

CHESHIRE EAST COUNCIL

REPORT TO: Cabinet

Date of Meeting: 2nd April 2012
Report of: Strategic Director – Places & Organisational Capacity
Subject/Title: Private Sector Housing Financial Assistance Policy
Portfolio Holder: Councillor J Macrae

1.0 Report Summary

- 1.1 The Private Sector Housing Financial Assistance Policy sets out the forms of assistance that the Council will make available to owner-occupiers, private landlords and people with disabilities to repair and adapt their homes. This report highlights the role that improving housing has in the Council's emerging public health role and corporate priority to tackle the wider determinants of health.

2.0 Decision Requested

- 2.1 To approve the Private Sector Housing Financial Assistance Policy.
- 2.2 To authorise Officers to take all necessary actions to implement the Policy.

3.0 Reasons for Recommendations

- 3.1 The Council makes a significant financial investment through its capital programme to improving housing conditions for vulnerable people in private sector housing.
- 3.2 Housing is a key determinant of health, and as well as the key links with improvement of the housing stock, the Policy also contributes to the Council's wider strategy to support vulnerable people, reduce child poverty and support the Council's emerging public health role.
- 3.3 The private sector assistance programme supports our corporate priorities to support children and young people, ensure a sustainable future, prepare for an increasingly older population, and drive out the causes of poor health, as well as our safeguarding role for vulnerable adults and young people.

4.0 Wards Affected

- 4.1 All Wards are affected.

5.0 Local Ward Members

- 5.1 All local Ward Members are affected.

6.0 Policy Implications including – Carbon Reduction - Health

- 6.1 Housing is recognised as a key determinant of health, with the condition and suitability of a person's home being closely linked to their health, their care, and their ability to participate in social networks. Poor housing conditions have a causal link to chronic health conditions including heart disease, stroke, respiratory conditions, mental health and arthritis and rheumatism. It is estimated that poor housing conditions in Cheshire East are costing the NHS £4.3million per annum. Improving housing conditions, such as making properties weathertight, improving indoor temperatures, and tackling damp, will have a positive impact on the health of vulnerable people, including older people, people with disabilities, and families with young children living in poverty. The Policy links with a number of cross-cutting agendas on independence in the home, and complements work done across Adult Services, Health and the Fire Service to assist vulnerable people to continue living safely in their own home.
- 6.2 Fuel poverty is the most recognised of housing's influence on health, where people are unable to afford to heat their homes to an adequate level without compromising other essential factors for a healthy lifestyle such as healthy eating or participating in social and physical activities. The Policy seeks to address fuel poverty by improving the energy efficiency of properties and assisting people to heat their home in the most economic way possible, which in turn contributes to carbon reduction, with existing housing being a major contributor to carbon emissions in the UK.
- 6.3 The policy also serves to support bringing empty homes back into use. Making best use of the existing stock contributes to carbon reduction as there is a reduced need for building additional housing and the resultant emissions associated with the manufacture and transport of materials.

7.0 Financial Implications (Authorised by the Borough Treasurer)

- 7.1 The Private Sector Assistance capital programme operates on a rolling programme and unspent funds from previous years are carried forward to subsequent years. The total approved funding available for the programme for the period 2012-13 including carry-forwards is £1,403,000, of which £803,000 was funded by the now defunct Regional Housing Pot. An additional £300,000 p.a. is included in the rolling programme for 2013-14 and 2014-15 which will be subject to further approval.
- 7.2 The Policy includes three formats of assistance: equity share loans, interest free repayment loans, and grants. Consideration has been given to the costs of delivering the assistance and the borrowing costs.
- 7.3 Equity share loans: There is no repayment due on the loan, instead a charge is placed on the property equivalent to a percentage of the value of the

property which is derived from the value of the loan compared to the market value of the property. The Council obtains repayment of the loan when the property is next sold. The expectation is that the property value will increase over time thereby enabling full recovery of the loan amount plus additional funds in lieu of interest covering the lost investment opportunity of tying up capital in the loan. However, there is a risk that the property value may not increase or could fall resulting in a loss on the loan. A further risk associated with secured borrowing arises if there is a prior legal charge – if the applicant goes into arrears in relation to the first charge then there is a risk that the amount of arrears may outstrip the equity in the property. As the first charge will recover the monies due under that charge (and any arrears) in precedence to the Council's charge, then there may be insufficient funds to repay all / some of the Council's loan. Some charges are expressed as allowing further borrowing which may similarly result in the amount of borrowing outstripping the funds available to repay the Council's charge (however first mortgagees do have notice of the Council's charge and do in practice ask the Council whether it will agree to any further borrowing). This arrangement has the advantage of no monthly repayments so is relatively easy to administer.

