

Social Sector Working Party

Major works charges for social sector leaseholders

Report to Baroness Andrews OBE
Parliamentary Under-Secretary of State
Communities and Local Government

January 2007

26th January 2007

Chairman's Introduction

The Social Sector Working Party is grateful for the opportunity to place its views and conclusions before the Minister.

There can be no question as to the seriousness of the substantial service-charges now being faced by a great many social-sector leaseholders and the potential hardship arising; this has been acknowledged both in Parliamentary debate and by recently – commissioned research. Nor is there a question that the root causes of much of the present distress must be laid at the Government's door, both present and previous administrations. The issue for the Minister is whether this should be remedied by direct, financial and legislative, intervention, or by other means, or at all.

The role of social housing has changed significantly. With the increased emphasis on home ownership now the social landlord is required to enable rather than to provide, for housing to be a partner in delivering a Government programme far beyond the traditional landlord role. However, the social sector still retains a major, historic, role as landlord of rented social housing and there is a valid argument that the obligations arising from this landlord-tenant relationship should not be obscured by these wider Government policies.

In that the Government's housing policies are, most laudably, intended to benefit the wider community, doubts must be raised as to whether their effects should be borne by the social sector service-charge payer or by Government itself.

The Social Sector Working Party submits these proposals in the express intention of furthering dialogue on present problems and remains ready to discuss them with the Minister.

Peter Haler
Chairman Social Sector Working Party

SUMMARY OF RECOMMENDATIONS

It is for the Minister, to decide whether the circumstances around which large bills arise, and any hardship or other difficulties that may result, is an inevitable consequence of the responsibilities of home-ownership or if some intervention is justifiable and appropriate.

1. **Separate legislation for the social sector?**

The Minister, and Government, should give early consideration as to which of the two alternative positions are to apply and strengthen or amend the legislation accordingly:

- a level playing field with common legislation applicable to both private and social sector landlords and leaseholders.

or

- separate legislation for the two sectors (2.8)

2. **Removal of “public works” costs from recharges**

The issue of directions by the Secretary of State (Part VI, Local Government and Housing Act 1989, as amended) on what items of account are to be regarded as properly within the HRA and “public works” properly to be recharged to the General Fund may assist in substantially reducing recharges to lessees in respect of general estate works and works required by other statutory obligations. (3.3)

3. **Statutory Consultation**

It cannot be acceptable for Parliament to make requirements with which the landlord cannot comply other than to formally seek dispensation; there is a pressing need to review the S20 legislation and procedures to produce a workable solution in accordance with the wishes of Parliament. (3.4)

4. To provide new legislation to enable leaseholders

- to opt-out from the statutory consultation (S20) process.
- to join together as a recognised body to assume management responsibilities for spending decisions, on behalf of the landlord.

It is envisaged that this should apply subject to the leaseholders having a prescribed percentage in the block, say 15%-20% and their delegated control to exclude issues such as statutory disrepair and emergency works. (3.4)

5. **Capping of major works charges**

Capping of service charges may appear the only immediate solution to present problems. (4.1)

The landlord-side's opposition to capping, on financial grounds, makes clear that they would not, was capping to be introduced, favour any discretion per authority but a mandatory scheme across the board. The following method is suggested: the council caps the leaseholder's bill at the designated level, reports the consequences to Government which then allocates specific subsidy to cover the ensuing extra interest and capital repayment costs. (4.5)

6. **Exchange sale scheme**
There would be considerable merit in re-introduction of the Exchange Sale Scheme to allow social landlords to strategically direct problematic isolated leasehold units and concentrate them in blocks where leasehold tenure could form a majority. (5.2)
7. **Targeted buy-back**
The incentive to buy back already exists but the cash is not readily available for most local authorities – in these circumstances a solution would be to allow local authorities to offset 100% of their buy back costs against RTB receipts in respect of approved buy back schemes. (5.3)
8. **Reverse staircasing**
Reverse staircasing should be open to all social sector lessees, irrespective of whether they were original RTB or shared-ownership purchases but, as with proposals for capping, be restricted to resident-lessees. (5.4)
9. **Equity release**
To encourage local government in the sponsorship of a new national company to provide equity release monies from private finance. (5.5)
10. **Discretionary and mandatory loans**
Government to prescribe regulations to standardise schemes for discretionary and mandatory loans for service charges and to require compliance by social sector landlords. (5.6)
11. **Equity reversion loans**
To encourage local authorities to utilise existing powers in provision of equity reversion loans. (5.7)
12. **Redefine “essential works” to assist benefit payments**
The definition of “essential works” to be expanded to include works are part of Decent Homes programmes for the purpose of payments by the Benefits Agency toward interest on loans. (5.8)
13. **Sinking funds**
If sinking funds should be the norm for social sector service charge payers then legislation will be required to change Housing Revenue Account rules and to provide deemed inclusion of sinking fund contributions in all leases. (5.9)

An alternative approach would be the encouragement of individual savings schemes, administered by the landlord; the scheme would require ring-fencing

rules that the saved sum would only be available for service charge costs and was assignable with the dwelling. This could be through a Government initiative and model scheme. (5.9)

14. **Code of management practice**

The mandatory application of a code of management practice, approved under 1993 Act powers, to social landlords; compliance to be through Audit Commission Housing Inspectorate. (6.1)

15. **Advice and support services**

That social sector landlords be required to fund local leaseholder advice and support services, ideally through a service charge levy from leaseholders. There is a precedent for this in the funding arrangements for the Housing Ombudsman whereby the service is funded by the end-user. (6.2)

16. **Leaseholder impact assessment**

That, every case relating to HRA expenditure arising from Government directives, initiatives or new legislation, to be accompanied by a formal leasehold impact assessment as an integral part of the process. (6.3)

1 INTRODUCTION AND BACKGROUND

The Social Sector Working Party

- 1.1 The Social Sector Working Party (SSWP) was established in January 2006 as an initiative by DCLG to provide a forum for discussion and to carry out a wide-ranging investigation of issues affecting leaseholders with a social-sector landlord, (a local authority, housing association or ALMO). The SSWP has the target of producing a full report containing findings and recommendations for action.

Terms of Reference and membership were agreed with the Department, the group is chaired by LEASE. Membership includes both leaseholder and landlord representatives. A list of members of the SSWP is attached at **Appendix 1**.

The SSWP, as a body formally constituted and recognised by DCLG, is best placed to continue investigation and to produce proposals required by the Minister presently and in future.

