Portsmouth Homes

Portsmouth CITY COUNCIL

# Homeowner Major Works and Reserve Funds Policy

## Summary

This policy explains how Portsmouth Homes manages major works, reserve funds and related charges for homeowners. It explains when homeowners may need to contribute towards works, how we will consult, how charges are calculated, how reserve funds may be calculated, reviewed, used and what support may be available if a homeowner is worried about payment.

The policy applies to homeowners including leaseholders, shared owners and freeholders who pay service charges, major works charges or reserve fund contributions. The homeowner’s lease, transfer document or legal agreement remains the key document that sets out what can be collected, charged and recovered.

## Effective date

Example text

## Review

We will review this Policy every 3 years or when there has been an update to legislative, regulatory, best practice or operational changes.

## Version

Version 1.0



# Homeowner Major Works and Reserve Funds Policy Contents

# Definitions

| Term | What it means |
|---|---|
| **Homeowner** | A leaseholder, shared owner, freeholder or other owner who may be responsible for paying charges to Portsmouth Homes under a lease, transfer document or legal agreement. |
| **Lease / Property Deeds** | The legal agreement that sets out the rights and responsibilities of the homeowner and the landlord / Managing Agent. |
| **Service charge** | An amount payable under the lease or legal agreement towards the cost of services, repairs, maintenance, insurance, management, major works or reserve funds. |
| **Major works** | Larger repairs such as internal and external redecoration works, replacement windows, doors, roof etc, compliance or improvement works to a building such as lift upgrades, sprinkler systems, fire detection upgrades, communal area improvements or changes to meet new standards or building safety requirements. |
| **Reserve fund or sinking fund** | Money collected over time, where the lease allows this, calculated using a planned works programme or life cycle costs of major building components, to help cover future major works or large repair costs. |
| **Section 20 consultation** | The legal consultation process landlords must follow for certain qualifying works and long-term agreements. Statutory thresholds and consultation requirements are set by legislation and may change over time. |

# Who this applies to

This policy applies to homeowners who may be required to pay service charges, major works charges or reserve fund contributions to Portsmouth Homes.

This includes:

- Leaseholders
- Shared owners
- Freeholders who pay estate or communal charges

- Homeowners who have purchased their home through Right to Buy or another home ownership scheme

The charges, responsibilities and payment arrangements that apply to you will depend on the terms of your lease, transfer document or other legal agreement.

This policy is intended to explain our approach and does not replace the terms of any lease or legal agreement. If there is any difference between this policy and a legal agreement, the legal agreement will take priority.

Any reference in this policy to 'we', 'our' or 'us' refers to Portsmouth Homes.

Any reference in this policy to 'homeowner' refers to a Portsmouth Homes leaseholder, shared owner or freeholder.

# Why we have this policy

This policy explains how we manage major works, reserve funds and related charges for homeowners.

It explains:

- What major works are
- When homeowners may need to contribute towards the cost of works
- How reserve funds are calculated, managed, reviewed and used
- How we will communicate and consult with homeowners
- How charges are calculated and recovered
- What support may be available if a homeowner is having difficulty paying
- How homeowners can raise questions, concerns or complaints

Our aim is to ensure our approach is fair, transparent, consistent and easy to understand.

## Our Approach

Our aim is to be open, clear and approachable, helping homeowners understand planned works, how charges are calculated and the support available to them.

We will manage major works and reserve funds in a way that is:

- Fair by calculating charges in line with the lease or legal agreement
- Reasonable by making sure costs are appropriate and properly incurred
- Transparent by providing clear information about proposed works, costs and payment options
- Consistent by applying this policy fairly and consistently
- Supportive by encouraging homeowners to contact us early if they have concerns about paying

- Compliant by following relevant legislation, regulatory requirements and good practice
- Following best practice and continual learning from precedents and new case law published by the First-Tier Tribunal and Upper Tier Tribunal
- Applying for dispensation from consultation requirements where permitted by law and appropriate in the circumstances.
- Where legislation limits a homeowner's liability for building safety related costs, we will apply those protections in accordance with the law.
- We will aim to ensure charges are recoverable under the lease, reasonably incurred and reasonable in amount.

## What are major works?

Major works are larger planned works, improvements or significant repairs to a building, estate or shared area that homeowners may be required to contribute towards under their lease or legal agreement.

