

REPORT TO EXECUTIVE MANAGEMENT TEAM

1. **REPORT TITLE:** **Housing Renewal Loans**
- Submitted by:** **Mike O'Connor**
- Portfolio:** **Planning and Housing**
- Ward(s) affected:** **All**

Purpose of the Report

To appraise the options and seek approval to recommence a loan programme to enable the improvement and repair of homes funded from the Capital Programme.

Recommendations

A) That officers be authorised to take all necessary steps to develop and deliver an in-house home loans renewal programme.

B) That the Executive Director for Regeneration and Development in conjunction with the Portfolio Holder for Planning and Housing be authorised to update the current Housing Renewal Assistance Policy to include the offer of loans.

Reasons

Loan-based housing renewal assistance enables householders to access funds for housing repair, improvement and adaptation as well as allowing the Council to recover sums advanced; capital funding provision has been made in this regard as part of the 2015/16 Capital Programme.

The Council previously successfully offered loans as a member of a regionally funded partnership but external funds were withdrawn and this was dissolved. Efforts to find alternative sources of funding or alternative delivery models have not been successful and it is considered appropriate for the Council to offer a loan programme in-house.

1. Background

1.1 Poor housing conditions can adversely affect the health and welfare of the occupants. It is the Government's view that the primary responsibility for maintaining privately owned property rests with the owner but it is nationally recognised that some owners, particularly the elderly and most vulnerable, lack the means to carry out essential repairs, improvements and adaptations. The Council has wide ranging powers to provide assistance through the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 including grants, loans and other forms of assistance to ameliorate poor living conditions.

1.2 For many years, as part of a suite of private sector housing renewal initiatives, the Council has offered grants to assist homeowners. Between 2007-2011, however, it used its own capital funds and Regional Housing Board grant to develop a home loans programme working with a regional partnership called Kick Start and Revival Home Improvement Agency. Such loans were only available to low income owners. This partnership delivered 45 home loans lending £446,000 in total. Following the abolition of the Regional Housing Board, funding for a loans programme was withdrawn. The administration of the outstanding loan book and the fund was transferred to the partner local authorities.

2. **Issues**

2.1 The dissolution of the Kick Start Partnership and associated funding made it necessary for the Council to withdraw new loans. Your officers investigated ways of encouraging alternative funders to provide suitable loans to help vulnerable home owners afford home repairs, improvements, maintenance and adaptations. Initially there was some progress and Revival was able to obtain agreement from a local building society and a national equity loan provider to offer loans. However, the scheme was unsuccessful and then abandoned.

2.2 The following types of loan were available to homeowners during the Kick Start programme:

2.3 **Equity Share Loan**

This enabled home owners to borrow from the equity in their property providing that they retained an equity buffer and were on low income. There were no monthly repayments and no interest for the term of the loan. Instead a charge was placed on the property equivalent to a percentage of the value of the loan compared to the market value of the property. The expectation was that the property value would increase allowing the loan to be recovered which would cover lost interest. Repayment is made when the property ownership changes.

2.4 **Capital and Interest Repayment Loan**

This is a more traditional repayment loan at an affordable interest rate assisting homeowners who are unable to access mainstream loans. Loans were taken out over 1-7 years and repaid on a monthly basis. There is a guarantee of no repossession whilst the borrower continues to make payments on the loan, owns the property and uses it as their principal residence, and no-one else has moved in without consent.

2.5 **'Interest Only' Loan**

The same no-repossession guarantee applied as for a capital and interest repayment loan and an affordable interest rate applied.

2.6 **Interest-free Discounted Loan**

This was a smaller loan of up to £2,000 that could be borrowed on terms between 12 and 48 months. The borrower must have been on a means-tested benefit and able to demonstrate that they could afford the repayments. A discount of 50% could be given if payments were made on time for half of the loan term. (This effectively allowed someone to borrow £2000 and only repay £1000.)

2.7 During the period within which these loans were available 45 loans were given totalling £446,000 of which 36 were equity share loans amounting to approximately £439,000. The majority of these loans have still to be repaid.

2.8 Faced with difficulties in arranging alternative funding your officers considered it appropriate for the Council to pilot in-house loans for housing renewal. Accordingly £75,000 has been allocated in the 2015/16 capital programme.

3. **Options Considered**

3.1 **Option 1**

Not to offer loans as a form of housing renewal assistance.

This option would retain the current arrangements where the main assistance is mandatory disabled facilities grants, mainly funded from the government, and discretionary renewal grants from the Council. Grants are easy to promote, explain, target and deliver particularly to low income groups. However, they are costly as the expenditure cannot be recovered unless there has been a breach of grant conditions.

3.2 **Option 2**

To offer the full range of loans previously available in the Kick Start Programme

This option would provide homeowners with a choice of the full range of loan products described earlier in this report. The key weakness is that in the light of the current funding and staff resources it would be extremely difficult for the Council to implement and manage this option. The Kick Start programme provided substantial upfront capital to form a sustainable loan fund from which loans could be sourced and also funded staff resources, through a local home improvement agency, to promote and deliver the scheme on the ground.