In advance of the full report the SSWP has been asked to provide recommendations for action on the issue of high service charge bills for social sector leaseholders.

Recognition of the issue of high bills for social sector leaseholders

- 1.2 The Government has already acknowledged the general issues of high service charges for social sector leaseholders in the Parliamentary Under-Secretary's statement to the Commons on 11th January 2006. The matter has been further raised in an adjournment debate on 1st November 2006 and the DCLG research report 'Assessment of the impact of the cost of repairs for Right to Buy leaseholders'¹, published on the same day.

It is important to understand and to accept that the majority of the works presently planned and in progress, from which these charges arise, are necessary, and in many cases, urgent; buildings require maintenance and components deteriorate. In most cases they cannot be avoided, or delayed. These works must be carried out, within the near future, and must be paid for, by the leaseholders, by Government or through some other means.

- 1.3 The adjournment debate on 1 November 2006 has highlighted the Government's awareness and concerns that large bills can be the cause of hardship and potential homelessness. **However both social sector leaseholders and their landlords require some firm assurance that remedial proposals will be seriously evaluated and considered for implementation by Government.** In this context the Parliamentary Under-Secretary's assurance on 11th January 2006 that dealing with large bills (in the region of £40,000) was not a situation of potential hardship, but simply a need for "an adjustment of cashflow", may not have been helpful.

¹ 'Assessment of the impact of the cost of repairs for Right to Buy leaseholders', DCLG, November 2006, (Housing Research Summary 227)

It is for the Minister to decide whether the circumstances around which large bills arise, and any hardship or other difficulties that may result, is an inevitable consequence of the responsibilities of home-ownership or if some intervention is justifiable and appropriate.

2 CONTEXT

- 2.1 The original sale of flats under the Right to Buy (RTB) and other arrangements on a leasehold basis placed social landlords, from the beginning, in a position of being unable to ensure full compliance with their obligations under the lease. The lease is in essence, a contract between two willing parties assuming an unfettered and full ability to observe and fulfil the covenants freely entered into; on the landlord's part this will include the repair, maintenance and improvement of the dwelling.

Councils, and to a major degree housing associations, are not free agents, being subject to Government controls on finance and numerous directions and regulations, including the rate-capping which contributed so heavily to the historic neglect now being remedied by the Decent Homes target for social housing. The Decent Homes target is, itself, an example of Government's overriding controls on the fulfilment of obligations under leases by social sector landlords.

The situation is further complicated by a local authority's general obligations that, to properly fulfil its functions it requires unfettered discretion in prioritising its use of a limited budget for the benefit of the whole community. To prioritise the demands of compliance with its covenants under leases would fetter that discretion.

- 2.2 Within this framework councils, and increasingly housing associations through large scale voluntary stock transfers, have to deal with a backlog of disrepair arising from poor-quality post-war housing developments and the residue of problems from the experimental and untested construction methods in the high-rise blocks of the 1960s and 1970s. Many of these buildings are, in reality, life-expired or subject to serious inherent defects requiring imaginative and hugely expensive solutions². The situation is further complicated by the widespread dispersal of leasehold flats where the majority of tenure in the building is social rented housing.

Although social landlords are legally obliged to provide information on the costs of home ownership including estimates of service charges, to purchasing tenants they could not have known, in advance, that the Decent Homes Standard (DHS) would be introduced. (other than for recent, post DHS, sales)

- 2.3 The social changes of recent years have provided greater pressure on social landlords in terms of increased security provision, such as door-entry systems

² For example the external cladding of defective large-panel construction tower blocks and the difficulties with the "no-fines" construction identified in Manchester.

and concierge schemes, and greater costs in works to deter or respond to vandalism. These issues relate directly to larger estates and high-rise buildings where the majority of lower-value flats, and thereby lower-income leaseholders are located.

The Decent Homes target

- 2.4 The Decent Homes programme is a justifiable and laudable response to these issues but it is regrettable that no separate consideration was given at any stage in development of the scheme of the potential effect on leaseholders. Notwithstanding the social landlords' repairing liabilities for leasehold and shared-ownership units, these are not classified as social housing and are not, strictly, included within the target.

The scheme has provided the responsible social sector landlord with an opportunity to deal with many of the issues outlined above and it is inevitable, as long-term stewards of social-funded property, that they will wish to include all possible necessary works within any major scheme.

The recent DCLG research on the impact of repair costs on RTB leaseholders³ points out, rightly, that leaseholders expect properties to be properly managed and maintained, and suggests that the Decent Homes target in itself is not the key driver for improvements to flatted accommodation. Rather, it is increased financial capacity among local authorities and housing associations harnessed to the Decent Homes agenda, which is driving improvements.

What this means is that social landlords are understandably taking the opportunity of the Decent Homes target to undertake major works more widely, including costly items such as lift replacement, district heating schemes and estate works. In contract terms, not only is it cheaper than undertaking works separately but social sector landlords are encouraged to do this to meet Government efficiency targets for management and maintenance works. For the leaseholders, especially in high value areas, this can mean unmanageably high bills. Any increased value in the property may not be a comfort to the leaseholder, who cannot realise this increase in order to meet the bills.

- 2.5 There is considerable risk in delaying major works, to contain service charges in the short term. Landlords have a duty to carry out works in a timely fashion. To delay works will not make health and safety problems go away, or reduce costs in the long run. Well-meaning landlords who delay works in deference to resident pressure are as misguided as those who deliberately take no action, to save themselves trouble. Financial constraints can also be a factor in postponement of works, especially for local authorities. However, major works should not be postponed because landlords fear residents' reactions or do not wish to reveal the true costs of maintenance. Leasehold is often a tenure of unpopular decisions, and this is magnified in the social sector, where programmes, costs and disruption are inherently greater. The fact that changes to the law have not addressed this properly does not alter the case.

