

EXECUTIVE OF THE COUNCIL – 14 NOVEMBER 2006

Minute Item No 25

25 Update on the Scheme of Assistance (Agenda item number 33)

An update was provided on the development of the Scheme of Assistance for homeowners since its launch in April 2006. Progress was also reported on the pilot projects at Holyrood and Lochview Court, Coillesdene House, Maidencraig Court, Reid's Close and Lochend Corolites.

Decision

- 1) To note the initial findings from piloting the Scheme of Assistance.
- 2) To refer the report to the Resource Management and Audit Scrutiny Panel.
- 3) To seek a further report in May 2007 to provide a review of the first full year of the Scheme of Assistance pilot.

(References – Executive 6 September 2005 (item 14); report no E/336/06-07/SfC by the Director of Services for Communities, submitted)

Update on the Scheme of Assistance

Executive of the Council

14 November 2006

1 Purpose of report

- 1.1 In September 2005 the Council approved the Scheme of Assistance, which provides advice, information and financial assistance to homeowners who may face difficulties in meeting the costs of repairs to their homes. The financial assistance is provided through access to equity release loans.
- 1.2 This interim report provides an update on the how the Scheme of Assistance has developed since it was launched in April 2006 as requested by the Resource Management and Audit Scrutiny Panel at its meeting of 6 October 2005.

2 Summary

- 2.1 The Council was not able to pilot the range of financial assistance until April 2006. This was due to the fact that contractual negotiations with the two not-for-profit lenders took longer than anticipated to conclude. It is therefore recognised that this report comes at a very early stage in the pilot and consequently too early to fully evaluate the pilot.
- 2.2 Despite the delay in launching the pilot the Homeworks team received 40 enquiries about accessing loans through the Scheme of Assistance between April and August 2006.
- 2.3 Although, to date, there has been low take up of loans in the nominated pilot projects, owners are still participating in the HRA programmes. The investment from owners in the 3 pilot projects which are currently underway at Coillesdene House, Lochview and Holyrood Court, and Reids Close, represent a total estimated amount of £722,000.
- 2.4 As previously agreed by the Council, the long term aspiration would be to make the Scheme of Assistance available to other owners across the city. Our ability to do this will be carefully monitored during the remainder of the pilot and a report submitted to the Council Executive. However, early indications are that

extending availability of the Scheme more widely would be feasible given the level of demand on the funding to date.

3 Main Report

Background

3.1 The Council agreed to develop the Scheme of Assistance as a sustainable and fair approach to enabling homeowners to undertake repairs and improvements. This approach allows assistance to be provided to a far greater number of owners than is possible under a grant-based approach and encourages a culture amongst homeowners of taking responsibility for maintaining their homes.

3.2 The aims of the Scheme of Assistance are to:

- maximise the impact of public resources by leveraging in private investment and thus assist a far greater number of homeowners than was possible under the Council's previous grants based approach
- encourage owners to recognise that they have the primary responsibility for maintaining their homes
- more effectively address disrepair in private housing
- provide a sustainable and fair approach to providing assistance to help homeowners improve and repair their homes

3.3 The Scheme of Assistance is made up of two elements:

- general information, advice and signposting service available to all homeowners. This provides information on home repairs, maintenance and improvement, employing builders and tradespeople, and accessing finance.
- financial assistance available to homeowners living in housing where repairs or improvements are required to the common areas of their homes and who face genuine difficulties in meeting the costs. This financial assistance will take the form of equity release loans.

3.4 In September 2005 the Council approved the Scheme of Assistance and agreed to pilot the financial elements across a number of projects where Council-supported repairs and maintenance are being undertaken.

Progress to Date

3.5 The provision of advice and information is a key element of the Scheme of Assistance, and allows us to offer practical support to all homeowners. The Homeworks team have developed a suite of leaflets providing a wide range of practical advice and information for homeowners on managing and paying for

building repairs and maintenance. These are distributed widely and Homeworks have received positive feedback regarding the usefulness of these leaflets. Approximately 100 leaflets are sent out to customers each month.

