
REGIONAL FINANCIAL ASSISTANCE POLICY

**Responsible Cabinet Member – Councillor Bill Dixon,
Neighbourhood Services and Community Safety Portfolio**

Responsible Director – Cliff Brown, Director of Community Services

SUMMARY REPORT

Purpose of the Report

1. To seek Members approval to adopt the regional Financial Assistance Policy from 1 April 2010 targeting investment in relation to Darlington's approved Private Sector Housing Renewal Strategy.
2. To seek Members approval to adopt the Memorandum of Understanding between North East Councils and the North East Loans Administrator (to be appointed) establishing the roles and responsibilities in the delivery of the Financial Assistance Policy.

Summary

3. In 2007, the Home Loans Partnership an Initiative supported by Government Office North East (GONE) was formed with representation from all North East local authorities via nominated sub-regional local authority partners. The aim of the Home Loans Partnership was to develop a common financial assistance policy for the region, enabling customers to access common financial assistance packages, and enable financial assistance to be delivered more efficiently.
4. The Home Loans Partnership appointed a Project Manager whose role includes Chairing a Steering Group to implement the Financial Assistance Policy. Although, it is proposed that a regional Financial Assistance Policy be adopted, there is local flexibility in the manner in which the financial assistance measures will be delivered in each of our local authority areas. Darlington intend to continue to deliver the financial assistance measures locally through the established Home Improvement Agency, Care and Repair or other appointed Home Improvement Agency.

Recommendation

5. It is recommended that:-
 - (a) Members support the adoption of the regional Financial Assistance Policy due to be implemented from 1 April 2010.
 - (b) Members endorse the Memorandum of Understanding between North East local authority partners.

Reasons

6. The recommendations are supported by the following reasons:-
- (a) National policy is supportive of the adoption of regional financial assistance policies and common packages of financial assistance to achieve service efficiencies. Additional funding is provided by Government to support regional policies.
 - (b) The regional Financial Assistance Policy allows an element of local flexibility and choice as to how services are provided and delivered locally and Local Authority's can select the financial assistance products to suit their community needs.

Cliff Brown
Director of Community Services

Background Papers

- (i) DBC's Private Sector Housing Renewal Strategy 2008 - 2012
- (ii) DBC's Financial Assistance Policy for Home Owners – April 2007
- (iii) Regional Financial Assistance Policy 2010.
- (iv) Memorandum of Understanding North East Councils – 2009

S17 Crime and Disorder	The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998.
Health and Well Being	The implementation of the regional Financial Assistance Policy and adoption locally, will improve housing standards and the health, safety, and welfare of local people.
Sustainability	The implementation of the regional Financial Assistance Policy and adoption locally, will improve housing standards contributing to the sustainability of local communities.
Diversity	There are no diversity issues.
Wards Affected	All
Groups Affected	Private landlords, home owners and Registered Social Landlords can access the service but not all tenures are eligible for all financial assistance packages.
Budget and Policy Framework	The proposal does not affect the budget and policy framework.
Key Decision	Yes, the adoption or otherwise of the regional Financial Assistance Policy will determine if the authority is allocated any funding to offer financial assistance for local people. There will also be a significant effect on the communities living or working in an area comprising two or more wards within the area of the Local Authority.
Urgent Decision	No
One Darlington: Perfectly Placed	The implementation of the regional Financial Assistance Policy and adoption locally, will improve housing standards and the health, safety, well being, and, comfort of private tenants and home owners.
Efficiency	Delivery of the regional Financial Assistance Policy will produce administrative efficiency savings at a local level.

MAIN REPORT

Information and Analysis

7. The Financial Assistance Policy is designed to complement the range of measures employed by the Council, aimed at improving and maintaining healthy and safe living conditions within existing housing stock. In particular, the Financial Assistance Policy will seek to help homeowners to improve, repair and adapt their homes and encourage private landlords to bring empty properties back into productive use.
8. Government guidance encourages homeowners to use their own resources or commercial loans for property repairs and improvements targeting financial assistance at the most vulnerable. The Regulatory Reform Act 2002 requires local authorities to provide homeowners with repayable loans as a first option rather than non repayable grants.
9. This national policy change from providing non repayable grants to loans, allows funds to be recycled and more vulnerable households to benefit from financial assistance. The change in emphasis from non repayable grants to the provision of repayable loans was adopted by the Council in 2006 and the regional Financial Assistance Policy does not represent a substantial change in policy direction.
10. The Home Loans Partnership was formed to align the way in which local authorities provide financial assistance and to develop and implement a single financial assistance policy. The regional Financial Assistance Policy has adopted many of the successful elements of financial assistance policies across the North East region to form a single policy for the region.
11. It is proposed that all local authorities across the North East region adopt the regional Financial Assistance Policy and implement it in anticipation of it commencing from 1 April 2010.
12. Consultation was undertaken between all North East local authorities to establish which financial assistance products they would wish to be incorporated within the new regional Financial Assistance Policy. This consultation informed the development of the regional Financial Assistance Policy. The adoption and implementation of the regional Financial Assistance Policy will mean that any existing models of financial assistance will become obsolete.
13. The proposed Regional Financial Assistance Policy does not represent a substantial change to the existing local Financial Assistance Policy and over the last two years, Darlington has aligned its local Financial Assistance Policy as far as possible with the new Regional Financial Assistance Policy. The differences and changes between the Regional and Local Financial Assistance Policies are:-
 - (a) The re-introduction of repayable grants for the most vulnerable households, repayable at the point of sale or transfer of the property.
 - (b) Financial assistance is no longer available for private landlords for Decent Home Standard improvements but is available for the return into use of empty properties for both private landlords and home owners. Home owners can continue to access financial assistance for Decent Home Standard improvements.

