



Ariennir gan
Lywodraeth Cymru
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MAJOR WORKS

Good practice guide for social landlords





Foreword

A key aim of this Government is to ensure that everyone has a safe and affordable home that is in a good state of repair.

In the social housing sector, many landlords are currently undertaking major repair works to their stock in order to ensure they are fit for the future and comply with the Welsh Government's Welsh Housing Quality Standard.

I am delighted that the housing sector has taken the lead in producing this Major Works Good Practice Guide for Social Landlords, and an accompanying Major Works Guide for Leaseholders, which have been supported by the Welsh Government.

Leaseholders have also contributed to the development of these documents and it was important to ensure their views were also represented.

I very much hope that the practical guidance and good practice demonstrated throughout this booklet will help to ensure that matters of dispute can be resolved early on and allow the opportunity for social landlords and leaseholders to live and work together in harmony for many years to come.

Carl Sargeant AM

Cabinet Secretary for Communities and Children



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Purpose of the guide

In 2015, Welsh Ministers asked social landlords and leaseholders to develop guidance on how major works to blocks containing leasehold properties should be managed. Major works projects can mean large leaseholder service charges. This guide has been designed to help social landlords manage the major works process fairly and consistently.



LANDLORD TIP

Landlords may want to check that leaseholders have been supplied with a copy of their lease. Although the lease is a fundamental document, some leaseholders report never having seen it when they bought their property. Landlords can charge for supplying further copies of leases. Alternatively leaseholders can obtain a copy of their lease from the Land Registry for a fee (most leases can be downloaded from <https://www.gov.uk/government/organisations/land-registry>)

GOOD PRACTICE

Where good practice examples have been included, landlord contact details have been supplied so you can check details and learn from each other to improve services. While not all landlords can deliver all of the good practices outlined in this guide, Welsh Government expects landlords to be working towards them.

This booklet gives social landlords guidance on how landlords can best:

- Inform leaseholders and prospective leaseholders of anticipated major works;
- Engage and consult with leaseholders both formally and informally;
- Manage performance and quality of major works;
- Take into account individual leaseholders' circumstances when offering repayment options; and
- Resolve any disputes that may arise.

A separate guide for leaseholders can be found on the LEASE website www.lease-advice.org/wales.

This guide is also available in Welsh, on the [LEASE website](#) above.

This guide is a general guide only and is not intended as a substitute for legal advice. Individual leases vary and will ultimately define the relationship between landlords and leaseholders. Leases may also specify how and when major works charges should be made which could be contrary to some of the examples given in this guide (eg some leases specify the use of sinking funds and others do not – see the [glossary of terms](#) at the end of this guide for the definition of 'sinking fund' and many other terms used throughout this guide). If there is any doubt as to the rights and responsibilities of either party to a lease then specific legal advice should be sought.

There are many tips, suggestions and examples throughout this guide. However, landlords should check individual leases in the first instance. These can vary between landlords, sites and over time. The starting point should always be the lease.

In this guide, where there is a statutory legal obligation the word 'must' is used. Where the word 'should' is used, it indicates good practice.



What are major works?

These are major works of repair, maintenance or improvement to a building or any other premises that a landlord is responsible for and towards which a leaseholder is required to contribute under the terms of the lease. Under Section 20 of the Landlord & Tenant Act 1985, landlords are required to consult with leaseholders if the works will cost any one leaseholder more than £250.



GOOD PRACTICE

Newydd Housing Association provides an explanation of planned maintenance and major works for leaseholders on its website (www.newydd.co.uk)

LANDLORD TIP

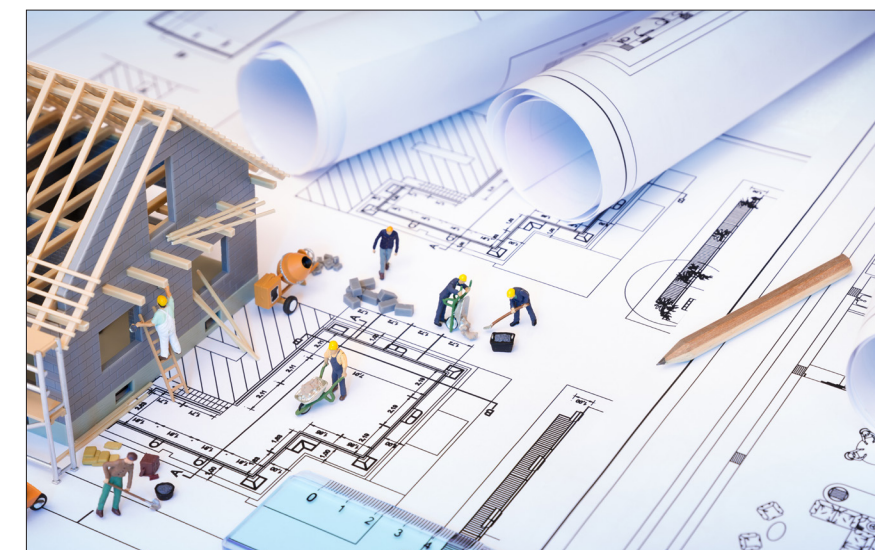
It is important to check whether the lease allows the landlord to charge leaseholders for 'improvements'. This is a common area of dispute. There is often a fine line between what constitutes a 'repair' and what is an 'improvement' (See [glossary](#) for definition of 'improvement').

Where reference is made to 'major works' in this guide it means any 'qualifying works' (see glossary) which require formal consultation with leaseholders under section 20 of the Landlord & Tenant Act 1985 (as amended by section 151 Commonhold and Leasehold Reform Act 2002). This means works to be carried out by the landlord that would cost any individual leaseholder more than £250.

The lease should specify which areas the landlord and leaseholder are each responsible for maintaining. The leaseholder will normally be responsible for the 'demised premises', as defined in the lease. This may include the interior of the flat/maisonette, internal walls and floors, glass in windows, central heating, radiators, water and drainage pipes that serve the premises and internal gas and electrical items.

The landlord is normally responsible for maintaining, repairing and sometimes improving the structure of the building and the common parts (see glossary). For example, roofs, windows, doors, stairways, lifts, cladding, drains, structural walls, fencing, pathways, roads, parking areas and drying areas. Where the local authority has not adopted roads, the drains and street lighting may also be the landlord's responsibility. Leaseholders may be required to contribute to the costs incurred by the landlord in managing them.

Cyclical decoration, typically carried out every five years, may be delivered as major works. Major works would not normally include things like replacing broken glass or replacing light bulbs. These are minor or reactive repairs, because they cost less than £250 and therefore consultation is not required.



Information supplied at sale/re-sales

It is essential that prospective leaseholders fully understand what becoming a leaseholder means for them. Purchasers should be given clear information to help them decide whether or not becoming a leaseholder is right for them. They should, where possible, also be directed to appropriate advice agencies that can help guide them through the purchase process, in addition to the advice provided by their own solicitor.



