

Homes and Neighbourhoods  
222 Upper Street, N1 1XR

Report of: Executive Member for Homes and Neighbourhoods

Meeting of: Executive

Date: 18 July 2024

Ward(s): All

Decision No. I028714

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## Subject: Major works payment options review

### 1. Synopsis

- 1.1. The council is committed to offering a range of options and support for leaseholders paying major works service charges. This report recommends extending the existing payment terms in line with neighbouring boroughs to make them more affordable for leaseholders.

### 2. Recommendations

- 2.1. To offer a 5-year, interest-free option to both resident and non-resident leaseholders.
- 2.2. To reduce the threshold for 10-year payment plans from £10k to £6k, making bills more affordable for resident leaseholders.
- 2.3. To introduce a longer payment term of up to 25 years for resident leaseholders with invoices of at least £15k.
- 2.4. To continue offering voluntary charges for bills of at least £3k to resident leaseholders who are elderly or vulnerable or can't afford any other payment option.

### 3. Background

- 3.1. Islington Council currently has approximately 9,980 leaseholders.

- 3.2. Leaseholders pay an annual service charge for services such as caretaking and day-to-day repairs. They also pay major works service charges relating to repair, replacement **and** improvement works to their building/estate such as cyclical works, roof and window renewals.
- 3.3. Major works invoices are issued at the final account stage using the actual costs of the work and leaseholders have 12 weeks from the issue of the invoice to decide how to pay. Islington collected £3.2m major works service charges in 2022/23: the average charge was £6,235 and the highest charge was £26,601.
- 3.4. The estimated costs of current and future major works have significantly increased due to building cost inflation and wider scopes of work (e.g. combining cyclical and electrical works). The average estimated cost per leaseholder for CIP contracts where we've issued section 20 notices since July 2021 (19 contracts and 773 leaseholders) is £20k and the highest cost is £49k. Consultation has also recently started on a scheme where the estimated cost is £65k for a 2-bed flat. Many leaseholders will therefore be faced with significant major works invoices which they will find exceedingly difficult to pay.
- 3.5. **Legal and policy framework for leaseholder recharging**
- 3.6. The council's position on recharging costs to leaseholders was set out in the council's report to the Executive: "Review of the council's offer to leaseholders" dated 16 July 2014:
- 3.7. *Leaseholders have a clear obligation under the terms of their lease to contribute towards the costs the council incurs in providing services and carrying out repairs, maintenance and improvements to their block and/or estate. There is also an overarching statutory requirement that all charges to leaseholders made under the lease must be 'reasonable'.*
- 3.8. *Certain estate improvement works, especially when compared with routine or cyclical repairs, may be perceived to have a benefit to the wider community beyond the residents on the estate, but this does not of itself affect the liability under the lease of leaseholder to contribute through a service charge.*
- 3.9. *The council has limited powers to waive the recovery of service charges from leaseholders and these are in extremely specific and limited circumstances. There is no general power to waive the recovery of leaseholder service charges, and this would be incompatible with the council's fiduciary duty. The "shortfall" of expenditure not recovered from leaseholders because of a waiver would fall on tenants.*

- 3.10. *Where works are carried out on council estates using in part specific funding – typically contributions secured from developers under Section 106 of the Town & Country Planning Act 1990 – the council may at its discretion decide not to recharge to leaseholders that part of the expenditure on the project funded in this way.*
- 3.11. *In 2008 the council Executive approved a policy under which it would not recharge to leaseholders the costs of works funded from third party sources, (such as Section 106 funding, government grants etc.) The council continues actively to pursue external funding for this purpose.*
- 3.12. *Given the extremely limited circumstances where the council can decide to waive leaseholder charges, the policy emphasis is on providing leaseholders with a comprehensive package of support and payment options to assist them in paying their share of the cost of services, works and improvements on their estate.*
- 3.13. **Payment options**
- 3.14. The payment options were last formally reviewed in 2014 and amended slightly during the covid-19 pandemic. The current payment options are set out in Appendix 1.
- 3.15. We benchmarked our payment options with other inner London boroughs. Our 12-week decision period (for leaseholders to decide how to pay their bill), the 5% discount offer for prompt payment and our voluntary charge option remain as good as or better than neighbouring boroughs. But some boroughs have:
- 3.16. longer payment plans of up to 25 years for larger bills.
- 3.17. higher thresholds for charging interest and securing costs via legal charges (so leaseholders are not discouraged from opting for payment plans).
- 3.18. longer payment plans for non-resident leaseholders (albeit most continue to differentiate between residents and non-residents, with more generous terms being offered to the former).
- 3.19. **The benchmarking results on payment plans are tabulated in Appendix 2.**
- 3.20. We propose to improve our payment terms so that we remain in line with, or better than, other inner London boroughs. The table below details the options we propose to remove and their replacements.

