

SHEFFIELD CITY COUNCIL

Executive Leader Report



Report of: Executive Director Communities

Cabinet Portfolio: Housing

Date: 25 February 2016

Subject: Introduction of Energy Repayment Loans

Author of Report: Chris Galley

1. Summary:

- 1.1 This report seeks to expand the remit of the original Regional Home Appreciation Loan (HAL) Scheme which was first set up through the then Regional Housing Board as a regional fund with Sheffield City Council (“the Council”) as the fund holder and regional loan administrator for all 21 local authorities in Yorkshire and the Humber in 2004/5 (See Appendix A). The purpose of these loans was to provide an affordable way for financially vulnerable home owners living in non decent properties to repair and improve them without resorting to grant assistance.
- 1.2 The intention was, and still is, to enable this fund to be recycled as loans are redeemed. Although no new funding has been received from government since 2010, the value of loans redeemed over the years has built up to enable further small loans to be advanced across the region.
- 1.3 It is proposed to recycle funds from redeemed HALs to help tackle Excess Cold and Fuel Poverty across the Yorkshire and Humber region. Excess cold is one of the most common reasons for failure of the Decency standard, and which contributes most significantly to ill health and costly fuel bills, particularly for the most vulnerable.
- 1.4 Development, direction and monitoring of loans and performance is done through and in consultation with the Regional Loans Board -comprised of local authority representatives across the region. The Regional Loans Board, with whom we have worked closely in the development of this proposed scheme, supports the introduction of an affordable Energy Repayment Loan (ERL)

available across the region to complement and supplement other energy efficiency measures available through other routes.

1.5 Sheffield would benefit directly in this initiative as a proportion of the available funding will be specifically allocated.

1.6 The running costs associated with these proposals will be covered by the scheme so there will be no impact on the general fund budget.

2.0 Reasons for Recommendations:

2.1 To enable the Homes and Loans Service to continue providing a relevant service to local authority partners across the region. This is an opportunity to make use of an existing fund to be used against an identified national need to tackle excess cold and fuel poverty.

2.2 To help contribute to meeting the aims of the Corporate Plan, particularly aspects associated with 'better health and wellbeing.'

3.0 Recommendations:

- 1) That the Energy Repayment Loans scheme detailed in this report be approved.
- 2) That the Set Up Charge and the Default Charge set out paragraphs 8 and 9 of the report, be approved.
- 3) That the Regional Loans Manager be authorised to implement and administer the scheme, including the exercises of the discretions detailed in the report.
- 4) That the Regional Loans Manager be authorised to negotiate and agree the terms with any local authority wishing to participate in the scheme.
- 5) That the Head of Service (Sustainable City) be authorised to amend the scheme, including the Set Up Charge and the Default Charge.
- 6) That where a local authority within the Yorkshire and Humberside region, in accordance with the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012, have delegated the discharge of the loan function relating to the Energy Repayment Loans scheme, as detailed in the report, to the Council, that the acceptance of the delegation and the exercise of those functions, be approved.

Background Papers:

Cabinet Reports 24th March 2004, July 2005 - introduction of a range of loans accessible to home owners who could not easily obtain commercial loans, in order to help them bring their homes up to the Government's Decency Standard

Category of Report: OPEN

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
/NO Cleared by: Karen Jones
Legal Implications
/NO Cleared by: Brendan Twomey
Equality of Opportunity Implications
/NO Cleared by:
Tackling Health Inequalities Implications
/NO
Human rights Implications
/NO:
Environmental and Sustainability implications
/NO
Economic impact
/NO
Community safety implications
/NO
Human resources implications
/NO
Property implications
NO
Area(s) affected
Relevant Cabinet Portfolio Leader
Cllr Jayne Dunn/Cllr Julie Dore

Relevant Scrutiny Committee if decision called in
Economic and Environmental Wellbeing
Is the item a matter which is reserved for approval by the City Council?
YES/NO
Press release
YES/NO