GOOD PRACTICE

Newport City Homes (NCH) carries out home visits or office appointments when an application is made to buy a flat or maisonette. NCH uses a 'visit sheet' to ensure all the relevant areas are covered during the interview. This includes an explanation of leasehold ownership, ground rent, service charges, insurance and major works consultation (www.newportcityhomes.com).

Cartrefi Conwy encourages leaseholders who are marketing their properties for sale to pass on the leasehold officer's contact details to estate agents and prospective purchasers, so any enquiries can be dealt with (www.cartreficonwy.org).

Newport City Homes has developed a leaseholder handbook in partnership with its leaseholder panel. Sub-groups of the panel are often tasked with reviewing and scrutinising specific services and landlord functions (www.newportcityhomes.com).

LANDLORD TIPS

Landlords may wish to send leasehold packs to known estate agents and solicitors in advance of leasehold/re-sales to help build an understanding of leaseholder responsibilities.

Landlords can prepare the data in advance. Draft LPE1s can be saved and then updated or checked for accuracy when a request is received.

Leaseholders who buy their properties through Right to Buy (RTB), Preserved Right to Buy (PRTB) and Right to Acquire (RTA) will originally have been tenants. They will have a long experience of living in the property, as well as an existing relationship with the landlord. Purchasers buying on the open market are less likely to know the property and the services the landlord provides. Landlords should tailor the information they supply, so they meet the needs of each type of prospective leaseholder. This is to ensure they fully understand their rights, responsibilities and financial commitments.

Pre-sales

The following is a checklist of what should be considered before and during a leasehold property sale:

- On receipt of their application, landlords should offer RTB, PRTB and RTA applicants a pre-sale face-to-face meeting to talk about leasehold ownership. The meeting should be structured and provide an opportunity for the buyer to ask questions.
- When a landlord knows of an open market re-sale, a face-to-face meeting should be offered prior to completion of the pre-sale enquiry form (also known as the LPE1 form – see below). Good quality information should be provided on what the responsibilities are under the lease, if the offer of a meeting is taken up.
- When asked, landlords should provide pre-sale enquiry 'packs' to solicitors. The packs should at least include a copy of the lease agreement, as well as:
 - The LPE1 form can be downloaded from the LEASE website at <http://www.lease-advice.org/files/2016/08/LPE1.pdf>
 - Details of major works five years ahead of the sale/resale enquiry.
 - The landlord's leaseholder handbook should detail leaseholder rights and responsibilities in a jargon-free, clear format. The handbook should outline what services a leaseholder should receive and explain how leaseholders can become involved in shaping those services. It should tell the leaseholder when they should contact their landlord eg when sub-letting, selling the property or making alterations.
 - Bespoke fact sheets to reiterate key obligations such as:
 - What it means to become a leaseholder
 - What are service charges?
 - What major costs can I expect to incur as a leaseholder?
 - How will I be consulted?



✓ GOOD PRACTICE

City and County of Swansea Council has developed a leaseholder handbook that highlights leaseholder responsibilities for repairs, landlord responsibilities, major works and improvements, and consultation processes (www.swansea.gov.uk).

LEASE's free guide *Things to know before you buy a flat*, and other helpful guides, can be viewed through its website (www.lease-advice.org).

Hafod Housing Association uses a component accounting method to help identify when major works need carrying out. Each component is given a lifespan and an anticipated date of renewal. Every leaseholder is provided with a list of components for their site and the years these works are expected to be carried out. This information is supplied and updated every year (www.hafod.org.uk).

- Leaseholders should be directed to a good quality, accessible and interactive section of the landlord's website.
- Relevant details from the landlord's five-year investment programme and asset management strategy, including any possible financial impact on leaseholders, should be provided. Stock condition surveys that inform this data should be up-to-date and relevant.
- At pre-sale stage it is important that landlords understand the prospective leaseholder's intentions for the property. For example, will it be their only or principal home or do they plan to let the property to others? This way future communications can be tailored and consultation can be carried out accordingly.
- Landlords should also consider building relationships with local estate agents to ensure that leasehold properties are accurately represented and speculative queries are routed to the appropriate officers.

The above should help landlords gain the trust of new leaseholders and ensure that they understand their obligations from the start. Most importantly, that the leaseholder knows the scale of future costs before they commit to buy.

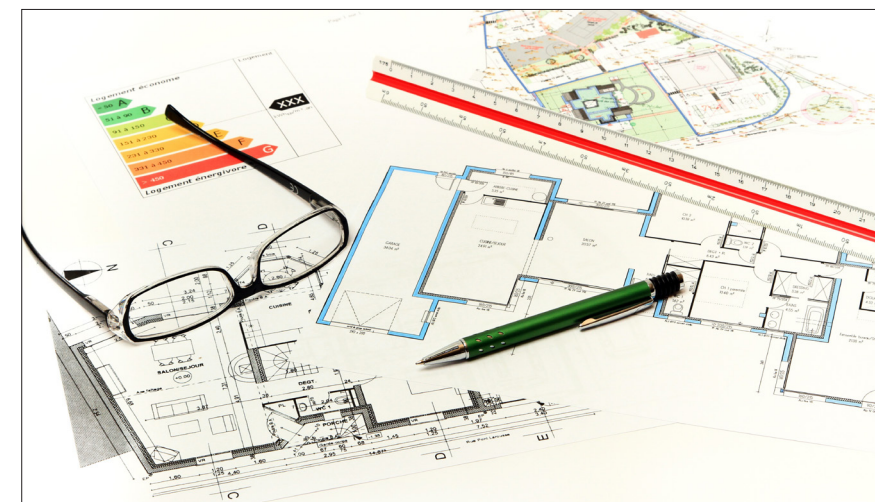


✓ LANDLORD TIPS

Up-to-date and relevant stock condition surveys help landlords plan major works programmes and tell leaseholders when they think certain works will be necessary. Component accounting can be used to identify planned major works.

After sales

- Welcome packs can be sent to new leaseholders to ensure they are aware of:
 - Contact details
 - How to report a repair
 - Where to find the leaseholder handbook
 - Imminent major works and the likely costs (they should already have been made aware of this from pre-sale information supplied).





Information supplied on future major works

Landlords should supply information on major works at least five years ahead of when they are due. However, there can be circumstances where unforeseen works are required, eg replacement of a communal roof following adverse weather conditions.



GOOD PRACTICE

Trivallis, formerly RCT Homes, launched a 10-year plan outlining future major works affecting leaseholders, listing the work required on each component of a block (www.trivallis.co.uk).

Five-year plans

Landlords should supply details of planned major works (subject to survey) at least five years ahead of the work, so leaseholders know the financial implications of the works and plan ahead.

It is suggested landlords supply:

- A description of anticipated works
- A timetable
- The reason for the works
- The estimated cost of overall works
- The estimated cost to individual leaseholders
- Repayment options (landlords should be licensed by the Financial Conduct Authority to provide deferred payment options – see ‘Payment Options’ section)

This information can be supplied at a block or estate level.

