

Special Purpose Grant - Private Sector Renewal Policy – (New) Appendix B

1. Introduction

- 1.1 As a statutory Housing Authority, Somerset West and Taunton Council (SW&T) have varying responsibilities. These include providing affordable housing, preventing homelessness and providing accommodation for Homeless people, ensuring Category One hazards are eliminated or reduced in the private sector housing stock, enforcing the private rented sector and energy efficiency.
- 1.2 Within this remit, there may be from time to time a requirement by the authority to tackle a particular issue. For example, there may be a need to propose a regeneration area to tackle several issues such as fuel poverty, social deprivation, poor housing and anti-social behaviour. This would benefit from an injection of funds to assist the homeowners and landlords to bring their properties up to a reasonable standard, or a change in legislation or circumstances which requires the Council to react responsively.
- 1.3 To be of significant value, any area renewal project has to see an uplift in health, property improvement and community/environmental benefits as well as a significant reduction in crime and poverty. It has been found through various studies, the linkages between health and wellbeing and good housing conditions. Special Project Grants are for such situations.

2. Background

- 2.1 SWT made a decision in February 2019 to regenerate part of the North Taunton due to the structural problems identified within Woolaway non-traditionally built homes. The North Taunton Woolaway Project (NTWP) will demolish one hundred and sixty-two (162) Woolaway properties including 22 purchased from owner occupiers. SWT will also build two hundred and twenty-seven (227) new affordable Council homes. The demolitions and new homes will be in four phases (A-D). The NTWP has a fifth phase (E) which will see 27 Woolaway non-traditional properties comprehensively refurbished which is likely to include a 'walls out approach'.
- 2.2 NTWP also includes 23 privately owned homes where some residents have invested in the structure of their home but where others have not. The Council support and promote the Lendology Loans as one opportunity for households to access funding to participate in works. However, for very

low-income households and due to the scale of work being carried out the repayment of capital and interest or interest only means participation in the regeneration opportunity is not possible.

- 2.3 Appendix E of the Private Sector Renewal Policy provides an opportunity to offer financial assistance for homeowners in regeneration areas where the Council is comprehensively refurbishing its own properties. The Council would use the grant available to offer zero % equity loans to individual homeowners who could not afford capital repayments.
- 2.4 Although the only regeneration scheme which involves comprehensive refurbishment of HRA homes is phase E of NTWP, equity loans could be applied by the Council to other regeneration areas should proposals come forward to the Council and gain approval.

3 How will the equity loan work

- 3.1 The zero% equity loan will enable low income households who cannot afford the repayments on a capital and interest repayment basis loan through Lendology to be able to access a zero % equity loan up to a value of £90k. The capital will be recovered on the sale of the property.
- 3.2 In order for a zero % equity loan to be awarded, the Council has to be satisfied that there is sufficient equity in the property when the works are complete in order that the capital can be recovered on the sale of the property.
- 3.3 The scale of the zero % equity loan is significant and reflects the nature of investment being carried out on adjacent Council own homes. As an equity product the loan is repayable on sale of the property or death of the owner if this is within 20 years of the loan agreement commencement date. The Council will secure the loan against the property by a title restriction/charge. The Council will have the power to waive repayment on sale of the property if there is sufficient evidence by the owner of financial hardship. There shall also be the option of buying the property back from the owner to put the property back into Council ownership in order to recover its funds. The decision to waive repayment is the responsibility of the Portfolio Holder for Housing and the Director for Housing at the Council.
- 3.4 The period in which repayment of the loan is longer than most other PSRP periods is to reflect the scale of loan and amount of funding tied up within the property. As with smaller policy loans the money may be recycled and will add to annual grant income from government in future years.
- 3.5 The availability of this zero % equity loan product will be limited to and within:
- Regeneration locations/phases which the Council has approved at full Council and agreed a recommendation to use the Special Project Grant appendix E of the Private Sector Renewal Policy.

- The grant funding used for the zero % equity loan product will be 100% funded by the Better Care Fund or be recycled funding from the Better Care Fund. Should the fund cease the policy will be reviewed.
- The available annual fund pot will be set by the Director for Housing and the portfolio holder for Housing. This fund for the period 2021/2022 will set and capped at £600k. The fund has earmarked further tranches of funding for years 2022/23 and 2023/24 should this be required.
- The policy is only available to owner occupiers in qualifying localities/phases who apply for a loan through the Lendology CIC loan fund and where the financial assessment recognises insufficient income to pay the interest and capital repayments.
- The works must meet the Council's specification for works and thermal efficiency. Owners are able to deliver works through their own contractor however specification, quality assurance and payments will confirm to SIP and SWT requirements.
- SIPs and SWT have agreed a fee for SIP to administer and oversee the zero % equity loan product.

