

Report of the Assistant Director – Housing & Community Safety

**Amendments to the Private Sector Assistance Policy – the Introduction  
of an Energy Repayment Loan**

**Purpose of the Report**

1. To inform the Executive Member that a new regional loan product has been developed by the Regional Homes and Loans Service aimed at alleviating fuel poverty within the city and agree amendments to the Private Sector Assistance Policy to ensure York residents are able to access the new product.

**Recommendations:**

2. The Executive Member for Housing and Safer Neighbourhoods is asked to:
  - a) note the development of the loan product to tackle fuel poverty
  - b) agree Option 1 to amend to the Private Sector Assistance Policy and introduce a new Energy Repayment Loan product.

Reason: The new evidence base from the Building Research Establishment found that, although fuel poverty levels in the City were generally below the national and regional average, there were certain Wards which were found to be higher.

**Background Information**

3. Since 2007 the Council and 21 other local councils, have used the Regional Homes and Loans Service (HLS) based with Sheffield City Council to deliver a range of loans products, in particular the loan called the Home Appreciation Loan (HAL). The purpose of these loans was to provide an affordable way for financially vulnerable home owners living in non-decent properties to undertake necessary repairs.

4. The intention was, and still is, to enable this fund to be recycled as loans are redeemed. Although no new funding has been received from Government since 2010, the value of loans redeemed over the years has built up to enable further small loans to be advanced across the Region.
5. It is proposed to recycle funds from redeemed HALs (over £7m worth of loans has been provided to date and over time will become available) and other loan products to help tackle Excess Cold and Fuel Poverty across the Yorkshire and Humber Region. Excess cold is one of the most common reasons for failure of the Decency Standard, and contributes most significantly to ill health and costly fuel bills, particularly for the most vulnerable.
6. The affordable Energy Repayment Loan (ERL), will be available across the region from the 1<sup>st</sup> April 2016. It has been developed to complement and supplement other energy efficiency funds for example the Energy Company Obligation (ECO) available through the Better Homes York scheme.

### **Energy Repayment Loans (ERL)**

7. The ERL is designed to be a loan of last resort, where other forms of finance are not viable. It is specifically designed to help address excess cold and fuel poverty across the City.
8. In order for the Council to carry out this function, we will need to delegate our powers to Sheffield to award the grant in the same way that we have with HALs.
9. Full details of the loan criteria are outlined in the Full Private Sector Assistance Policy (Appendix A). In brief an ERL is an interest free monthly repayment loan which will operate with a term of between 1 and 5 years. The loan limits will normally be between £300 and £3000.
10. Where the Council is not satisfied, based on its assessment, that an applicant will be able to make the repayments required under an ERL then a Home Appreciation Loan may be offered if the works cost more than £1000. This loan requires no repayments and is normally redeemed when the property is sold, disposed of, or otherwise refinanced.
11. Loans from the Regional monies will be secured as a Legal Charge in Sheffield City Council's name and administered by the Homes and Loans Service on behalf of the local authorities in the region. Where any money is provided by York it will still be administered by the Homes and Loans Service but registered in City of York Council's name.

### Loan Repayment

12. Each loan is based on regular affordable monthly repayments managed by the Homes and Loans service. Repayments will normally be by means of a Direct Debit. An annual statement of account is sent to the client on the drawdown of the anniversary of their outstanding loan.

### Set Up Charges

13. The loan will be interest free, therefore ensuring maximum affordability and Sharia<sup>1</sup> compliance. However, there are set up charges both for
  - a) the Homes and Loans Service to administer the scheme
  - b) The Council to provide technical and case worker support

### Homes and Loans Service

14. A set up charge of £50 per case will be charged to partially cover the loan administration set up costs. In addition, the Applicant will be required to meet the costs of registering a legal charge (Currently £20 if the property is registered with the Land Registry) which will be added to the set up charge.
15. In certain cases additional charges may be incurred which will be added to the set up charge, although these are comparatively rare:-
  - Cost of seeking approval to register a charge from an existing lender.
  - Cost of registering a property for the first time with the Land Registry.

