

<b>Classification:</b> Open	<b>Date:</b> 15 <sup>th</sup> July 2003	<b>Meeting Name:</b> Executive Committee
<b>Report Title:</b>		Private Housing Renewal Policy
<b>Ward(s) or groups affected:</b>		All
<b>From:</b>		Strategic Director of Housing

### **RECOMMENDATIONS**

1. That the Executive formally adopts the new Housing Renewal Policy as summarised below and as set out in Appendix 1 in compliance with the timetable set by the Regulatory Reform (Housing Assistance) Order 2002.
2. That in view of the issues raised in Paragraphs 34-42 the Executive agree to receive a monitoring report on the take up of the new policy after 12 months.
3. That the fee charging option with regard to loans from the Council set out in paragraph 67 is adopted.

### **BACKGROUND**

2. a) The Regulatory Reform Order  
The Regulatory Reform Order (RRO) ends the current system of house renovation grants set out in the Housing Grants Construction and Regeneration Act (1996) on July 18<sup>th</sup> 2003.  
The existing grant system will be replaced with a new general power to offer assistance to qualifying persons for a variety of purposes.  
This power will enable the Council to provide residents and owners with assistance towards works of repair, improvement or adaptation. The overall aim is to improve living conditions.
3. Under the 1996 legislation the same framework of grants applied across England and Wales. However the changes introduced by the RRO mark a radical departure from this approach by giving councils the ability to devise their own forms of assistance which could be grants, loans, advice, maintenance services or a combination of these. This will mean that authorities will devise different responses to different local problems.
4. The Council has consulted on its proposed new approach and details of this consultation are set out in the main policy document at Appendix 1. In summary the new policy sets out to achieve a "mixed economy" of grant and loan finance supported by new housing maintenance services and comprehensive advice. Assistance will be targeted upon the most vulnerable households and those areas of the borough that the Council wishes to prioritise for action.
5. b) The Legal Requirements  
The RRO states that a local authority may not exercise its new power unless:
  - It has adopted a policy for assistance
  - Given public notice of the adoption of that policy

- Provided that a full policy document is available for inspection on request and that a summary document is available by post.
6. The deadline to complete this timetable is July 18<sup>th</sup> 2003.
  7. Failure to adopt a policy by 18<sup>th</sup> July will mean that the Council cannot make use of the new general power and can no longer use the old 1996 legislation as it will have been repealed. This would leave the authority in a legal limbo with no ability to provide assistance. This would mean a loss in service provision with applications from residents held in abeyance until such time as the situation was resolved. It should be noted that the Council is obliged to advertise its policy.
  8. The full policy document and the summary are attached as Appendix 1 and 2 to this report. Once the policy is adopted the Council will advertise it in the local press and the policy may then be used.

### **FACTORS FOR CONSIDERATION**

9. **Priorities of the new Policy**  
The key priorities of the new policy are to:
  1. Maximise investment and enable the improvement of housing conditions to work towards a decent home for all.
  2. Deliver sustainable area renewal and sustainable communities.
  3. Make best use of the existing housing stock by bringing privately owned empty properties back into use.
  4. Enable significant improvements in the energy efficiency of homes
  5. Enable timely housing maintenance in order to prevent properties sliding into major disrepair
  6. Promote independent living for vulnerable people
  7. Deliver anti-poverty measures wherever possible with particular attention to fuel poverty.
  8. Deliver customer focused services
  
10. **Summary and guiding principles of the new policy**  
In summary the policy aims to improve living conditions by
  - providing limited grant aid of up to 5k for vulnerable households (Southwark Small Works Grant)
  - this grant will address energy efficiency works, security works , works in support of hospital discharge, works to make the property fit or decent or works contributing to the achievement of these standards
  - making available simple equity release loans from the Council for sums above this amount and up to a maximum of a further 20k
  - providing advice on obtaining private finance for non vulnerable households
  - providing a targeted range of housing maintenance services and advice for both vulnerable and non-vulnerable households to try and prevent properties sliding into major disrepair