- 7.4 Interest free repayment loans: The applicant would make monthly repayments until the loan is repaid in full or upon sale of the property, whichever is the earlier. The loan term will range from between 1 and 10 years based on a test of affordability for the applicant. Although these are technically a mortgage, the administration of these loans could be dealt with in the same way as a normal debtor to the Council. There is an opportunity cost of offering interest free loans: by tying up the capital in interest free loans, the Council loses the opportunity to invest the money and receive interest on its investment. Risks associated with secured borrowing outlined at paragraph 7.3 also apply to interest free repayment loans.
- 7.5 Grants are the most costly to the authority as the expenditure is only recouped in the event of a breach of grant conditions, but are easy to administer.
- 7.6 We have discounted using interest-bearing loans as these would take the form of a mortgage. Mortgages in general are difficult to administer. The Council currently uses a mortgage administrator to manage the remaining former district mortgages, which will all be repaid in the next few years. This currently costs around £4,900 per year, which would be an additional cost to the Council in future years if new mortgages were advanced. Alternatively arrangements and resources would need to be made available in house to administer any new mortgages, which will become more onerous if repayments are not maintained.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The Regulatory Reform (Housing Assistance) (England & Wales) Order 2002 repealed much of the existing prescriptive legislation governing the provision of renewal grants to homeowners and replaced it (by Article 3 of the Order) with a new wide-ranging power to provide assistance for housing renewal, including for the purpose of acquiring living accommodation within or outside the council's

area, adapting or improving or repairing living accommodation, demolishing buildings comprising or including living accommodation, and where such buildings have been demolished, constructing buildings which comprise or include replacement living accommodation. The Order also states (by Article 4) that before the powers contained within it can be used, the Council must publish a policy on how it intends to use them.

9.0 Risk Management

- 9.1 The publication of a policy setting out how we intend to use the powers within the Regulatory Reform Order will remove the risk of the Council acting outside of its powers when giving financial assistance for housing renewal.
- 9.2 The revised policy extends the use of legal charges registered at the Land Registry to all forms of loan assistance, replacing the use of local land charges as set out in the Interim Private Sector Assistance Policy 2009. This is the most secure method of registering the Council's interest in a property, and will ensure that the property cannot be disposed of by the applicant or their estate without the Council redeeming its interest following repayment of the loan. Risks associated with secured borrowing are outlined within the Financial Implications.
- 9.3 We have considered the risk of a resident applying for financial assistance who already has an existing charge on their property in favour of the Council as a result of a deferred payment agreement for care costs, or as a result of a Council mortgage. The risks associated with allowing further borrowing are considered on an individual basis for each application for financial assistance under this Policy, and the circumstances of previous borrowing and the amount of available equity in the property examined to ensure that the applicant is not put at financial risk and that the Council has the best possible prospect of recovering the deferred amounts or other secured borrowing and the amount due as a result of borrowing under this Policy.

10.0 Background and Options

- 10.1 The Government believes that everyone should have the opportunity of a decent home. Poor quality housing can have an impact on the health of the occupants and on the quality of life in an area. The Government's view is that it is primarily the responsibility of private sector owners to maintain their own property but it recognises that some owners, particularly the elderly and most vulnerable, do not have the necessary resources to repair or improve their homes. Local authorities therefore have an important role to play in providing assistance in these cases.
- 10.2 Tackling the wider determinants of health forms part of the Council's emerging role in delivering public health. The exact relationship between poor housing and ill health is complex and difficult to assess, however there has been considerable research which demonstrates the links. 45% of accidents occur in the home, and accidents are among the top ten causes of death for all ages. Approximately 10% of all falls in older people will result in an injury, of

which half will have a fracture with the most common fractures being wrist, spine, hip, humerus and pelvis. The forecast for falls in the Central and Eastern Cheshire PCT area is outlined in the table below:

Year	Population Forecast 65+	Estimate of Fallers @ 30%	Falls with Injury @ 10%	Falls with Fracture @ 5%
2007	78,670	23,601	2,360	1,180
2011	86,800	26,040	2,604	1,302
2016	100,100	30,030	3,003	1,502
2021	109,000	32,700	3,270	1,635