³ 'Assessment of the impact of the cost of repairs for Right to Buy leaseholders' op. cit

- 2.6 Most leaseholders expect that costs will be incurred in this sort of work, but had not understood the following:
- The scale and speed of the works are much higher than anyone expected (including the landlords, who were not expecting Government funding).
 - The cost of works could reasonably have been expected to benefit from economies of scale. In fact works of the scale and type of work undertaken can be significantly more expensive than for freeholders as a result of the following:
 - * Higher relative costs for refurbishment work over new-build, coupled with building cost inflation (presently running at three times normal inflation rate);
 - * Contractors must conform to EC standards, and must be capable of implementing large-scale works. Realistically this precludes smaller, cheaper companies;
 - * Technical solutions must have built-in longevity, arising from the landlord's long-term responsibilities and therefore the quality is likely to be higher than most freeholders would choose;
 - * There is an inevitable conflict of priorities between the leaseholders who would wish to limit costs and the renting tenants who expect the highest standards;
 - * High-rise blocks are particularly expensive to maintain;
 - * Social-housing estates attract higher levels of maintenance due to regular vandalism and anti-social behaviour. Those costs not recoverable through insurance are chargeable to leaseholders;
 - * Contracts will include added costs to ensure public purse accountability which should not be rechargeable to leaseholders
- 2.7 Only around 40% of social sector leaseholders are the original RTB purchasers. Therefore the majority of leaseholders presently experiencing problems with large charges bought on the open market; they did not have the benefit of the original discount nor do they necessarily have a significant equity above mortgage commitments. This issue will be revisited later.
- 2.8 It is the general view of the landlord side that the increasing complexities to social sector leasehold management occasioned by Government restrictions, policies and funding arrangements justify separation of leasehold legislation to provide a separate, discrete, legislative regime for the sector. This remained their position throughout discussion and debate of what became the Commonhold and Leasehold Reform Act 2002.

This view is strongly opposed by the tenant side, and by LEASE, and was the Government's position in the 2002 legislation, which set out to "*rationalise leaseholders' rights and the related rules and procedures to eliminate anomalies, unjustified inconsistencies and loopholes*".

The fact remains that substantial legislative differences remain, notwithstanding the new legislation and that itself has produced further stresses on the uneasy relationship between private owners of flats and the commitments and restrictions of their social landlords.

The Minister should give early consideration as to which of the two alternative positions are to apply and strengthen or amend the legislation accordingly:

- **a level playing field with common legislation applicable to both private and social sector landlords and leaseholders**
(opposed by social landlords but supported by leaseholders and LEASE)

or

- **separate legislation for the two sectors**
(supported by social landlords but opposed by leaseholders and by LEASE)

In either case the Minister should be clear that the necessary legislative changes will not be limited to leasehold reform but must include revision of local government and financial legislation, regulations and guidelines.

3 ARE LEASEHOLDERS BEING ASKED TO PAY THE RIGHT AMOUNTS?

- 3.1 This section will not attempt to examine, or comment upon, individual landlords' costs, their costing procedures or whether the changes are reasonable. This is the remit of the Leasehold Valuation Tribunals to which all leaseholders, including the social sector, have access. There have been a substantial number of such applications challenging reasonableness of costs from social sector landlords, the great majority of which have been decided in the favour of the landlord. Service charge budgeting is not an exact science and the most able and responsive of landlords can get it wrong. The difficulty is that leaseholders will often have to pay for mistakes.

The diversity of leases may cause problems, with varying definitions of services and apportionments. Complexities arise on mixed tenure estates, especially where renters are also paying service charges. Any failure to collect the full costs recoverable from leaseholders could result in disproportionate costs to renters. That said, the factors outlined in the previous section should be acknowledged: that Decent Homes works are augmented with others, with the effect that costs can escalate.

However, there are three issues identified which contribute to costs and where possible solutions may be presented.

Improvements

- 3.2 The great majority of social sector leases include a leaseholder's liability for costs arising from works of improvement; this is very unusual in private sector leases. This creates recharge abilities for substantial works, such as external

cladding, door-entry systems etc; any social sector recharge will be higher than an equivalent private sector recharge because the landlord is able to carry out and recover the cost of necessary improvements.

There is no solution presented, the inclusion of costs of works of improvement within the social sector leaseholders' liability does increase levels of recharges, compared to the private sector.

The Housing Revenue Account and the General Fund

- 3.3 Section 74 Local Government and Housing Act 1989 ring fenced the Housing Revenue Account – it is the landlord's account and thus any costs attributable to it are rechargeable to the leaseholder (subject, of course, to the terms of the lease, reasonableness, statutory consultation etc). However the 1989 Act (schedule 4 part III para 3) states that where benefits or amenities are shared by the community as a whole the authority "shall make such contributions to their Housing Revenue Account which will properly reflect the community's share of the benefits or amenities". The definition of benefits and amenities is open to debate but could include shops, community centres and other buildings; roads; open spaces (and by inference lighting and security to roads, open spaces etc).

A problem is identified in the separation of costs in mixed-tenure estates providing "public" facilities, e.g. footpaths, play areas etc generally used by the public. At present these costs are usually allocated to the HRA and recharged to lessees as housing estate works but might more properly be charged to the General Fund as public works; practices differ between authorities. The judicial decision in *Gulliksen v Pembrokeshire County Council (2002)*, effectively opens the door to desegregation of such allocation in the specific light of "public" usage of the relevant facility.

The group identified others areas, e.g. potential Disability Discrimination Act works, energy efficient homes, general estate works under Decent Homes programmes, where Government guidance might provide a diversion of substantial recharges from lessees.

The Act allows for the Government to make directions as to sums to be debited and credited but no such directions have been issued.

The issue of directions by the Secretary of State (Part VI, Local Government and Housing Act 1989, as amended) on what items of account are to be regarded as properly within the HRA and "public works" properly to be recharged to the General Fund may assist in substantially reducing recharges to lessees in respect of general estate works and works required by other statutory obligations. This would give local authorities an imperative to examine their portfolios in detail to ascertain which estates are 'private' housing land and which estate have areas/facilities shared by the community as a whole. Removal of the community's share of the costs will have the effect, in many cases, of reducing Decent Homes programme recharges to leaseholders.

This may be accomplished without primary legislation and has no cost or budgetary implications to Government. There will be, as a consequence, additional costs to be borne by the General Fund but it is suggested that this would be unlikely to adversely affect Council Tax levels.

Leaseholder consultation

- 3.4 The Commonhold and Leasehold Reform Act 2002 substantially amended existing legislation to improve consultation for leaseholders and to provide a genuine opportunity to influence works, services and costs. However the procedures are complex and bureaucratic, are unpopular with managers and have increased costs for service charge payers.

Evidence demonstrates that the statutory consultation framework does not work well in the social sector. Estates are larger, works are more extensive and complex, and often tied in with other works being undertaken to a landlord's stock. Leaseholders may be in a minority among renters, who are understandably keen for their homes to be renovated.

