



**REPORT TO:** Cabinet

**DATE:** 24<sup>th</sup> August 2005

**REPORTING OFFICER:** Head of Housing  
*Contact officer : J. Newbegin*

**SUBJECT:** **Yorkshire Regional Home Loans Service – The development of a home appreciation loan for local authorities in North Yorkshire.**

**WARD/S AFFECTED:** All

**FORWARD PLAN REF:** 06/05/HH108

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## **1.0 PURPOSE OF REPORT**

- 1.1 To provide the Cabinet with an overview of the development and the objectives of a property appreciation loan scheme which is to be made available within North Yorkshire and to introduce the concept of a true Regional Loans scheme.
- 1.2 To request and recommend to Cabinet that it resolve to delegate to Sheffield City Council (SCC) its powers to make 'Home Appreciation Loans' to homeowners in the Harrogate District under Harrogate Borough Council's Private Sector Housing Policy. To advise Cabinet as to the main contractual terms on which the delegation is made. This will not effect the loans/grants made by the Council to members of the public within the District, detailed in the Council's Private Sector Housing Policy.

## **2.0 RECOMMENDATIONS**

- 2.1 That Cabinet endorses the principles of the Yorkshire Regional Home Loans Service and supports its use within the district of Harrogate.
- 2.2 That Cabinet formally resolves to delegate to Sheffield City Council, in accordance with the Local Government Act 1972, Section 101 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000, as amended, its functions in respect of the making and payment of Home Appreciation Loans to homeowners in the Harrogate

District under its Private Sector Housing Policy, so as to assist the implementation of the Yorkshire Regional Home Loans Service (“the Scheme”).

### **3.0 RECOMMENDED REASON/S FOR DECISION/S**

- 3.1 All local authorities in North Yorkshire have worked together to develop a property appreciation loan scheme, initially called the North Yorkshire WISH, aimed at helping the vulnerable and elderly stay **W**arm, **I**ndependent, **S**afe and **H**ealthy. As a result of information sharing and working with West and South Yorkshire a new larger Yorkshire Regional scheme has evolved which aims to compliment each authority’s existing Private Sector Policy and provide owner occupied households living in non-decent accommodation an affordable means of financing works. In particular the scheme aims to reach those households unable to take advantage of conventional high street lending.
- 3.2 The Office of the Deputy Prime Minister (ODPM) encourages both partnership working and the development of new policy tools such as loans linked to property appreciation. This initiative meets both these objectives.

### **4.0 ALTERNATIVE OPTION/S CONSIDERED AND RECOMMENDED FOR REJECTION**

- 4.1 Not to support the development of a new policy tool, which is now intended to be available throughout the Yorkshire Region. This is rejected on the grounds that the scheme will complement and strengthen the Council’s Private Sector Housing Policy and will not require any additional resources to finance or run the initiative.
- 4.2 Seek to promote equity release through the Home Improvement Trust’s House Proud Scheme. This is rejected on the basis of both the staffing and financial resources, which would need to be available to make the scheme work. Alternative commercial loans through the Home Improvement Trust (linked to the Houseproud scheme but not replicating it in its entirety) remain available via the local Home Improvement Agency.

### **5.0 CONSULTATION**

- 5.1 Legal Services and Financial Services within the Directorate of Resources have been consulted in the preparation of this report.

### **6.0 BACKGROUND**

- 6.1 The Office of the Deputy Prime Minister’s Circular 05/2003 entitled ‘Housing Renewal’ explains the purpose and content of the Regulatory Reform Order (RRO) on Housing Renewal. The circular encourages partnership working and recognises that local authorities can benefit from working together, especially in the development of new policy tools.