Introduction of Energy Repayment Loans

1.0 SUMMARY

- 1.1 This report seeks to expand the remit of the original Regional Home Appreciation Loan (HAL) Scheme which was first set up through the then Regional Housing Board as a regional fund with Sheffield City Council (“the Council”) as the fund holder and regional loan administrator for all 21 local authorities in Yorkshire and the Humber in 2004/5 (See Appendix A), The purpose of these loans was to provide an affordable way for financially vulnerable home owners living in non decent properties to repair and improve them without resorting to grant assistance.
- 1.2 The intention was, and still is, to enable this fund to be recycled as loans are redeemed. Although no new funding has been received from government since 2010, the value of loans redeemed over the years has built up to enable further small loans to be advanced across the region.
- 1.3 It is proposed to recycle funds from redeemed HALs to help tackle Excess Cold and Fuel Poverty across the Yorkshire and Humber region. Excess cold is one of the most common reasons for failure of the Decency standard, and which contributes most significantly to ill health and costly fuel bills, particularly for the most vulnerable.
- 1.4 Development, direction and monitoring of loans and performance is done through and in consultation with the Regional Loans Board -comprised of local authority representatives across the region. The Regional Loans Board, with whom we have worked closely in the development of this proposed scheme, supports the introduction of an affordable Energy Repayment Loan (ERL) available across the region to complement and supplement other energy efficiency measures available through other routes.
- 1.5 Sheffield would benefit directly in this initiative as a proportion of the available funding will be specifically allocated.
- 1.6 The running costs associated with these proposals will be covered by the scheme so there will be no impact on the general fund budget.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

- 2.1 This report refers to the introduction of a regional scheme, independent of Sheffield. It is the Council’s intention to participate in the scheme. Proposals are currently being developed to amend the Assistance Policy (which forms part of the Private Sector Housing Services Policy) to include ERLs and to design and implement the necessary administrative processes. These proposals will be the subject of a separate report. Those proposals will enable more vulnerable households to receive affordable energy efficiency measures.

3.0 OUTCOME AND SUSTAINABILITY

- 3.1 When adopted within the Council’s policy framework the project would contribute to the Corporate Plan, particularly the better health and well being’ priorities.
- 3.2 The Regional scheme as a whole is intended to be self sustaining as loan repayments will be recycled for new loans. It is predicted that, over a 5 year

period the initial capital could be recycled up to 3 times through regular repayments received. In addition, as additional redemptions are received from the outstanding HALs (around £6M), these will also be added to the fund.

- 3.3 ERLs are also designed to support and facilitate other energy efficiency measures in providing necessary and affordable gap funding to ensure maximum benefit to the home owner.
- 3.4 Irrespective of local authority area, the project would still contribute to better health and wellbeing, cutting down on needless excess cold and heating costs.
- 3.5 The Regional Loans team (Homes and Loans), has the expertise and knowledge to carry out this work efficiently on behalf of the 21 local authorities in the region.

4.0 BACKGROUND

- 4.1 The Council has administered the Regional Loans Scheme for the last 10 years across the whole of Yorkshire and the Humber, comprising 21 local authorities through its successful Homes and Loans Service. Funding was provided by the government through the then Regional Housing Board with the intention that such funds would be recycled. It has helped financially vulnerable owner occupiers across the region to live safely in their homes by providing affordable loans to enable owners to repair and improve their homes. At the time a national government target (PSA7) was to bring about an increase in numbers of financially vulnerable home owners living in Decent homes. The national target was met, but many home owners still live in non decent accommodation. However, since the Comprehensive Spending review of 2010, government funding for private sector housing has been reduced.
- 4.2 Over £7M of loan funding across the region has been provided to date funded by the government, but funding ceased in 2010. However, loans are being redeemed on a regular basis, but this is insufficient to fund cases to the same criteria and extent as before. The average cost of such loans was around £13,000.
- 4.3 The original loans (HALs) are secured by a legal charge, with limits of between £2000 and £30,000. In brief, the amount of loan is shown as a percentage of the value of the property. No loan repayments are required until the property is sold or otherwise changes hands, at which point the loan becomes repayable in full, the amount repayable being calculated as the original loan percentage applied to the current value of the property at disposal.
- 4.4 One of the principal failures in housing standards is excess cold and fuel poverty. Government attention has turned to this, introducing and facilitating various initiatives, including Green Deal (now discontinued), Household Heating Cost Reduction Obligation (HHCRO), Energy Companies Obligation (ECO), Community Energy Saving Programme (CESP), and various other targeted measures to home owners.
- 4.5 The Council has been very active in assisting home owners across the city with energy efficiency improvements. However, many homes are still lacking basic measures.

4.6 For the first time since the launch of the Warm Front heating and insulation grant in 2000 (now finished), there will be no national scheme in England this winter to support vulnerable households and in some areas there may be no support at all. Uncertainty over the funding behind ECO, which is a partial replacement for Warm Front is hampering attempts at all levels to make the scheme work effectively for vulnerable householders. Continuing failure to tackle this area will produce an increase in morbidity and mortality and the proportion of non-decent homes in the private sector, undoing much of the good work from previous years.

4.7 Despite the initiatives mentioned in paragraph 4.4, the concern is that a significant number of vulnerable home owners will still be unable to take full advantage of or afford the assistance now on offer through the various agencies. Where a gap in funding exists there is a hierarchy of funding streams which could assist. These include:-

- Homeowner savings
- Addition to mortgage
- Personal loan from the High Street
- Credit Union
- Support from the Local Authority ie the proposed Energy Repayment Loan.

4.8 However, as with Sheffield, most authorities experience difficulty in funding support under their Private Sector Housing Services Policy. There can be a shortfall between available external funding for energy efficiency measures and the cost of the full works required e.g. replacement boilers but not the necessary pipework. This initiative is a way of ensuring some funding is available to financially vulnerable home owners to meet their affordable warmth needs.

4.9 The table below illustrates indicative costs, funding and customer contributions for certain measures:-

	Boiler HHRO	Boiler Able to pay	Room in roof insulation	Doors/ Windows	Hard to treat cavity wall insulation
Cost of Work	£1,900	£1,900	£2,250	£2,250	£1,400
Eco contribution	£1,050	Nil	Nil	Nil	£500
Customer contribution	£850	£1,900	£2,250	£2,250	£900

4.10 Any shortfall would have to be financed by another source, such as the Green Deal or household savings. Unfortunately, many households weren't

able to pass the credit scoring for the Green Deal, the amount they can borrow wasn't sufficient, or the arrangements were too inflexible to deal with their circumstances. National take up for Green Deal finance had therefore been poor, due in no small part to the relatively high interest rates applied. Ultimately, Government funding for Green deal was withdrawn, and the scheme is no longer operating for new cases. Coupled with the success of previous national and local schemes in installing lower cost measures such as standard loft and cavity wall insulation, this has left higher cost measures such as solid wall insulation and non-standard cavity wall insulation still to be funded.

5.0 Energy Repayment Loans (ERL)

5.1 The ERL is designed to be a loan of last resort, where other forms of finance are not viable. It is specifically to help address excess cold and fuel poverty across the entire Yorkshire and Humber region.

5.2 Local authorities, by reference to their own Assistance Policies made under the Regulatory Reform Order, will refer cases to the Sheffield Homes and Loans service. The Homes and Loans service will then apply the scheme criteria to determine whether an offer will be made, and if an offer is made, the amount of the loan.

5.3 In order for the Council to carry out this function, each local authority will need to delegate its powers to award such loans to Sheffield. This was done in 2004/5 when HALs were introduced.

5.4 The loan will operate as a monthly repayment loan, with a term of from 1 to 5 years. The loan limits will normally be from £300 to £2000.

6.0 *Scheme Criteria and Loan determination*

6.1 Applicants are required to meet the following criteria:-

- The applicant meets the relevant local authority assistance scheme criteria, as confirmed by the local authority
- The Council is satisfied that the applicant, based on its assessment, will be able to make the loan repayments, under the ERL.
- The applicant has an owner's interest in the property, which is to be the subject of the loan and occupies it as his only or main residence. An owner's interest is an estate in fee simple absolute in possession, or a term of year's absolute of which not less than five years remain unexpired at the date of the application, whether held by the applicant alone or jointly with others.

6.2 Determination of ability to repay, the offer of a loan and the repayment term requires the completion of a month based budget planner by the client, supported by evidence of income and key expenditure over the last three months. Evidence of adverse credit rating, County Court judgements etc will also be checked and taken into account.

6.3 Normally, the required monthly repayment amount will be 25% of the disposable income a client has left after payment of all necessary expenditure and living expenses. This will provide a cushion for the client in the event of increased costs over the period of the loan e.g. rising mortgage rates. However, some discretion will be used to vary this percentage as the circumstances of the individual case merits.

- 6.4 The term of the loan will normally be up to 5 years.
- 6.5 Where the Council is not satisfied, based on its assessment, that an applicant will be able to make the repayments required under an ERL:-
- if the loan required is for less than £1000, the application will usually be turned down.
 - if the loan is for £1000 or more, then a HAL made under the relevant Council's Assistance Policy may be offered to a maximum of £2000. This loan requires no repayments and is normally redeemed when the property is sold, disposed of, or otherwise refinanced. The Regional Loans Manager, under the proposed scheme and under the Council's Assistance Policy, which contains the HAL (now renamed Decency HAL) provision, has discretion to award loans that fall outside the scheme criteria, where he considers it appropriate.

6.6 Loans will be secured as a Legal Charge in Sheffield's name, and administered by the Homes and Loans Service on behalf of the local authorities in the region.

6.7 In addition,

- the offer of a loan,
- the ability of a client to repay,
- the term of the loan
- action required in the event of default

will be determined by officers of the Homes and Loans service acting under the authority of the Regional Loans Manager.

7.0 *Loan Repayment*

7.1 Each loan is based on regular affordable monthly repayments. These will be set up through the Council's OHMS system, and managed by the Homes and Loans service. Repayments will normally be by means of a Direct Debit.

7.2 An annual statement of account is sent to the client on the drawdown of the anniversary of their outstanding loan.

8 *Set Up Charge*

8.1 The loan will be interest free, therefore ensuring maximum affordability and Sharia compliance. However, a Set Up Charge of £50 per case will be charged to partially cover the loan administration set up costs. It is not intended to fully cover the administration setup costs, as the focus of attention for this type of loan is towards clients less likely to afford a commercial loan from a high street lender. In addition, the Applicant will be required to meet the costs of registering a legal charge (Currently £20 if the property is registered) which will be added to the Set Up Charge.

8.2 In certain cases additional charges may be incurred which will be added to the Set Up Charge, although these are comparatively rare:-

- Cost of seeking approval to register a Charge from an existing lender.

- Cost of registering a property for the first time with the Land Registry.

9 *Default on Loan*

- 9.1 Information from other similar loan providers would indicate the likelihood of default is very low. However, in the event of a default on loan repayments, the circumstances of each case will be dealt with individually as to the remedial action required. It will be for the Regional Loans Manager to determine such action having regard to the financial circumstances of the client and their repayment history to date.
- 9.2 The Regional Loans Manager may where there is a default in loan repayments, impose a Default Charge which will be added to the loan amount outstanding to cover the cost of informing the client by letter, and discussing the implications and options. The Default Charge is £15. The Regional Loan Manager may impose a Default Charge for each Default Occasion. A Default Occasion is a missed payment, where no notice is given and where we have to contact the client, or where, having given notice, the client is subsequently uncooperative, forcing the Council to take additional action. However where the Council has incurred additional necessary legal costs through, for example, the service of Notice, the Regional Loans Manager, may impose a Default Charge, which is not restricted the £15 and which reflects the cost in officer time and third party costs.
- 9.3 Loans will be closely monitored to identify early problems. Client liaison will be undertaken from the first default on payment by:-
- Phone calls, emails and messages to the client. All of this is confirmed by letter itemising the arrears with dates, amounts, and the consequences of continued default..
 - If necessary a face to face interview is undertaken.
- 9.4 Remedial action which may be taken includes:-
- Extending the term of the loan
 - Extending the loan term and reducing the monthly repayments.
 - Referral for debt advice.
 - Recovering the loan under the terms of the Legal Charge when the property is finally disposed of.
- 9.5 In the event that the outstanding loan, including any accrued Default Charges, were to be recovered under the terms of the Legal Charge, in order to protect the current value of the loan, an annual interest charge would be placed on the debt at 4% of the debt per annum from the point at which the last missed payment occurred, and compounded annually.
- 9.6 The Regional Loans Manager would determine the action to be taken in the event of default, taking into account the circumstances of each case and any mitigating circumstances.

10.0 Management of the Regional ERL Scheme

- 10.1 As existing accountable body (fund holder) the Council will manage the scheme. It will be necessary to enter into a new legal agreement with each

participating Local Authority for the provision of this service. The Council has agreements with all the local housing authorities in respect of the original HALs. However these agreements do not cover the proposed scheme and therefore new agreements are required.

- 10.2 The existing Regional Loan Board, was set up 10 years ago by the then Regional Housing Board to provide steer for the progression and development of the regional loans programme. The Loans Board comprises representatives from the local authorities involved in the scheme with a specific remit to oversee the development, performance and direction of regional loan provision. This body will continue to be used to provide steer on the operation and working of the new scheme, including the determination of budget apportionment to individual authorities.
- 10.3 The Regional Loans Manager will take responsibility for managing the scheme, including the determination of budget apportionment.
- 11.0 Regional Loans Manager Discretion
- 11.1 The circumstances of individual cases make it difficult to specify what should happen in every situation, and for this reason it is proposed that the Regional Loans Manager have authority to:-
- Vary the Set Up Charge.
 - Vary the loan offer
 - Vary the repayment timescale
 - Waive or impose a Default Charge
- 11.2 Where the ERL is for a £1000 or more and the Council is not satisfied, based on its assessment, that an applicant will be able to make the repayments required under an ERL, the Regional Loans Manager, if he considers it appropriate, may grant a Decency HAL, made under the relevant local authority's assistance policy, up to a maximum of £2000.
- 12.0 Delegation to the Head of Service
- 12.1 As this is a new scheme, it is likely that certain changes will be required, in particular to the charges proposed. Therefore discretion to make changes to the scheme is required. It is too early to be specific, but the Set Up Charge will need to be reviewed as cases are administered, and the actual costs of administration become clear. Similarly, the imposition and level of Default Charges will need to be reviewed as the amount of, and reasons for, default on repayment become known.
- 12.2 The scheme will be kept under regular review to ensure it continues to meet the needs of clients and give value for money for the Council. The review may point to changes to the scheme that are required to ensure efficiency and that the schemes goals are met.
- 12.2 It is therefore proposed that the Head of Service (Sustainable City) will have authority to vary the Scheme.
- 13.0 **Financial Implications and Risk Assessment**
- 13.1 The ERLs awarded under the scheme will be funded from the existing regional fund of redeemed loans which are expected to total £900k by 31st March 2016. From this an initial fund of £500k will be made available for new energy repayment loans. The distribution of the fund between

authorities will be done in consultation with members of the Regional Loans Board. This amount will be supplemented as more loans are redeemed and monthly repayments are met for the loans given. The existing overall fund is ring fenced for regional loans and already finances the cost of running the existing loans team. As such there will be no additional cost implications for Sheffield.

- 13.2 Sufficient residual funds will be allocated to ensure the ongoing costs of running the service are maintained for 2 years on a rolling basis. The costs of running the whole loans service are around £200k a year. This will be offset by a modest charge of £50 payable by the client as a contribution for setting up a loan which will ultimately allow more loans to be recycled.
- 13.3 At some point in the future when redemptions are lower than running costs the scheme will run out of funding. However, presently over £6m of loans have still to be redeemed, at the current rate this is sufficient to fund the team for many more years and still recycle loans. The Agreements being put in place with each local authority allow for the potential closure of the service at some point in the future. In the meantime, provided sufficient redemptions and repayments are received annually there is no reason why the service should not be provided.
- 13.4 Operating a repayment type loan over a relatively short period gives more accurate programme and budget control, and enables loan funding to be recycled more quickly. However, in the unlikely event that insufficient loans are redeemed in any year to maintain a 2 year running cost buffer, no further loans will be administered until the 2 year buffer has been rebuilt.
- 13.5 In addition to the ERLs funded from the regional fund of redeemed loans, a number of local authorities have requested that the Home and Loans Service provide ERLs in respect of their areas, financed by them. The intention is that in respect of these loans, while the Homes and Loans Service will administer the loans, the charge will be in each local authorities name, enforcement action will be taken by them and the final decision on whether to award the loan will rest with the local authority. The Council will need to enter into separate agreements with each local authority wishing it to provide this service (referred to in this report as Ring Fenced Agreements).

14 *Loan Risk*

- 14.1 As this is a new product it is not possible with any accuracy to determine the level of default on these loans. Views sought from Credit Unions involved in loan provision would indicate the level of default to be very low. However, as this loan is intended as a loan of last resort it is possible the level of default may be higher.
- 14.2 Although any default will be protected through a legal charge on the property, careful assessment of the client's credit history and financial situation will be undertaken at the point of loan application to mitigate the potential for default.

15 *Risk to the Scheme*

- 15.1 The success of the scheme relies on four elements:-
1. Availability of funding

2. Sufficient loan redemptions received annually to support the costs of the Homes and loans team at £200k a year. Appendix B shows the cash flow of Home Appreciation loans likely to be redeemed over the first 10 years of the scheme. Appendix C shows the effect of the new ERL administration and Home Appreciation Loan redemptions on the Loan service account over the next 10 years.
 3. Acceptance and take-up by the 21 local authorities. Appendix A shows those Authorities who have indicated they will participate. Appendix D illustrates a potential cash flow for Energy Repayment Loans over the next 10 years.
 4. Take-up by individual clients.
- 15.2 Funding at only £500k across the region is not sufficient in the longer term and only serves to test the product. Further funding opportunities are being sought. In addition, local authorities may provide their own finance to support the scheme in their own area.
- 15.3 Although this is a regionally available scheme it will still require local authorities to delegate their powers to Sheffield to provide loans in their area. However, this has been done before when HALS were introduced. It is still possible that an authority may decide not to participate
- 15.4 Take-up by clients is as yet not determined, but working with other partners, indications are good that there will be a demand.

16.0 Legal Implications

- 16.1 The Regulatory Reform Order 2002 (RRO) provides that local housing authorities may for the purpose of improving living conditions provide to its residents any form of assistance, including loans, to enable them to improve their homes. Further, local housing authorities may secure loans by a charge. For local housing authorities to utilise these powers they must have adopted a policy detailing the assistance to be provided. All the local authorities that may participate in the scheme are local housing authorities. Therefore all the participating local authorities will be empowered to award ERL. They however are required to amend their assistance policy adopted in accordance with the RRO, to include the provision of ERL.
- 16.2 The administration and award of ERL is an executive function. For the Council to exercise the function on the participating local authority's behalf, those local authorities will be required to delegate the discharge of the function to the Council in accordance with Local Government Act 2000 and Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012. The Council's constitution provides that where another local authority wishes to delegate an executive function to the Council, the decision to accept that delegation, is required to be made by the Leader. Therefore this report seeks approval, where a participating local authority delegates the exercise of the ERL function to the Council, acceptance of the delegation and the discharge of the function, be approved.
- 16.3 The Localism Act 2011 provides local authorities with a "general power of competence" which enables them to do anything that an individual can do as long as the proposed action is not specifically prohibited. A purpose of the Act is to enable local authorities to work in innovative ways to develop services. It may under this power carry out functions otherwise than for the benefit of the authority, its area or persons resident or present in its area. The