Major works may include:

- Roof repairs or replacement
- Replacement of windows and doors
- Lift refurbishment or replacement
- External or Internal communal decorations
- Structural repairs
- Fire safety works
- Communal electrical works
- Repairs or replacement of shared heating, water or other communal systems
- Repairs or improvements to shared estate areas, such as paths, walls and parking areas, where these costs are rechargeable
- Works needed to meet health and safety, building safety or other legal requirements

Major works are different from routine day-to-day repairs and maintenance, which are normally covered through regular service charges. They are usually larger, planned projects or significant one-off repairs needed to maintain, improve or keep buildings and shared areas safe, where the obligation is for the Landlord to complete these works under the terms of the Lease, transfer or other legal document.

## Reserve funds

A reserve fund, is money collected over time to help cover future major works and other significant repair costs.

We will only collect reserve fund contributions where this is allowed under the lease or legal agreement.

Reserve funds help to:

- Spread the cost of major works over time
- Reduce the need for large one-off charges (but this cannot be guaranteed)
- Support the long-term maintenance of buildings and shared areas

Reserve fund contributions form part of the service charge and must be reasonable and used in line with the lease or legal agreement.

Where a reserve fund applies, we will provide information about:

- The purpose of the fund
- How contributions are calculated
- How the fund may be used
- The fund balance, as part of the Actual Service Charge Review
- Whether additional contributions may be needed

We will manage reserve funds separately from routine service charge expenditure and will only use the money for purposes permitted by the lease or legal agreement.

Information about reserve fund balances, contributions received, expenditure incurred and remaining balances will normally be provided through service charge information, annual accounts or other homeowner communications where applicable.

Reserve funds may not always cover the full cost of major works. Where the cost of works exceeds the available balance, homeowners may need to make an additional contribution if this is permitted under the lease or legal agreement.

If you sell your home, reserve fund balances are not refunded unless the lease or legal agreement states otherwise. Any balance will normally remain available for future eligible expenditure in accordance with the lease or legal agreement.

Reserve fund contribution levels are reviewed taking account of anticipated future expenditure, building condition information, planned investment needs and the terms of the lease or legal agreement. Contribution levels may increase, decrease or remain unchanged depending on future costs and requirements.

Reserve funds are managed in accordance with applicable legal, financial and accounting requirements. Where applicable, any interest earned on reserve funds will be credited to the fund and reflected in service charge or reserve fund information provided to homeowners

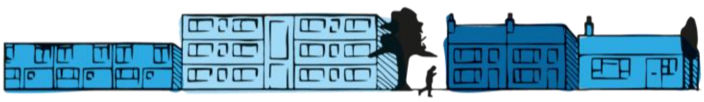


## Planning major works

We use information such as building condition surveys, repairs history, safety requirements and asset management plans to help identify and plan future major works.

Where possible, we will:





- Plan major works in advance
- Explain why works are needed
- Provide information as early as possible
- Seek to understand the impact on homeowners where reasonably practicable.
- Explain how costs may be recovered
- Review whether reserve funds are available in accordance with the lease or legal agreement.
- Help reduce unexpected bills where possible

We will procure works in line with relevant procurement requirements and aim to achieve value for money while ensuring works meet safety, quality and compliance standards.

For significant projects, we will provide appropriate updates during the works and communicate any significant changes to project timescales, disruption or delivery arrangements where reasonably practicable.

In some circumstances, works may need to be carried out urgently, for example to address health and safety risks, building safety concerns, prevent serious damage or maintain essential services. Where this happens, we may not be able to follow the usual consultation timescales. Where this happens, we will provide homeowners with clear information as soon as reasonably possible and may apply to the First-tier Tribunal (Property Chamber) for dispensation from consultation requirements where appropriate.

## Access to your home

Some major works, surveys or inspections may require access to your home. We will give reasonable notice where access is required, unless there is an emergency.

You must provide access where required under your lease or legal agreement.

## Quality of major works

We will aim to ensure major works are completed to an appropriate standard and provide value for money.

We will:

- Appoint and manage contractors through appropriate procurement and contract management processes
- Monitor works while they are being carried out
- Carry out inspections where needed
- Respond to concerns about the quality of work or any defects
- Explain how to report issues with completed works
- Use feedback, complaints and lessons learned to help improve future projects

If you have any concerns about the quality of works, a defect, or damage caused during the works, please contact us as soon as possible so we can investigate and take appropriate action.

## Consultation

Section 20 consultation is usually required where a leaseholder's contribution is expected to be more than £250, including VAT, for qualifying works, or more than £100 per year, including VAT, for qualifying long-term agreements. Where formal consultation is required, we will follow the legal process so that homeowners receive the information and opportunity to comment that they are entitled to.