- continuing with strategic priorities such as area renewal , and work on empty homes whilst seeking to maximise private sector contributions
- work on Empty Homes to be supported by a specific Empty Homes Grant where the owner leases to a Housing Association or accepts Council nominations
- Continuing with the overall approach of providing assistance to both vulnerable households and priority areas
- Reviewing policy on Group Repair after the completion of the Neighbourhood Renewal Assessment in East Peckham and Nunhead

11. **The new policy and the Council's strategic priorities**

12. Tackling poverty

- Assistance will be targeted on those in receipt of a means tested benefit or on low incomes. Vulnerable households are often unable to afford commercial loans bearing interest. The aim of providing simple Council loans is to assist in the prevention of poverty and enable owners to remain in their homes whilst at the same time ensuring that they live in dwellings that will not prejudice their health or well being.
- Long term maintenance costs for low-income households will be reduced.
- Any works undertaken will contribute to the reduction of fuel poverty, where possible, by making the dwelling more energy efficient and so increase comfort levels in the dwelling and reduce heating costs. Under the new policy more properties would be improved and more vulnerable households assisted for the same level of resources.
- The Home Improvement Agency will further develop its work in providing financial advice to vulnerable households via its specialist Financial Counsellors.

13. Making Southwark cleaner and greener

- Work undertaken in the Bellenden Renewal Area has improved the environment and in turn this is improving the local economy with many businesses opening along Bellenden Road and East Dulwich Road. The residents can see that the council has an interest in the area and so they are happier to commit themselves to improving their homes. The Council will build on this success in future area renewal schemes.
- Future shopping improvement schemes such as those seen in Bellenden will be dependent upon shop owners agreeing to trade waste contracts with the Council
- Energy efficiency works were included in over 240 grants during 2001/2 with promotion of the Private Landlords Energy Awards Scheme during 2002/3. In the renewal area a cross tenure initiative has been piloted, installing solar panels in more than 30 properties to provide up to 70% of the households requirements for hot water. Other innovative schemes are being piloted to provide electricity using photovoltaic cells and water for flushing WCs through rainwater harvesting. The new policy will build upon these initiatives.

14. Cutting crime and fear of crime

- Incorporating Secured by Design into works of repair and improvement will be a feature of the new policy. The continued improvement of street lighting in the Bellenden Renewal Area has given the area a 'safer feel' after dark and this will continue in future initiatives.
- The continued policy of reducing the number of private empty properties will prevent their use by unauthorised persons, and reduce nuisance, anti-social behaviour, arson and refuse dumping.
- Work with young people will continue to be a feature of renewal activity in order to help break down inter-generational barriers and so reduce fear of crime
- Liaison with Community Police Officers will be maintained as will the development of Neighbourhood Watch and regular newsletters.

15. Improving the health of the borough.

- Good housing positively contributes to the health and safety of its occupants therefore each property made decent by the new policy will have a beneficial effect on the health and well-being of occupants as well as contributing to a reduction in accidents in the home
- The policy will directly address the issue of vulnerable households living in non-decent accommodation which is part of the revised Public Service Agreement on Decent Homes
- The higher proportion of winter deaths amongst older people is partly explained by the exacerbation of existing medical conditions, such as respiratory disease, heart disease or stroke, by the cold. Whilst not all winter deaths can be explained by the cold, it is estimated that 5-10% of excess deaths might be prevented by a full implementation of home energy efficiency measures. The Housing Renewal Policy targets financial assistance to older people on low income to improve the energy efficiency of their homes.

16. **Overall Approach – Improving Areas and Helping Vulnerable People**

17. The Council recognises that it cannot fund all the required repairs in the private housing sector. In April 2003 91% of residents responding to the survey included as Appendix 4 of the full policy document agreed that the main responsibility for keeping homes in good repair lies with the home owner. The approach outlined in the Policy seeks to remedy the most run down properties and areas. In this way the Council aims to build the confidence of residents by providing community leadership and fostering circumstances in which those residents who can, will be more likely to invest in their own properties. Maximising investment, both public and private is a key part of the new policy.