Leaseholder information

As well as sending out details of major works programmes, landlords should, wherever possible, supply leaseholders with easy to read information on:

- The definition of major works
- Explanation of leaseholder charges
 - Estimated costs
 - How costs are calculated
- Costs of works
- Contract administration/management charge
 - How final costs will be calculated
 - The financial implications for leaseholders
 - Timescales for invoicing after completion of works
 - Where sinking funds/reserve funds exist – details of whether or not they have sufficient funds
- Payment options
 - Financial support details
 - Enquiry contact details
- A summary of the section 20 consultation process ([see page 21 below](#))
- Information about where to get help and advice



✓ GOOD PRACTICE

Trivallis also produced a section 20 consultation guide for leaseholders that explains each stage of the process and highlights what leaseholders can do. (www.trivallis.co.uk).

Landlords should provide this information in the following ways:

- Arrange meetings to explain the major works
 - Discuss the works
 - Deal with queries
 - Offer face-to-face meetings
- Letters, flyers, posters and newsletters to be sent to each leaseholder
- Dedicated sections of landlord websites
- Social media (Facebook, Twitter etc)

Information should be tailored to meet the needs of individual leaseholders.

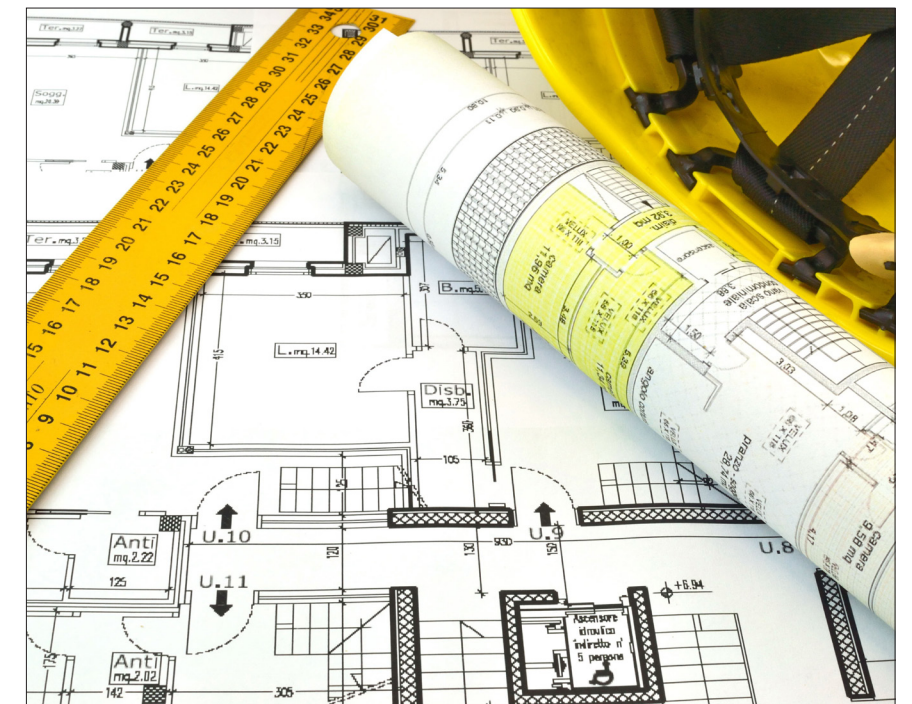
Charges must be in-line with the terms of the lease and cover leaseholders' fair share of the cost. Leaseholders should be assured that they are treated fairly in how much they pay towards works and do not subsidise the landlord and tenants.

Landlords should update plans for major works following stock condition surveys, which are recommended to be carried out at least every five years. The updates should be supplied to leaseholders and tenants.



Sinking Funds /Reserve Funds

Where the lease allows for a reserve/sinking fund, landlord should regularly supply details of funds available and whether they will cover anticipated costs of major works. The end of year account could contain details of the balance of the reserve fund.



Major works – management and delivery

Landlords should have procedures in place to ensure major works projects are implemented consistently and efficiently.



GOOD PRACTICE

Bron Afon has established a 'leasehold review panel' consisting of senior managers and one of its solicitors. The panel's objective is to ensure leaseholders are treated fairly and that processes are adhered to. Bron Afon has 'decision points' throughout its section 20 consultation process and the scheme cannot progress until these points are signed off by the panel and the director of property service. (www.bronafon.org.uk)

Project management team

To ensure consistency, landlords can create a project management team to consider the impact on leaseholders of each major works project. The team would:

- Check all works are identified and included in notices
- Demonstrate the major works are needed (including stock condition survey, photographs, previous repairs and history of complaints)
- Check progress with section 20 process
- Check progress with works
- Review comments and responses from leaseholders
- Identify any potential risks
- Agree timescales for works and consultation

Internal review panel

Landlords can also create an internal review panel of senior managers across directorates to provide quality assurance throughout the whole process, to:

- Check fairness for leaseholders and tenants
- Decide if each element of the works is a 'repair' or an 'improvement'.
- Consider leaseholders' ability to pay and the possibility of phasing works
- Check whether the lease allows for 'improvement' works to be charged to leaseholders and, if necessary, take legal advice
- Decide if costs are reasonably incurred or not
- Check the section 20 process is being adhered to
- Check consultation observations and responses
- Ensure weight is given to leaseholder observations when decisions are made
- Review final accounts and any extra works before invoicing
- Where applicable, ensure written responses to individual leaseholder's observations are provided within the required time limit ([see flow chart on page 21](#))
- Check section 125 notices for leaseholders still within the reference period to ensure invoices are in accordance with the notice
- Check the Land Registry during the section 20 period to ensure the name of the leaseholder has not changed as well as whether there are any secured loans registered to the property.



Membership of the internal review panel should have the appropriate skills to carry out this work. Procedure guides should be established to guide the officers' work and appropriate training should be offered.

Staff awareness

Ensure all members of staff are aware of leaseholder rights and obligations. Staff who are likely to need to need this information include:

- Home ownership/leasehold services
- Property/technical services
- Finance teams
- Housing/tenancy management teams
- Customer services/reception services.



GOOD PRACTICE

Trivallis, formerly RCT Homes, provides a section 20 leaflet with every section 20 notice, which provides a summary explaining what happens and the options available at every stage of the process (www.trivallis.co.uk).

Section 20 (see section 20 flow chart opposite)

- It is important that the section 20 consultation process is carried out in line with the legislation The Service Charges (Consultation Requirements) (Wales) Regulations 2004 (<http://www.legislation.gov.uk/wsi/2004/684/contents/made>)
- If a decision is made not to carry out section 20, tell leaseholders why and what it means for them. This may be because the landlord is making an application for dispensation from the need to consult from the Leasehold Valuation Tribunal (LVT) e.g. in the case of emergency works.
- Summarise the section 20 process for leaseholders via:
 - Website (develop a 'leaseholder portal' for interaction)
 - Site notice boards
 - Flyers
- Develop a transparent method of selecting contractors to ensure:
 - Quality is delivered
 - Value for money achieved

Customer services/reception services teams should be made aware when section 20 notices are served. That way they can provide the appropriate advice if asked.