3.21. **Table 1: proposed changes to payment options**

<b>Current options to be replaced</b>	<b>Proposed options</b>
Up to 2 years interest-free Available to all leaseholders	<p><b>Up to 5 years interest-free</b>  <b>Available to all leaseholders</b>  <b>No minimum charge</b>  <b>No interest charged.</b>  <b>No requirement for a legal charge</b></p>
Up to 3 years interest-free Resident leaseholders only	
Up to 5 years interest-free Resident leaseholders only Charge must be at least <b>£10,000.</b> <b>Secured by a legal charge</b>	
Up to 5 years, interest-bearing Resident leaseholders only Minimum monthly payments of £50 Interest in years 4-5 Secured by a legal charge	
Up to 10 years, interest-bearing Resident leaseholders only Charge must be at least £10,000 or for communal heating works. Interest in years 6-10, at the Bank of England base rate Secured by a legal charge	
No option currently available up to 25 years	

3.22. The proposals simplify the payment plan options available and offer more generous terms for both resident and non-resident leaseholders. The most flexible options are only available for owner occupiers, to ensure home ownership remains affordable for them. We estimate that approximately 40% of our leasehold properties are sublet and whilst some non-resident leaseholders will also struggle

to pay large major works bills, most own their flat as a business proposition, have greater access to other finance options and are not at risk of losing their home.

- 3.23. Currently a voluntary charge is restricted to the elderly, vulnerable or leaseholders who can't afford another payment option for bills of at least £3k. We explored the possibility of extending this option to all leaseholders but concluded that it would negatively affect the council's cash flow, the interest rate charged would also have to be increased to cover the council's costs and it should therefore remain an option of last resort for leaseholders.
- 3.24. We will continue to apply discretion and flexibility in practice to meet the needs and situations of individual cases (e.g. in cases where properties are sublet as the leaseholder is in medium-term residential care).
- 3.25. The new options can be made available to all leaseholders presented with new major works bills, and to leaseholders currently in the process of repaying major works bills that may wish to switch to one of the more affordable new repayment schemes.
- 3.26. **PF11 leaseholders**
- 3.27. Under the Social Landlord's Mandatory Reduction of Service Charges (England) Directions 1999, Partners cannot charge PF11 leaseholders more than £10k in any rolling five-year period for works completed under the PF11 contract. This benefit for leaseholders under the PFI contract is a requirement of the PFI arrangement and is only offered to Islington leaseholders because of this. In addition to this, it is relatively rare for leaseholder contributions to reach the £10k cap on the rolling 5 year basis because of the nature of the investment regime required under the contract and therefore these leaseholders are not exposed to the risk of much higher bills, which is the case with directly managed leaseholder properties.
- 3.28. A review has been carried out of the impact of the changes proposed in this report on the PFI contract and on balance it is not reasonably practical to apply these options to leaseholders who are receiving bills from Partners under the PF11 arrangements. The reasons for this are:
- 3.29. Within the financial model for the contract, income from leaseholders flows through to the council to repay the sums paid out by the council for works to leaseholder properties over the life of the 30-year contract. There are 10 years remaining until the end of the contract.
- 3.30. Partners are required to pay the council a guaranteed level of income each year based on leaseholder works billed (not amounts collected). Making changes to this will change the risk profile of the contract between the council and Partners.