18. As well as tackling the properties and areas most in need of assistance the Council aims to assist vulnerable households wherever possible. Vulnerability within the context of this Policy is defined as being over 60 years of age and in receipt of means tested benefits or on a low income, or disabled. The Council will consider other cases as they arise and on merit. This supports both the Supporting People Strategy and the overall programme of meeting the Public Service Agreement on decent homes which in turn helps to

achieve the Community Strategy vision of making Southwark a better place to live.

19. The Council's overall approach has been area based (targeting assistance at the areas identified by the Stock Condition Survey as most in need) with a safety net of provision for the most vulnerable households regardless of location, 81% of owner occupiers responding to the Residents' Survey (see Appendix 4 of the full policy document) agreed with this approach. This will be continued with the balance between the area/property and client based policies that has been strongly endorsed by residents. However the policy will remove much of the incentive behind Group Repair and this may have a long-term effect on Area Renewal. Policy on Group Repair will be considered after the completion of the East Peckham and Nunhead Neighbourhood Renewal Assessment which will indicate the level of need for this type of scheme. In general financial assistance from the Council will be targeted at vulnerable households. Non-vulnerable households will receive advice on accessing private finance and on home maintenance.
20. The Council's overall approach will be linked to the decent homes Public Service Agreement (PSA) target which has now been extended to address the issue of vulnerable private sector households living in non-decent accommodation. The aim of all major repair schemes will be to achieve the decent homes standard where possible.
21. **Private landlords**
22. No financial assistance will ordinarily be given to private landlords. The exceptions to this will be schemes that will bring empty properties back into use, schemes that will improve energy efficiency and schemes involving properties in area renewal projects. In the past interest in grant aid for landlords where agreement was sought to accommodate tenants nominated by the Council at below market rents was low. This response was mirrored in the Landlords' Survey which indicated that whilst 37% of respondents would take Council nominated tenants none would also agree to below market rents in return for grant aid.
23. However, this situation will continue to be monitored as the Council wishes to encourage a decent private rented sector. Liaison between Environmental Health and Housing will continue and the need for grant aid in respect of strategic priorities will be considered.
24. **The Need for Grant Aid**
25. The RRO is not intended to bring about the wholesale replacement of grants with loans.
26. There will always be a need for grant aid in certain circumstances. The survey of residents indicated that 91% of owner-occupiers over 60 thought that grants in combination with other forms of assistance should be available to more vulnerable residents. This new policy creates a new cash limited Southwark specific grant that will operate alongside the mandatory Disabled Facilities Grant. This is Southwark Small Works Grant and it is detailed in the policy document.

27. **Loans**

28. The Council recognises that it also needs to make use of the value that many residents have tied up in their homes. However our consultation has shown scepticism amongst the client group with regard to commercial equity release products and articles in the national press in recent months have added to this concern. This is consistent with the Government's 2003 Guidance which says that:

*"These commercial products can be expensive to set up .....Such products are therefore only suitable for a restricted client group"*

The Guidance goes on to say that

*"The new power enables authorities to support the development of new equity release products ..... At their simplest these could involve the authority making a loan for renovation with a requirement that this amount should be repaid when the owner chooses to do so or on sale of the house".*