- 3.6 Homeworks also disseminate information about the assistance available for homeowners through the work they do with partners and by organising or taking part in events. In June 2006 Homeworks organised a very successful event to help flat owners manage common repairs. Over 200 members of the public attended the event and benefited from advice and information from a wide range of internal and external partners.
- 3.7 Piloting the financial assistance was delayed until April 2006 due to the fact that contractual negotiations with the two not-for-profit lenders took longer than anticipated to conclude. Contracts with the Home Improvement Trust (HIT) and ART Homes Ltd were signed in April 2006.
- 3.8 Since April 2006 the Council has been able to offer homeowners the following range of financial products provided by these two lenders (all of which provide a guarantee of no repossession):

Product	Features	Aimed at:	Lender
Property Appreciation Loan	This product requires no repayment of capital or interest during the life of the loan and is expressed as an agreed percentage of the property value. When the property is sold, the borrower repays the same percentage of the sales proceeds. The loan therefore benefits from any appreciation in the property value.	All homeowners unable to pay for repairs	ART Homes Ltd
Capital & interest Repayment loans	Regular repayments of interest and part of the original capital	Homeowners over 60 years of age and disabled people	HIT
Interest only loans	Repayments of interest only Capital repaid at end of loan (borrower needs to make provision to pay off original capital at end of loan period)	Homeowners over 60 years of age and disabled people	HIT
Capital Release No Service loans	No repayments of capital or interest until home no longer main residence but interest is 'rolled up' and repaid when house sold/ owner dies along with original capital	Homeowners over 75 years of age	HIT

- 3.9 Due to the costs of processing equity release loans it is not financially viable to offer such loans below £2,000. In order to help homeowners with smaller repairs an agreement has also been developed with Capital Credit Union to refer clients who may require a loan of up to £2,000.
- 3.10 These financial products are currently being offered to the following customer groups:
- projects led by Building Design Services
 - customers of Edinburgh Stair Partnership
 - homeowners where Statutory Notices have been served by Property Conservation
 - customers who are over 60, or disabled, where the work is being project managed by Care and Repair.

3.11 Between April 2006 and the end of August 2006:

- 40 customers enquired about accessing a loan through Scheme of Assistance
- 13 interviews to assess eligibility were conducted
- 1 loan offer was issued

Of the 13 interviews conducted

- 7 were with homeowners who had been served Statutory Notices, with a potential total loan value of £117,500
- 5 were with homeowners where mixed-tenure projects were being carried out by BDS, with a potential total loan value of £41,800
- 1 was a customer of Edinburgh Stair Partnership with a loan value of £3,700. This loan application has progressed to an offer being made.

We expect to make offers to a further 7 with an expected total value of £75,300 The other 5 are exploring other financial options.

3.12 Although take-up may be considered to be relatively low to date, the products have only been available since the contracts were signed in April 2006 and due to the nature of the work the loans support, it can take some time to proceed to the stage at which the loan is required.

Owners have generally responded positively to the Scheme of Assistance. This has been particularly noted in cases where Statutory Notices have been served. Prior to the pilot of the Scheme, we were unable to offer any financial assistance to customers where a Notice had been served. Some people would have faced genuine financial difficulty in paying for the repairs. Now

we are in a position to offer various loan products to those who meet the criteria.

Pilot Projects

3.13 In the Council Executive report of 6th September 2005, several projects were identified as being suitable for the Scheme of Assistance to be piloted. The information on Scheme of Assistance has been made available to homeowners in these projects on a number of occasions. Leaflets have been issued to homeowners, meetings have been held with groups of owners and with individuals. While some interest has been shown in the loan products, as yet none of the owners involved in the pilots have progressed to loan offer stage. Most are finding other financial sources to fund the work. We will continue to make the Scheme of Assistance available to owners in the pilot projects until the final invoices for work are issued as the owners' circumstances may change over that period.

3.14 Progress on each of the pilot projects is detailed below:

Holyrood & Lochview Court

Information on the Scheme of Assistance was provided to all 51 owners in these blocks. Information leaflets were issued, and meetings were held with groups of owners and with individuals. Two owners have noted interest in the Scheme of Assistance and the other owners are finding their own sources for funding the work. Work is now proceeding to the blocks.

Coillesdene House

All 31 owners in Coillesdene House have been provided with information on the Scheme of Assistance. Meetings have been held with groups of owners and individual owners. One owner has noted interest. There was some dissatisfaction expressed amongst these owners that grants were not available to them but the scope of works has now been agreed and is being progressed.

Maidencraig Court

This work is on hold until owners agree whether the lift should be refurbished or renewed. All 34 owners have been provided with information on the Scheme of Assistance. Leaflets were issued to all owners and a meeting was held. One owner noted interest in the scheme prior to the work being put on hold. Homeworks are being kept informed by BDS of the progress with this project and will continue to provide information and support to the owners as required.