- 3.31. There is a schedule of payments Partners have to pay the council each year regardless of whether they have collected leaseholder income. If they have not collected sufficient income to cover these scheduled payments, they have to make it up by paying compensation.
- 3.32. Any proposal to alter the cash flow of leaseholder payments by the council is likely to be unwelcome to Partners and effect the financial forecasting for the contract.
- 3.33. Previously when the council changed the payment options in 2009 the original PFI financial consultant who was involved at procurement devised a variation to the contract and the financial model that was agreed by Partners. If this approach was to be used again it would take time to draw up and negotiate with Partners and would be an added cost for a specialist consultant to recalculate the model. The council would need to be satisfied that it was not financially disadvantaged by the variation before it could be agreed to.
- 3.34. Any variation that the council was comfortable with would then need to be reviewed and agreed by DLUHC and if this involves changing the risk profile of the contract – which this would do in transferring financial risk to the council – it is unlikely it would be agreed.
- 3.35. Any delayed repayment arrangements for leaseholders would also further complicate arrangements for collection of debt by the council following the end of the PFI1 contract. This would be another aspect of the contract that the variation would need to include and the impact on the share of collected leaseholder debt before and after the end of the contract.
- 3.36. Partners leaseholders have lower average bills than the council as street properties do not include lifts, CCTV systems, communal heating systems or any estate works outside their property. Window replacements are also generally not included in the contract, which would be a higher cost item which the council's investment programme would offer. PFI1 leaseholders are also protected by the Mandatory Directions legislation for PFI contracts which ensures that leaseholders are not charged more than £10k in any rolling 5-year period.
- 3.37. Outside of a formal change to the contract, if leaseholders present to Partners in particular hardship, these cases can be picked up on an individual basis as they are likely to be low in number due to the limits placed on bills under the contract. These cases can be excluded from the financial modelling in these exceptional circumstances without the need for a contract variation, although they will be a loss to the council's income in the short term, this will be limited in size.

## 4. Implications

### Financial implications

4.1 The cost of Major Works for leaseholder properties have increased considerably in recent years. Leaseholders obtain a 5% discount on charges for prompt payment. The percentage of leaseholders paying promptly has been around 41% over the last few years, reducing to 34% at quarter 2, 2023/24. This may be a consequence of the cost-of-living crisis, or the increase in the average value of works required.

4.2 The below table compares the average cost and highest value Major Works leaseholder recharges in 2022/23, with all works consulted on in 2023/24. The average cost in 2023/24 (£12,392) is far higher than all works invoiced last financial year (£6,235). The largest leaseholder charge so far in 2023/24 is £65,000, relating to door entry and significant electrical works. This is £38,000 higher than the highest charge in 2022/23 (£27,000). The average cost of Cyclical Investment Programme (CIP) charges in 2023/24 is £25,851.

**Table 2: Average Cost and Highest Value invoices 2022/23 vs. 2023/24**

	22/23 Actual Invoiced (£)	23/24 Consulted Charges (£)	23/24 Increase (£)
Average cost (£)	6,235	12,392	6,158
Highest value invoice (£)	27,000	65,000	38,000

4.3 The below table shows the number of Major Works accounts with over £10k payments made in 2023/24. There are more account holders with over £10k payments made by the end of Quarter 2 2023/24 (48), than in the whole 2022/21(46); and will likely exceed 2022/23 (60), by quarter 3.

**Table 3: Major Works accounts with £10k+ payments on account**

Financial Year	21/22	22/23	23/24 to Q2
No of MW's accounts with £10k+ payments	46 accounts	60, accounts	48, account
Total on accounts with £10k+ payments (£)	£617,822	£777,849	£621,475

4.4 The above data highlights the increasing frequency of high-cost works compared with prior years. This supports the approach to offering leaseholders more flexible repayment terms for Major Works service charges, especially through the cost-of-living crisis and in-line with other London boroughs.

4.5 The below reviews the potential financial impact of the proposed schemes. Improving terms for leaseholders by extending payment terms for longer periods, results in reduced HRA revenue in the earlier years of scheme. The below analysis is based on several assumptions. The decision on repayment options is down to leaseholder discretion, financial ability to repay, age, value of the charge and several other factors.

## Potential Impact of Proposed schemes

### 5-year Interest Free option

4.6 In the past two financial years, for all invoices charged under £10k, c.60% are being repaid over 2-3 years interest free. These schemes are proposed to be replaced by a 5-year interest free option. The total leaseholder recharge income to the HRA will be the same, whether repaid over 3 or 5 years, but the extended payment profile would mean reduced income in years 1-3, with the balance re-paid in the final two years.

4.7 The proportion of overall income under £10k in 2022/23 was £2.038m, with £1.219m assumed to be re-paid via the 3-year repayment scheme (60% of £2.038m). The below table shows the annual HRA shortfall would be £0.162m (£0.488m to year 3), which would need to be funded from other means until the charges are paid in full by year 5. For example, re-directing internal HRA surpluses which would otherwise be supporting investment in council housing; or, through internal borrowing from cash reserves, which would incur financing costs.