Leaseholder liaison

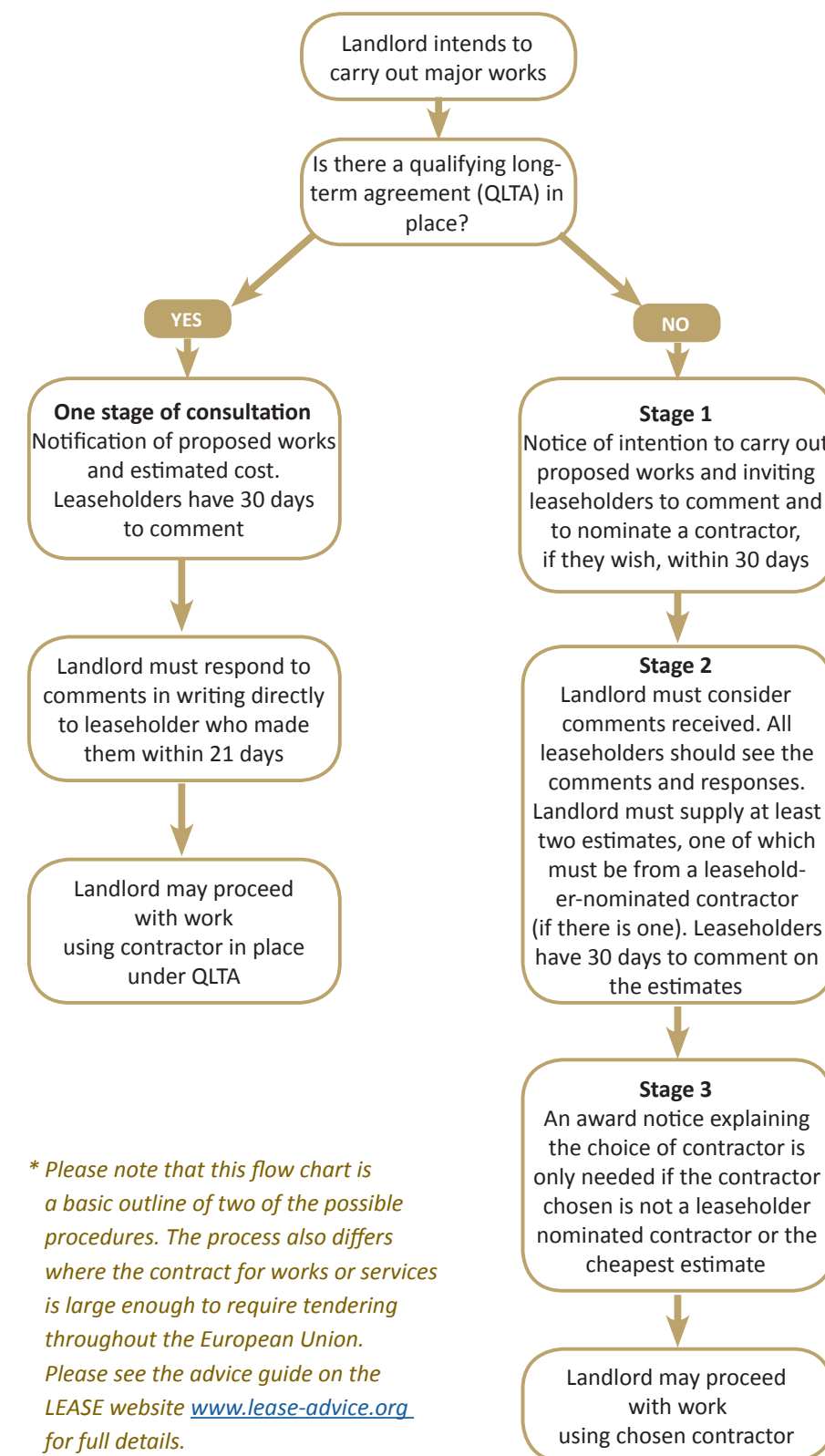
Landlords may:

- Consider appointing a leaseholders' site representative for major works. This gives leaseholders a voice and helps them feel empowered. The relevant recognised tenants association can be used.
- Ensure tenants and leaseholders receive the same service.



- Appoint a surveyor (or equivalent) to control the site and manage communications with residents. This will make sure contractors do not make decisions by themselves.
- Provide a timetable of the works (on site and/or at liaison meetings).

SECTION 20 Consultation process flow chart*



Involvement and engagement

Leaseholders have the legal right to be consulted where any major works charge would be more than £250 per leaseholder.



GOOD PRACTICE

Clwyd Alyn has a leaseholder forum that examines performance, helps set their leasehold annual plan and monitors major works procedures (www.clwydalyn.co.uk).

Rather than just holding leaseholder forums, Bron Afon offers leaseholders different ways to become involved such as through virtual panels via which leaseholders are consulted through email or post or through service improvement surgeries which involve group meetings to focus on specific topics. Leaseholders can also contribute to newsletters, website content, and social media (www.bronafon.org.uk).



Sharing five-year plans for major works helps early engagement, involvement and consultation with leaseholders.

Leaseholders should be able to comment on:

- Contractor selection
- Component selection
- Customer care specifications when drafting contracts
- Tender specifications
- Quality assurance contract awards

Leasehold services should:

- Feed comments into the programme of works
- Offer or direct leaseholders to benefits advice, loans or grants (landlords should check they have appropriate licenses)
- Publicise any repayment option offered by the landlord
- Explain the consequences of non-payment of a service charge
- Identify any leaseholders who may be in exceptional hardship and, possibly, offer them extended repayment plans.

Landlords should create a feedback framework for leaseholders using:

- Formal observations
- Satisfaction surveys
- Meetings
- Letters
- Online/portal

Individual leaseholder consultation meetings should:

- Highlight major works
- Identify the costs
- Check whether the leaseholder is able to manage the cost
- Offer advice and help on payment options
- Clarify whether the leaseholder has any health issues
- Identify any preferred methods of communication
- Offer the leaseholder the opportunity to question the process

Leaseholders should be encouraged to set up recognised tenants associations (RTAs). RTAs allow people to work together to represent the views of all residents in their area. Landlords can help these groups with their training needs.

Leaseholders should be involved when developing organisational policies and strategies. A number of landlords have leaseholder forums to help this.

Performance and quality

One of the biggest areas of dispute that ultimately ends up at the Leasehold Valuation Tribunal (LVT) is where a leaseholder believes they have received poor value and poor quality services or work. Involvement of leaseholders in planning, monitoring and evaluating services achieves greater transparency and more satisfactory outcomes.



GOOD PRACTICE

Newport City Homes (NCH) has a quality improvement panel (QIP). Membership of QIP is open to tenants and leaseholders. The panel is involved in the procurement of contracts to deliver major works and other service chargeable services. The panel has input on the standards of work set and helps score tender submissions. The QIP has also developed documents such as a contractor code of conduct to ensure that standards are maintained across projects. Through various training programmes, NCH works to build the capacity of residents on QIP to help them make meaningful contributions in shaping, procuring and monitoring services (www.newportcityhomes.com).

LANDLORD TIP

Ensure all leaseholder complaints are directed to the landlord and not the contractor. This will allow the landlord to monitor the quality of work of the contractor and ensure they do a good job.