proposed scheme falls within the general power of competence. In addition, there is no specific statutory prohibition, preventing the Council from implementing the proposed scheme. The Council therefore is empowered to implement and administer the ERL Scheme detailed in this report in respect of Sheffield and the other Local Authorities who wish to participate in the scheme.

- 16.4 In addition to the powers under the Localism Act 2011, the Local Authorities (Goods and Services) Act 1970 provides that local authorities may provide services to each other. The Council therefore has the authority to enter into, and carry out the services detailed in, Ring Fenced Agreements.

17.0 ALTERNATIVE OPTIONS CONSIDERED

17.1 Do Nothing

The loans fund would continue to grow as existing loans were redeemed. However no other funding use is being identified for use across the region. The consequence of this is that cold weather assistance would not be provided, impacting on vulnerable persons.

17.2 Outsource to another Agency

Credit Unions and Community Development Finance Institutions exist in parts of the region and could undertake this work in theory. However, each would charge interest, -which would defeat the objective of providing a more affordable loan to the least financially able. In addition, multiple agreements would be needed and each Agency would make a charge. The agencies may also still need to obtain finance. Effectively, there would be a duplication of services.

17.3 Regional Loans Service

As the Regional Loans Service already exists and provides an excellent and cost effective service to the 21 local authorities, it is best placed to provide a consistent, cost effective service which is capable of going into operation, with the minimum of development time.

18.0 REASONS FOR RECOMMENDATIONS

- 18.1 To enable the Homes and Loans Service to continue providing a relevant service to local authority partners across the region. This is an opportunity to make use of an existing fund to be used against an identified national need to tackle excess cold and fuel poverty.
- 18.2 To help contribute to meeting the aims of the Corporate Plan, particularly aspects associated with 'better health and wellbeing.'

19.0 REASONS FOR EXEMPTION

n/a

20.0 RECOMMENDATIONS

1. That the Energy Repayment Loans scheme detailed in this report be approved.
2. That the Set Up Charge and the Default Charge set out paragraphs 8 and 9 of the report, be approved.
3. That the Regional Loans Manager be authorized to implement and administer the scheme, including the exercises of the discretions detailed in the report.

4. That the Regional Loans Manager be authorized to negotiate and agree the terms with any local housing authority wishing to participate in the scheme.
5. That the Head of Service (Sustainable City) be authorized to amend the scheme, including the Set Up Charge and the Default Charge.
6. That where a local authority within the Yorkshire and Humberside region, in accordance with the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012, have delegated the discharge of the loan function relating to the Energy Repayment Loans scheme, as detailed in the report, to the Council, that the acceptance of the delegation and the exercise of those functions, be approved.

Author Chris Galley

Job Title Regional Loans Manager

Date 23rd November 2015

Local Authorities Participating

Sheffield
Barnsley
Rotherham
Doncaster
Calderdale
Kirklees
Bradford
Leeds
Wakefield
York
Harrogate
Selby
Scarborough
Craven
Hambleton
Richmondshire
Ryedale
North East Lincs
North Lincs
Hull
East Riding

Appendix B - Home Appreciation Loans - Cashflow forecast

All figures given in £

Outstanding loan balance at 1/4/16	£	6,000,000
House price annual increase		1.00%
Estimated Yearly Redemption of Loans	£	250,000

