

**AGENDA ITEM**

**REPORT TO CABINET**

**14 NOVEMBER 2019**

**REPORT OF  
CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

**Regeneration and Housing - Lead Cabinet Member Councillor Nigel Cooke**

**AFFORDABLE LOAN SCHEME FOR VULNERABLE HOMEOWNERS**

**SUMMARY**

The Council was previously a partner in the North East Home Loans Partnership which operated between 2010 to July 2019. Since the scheme came to an end the Council no longer has a facility to provide financial assistance to homeowners who have no other financial means to fund essential repair works to their homes.

This report provides an update on the performance of the former loans scheme and seeks approval to introduce a new financial loan scheme (Homeowner Improvement Loan). Members are asked to note that the proposed new scheme is aimed at maximising the limited financial resources available and to ensure it complements the Councils existing Warm Home Healthy People (WHHP) initiative.

**REASONS FOR RECOMMENDATION(S)/DECISION(S)**

The introduction of a new 'Homeowner Improvement Loan' financial assistance scheme would align with Council health and wellbeing objectives (for example affordable warmth and fuel poverty) and continue to support owner occupiers, who do not have the financial means available to carry out essential repairs to their homes.

**RECOMMENDATIONS**

Cabinet are asked to:

1. Approve a new, affordable Homeowner Improvement Loan (HIL) scheme as detailed in paragraph 16.

Subject to the above:

2. Delegate authority to the Director of Economic Growth and Development Service in consultation with the Cabinet Member for Regeneration and Housing to approve the final terms of the new HIL Financial Assistance Policy.

## DETAIL

### Background

1. In 2007 Cabinet agreed to support the proposal to develop a financial assistance package to support homeowners who needed to carry out essential repairs to their homes but are unable to do so, as they cannot fund these works and are unable to access mainstream lending. Following this decision, the Council became a participating member in the North East Home Loans Partnership (also known as "Helping Hands"), this partnership was established in 2010 and made up of all 12 Local Authorities in the north east.
2. The partner local authorities developed a North East Regional Loans policy whereby access to financial assistance was aimed at improving and maintaining, healthy and safe living conditions by supporting homeowners carry out essential repairs to their properties. Particularly addressing those repairs that would impact negatively on the health and wellbeing of the household.
3. An external organisation was procured and appointed as the Loan Administrator. The Loan Administrator were FCA (Financial Conduct Authority) registered and were responsible for the financial assessment of clients, management of the partner local authority loan portfolios, management of loan repayments and debt recovery.
4. All home owner loans offered via the scheme were repayable through a combination of equity, repayment and interest free products with the ability to tailor financial assistance to meet individual needs. The scheme was intended to be sustainable in the longer term i.e. the expectation being that loan funds would be recycled as debts were repaid.
5. The Loan Administrator contract expired at the end of July 2019. In order to inform next steps officers from the partner local authorities discussed the continuation of the scheme and potential alternatives. Unfortunately, as a number of local authorities no longer have funds to invest, a consensus was made to discontinue the regional partnership. In anticipation that this decision was likely to be made, a review of the current scheme has been undertaken which has explored loan schemes operated by other local authorities and considered how any future scheme could complement other Council initiatives such as Warms Homes Healthy People as detailed in paragraph 14.

### The North East Home Loan Scheme – performance summary and evaluation

6. The scheme has supported 91 households within the Borough obtain either an equity, interest free, repayment loan or a mix of these to carry out essential repairs. Active loans are at various stages of repayment and one of the challenges to a scheme of this nature is equity loans are not paid back to the lending Council until the property is sold. The Council have contributed £648,656 to the scheme of with:
  - 68 loans currently in place
  - 20 loans having been repaid (including Interest)
  - 3 loans have been written off due to property repossession
7. Examples of essential improvements funded by the scheme have included:
  - Window replacement and/or repairs
  - Heating replacement and/or repairs
  - Roof repairs (including roof replacement, repointing, chimney repairs and guttering replacement)

- Rewiring
  - DPC / Tanking
  - Door replacement and/or repairs
  - Ceiling replacement and/or repairs
  - Kitchen and Bathroom replacements and
  - Floor replacement and/or repairs
8. Under the terms of the Regional Loan Scheme homeowners were able to borrow between £500 and £35,000 depending on the cost of works and the available equity in their homes. Homeowners who have been supported by a loan under the scheme have reported that the repairs carried out to their property have had a positive impact on their health and wellbeing.
9. There have been limitations to the scheme which included limited advertising, specifically in the later stages the scheme was in operation.