3.3 **Option 3**

To continue to make available grants but offer a reduced range of Loans

This option would have lower resource implications whilst still retaining elements of a loan programme but would still require additional resources to implement, albeit this could be on a phased basis complementary with a piloted approach.

4. **Proposal**

4.1 The preferred option is to offer grants and a reduced range of loans. This will enable the Council to target its capacity and develop in-house expertise with the aim of growing a sustainable loan programme, when more resources become available in subsequent years.

4.2 As indicated earlier in this report the Kick Start Programme paid 45 loans of which 36 were equity share loans and 8 interest-only or interest-free loans; the remaining loan was a capital and interest repayment. It would seem appropriate, therefore, to develop a programme to deliver equity share and interest free loans, at least in the early years, with the latter being developed and offered first.

4.3 It is proposed that equity share loans to a maximum of £20,000 and interest free loans to a maximum of £10,000 be offered to homeowners secured on the property by a land charge.

5. **Reasons for Preferred Solution**

5.1 Equity share loans have the advantage of lower administration once they have been set up. There are no regular repayments to process as the loan is placed as a charge and is repayable upon sale of the property. There is an expectation that the property will increase in value and hence the amount repaid will exceed the loan, which would help defray lost interest. However, it will take several months to reach the stage when these loans can be offered because robust and lengthy procedures need to be developed prior to approval. There is a requirement to fully explain the implications to vulnerable households, together with signposting to independent financial advice. In addition a valuation must be obtained and a legal agreement finalised in relation to the charge to ensure where possible the loan is registered as a first charge debt.

5.2 In relation to capital and interest loans time consuming procedures would need to be formulated particularly with regard to financial advice and payment. The loans will need to be secured as a charge; therefore they could be regarded as mortgages. Arrangements will need to be agreed internally to establish a loan book and if necessary, recover any arrears.

Based on experience with the previous loan programme take up of these loans would be expected to be low. Balancing this with the administration necessary and the capacity available, it is not considered appropriate to proceed towards offering capital and interest repayable loans at this time.

- 5.3 In contrast interest-free loans are less complex and can be delivered more easily and quickly. Arrangements will still be needed to provide advice and to recover instalments, but the latter could be avoided if the loan was secured as a charge payable on resale. Promotion and marketing of these loans could begin in the autumn.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 The continued provision of loan based housing renewal assistance will contribute to the corporate priorities of creating an active and healthier community and a cleaner, safer and sustainable Borough.

7. **Legal and Statutory Implications**

- 7.1 The Council has wide ranging powers to provide assistance through the Regulatory Reform Housing Assistance (England and Wales) Order 2002 including issue grants and loans and other forms of assistance to home owners to ameliorate the poor living conditions.
- 7.2 The Order requires the local authority to have a policy setting out the exercise of its power to offer housing assistance. The Council has a policy in place that provides for loan-based assistance and the current policy was adopted by Cabinet in 2012. Should the Council decide to recommence a loan programme the Home Assistance Policy will be updated to reflect the scheme details.

8. **Equality Impact Assessment**

- 8.1 The Equality Impact Assessment for the Housing Assistance Policy has been completed and approved. This highlights that investment in line with the policy positively impacts upon the most vulnerable residents' of the Borough but that restrictions on finance also mean that assistance is limited.

9. **Financial and Resource Implications**

- 9.1 The loan fund transferred to the council from the Kick Start Programme is approximately £446,000 and as loans are repaid these return to the Council, but are not ring-fenced to fund further loans. However, £75,000 has been allocated in the 2015/2016 capital programme for loans and for future years it is proposed that funding to continue the programme will be considered as part of the capital programme preparation process.
- 9.2 The inclusion of equity share loans will, it is expected, enable the council to receive more in repayment than the loan and therefore this will help defray interest costs. Conversely offering interest free loans is more costly but loss of interest is balanced by reduced administration costs.
- 9.3 The development of in-house loans will require staff resources to develop procedures, then to promote and deliver them. Housing, Legal and Financial Services will be required to input officer time to achieve this. It is envisaged that in the first year, given the modest financial allocation, only a small number of loans will be delivered which will help to minimise workload pressure.

10. **Major Risks**

- 10.1 Not offering loan-based housing assistance would mean that some residents on low incomes are unable to afford to repair, improve or adapt their homes.

11. **Key Decision Information**

- 11.1 The provision of Loan assistance would be available to eligible homeowners in all wards subject to the funding allocated within the Council's capital programme. Amendment to the Housing Renewal Assistance Policy would be delegated to the Portfolio Holder.

12. **Earlier Cabinet/Committee Resolutions**

- 12.1 Cabinet at its meeting on 18th January 2012 adopted the Housing Renewal Assistance Policy 2012-2016.
- 12.2 Council at its meeting on 25 February 2015 approved the allocation of funding towards a Loan programme as part of the Capital Programme approval process for 2015/16.

13. **List of Appendices**

- 13.1 None

14. **Background Papers**

- 14.1 None