**Table 4: Example cash flow deficit, moving to 5-year scheme.**

	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)	Total Receipts
3-year scheme	406,254	406,254	406,254	0	0	1,218,762
5-year scheme	243,752	243,752	243,752	243,752	243,752	1,218,762
	-162,502	-162,502	-162,502	243,752	243,752	0

### Reducing the minimum charge for 10-year interest bearing option from £10k to £6k.

4.8 In 2023/24 there are 147 leaseholders within the CIP scheme with consulted-on charges ranging between £6-£10k, totalling £1.302m. Currently, most from this band pay between 2-3 years interest free. The expectation is that many will move to the proposed 5-year interest free option.

4.9 However, for illustration purposes, if 10% (c. 15 leaseholders) opt for the proposed 10-year interest bearing option, rather than a 5-year interest free option, there would be a £13,026 per annum shortfall (£65,130 to year 5). The council would, however, receive £10,258 of interest under this scheme (charged at Sept 23 Bank of England (BOE) rate, 5.25%).

**Table 5: Impact of repaying through 10-year interest bearing scheme.**

10% 2023/24 CIP charges moving to 10-year Scheme	Total LH	LH Charges	Annual Shortfall (Years 1-5)	Total Shortfall (Years 1-5) (£)	Interest charged @ 5.25% BOE rate (yrs 6-10)
Impact of adopting 10-year scheme	147	15	-13,026	-65,130	10,258



4.10 Assuming more leaseholders would repay via the 5-year interest free option, it is probable that this option would cause immaterial impact on HRA cashflow.

Up to 25 years interest bearing for charges over £15k.

4.11 The average percentage of invoices over £10k paying a secure charge during 2021/22 and 2022/23 was c.3%. If this percentage is applied to all 2023/24 CIP works consulted on, over £15k, this would mean £0.470m is re-paid with a secure charge. If these charges were repaid over 25 years rather than 10, the HRA shortfall to year 10 would be £0.282m (Table 6). The balance would be repaid by year 25, with the council funding the shortfall over this period.

4.12 However, there would be increased interest income, with the 25-year repayment incurring interest from years 6-25, resulting in an additional £0.170m from interest on a reducing balance basis, with £0.052m by year 10.

**Table 6: Income shortfall years 1-10 from moving to 25-year scheme.**

Period of Repayment	Annual income stream (£)	Charges (Yrs 1-10) (£)	Charges (Yrs 1-25) (£)	Shortfall (Yrs 1-10) (£)	Interest Rate (5.25% Sept '23)
10-year Repayment (Interest years 6-10)	47,002	470,017	470,017	0	37,014
25-year Repayment (Interest years 6-25)	18,801	188,007	470,017	-282,010	207,277
	-28,201	-282,010	0	-282,010	170,264

4.13 With the number of high value charges on the rise, the number of leaseholders choosing longer term repayment may also rise. If this results in 10% (rather than 3%) repaying over 25 years, then this would account for £1.581m of all invoices, with reduced income of £0.474m (£0.632m-£0.158m) over the first 10 years. This would be partly offset by £0.174m additional interest income based on a reducing balance repayment.

Voluntary Charge available to all leaseholders

4.14 The Voluntary Service Charge Loan allows leaseholders to take out a loan from the council for the total amount of their Major Works bills. The loan is secured against the leaseholder's property and is registered with the Land Registry as a Charge on the current lease.

4.15 This option is currently available to Leaseholders with charges over £3k who are over 60 and on disability benefit, or, for those unable to pay through any other payment options. Allowing all Leaseholders the opportunity to delay payment for charges against their homes would mean deferring the ongoing income stream for leaseholder charges for several years. If 10% of leaseholders with charges above £15k elect for a voluntary charge, then £1.581m HRA income and £0.099m interest payments (if rolled-up and paid when the principal is repaid) will be deferred for several years. Council funding will be required to fund leaseholder works in the interim, with funds diverted away Major Works investment in general needs stock. This financial impact is presented in the below table.