29. This simple loan is precisely what is now proposed.
30. Only 8% of respondents to the questionnaire thought that equity release on its own was an appropriate approach but this rose to 43% when used in combination with grant aid. As a consequence of this a key part of the policy will be to offer a simple, equity release loan from the Council in conjunction with limited grant aid. These loans will be registered as local land charges and will be repaid in full on sale of the property or when the property is no longer the main home of the applicant. This mechanism will deliver value for money for the Council, as the repaid loans will be recycled, enabling the repair of further properties in the future. Consultation has shown that vulnerable households will be more likely to accept a loan from the Council than from a bank as the Council is seen as fairer and trustworthier. The simple administration of these loans will enable homes to be improved without pushing already vulnerable households deeper into poverty, and potential homelessness, by burdening them with products and repayments that they cannot afford. The simple loan structure will also lower administration costs whilst giving residents a long-term interest in their area. Thus Council loans will help overcome the scepticism of private loan finance demonstrated by the client group and thereby aid the Council in its achievement of its strategic objectives and BVPI and Public Service Agreement targets.
31. For comparative purposes the Executive may wish to consider the position with regard to the repayment options available to leaseholders with regard to service charges for major works (S20s). There are five schemes:
- a) Three years to pay the debt with no interest charged (invoices of any size)
  - b) Five years to pay the debt with interest charged at base rate plus 1% (invoices under £10k)
  - c) Seven years to pay the debt with interest charged at base rate plus 1.5% (invoices above £10k)
  - d) For leaseholders qualifying for state benefits or pensions -ten years to pay the debt with interest charged at base rate plus 2% (invoices above £1k)

- e) For leaseholders qualifying for state benefits or pensions - debt paid at death of leaseholder or sale of property secured through a charge against the property with interest charged at base rate plus 2% (invoices of any size)

32. **Maintenance**

33. Alongside this financial assistance to vulnerable households the council will provide comprehensive advice on housing maintenance to both vulnerable and non-vulnerable households including access to a range of maintenance initiatives outlined in Part B of the policy document. This is seen as a central part of the developing new approach. The ultimate aim will be to prevent properties sliding into major disrepair and unfitness.

34. **Outputs**

35. Given that the new policy is a radical departure from that existing it is impossible to be exact about outputs. The policy represents both a significant reduction in the amount of grant aid available in individual cases and a new financial regime for those seeking assistance. The commitment from the 1996 system, in terms of schemes already approved but not finalised, will also be a factor throughout 2003/04 and 2004/05. These will continue to operate under the 1996 legislation and under the Council's previous policy so different maxima will apply.
36. However, from 2005/06 the Council should be operating under the new policy alone with the cases carried forward from the old regime having been finalised.
37. As shown in the table below it is hoped that the lower amount of grant aid available in support of individual schemes will allow more dwellings to be improved for the same level of resources. Given this is an initial estimate (assuming resources of roughly £5m per annum) of potential outputs in terms of completed schemes and numbers of dwellings improved would be

	2003/04	2004/05	2005/06
Improved by RG/SHRL	90	100	125
DFGs	45	45	45
Improved by HRA/SSWG	25	35	55
Improved by Group Repair	25	25	-
<b>Total</b>	<b>185</b>	<b>205</b>	<b>225</b>

RG = Renovation Grant (1996 legislation)  
 SHRL = Southwark Repair Loan (new policy)  
 DFG = Disabled Facilities Grant (remains mandatory)  
 HRA = Home Repair Assistance (1996 legislation)  
 SSWG = Southwark Small Works Grant (new policy)

