

**COUNTYWIDE EQUITY RELEASE SCHEME FOR CAPITAL IMPROVEMENTS  
TO THE HOMES OF OLDER AND VULNERABLE PEOPLE**

**Proposal:**

To develop a Countywide Equity Release Scheme that will provide owner occupiers with greater choice of practical solutions and funding opportunities to improve non decent homes.

**Key aims:**

To achieve a positive step change in the condition of private sector Housing and reduce the number of vulnerable people in non decent homes in the County.

Increase customer choice and confidence through the development of innovative new approaches to private sector renewal using financial products to increase the capacity of public funds, access additional resources and promote responsible home ownership and investment.

Build upon the advice services provided by the Home Improvement Agencies by broadening the practical solutions and funding opportunities that are available, including equity release, that will allow additional vulnerable households to carry out improvements towards the decent home standard over and above what would have been possible solely through the partner local authorities' existing grant programmes.

**General principles:**

**To help meet the Government, Regional and Sub Regional housing priorities as follows:**

- PSA7: Increasing the level of vulnerable households occupying decent homes within the private sector. Targets of 70% by 2010 and 75% 2020
- The Communities Plan: The Government's agenda for supporting activities that target weak or disadvantaged neighbourhoods to promote successful communities and positive housing markets. In particular supporting regional priorities within Housing Market Renewal Areas and Growth Agenda.
- The Regulatory Reform (Housing Assistance)(England and Wales) Order (2002) encourages local authorities to provide a more innovative approach and gives local authorities more local control over how they

work to meet local housing condition needs. The order requires authorities to provide a broader range of assistance to the private sector, not just limited to the allocation of repair grants; it recommends loans and equity release schemes as an alternative form of assistance. These activities feature within activities associated to addressing PSA7 targets, Fuel Poverty, Housing Market Renewal and the Communities Plan.

### **How the proposal will add value over and above existing work**

Working alone, individual local authorities have limited resources to effectively implement and support individual equity release schemes to assisting owner occupiers of high value property who are low income households. Accordingly the proposal as an LAA priority is to develop a countywide service that will enable the provision of a broader range of financial assistance to the private sector through equity release to supplement the limited availability of traditional LA repair grants.

### **Options for developing a scheme for Worcestershire**

Subject to countywide commitment being gained from the individual local housing authorities, the development of a countywide scheme could be based upon:

- i) A stand alone scheme for Worcestershire.
- ii) Development as part of a national or regionally established scheme such as Houseproud or ART Homes
- iii) As a possible extension of the West Midlands Private Sector Kick Start Programme.

### **West Midlands Private Sector Kick Start Programme**

The West Midland Sub Region Kick Start Partnership was formed in October 2003. Its membership consists of seven local authorities, Birmingham, Dudley, Walsall, Coventry, Stoke, Wolverhampton and Sandwell, and non-local authority members Mercian ART Homes and Black Country Housing Association.

The Partnership submitted a proposal to the West Midlands Regional Housing Board (RHB) and subsequently received approval for £6.4M to support a three-year pilot programme. The programme was designed to use action learning to develop and evaluate the use of loans and to accelerate the development of policy, best practice and robust delivery mechanisms.

The programme delivery plan was approved by the WMRHB in May 2004. It outlined a programme of 11 local demonstration projects. Using experience from the programme its aim was to evaluate how loans, and in particular the equity

release product Property Appreciation Loan, assist to improve private sector housing conditions and contribute towards PSA 7 targets.

### **Future Kick Start Development Proposals**

The West Midlands Sub Regional Kick Start Partnership proposes to develop a regional framework to co-ordinate the delivery of loan-based assistance with the aim of enabling improved service delivery and private sector leverage in support of non-commercial loans. The partnership has recommended to the RHB that funding is made available and that local authorities within the West Midlands Region are encouraged and supported to access the regional funds. The aim being to positively contribute to the delivery of the West Midlands Regional Housing Strategy through the use of financial solutions to assist those who have no alternative financial means to address the costs of essential home improvement or relocation and add to the value for money and quality of services by adopting collaborative working practices between local authorities and key delivery agencies.

### **Proposed Pilot Scheme for Worcestershire**

Subject to RHB funding being made available either through top slicing of allocations made to the Kick Start Partnership or by allocations being made directly to Worcestershire authorities, it is proposed that a joint Pilot Scheme be developed on the following basis:

- A county scheme be developed within the framework set up by the existing Kick Start Partnership and the contractual arrangements developed for the 'loan arrangement and set up' facilities provided by ART Homes.
- Clear parameters being agreed in respect of the client groups to qualify for assistance and a criteria for the type of renovation work for which funding can be released for under the scheme.
- The scheme being jointly formulated and agreed between the 6 Worcestershire authorities with set criteria for the type of repair work for which a loan could be used for and a minimum level of loan that would be considered.
- Agreement upon the conditions that would apply to the equity release loans granted would be reached between the participating authorities in liaison with the Kick Start Partnership and RHB. These conditions would regulate the mechanism, fees and charges applicable to all of the equity release loans awarded by Art Homes for cases referred and subsidised under the scheme. It is considered that the basis for the loans would be based upon a formula whereby the loan would be assessed as a

percentage of the value of the property at the time of the loan being taken out. This percentage would then be applied to the value of the property at the time that the loan is redeemed. Accordingly the scheme would allow for interest charged on the loan to be applied strictly in accordance with the increasing value of the property.

- The primary source of funding to provide equity release loans would be the allocation made by the RHB either directly to the participating authorities or via top slicing of the allocation made to the Kick Start Partnership.
- Match funding (revenue) would be provided by the participating authorities to fund the fees charged by ART Homes (£250 - £500) in setting up the loans and any additional costs charged by the two Care and Repair Agencies in extending the SLA to incorporate the more lengthy option assessment and referral process.
- Participating authorities would be required to jointly fund any additional fees charged by the two Care and Repair Agencies for handling the option assessment and referral processes, irrespective of the take up by applicants from the individual districts.
- Participating authorities would be required to individually budget for funding the investigative and set up costs charged by Art Homes for individual cases within their district that are referred by the Care and Repair Agency for consideration under the scheme. Art Homes charge fees of between £250 for assessment through to £500 for cases where an equity release loan has been successfully set up.
- Upon the redemption of loans, the amounts recovered would be recycled into a countywide pot that would supplement any future funds committed to the scheme from the RHB, local authorities or other sources.

The development of a pilot scheme within the framework developed by the Kick Start Partnership is considered to have the following benefits:

- To benefit of the experience of the working practices, policy, procedures and contractual arrangements already developed by the Kick Start Partnership.
- Working within the Kick Start Partnerships framework may assist in accessing RHB funding.
- The Kick Start Partnership is currently negotiating with private sector commercial funders to agree a scheme that would bring in private funding to supplement the public sector funding available to provide equity release

loans. A degree of public subsidy will be required to enable the private sector to become involved as the conditions and lower level of interest that would be acceptable to a local authority scheme would not be financially viable to a commercial funder. As the Kick Start Partnership grows in membership it may be better placed to negotiate input of funding from the private sector at lower levels of subsidy. This may be on the basis of loans being jointly funded from public and private sources (proposed 70/30 split) whereby upon redemption, a larger proportion of the repayment would be repaid to the private funder.

### **Proposed outcomes and targets**

The development of an Equity Release Scheme will improve Counties ability to meet specific targets and outcomes towards meeting national and regional private sector and decent homes priorities.