Reid's Close

All 4 owners were provided with information on the Scheme of Assistance. The owners joined Edinburgh Stair Partnership (ESP) as a result of their contact with Homeworks and the project is being managed by ESP. The owners had initially expressed interest in Scheme of Assistance but are finding their own sources to fund the work.

Lochend Corolites

This project did not proceed as the owners chose a different approach to carrying out the work which was of a lower standard than that proposed by BDS. However this work is progressing and the owners are finding their own sources of funding for the work.

- 3.15 The removal of grants does not appear to have had an adverse affect on how quickly works have progressed. However future mixed tenure projects where no grant at all is offered will give a better indication of whether this is the case.

Future developments

- 3.16 As previously agreed by the Council, the long term aspiration would be to make the Scheme available to other owners across the city. Communities Scotland have indicated that they would support such an extension. Our ability to do this will be carefully monitored during the remaining pilot period and a report submitted to the Council Executive.
- 3.17 The City of Edinburgh Council is the first Scottish Local Authority to have developed a Scheme of Assistance for homeowners. Following the recent Housing (Scotland) Act 2006, all other local authorities will be required to set out the range of assistance they offer to homeowners.
- 3.18 The Council is taking a lead role in encouraging joint working between Local Authorities, the Scottish Executive and Communities Scotland. As well as sharing good practice, the aim of this joint working is to explore opportunities to jointly develop financial products for homeowners across Scotland. Two successful seminars have been hosted by the Council. The most recent of these, in July, was attended by 24 other Local Authorities, the Scottish Executive and Communities Scotland.

Monitoring and Evaluation

- 3.19 Internal monitoring and evaluation systems have been set up as part of the pilot. The loan providers will also be asked to provide information on the loans that are advanced and together we will be able to track the information provided to homeowners, the take up of loans and the amount available to the loan fund. (The type of information to be monitored is listed at Appendix A) This will be reported at meetings between Homeworks and the loan providers, to be held on a quarterly basis, the first meeting of which was held on 1st November 2006.

Financial Implications

- 3.20 Resources for the development and implementation of the Scheme of Assistance come primarily from existing Private Sector Housing Grant: the funding available from Communities Scotland to support local authorities' private sector housing strategies.

3.21 As part of the contract with ART, a loan fund of £250,000 for the Property Appreciation Loans has been set up as a revolving fund that ART administer on our behalf, with the opportunity to top this up to a maximum of £500,000,. The loans are paid from this fund to homeowners and repaid to it when the property is sold.

3.22 The funding for loans provided by HIT is from partner Building Societies.

4.0 Conclusions

4.1 The Scheme of Assistance is a sustainable and fair approach to providing assistance to help homeowners improve and repair their homes. It will maximise the impact of public resources by levering in private investment and thus assist a far greater number of homeowners than was previously possible, and encourage owners to recognise that they have the primary responsibility for maintaining their homes.

4.2 Whilst the pilot of the financial assistance was delayed until April 2006, the initial feedback has been positive

4.3 The long term aspiration of the Scheme of Assistance would be to make the Scheme available to other owners across the city. Our ability to do this will be carefully monitored during the remaining pilot period and a report submitted to the Council Executive.

5.0 Recommendations

5.1 The Council Executive is asked to:

- note the initial findings from piloting the Scheme of Assistance
- refer this report to the Resource Management and Audit Scrutiny Panel
- seek a further report in May 2007 to provide a review of the first full year of the Scheme of Assistance pilot .



Mark Turley
Director, Services for Communities

3/11/06

Appendices: Monitoring and Evaluation

Contact tel: Sarah Burns, Private Housing Services Manager : 529 7257

Wards affected All

Background Papers Homeworks – Development of a Scheme of Assistance for Homeowners – Report to Council Executive 6 September 2005
Scheme of Assistance – Management Arrangements
Resource Management and Audit Scrutiny Panel 10 November 2005

Appendix A –Monitoring and Evaluation

Internal monitoring and evaluation systems have been set up as part of the pilot. The loan providers will supply the following information:

Referrals

- Number of households referred
- Profile of households referred
- Reason for referral
- Reason for not taking up equity release loan
- Source of alternative finance
- Reason for refusal of equity release loan

Loans

Amount of:

- loans advanced
- equity release (& as a proportion of total available equity)
- private finance levered in with public funds
- repairs/ improvements facilitated
- homes bought up to SHQS
- loans repaid
- default on loans
- the loan fund (in the case of Property Appreciation Loans)