38. If achieved these gradually improving outputs will keep the Council at or near the top quartile of performance on BVPI 62 (private sector dwellings made fit) and BVPI 64 (privately owned empty homes brought back into use). They should also help the Council make its contribution to the revised PSA 7 target on Decent Homes. However the capping of grant aid at 5k may adversely effect performance on both BVPI 62 and 64 and the revised PSA 7 if take up of the new products is low.
39. It is hoped that improvements to the private housing stock will be delivered contributing to making Southwark a better and healthier place to live, and a range of assistance targeted on vulnerable households will support the Council's anti-poverty strategy.
40. **Policy Review**
41. The Council has to make the best use of the available resources whilst ensuring the achievement of its strategic objectives. The policy needs to be financially robust whilst also being attractive enough to service users to encourage take up. A policy which is unattractive to service users will ultimately result in low take up of the new products and the council failing to meet its strategic objectives and BVPI and PSA targets.
42. The policy will therefore be reviewed after twelve months and performance and take-up will be monitored on an ongoing basis. If take up of loans is low the policy may need substantial adjustment. This 12 month review will also include a specific section which will outline all exceptions made to the general policy.
43. Details of all the forms of assistance, the eligibility criteria for applicants, the qualifying works and the means test, where appropriate, are set out in the main policy document.
44. **Survey of Local Authority Responses**
45. A survey has been undertaken to gauge the response of other local authorities. This has taken in other London boroughs plus some authorities which have received favourable assessment under Best Value such as Wigan and Derby.
46. This survey as expected reflects the different responses now being adopted in the light of the repeal of the existing national framework. The diversity of responses reflects the Governments intention of freeing authorities to devise local strategies in order to address local problems.
47. A common theme is the retention of grant aid as central to new policies. However, many authorities are considering grants at a reduced level of 5-10k. Beyond this authorities are considering loans either from private lenders or from the Council itself.
48. This is broadly similar to the new policy for Southwark. Many authorities plan to use the House Proud scheme run by the Home Improvement Trust which essentially acts a third party between owners and private lenders. This scheme is also considered as one of the tools in the Council's main policy document. A further group of authorities is continuing with grant aid as the main driver of their policy with only minor adjustments made to what is in effect a continuation of much of the 1996 system.



49. Authorities adopting policies involving grant aid supplemented by loans from the Council as part of their response currently include Greenwich, Wandsworth, Wigan and Sheffield.

Policies of London boroughs contacted:

**Greenwich** – offering loans from the Council but calling them “repayable grants”.

Loans will be interest free. Alongside this there is to be a grant currently fixed at 5k but with discussions ongoing about increasing this.

**Islington** – grant of up to 5k with Houseproud beyond this. Grants will be offered to owners of empty homes.

**Lewisham** – continuing with a grant policy of up to 20k whilst they explore the use of loans. Again grants will be made available to owners of empty homes. Grants will also be available to landlords offering nomination rights to the Council.

**Brent** – a grant of up to 5k will be offered, with Houseproud for amounts above this. Grants will be offered to owners of empty property.

**Wandsworth** – offering loans from the Council with a cap on the maximum loan to be agreed. The Council is still considering the position with regard to interest on the loans it offers.

#### Other Authorities contacted

**Sheffield** – looking at a very wide range of tools similar to Southwark. These will include loans from the council given as grants that are repayable on disposal. The main grant is to be capped at £7,500. In some cases the Council will require people to use their own savings and assets to support a package of assistance from the Council. Advice on this will be given and similar to Southwark there is a long-term commitment to increasing the emphasis on housing maintenance.

**Leicester** – continuing with grant aid of up to 20k. This is supplemented by group repair and area renewal. Leicester has a long established and highly successful housing maintenance service and officers from Southwark have visited Leicester to learn from this and build good practice into our new policy.

**Derby** – continuing with grant aid as the Council do not generally see loans as an appropriate response in an area of low property values. However the Council is considering offering loans to supplement Disabled Facilities Grant works where necessary.

**Wigan** – has rejected both Houseproud and the use of commercial loans as these are seen as inappropriate for the circumstances of the client group due to high set up costs and high rates of interest. The Council has decided to offer loans with interest set at the bank base rate for the life of the loan.