Below are some of the ways in which landlords can monitor and improve leaseholder services:

Set the bar

Leaseholders should help set standards, key performance indicators, and targets for the service. This allows the landlord to show transparency and accountability for its services. It also allows leaseholders to say what is important and their preferences for services and standards. This means leaseholders can monitor performance and hold the landlord to account.

Service standards should be made clear in advance of delivery. Whether it is the standard of materials used in major works or service charge query response times, leaseholders need to know what to expect. Key performance indicators should be developed with leaseholders to carry out performance monitoring effectively and, where necessary, generate priorities for action.

Involvement from the start

Landlords should provide ways for leaseholders to influence plans for their blocks and estates from the beginning. When plans are set, leaseholders should be able to get involved in setting standards and procuring contractors to deliver projects. This is more than the statutory consultation requirements, which provide very basic consultation only.

Recognise individual needs

Programmes of work can affect different leaseholders in different ways. Service standards should take account of specific disabilities, communication or support needs. It is sometimes not enough to provide contact details of whom a leaseholder should call if they have any questions.

Any household information collected should be analysed against satisfaction, complaint, and service intelligence data to identify trends and tailor services.

Leaseholders who let their premises should also be offered pre-works appointments and landlords should consider the needs of leaseholders' tenants during the works.

Make it right whilst on site!

Landlords issue leaseholders with estimates during the statutory consultation process. However, leaseholders should be informed of costs throughout a major works project. Some service charge cycles mean leaseholders may not understand the true cost of elements of work for some time after completion. Any complaints or feedback prompted by an invoice are much more difficult to deal with



GOOD PRACTICE

During major works projects, resident liaison officers (RLOs) at Newport City Homes work on a one-to-one basis and collect information about the specific needs and concerns of every resident. The specific issues for leaseholders can include many of the same factors experienced by tenants who rent their homes, but there are often additional and more complex issues due to the financial pressures affecting these households. A specialist home ownership team manages these issues. The RLOs complete a 'passport to work' with all residents prior to the commencement of any major work, which records specific needs of the resident. NCH staff and contractors use this in coordinating work (www.newportcityhomes.com).

Cartrefi Cymunedol Gwynedd carries out a snagging inspection with a leaseholder representative following the completion of major works. The leaseholder can highlight any issues regarding the quality of the major works prior to invoicing (www.ccgwynedd.org).

if a significant time has passed since the job was completed. Regular cost updates will avoid this.

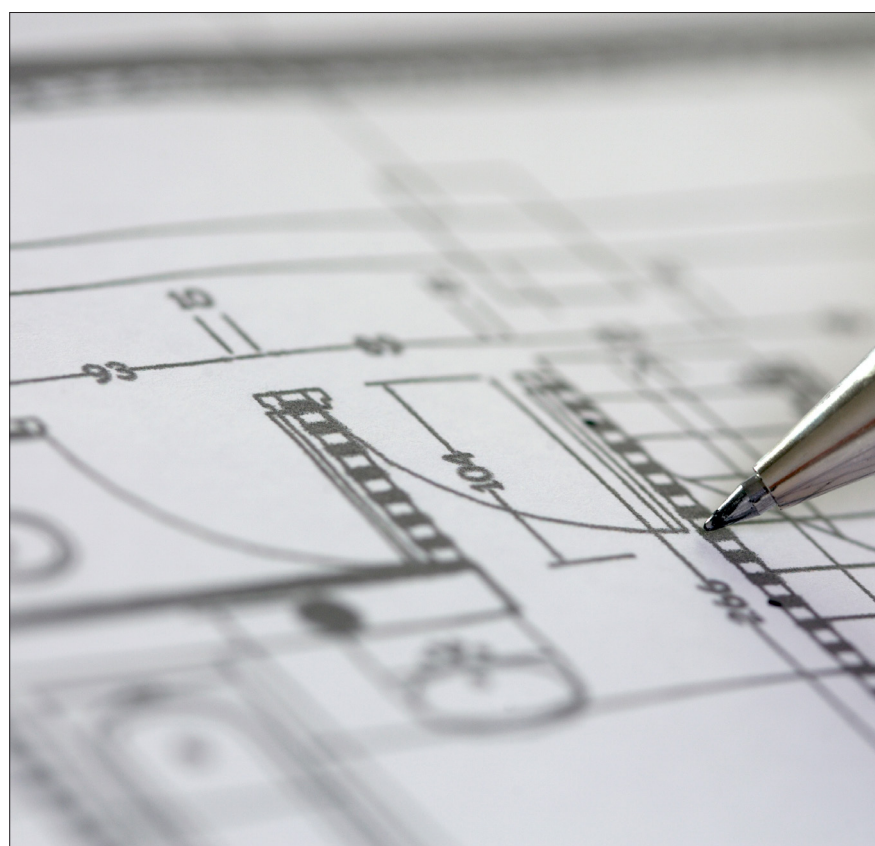
Landlords should supply leaseholders with contact details of the resident liaison officers, clerks of works and other officer details in advance of major works. Where possible, resident liaison officers should introduce themselves prior to work starting.

Leaseholders must understand who is accountable for on-site performance, as they may feel a loss of control if they do not know who to speak to. Inviting leaseholders to site inspections while work is under way can reduce post-work queries.

Review work after completion

The end product should be quality tested. Leaseholders can help review work in a number of ways:

- Scrutiny of surveyor reports on completed work, and possibly at set phases during the work
- Before and after photographs
- Satisfaction calls
- Focus groups
- Postal surveys
- Complaints and compliments
- Post inspections or snagging visits



GOOD PRACTICE

During its last survey of tenants and residents, Newport City Homes issued leaseholders with a different survey to tenants. Leaseholder panel members helped to write the questions to ensure what was important to leaseholders was captured. The results of the leasehold survey were analysed separately to the tenant results.

Newport City Homes has a resident's challenge panel that carries out in-depth reviews of services, suggests improvements and challenges the organisation when services are not working well. Membership is open to leaseholders (www.newportcityhomes.com).

Tell the story

Landlords should routinely publish progress updates and performance data against the standards set. Value for money of major works should always be demonstrated. Performance data should be presented with the help of diagrams and leaseholders should have a say on what data is published.

Landlords should conduct annual impact and value for money assessments that provide a focus on leaseholders. Results should be published and benchmarked with other landlords and be accessible by leaseholders. Satisfaction surveys should be broken down by tenure and analysed to identify areas of concern to leaseholders. This will ultimately help improve leasehold services.

Get creative

It always pays to think of new ways to test the quality of leasehold services. Here are some examples of techniques you could consider:

- Mystery shopping
- Leaseholder inspections and/or walkabouts
- Focus groups
- Leaseholder-led scrutiny of services.

Leaseholder satisfaction can also be improved by offering additional services which sit outside of leases. For example, leaseholders could benefit from economies of scale and take advantage of opportunities to have internal works done such as kitchens and bathrooms. Offering such services could help leaseholders feel more valued and part of the wider investment program.