- 6.2 The circular suggests that, given the pressure on local authority resources, the new ability to offer financial assistance other than grants should be carefully considered as an option.
- 6.3 It also recognises that equity release schemes may be the best method of assisting low income homeowners if there is substantial equity value in their homes, even though they are in need of repair. More importantly the new powers under the RRO enable authorities to support the development of new products, which can incorporate safeguards and be made more attractive to a wider group of homeowners who need help with repairs.
- 6.4 The 2003 District wide private sector stock condition survey looked at the issues of unfitness, disrepair and the ability of households to meet the Government's standard for decent homes. Findings regarding disrepair indicate that as far as urgent repair work is concerned there are approximately 2300 dwellings that require work costing more than £5000. Approximately 47% of unfit owner-occupied households have income levels at which they are unlikely to have sufficient funds to be able to afford any significant repair or improvement work. In terms of household type the data suggests that not only do vulnerable households have significantly higher repair costs, they are also more likely than average to be living in unfit housing and, not unsurprisingly, more likely than other households to be living in non-decent accommodation.
- 6.5 The survey also sought views on whether owner-occupiers would be prepared to use equity in their property to fund repairs that may be needed. Releasing equity is a way of using the debt free equity value of owner-occupied homes to provide repairs, improvements and adaptations at nil or minimal public cost. The survey found that 41% of owner-occupiers would be prepared to release equity to carry out repairs/improvements to their accommodation.
- 6.6 Currently one of the policy tools offered by the Council is its Repair Assistance Scheme (RAS). This is simplistic insofar that it involves the authority making a loan for repairs, subject to meeting eligibility criteria, with a requirement that the amount should be repaid, without interest, when the owner chooses to do so or on sale or transfer of the property. A number of cases have occurred in the past where there has been a shortfall between the maximum amount of financial assistance available under the Repairs Assistance Scheme and the cost of remedial work required to a property. A Home Appreciation Loan could be used to help bridge this type of funding gap.
- 6.7 The North Yorkshire WISH was a variant of this principle and involves taking a 'share' in any appreciation in value of the property between the period when the loan was made and when the property is subsequently sold. It is envisaged that the new scheme will be used for larger loans – the current maximum available under RAS is £6000 over a rolling 3 year period.
- 6.8 The potential to use equity release to meet the challenge of decent homes in North Yorkshire is clear. Property prices are high, yet many residents,

especially the high proportion of older residents, are income poor.

- 6.9 The North Yorkshire Private Housing Group had been seeking to develop an Equity Release Loan for the last 2 years. The result of this work was the North Yorkshire WISH – a Home Appreciation Loan Scheme aimed at helping the vulnerable and elderly stay Warm, Independent, Safe and Healthy.
- 6.10 The proposed scheme is self-financing, but not-for-profit, where the appreciated value of repaid loans is used to cover initial loan set-up costs and the general administration of the scheme. Last year a successful bid was made to the Regional Housing Board for £500,000 of the £1.4 million available through the ODPM Private Sector Commissioning Fund 2004/05. This money is to be used to fund the proposed loan pool. which along with the majority of administration functions will now be managed on behalf of North Yorkshire by Sheffield City Council, full details of which can be found in Appendix 1.
- 6.11 Although the North Yorkshire WISH now forms part of a larger Regional loans scheme, the principles remain unchanged and the new scheme will continue to contribute to a number of private housing agendas - decent homes, affordable warmth, sustainable communities and health - whilst also encouraging homeowners to take responsibility for their own homes and therefore reduce grant dependency.
- 6.12 Harrogate Borough Council will be responsible for promoting the scheme throughout the district - giving general advice and acting as an initial contact point for the scheme. The cost of promotional literature would be set against the Regional Housing Board monies and will not need to be directly funded by individual local authorities. Explanatory leaflets have already been drafted which will have the Harrogate logo on it.
- 6.13 The North Yorkshire authorities are already involved in promoting private sector renewal across the county, so the local mechanisms for delivery of this scheme are already established and proven.

## **7.0 FINANCIAL IMPLICATIONS**

- 7.1 The running and administrative costs specifically associated with the scheme will initially be secured through the original Regional Housing Board Funding. Further bids to the RHB have been made to support the scheme until 2007/08, and further development and support is already being pursued.
- 7.2 Some of the promotional and administrative responsibilities of the Local Authorities will have to be met through existing budgets. The costs involved are however anticipated to be minimal.

## **8.0 CONCLUSION**

- 8.1 The scheme has received RHB approval and funding is secured. This initiative will provide all partner local authorities in Yorkshire and the Humber Region with an additional means of addressing key housing issues such as decent homes and affordable warmth.

8.2 The initiative is both supported and encouraged by the Government Office as it demonstrates the benefits arising from local authorities working together towards a common goal. Such an initiative would not be possible if local authorities in the region acted in isolation and the chance to be able to deliver this important new policy concept would be lost.

**Background papers - None**

**OFFICER CONTACT:** Please contact .Jon Newbegin, Private Sector Renewal Manager if you require any further information on the contents of this report. The officer can be contacted at Dept. of Community Services, Springfield House, Kings Road, Harrogate and by telephone on 01423-556887 or by Email – hp30@harrogate.gov.uk

**SUSTAINABILITY ASSESSMENT / POLICY CONSIDERATIONS**

		Implications are		
		Positive	Neutral	Negative
A	Economy	✓		
B	Environment	✓		
C	Social Equity			
i)	General	✓		
ii)	Customer Care / People with Disabilities	✓		
iii)	Health Implications		✓	
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable.