

A How the Regional Loans Scheme will operate

- A1 The Home Appreciation Loan will be available to those who fit the vulnerability criteria (Government's Public Service Agreement 7), or receiving a mandatory Disabled Facilities Grant, and will be targeted at those on lower incomes who do not have sufficient savings to finance the required essential works. The application will be free to the applicant – these costs being met from within the scheme parameters, provided the applicant does not withdraw after material costs have been incurred (for example valuation fees).
- A2 The criteria and conditions that will apply to the scheme are as follows:
- Applicant must meet vulnerability criteria
 - The applicant must not be able to access or afford commercial borrowing
 - The property must fail the decent homes standard
 - The maximum value of a loan must not exceed 50% of property value. Minimum loan amount is likely to be £2,000 and the maximum £30,000
 - Total of all secured borrowing must not exceed 70% of property value.
 - The loan will be secured as a legal charge against the property
- A3 Surveys/drawings and specifications for necessary works would be administered through the Harrogate and District Home Improvement Agency.

B Why a partnership with Sheffield City Council?

- B1 The money available as a result of the successful bid to the Regional Housing Board was in the form of supported borrowing. This created a number of problems to all the local authorities throughout the region associated with debt charges and Revenue Support Grant. For a local authority to act as banker it would have been necessary for it to be able to derive Revenue Support Grant. None of the local authorities in North Yorkshire were in a position to be able to take on the role as banker. Following discussions with the Government Office for Yorkshire and the Humber it was suggested that Sheffield City Council could act as banker for the North Yorkshire scheme. Apart from providing a means of delivering a scheme in North Yorkshire the Government Office felt that there was much to be gained from a regional approach, as it is something that the Regional Housing Board would want to pursue in its next investment strategy.
- B2 Sheffield City Council agreed to act as banker and they will receive Revenue Support Grant. In addition Sheffield have been the lead authority in the development of a property appreciation loan package on behalf of nine local authorities in South and West Yorkshire. In November 2004 a consultative document was published by the ODPM for local authorities providing mortgages and related advice. Its aim essentially was to assist local authorities to comply with the principles of the Financial Services Act (FSA).

- B3 Sheffield's own knowledge and understanding of what was required had grown to the point that they felt able to adhere to the principles of the FSA without procuring external expertise. To date Sheffield has completed a lot of detailed development work with the assistance of their in-house specialist loans officers. This work includes:
- A robust local authority liaison framework set up and working
 - A three year plan of estimated loan spend agreed with local authorities
 - Documentation and process handbook completed
 - Systems in place to fully administer loans across the region
 - Training modules designed and roll out to client officers commenced
 - Property valuation service and legal service – procurement nearly complete
 - Additional officer support for smaller authorities
- B4 Sheffield's services as administrative centre and banker will include the following:
- Manage and monitor all aspects of the scheme for which they have responsibility.
 - Manage and monitor payments between third parties and participating local authorities
 - Manage and monitor all aspects of loan provision, and act as the fundamental administrative centre for referrals from each member authority. Hold payments on approval of a loan, pending satisfactory completion of the work.
 - Co-ordinate the development and consistency of loan provision across authorities
 - Co-ordinate and maintain information and statistics related to the evaluation of the whole scheme and its effectiveness
- B5 In order to pay for this service and part fund development costs Sheffield will 'top-slice' 4% (£20,000) of the Regional Housing Board allocation. This leaves an available loan pool of £480,000 to share between the eight North Yorkshire local authorities. It is anticipated that any monies not drawn down from the loan pool in 2005/6, due to the mid-year start of the scheme, will be rolled forward into 2006/7.

C Contractual Arrangements with Sheffield City Council

- C1 Legal Services advise that Harrogate Borough Council will enter into a contract with SCC in the form of a letter of Agreement which has been drafted by SCC. It will contain certain terms and conditions imposing obligations on Harrogate Borough Council.
- C2 The Home Improvement Loan Agreement itself will be concluded between SCC and the individual homeowner. Therefore, if the contract between Harrogate Borough Council and SCC comes to an end at any time, the homeowner should not be prejudiced.