50. **RESOURCE IMPLICATIONS**

51. The policy can be implemented within the normal level of capital resources required for housing renewal of approximately 5m per annum. Within this potential budget there will be a gradual change from spend on the current 1996 legislation system to spend on the 2003 system. All applications approved before July 18<sup>th</sup> 2003 will be approved as renovation grants and will continue to be processed under this system but after this date all requests for assistance will be dealt with under the new system. To give a picture of current commitments under the 1996 legislation there are currently 167 approved mainstream grants of all types in the system, generating a commitment of 2.040m, this is likely to rise in respect of applications to be approved before July 18<sup>th</sup> to 197 cases and commitment of 2.412m. As discussed earlier, some grants approved under the current legislation will take up to two years to go through the system and as a consequence the first year in which the Council will be operating its new policy alone is likely to be 2005/06.
52. It is impossible to be precise about this gradual change given the large number of individual grant schemes (200-300) that are involved at any one time.
53. However a reasonably robust picture of the transition is set out below. It should be noted that in any given year a significant proportion of the overall Private Housing Renewal budget is spent on schemes relating to area improvement (such as Group Repair, Environmental Improvements in renewal areas and Energy Efficiency works) as well as schemes which improve individual dwellings. The precise scope of future area renewal activity is currently unknown but a realistic assumption based on past performance is that £2m of the £5m potential overall budget is spent on area schemes with the remaining £3m spent on individual schemes. Thus the percentages and figures below relate to a figure of £3M.

	1996 System Spend	2003 New System Spend
2003/04	85% (2.550)	15% (450k)
2004/05	50% (1.500)	50% (1.500)
2005/06	5% (150k)	95% (2.850)

*N.B. Relates to Spend on Individual Schemes only*

54. Sources of funding may include
- BCA from within the regional allocation made for Southwark
  - Capital Receipts (some capital receipts funding already supports the bringing back into use of privately owned empty homes)
  - Council allocations from within the Councils general fund capital resources
  - Derogation of funds approved by ODPM ( transfer of resources from HRA to General Fund capital , although this is limited by a complex formula and is unlikely to be an option in the long term)
  - Specified Capital Grant in respect of Disabled Facilities Grants which remain mandatory

- Private contributions – the new rules will enable improved targeting and will also enable the Council to seek higher private contributions from owners who can afford it.
  - The current maximum Group Repair owner's contribution of 25% will be abolished and in any future schemes the Council will seek higher contributions in line with residents ability to pay. However, policy in this area will be reviewed after the completion of the Neighbourhood Renewal Assessment in East Peckham and Nunhead in May 2004.
55. The new policy will therefore have the effect of leveraging in more private finance and this will help spread the available council resources enabling improvements in overall stock condition. This will be monitored and when the new policy is bedded in targets for the amount of private finance to be levered in will be developed.
56. The Council will also be approving fewer large grants. Under the 1996 legislation the average renovation grant was roughly 22k and policy allowed for approvals of up to 40k. Grant aid in most cases will not now exceed 5k with amounts above this consisting of repayable loans. This is a very substantial cut in the grant payable on individual cases, down from a potential 40k to 5k – a reduction of 87.5%.
57. By reducing the amount of council resources paid as grant and by introducing loans the new policy puts the Council in a substantially stronger position than under the 1996 legislation.
58. These loans will enable the recycling of Council resources. This and the much reduced level of grant on individual properties should enable the same council resources to be stretched more widely, repairing more dwellings for the same budget. However, if take up of the small works grant and loan is low these outputs will not be deliverable and fewer dwellings may be improved. As discussed above the new policy will be tightly monitored from the outset.
59. **CONCURRENT REPORT OF DIRECTOR OF FINANCE**
60. The new strategy outlined in this report, required by the Regulatory Reform (Housing Assistance Order 2002, will allow the Council to fund assistance to improve and enhance dwellings in poor condition. It enables a variety of financial assistance to be provided by the Council to help owners to improve their homes. Previously the law only allowed for the payment of grants on a limited basis, where the amount of grant, those eligible for grants and grant conditions were prescribed. Under the new strategy it is proposed that more grants of a smaller amount will be available from July 2003. As a consequence, the implementation of changes to the provision of assistance to private homeowners will allow more dwellings to be improved resulting in the wider distribution of council assistance.