The statutory consultation procedures are essentially incompatible with social sector procurement of services, specifically in terms of PFI/partnering arrangements which Government is directing social landlords toward:

- in very long-term maintenance/repair contracts landlords are unable to provide the required cost information to leaseholders, in that this cannot be assessed in advance and applied to individual properties.
- the timescales are incompatible with the volatile market for bulk purchase of gas, electricity and other commodities.
- requirements imposed by EC requirements, reflected in the consultation procedures remove the opportunity for leaseholders to propose contractors.

In response to these problems, increasingly social landlords have little option than making application to Leasehold Valuation Tribunals for dispensation to consult; faced with the landlord's inability to comply, LVTs normally grant such dispensations. The procedures consume excessive staff resources and add to management costs rechargeable to leaseholders.

It cannot be acceptable for Parliament to make requirements with which the landlord cannot comply other than to formally seek dispensation; there is a pressing need to review the S20 legislation and procedures to produce a workable solution in accordance with the wishes of Parliament.

In addition, a more radical solution is proposed. The new consultation requirements have not delivered what leaseholders want, to be in a position to make the spend decisions rather than simply being consulted on proposals by the landlord. This is especially relevant in the situation where the unsubsidised leaseholders are in the minority in a block and so neither collective enfranchisement or right to manage (for housing association lessees) is available as an option.

The proposal is for new legislation to enable leaseholders

- **to opt-out from the statutory consultation (S20) process.**
- **to join together as a recognised body to assume management responsibilities for spending decisions, on behalf of the landlord.**

It is envisaged that this should apply subject to the leaseholders having a prescribed percentage in the block, say 15%-20% and their delegated control to exclude issues such as statutory disrepair and emergency works.

The proposals would effectively enfranchise the leaseholders giving them decision making power in relation to major works including control over procurement, design and supervision. The landlord would retain general management control over the rented units.

This proposal is not supported by some of the leaseholder side of the SSWP.

4 SHOULD BILLS BE CAPPED FOR SOCIAL SECTOR LEASEHOLDERS?

- 4.1 Any move to restrict costs to leaseholders raises the question of who pays, and the options are limited. Where costs have been incurred, these need to be met by leaseholders, landlords, Government funding, or some combination of these.

There is a strong argument that home owners should bear the cost of works to their home, especially improvements that add value. The problem is leaseholders facing charges that may be disproportionate to their means and any benefit they receive.

The picture is complicated by the profile of these leaseholders. Many will have purchased ex-RTB flats on the open market, or as buy-to-let investments and, arguably, should meet costs as they would have to in any market transaction. Other leaseholders may be the original purchaser, whose home has increased in value but whose circumstances have not otherwise changed. In either case many will have bought at the margins of their financial capacity and on the strength of service charge estimates pre-dating changes in policy which led to the current refurbishment activity.

Capping of service charges may appear the only immediate solution to present problems.

This issue has divided the SSWP with some members, primarily from the landlord side, having serious concerns on the issues of capping.. Recommendations are therefore made from this position.

4.2 The Discretionary Reduction of Service Charge Directions 1997 allow social landlords to reduce service charges for repairs, maintenance or improvements where charges exceed £10,000 in any five-year period. The costs of reducing or waiving charges are borne by the landlord, no specific Government assistance is provided. The Directions provided for two applications:

- Where the charge was for works wholly or partially funded by some form of Government financial assistance.
- Where the charge exceeded £10,000.

The principle is clearly established that Government, and local authorities, may, and in some cases must, acknowledge difficulties arising from high service charges by way of reducing or waiving them. There is no question that the Decent Homes programme and Government directives relating to partnerships and other procurement strategies have substantially increased recoverable costs from leaseholders, initiating the present public concerns (see paragraphs 2.1 to 2.6 above)

4.3 Notwithstanding these provisions the landlord side suggests that capping of service charges is not a landlord function, based on the principle that the landlord procures or supplies the service and the tenant pays the resultant charge. If that charge is unaffordable for certain leaseholders then two options apply:

- the leaseholder seeks assistance from the benefits regime
- or
- the landlord uses innovative solutions to secure or collect the debt.

In that housing benefit is not part of the Housing Revenue Account, it can be argued that it is not within the landlord's responsibility to reduce debt or facilitate means of funding shortfalls.

4.4 The leaseholder side simply recognises the reality of the "asset-rich but cash-poor" social sector leaseholder, on a low income but just above benefits level, unable to afford the charge. Whilst equity may exist, such a leaseholder would find major difficulty in funding a loan and a capping of the charge would seem to provide the only viable solution. They suggest the application of a capping regime, within the 1997 Regulations, based on:

- the dwelling to the leaseholder's only or principal home, to avoid any question of subsidising the buy-to-let leaseholder
- no discrimination between original RTB and open-market leaseholders
- no exceptional hardship requirement

The imposition of a means-tested qualification based upon capital assets will place an expensive administrative burden upon social landlords and will fail to address the presenting problem. A simple cap across the board would avoid these issues and, if restricted to lessees living in their own properties would limit its application.

- 4.5 Any consideration of capping must address four issues:
- whether it could be considered discriminatory against private-sector lessees who have no possibility of such caps;
 - whether social sector leaseholders who have purchased their homes on the open market should be entitled to public subsidy, while their counterparts who have purchased private sector leasehold properties are not;
 - whether it could be retrospective;
 - who pays the surplus above the capped amount.

The substantive problem remains that of finance, where the excess monies are to be charged. It is not presently permitted to fund housing maintenance works from the General Fund and, if the excesses have to be found within the Housing Revenue Account it will simply result in costs being shifted from the leaseholders to the renting tenants.

It is clear that capping, could only work through new money, additional Government funding specific to this purpose, as a direct recognition of present problems for social sector leaseholders, arising directly or indirectly from Government policies.

The landlord-side's opposition to capping is on financial grounds and they would not, was capping to be introduced, favour any discretion per authority but a mandatory scheme across the board:

- the authority caps the leaseholder's service charge at the designated level and reports the shortfall to Government
- Government then allocates specific subsidy to cover the ensuing extra interest and capital repayment costs.

5 MEASURES TO ASSIST LEASEHOLDERS TO PAY HIGH BILLS

- 5.1 Means to assist leaseholders to pay can be divided into two groups, pro-active initiatives by landlords in terms of buy-backs, reverse staircasing etc and schemes directly simply toward financial provision through loans, mortgages, equity release and sinking funds.