**Table 7: Financial impact of leaseholders choosing a voluntary charge.**

2023/24 S20 CIP Programme (charges under consultation)	All charges over £15k (£)	10% Voluntary Charge	50% Voluntary Charge
Number of LH/ Invoices	597	60	299
Total Charges to Leaseholders over £15k (£)	15,807,153	1,580,715	7,903,577
Annual Interest income deferred (5.25+1%)	987,947	98,795	493,974
Assumed Bad Debt @2% (£)	-335,902	-33,590	-167,951
<b>Total Deferred income (Charge + Int 6.25%) (£)</b>	<b>16,459,198</b>	<b>1,645,920</b>	<b>8,229,599</b>
PWLB Financing costs (@ 6%)	948,429	94,843	474,215
<b>Total works costs to council (£)</b>	<b>16,755,582</b>	<b>1,675,558</b>	<b>8,377,791</b>
Financial Shortfall 6.25% interest and 2% bad debt	296,384	29,638	148,192
Total Deferred income @ 8.16% int (£)	16,755,582	1,675,558	8,377,791
<b>Financial Shortfall 8.16% interest and 2% bad debt</b>	<b>0</b>	<b>0</b>	<b>0</b>

4.16 The council would need to borrow the money to cover the cost of these works, and external funds will be charged at the prevailing PWLB rate (c.6% for viability modelling in 2023/24). This annual repayment for capital financing (£0.095m) would be covered by the annual interest received on the service charge loan (£0.099m). However, if the council only recovered 98% of charges raised (at 2% bad debt), then there would be an annual deficit of £0.030m, where the interest charge would need to increase to 8.16% (5.25% BOE rate + 2.91%) for full cost recovery.

#### 4.17 Legal Implications

4.18 Regulation 5 of The Housing (Service Charge Loans) Regulations 1992 (as amended) enables Local Authorities to assist leaseholders by introducing alternative ways in which they may meet their service charge payment obligations under the terms of their lease. The Regulations give the Council power to grant service charge loans to leaseholders and to decide the terms of the loan and the rate of interest. This may include securing loans against properties. It is possible for the Council to provide loans with no interest payable or where interest is to be applied to only part of the loan or part of the period of the loan. Where interest is charged, the Council is required to charge a rate of interest in compliance with the Housing (Service Charge Loans) (amendment) (England) Regulations 2000.

4.19 There is an issue with the Partners' Street properties being treated differently in terms of what loans can be applied for. There appears to be no way round this due to contractual arrangements between LBI and Partners. In order to proceed to provide loan arrangements for leaseholders who will be affected by particularly high bills, there is no choice but to accept the anomaly. However, the sizeable bills will fall on those leasehold properties on estates and within purpose built blocks due to the nature of the works that will be required going forward, it is not envisaged that street properties will be subject to similar large repair costs, so it is more than likely that issues concerning the discrepancy will not arise. It cannot be said that there are zero legal implications for this, however, it would appear to be the case that the risk is low.

#### **4.20 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

4.20.1 This work will contribute positively to the council's environmental commitment, by modernising existing properties and improving/reducing the carbon outputs through the capital works programme and reducing the use of natural resources.

#### **4.21 Equalities Impact Assessment**

4.22 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.23 S149(3) provides that having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

4.24 As a public authority, the council must take account of the provisions of the Human Rights Act 1998 and not act in a way, which is incompatible with a Convention right. Under Article 8, any interference with the right to respect for a person's private and family life and home must be proportionate and Article 14 requires that there must be no unjustified discrimination within the scope of human rights on any grounds, such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth, or other status.

4.25 This work will contribute positively to the council equality of opportunity principles and the Human Rights of individuals.

4.26 An Equalities Impact Assessment was completed on 2<sup>nd</sup> May 2024 and is attached to this report at Appendix 3.

#### **4.27 Conclusion and reasons for recommendations**

4.28 The changes proposed in this report will ensure that the Council's payment terms reflect the best options offered by other inner London boroughs and will give leaseholders greater flexibility to choose an option that meets their financial circumstances.

#### **Final report clearance:**

Authorised by:

**Executive Member for Homes and Neighbourhoods**

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## Appendix 1 – Our current payment options.

