

Report of Service Manager Private Sector Housing

Report to Director of Environment and Housing

Date: 25th September 2014

Subject: The creation of an interest free repayment loan for Empty Home Owners in partnership with the Leeds Credit Union

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Reducing the number of empty homes in the city is a priority of the Council. To achieve this aim it has adopted a number of different approaches to maximise the impact it can have to bring empty homes back into use. To support the work undertaken to address empty homes the Executive Board agreed the Leeds Neighbourhood Approach in September 2012 and allocated additional funding to deal with empty homes.
2. In September 2013 the Director of Environment and Housing agreed to the creation of an Empty Homes Loan Scheme which lent up to £30k per property based on the equity available.
3. As part of the continuing review of ways to increase the number of empty homes brought back into use a review of the financial assistance available has been undertaken. It is proposed to create an additional loan to support empty home owners. This will be an interest free loan over 2 years and up to £5k based on an individual's ability to pay rather than the value available in a property. It is proposed to administer the loan via the Leeds City Credit Union Ltd (LCCU), with the money recycled back into the scheme to help further owners bring properties back into occupation.
4. The LCCU already administer a number of similar schemes to assist vulnerable home owner occupiers for Environment and Housing and have experience of working with the Council to deliver such loans. To appoint LCCU will require the wavier of the Council procurement rules, namely Contracts Procurement Rule 12.

Recommendations

5. The Director of Environment and Housing is recommended to approve the creation of an interest free empty home loan administered by Leeds City Credit Union on behalf of the Council.
6. The Director of Environment and Housing is recommended to waiver procurement rules to appoint Leeds City Credit Union to administer the loan scheme on behalf of the Council
7. The Director of Environment and Housing is also recommended to agree and approve spend of £200k which will be held by the Leeds City Credit Union on behalf of the Council.

1 Purpose of this report

- 1.1 To approve the creation of a new interest free empty homes loan administered on behalf of the Council by the LCCU. The budget for the scheme is proposed to be £200k which will be recycled to support the return of empty homes back into use.

2 Background information

- 2.1 Returning empty homes is a priority for the Council. To support this aim the Executive Board has agreed to increase financial support to deliver new ways to bring homes back into use. The Council already has an Empty Property Loan of up to £30k, based on the equity in a property. The loan was created to support the proposed National Empty Property Loan whose aim was to lend smaller amounts to allow owners to return their homes back into use in a shorter period of time. Unfortunately the proposed National Empty Loan scheme will no longer come to fruition.
- 2.2 As the National Loan scheme will no longer be available a review of the financial assistance has been undertaken. Discussions with colleagues, partners, and empty home owners shows the need for a simple small loan scheme which provides a small amount of funds to allow an owner to undertake essential works to bring their homes up to a rentable standard. This will allow them to return their homes to use quickly and ensure that they can continue to maintain them via the rental income they will receive.
- 2.3 At the time of the demise of the National scheme 10 empty home owners had made initial applications for assistance. Officers have discussed the existing equity release loan with owners and it does not meet their needs as they require a small amount of funding quickly to get their properties returned to occupation. In discussions owners have indicated that a small easily accessible loan would greatly assist them in most instances.

3 Main issues

- 3.1 It is proposed to create an additional empty homes loan scheme to replace the concept of the National Loan scheme which was to provide small simple loans to help owners return their property back into occupation. The Council is looking to make a step change in addressing empty homes, reducing the number of vacant properties across the city. Whilst it has been successful in returning vacant homes, the offer of financial assistance to owners has been an issue raised in meetings with owners by Officers. The demand for such assistance has been highlighted by owners and such loans have proved to be successful when introduced in other areas of the Country.
- 3.2 The proposed loan would be based on an individual's ability to repay the monies, rather than linked to the value of the property. It is proposed to model the scheme on a similar successful loan operated by the City of Wakefield Council and their credit Union, The White Rose Credit Union. The loan would be interest free, up to £5k over a maximum of 2 years. The loan would be paid to the owner following a full credit check and after they had made the first monthly repayment. This would

allow them to have access to the funds allowing them to undertake agreed works to return the property back into occupation. This will remove any cash flow issues which may be a barrier to works. City of Wakefield allocated a budget of £190k to their project. In the last 18 months this has helped return 38 empty homes back into occupation, with no bad debt.

- 3.3 The White Rose Credit Union who administered the loan on behalf of the City of Wakefield Council have now been incorporated into the LCCU. It is proposed to use the LCCU to administer the loan on behalf of the Council. They already administer the loan on behalf of the City of Wakefield Council, so have the necessary experience of the scheme. This would reduce the time and resources required to set up and deliver the scheme in the city.
- 3.4 LCCU also have considerable experience of administering loans on behalf of the Council, working in partnership to provide interest free loans for vulnerable owner/occupiers to repair their homes and with owners to help support Green Deal works across the city. As an ethical lender they have worked with the Private Sector Housing service on projects such as Leeds Neighbourhood Approach to support occupiers manage their income and help with issues of financial inclusion.
- 3.5 LCCU will undertake all credit checks to ensure that any owner is able to afford the repayments from their personal income and not have to rely upon any potential income such as rental income from letting the property once works are complete. A fee will be paid to LCCU for the work that they would undertake to administer the scheme on the Council's behalf.
- 3.6 For LCCU to administer the scheme it would be necessary for approval of a waiver of procurement rules under Contractual Rule 12.
- 3.7 It is proposed to provide an initial budget of £200k to operate the scheme. These funds have been made available for 2014/5 within the Leeds Neighbourhood Approach budget. These funds would be transferred to LCCU but remain within the ownership of the Council. Any monies repaid as part of the scheme would be recycled to assist further owners with returning their homes back into occupation.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The new proposals have been discussed with Senior Managers, the LCCU, empty property owners and third sector partners. Discussions with partners and owners have shown a demand for such a loan scheme.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The project forms part of the Empty Homes Strategy 2012/15. An Equality, Diversity, Cohesion, and Integration Report has been produced for the overall Empty Homes Strategy which has previously been published. A screening document covering the loan scheme has been attached as part of the background papers.

4.3 Council policies and City Priorities

- 4.3.1 Addressing empty homes in the city is one of the Council's top 10 priorities. Empty homes are a potential house for someone when the supply of homes is an issue for the city.
- 4.3.2 The Council's progress in addressing the issue of empty homes is monitored by the Housing and Regeneration Plan and is one of their targets which is monitored on a quarterly basis. The overall Council target for 2014/5 is to return 3200 empty homes back into use and have a net reduction of 400 long term empty properties from April 2014 to March 2015.

4.4 Resources and value for money

- 4.4.1 Resources for the management of the Empty Homes Repayment Loan are already available within Housing Partnerships. The existing Empty Homes and Homes Improvement Team have the necessary skills, knowledge and experience to implement and manage the proposed scheme.
- 4.4.2 Initial discussions with LCCU have shown that they are able to administer such a scheme. They have all the experience knowledge and skills to administer such a loan scheme on behalf of the Council. LCCU have just amalgamated with the White Rose Credit Union who administers a similar scheme for the City of Wakefield Council.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 Legal Services will draw up the necessary legal agreement between the Council and the LCCU. This will require signing by both parties prior to the commencement of the scheme.
- 4.5.2 Whilst the scheme will be administered by the LCCU the funds held by them for the scheme will remain the Council's at all times.
- 4.5.3 The Chief Procurement Officer has advised that it would be lawful for the Council to approve a wavier under Contracts Procedure Rule 12 in these circumstances, provided the Director of Environment and Housing is satisfied that there are compelling reasons to do so.

4.6 Risk Management

- 4.6.1 The legal agreement will ensure that all money involved in the loan scheme will remain in the ownership of the Council. The legal agreement will include a clause regarding the repayment of all monies to the Council should there be an issues with the scheme or the performance of the LCCU.
- 4.6.2 LCCU have the necessary financial expertise to manage the loans, including debt management.
- 4.6.3 With any loan scheme there is always a risk of bad debt. Current levels of bad debt on LCCU loans are around 5%. A similar loan product operate by the City of Wakefield Council is currently running at zero bad debt on £120k lent. Obviously it is not expected that this level of bad debt will continue on this scheme. The level

of bad debt will be monitored as part of the regular performance meetings between both parties.

5 Conclusions

- 5.1 Addressing the issue of empty homes is a top priority for the Council. Currently there are a number options offered to owners to assist bring their properties back into occupation. The Council currently offers an equity release loan to empty homes owners. Unfortunately the National Empty Property Loan scheme will now no longer come to fruition.
- 5.2 To replace the concept of the National Loan scheme it is proposed to introduce an additional empty homes loan in Leeds. This would be interest free and up to £5k over 2 years. It will be based on an individual's ability to pay rather than linked to the value of their property.
- 5.3 To allow the loan to be administered it is proposed to work with the LCCU to deliver the scheme. This would be subject to the approval of the scheme, the waiver of procurement rules and a legal agreement between the two parties.

6 Recommendations

- 6.1 The Director of Environment and Housing is recommended to
- 6.2 Approve the creation of the interest empty homes loan in conjunction with the Leeds City Credit Union.
- 6.3 Approve the appointment of the Leeds City Credit Union to administer the new scheme on behalf of the Council
- 6.4 Approve spend of £200k to allow the interest free loan to be implemented and approve that the funds be continually recycled to support the return of empty properties.
- 6.5 Approve the transfer of the £200k to the Leeds City Credit Union on the formal signing a legal agreement between both parties in relation to the scheme

7 Background documents¹

- 7.1

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.