Source: CECPT Annual Public Health Report 2009

- 10.3 Local data suggest that around 3,500 to 4,000 older people attend Accident & Emergency Departments (A&E) each year as a result of a fall. Out of a total of 55,103 people attending A&E at East Cheshire NHS Trust between April 2007 and March 2008, 1,484 (2.7%) were fallers over the age of 70 and 51% of these were admitted onto a ward, and 22% to fracture clinic, A&E review or GP follow up.
- 10.4 Cold and damp homes increase the risk and effects of cardiovascular, respiratory and rheumatoid diseases, as well as hypothermia and mental ill health. Young children, older people, and people with illness or disability are more likely to suffer the effects of cold and damp housing.
- 10.5 An interim Private Sector Assistance Policy was adopted in 2009 prior to vesting day of Cheshire East Council, setting out the financial assistance available to vulnerable homeowners to assist them to address poor housing conditions. This interim policy brought together the best practice from the predecessor local housing authorities, pending a private sector housing condition survey across Cheshire East.
- 10.6 The final report from the house condition survey was published in 2011. Key findings from the survey included:
 - Overall, housing conditions in Cheshire East are better than the national picture, with 72.4% of properties meeting the Decent Homes standard.
 - However, the now defunct target set by the previous Government that at least 70% of vulnerable households in the private sector should be living in a decent home has not been reached, with 64.8% found to be living in decent homes. An estimated 11,000 vulnerable households in Cheshire East are not living in a decent home, and they do not have the financial resources to address their housing conditions.
 - There are an estimated 16,400 (11.7%) households living in fuel poverty, and having to spend at least 10% of their income on heating their homes. Crewe has the highest incidence of fuel poverty at 14.1% of the households in private sector housing.

- Energy efficiency improvements for households in fuel poverty were estimated at £27.3million; £15.7million of this amount was needed for households on low incomes.
- Excess cold and falls on stairs were the most frequently found severe risks to health and safety.

10.7 Further work on the financial impact of private sector housing conditions estimated that poor housing is costing health services in Cheshire East £4.3million per annum. Preventative work to improve housing conditions will assist the avoidance of costs associated with health and social care. Falls leading to hip fractures are estimated to cost £28,600 in health and social care costs. Speedy adaptations and repairs to prevent falls, such as improved lighting, handrails and grab rails, are around 400 times cheaper than the cost to statutory services of a hip fracture. In 2006/7, 503 people were operated on for hip fractures within the Central and Eastern Cheshire PCT area; the estimated cost to statutory services of emergency admission, treatment and support exceeds £14million. Many of the risk factors associated with falling can be potentially modified through multi-factorial risk assessments and interventions targeted at those at risk, including low cost environmental modifications in the home.

10.8 A number of problems were identified with the Interim Policy:

1. The method of entering into an unsecured loan agreement with the applicant which is then recorded as a local land charge was a lengthy, complicated process, which was leading to significant delays in approving applications for assistance.
2. There were numerous different types of assistance, which caused confusion for applicants, and there was little or no take-up of some types of assistance.
3. Applicants were experiencing difficulty funding their 50% contribution to some types of assistance, resulting in the works not being carried out.
4. The value of assistance available, together with the interest free loans repaid on sale of the property, made the policy economically unsustainable, in light of the abolition of the Regional Housing Pot in the Comprehensive Spending Review and the pressures on Local Government funding.

10.9 Despite the inherent problems in the Interim Policy, 345 households have benefited from assistance with major repairs, as well as 4238 households where we have contributed towards the cost of insulation, renewable energy or energy efficient boilers.

10.10 The revised Policy has been developed to take account of the problems identified in the Interim Policy, the findings of the house condition survey, and to contribute to priorities set out within the Sustainable Community Strategy and the Council's Corporate Plan, to ensure that everyone has the opportunity to live in decent, affordable and appropriate accommodation. We have also taken account of the pending Green Deal which will provide financial support for energy measures.

10.11 The revised Policy seeks to address four key objectives:

1. Removing the most severe health and safety risks for vulnerable homeowners
2. Tackling fuel poverty
3. Enabling people with disabilities to live independently
4. Bringing empty homes back into economic use, to increase the supply of affordable housing

10.12 Delivery of the revised Policy will deliver a range of positive outcomes for residents in Cheshire East, including reduced risk of home accidents, improved health and well being, improved economic well being, reduced fear of crime and increased opportunities to access suitable housing.

10.13 Financial assistance will be offered to residents in three different formats:

Interest free repayment loans

Applicants will make regular monthly repayments until the loan is repaid. No interest is applied to the loan, and the term of the loan will be agreed between the Council and the applicant, according to how much they can comfortably afford to repay each month, but will not exceed ten years. This allows the Council to recover the loan in a timely manner, and we have found that older people in particular prefer to repay loans rather than have a long standing debt. The loan is secured on the property until the loan is repaid.