Payment options

When charging for major works, landlords should offer a range of payment options to help leaseholders. Certain deferred repayment options may require a Financial Conduct Authority (FCA) license.



LANDLORD TIPS

Have a payment framework in place explaining the options in simple terms to leaseholders.



GOOD PRACTICE

City and County of Swansea Council provides leaseholders with payment options for major works and each option is accompanied by an explanation. Payment options include payment in full, loan from a mortgage lender/bank or building society, the council's leaseholder assistance scheme, statutory loan scheme, and help from the Department of Work and Pensions (www.swansea.gov.uk).

Landlords should check how leaseholders are expected to pay for major works in the lease during the section 20 notice process. In particular attention should be paid to the difference between estimated and actual costs of major works and the way these are calculated.

Landlords should know leaseholders' financial circumstances so appropriate advice and help can be offered when invoicing. They should establish a process to undertake a financial assessment of individual leaseholders' circumstances. Where the individual leaseholder's financial circumstances indicate help is needed the landlord should;

- Offer financial advice (check you are licensed to provide this); or
- Direct them to an agency that offers financial advice, such as Citizens Advice Bureau

Payment options

If leaseholders are unable to pay in full, landlords could consider:

- Offering extended payment terms (landlords are required to be to be authorised by the Financial Conduct Authority in the granting of loans and interest bearing payment options)
- Placing a registered charge against the property in lieu of charging
- Offering shared ownership
- Buying back the property

Where landlords offer loans to leaseholders who sub-let their properties, they need to be aware of State Aid rules and 'de minimis' to ensure the benefits do not exceed €200,000 over three fiscal years. Landlords should take steps to check whether State Aid has been provided in the current and previous two fiscal years to ensure the limit has not been breached. Leaseholders should be told in writing the value of the de minimis aid they are receiving. There may be leaseholders who have received de minimis support for other purposes. If the threshold is breached, then this money will need to be recovered from the beneficiary. An interest free loan would be classed as support – the aid element being the interest you do not collect rather than the whole of the loan. Where interest is charged, if this is at a commercial rate then the loans would not be subject to the State Aid rules as it is being provided on a commercial basis; however if it is given at a reduced rate then the reduced amount would be classed as aid.

Mandatory loans

If the leaseholder purchased their flat under the Right to Buy Wales scheme they may be eligible for a mandatory loan provided by Welsh Government.



✓ GOOD PRACTICE

The Vale of Glamorgan Council offers extended repayment periods up to 10 years for leaseholders who live in their leasehold properties .

The Vale of Glamorgan Council holds resident drop in sessions where tenants and leaseholders can discuss any concerns or questions they may have. The section 20 estimates and a concise summary of the proposed work are then delivered in person so leaseholders can ask questions. This will reduce anxiety and ensures the leaseholder knows what they are paying and why (www.valeofglamorgan.gov.uk).

They do not have to be the person who originally purchased the flat under the Right to Buy, but the landlord must either be the housing authority which sold the flat, or another housing authority. The leaseholder does not have the right to a loan if they or a previous purchaser bought the flat under the Preserved Right to Buy. The Preserved Right to Buy applies to people who were tenants living in their council home when the council transferred it to the housing association.

In other words if the lease agreement is now with a housing association, they must have already bought the property from the Local Authority before it was later transferred to the housing association. The transfer must have occurred within the last 10 years.

If you are a housing association, and the leaseholder meets the qualifying conditions described above, you must inform the leaseholder of their right to a mandatory loan when you invoice them and explain their payment options. Applicants should be directed to the Welsh Government Housing Quality Standards Team in the first instance who will confirm eligibility and issue an application form. The email contact details are: HousingQualityStandards@wales.gsi.gov.uk or Housing Quality Standards team, Welsh Government, Rhydycar Business Park, Rhydycar, Merthyr Tydfil, CF48 1UZ.

If you are a local authority the leaseholder will apply to you directly for the loan if they meet the qualifying conditions. You must inform the leaseholder of their right to a mandatory loan when you invoice them and explain their payment options.

The leaseholder must pay the first part of the bill themselves or by an alternative loan method. This amount varies annually in line with inflation. For illustrative purposes, for 2016/17 the amount they have to pay before they can apply for a loan is £2,863. The minimum eligible amount to qualify for a loan is £954. This amount can also vary with inflation. The leaseholder will not qualify for a mandatory loan if the amount requested is less than £954 after the first £2,863 has been deducted from the bill. There is also a maximum amount that can be applied for. This also varies annually. For 2016/17 this amount is £38,171.

The leaseholder will have to repay the loan by equal instalments of principal and interest over three years for loans under £1,500, five years for loans which are for £1,500 or more but less than £5,000, and ten years where the loan is for £5,000 or more. They can choose to pay over a shorter period if they so wish.

Sinking funds/reserve funds

Where the lease allows, landlords should consider setting up a reserve/sinking fund to help leaseholders pay in advance for works over a period of time.



✓ GOOD PRACTICE

City and County of Swansea Council sends a letter to leaseholders a few weeks before invoices are sent as a 'gentle reminder' that the invoice is due. The letters refer the leaseholders to previous letters of consultation, as it is often more than 12 months since the work was completed. A letter is then sent with the invoice providing a breakdown of the charges and details of the 'leaseholder assistance scheme' and asks leaseholders to contact it to discuss the options available to them (www.swansea.gov.uk).

Landlords should consider adding interest charges only where repayment periods extend beyond two years.

Landlords should decide whether flexible repayment should be offered to 'absent leaseholders' (who are not resident in the property) if they are in financial hardship.

Timing of invoices

Final bills can only be considered once all costs are known and invoices should be issued in accordance with the lease. There are limitations on the recovery of charges under Section 20B of the Landlord & Tenant Act 1985 in that a Landlord cannot recover costs that were incurred more than 18 months before they are formally demanded. If it is not possible to make the demand within 18 months of incurring the costs a section 20B notice must be served to preserve the right to recover them.

Landlords should open good communication lines with leaseholders to discuss their concerns. This allows landlords to reflect on the appropriate levels of charges, and ensures final bills are accurate and leaseholders understand the reasons for the charges.

Landlords should give as much advance notice to leaseholders as possible. Having early discussions with leaseholders will allow them to prepare for large charges. Being able to discuss the five-year investment plan at the earliest stage with leaseholders will provide additional time for them to prepare and make arrangements before the work starts.

Landlords should consider the impact of efficiencies of programming and how this impacts on leaseholders' abilities to pay or enter into finance agreements. For example, it may be most efficient to bring work forward a few years whilst on site carrying out another project. This way, landlords can make best use of items such as scaffolding, which may be required for both jobs. However, for leaseholders, this can mean taking out loans for two large items of work close together.





Dispute resolution

The relationship between a landlord and leaseholder is a contractual one based on the terms of the lease. Disputes may arise from time to time. Leases are complex documents and not easy to understand. They often lead to different interpretations of complex clauses. Landlords and leaseholders can also have opposing views, particularly regarding major works and the costs leaseholders are liable to pay. By being open and transparent and engaging leaseholders, landlords can reduce or eliminate the level of disputes.

