Decent Homes contracts, by putting customer satisfaction, price and quality at the forefront of the procurement process.

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Decent Homes Works - Monitoring Contractors and Complaints about Works

Each decent homes contractor has a Resident Liaison Officer (RLO) as the primary point of contact for residents while works are being carried out on site. Any problems experienced while works are underway should be reported to the (RLO). Residents are provided with details of the Contractor and the RLO in advance of works starting on site. Please ensure that you report any problems direct to the Resident Liaison Officer who will work closely with the contractor and Hackney Homes to resolve matters. If the complaint can be dealt with by the builder, you should receive a response within 5 working days.

If after raising issues with the RLO, you are not satisfied you may wish to make a complaint within Hackney Homes' complaints procedure. For further information on how to make a complaint please contact: -

Complaints Team
Hackney Homes
Clapton Neighbourhood Office
136-142 Lower Clapton Road
London E5 0QD

Email address: housing.complaints@hackneyhomes.org.uk
Phone: 020 8326 5022

Major Works Consultation

On 31 October 2003 the Commonhold and Leasehold Reform Act 2002 introduced new requirements to the way in which landlord's consult leaseholders about major works and long-term contracts. There are four Schedules, covering different types of contracts.

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Schedule 1

We send a Schedule 1 notice when the Landlord intends to enter into a Qualifying Long Term Contract of more than 12 months, where annual service charges estimated to cost above the statutory limit and/or major works may be carried out under the agreement.

Leaseholders and Recognised Tenants' Associations served with notice have the right to nominate a contractor.

Schedule 2

This is similar to Schedule 1 except that the total value of the contract is over a certain level. This means that it must be advertised within the Official Journal of the European Union (OJEU). Leaseholders and Recognised Tenants' Associations served with a Schedule 2 notice do not have the right to nominate a contractor.

Schedule 3

This applies where the Landlord intends to carry out qualifying works under a qualifying long term agreement previously established under Schedules 1 or 2.

Leaseholders and Recognised Tenants' Associations (RTA) are served with a notice describing the works, detailing the reason for the works and the estimated cost. Leaseholders and RTAs are invited to make written observations on the proposals set out in the notice.

Schedule 4

This applies where the Landlord intends to carry out major works under a contract that is one year or less in length.

Schedule 4 has two parts:

- Part 1** Agreements of one year or less, but where the total value of the contract means that it must be advertised within the Official Journal of the European Union (OJEU)

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Part 2 Agreements of one year or less, where the value of the agreement is below that to require it to be advertised throughout Europe

For each of the Schedules above there are 3 steps to follow:

Step 1 – Notice of Intention

Under Schedules 1 & 2 leaseholders and Recognised Tenants' Associations (RTAs) are given details of the council's intention to enter into a long term agreement to provide works or services. They are invited to make observations. Leaseholders issued with a notice under Schedule 1 may suggest a contractor to do the work at this stage.

Under Schedule 3, leaseholders and RTAs are given details of Hackney Homes' intention to carry out Qualifying Works under a Qualifying Long Term Agreement previously established under Schedules 1 or 2.

Leaseholders may make written observations within a 30 day period.

Step 2 – Notice of Proposal or Notice of Estimates

Leaseholders and RTAs are issued with details of the contractor Hackney Homes proposes to appoint, estimated costs and a summary of observations received and responses to the Notice of Intention.

Leaseholders may make written observations within a 30 day period.

Step 3 – Notification of Reasons

Leaseholders and Recognised Tenants' Associations are notified of Hackney Homes' reason for selecting a contractor who is not the lowest bidder or has not been nominated by leaseholders or an Recognised Tenants' Association.

Leaseholder Observations and Nominations

Hackney Homes is obliged to have regard to written observations submitted during the consultation period set out in notices served.

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Written observations and nominations by Leaseholders and Recognised Leaseholder Associations must be submitted to the place and received by the date given in the notice.

Recognised Leaseholder Associations

The Commonhold and Leasehold Reform Act 2002 requires Hackney Homes to consult with Recognised Leaseholders' Associations (RTAs). Only Associations that have been recognised for the purposes of Section 20 of the Landlord and Tenant Act 1985 qualify for such consultation.

