

Report of the Head of Housing Services

## **Golden Triangle Partnership – Mortgage Rescue Scheme**

### **Summary**

1. This report seeks the Executive's support for the Golden Triangle Mortgage Rescue Scheme, due to be launched in December 2008 by the Golden Triangle Partnership (GTP).
2. Approval is also sought from the Executive for administration of the Mortgage Rescue Scheme to be delegated to Leeds City Council (LCC). This includes LCC acting as 'banker' for the GTP - providing grants to one or more Registered Social Landlords (RSLs) to enable equity loans to be payable to homeowners threatened with homelessness. Progress of the scheme will be dependant on the necessary approvals of LCC, City of York Council and Harrogate Borough Council as member authorities of the GTP. It is recommended that approval be delegated to the Head of Civic, Democratic and Legal Services to sign the delegation arrangements and contract documentation on behalf of the Council.
3. At the 6<sup>th</sup> May 2008 Executive meeting members approved the terms of reference for the Golden Triangle Partnership Board which included the delegated responsibility to the board for agreeing future schemes / projects. Approval is now sought for the Head of Civic, Democratic and Legal Services to be delegated to sign any arrangements and contract documentation for any future projects where any scheme / project has been agreed by the Golden Triangle Partnership Board.

### **Background**

4. The Golden Triangle is a partnership between housing and planning professionals within City of York Council, Leeds City Council and Harrogate Borough Council, Home Housing Association and York Housing Association. The Housing Corporation, Government Office for Yorkshire and the Humber and Yorkshire Forward act in an advisory capacity to the partnership.
5. The Partnership was created in 2004 and has an overall remit to develop initiatives to increase the amount of affordable housing across the high demand areas of York, Harrogate and North Leeds. The Partnership has for three years operated a Homebuy Plus scheme that provides equity loans to assist in purchasing homes. To date 25 homes have been purchased in York under the scheme. In the current year, Homebuy Plus has been aimed at social housing

tenants. Of the 9 households currently acquiring properties through Homebuy Plus in York, 5 are vacating social rented properties, thereby increasing opportunities for others in housing need. Homebuy Plus is administered by LCC on behalf of the GTP. Funds are held by LCC as banker and allocated in accordance with the approved scheme.

6. The Partnership has also funded a youth-build project in Harrogate, produced a good practice guide to the delivery of affordable housing through planning gain, and has recently agreed to support a pilot under-occupation scheme in York. Funding for the Partnership comes from the Regional Housing Board and in 2008/09 includes £450,000 for new initiatives including a mortgage rescue scheme.
7. A Golden Triangle Partnership Executive Board has been formed to oversee and direct the work of the Partnership's officers. The Board comprises the Chief Housing Officers and Portfolio Holders of the three authorities. Prior to formal constitution of the Board, it is necessary to seek in principle support from the three authorities for the Mortgage Rescue Scheme and approval for delegation of the Scheme's administration to LCC. The Council is able to discharge this function under its general powers of well being and the Scheme is consistent with the priorities set out in the Council's corporate priorities and recently published Homelessness Strategy.
8. Approval is required at this stage in order to launch the Scheme by late 2008/early 2009. Delay until the formal constitution of the Board is likely to put allocated RHB funding of up to £450,000 at risk. Expansion of existing GTP initiatives is being considered alongside the development of Mortgage Rescue should full spend on Mortgage Rescue not be possible by the financial year-end

## **MORTGAGE RESCUE SCHEME**

9. In 2008/09, the emphasis of the GTP is divided between new affordable housing provision (through equity loans) and mortgage rescue, as it responds to current market conditions. The number of repossessions nationally is increasing as discounted rate mortgages come to an end and the effects of the credit crunch bite. The Government has recently announced its plans to see mortgage rescue schemes administered across the country in an attempt to stem rising homelessness.
10. The Mortgage Rescue Steering Group started work on proposals and a specification for such a scheme in early 2008/09. An overview of the Scheme is given at Appendix A. The detailed specification and tendering documentation is being finalised, and will be subject to scrutiny and approval by legal officers from all three authorities.
11. The Mortgage Rescue Scheme will involve housing associations taking equity stakes in the homes of eligible applicants at risk of repossession, thereby releasing funding to pay off arrears and/or reduce mortgage debt to a manageable level, or simply to allow time for a planned sale. Eligible applicants are as defined by Government proposals, namely those in priority need under homelessness legislation. Equity stakes will be funded by the GTP and recycled

by the housing association within the Golden Triangle on redemption of the mortgage or sale of the property.