5.2 Exchange sale scheme

This scheme was proposed by Government in 1995 as a measure to assist council leaseholders unable to sell their flats on the open market due to mortgagability problems⁴.

The scheme enabled councils to purchase the flat subject to the sale to the leaseholder of a more suitable flat, with preservation of discounts; this principle could be adapted for three purposes:

⁴ Letter from Housing Policy and Home Ownership Division, DoE, to all local housing authorities and the Housing Corporation dated 19th June 1995.

- to remove isolated leasehold units “pepperpotted” in otherwise tenanted blocks;
- to divert leasehold units from Decent Homes projects;
- to assist leaseholders to move from high service charge units to other dwellings whilst preserving their equity and ownership status

There would be considerable merit in a scheme allowing social landlords to strategically divert problematic isolated leasehold units and concentrate them in blocks where leasehold tenure could form a majority; this would substantially reduce mixed-tenure management problems and develop blocks where the freehold could be sold off to the lessees (by 1993 Act or by voluntary sale). Whilst the proposal is primarily strategic it would be of considerable benefit to lessees in allowing moves to more affordable properties. It is proposed that the scheme not be restricted to original RTB lessees only since that would defeat the purpose. It is considered that this proposal would be within the legislative powers and duties of the Housing Act 1985/LocalGovernment and Housing Act 1989 in terms of consents.

5.3 Targeted buy-back

This is an obvious, although problematic, solution where the overall financial burdens of home-ownership are beyond the leaseholder’s means and where loan assistance would be impractical. Although within social landlords’ overall legislative powers it raises the issues of available finance. As such buy-backs are within landlords’ present remit, should Government wish to encourage buy-backs as a policy initiative as a demonstration of a willingness to deal with present issues, proper provision must be made in terms of available finance, primarily through unrestricted use of capital receipts.

Under a buy back scheme the landlord buys back the property at sitting tenant value and out of their proceeds of sale the leaseholders are obliged to pay their debts. The erstwhile leaseholder remains as a tenant . Currently some London boroughs operate a buy back scheme (Camden, Southwark, Tower Hamlets and Croydon) but the inhibitor here is the availability of capital funding – capital that would otherwise be spent on decent homes programmes. It is true that Statutory Instrument 2006/521 has enabled councils to keep 100% of social homebuy sale receipts for ‘housing purposes’ including buy backs but early indications are that social homebuy sales will be too low to fund buy backs at the required rate.

The incentive to buy back already exists but the cash is not readily available for most local authorities – in these circumstances a solution would be to allow local authorities to offset 100% of their buy back costs against RTB receipts in respect of approved buy back schemes.

5.4 Reverse staircasing

In an existing shared-ownership arrangement the staircase structure already exists and reverse staircasing is a present option, although subject to regulation. In cases where lessees have 100% equity, or who have never been shared-owners a new arrangement will need to be entered into, either based on existing schemes or on joint-ownership trust basis.

Reverse staircasing should be open to all social sector leaseholders, irrespective of whether they were original RTB or shared-ownership purchases but, as with proposals for capping, be restricted to residents.

5.5 Equity –release

Equity release can provide a useful source of funding but it must be borne in mind that not all social sector leaseholders have substantial equity in the dwelling, available to be released to fund works. Whilst a substantial number may do it should not be assumed that equity release is a universal panacea.

The DCLG has discussed equity release for local authority leaseholders with organisations such as the Council for Mortgage Lenders, the Home Improvement Trust, the London Rebuilding Society, the Local Government Association and London Councils. The Joseph Rowntree Trust has also recently published a report looking at obstacles for equity release⁵.

Many local authorities promote the HouseProud scheme, however, despite Government marketing and the resources spent on publicity, take up of this scheme has been low amongst leaseholders because of serious problems with the product, i.e.

- there is only one small building society offering loans (Dudley);
- the scheme is geared towards private sector homeowners who want home improvements rather than money to pay for decent homes bills;
- the scheme is too complex and requires many forms to be completed;
- the scheme has high administration costs – approximately £1,200 – but some LAs subsidise these costs to incentives leaseholders to use the scheme. Many households do not complete once the full costs are revealed;
- despite adverts to the contrary, all loans are now secured against the property and there is no blanket guarantee of non-repossession (such guarantees are only available for the 60 year old plus categories for loans up to 15% of the value of the property for 60 year olds rising to up to 30% for 75 year olds).

Many RSLs proactively use their financial muscle to forge partnerships/close links with building societies who recognise the potential business opportunities from the sector, e.g. insurance schemes. In a similar manner, boroughs could utilise their collective muscle to invest in a public scheme. This would provide a better return for public investment than individual councils using their small funding pots – mainly from private sector assistance resources. The scheme could entail collectively approaching a larger building society to establish a public sector scheme offering preferential rates for council leaseholders, a lower eligible age criteria for unsecured loans guaranteeing non-repossessions, and independent financial advice. However, any such proposals should be discussed by finance officers at an early stage to avoid legal and corporate pitfalls.

⁵ ‘Obstacles to Equity Release’ Rachel Terry and Richard Gibson, JRF, 2006

The role of other agencies could be expanded, because social sector landlords cannot and should not act as financial advisers and they are neither independent nor impartial. Therefore, it is essential that landlords are able to refer leaseholders considering equity release or loans to see an independent financial advisor. To achieve this, links could be forged with external partner organisations such as Age Concern, large building societies or to the Council of Mortgage Lenders who could promote a public sector council friendly equity release scheme. Alternatively, Government could fund an agency or an advisor to give independent impartial advice to public sector leaseholders in financial difficulty.

An additional proposal would be for local government to sponsor a new national company to provide equity release monies from private finance. This proposal is being actively worked on by London Councils and is based on the following:

- Finance would be raised privately - no costs to councils beyond any indemnity or set up costs in individual cases
- The benefit of the company being a creature of local government would be that the LA would be responsible for admin and process.
- A national company could mix public and private finance to meet LAs' requirements
- A national company avoids local authorities developing and administering their own schemes
- If equity release is the main purpose of the company, equity release will be restricted to the over 65s.
- Existing commercial equity release providers would provide private finance to the company and mortgage lenders would be interested if the company also provided interest only loans.
- It is thought that if the business is there, it is would be possible to get a group of national firms together to negotiate fixed price arrangements for independent financial advice provided by specialist advisors trained specifically for the LA client group.
- The company would be fully regulated by the FSA.
- The purpose of the company would be to provide credibility in the market place for equity release loans, it could be a transitory company for e.g. 10 years while the mainstream market develops.