These Associations are independent of Hackney Homes and are run by local Leaseholders and/or Freeholders who have volunteered to give up their time on behalf of the Leaseholders and Freeholders they represent. Leaseholders can apply for membership by writing to the particular Association they wish to join, and may be required to pay an annual membership fee.

For details of Recognised Tenant's Associations in Hackney please contact the Customer Services Team on 0208 356 2100 or visit our website www.hackneyhomes.org.uk.

Guarantees for Works

We cannot provide you with copies of contractor guarantees for works as guarantees are between Hackney Homes and the contractor. The Housing Contact Centre (Phone 020 8356 3691) can provide you with information about guarantees on work to your block/estate including the duration of guarantees and what is covered by each guarantee.

If there are problems with works under guarantee contractors are required to return to put things right at no charge to leaseholders.

If you require information about guarantees on work to your block/estate or assistance in remedying problems please contact the Housing Contact Centre on 0208 356 3691.

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Obtaining a FENSA Certificate

All windows fitted by Hackney Homes contractors are required to meet FENSA standards. On completion of works Leaseholders may obtain a FENSA certificate by writing to Hackney Homes, Property Services, Christopher Addison House 3rd Floor 298 Mare Street, London E8.

Calculating Your Major Works Charge

We calculate estimated and actual major works costs in the same way as your annual service charge estimates. We do this by using 'living space factors'. Each property in the borough has a 'living space factor' which is a number that reflects the property's living space. For a bedsit the living space factor is 1.5, for a one bedroom property it is 3.0, for two bedrooms 4.0, for three bedrooms 4.5, and for four bedrooms it is 5.0.

We then calculate a 'block or estate factor' by adding up all the living space factors for the properties in the block or estate. For example a block where the work affects four three-bedroom flats and two two-bedroom flats will have a block factor of 26

$$(4 \times 4.5) + (2 \times 4.0) = 26.$$

We calculate your share of the total estimated cost by dividing the total estimated cost by the block or estate factor, and then multiplying this by the living space factor for your property.

For example, if you have a three-bedroom property in a block with a block factor of 26, and work costing £20,000 is done to the block, your share of the costs will be as follows: -

$$\text{Total Cost (20,000) divided by Block or Estate Factor (26) = } \pounds 769.23$$

$$\pounds 769.23 \text{ multiplied by living space factor for your property (4.5) = } \pounds 3,461.54$$

Please contact the Major Works Section on 0208 356 2400 if you wish to discuss this calculation.

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Factors Affecting Major Works Charges

There are a number of factors that may affect your major works charge. This section details the main factors and the reason for them.

The lease and charging for works of improvement

Hackney Homes is bound by the terms of each individual lease. While the lease is generally standard, there are variations between individual leases. These variations arose as a result of developments in law, which made a distinction between works of improvement, and works of repair, renewal, or maintenance.

The main variation in the leases relates to a leaseholder's liability to contribute towards the costs of works of improvement that Hackney Homes carries out.

Through inspecting hundreds of leases, Hackney Homes has established the following pattern of liability:-

o Leases sold prior to 1989

Generally, such leases do not enable Hackney Homes to recharge for works of Improvement

o Leases sold between 1989 – 1993

These leases may or may not enable Hackney Homes to recharge for works of Improvement. The standard draft of the lease appears to have been amended close to 1989, and as different purchases completed at different times, this period is a transitional period for improvement liability.

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o Leases sold after 1993

Generally, all leases after this point enable Hackney Homes to recharge for works of Improvement.

These variations in leases make a difference to what Hackney Homes is obliged to recharge. If major works that Hackney Homes is carrying out include works of Improvement, different amounts may be chargeable to similar properties in the same block.

Leaseholders wishing to obtain confirmation of their liability to pay for works of Improvement should refer to Schedule 9 of their lease.

What are works of improvement?

In general, works of improvement involve the first-time installation of an item, such as a door entry system that was not previously there. Repairs to an existing door entry system or communal doors or renewal to current standards is not considered to be an improvement.

Renewing a flat roof with a pitched roof is considered to be an improvement where it is not possible to show any cost saving over the life of the new pitched roof in comparison with replacing as existing but to current standards.