12. On the basis of the maximum allocation of £450,000 and modelling based on the three mortgage rescue options set out at Appendix A, it is anticipated that up to 28 households will be rescued from repossession under the pilot scheme, distributed evenly between the three participating local authority areas.
13. It is proposed that Leeds City Council be the accountable body and banker of the Regional Housing Board funds, responsible for the allocation of funds in accordance with the approved Scheme. The procurement process will also be undertaken by LCC. This replicates arrangements already in place for the Homebuy Plus scheme.
14. Subject to approval of the Scheme and delegation of its administration to LCC by all three authorities, the Scheme is due to launch in late 2008/early 2009.
15. Mortgage Rescue will save priority needs households from homelessness and help meet homelessness prevention targets. The GTP has devised a flexible Mortgage Rescue Scheme to assist homeowners threatened with repossession and homelessness. It requires support and approval for delegation of the Scheme's administration to LCC. In advance of the formal constitution of the Golden Triangle Partnership Board, this approval is required from each of the three member authorities of York, Leeds and Harrogate. Members in both Leeds and Harrogate have already approved the delegation to Leeds.

## **Consultation**

16. Legal Services have been consulted in the preparation of this report and are involved in scrutinising the specification and tendering documents of the scheme.
17. Consultation has taken place with Homelessness managers in each of the three local authorities and with a range of housing and debt advice agencies including the Citizens Advice Bureau and the North Yorkshire Housing Advice Resource Project.

## **Options**

18. Not to participate in the Scheme. This would deny local homeowners threatened with repossession of their homes the opportunity to save them. It would also mean City of York Council missing out on funding allocated via the GTP to the three authorities of Leeds, York and Harrogate (up to £450,000 in 2008/09).
19. Not to delegate administration of the scheme to LCC. Neither Harrogate nor York Councils have the resources to administer the scheme on behalf of the GTP. Without delegation to LCC, the Scheme will not proceed or at best would be considerably delayed.

## Corporate Priorities

20. A mortgage rescue scheme will support the Inclusive City and Healthy City elements of the Sustainable Community Strategy, under which future corporate priorities are being formed.

## Implications

- 21.
- **Financial.** There are no direct financial implications for the council; full funding for this scheme is from the Regional Housing Board.
  - **Human Resources (HR).** There are no HR implications.
  - **Equalities.** There are no equalities implications.
  - **Legal.** The Local Authorities (Arrangements for the discharge of Functions) (England) Regulations 2000, enable the Executive of an authority to make arrangements for the discharge of its functions by another authority or its Executive.

Legal Services are scrutinising the tender and specification documents relating to the scheme. Officers will not sign-off the scheme, or any future scheme, until solicitors in all three Local Authorities have agreed there are no adverse legal implications.

- **Crime and Disorder.** There are no crime and disorder implications.
- **Information Technology (IT)** There a no crime and disorder implications.
- **Property.** There are no property implications.

## Risk Management

22. If the Executive do not agree to delegate authority to Leeds City Council for the administration of this scheme, York will miss out on a share of the allocated funding and may even put to the overall scheme at risk. In the current economic climate we know that more households are facing repossession. A clear risk in not supporting this scheme is that households who's homes are repossessed will in all likelihood put a further strain on the council's homelessness resources due to statutory obligation to find them temporary accommodation.
23. There is, of course, some risk that interest in the scheme will not be as great as anticipated or that other factors – such as the launch of a national government mortgage rescue scheme – will effectively overtake this one. It is considered that both of these risks are unlikely especially given that it is hoped the Golden Triangle Mortgage Rescue Scheme will be launched ahead of the proposed national one. In the event that any of the £450,000 budgeted for the scheme is unlikely to be spent, the Golden Triangle Partnership have in place already other uses for the money including purchasing homes on the open market for affordable rent.

## Recommendations

24. The Executive are recommended to:

- Support the development and launch of the Golden Triangle Partnership Mortgage Rescue Scheme.
- Approve the delegation of the administration of the Mortgage Rescue Scheme to Leeds City Council which will also include LCC acting as banker for the scheme.
- Delegate to the Head of Civic, Democratic and Legal Services authority to approve and sign off the delegation arrangements and contract documentation for the Mortgage Rescue scheme and any future scheme on behalf of the Council where the scheme has been approved by the GTP Board.

## Contact Details

### Author:

Paul Landais-Stamp  
Housing Strategy Manager  
Housing and Adult Social Services  
01904 554098

### Chief Officer Responsible for the report:

Steve Waddington  
Head of Housing Services  
Housing and Adult Social Services  
01904 554016

Report  
Approved



Date 4<sup>th</sup> Nov 2008

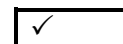
### Specialist Implications Officer(s)

#### Legal

Brian Gray  
Principal Commercial Lawyer  
Chief Executives

Wards Affected:

All



For further information please contact the author of the report

## Background Papers:

Golden Triangle Partnership Homebuy Plus Scheme 2006-07. Executive meeting 12<sup>th</sup> September 2006.

## Annexes

Annex 1: Background context to the Golden Triangle Mortgage Rescue Scheme.