However, where disputes do arise, both parties are encouraged to consider alternative dispute resolution options to try to resolve matters amicably. This will help preserve the relationship between landlord and leaseholder.



GOOD PRACTICE

Bron Afon's leasehold review panel (referred to on [page 19](#)) is often used to help resolve disputes.

Internal dispute resolution – good practice

- Provide a breakdown of costs with an explanation of the bill
- Hold face-to-face meetings with groups and/or individual leaseholders
- Be clear about your internal complaints procedure, stating process, actions and timescales
- Allow nominated leaseholders onto a panel and include them in discussion and approval for proposed works
- Surveyors and maintenance staff should attend meetings to respond to questions and resolve issues
- Create a panel for arbitration and consider including leaseholders to make the panel balanced
- Allow leaseholders' nominated surveyor to inspect along with landlord's surveyor
- Find a leaseholder champion to help resolve disputes with other leaseholders
- Advocate mediation to resolve disputes amicably
- Hold open days/workshops for leaseholders
- Hold leaseholder road shows

Allowing leaseholders to have a say and be involved in the process can improve disputes.

External dispute resolution

- **Early neutral evaluation (ENE)** – a process in which the parties appoint an independent person to provide a non-binding opinion on the case. Find out about this on the LEASE website at www.lease-advice.org/wales
- **Mediation** – if both parties agree to it, a mediator will try to facilitate an agreement between them. Find out about this on the LEASE website at www.lease-advice.org/wales
- **Arbitration** – both parties need to agree to be bound by the arbitrator's decision
- **County court** - usually used as a last resort if the leaseholder refuses to pay or engage in other forms of dispute resolution
- **Leasehold Valuation Tribunal (LVT)** - the Tribunal can decide on the quality, reasonableness or level of service charge for major works.



Early neutral evaluation (ENE) and mediation

Major works disputes can be lengthy and costly, and often with no obvious winner at the end. Some may be settled through negotiations or using the landlord's internal dispute resolution process. However, the parties may wish to look to an independent third party to consider matters afresh where matters have not been settled.



The parties may wish to explore alternative dispute resolution to resolve disputes amicably and avoid the need to use the more formal and potentially costly legal proceedings at the Leasehold Valuation Tribunal (LVT) or courts.

The Leasehold Advisory Service (LEASE) provides two such dispute resolution options for landlords and leaseholders:

Mediation

Mediators will facilitate a meeting between disputing parties to help them understand each other's viewpoint and explore all possible options to resolve matters. Mediation can help settle broader aspects of leasehold disputes such as management practices and agreed service levels. The costs will be shared between the landlord and leaseholder. Leaseholders will be required to pay a proportion of the total cost starting at 25%. Further information about mediation is available on the LEASE website at www.lease-advice.org

Early neutral evaluation (ENE)

ENE is an assessment of the issues. It should form the basis of further negotiations to avoid the time, expense and anxiety caused by unnecessary litigation. An independent expert with leasehold experience such as a retired Tribunal judge comments on the merits of the issue, but their opinion is not binding. It does, however, give an unbiased evaluation of the relative strengths of the cases, and guidance as to the possible outcome of a LVT.

The process is a paper-based exercise, where the parties submit written statements of their dispute with supporting evidence to the evaluator. Following the review, the evaluator will write to the parties providing non-binding judgement based on their expert opinion. This judgement does not stop either party from using the LVT at any time, but the aim of ENE is to avoid further, potentially costly, litigation.

The costs will be shared between the landlord and leaseholder. Leaseholders will be required to pay a proportion of the total cost starting at 25%. Further information on ENE and related costs is available on the LEASE website at www.lease-advice.org



Review process

Social landlords are recommended to carry out a review of their handling of the major works for leaseholders.



It is recommended that landlords collate the following:

- Leaseholder feedback
- Leaseholder satisfaction returns
 - Broken down by protected characteristics
- Complaints
- Mediation/early neutral evaluation referrals
- Key performance indicators
 - Meeting published service standards
 - Communication
 - Understanding of Section 20 process
 - Adequate explanation of works
 - Adequate notice of works
 - Keeping leaseholders informed
 - Choices offered (where applicable)
 - Timescales achieved
 - Start time
 - Completion date
 - Quality of works
 - Workmanship
 - Materials

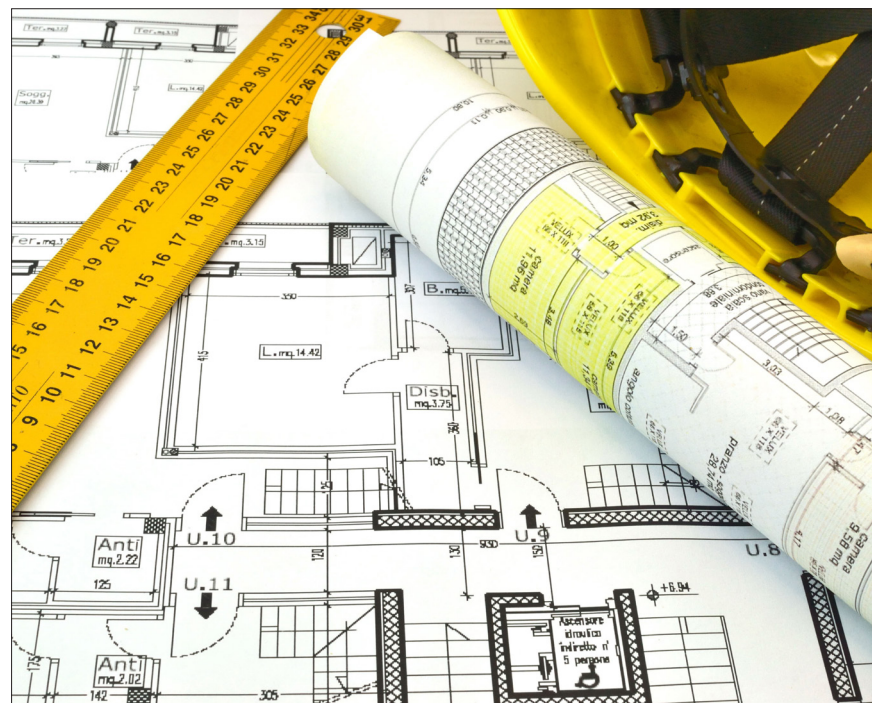




- Attitude of workforce
 - Identity cards used
 - Protecting personal property
 - Keeping property secure
 - Cleanliness etc.

- Invoice collection rates

Involving leaseholders in post major works reviews can provide insight that could avoid complaints and improve major works charge collection rates. Review processes should be honestly undertaken to ensure continuous improvement. Landlords should publish their performance data as well as any lessons learned.