5.6 Mandatory and discretionary service charge loans and other landlord assistance

At present, mandatory service charge loans are only available in the social sector for leaseholders who bought under RTB (and not preserved right to buy or right to acquire), subject to timing and financial restrictions. The Regulations under which these loans are made date to the early 1990s, and are of their time.

At present local authorities/ALMOs act as lenders of last resort and the interest rate that must be charged reflects this.

However, the requirement to charge a high rate appears to be predicated on loan qualification criteria that may apply in the general community and not specifically to public sector leasehold units, for example some lenders may be cautious about lending in a high rise block, notwithstanding that the leaseholder can service a loan. Having to come to the local authority/ALMO and paying an interest rate higher than is on offer ‘in the high street’ acts as a penalty for being a public sector leaseholder.

We prefer more flexible approaches, in keeping with the focus on effective delivery rather than prescriptive regulation. Social sector landlords should be active in promoting financial inclusion, including to low income home owners. To meet the needs of service charge payers, we would suggest greater use of low-interest loans, with flexible repayment periods (not the rigid two to five years reported from some local authorities).

Mechanisms are already in place for social landlords to provide discretionary loan assistance and many do so. (**Appendix 2** contains a summary of the various assistance offered by London boroughs to help leaseholders pay high service charges). Some councils and ALMOs offer very generous schemes, other local authorities may only offer mandatory service charge loans. **One solution to ensure equity across the sector would be for Government to prescribe regulations to standardise schemes and to require compliance by social landlords; it is not equitable for the social sector leaseholder to be penalised by location, the same loan assistance should be available to all.**

This proposal would not necessarily be supported by RSLs who, as independent businesses, expect to make their own business decisions.

5.7 **Equity reversion loans**

The legislation enabling local authorities and housing associations (via the Housing Corporation) to grant loans in respect of service charges, secured as mortgages on the property already exists⁶. Councils and housing associations can charge a ‘reasonable rate of interest’ and can leave all or any of the debt outstanding (so, for elderly residents (who are often equity rich, cash poor) the debt can be secured as a mortgage charge on the property without monthly payments – capital plus interest payable on re-sale).

However this principle could be extended by the landlord accepting an equivalent ‘money’s worth’ interest in the property. Similar to ‘equity release’ the landlord would value the property and express the debt (plus costs) as a percentage of the property. On resale the relevant percentage of the value (not sale price) would be payable to the landlord. Councils would have the option in the deed of charge to protect their fiduciary interests by placing a caveat that the original charge sum would be the minimum sum repayable. The advantage of this option for leaseholders would be a lower rate of “interest” if values did not rise above or at the

⁶ section 450 Housing Act 1985 and SI 1992/1708

current interest rates. Such a scheme will increase choice for leaseholders.

5.8 **Commercial interest only loans**

For many social sector leaseholders, a commercial interest only loan will be the most viable form of assistance, as commercial lenders will offer the most competitive rates. Some lenders will not lend on particular properties and local authorities may be able to offer loans for these properties.

With regard to all interest only loans, leaseholders entitled to benefits would be able to access these if the interest was paid by Government. Currently, the Government will pay the interest on loans taken out for 'essential works' to the home, but the interpretation of 'essential works' is a matter for the Benefits Agency. **We propose that the definition of 'essential works' is expanded to specifically cover all works carried out by social sector landlords as part of the Decent Homes programme for the purposes of pensions credit and other benefit entitlements, along with a protocol with the Department of work and Pensions. This will simplify the process for leaseholders in receipt of benefits to claim interest paid on loans to cover the works costs.**

5.9 **Sinking Funds and tax-free savings plans**

The most effective way to ease the pain of major works bills is to make provision through time by the use of sinking funds. Many housing associations use sinking funds in all leasehold settings, and Government should enable local authorities to do so.

Local authorities are not normally able to run sinking funds because:

- * there are no relevant clauses in existing leases
- * local authority finance rules restrict councils' abilities to make contributions to funds in advance, in respect of the tenanted flats (councils borrow money for major refurbishment and pay the interest in subsidy).

If the Minister considers that sinking funds should be the norm for social sector service charge payers then legislation will be required to change Housing Revenue Account rules and to provide deemed inclusion of sinking fund contributions in all leases.

However, the success or otherwise of such schemes would be heavily dependent upon the taxation regime applying, at present interest on sinking funds is taxed at a punitive 34%. **We believe that Government should ease the tax regime for sinking funds.** It is plainly unfair that the prudence of landlords and leaseholders in making provision for future works is taxed as if they had established trusts for investment. Our preference would be for sinking funds to be tax-free, but, pragmatically, we could accept a level of taxation equivalent to other savings products.

An alternative approach would be the encouragement of individual savings schemes, administered by the landlord (viz present arrangements by Notting Hill Housing Trust); the scheme would require ring-fencing rules that the saved sum would only be available for service charge costs and was assignable with the dwelling. This could be through a Government initiative and model scheme.

6 OTHER INITIATIVES

- 6.1 Whilst high service charges is the presenting issue of this report there is little doubt that social leaseholders have issues with what they frequently perceive to be poor management, unsatisfactory communication and a lack of any say in what happens to their homes.

There is also a widespread feeling of impotence for leaseholders in challenging large institutional landlords arising from lack of necessary knowledge or availability of local assistance. These are issues that the SSWP will be considering in a wider context in a later report but a number of interim recommendations may be made for consideration in the specific context of assistance with high service charges.

6.2 Codes of Practice

S87 Leasehold Reform etc Act 1993 provides for the Minister to approve codes of management practice for leasehold property; there are only two codes presently approved under the legislation, those produced by the Association of Retirement Housing Managers and the Royal Institution of Chartered Surveyors. The RICS code specifically relates only to the private sector, the ARHM includes RSLs within its members who are bound by the code as a condition of membership.

Although the codes have Ministerial blessing they are not mandatory in use but departure from an approved code is a ground for the appointment of a manager under the Landlord and Tenant Act 1987. This legislation is not applicable to social sector landlords and, perhaps for this reason, no code relevant to the social sector has been submitted for Ministerial approval.

Both the Chartered Institute of Housing and London Councils have produced entirely satisfactory codes but compliance is entirely discretionary; there is little doubt that levels of management competence and procedures need to be improved across the sector and social sector lessees need to be aware that action is being taken to achieve this. **Some mandatory application of a code approved under 1993 Act powers could do much toward both objectives** although this would be of little effect without means of enforcement or penalty in case of non-compliance.