14. All loans and grants are provided at the discretion of the Council (except Disabled Facilities Grants which remain mandatory). All discretionary loans and grants are subject to the availability of funding, which may vary on an annual basis depending upon funding allocation.
15. The type of assistance available under the regional Financial Assistance Policy are as follows:-
 - (a) Capital and Interest Repayment Loans
 - (b) Equity Loans
 - (c) Decent Homes Assistance Grants (repayable)
 - (d) Disabled Facilities Grants
 - (e) Disabled Facilities Top Up/Discretionary Grant (repayable)
 - (f) Empty Homes/Conversion Grants (repayable)
 - (g) Energy Efficiency Grant (repayable)
 - (h) Relocation Assistance
 - (i) Area/Theme Based Assistance
16. Further details are available in **Appendix 1**.
17. The Memorandum of Understanding (MOU) which identifies the specific roles and responsibilities of all partner agencies in the delivery of the regional Financial Assistance Policy, stipulates that each local authority will transfer their individual funding allocation to the Loans Administrator who will then administer the allocated funding. The cost of the Loan Administrator has been “top sliced” from regional allocation funding, and, will, therefore, not have an impact upon any existing local authority funding allocation in 2010/2011. City of Sunderland has been appointed as the lead local authority by the Home Loans Partnership Steering Group to ensure that there is full compliance with the MOU.
18. The appointed Loans Administrator will administer the local authority budget allocation in accordance with the MOU and the regional Financial Assistance Policy. The Council’s authority’s Private Sector Housing Team will continue to audit and approve any grants or loans issued.
19. The Financial Assistance Policy will be reviewed towards the end of 2010 and the operation of the policy will be dependant upon future funding allocation. The Regional Assembly has agreed that funding will be ring fenced to deliver the regional Financial Assistance Policy.

Financial Implications

20. Government funding will only provided to those authorities who are part of a regional scheme. Local authorities who are not part of the scheme or leave the scheme will have their funding removed.
21. Sub regional and local authority funding allocations will not be detrimentally affected by membership of the scheme.
22. Financial assistance loans and grants repaid to the Loans Administrator will be recycled to provide further financial assistance in Darlington.
23. Existing loans and grants will be repaid directly to the Council.

24. Funding has been top sliced from regional allocations to pay for the Loans Administrator during 2010/2011 and therefore no additional costs will be charged to the Council. After 2011 additional regional funding will be required to fund the Loans Administrator.
25. Disabled Facilities Grants up to a maximum of £10k in value will be repayable for adaptations that “add value” to the property in all cases other than disabled facilities grants provided for dependent children. These are likely to be few in number.
26. Funding beyond 2011 is subject to the outcome of the Comprehensive Spending Review (CSR) which will in turn then influence regional and local funding allocations.
27. The current management fee of 10% charged by Darlington’s Home Improvement Agency will remain unchanged.

Outcome of Consultation

28. Consultation has been undertaken between all North East local authorities, the Regional Housing Board (Executive), local delivery partners, and, Sub-Regional Heads of Housing.
29. Agreement has been reached to proceed with the adoption of the regional Financial Assistance Policy subject to individual local authority approval.

FINANCIAL ASSISTANCE PRODUCTS

Capital and Interest Repayment Loan

This is a loan, for Clients who are able to make monthly repayments. The interest rate will be fixed, so that the monthly repayment will always be the same, and the amount of interest that will be charged will be known to the Client at the beginning of the loan. The monthly repayment will consist of an interest payment, and a reduction in the amount of capital owed. This means that with each payment the interest is recalculated, the fairest way of charging interest.

Clients can borrow between £500 and £15,000, over a term of 1-15 years.

The repayment period will depend upon the circumstances of the individual, and the amount borrowed. The Council will use the affordability test to make sure that monthly repayments will be affordable – no more than one third of the monthly disposable income, and will provide help and support should the client experience difficulty in meeting repayments.

Loans of more than £3,000 will be secured with a legal charge against the home. Loans of less than £3,000 will not be secured with a legal charge against the home, but a local land charge will be used to notify the council should the homeowner initiate sale of the property.

There will be no penalties should the client be able to overpay, or repay the loan early in full. This means that repaying the loan early will reduce the amount of interest paid, and so the total amount paid back.

Equity Loan

This product will meet the needs of Clients who do not have sufficient income to make monthly repayments on a loan, but have equity in their property. No monthly repayments are required.

For the purposes of:-

- repairing, improving or adapting the home, Clients can access 80% of the available equity in their home
- re-locating to a replacement home, Clients can access 50% of the available equity in the replacement home.

