

Report to the Cabinet

Report reference: C-009-2009/10.

Date of meeting: 13 July 2009.



**Epping Forest
District Council**

Portfolio: Housing.

Subject: Local Authority Repossession Prevention Fund.

Responsible Officer: Roger Wilson (01992 564419).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations:

(1) That the £7,500 “Recession Busting” grant received from the Communities and Local Government (CLG), be passed to the Epping Forest Housing Aid Scheme (EFHAS) to assist more applicants (to whom the Council owes a full homelessness duty) with rental guarantees, to enable them to secure accommodation in the private rented sector;

(2) That the Council increases the maximum amount it underwrites generally in respect of rent guarantees issued by the Epping Forest Housing Aid Scheme (EFHAS) to private landlords from £40,000 to £60,000; and

(3) That the £47,500 received from the CLG’s Preventing Repossessions Fund, to enable the Council to grant small loans (in accordance with the Government’s guidance), to applicants to whom the Council would otherwise owe a full duty under homelessness legislation, who are threatened with losing their home, be noted.

Executive Summary:

The Council has been notified by the Communities and Local Government (CLG) that it will be receiving a grant of £47,500 at the end of June 2009, to enable the Council to extend small loans to families at risk of homelessness. Under the Government’s guidance, financial assistance through interest free loans ranging from £1,000 to £3,000 per household capped to a maximum of £5,000 should be made available.

It is proposed that loans would be agreed by an officer panel and be repayable by the applicant over a period of 1-5 years, and will only be provided where the Council would owe the applicant a full homeless duty if they were to lose their home. There are a number of conditions which are set out in the Government’s guidance. In addition to the Local Authority Repossessions Prevention Fund, the Council has received a further £7,500 grant from the CLG’s “Recession Busting” fund.

The Council works in partnership with the Epping Forest Housing Aid Scheme (EFHAS) who assist homeless and other housing applicants who have difficulty accessing the private rented sector because of the requirement for them to provide a rent deposit in advance. Since it was set up in 1995, EFHAS has helped over 200 homeless families, by providing rent guarantees to landlords against tenants’ misconduct. In October 2008, in order to ensure that the guarantees did not over-commit EFHAS’s available resources, the Housing Portfolio Holder agreed that the Council would increase the amount it underwrites from £20,000 to £40,000 of additional rent guarantees at any one time. However, due to the number of guarantees issued, EFHAS are not in a position to assist any more applicants at this time.

It is therefore suggested that the maximum amount covered by the Underwriting Agreement should be increased from £40,000 to £60,000 which would enable around a further 20

applicants to be assisted immediately. It is further suggested that, the £7,500 grant received under the CLG “recession busting” fund” is passed to EFHAS for rental guarantees.

Reasons for Proposed Decision:

Following the award of £47,500 from the CLG’s Preventing Repossession Fund, the Council is in a position to offer small loans to assist applicants, whom would otherwise be owed a full homelessness duty, from losing their own homes due to mortgage or rent arrears. The loans will be offered in accordance with Government guidance and will assist around 25 households. In addition, it is recommended that the £7,500 received from the CLG’s “Recession Busting” fund of £7,500 be passed to EFHAS and that the amount underwritten be increased from £40,000 to £60,000 which, in total will enable EFHAS to assist a further 28 applicants with rent guarantees helping them to secure accommodation in the private sector.

Other Options for Action:

To not use the Preventing Repossession Grant received from the CLG.

To not pass the £7,500 “Recession Busting” Grant received from the CLG to EFHAS.

To not increase the amount underwritten for EFHAS rent guarantees from £40,000 to £60,000.

Report:

1. The Council has been notified by the Communities and Local Government (CLG) that it will be receiving a grant of £47,500 at the end of June 2009, to enable the Council to extend small loans to families at risk of homelessness through repossession or evictions, which are at risk of increasing as a result of the recession.

2. The grant is in addition to the Homelessness Programme Grant which funds the majority of the cost of the existing, very successful, Homeless Prevention Service.

3. The Government has issued guidance on the use of the grant and is keen that this supports the maximum number of households in need of financial assistance enabling them to remain in their own homes.

4. Under the Government’s guidance, financial assistance through small interest free loans ranging from £1,000 to £3,000 per household capped to a maximum of £5,000 available interest free should be made available. This will allow the money to be re-cycled to help other households in the future. Final decisions on how the money is deployed rest with the Council and should be based on individual local need and circumstances. In addition to homeowners, the funding should be used to assist residents in all forms of tenure who are struggling with their rental payments and face eviction.

5. As they way in which the money is deployed rests with the Council, it is proposed that loans would agreed by an officer panel and be repayable by the applicant over a period of 1-5 years depending upon the size of the loan and the circumstances of the applicant.