We will consult homeowners where required by law and keep them informed about major works that may affect them.

This may include a Section 20 consultation for qualifying works or long-term agreements. We will explain the consultation process, what stage it is at, how you can provide feedback and the timescales for responding.

Consultation gives homeowners the opportunity to:

- Understand the works being proposed
- Ask questions and provide feedback
- Comment on proposed costs
- Nominate a contractor where the law allows
- Understand what happens next
- Prepare for upcoming invoices following completion of works.

We will consider all feedback received before making decisions. However, some works may still need to proceed to meet legal requirements, maintain the building, protect residents' safety or comply with the lease or legal agreement.

Where formal consultation is not required, we will still aim to provide clear and timely information about planned works that may affect homeowners.

Where appropriate, we will provide information about appointed contractors, relevant project contacts and how concerns relating to the works can be reported.

## Calculating charges

We will only charge homeowners where the lease or legal agreement allows us to recover the cost.

Charges will be calculated in line with the lease or legal agreement and may take account of:

- The share or percentage set out in the lease
- The cost of works to the relevant block, estate or shared area
- Any legal protections, limits or caps that apply

- Where reserve funds are available and the lease permits their use, these will be applied towards eligible expenditure before any remaining costs are recharged to homeowners.

We will provide clear information about:

- What the charge is for
- How it has been calculated
- The period it relates to
- Whether the amount is estimated or final
- When payment is due
- How to contact us if you have any questions

Where estimated costs are provided, the final charge may be higher or lower once the works have been completed and all costs are known. Any adjustments will be made in line with the lease, legal agreement and service charge arrangements.

Some homeowners may have legal protections that affect the amount they can be charged. These will depend on factors such as the terms of the lease or legal agreement, how the home was purchased, the type of works being carried out and any relevant legal or building safety protections. We will consider any applicable protections before charges are issued.

# Payment of major works charges

Major works charges may be invoiced during or after works are completed. In some circumstances, estimated contributions may be collected in advance where permitted by your lease or legal agreement.

We recognise that major works charges can sometimes be significant. If you are concerned about paying, we encourage you to contact us as early as possible so we can discuss the options available.

Payment options and support may include:

- Payment in full
- Instalment arrangements or repayment plans based on personal financial circumstances
- Consideration of longer repayment arrangements in exceptional financial circumstances
- Signposting to independent money, debt or financial advice
- Collection from Mortgage Lenders
- Potential to place a Legal Charge on the property

The support available will depend on the personal individual financial circumstances of each case, including the amount owed, the homeowner's financial situation, the terms of the lease or legal agreement, whether the homeowner resides in the property and any existing arrears.

When considering a payment arrangement, we may ask for information about your financial circumstances to help us agree an affordable and reasonable arrangement.

We will consider requests for payment support fairly, consistently and on a case-by-case basis. Any repayment arrangement must be agreed by both us and the homeowner and should be maintained throughout the agreed period.

# Non-payment

You are responsible for paying service charges, reserve fund contributions and major works charges that are due under the terms of your lease or legal agreement.

If you are worried about making a payment, we encourage you to contact us as early as possible. We will explain the charge, discuss the options available and, where appropriate:

- Provide a breakdown of the amount owed
- Consider reasonable repayment arrangements
- Signpost you to independent advice and support services
- Take account of any vulnerability or financial hardship before deciding on further action
- Review each case based on its specific circumstances.

We will always aim to resolve payment issues through discussion and agreement wherever possible.

Failure to pay charges that are due under the terms of your lease or legal agreement may be a breach of that agreement. Where charges remain unpaid and no suitable payment arrangement is in place, we may take action to recover the debt. Legal action will usually be a last resort.

# Our responsibilities

We will:

- Manage buildings and shared areas in line with our legal and landlord responsibilities
- Plan major works using building condition information, safety requirements and long-term investment plans
- Consult homeowners where required by law
- Provide clear, timely and accessible information about planned works and charges
- Explain how major works charges and reserve fund contributions are calculated
- Calculate and recover charges in line with the lease or legal agreement
- Use reserve funds only as permitted by the lease or legal agreement
- Consider payment arrangements where homeowners are unable to pay in full
- Respond to questions, concerns and complaints in line with our complaints process
- Keep accurate records of major works, consultations, charges, payment arrangements and complaints

- Manage personal information in line with data protection legislation and Portsmouth City Council's privacy arrangements
- Learn from feedback, complaints and disputes to improve our services and approach

# Your responsibilities

As a homeowner, you are responsible for:

- Reading and understanding your lease or legal agreement
- Paying service charges, reserve fund contributions and major works charges that are due under the term of your lease or legal agreement
- Contacting us if you do not understand a charge
- Telling us as early as possible if you are experiencing financial difficulties
- Keeping your contact details up to date
- Responding to consultation notices within the timescales provided
- Providing access where works, surveys or inspections are required under your lease or legal agreement
- Seeking independent legal or financial advice where needed

# Disputes, complaints and independent advice

If you have any questions or concerns about a service charge, major works charge or reserve fund contribution, please contact us. We will explain the charge, provide further information where available and help you understand your options.