### Council Service

16. In line with other forms of assistance offered by the Council we intend to recover the cost of providing case worker support (cost of interviewing the applicant) and technical support (signing of the work that it satisfactory to release payment). The level of fees will be based on the current Home Appreciation Loan of 12%. Unlike the Homes and Loan Service set up charges these will not be included in the loan but recovered from the capital fund.

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<sup>1</sup> Sharia Compliance has been determined by Sheffield City Council's Homes and Loans Service.

## Default on Loan

17. Information from other similar loan providers would indicate the likelihood of default is very low. However, in the event of a default on loan repayments, the circumstances of each case will be dealt with individually as to the remedial action required. It will be for the Regional Homes and Loans Manager to determine such action having regard to the financial circumstances of the client and their repayment history to date. Full details regarding what action is proposed is in Appendix B

## **Consultation**

18. Officers from York have been part of the collaborative working group developing the loan. The new loan has been presented to the Regional Private Sector group which is formed from a partnership of 21 councils. All are seeking to amend their policy to adopt the new loan so that they can help their residents.

## **Options**

19. There are two options being put forward:
  - Option 1- To introduce amend the Private Sector Assistance Policy and introduce a new Energy Repayment Loan
  - Option 2 - Not to introduce the new repayment loan

## **Analysis**

20. **Option 1** - By introducing the Energy Repayment loan product it will provide a new tool for the council to support homeowners to tackle fuel poverty and also enable the residents of the city to access recycled regional loans monies currently estimated to be £23k per local authority. If each loan is an average of £1000 and recovered over a 36 month repayment period then over 60 loans over a 5 year period could be issued. If additional money is provided by the council using the recycled grants and loans pot then more loans could be offered.
21. **Option 2** - Without access to this loan product we will not have a specific tool to tackle fuel poverty. Also any recycled loan monies will be redirected away from York and used by residents in other councils across the region.

## Council Plan

22. Introduction of this new loan product will support and contribute towards a number of the Administration's council key priorities:
- A prosperous city for all
  - A focus on frontline services
  - A council that listens to residents

## Implications

23. The implications arising directly from this report are:
- **Financial** – Introduction of ERL will ensure that York is able to access recycled regional monies to help homeowners install energy efficiency measures to make their homes feel warmer and reduce their fuel bills.
  - **Procurement** – None
  - **Human Resources** – Currently we are not proposing any additional resources as the Home Energy Project Manager and the current technical officers will deliver the scheme. However if the number of loans per year exceed 12 then additional resources will need to be made available. These would be funded from the fee income.
  - **Equalities Implications** – Attached is the Community Impact Assessment (Appendix C)
  - **Legal Implications** –. In accordance with the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012, the discharge of the loan function relating to the Energy Repayment Loans scheme may be delegated to another local authority. The power to make arrangements under the Regulations rests with the Leader, or if he so directs, the Executive, or a Member of the Executive.

## Risk Management

24. This amendment enables the Council to introduce financial assistance in line with the Regulatory Reform (Housing Assistance) (England & Wales) Order 2002. We have, in line with the order, considered where we should focus our efforts and have introduced a policy initiative that is best suited to the circumstances.

## Contact Details

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	<b>Report Approved</b>	Yes	<b>Date</b> 9 March 2016
<b>Wards Affected:</b> <i>All</i>			
For further information please contact the authors of the report			

## Specialist Implications Officers:

Legal: Glen McCusker, Solicitor, Tel 01904 551048

## Background Papers

None

## Appendices

Appendix A Proposed Private Sector Assistance Policy  
Appendix B Default charge mechanism  
Appendix C Community Impact Assessment

## Abbreviations used in report:

ECO Energy Company Obligation  
ERL Energy Repayment Loan  
HAL Home Appreciation Loan  
HLS Homes and Loans Service