

**REPORT TO:** Corporate Policy and Performance Board

**DATE** 28<sup>th</sup> January 2020

**REPORTING OFFICER:** Strategic Director Enterprise, Community and Resources

**PORTFOLIO:** Resources

**SUBJECT:** 2019 Government Report on Leasehold Reform: the future of ground rents, service charges and selling practices

**WARDS:** Borough Wide

## 1. PURPOSE OF THE REPORT

1.1 The purpose of this report is to provide an update on the Government Report (2019) on Leasehold Reform and to consider whether any of the recommendations outlined in the report can be implemented in Halton.

**2.0 RECOMMENDATION: That Members note the current position in regard to the Government Report on Leasehold Reform and consider whether a further assessment is required, as outlined in section 4 of the report.**

## 3.0 SUPPORTING INFORMATION

3.1 At its meeting in October, the Council approved a motion in respect of Leasehold Ownership. The background to the motion is that in 2017 the Government had commissioned an enquiry into unfair practices in the leasehold market and the enquiry had concluded in April 2019.

3.2. Following the enquiry, a report was produced which identified some areas of concern such as:

- Onerous Ground Rents;
- High and unclear service charges;
- Frequent 'one –off' bills;
- Alleged 'miss-selling' of leasehold properties by developers;
- Unbalanced dispute resolution mechanisms;
- Unreasonable costs to enfranchise or extend leases;
- Future leasehold tenure.

3.3. A number of recommendations were included in the report as follows:

**Ground Rents** – a recommendation that existing ground rents are limited to 0.1% of the present value of a property up to a maximum £250 per annum. A recommendation that any new leases would be set to a peppercorn rate. The

report concluded that ground rents bear no relationship to the level of maintenance or quality of service provided to leaseholders.

***Unclear Service Charges*** – a recommendation that a standard government form should be used for service charge invoicing, providing a full breakdown of costs.

***Common hold*** - (where homeowners collectively own and manage the freehold), Common hold is put forward as a fairer and more democratic alternative to leaseholder ownership for estates or blocks of flats.

Miss-selling by developers – There was criticism in the report concerning the information prospective purchasers receive in respect of the difference between freehold and leasehold. The report recommends a standardised ‘key features’ document for developers to use at the point of purchase.

In the government’s response to the report, it suggested that developers would be required to establish voluntary compensation schemes to assist leaseholders with onerous ground rent terms, but if it did not see the sector responding proactively, then it would take further action.

The government’s response also stated an intention to make it easier for leaseholders to buy the freehold on their property.

#### **4.0 POLICY IMPLICATIONS**

A Private Members Bill had its ‘First Reading’ in the House of Commons on 25<sup>th</sup> June 2019, but it subsequently the Bill failed to make its passage through Parliament.

Leasehold Reform is mentioned in the Conservative Party manifesto, although there was no mention of it in the Queen’s Speech in December 2019.

Therefore, the report is a series of recommendations which is not currently supported by legislation.

Unfortunately, without legislation it would not be possible to apply retrospective measures to support existing leaseholders in Halton.

Similarly, the Council could not place a ban on leaseholds on non-Council land, or land that has been sold to developers in the past.

The Council could consider mechanisms for either capping or removing the costs for leaseholders on land it proposes to sell for housing development in the future. This would need to be a condition of any future Development Agreement.

However, before adopting any proposals as Council policy, Members may wish to consider whether an assessment of the advantages and disadvantages of implementing this should be undertaken.

This assessment would need to be undertaken by the Council's Property Consultants, Sanderson Wetherall, and is likely to cost £2,500 and would take approximately two weeks to complete.

The areas that could be covered as part of the assessment include:

- A mapping exercise to determine which housing developers currently operate in the borough;
- An assessment of whether they charge leasehold rents for their properties, the amounts charged and duration;
- A market assessment of any potential impact (positive or negative) on land values and capital receipts arising from the adoption of a leaseholds ban;
- An assessment of any additional legal costs arising from the implementation of a new policy;
- An assessment of whether any other Local Authorities intend to progress any of the recommendations outlined in the government's Leasehold Reform Report.
- An assessment of whether changes to policy would dissuade housing developers from investing in Halton, leading to a delay in bringing forward sites for development
- An assessment of whether changes to policy would encourage new housing investment in Halton.

Before embarking on the above assessment, Members are advised that increasingly mortgage companies will not offer loans on properties that are leasehold and, therefore, it is likely that in the future, market forces will play a role in removing this as an issue when purchasing a new home.

## **5.0 FINANCIAL IMPLICATIONS**

The financial implications are not yet known.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **6.1 Children and Young People in Halton**

6.1.1 No implications

### **6.2 Employment, Learning and Skills in Halton**

6.2.1 No implications

### **6.3 A Healthy Halton**

6.3.1 No implications

### **6.4 A Safer Halton**

6.4.1 No implications

### **6.5 Halton's Urban Renewal**

6.5.1 There may be some implications depending on the outcome of the proposed assessment.

## **7.0 RISK ANALYSIS**

## **8.0 EQUALITY AND DIVERSITY ISSUES**

There are no equality and diversity issues.

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None under the meaning of the Act