You can contact us if you:

- Do not understand a charge
- Would like a breakdown of costs
- Disagree with the amount charged
- Are unhappy with how consultation has been carried out
- Have concerns about the quality of works
- Need help understanding payment options

If you are unhappy with how we have handled a matter, you can make a complaint through our complaints process.

Homeowners have the right to request information about service charges and supporting documents where this is required by law.

Some disputes about service charges, major works charges or reserve fund contributions may be considered by the First-tier Tribunal (Property Chamber), which can decide whether certain charges are payable as well as reasonable.

Homeowners may also apply to the First-tier Tribunal (Property Chamber) to determine whether a service charge, major works charge or reserve fund contribution is payable and whether the costs have been reasonably incurred and are reasonable in amount, where this right is available under the relevant legislation.

The Housing Ombudsman may consider complaints about the service we have provided, including communication, consultation and complaint handling, but it cannot usually decide whether a charge is legally payable or reasonable.

If you are unsure which route is right for you, we encourage you to seek independent advice. This is available from organisations such as:

- The Leasehold Advisory Service (LEASE)
- Citizens Advice
- a solicitor
- an independent financial or debt adviser

# Your voice

We provide residents a wide range of meaningful opportunities to engage, influence and scrutinise the Landlord Strategies, policies and services, to include participation in regular resident meetings and give feedback on services and policies.

If you would like to be included in future resident engagement focus groups and would like to know how to get involved, please contact us for more information:

You can contact our team by:

- Email: **housing.engagement@portsmouthcc.gov.uk**
- Phone: 02392 834835
- Website**:** visit the **Resident engagement and community resources on our website**

# What have we done to make sure this Policy is fair?

We completed an Integrated Impact Assessment (IIA) to consider the positive and negative impacts this Policy may have on people with protected characteristics under the **Equality Act 2010**. This Policy should have direct and positive equality and diversity impacts.

# Regulation and legislation

We recognise the variety of legislation, and we will continue to monitor relevant legal guidance. The list below reflects some of the existing legal framework and relevant publications:





- Landlord and Tenant Act 1985
- Landlord and Tenant Act 1987
- Housing Act 1985
- Housing Act 1996
- Leasehold Reform, Housing and Urban Development Act 1993
- Law of Property Act 1925
- Commonhold and Leasehold Reform Act 2002
- Building Safety Act 2022
- Social Housing Regulation Act 2023
- Leasehold and Freehold Reform Act 2024, where provisions are in force
- Equality Act 2010
- Data Protection Act 2018
- UK General Data Protection Regulation
- Debt Respite Scheme Regulations 2020
- Housing Ombudsman Complaint Handling Code
- Regulator of Social Housing Consumer Standards

# Related documents

This policy should be read in conjunction with:

- **Portsmouth Homes policies, strategies and reports**
- Leasehold Agreement

# How to feedback

If you have any questions around the policy or would like to know more about its application, please contact the relevant service in the first instance.

You can get this policy in large print, braille, audio or in another language by contacting your Housing Office. More information is available **translation, interpreting and audio information**.

## Compliments

To help us provide the best service we can. We would like to hear customer views on the services that they use. If the customer is pleased with a member of staff or service, please let us know.

- Telephone: 02392 606383

- Email address: **[HNBLandlordComplaints@portsmouthcc.gov.uk]**

## Complaints

If a customer is unhappy, they can refer to our Landlord Complaints Policy.

- Online complaint form at **Make a housing complaint**
- Telephone: 02392 606383
- Email address: **HNBLandlordComplaints@portsmouthcc.gov.uk**

## Housing Ombudsman Service

If a customer is unhappy, they can contact the Housing Ombudsman Service for advice and guidance at any time.

- Online complaint form on **the Housing Ombudsman Service website**
- Telephone: 0300 111 3000
- For more information, visit **Housing Ombudsman's Complaint Handling Code**