61. Improving privately owned property where it is in poor condition is important for a number of strategic reasons such as the regeneration of an area. The private housing stock condition survey indicates a need to make fit poor private sector housing in the area. For many properties the owner-occupier will be able to fund the necessary repairs. However some homeowners cannot afford to do so and the majority of those requesting assistance from the Council are either elderly or disabled. If financial assistance through the strategy is not given they may require council help in another form for example requiring council housing or bed and breakfast accommodation.
62. The Council has made a capital budget provision of £3.9m for private sector renewal in 2003/04. These funds have been provided from a government grant, capital receipts and borrowing approvals. All grants and loan assistance under the strategy will be met from within these allocations. Members will be asked to consider proposals to approve budget provision for future years as part of the preparation of the 2004/05 budgets. The repayment of loan assistance will result in a 100% useable receipt. This will be available to fund further capital expenditure as Member determine. It is anticipated, given the likely age group of loan recipients, that it could be a number of years before there are a large number of loan repayments.
63. The strategy includes the provision of repayable loans to property owners. The loans could be structured in a number of ways. The options are as follows:
- Option A)** A loan where both principal and interest are paid back during the duration of the loan.
  - Option B)** A loan where only interest is paid by the borrower during the loans duration. The loan principal would be paid back on disposal of the property.
  - Option C)** A loan where the principal and interest are rolled up. The borrower would pay no interest or principal during the duration of the loan, both would be paid back on disposal of the property.
  - Option D)** A loan where no interest is paid. The borrower would pay no interest on the loan, with the principal being paid back to the Council on disposal of the property.
64. The report proposes that the loan principal will be payable when the property is disposed. This is the favoured loan structure because the anticipated borrowers will be on low incomes, often pensioners on mean tested benefits, who could not afford the additional financial burden of making regular repayments. A loan requiring regular repayments effectively as set out in option a) would result in a very low take up of loans and in turn not lead to an improvement in the standard of private housing.

65. Members have the option of whether or not to charge interest. To reflect the reasons expressed in paragraph 5 this would not be repayable during the life of the loan. Therefore the loan structure would be either options c) or d). For the former the final amount of interest to be paid on the loan could not be determined at its outset. This is because the life of the loan is dependent on how long the property will be in use. The advantages or disadvantages of charging interest under option c) are given below:

Advantages

- Demonstrates the Council is meeting its statutory fiduciary responsibilities and duty to deliver best value.
- Provides additional income. This is in line with the Councils own medium term that directs services to maximise income.

Disadvantages

- Discourages those on low incomes from taking up loans.
- Is potentially complex to understand and administer.

66. If Members decide to charge interest further options exist on whether this should be fixed, variable, compound, simple or a combination of these. For example a loan that has a simple interest computation based on a fixed rate of interest would be:

- Easy to administer;
- Have a fixed interest rate determined at the start of the loan;
- Would encourage take up and facilitate meeting strategic targets
- But would not allow the Council to pass on changes in interest rates during the life of the loan.

In contrast a variable rate loan with compound interest would be

- Complex to administer;
- Be uncertain involving rate changes;
- Allow the Council to pass on changes in interest rates during the life of the loan.

67. The above paragraphs have considered the option of charging interest. An alternative to this would be for each loan to attract a fee. This would be payable when the loan is repaid. The fee would contribute to the cost of providing loans under the new private housing renewal policy. The fee would increase with the size of the loan, up to £10,000. Beyond this a flat fee would be charged. The scale is as follows:

<b>Loan Amount</b>	<b>Fee</b>
£1,000	£200
£2,000	£400
£3,000	£600
£4,000	£800
£5,000	£1,000
£6,000	£1,200
£7,000	£1,400
£8,000	£1,600
£9,000	£1,800
£10,000	£2,000
£10,000-£20,000	£2,000

For the calculation of the fee loans would be rounded down to the nearest thousand. Members have the choice over whether to charge interest or a fee or neither. From an operational point of view the fee option is recommended as the easiest to implement and maintain. If selected it can be reviewed after a year in line with the operation of the new policy.