Enforcement of legislative non-compliance is provided in the 2002 Act in rights for leaseholders to with-hold service charges; this could easily be applied to non-compliance with statutory codes. It would provide leaseholders with a direct and effective means to maintain management standards through self-policing. **Compliance should also be added to the Housing Inspectorate responsibilities under the Audit Commission Key Lines of Enquiry (KLOEs).**

Standards of management vary widely in the social sector, with many staff entirely untrained for the complex roles they perform; some social landlords are too small to sustain expertise at the necessary level. **It is proposed that any prescribed code should include minimal levels of training and, ideally, a requirement for minimal numbers of staff in possession of a recognised management qualification.** Where organisations are unable to achieve these levels, compliance with the code could require out-sourcing of management to a competent supplier.

In the social sector, as in the private sector, there is a recognised and urgent need for some form of statutory regulation, or licensing of leasehold property managers. This has been raised previously by other agencies, without favourable acknowledgement by Government

6.3 **Information, advice and support**

Whilst social landlords are under a heavy burden in terms of provision of advice to putative purchasers under RTB/RTA and other schemes the purchasers have no single source of advice and support on the implications of taking on the long-term contract represented by the lease. Each purchaser is reliant upon his or her solicitor who may not be familiar with the implications of social sector leasehold; LEASE cannot assist at this stage since its remit is limited to existing leaseholders.

Social sector lessees frequently feel intimidated in pursuing complaints against their landlords and would benefit from a local source of advice and advocacy service. Some leaseholder associations are attempting to provide this kind of service, sometimes in conjunction with Citizens Advice Service, but it is impossible to provide an adequate level without funding.

It is recommended that consideration be given to means to require social sector landlords to fund local leaseholder advice and support services, ideally through a service charge levy from leaseholders. There is a precedent for this in the funding arrangements for the Housing Ombudsman whereby the service is funded by the end-user.

The SSWP will investigate the issue further.

6.4 **Leasehold impact assessments**

Many of the present problems of high service charges could have been foreseen had specific attention been given to the potential impact of the Decent Homes Target upon social sector leaseholders; similar concerns are likely to arise in the implementation of other Government directives involving estate expenditure, eg DDA, insulation standards etc.

It is recommended that, every case relating to HRA expenditure arising from Government directives, initiatives or new legislation, is accompanied by a formal leasehold impact assessment as an integral part of the process.

7 **CONCLUSIONS**

- 7.1 The above recommendations arise from 12 months intensive work by the SSWP, representative of all members of the leasehold sector, and with the additional benefit of work already done by London Councils. Some will require legislation and the SSWP is aware that no proposals presently exist for legislative change to leasehold legislation. However, the need is there for Government to acknowledge or not, as policy directs.

Some of the recommendations can be introduced by regulation at minimal cost or political fall-out and the Minister is urged to respond to these.

Appendix 1

Social Sector Working Party Membership

Leasehold Advisory Service (Chair and secretariat)

London Leaseholder Network

Manchester Leaseholders' Association

Harlow Leaseholders' Sub-group

Norwich Leaseholders' Association

London Councils

Local Government Association

National Federation of ALMOs

National Housing Federation

The Housing Corporation

Chartered Institute of Housing

Department of Communities and Local Government

MAJOR WORKS BILLS FOR LOCAL AUTHORITY LEASEHOLDERS

SUMMARY OF PAYMENT OPTIONS OFFERED BY LONDON BOROUGHES

INTEREST FREE PAYMENTS

Options offered by London boroughs are as follows:

- **12-month** interest-free payment option, which can be extended depending on the circumstances. E.g. if a leaseholder can pay a £24,000 bill with 24 instalments of £1000 the council would agree to that.
- **10 months** interest free instalments on actual bills. As the bills are not raised until the works are complete (or 18months after first payment to contractor) and in many cases not until the final account is agreed the interest free period in effect extends for as much as 2 ½ years from the initial notification of the works to the leaseholder. Where the leaseholder is able to make a substantial down payment and complete payments by instalments the council will extend the 10-month period.
- **10-month** interest-free instalments provided the first payment is received within 28 days. For bills in excess of £10,000, 24 interest-free monthly instalments are offered. Non- resident leaseholders are excluded from these options
- A "**deferred**" **repayment scheme**, which in effect allows lessees to repay the debt in instalments for any period up to 10 years. The first 3 years are interest free and then 2.5% over base rate for the remainder.
- Payment by instalments for estimated bills:
 - £200 - £2,000
12-month interest free payment option (in equal monthly payments).
 - Over £2,000
24-month interest free payment option (in equal monthly payments).
- **36-month** interest free payment option provided that payments commence promptly upon receipt of the invoice
- **Cyclical Decorations** repayable up to a max of 5 years, interest charged on years 4 & 5.
- Interest free repayment agreements:
 - Bills up to £300
6-month repayment agreement.

- Bills £301 - £1,000
12-month repayment agreement.

EXTENDED PAYMENTS WITH INTEREST

Options offered by London boroughs are as follows:

- Two Year Repayment Agreement
 - Leaseholders who are recharged £1,000 or more can make an arrangement to pay over a two year period. Such an agreement will be subject to interest.
 - Interest will be charged at the Local Authority lending, and will be fixed for the whole repayment period.
 - In the event of the invoice being paid within one year of the date of invoicing, no interest will be payable.
- Repayment plans up to 5 years but incurring interest

STATUTORY SERVICE CHARGE LOANS

In some circumstances councils are required to offer a loan to leaseholders to cover the costs of service charges (see Housing Act 1985, Section 450a Housing (service charge loans) Regulations 1992).

- The landlord's right to be repaid is protected by a second mortgage on the property.
- Leaseholders have to fulfil a number of conditions to be eligible for loans, including:
 - The property must be a flat
 - The property was acquired under the right to buy in the last 10 years (note: It does not matter who the leaseholder is now, only when the original right to buy sale was)
 - The total service charges for the year exceed £1,500 (fixed in January 1992 and subject to increases for inflation since then)
 - The loan is for the charge for repairs and/or improvements that is above the £1,500 minimum, and that charge is itself at least £500 (again this figure is adjusted for inflation) of council leasehold management
- The repayment terms of the loan are:
 - The repayment period will be three years for loans of less than £1,500; five years for loans of £1,500 - £5,000; 10 years for a loan of £5,000 or above

- The interest rate is at the statutory rate under schedule 16 of the Housing Act 1985 (currently 7.18%)
- Councils can pass on administrative costs of up to £100 to the borrower

DISCRETIONARY LOANS

London boroughs typically offer two types of discretionary loans - those repayable in monthly instalments and those repayable on the assignment of the property.