LEASEHOLD MAJOR WORKS

Good practice flow chart*

Landlord to provide leaseholders with plan of anticipated major works programme (Right to Buy/Right to Acquire sale or at leaseholder re-sale)



Landlord to provide leaseholders with plan of major works programme (Five years (or more) in advance of major works)



Landlord to set up project management team, internal review panel and performance standards (Four to six months in advance of major works)



Leaseholder consultation in advance of major works
Section 20 notices
Leaseholder involvement
(At least three months in advance of major works)



Landlord to clarify individual leaseholder financial circumstances
Agree payment options



Completion of major works
Involve leaseholders with inspection of completed major works
Identify snagging/defects
Leaseholder feedback on major works
Finalise costs



Landlord to invoice leaseholders for cost of major works
Agree payment options

* Please note that the steps outlined in this flow chart, apart from section 20 requirements, indicate good practice procedures for landlords.



Glossary of terms



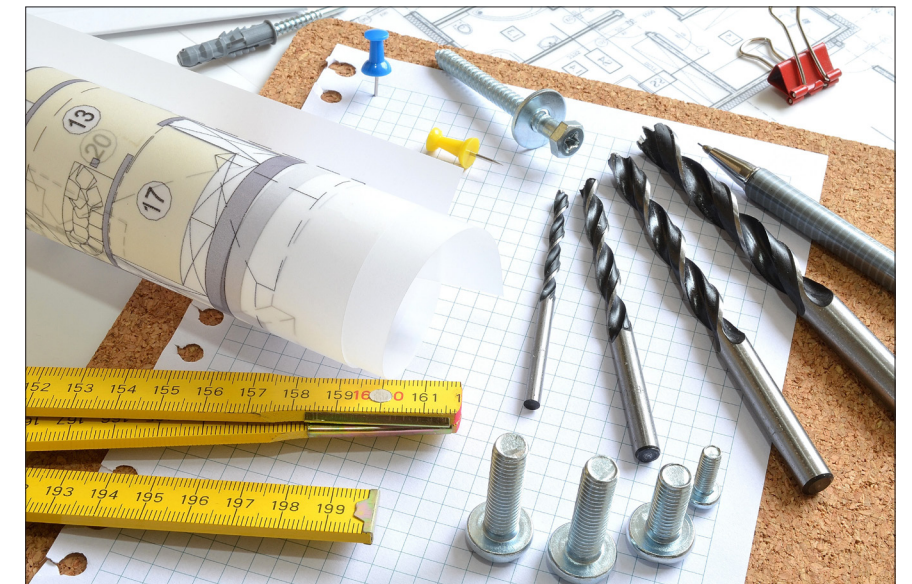
Arbitration	Settling a dispute by using an independent referee, to avoid going to court.
Assignment	A formal transfer of property. For example, when ownership of a lease is transferred from one person to another.
Block	A block is the building described in a lease which the landlord is normally responsible to maintain and repair and recovers the cost of this, via the service charge, from leaseholders
Charge	A certificate that the land registry issues usually to a mortgage lender who has lent money on the security of registered property. It is proof to the lender of their security. A charge can also be against a secure loan or other debt.
Communal areas/parts	Parts of the building/estate/grounds shared with other residents and not specifically granted to the leaseholder in the lease but to which there are rights of access.
Consultation	This is the process a landlord will go through to tell leaseholders about proposed works or long term contracts for services where the costs are above a financial threshold. Some of this process is legally required (Section 20) and some is good practice.
Cyclical decoration	A programme carried out normally every five or seven years in communal areas to both internal and external areas of the building. The costs for this are recovered through a service charge.
Deed	A legal document that commits the person signing it to something.
Demised premises	The area of land that is the subject of a lease. Normally, a lease will clearly specify exactly what the demised premises are. For example, lease might state that the lessee's interest applies to the interior partitions and plaster but not to the actual structure of the building.
De minimis	The amount allowed by EU regulations to be provided in state aid over a 3year period, currently £200000.
Landlord	The person who owns the property. In leasehold terms, the landlord is also known as the freeholder or lessor.
Ground rent	Because leasehold is a type of tenancy, some sort of rent must be paid. The lease specifies how much this will be each year and whether it can be increased or reviewed over time.
Improvement	Doing more work to a property than the repairs required to keep the property in the same habitable condition that was in when the lease was granted. This can sometimes be adding something new to the building. The lease must allow the landlord to recover the cost of improvements.
Landlord and Tenant Act 1985	The original act of Parliament (now added to by more recent laws) that sets out what a service charge is and how it should be arrived at. For example, it must be reasonably incurred.



Lease	A legally binding contract between the leaseholder and the owner of a property (freeholder) giving conditional ownership of the property for an agreed time.
Leaseholder (lessee)	The person who holds land under a lease (also known as lessee). The person the property has been leased to.
Leasehold Valuation Tribunal	The LVT in Wales and the Residential Property Tribunal in England act as independent arbitrators for leasehold disputes and their decisions are binding.
Major works	Where work to a block will cost any leaseholder over a set financial threshold (currently £250), the landlord must consult with leaseholders. These are known as major works. In some cases, the costs can be much higher. For example, if the roof needs replacing. As landlord, you should be able to advise leaseholders if there are any planned works due to the block in the next five years. Some leases permit a sinking fund to cover these costs. Where there is no sinking fund, a landlord may offer a range of payment options.
Management charge	The part of the service charge that covers the landlord's leasehold management costs. These can also be the costs to manage a programme of major works.
Pre-sale enquiries	Usually a conveyancing solicitor will send questions to the landlord. The Law Society has issued a dedicated form for solicitors to use and this is an LPE1.
Qualifying long-term agreement	An agreement entered into by the landlord with a contractor for a period of more than 12 months where the costs payable by a leaseholder exceed a threshold amount (currently £100) in any one year.
Qualifying Works	Major works that will cost any individual leaseholder more than a threshold amount (currently £250).
Payment options	Landlords may allow extended time to repay service charges for major works where they are expensive and the leaseholder is unable to repay immediately. Generally , the landlord will assess the financial circumstances and affordability of each leaseholder applying for extended time and tailor a solution from a range of options.
Preserved Right to Buy	A local authority tenant retains this right if the local authority transfer their premises to a housing association, as part of a stock transfer.
Recognised tenants association (RTA)	An RTA is an association of 'qualifying tenants' that has been recognised formally by the landlord or by a certificate of recognition granted by the Leasehold Valuation Tribunal under section 29 Landlord & Tenant Act 1985. An RTA has various rights similar to those given to an individual leaseholder including the right to be consulted under section 20.



Section 125 notice	The notice of the Right to Buy purchase price containing details of proposed major works costs in the first five years of the lease and the most the landlord can charge for works during this time.
Section 20	Section 20 of the Landlord & Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002). This sets out the formal process for consulting with leaseholders and tenants about certain items charged through service charges.
Section 20B	Section 20B of the Landlord & Tenant Act 1985. Landlords must issue service charge demands within 18 months of incurring the cost.
Shared owner	Someone who owns a share in a home and pays rent on the remaining share that is retained by the landlord.
Sinking or reserve fund	If the lease allows for this, a fund that leaseholders contribute to periodically via the service charge. This builds up every year and is intended to pay for any major works that are needed for example replacing a roof. There are special accounting rules for how landlords administer sinking funds/reserve funds.





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MAJOR WORKS

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