Option	Eligibility criteria	How it works
<b>Prompt payment</b>		
5% prompt payment discount	Pay 95% of your invoice within 12 weeks from the date of your invoice.	We will give you a 5% prompt payment discount if you pay 95% of your invoice within 12 weeks of receiving your invoice.
<b>Monthly instalments</b>		
Up to 2 years interest-free	Available to all leaseholders. <b>This is the maximum payment period available to non-resident leaseholders.</b>	Payment by up to 24 monthly instalments.
Up to 3 years interest-free	Must be your only home.	Payment by up to 36 monthly instalments.
Up to 5 years interest-free	Must be your only home.  Charge must be at least £10,000.	Payment by up to 60 monthly instalments.  You will have to pay an admin fee for us to place a legal “charge” on your property. In some cases, you will also have to pay a fee to your lender. At a later date you will need to pay another admin fee to remove the council’s charge.
Up to 5 years, interest bearing	Must be your only home.  Minimum monthly payment must be at least £50.  Maximum payment period for resident leaseholders with invoices below £10,000 (except for communal heating works).	Payment by up to 60 monthly instalments. No interest will be charged for the first three years. Interest will be charged in years four and five at a discounted rate which will vary in line with the <a href="#">Bank of England base rate</a> .  You will have to pay an admin fee for us to place a legal “charge” on your property. In some cases, you will also have to pay a fee to your lender. At a later date you will need to pay another admin fee to remove the council’s charge.
Up to 10 years, interest bearing.	Must be your only home.  Charge must be at least £10,000 or works related to communal heating systems.	Payment by up to 120 monthly instalments.  No interest will be charged for the first five years. Interest will be charged in years six to ten at a discounted rate which will vary in line with the <a href="#">Bank of England base rate</a> .  You will have to pay an admin fee for us to place a legal “charge” on your property. In some cases, you will also have to pay a fee to your lender. At a later date you will need to pay another admin fee to remove the council’s charge.

Option	Eligibility criteria	How it works
Statutory right to a loan	<p>Must apply within six weeks of receipt of your invoice.</p> <p>The lease must have been granted within the last 10 years.</p>	<p>The payment period depends on the amount borrowed. Details are set out in the legislation. These include interest rates, which are relatively high.</p>
<b>Other options</b>		
Bank or building society loan/mortgage	<p>You could ask a bank or building society for a loan/mortgage or ask your current lender to increase your mortgage.</p>	
DWP assistance	<p>If you are receiving universal credit, income support, jobseeker's allowance or pension credit you may be eligible for assistance with the cost of certain works or with the interest on amounts borrowed.</p>	<p>This is determined by the Department of Work and Pensions (DWP). You must apply to the DWP <u>within one month</u> of receiving your major works invoice.</p> <p>See <a href="http://www.gov.uk/support-for-mortgage-interest">www.gov.uk/support-for-mortgage-interest</a> and <a href="http://www.gov.uk/government/organisations/department-for-work-pensions">www.gov.uk/government/organisations/department-for-work-pensions</a></p>
Placing a "voluntary" charge on your property	<p>Must be your only home.</p> <p>Charge must be at least £3,000.</p> <p>Must have sufficient equity in your home to cover the amount of the charge.</p> <p>Must be over 60, on disability benefits, or unable to pay through the other payment options.</p>	<p>You will have to pay an admin fee for us to place a legal "charge" on your property. In some cases, you will also have to pay a fee to your lender. At a later date you will need to pay another admin fee to remove the council's charge.</p> <p>The interest rate will be 1% greater than the <a href="#">Bank of England base rate</a>. You can either:</p> <ol style="list-style-type: none"> <li>1) Make no payments until the property is sold. The interest will be 'rolled up' and recovered with the major works charge when the property is sold.</li> <li>2) Pay the interest every month until the property is sold and pay the major works charge when the property is sold.</li> </ol>
Buy-back	<p>Must be your only home.</p> <p>Unable to fund through a mortgage, right to a loan, DWP, charge on the property, or pay through the other payment options.</p>	<p>Cases will be assessed individually.</p> <p>This option is subject to funds being available from Islington Council.</p>

<b>Option</b>	<b>Eligibility criteria</b>	<b>How it works</b>
Hardship capping	Experiencing exceptional hardship, have no alternative access to funding the full amount and other unforeseen circumstances have contributed to your inability to pay.	Cases will be assessed individually.