68. **CONCURRENT REPORT OF THE BOROUGH SOLICITOR AND SECRETARY – LEGAL ISSUES**

69. The Regulatory Reform (Housing Assistance) Order which comes into force on the 18<sup>th</sup> of July 2003 replaces the current grants systems with a new discretionary power to give financial assistance. Local authorities may not exercise the new powers unless they have

- Adopted a policy for the provision of assistance
- Given public notice of the adoption of the policy
- Secured that a full policy document is available for inspection and that a summary document may be obtained by post.

70. The proposed policy is in a form that members can adopt.

71. The local authority proposes to offer a combination of loans, grants and advice. This is permissible under the new regime. Furthermore, the local authority proposes to offer loans that will be repayable upon a sale or transfer of the property. The council has a discretion to give what kind of loan it chooses on such terms including the payment of interest as it determines, subject to the terms being fair and reasonable. Paragraph 63 of the report sets out the various interest options which members could consider and paragraph 67 sets out a fixed fee option. Members can adopt any of these options.

72. In giving loans, the local authority will be exercising a role akin to that of a commercial lender. Commercial lenders are required to comply with the provisions of the Financial Services and Mortgage Act 2001 and the Consumer Credit Act. Local authorities are specifically exempt from the requirements of the former but must follow the spirit of the legislation. Local authorities must comply with the relevant parts of the latter. This includes ensuring that all documentation carries correctly worded advice and that the correct procedures are followed.

73. **CONSULTATION**

74. Consultation has been substantial and has included

- A workshop at the Housing Conference in March 2002
- Discussions with the Home Improvement Agency Management Committee in May 2003
- A Presentation to the Housing Strategy Review Board in February 2003
- Discussion of the draft policy at Housing Strategy Review Board in May 2003
- A postal survey of 2,000 residents
- A postal survey of 300 private landlords

- Feedback has been sought from community and voluntary groups as well as from Social Services, Strategic Services, Residential Group of Environmental Health, Primary Care Trust, and Community Safety.

75. **EQUAL OPPORTUNITIES IMPLICATIONS**

76. Vulnerable households are the traditional client base of Private Housing Renewal services. Disabled households in particular are the client group of the Home Improvement Agency and all teams deal with significant numbers of BME households.
77. Research is still underway into the needs of BME communities with regard to Housing Maintenance and officers recognise the need to promote the new policy to BME communities through publicity and outreach work.
78. Adopting a policy requiring the use of interest charging loans could be seen as discriminatory as some communities object to these on religious grounds. The proposed option of simple equity release loans with a fee instead of interest (as set out in paragraph 67) will aim to make the service available to all.

79. **LOCAL AGENDA 21 IMPLICATIONS**

80. Sustainability is central to all housing renewal activity. The repair and maintenance of existing stock halts decline and ultimately prevents the need for demolition and new building. Housing renewal work preserves older housing as a valuable resource for current and future generations of Southwark residents.
81. Nearly all renewal activity includes specific work on increasing energy efficiency and this helps protect the environment thereby directly contributing to Agenda 21 and climate change policies. Work on tackling fuel poverty in particular helps ensure that the benefits of this are available to all.
82. Innovative schemes such as the use of solar panels and photovoltaics are already part of the Councils approach and these will be further developed under the new policy.

83. **REASON FOR URGENCY**

84. The need to adopt a policy by 18<sup>th</sup> July 2003.

85. **REASON FOR LATENESS**

86. The need to consider recently received Government guidance.

**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Housing Policy Files	21-23 Bournemouth Road SE15	Pat O'Reilly 020 7525 4110

### Audit Trail

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<b>Version</b>	Version [10th July 2003] for consideration by Executive 15 <sup>th</sup> July	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought/ Comments included</b>	
Chief Finance Officer	Yes	Yes
Borough Solicitor & Secretary	Yes	Yes
<b>Executive Member</b>	Yes	No