Subject to the value of the available equity, Clients can borrow between £500 and £35,000.

In certain circumstances, particularly where Clients are relocating to a replacement home, may have been living in overcrowded conditions, or wish to move into a home which had previously been empty for more than 6months, and was in a poor condition,

a larger loan than the maximum of £35,000 may be available at the discretion of the Council, subject to the amount of available equity in the replacement home.

Repayment of the Loan:

The amount of loan will be translated into a percentage of the property value at the time the loan is approved. This percentage will be used to calculate the amount to be repaid, at the time that the property is sold and the loan repaid. This will require the property to be valued at the beginning, and at the end of the loan period.

The following rules apply in relation to calculating the amount to be repaid, but would be subject to review at the time the loan is repaid should they cause the Client to be placed in unreasonable hardship:-

- The minimum amount repayable will be the amount borrowed. This may cause difficulty should the property have decreased in value.
- There will be no cap on the amount to be repaid. Should the property value increase significantly, so will the amount to be repaid. Any appreciation in value of the property will be shared with the Council in accordance with the original loan as a percentage of the property value at the time that the loan is repaid.

Repayment will be required on sale, disposal of the property, or upon the death of the Client.

Should the Client wish to repay the loan (or part of the loan) at any time before the property is sold, the amount to be repaid will be calculated using the value of the home at that time. There will be no early redemption charges.

Decent Homes Assistance Grant

This grant can be used for works that are required to bring the property up to a Decent Standard. This may include works to remove health and safety hazards in the home, to carry out repairs, or to improve facilities or the thermal comfort of the property. For more guidance on the Decent Homes Standard or works that may be eligible for assistance.

Assistance towards a Standard that is either higher or lower than the Decent Homes Standard may sometimes be appropriate.

The maximum Grant is £35,000.

In certain circumstances, particularly where a property is in a poor condition, a larger grant than the maximum of £35,000 may be available at the discretion of the Council.

Disabled Facilities Grant

This mandatory grant can be used for works that enable a client to live independently in their own home by providing suitable adaptations to meet their specific needs. The needs will be assessed by an Occupational Therapist and works agreed. For more guidance on works that may be eligible for assistance.

A maximum of £30,000 is available.

Disabled Facilities Top-Up/Discretionary Grant

This grant can be used to:-

- assist an applicant to make their contribution towards works funded by a Disabled Facilities Grant,
- pay for works which are eligible for mandatory Disabled Facilities Grant but where their cost exceeds the maximum limit of £30,000,
- pay for works which facilitate independent living, but which are not eligible for mandatory Disabled Facilities Grant,
- help a disabled person to purchase a home that meets their needs, or can be more easily adapted.

The maximum assistance that is available is £15,000.

Where the Clients assessed needs require particularly expensive adaptations to be made, a larger grant than the maximum of £15,000 may be made available, at the discretion of the Council.

The assessment criteria for works apply as for the Disabled Facilities Grant.

Empty Homes/Conversion Grant

This grant can be used for works that are required to bring the property up to a Decent Standard. This may include works to remove health and safety hazards in the home, to carry out repairs, or to improve facilities or the thermal comfort of the property. For more guidance on the Decent Homes Standard or works that may be eligible for assistance.

This form of assistance may also be available for conversion works for:-

- a pair of flats into a single property
- a vacant shop with a flat attached, to a single property
- other configurations may be considered where appropriate (but will not include loft conversions or extensions to existing single use properties unless the household is suffering from statutory overcrowding)

Assistance is available to a maximum of 50% of the cost of the eligible works, to a maximum of £35,000

Energy Efficiency Grant

This grant will offer assistance towards energy efficiency measures such as insulation.

Subject to funding the Council may also contribute to helping Clients to improve the thermal comfort of their homes through providing financial support to partner organisations such as 'Warm Zones' where these exist or through other targeted initiatives.

Relocation Assistance

This package of assistance consists of:-

- Market value compensation for both owner-occupiers and for landlords
- A Home Loss payment based on 10% of the property value for owner-occupiers with a minimum payment of £4,700 (or the current statutory minimum payment) and a maximum of £47,000 (or the current statutory maximum payment).
- A home Loss payment of £4,700 for all Tenants whose homes are purchased by the Council.
- A Disturbance Payment that should cover all reasonable expenses arising from relocation. Payment is based on proof of purchase provided by the resident.
- A Basic Loss payment of 7.5% of the property value for landlords.
- A discretionary Relocation Grant to enable a person affected by relocation to move to a suitable home. The maximum relocation grant available is £25,000.

Area/Theme Based Assistance

Financial Assistance is available for works which will enhance confidence and perception of specific Neighbourhoods within the area.

As the needs of each area are identified, a range of renewal assistance may be available which may include the following:-

- Schemes designed to tackle specific issues, such as prevention of crime, or particular housing defects affecting a number of homes
- Block improvement or Facelift schemes

A contribution from the owners towards the works is normally required. The contribution will be specified for each scheme. A financial test of resources may be available to owner occupiers to assess their ability to make a contribution.