- C3 The scheme is reliant on the expertise and efficiency of SCC, which has undertaken a thorough study and review of the necessary processes and appointed specialist Officers to administer and develop the scheme.
- C4 Sheffield City Council has taken the necessary measures to ensure that it meets the requirements of the Financial Services Act.
- C5 The delegation of Harrogate Borough Council's powers to Sheffield City Council, requested in this report, is subject to the following conditions:-
- Compliance by Harrogate Borough Council with the provisions of 'The Home Appreciation Loan Operational Handbook For The Yorkshire and Humber Regional Home Loans Service', prepared by Sheffield City Council, particularly with regard to the assessment and processing of loan applications together with the provision of full cooperation, assistance and accurate documentation to SCC from Harrogate Borough Council. The Director of Community Services confirms that this compliance is within the competence and resources of Harrogate Borough Council.
 - Harrogate Borough Council agrees to indemnify SCC in respect of any negligence in the delivery of the Scheme by Harrogate Borough Council.
 - Harrogate Borough Council undertakes to inform SCC of any changes in its home improvement loans/system policies and to keep confidential any information in connection with the Scheme and/or with the contract between SCC and Harrogate Borough Council.
- C6 SCC may terminate the contractual arrangements with Harrogate Borough Council on notice yet to be agreed, or if there is a significant breach of contract by Harrogate Borough Council of any of the terms of the Letter of Agreement between the two Councils. It is a matter of continuing negotiation with SCC's solicitors as to the circumstances in which Harrogate Borough Council may be able to terminate the contract.

D LOAN REPAYMENT

- D1 The Home Appreciation Loan becomes repayable on the transfer of the property e.g. if the property is sold or the owner dies.
- D2 The client has the right to repay the loan in full at any time from their own funds should they wish to do so. There are no early repayment charges payable if the client chooses to repay early, however they must pay the re-valuation fee for their property.
- D3 When the loan is due for repayment Sheffield City Council will arrange for an independent re-valuation survey to be carried out on the property.

- D4 The amount to be repaid will be based on one of the following calculations, which ever is the lesser:
- The same percentage of the revised valuation of the client's home at the time the Home Appreciation Loan is redeemed : or
 - The amount of the original loan charged at a fixed rate of 2.75% above the Bank of England base rate per year, added to the accumulating new loan balance at the end of each year, for the duration of the loan.
- D5 If the property has decreased in value or the value is unchanged, the maximum the client will be asked to pay back will be the original loan amount, not the original percentage borrowed, which takes account of the 'No negative equity guarantee'.
- D6 Once the loan is repaid, the legal charge on the property will be released.

E PROJECTED SPEND ON LOANS IN NORTH YORKSHIRE

- E1 By the time the scheme is ready to be rolled out in North Yorkshire there will be approximately half of the financial year remaining. It is therefore anticipated that 3 loans per local authority (£10,000 per loan or £15000 for Scarborough who plan to carry out full scale renovation works by this method) will be processed, giving a total of 24 loans throughout the region and representing a total spend of £255,000. The total cost (valuation and legal expenses) of setting up each loan is likely to be in the order of £950, this amount is covered within the above figures.
- E2 Further Regional Housing Board funds have been bid for to cover 2006/07 and 2007/08 for a further £400,000 per year, which when added to the carry over from 2005/06 would equate to 6 loans per local authority per year, 48 loans in the North Yorkshire sub-region per year.

F THE FUTURE

- F1 With South, West and North Yorkshire credit approval for loans transferred to Sheffield (as the accountable body on behalf of the participating Local Authorities) this has effectively forced a unified approach to the scheme which is being 'badged' as the 'Yorkshire (and Humber) Regional Home Loans Service'.
- F2 The potential for this service is being realised as part of an approach being made to the Regional Centre of Excellence for support in developing, sustaining and supporting the service. The key objective of which, is to provide a single centre of expertise and resource to develop, advise on, and administer loan based housing assistance, predominantly to vulnerable home owners living in non decent or inappropriate houses, on behalf of local authorities in Yorkshire and the Humber Region.