#### Options Appraisal: Homeowner Loans

10. Currently the Council has a total of £300,000 which was set aside for the Regional Loan scheme but has not been allocated. In addition, the Council will continue to receive interest and loan repayments back which would ordinarily be recycled back into the scheme. In summary options available to the Council are:

##### **Option 1, Do nothing**

The Council could take the decision not to consider alternative loan schemes, with unallocated monies and future interest/loan repayments received used to support other Council projects.

Should the Council decide to take this option there would be no alternative loan facilities available to support homeowners, who are unable to access mainstream loans carry out essential repairs to their homes. This is likely to have a negative impact on property condition. Households may then seek loans from unethical companies or loan sharks which could see them paying back more money than they borrowed due to the extremely high interest rates, potentially placing the homeowner under further financial pressure.

Withdrawing loans would potentially also negatively affect resident's health and wellbeing because they would be unable to carry out essential repairs needed to their homes warm and safe.

##### **Option 2, Use available monies to operate a 'new' SBC Loan scheme on the same terms as the Regional Loan Scheme**

Whilst the Regional Loan scheme did achieve positive outcomes, it did operate in isolation of other Council objectives for example it did not support those vulnerable households which are assisted through the WHHP scheme. In addition, as the scope of the loan value is £500 - £35,000, should a range of high value loans be applied for it will severely affect the number of households a future scheme is able to assist.

##### **Option 3, Introduce a 'new' Affordable Loan Scheme**

In devising a new scheme, consideration would be given to the 'positives' of the Regional Loan scheme, whilst also providing an opportunity to review alternative approaches.

The advantage of a 'new' scheme is it would continue to support the most vulnerable homeowners in our communities carry out essential property repairs whilst also ensuring the Council maximise the use of limited financial resources.

#### The proposed new scheme 'Homeowner Improvement Loan'

11. To inform the proposed new scheme an analysis of the Regional Loan Scheme has been undertaken and identified that 75% of loans were under £10,000. On further analysis high value works included a package of works which if the £35k maximum value had been lower, works could have been prioritised.
12. In summary the top 5 type of works carried out were window, roof and heating replacements, rewiring and damp-proofing. 70% of the loans provided were equity loans proving that these homeowners were unable to access any other form of funding to carry out these essential repairs.
13. As noted previously an analysis of schemes operated by other local authorities has also undertaken. This identified many offered similar loans to homeowners to facilitate essential repair works, albeit the maximum loan offered was frequently limited to £15,000. Authorities advised they capped their maximum loan value to support more households and decrease the length of time it takes some of the equity funds to be paid back. No local authorities operated a grant scheme for this purpose.
14. As members are aware the WHHP initiative provides support and interventions to the Borough's most vulnerable households during the winter months, this scheme includes funded support for repairing heating systems at no cost to the householder, benefits checks, income maximisation services and other energy efficiency measures. However, this scheme focusses on only one repair element, emergency heating repairs and is only provided during the winter months of the year. The proposed Homeowner Improvement Loan whilst a separate scheme will complement WHHP for example:
  - Providing an option is available to vulnerable homeowners in the months when the WHHP scheme is not in operation to address heating failures, albeit in these months this would be via a repayable loan facility.
  - Offer homeowners who do not qualify under the WHHP scheme criteria for heating repairs a potential financial solution if they are unable to fund works themselves and are unable to access mainstream funding.
  - Supporting homeowners address affordable warmth issues which go over and above and heating repair i.e. improving energy efficiency within the home by funding repairs to windows, doors, roof repairs / replacement which are not included within the scope of the WHHP scheme.
15. Taking into account the above information Members are asked to support the introduction of a new Homeowner Improvement Loan (HIL), based on the following:
  - Criteria
    - Homeowners who do not have the financial means available to fund the essential repair/s to their home and are unable to access mainstream lending.
  - Type of Loans available
    - Maximum loan value £10,000.
      - Equity Loan\*
      - Repayment Loan\*
      - Interest Free Loan\* or

- A mix of the above up to maximum loan value\*

*\*To be determined by FSA appointed loan administer following a financial assessment.*

- Scope of Works

- Loans available for essential repairs only\*. Essential works would be limited to the following:
  - Window replacement/ repairs
  - Heating replacement/ repairs
  - Roof repairs (including roof replacement, repointing, chimney repairs and guttering replacement)
  - Rewiring
  - Damp Proof Course / Tanking
  - Door replacement/ repairs

\* A survey of the property will be carried out by a Technical Officer from the Council, who will identify the scope (and priority) of essential works.

- Works will be carried out by the Council's Building Services Unit (BSU).

### Next Steps

16. Should Cabinet approve the introduction of the new HIL scheme the following steps would be undertaken:

- A procurement exercise would be undertaken to appoint a Loan Administrator. The appointed Loans Administrator would be FSA registered to enable them to assess, approve and offer the right advice to home owners.
- Based on the proposal detailed within this report a new HIL Financial Assistance Policy would be drafted. Cabinet are asked to delegate authority to the Director of Economic Growth and Development Service in consultation with the Cabinet Member for Regeneration and Housing to approve the terms of the new HIL Financial Assistance Policy.
- Leaflets and scheme publicity would need to be updated and distributed.

### **COMMUNITY IMPACT IMPLICATIONS**

17. The introduction of the HIL scheme would positively impact on those homeowners across the borough who need to carry out essential repairs to their homes (thereby supporting their health and well-being) but do not have the financial means available to do so and are unable to access mainstream funding.

### **CORPORATE PARENTING IMPLICATIONS**

18. None

### **FINANCIAL IMPLICATIONS**

19. As noted within the body of the report the Regional Loan Scheme has a current balance of £300,000 which can be utilised support new HIL scheme loans. No additional resources are requested to support this scheme.

## **LEGAL IMPLICATIONS**

20. The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 provides local authorities with wide ranging powers to provide assistance for the purpose of improving living conditions in their area, including loans to homeowners. The powers are not overly restrictive except that the Council must have regard to current government guidance which sets out certain overarching principles, such as the need to be fair, and to give priority to the most vulnerable households; ensure that applicants for loans are properly advised; and that any measures take a realistic account of a person's ability to contribute, including to equity release loans. This has to be implemented by the Council having in place a financial assistance policy.
21. The Council must have due regard to the Public Sector Equality Duty under the Equality Act 2010 when carrying out any functions including developing any policies that may have any effect on any protected persons, in particular the duty to eliminate discrimination, harassment and victimisation and advance equality of opportunity and fostering good relations.
22. The provision of loans to homeowners can require registration with the FCA. In the event that there is a requirement for the Council to be registered with the FCA to administer loans, an application will have to be made and appropriate regulatory regime. It is however not anticipated that this will be necessary as any potential loan administrator will be required to be registered.

## **RISK ASSESSMENT**

23. A risk assessment has been undertaken and is categorised as low to medium risk. There is a risk that some loans will not be repaid. Operational evidence from the regional scheme has shown that loans of this nature offered through an experienced Loan Administrator are likely to be repaid. Overall, the benefits enabled through the scheme are considered to outweigh the low risk that some loans might not be repaid

## **WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS**

24. The introduction of the new HIL scheme would potentially impact positively on all wards throughout the borough,
25. Consultation briefings have taken place with the Cabinet Member for Regeneration and Housing.

## **BACKGROUND PAPERS**

None

**Richard McGuckin**  
**Director of Economic Growth and Development Services**

**Name of Contact Officer: Jane Edmends**  
**Post Title: Housing Services Manager**  
**Telephone No. 01642 526682**  
**Email Address: [jane.edmends@stockton.gov.uk](mailto:jane.edmends@stockton.gov.uk)**