6. Financial assistance should only be provided where the Council would owe the applicant a full homeless duty if they were to lose their home, and the following conditions (which are set out in the Government’s guidance) apply:

- Only those households who, following investigations, are found to be genuinely unable to pay their rent or mortgage, due to income shock caused by loss of earnings where there is no history of previous arrears.
- Loans will only be agreed, when the recipient is prepared to act on debt advice to make repayments more affordable following the intervention of an advisor.

- Where lenders cannot apply forbearance measures due to the level of arrears, but will freeze possession action as a result of the loan.
- Any loans will be made on the basis that all parties are prepared to compromise on the debt owed and should be made to recover the position, (rather than fully clear arrears) where all other options have failed.
- Loans will not be made where there are other ways to resolve the problem. For example, if the arrears are caused by housing benefit delays assistance should be given in dealing with the matter.
- Loans should only be made where it would enable a household to remain in place where no other option would lead to this outcome.

7. In addition to the Local Authority Repossessions Prevention Fund, the Council has received a further £7,500 grant from the CLG "Recession Busting" fund. Under the fund's guidance, although the purpose is to tackle the threat of repossessions across all tenures, local authorities are encouraged to have an overall response to the recession. It is accepted that one of the practical actions which should form part of a range of tools is the provision of a rent deposit scheme.

8. The Council works in partnership the Epping Forest Housing Aid Scheme (EFHAS) who assist homeless and other housing applicants who have difficulty accessing the private rented sector because of the requirement for them to provide a rent deposit in advance. It was set up in 1995 by a specially-created voluntary organisation as a registered charity, with financial support from The National Lottery Charities Board and the District Council, the respective contributions being £20,000 and £5,000. In early 2005, EFHAS learnt that their bid to the Big Lottery Fund for additional capital funding of £20,000 had been successful, which increased their funds to around £40,000 at that time.

9. EFHAS is able to help homeless people by providing guarantees to the landlords of the properties the applicant wishes to rent against the tenant's misconduct, to the value of one month's rent. All the guarantees are covered by money held in EFHAS's bank account.

10. All administration expenses have been met from interest on the capital held in EFHAS's bank account. The only other significant costs arise from successful claims by landlords under the terms of the guarantees.

11. Between 1995 and May 2009, EFHAS helped over 200 homeless families move into the private-rented sector in this way, who would otherwise probably have been unable. Many of these would have had to seek accommodation from the Council direct. All applicants to EFHAS come from within the Epping Forest District and are referred to EFHAS by the Council's Housing Directorate.

12. In October 2008, in order to ensure that the guarantees did not over-commit EFHAS's available resources, the Housing Portfolio Holder agreed that the Council would increase the amount it underwrites from £20,000 to £40,000 of additional rent guarantees at any one time. This allowed around a further 20 additional applicants to be assisted. Since the scheme was introduced, only 14% of the value of guarantees had been paid out to date, therefore it is very unlikely that the Council would be called upon to payout any of the underwritten guarantees.

13. Of the 200 applicants already assisted, 30 additional rent guarantees have been issued in the last 6 months which is due to the current financial climate, which has placed a burden upon EFHAS, who have £24,000 in their bank account and granted guarantees amounting to £64,000. As the Council currently underwrites only £40,000, they are not in a position to assist any applicants further at this time.

14. It is therefore suggested that the maximum amount covered by the Underwriting

Agreement should be increased from £40,000 to £60,000. By so doing, it would enable around a further 20 applicants to be assisted immediately with guarantees under the Scheme, without any financial outlay by the Council. This would be particularly beneficial due to the increase in the number of homeless applications, bearing in mind the current financial climate.

15. It is suggested, however, that in addition to increasing the amount covered by the Underwriting Agreement to £60,00, the £7,500 grant received under the CLG “recession busting” fund is also passed to EFHAS which will enable them to provide in total around a further 28 rental guarantees.

Resource Implications:

Use of £55,000 CLG Grant funding received by the Council.

Legal and Governance Implications:

Housing Act 1996 (Part V11).

Safer, Cleaner and Greener Implications:

No implications.

Consultation Undertaken:

The Government’s Special Advisor for the Eastern Region has been consulted on the report and has agreed its content and recommendations. The Tenants and Leaseholders Federation & the Citizens Advice Bureaux will be informed of the report.

Background Papers:

Government guidance on the use of the “Recession Busting” grant and the Preventing Repossessions Funding.

Impact Assessments:

There is a very minimal risk that the Council may have to meet the cost of some rent guarantees provided by EFHAS should large numbers of tenants who are provided accommodation in the private rented sector default. However, this has not occurred since the scheme was introduced in 1995.

There appear to be no impact upon the Council’s statutory duty to promote equality throughout the District.