Loans repayable on a monthly basis

London boroughs offer the following discretionary loan schemes which are repayable in monthly instalments

- If leaseholders do not have the right to a loan, or the right to a loan does not cover the full recharge, then they may have the option of applying to their council to be considered for a discretionary loan.
 - A council will typically take into account all adult members of the household when assessing whether leaseholders will be able to meet the repayments.
 - The loan will be secured by a mortgage on the property, and will be subject to interest at the Local Government lending rate (i.e. ‘the schedule 16 interest rate’).
 - Leaseholders are advised to compare the cost of a loan from a council to others available on the high street and to obtain independent financial advice before entering into any loan or mortgage that will be secured on their property.
 - Councils will typically adjust the term of the loan to meet the leaseholder’s ability to pay; the interest implications of this are spelt out
 - In order to be considered for a loan, leaseholders must be able to satisfy a number of criteria such as:
 - they are in employment;
 - the leaseholder or a member of their family are resident in the home
 - they have applied to, and been refused by, at least two High Street lenders;
 - their property offers adequate security for the amount that they wish to borrow, taking into account any other mortgages secured against the property;
 - they can meet the repayments that will fall due under such a loan.
- A loan repayable by monthly instalments over a period of up to 25 years at an interest rate of 1.5% above the base rate of the Nat West Bank, provided there is sufficient equity in the property to cover the loan. An application fee £430 to cover the council’s costs in securing the loan against the property can be added to the loan.

Loans repayable on assignment

London boroughs offer the following deferred loans which are repayable on assignment. Many boroughs will only consider placing the sum due as a charge on the property in cases of financial hardship as a last resort. Councils would strongly advise home owners to see independent advice before proceeding with such charges.

- Over 60s maturity loan

- Leaseholders who are aged 60 or over at the date of invoicing can apply to have the debt secured by way of a maturity loan (or charge) on their property.
- No repayment is due until the property is disposed/assigned or otherwise changes hands, or until the qualifying leaseholder and their named spouse (if any) dies.
- The loan will be secured by way of a mortgage on the property, and will be subject to interest at the Local Government Lending Rate.
- The Council recommends that leaseholders obtain independent financial advice before entering into any loan or mortgage that will be secured on their property.
- In order for the Council to consider granting a maturity loan, leaseholders must be able to prove that:
 - At least one leaseholder is aged over 60 at the date of invoicing;
 - That the lease was granted over 5 years ago;
 - That the property offers adequate security for the amount of the loan, taking into account any other mortgages secured on it.

- A voluntary charge loan

- The council can secure the major works invoice(s) as a charge over the property provided there is sufficient equity in the property to cover the debt and interest.
- Interest on the debt accrues at 2% above the base rate of the Nat West Bank.
- An application fee of £430, which covers the council's costs in setting up the charge and securing it against the property, can be added to the charge.
- The loan is repayable upon assignment of the property or can be repaid before assignment if the leaseholder chooses to do so.

- Deferred Repayment Scheme

- Interest will be charged at a variable rate.
- Leaseholders can choose the length of the loan which best suits their needs, provided that it is repaid well before the works are due to be renewed. E.g. a loan for window repairs and repainting could be for only four years, but for a new roof it could be twenty.
- The loan will involve a council mortgage on the home.
- No initial charge for the scheme except the Land Registry fee, which is currently £50.

- Available to owner/occupiers only.
- The Deferred Payment Loan
 - Eligibility: Original RTB lessees who are either:
 - Over 55 years: or
 - In receipt of means-tested benefits / or low income
 - Leaseholders are not required to make payment of their Major Works bill for the term of the loan (up to 25 years) unless they either:
 - Sell their property; or
 - Transfer it into someone else's name
 - Additional Costs: £300 in legal costs + £52.50 for searches and Land Registry Fees. These costs can be added to the Deferred Payment Loan.
 - Interest:
 - Bills under £10,000 - interest at the variable rate of 0.5% above the Bank of England Base Rate. Leaseholders can choose to pay interest on a monthly basis or add it to the loan and make payment when the loan is redeemed. Lessees receiving means-tested benefits may be eligible for assistance from DWP with interest on their Deferred Payment Loan.
 - For Major Works bills over £10,000 – may be eligible for an interest-free Deferred Payment Loan.

ADVICE

- Leasehold Welfare Advisor based within Newham Homes. This person assists leaseholders on marginal incomes, looking at income maximization, welfare benefit entitlement as well as offering a range of practical help and assistance.
- A number of boroughs either already work with independent advice agencies such as CHAS or the CAB or are considering doing so. The idea is that councils pay these agencies to offer independent specialist financial advice to leaseholders experiencing difficulties in sustaining home ownership.

OTHER

- **Advance payments.** Some councils will accept payments in advance for the cost of major works, so that when the bill finally arrives, much of it will have been paid already. If leaseholders pay in advance, the local authority will not be able to pay interest on any monies held.
- **Houseproud.** Some councils promote this equity release scheme, however, take up of this scheme has been low amongst leaseholders for a variety of reasons including the following:

- there is only one small building society offering loans (Dudley);
 - the scheme is geared towards private sector homeowners who want home improvements rather than money to pay for decent homes bills;
 - the scheme is too complex and requires many forms to be completed;
 - the scheme has high administration costs - approximately £1,200 - but some LAs subsidise these costs to incentivise leaseholders to use the scheme. Many households do not complete once the full costs are revealed;
 - despite adverts to the contrary, all loans are now secured against the property and there is no blanket guarantee of non-repossession (such guarantees are only available for the 60 year old plus categories for loans up to 15% of the value of the property for 60 year olds rising to up to 30% for 75 year olds).
- **Buybacks.** In some cases councils will consider buy backs if leaseholders are having difficulty paying their mortgage and service charges. The leaseholder would normally become a tenant of the same property after the buy back has been completed.
 - **Discretionary capping of bills at £10,000.** If no other payment option is feasible, local authorities have the power to cap bills at £10,000. However, because this option represents a loss to the public purse, most boroughs use this extremely rarely.
 - **5% discount on prompt payment** (i.e. within 6 weeks of receiving invoice)