Equity share loans

Applicants will not make regular repayments; instead, the Council's percentage share is secured on the property until the property is disposed of. The redemption amount is based on the value of the property at the time of sale. For example, where a property is valued at £100,000 and the person borrows £10,000, the Council takes a 10% stake in the property. When the property is sold, the Council's stake is 10% of the sale price, so if the property is sold for £110,000, the Council receives a repayment of £11,000.

Non-repayable grants

Small grants will be offered in the following circumstances:

- where there is a serious risk to health and safety,
- to facilitate the transfer of care from hospital to home (hospital discharge),
- To support people with disabilities to move to more appropriate accommodation,
- to incentivise the provision of good quality private rented housing through the Cheshire Landlord Accreditation Scheme, and
- to top-up a Warm Front grant where the costs of the works exceeds the Government's maximum grant

10.14 The revised Policy addresses the issues outlined in Paragraph 10.8, by:

1. Replacing unsecured loan agreements recorded as local land charges with legal charges registered at the Land Registry to provide greater security of the Council's interest and simplify and expedite the application process.
2. Condensing and revising the types of assistance, providing greater clarity to applicants.
3. Revising the value of assistance on offer – in some cases we have reduce the maximum grant / loan available, and have also revised circumstances where we require applicants to contribute 50% of the costs.
4. Amending the method of repayment, by replacing interest free loans repayable on the sale of the property with a choice of interest free monthly repayment loans and equity share loans.

10.15 The revised Policy provides for the following types of assistance:

1. **Safe & Warm Assistance** – a loan of up to £10,000 for vulnerable low-income owner-occupiers to carry out major repairs which threaten their health and safety. The loan is repayable as either an interest-free repayment loan or as an equity share loan.
2. **Urgent Works Assistance** – a grant of up to £1,000 for vulnerable owner-occupiers where there is imminent risk to health and safety or there is another urgent need to carry out the work quickly. Vulnerability is defined by the Decent Homes Standard and/or where the resident has a chronic or terminal illness.
3. **Disabled Facilities Grant** – a mandatory grant provided under the Housing Grants, Construction and Regeneration Act 1996 for up to £30,000 towards disability adaptations. The grant is means-tested, except where the disabled person is a child.
4. **Additional Disabled Facilities Assistance** – a loan of up to £10,000 to enable people who couldn't otherwise afford their contribution towards a Disabled Facilities Grant to go ahead with the adaptations to their home. The loan is repayable as either an interest-free repayment loan or as an equity share loan.
5. **Disability Relocation Assistance** – a grant of up to £3,000 to assist disabled people to move to a more suitable home, where their property is not suitable for adaptation
6. **Landlord Accreditation Assistance** – a grant of up to £1,500 to improve privately rented accommodation. Access to this grant will be restricted only to landlords who have been accredited as providing good management and property standards.
7. **Empty Homes Assistance** – a loan of up to £10,000 to assist owners of empty properties to bring them back into use either for their own use or to let to tenants. The loan is repayable as an interest-free repayment loan or as an equity share loan.
8. **Warm Front Contribution Assistance** – a grant of up to £500 to assist people who are unable to afford their contribution towards a Government-backed Warm Front grant.

10.16 The draft Policy was presented to the Environment & Prosperity Scrutiny Committee on 21st February 2012. The Committee endorsed the Policy and made the following comments and recommendations:

- The preventative nature of investment in home repairs was apparent and may serve to attract investment from health partners.
- Concern was raised that older people not in receipt of means tested benefits were unable to access financial assistance with home repairs. **The policy has been amended to cover circumstances where older people are on a low income which is above the means tested threshold, to assist them with the full cost of any repairs that are needed.**
- The value of low level repairs was highlighted, particularly grab rails and small repairs that prevent falls. **Assistance is provided by Adult Services with minor adaptations for people eligible for social care, and by the Home Safety service delivered by Strategic Housing to assist self-funders.**
- Clarification was sought on the level of risk associated with secured borrowing where the Council's interest is the second charge. **Paragraph 7.3 has been amended to better reflect the level of risk associated with secured borrowing.**

10.17 A period of public consultation was held between 5th December 2011 and 24th February 2012. We received 19 written and 4 verbal responses to the consultation. Respondents were supportive of the objectives of the Policy. Views expressed in the consultation have been considered and, where appropriate, amendments have been made to the Policy. Most notable changes include:

- Providing more financial assistance for older people who are on a fixed low income but are just above the threshold to qualify for means tested benefits.
- Including renewable energy technology as eligible works
- Simplifying the Empty Homes Assistance to meet the needs of a wider range of eligible applicants, and providing applicants with a choice of loan terms
- Restricting the number of grants and loans that landlords can access per year, to ensure equity in provision.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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