The offer notice and charging for works

Prior to selling a property under the Right to Buy Scheme, a prospective leaseholder will receive an 'Offer Notice' from Hackney Homes. This is known as a Section 125 Offer Notice as the legislation governing this is contained within Section 125 of the Housing Act 1985. This notice sets out the price that Hackney Homes will sell the property for, an estimate of annual service charges, and details of any major works that we intend to carry out during the first 5 years of the lease.

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A Section 125 Offer Notice restricts Hackney Homes' ability to recharge the leaseholder for repairs carried out during the 'initial period' of the lease.

The 'initial period' is a period of 5 full financial years following the date of the Right to Buy sale. This usually works out to be over 5 years from the Right to Buy sale.

A leaseholder will be liable to pay for repairs carried out within the initial period of the lease, if the offer notice states Hackney Homes' intention to carry out such works. The amount that Hackney Homes can recharge is limited to the amount shown in the offer notice, plus inflation.

A leaseholder is also liable for contributing towards the costs of works carried out between the date of the Offer Notice and completion, where such works have been detailed in the offer.

Once the initial period of the lease has passed, Hackney Homes is no longer restricted by the S125 Offer Notice in its ability to recharge for major works.

It must be noted that a subsequent private sale of the leasehold property does not create a new initial period. In addition, if the property was not sold under the Right to Buy Scheme (for example, if Hackney Homes disposed of the property at auction) then there is no initial period.

Please contact the Major Works Section on 0208 356 2400 if you wish to discuss the calculation of costs.

Funding Restrictions

The Government has made special provision for housing managers to restrict recharges to leaseholders where works are carried out using specific types of funding. The following are examples of this:

- o Single Regeneration Budget
- o New Deal for Communities
- o Estate Renewal Challenge Fund

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Where works are carried out with contributions from one of these sources of funding, then the amount that can be recharged to any one leasehold property is limited to a maximum of £10,000 over a 5 year period.

Leaseholders will be informed when such funding is being used and will also be advised of the restriction.

Invoicing you for major works

The Landlord and Tenant Act 1985 requires that within 18 months of Hackney Homes making a payment to a contractor for major works, we must send you either:

- o A bill for your share of the costs; or
- o A notice under Section 20B, setting out the costs incurred to date and stating that we will send you a bill once the final costs of the work is known.

Under the terms of the Lease, Hackney Homes is legally entitled to invoice leaseholders for their estimated share of costs before the works are carried out and then issue an adjustment once the final cost has been determined.

If Hackney Homes is carrying out major works to your block or estate and you are required to pay a share of costs you will be issued with an interim invoice within 6 weeks of work starting on site. The interim invoice will be for 75% to 100% of the estimated cost contained within your Section 20 Notice. This will allow you to make payments by monthly instalments.

An actual invoice will be issued to you after work has been completed. This will be for the remaining balance between the interim invoice and the actual cost of the work.

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Details of the range of payment options, including paying by monthly instalments, are set out in the payment option section of this handbook.

If you wish to discuss payment options please contact the Major Works Section on 0208 356 2400.

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Contact Us

Leasehold & Right To Buy Services

Below are the Sections that make up the Leasehold & Right to Buy Services. You can contact us between 9am - 5pm Monday to Friday. We also open from 9.00am - 7.30pm on the second and last Wednesday of every month.

All our teams are located at:

Leasehold & Right to Buy Services
1st Floor, 298 Mare Street
London
E8 1HE

Customer Services (General enquiries)

- Sellers Pack
- Subletting

Phone: 020 8356 2100

Email: leaseholders@hackneyhomes.org.uk or freeholders@hackneyhomes.org.uk

Right to Buy

- Applications
- Offers

Phone: 020 8356 2010/2232

Email: RTB@hackneyhomes.org.uk

Service Charge Accounts

- Preparation/Billing of Estimates
- Preparation/Billing of Actuals

Phone: 020 8356 2099

Email: Service.charges@hackneyhomes.org.uk

Service Charge & Major Works Recovery

- Payments and Arrears

Phone: 020 8356 2299

Email: major.works@hackneyhomes.org.uk and Service.charges@hackneyhomes.org.uk

Major Works

- Estimates and Invoicing

Phone: 020 8356 2400

Email: major.works@hackneyhomes.org.uk

The contents of this Handbook are believed to be accurate at the date of publication (November 2006).





