

# Consultation on Protecting Local Authority Leaseholders from Unreasonable Charges

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## **General**

CIPFA welcomes the opportunity to comment on the Consultation on Protecting Local Authority Leaseholders from Unreasonable Charges

CIPFA's responses to the specific questions asked by the consultation are as follows:

**Question 1: Do you believe that the right balance will be struck between the interests of leaseholders and those of the councils and their other residents if:**

**A. We update the Mandatory Directions as proposed, and;**

**B. we update the Discretionary Directions as proposed?**

CIPFA agrees that, given the introduction of self-financing, it might be appropriate to update the directions providing tenants are not disadvantaged relative to leaseholders.

However in the consultation proposals it appears that where works are not fully Government funded part of the costs will fall on tenants and this does not seem fair to us. Moreover it was not taken into account in the self-financing settlement. We suggest that both mandatory and discretionary directions should limit reductions to the amount of government funding.

We would be grateful if the Department could clarify the position with regard to the 10% of decent homes works funded from local resources. If these are to be subject to the mandatory cap it would mean tenants effectively subsidising leaseholders. Conversely, if the mandatory cap is not to apply to the last 10% of works then not all leaseholders would be treated equally.

We do not believe that simply limiting the charges which can be passed on to leaseholders would give a fair balance between the interests of tenants and those of leaseholders.

The consultation proposals do not differentiate between first and subsequent generation. Some leaseholders who bought their property under Right To Buy, now have significant equity in their properties which could be released to pay for the costs of works.

There may be a further source of inequitable treatment if the proposed limitation is only to apply to local authority leaseholders and not to private sector ones. Finally, we do not think that subsidising those local authority leaseholders who rent out their properties on a commercial basis would be a desirable use of scarce resources.

**Question 2: Do councils eligible to bid for Decent Homes Funding have evidence that a cap of £10,000 outside London, or £15,000 in the capital will prevent them achieving the Decent Homes Standard on homes where the works are part or wholly funded by Government?**

This question is more appropriate for individual authorities to respond to (rather than for CIPFA). We would however reiterate our point under Question 1 above that these proposals involve additional costs for local authorities that were not envisaged in the calculations behind the self-financing settlement.

**Question 3: If a council believes that it would have to cap the leaseholder charges, how much of the costs will be borne by the council, and how would it pay for this?**

Again, this is more a question for individual councils but CIPFA would like to point out that any costs "borne by the council" are ultimately borne by the tenants.

**Question 4: Are there any other comments on the draft Mandatory and**

## **Discretionary Directions?**

In CIPFA's view, it would be deeply inequitable if some leaseholders face huge bills for repairs, beyond those they had originally anticipated but it would also be inequitable if tenants have to subsidise such repairs. This would go against the whole concept of the Housing Revenue Account as a ring-fenced account for the landlord functions.

The logic therefore is that any such subsidising of leaseholders should be fully funded by central rather than local Government.

One final comment: in our view the consultation document's reference to press reports of "wholly unjustified demands on leaseholders" does not reflect a balanced approach. Existing legislation and precedents are already there to remedy against wholly unjustified charges.

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