Balance of loans outstanding - forecast

Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Opening loan balance	6,000,000	5,807,500	5,613,075	5,416,706	5,218,373	5,018,057	4,815,737	4,611,394	4,405,008	4,196,559
Less Loans Paid Off	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Remaining Balance	5,750,000	5,557,500	5,363,075	5,166,706	4,968,373	4,768,057	4,565,737	4,361,394	4,155,008	3,946,559
House Price Increase	57,500	55,575	53,631	51,667	49,684	47,681	45,657	43,614	41,550	39,466
Closing balance	5,807,500	5,613,075	5,416,706	5,218,373	5,018,057	4,815,737	4,611,394	4,405,008	4,196,559	3,986,024

NB. The balance of loans outstanding will run until 2043/44, at which point all remaining Home Appreciation Loans will be paid off on the above assumptions.

Appendix C - Loans Service Account

All figures given in £

Outstanding loan balance at 1/4/16	£	6,000,000
House price annual increase		1.00%
Estimated Yearly Redemption of Loan	£	250,000
Annual Service Costs	£	200,000
Service Costs Annual Increase		1.00%
ERL Setup fees per loan	£	50
ERL Regional Cases - Year 1		40
ERL Regional Cases - Year 2		100
ERL Regional Cases - Year 3 onwards		120
LA Funded ERLs - Year 1		10
LA Funded ERLs - Year 2		100
LA Funded ERLs - Year 3 onwards		100

Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Starting Balance at 1/4/16	900,000	952,500	1,010,500	1,067,480	1,122,420	1,175,299	1,226,097	1,274,793	1,321,366	1,365,795	1,408,057
Less Service Costs (1% increase per year)	200,000	202,000	204,020	206,060	208,121	210,202	212,304	214,427	216,571	218,737	220,924
	700,000	750,500	806,480	861,420	914,299	965,097	1,013,793	1,060,366	1,104,795	1,147,057	1,187,133
Plus ERL Set up fees	2,500	10,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Plus Redeemed Loans	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Working balance	952,500	1,010,500	1,067,480	1,122,420	1,175,299	1,226,097	1,274,793	1,321,366	1,365,795	1,408,057	1,448,133

NB. The above is an illustrative cash flow over the next ten years. It assumes a steady and constant redemption of Home Appreciation Loans, and that all ERLs will be repaid in full.

Appendix D - ERL Cash Flow - Forecast

All figures given in £

Assumptions	
Initial Fund	£ 500,000
Average/Standard Loan Amount	£ 1,000
Repayment period	36 months
Average monthly repayment	£ 28

Year	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Opening balance of fund	500,000	461,111	344,444	281,111	280,000	280,000	280,000	280,000	280,000	280,000
Number of Loans Given	50	200	220	220	220	220	220	220	220	220
Value of Loans Given (£)	- 50,000	- 200,000	- 220,000	- 220,000	- 220,000	- 220,000	- 220,000	- 220,000	- 220,000	- 220,000
Loan Repayments Received	11,111	83,333	156,667	218,889	220,000	220,000	220,000	220,000	220,000	220,000
Net Loans	- 38,889	- 116,667	- 63,333	- 1,111	-	-	-	-	-	-
Closing balance of fund	461,111	344,444	281,111	280,000	280,000	280,000	280,000	280,000	280,000	280,000

NB. The above is an illustrative cash flow over the next ten years. It assumes all loans are repaid in full. Also, loans repayments are calculated as follows.

Year 1 - 8 months of repayments.

Year 2 - 12 months of repayments of Year 1 loans, 12 months of repayments of Year 2 loans.

Year 3 - As year 2, plus 12 months of Year 3 loans.

Year 4 - remaining 4 months of Year 1 loans (now fully redeemed), 12 months of Years 2 (also fully redeemed), 3 and 4 loans.

Year 5 - 12 months of year 3, 4 & 5 loans.

Year 6 - As year 5, but for the previous 3 years. This pattern continues.