4 Qualification for assistance

- 4.1 To qualify for assistance an applicant must;
- a) Be aged 18 or over on the date of application
 - b) Be an owner-occupier
 - c) Have owned or lived in the property subject to assistance for a period of more than 6 months
 - d) Have been considered for a low interest loan through the Council's preferred loan provider Lendology CIC and not have the available income to be able to finance the capital and interest repayments
 - e) Have sufficient equity in the property when it is sold in order that the Council can recover its capital. (The Council will make an assessment of the value of the property as part of the application)
 - f) Have the power or duty to carry out the works
 - g) The property has to be considered non-decent (see notes below) and works must be to the Council's specification.
 - h) The recipient must agree prior to loan approval, the specification, quality assessment and any planning conditions set down by SWT
 - i) Qualifying works which would include any item within the Council's specification or required by any planning permission or building regulation
 - j) Include but is not limited to, structural works, walls, roofs, rainwater goods, foundations, window, doors, floors, works to ensure appropriate sewerage, water, electricity services, rainwater goods, heating, power and installations,

kitchen fittings but not white goods, bathrooms, internal finishes, decorations, painting, internal walls and doors

- k) Accept that the Council will set maximum values for kitchen, bathrooms and decoration expenditure within the agreement. This aims to ensure the main purpose of the loan product remains in supporting the health needs for customers
- l) Accept that the zero % equity loan will not include any items which are able or assumed to be fundable through other funding sources

4.2 Conditions relating to the zero % equity loan include:

- a) The maximum limit is £90,000 for eligible works on any one application subject to any contribution which the Applicant may be required to make towards the cost of the eligible works through their own finances.
- b) There will be an administration charge of £(TBC) for the Council to process the application. This will be in addition to the maximum loan assessed to undertake the eligible works.
- c) The applicant may appoint their own contractor or use a contractor approved by SWT
- d) Any contractor appointed by the loan recipient will be the responsibility of the loan recipient to manage.
- e) The Council will require all contractors to register with SIP and confirm that they can achieve the required specification, health and safety requirements and agree a programme and payment profile.
- f) Where works require specialist contractors, evidence will need to be provided that contractors are suitably qualified.
- g) There can be no further application for this type of assistance once the works have been completed and signed off by the Council's authorised Officer or their representative.
- h) If the loan recipient has used the Council's contractor any defects identified following completion of the work or after sign off must be reported immediately to the contractor and the Council in accordance with any defect's liability requirements. Not reporting defects may result in nullifying any certificates. Any defects liability requirements will be included as part of the loan Conditions.
- i) As an equity product the loan is repayable on sale of the property or death of the owner if this is within 20 years of the loan agreement commencement date. All receipts being recycled into the private sector housing capital programme.
- j) A title restriction/ and or charge will be placed on the property to this effect following the completion of the works. There are exceptions to repayment:
 - Where the occupier is moving into residential care as his or her main residence
 - Where there is insufficient equity in the property to enable repayment and that the relevant person would suffer financial hardship if the assistance was repaid
 - Where the occupier is moving for medical reasons

The decision on repayment of the grant will be the responsibility of the Director for Housing in conjunction with the Portfolio for Housing.

Notes:

- 1) The Decent Homes standard applies to Social Housing and will be applied to this loan product. A Decent Home is one which;
 1. Is free from any Category 1 hazards under Part 1 of the Housing Act 2004;
 2. It is in a reasonable state of repair;
 3. It has reasonably modern facilities and services;
 4. It provides a reasonable degree of thermal comfort;
 5. More guidance can be found at <https://www.gov.uk/government/publications/a-decent-home-definition-and-guidance>
- 2) SWT has set a target to achieve net carbon by 2030. The specification required by the Council will include measures aimed to move the Council closer to carbon neutrality. This is likely to include a fabric first emphasis in particular significant SAP and U value ratings for structural elements, doors and windows.
- 3) Decoration works will be covered by this form of assistance up to an agreed specification and financial limit.
- 4) With regard to the title restriction/charge, all exceptions to repayment to be authorised by the Director for Housing in consultation with the Council's Portfolio Holder for Housing.
- 6) If a shortfall remains in funding towards the eligible works once the loan has been applied, then the loan will not be consented by the Council until they are satisfied that the applicant can source additional funding to fully complete the works or;
 - a) To a standard which satisfies the Council
 - b) The specification for the works is reduced in scale to an agreed level between the applicant and the Council which fits the funding levels that can be applied to the works through the grant and or loan plus any other funding mechanisms.