## Appendix 2 – Benchmarking on extended payment options for major works service charges with inner London boroughs

Borough	Resident leaseholders	Non-resident leaseholders
<a href="#">City of London</a>	Leases allow payment over 10 years. Interest-free periods of up to 3 years (depending on the size of the bill). Secured via a legal charge.	Leases allow payment over 10 years. No interest-free periods.
<a href="#">Camden</a>	Up to 5 years interest-free based on size of bill (ranging from 1 year for bills under £5k to 5 years for invoices over £20k). Charges are not secured by a legal charge, but the payment terms are shorter than those currently offered by Islington. Also, a “Discretionary service charge loan” up to 25 years secured by a legal charge at 3.13% interest.	No extended payment options
<a href="#">Greenwich</a>	10 months interest-free	4 months interest-free
<a href="#">Hackney</a>	Up to £1k: 2 years interest-free. Over £1k: 5 years with interest. Over £10k: 10 years with interest, secured by a legal charge.	Up to £1k: 1 year interest-free. Over £1k: 5 years with interest.
<a href="#">Hammersmith &amp; Fulham</a>	3 years interest-free. 5 years with interest in years 4-5: <i>“For large [unquantifiable] bills, if payment over 36 months will still prove difficult”</i> . Also: fully interest-bearing plans with secured charges, based on the size of the bill, ranging from 3 years for bills £750 to 10 years for charges over £7.5k.	No extended payment options
<a href="#">Haringey</a>	Up to 25 years, depending on the size of the bill. Plans over 4 years have interest. Amounts over £10k secured by a legal charge. Longest payment terms: £30k+ 15 years with 2 years interest £40k+ 20 years with 8 years interest £60k+ 25 years with 15 years interest  Also “discretionary loans” of 3-10 years with interest which are means tested.	Up to £1.8k: up to 2 years interest-free Over £1.8k: up to 3 years interest-free Over £40k: 10 years including 5 with interest. Over £60k: 15 years with 10 with interest Amounts over £10k secured by a legal charge.
<a href="#">Kensington &amp; Chelsea</a>	Minimum monthly payments of £50. All invoices: interest free over 5 years. £10k+: up to 10 years with interest from years 6-10. £40k+: up to 20 years with interest in years 11-20. But: <i>“The Council has capped the maximum monthly payment it will ask you to pay for major works invoices at £500. This effectively means the repayment period for higher value invoices will be longer than the 10 and 20-year terms.”</i> All £15k+ secured with a legal charge.	Under £40k: 2 years interest-free Over £40k: 3 years with interest in year 3.  All £15k+ secured with a legal charge.



Borough	Resident leaseholders	Non-resident leaseholders
<a href="#">Lambeth</a>	Under £3k: 1 year interest-free £3k-£7.5k: 2 years (or 3 in “exceptional circumstances”) interest-free £7.5k-£15k: 4 years interest-free secured with a legal charge £15-20k: 5 years interest-free secured with a legal charge £20k+: up to 11 years (interest charged on years 6-11) secured with a legal charge.	No extended payment options
<a href="#">Lewisham</a>	No interest and no legal charges: Under £3k: up to 2 years. Over £3k: up to 3 years. Over £10k: up to 5 years.	Same options as resident leaseholders
Newham (info not online)	2 years	2 years
<a href="#">Southwark</a>	Up to £7.2k: up to 3 years interest-free. Over £7.2k: 4 years interest-free.  Service charge loan up to 25 years secured by a legal charge with interest at 2.5% above the Bank of England base rate.	1 year interest-free, or a service charge loan up to 25 years secured by a legal charge with interest at 4% above the Bank of England base rate.
<a href="#">Tower Hamlets</a>	Over £1k: 2 years interest-free, minimum £100 monthly instalments. Over £2k: up to 5 years, interest charged in years 3-5, minimum £100 monthly instalments. Over £10k: up to 10 years, interest charged in years 3-10, minimum £100 monthly instalments.	Over £1k: 2 years interest-free, minimum £100 monthly instalments.
<a href="#">Wandsworth</a>	Over £3k: up to 4 years interest-free “Deferred repayment scheme” for invoices £200+: up to 25 years with interest and a secured charge (e.g. £200 over 25 years at £1.21 monthly = £413.00 total to pay.)	Deferred repayment scheme – same as resident leaseholders
<a href="#">Westminster</a>	Under £2k: 12 months interest-free £2k+: 5 years interest-free £20k+: 10 years with interest for years 6-10.  £20k+: “Discretionary service charge loan” up to 25 years secured by a legal charge and with interest (1.5% above the Bank of England base rate): “...available to all leaseholders who are unable to secure borrowing from their mortgage company or a personal loan...Westminster City Council is <u>only a lender of the last resort</u> ” [my emphasis]	Under £2k: 1 year interest-free. £2k+: 2 years interest-free £20k+: discretionary service charge loan (same option for resident leaseholders)