

## **Report to the Cabinet**

**Report reference: C/035/2006-07.**

**Date of meeting: 4 September 2006.**



**Epping Forest  
District Council**

**Portfolio: Housing.**

**Subject: Caring and Repairing in Epping Forest (C.A.R.E.) Small Loans Scheme.**

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### **Recommendations/Decisions Required:**

**That the following criteria for a Small Loans Scheme using the existing balance on the Small Loans Account be established and agreed:**

**(a) Loans will only be given subject to available resources and will not exceed £1000;**

**(b) The applicant must be a homeowner or private sector tenant and each applicant shall only receive one loan, with preferential treatment given to older people;**

**(c) The interest rate applied will be in line with the Standard National Rate, and the term of repayment shall not exceed four years;**

**(d) Repayments will be made monthly by Standing Order;**

**(e) Loans may only be given for work that is wholly necessary, and, where other assistance is not available (i.e. loan, insurance, charitable), and to top-up Small Works or Decent Homes Assistance, Thermal Comfort Grant or Handyperson Service work, or, for work that is not grant-aidable;**

**(f) The work that is the subject of the loan must be carried out by a Contractor from the C.A.R.E. Preferred Contractor List or other approved Contractor.**

**(g) The full details of the request should be put in writing before the Head of Environmental Services and presented to the next C.A.R.E. Advisory Panel, including evidence that the applicant has received and understood guidelines stating that:**

**(i) the terms of the loan may not be the best available and better terms may be available from an alternative lender;**

**(ii) that the Client should seek independent financial advice before agreeing to the loan; and**

**(iii) that they should discuss the loan with their family; and**

**(h) A status report shall be given at each C.A.R.E. Advisory Panel Meeting.**

### **Report:**

1. C.A.R.E., a Home Improvement Agency providing services to older people in the

District, was set up in 1990 under the management of Circle Thirty Three Housing Trust. The Small Loans Fund was set up in 1995 with a sum of £5,000 left over from the Agency's running costs in the previous year. Its aim was to provide small, easily accessible, relatively low interest loans to clients who might be unable to raise similar loans from other sources.

2. Since 1995 C.A.R.E. has provided 15 small loans of between £300 and £1000, for a variety of work from decorating to roof repairs. In most instances, however, it has been used for:
  - work that is not eligible for local authority grants or the Handyperson Service, such as decorating or replacing old, but sound, windows; and
  - 'top-ups' on Home Repairs Assistance, which is normally limited at £2000.
3. Loans are repaid at a monthly rate, which is easily affordable to clients who, in most cases, are on a means tested benefit. Simple interest of 20% is charged over the full term of the loan, which is usually 4 years, representing 5% per annum. Loans are generally for amounts not exceeding £1,000.
4. In 2003 the Council took over the management of C.A.R.E. and Internal Audit advised at that time that it would be inappropriate to offer any new loans without the Council's endorsement, but that we should continue to administer any existing loans until they were repaid. There are currently only two loans remaining, the last of which will be paid off in April 2008. The balance on the Small Loans account is currently approximately £3,500. When the existing loans are fully repaid the balance will be approximately £5,375.
5. C.A.R.E. is advised by the C.A.R.E. Advisory Panel, which is made up of Members, Officers and stakeholder representatives. A Service user who has previously borrowed money through the scheme regularly attends Panel meetings and has reported its value to people who have limited options when it comes to borrowing small sums of money to carry out necessary repairs to their homes. Financial Services has advised that Financial Regulations do not prohibit the Council from providing loans but the current policy set by the former Housing Committee is not to give loans and, although the particular instance related to the granting of mortgages, the policy relates to any loan. It is understood that if the Council were to decide to establish a small loan scheme via C.A.R.E., interest rates would have to be kept in line with the standard national rate, which is currently 6.28%. The Fund would have to be set up in consultation with the Head of Finance and regularly reviewed in line with corporate policies. It would need formal approval by the Council and to be brought into the annual review process.
6. The proposal is to deviate from the current policy by offering small loans under a scheme similar to that operated by Circle 33 through C.A.R.E., using the following criteria, which are considered to be acceptable by Finance and Internal Audit:
  - (a) **Terms**
    - (i) The applicant must, a homeowner or private sector tenant and each applicant shall only receive one loan. Subject to available resources, preferential treatment will be given to older applicants. Interest will be charged at the Standard National Rate. The maximum amount to be loaned will be £1,000 and repayments will be made monthly by Direct Debit. The term of repayment shall not exceed four years.
    - (ii) Loans will only be given:
      - for work that is wholly necessary, and, where other assistance is not available (i.e. loan, insurance, charitable); and
      - to top-up Thermal Comfort Grants, Small Works or Decent Homes Assistance or Handyperson Service work, or, for work that is not grant-aidable (i.e. providing floor covering after grant work, decorating following flooding).

(iii) work must be carried out by a Contractor from C.A.R.E.'s Preferred Contractor List or other approved Contractor.

**(b) Application Process**

(i) The full details of the request shall be in writing and submitted to the Head of Environmental Services and presented to the next C.A.R.E. Advisory Panel. A request shall include:

(I) evidence to support the fact that the Client is able to make the repayments (i.e. details of income, outgoings, other loans/mortgages etc.); and

(II) evidence that the applicant has received and understood guidelines stating that:

- the terms of the loan may not be the best available and better terms may be available from an alternative lender;
- that the Client should seek independent financial advice before agreeing to the loan; and
- that they should discuss the loan with their family.

(ii) A status report shall be given at each C.A.R.E. Advisory Panel Meeting.

7. If introduced the scheme would need no additional funding, as it would be financed from the accrued small loans fund. However, if it is not agreed to establish the small loans scheme, a decision has to be made as to what the remaining balance should be used for once all the loans have been paid off.

**Statement in Support of Recommended Action:**

8. Existing Council policy does not permit C.A.R.E. to operate a Small Loans scheme, even though one was provided under the management of the previous Service provider. The provision of a small loans scheme is considered a desirable addition to the Services provided by a Home Improvement Agency.

**Other options considered and rejected:**

9. C.A.R.E. aims to offer older homeowners and private sector tenants practical help with carrying out essential repairs and maintenance to their homes. Part of this is to assist with finding finance for work when Council grants are not available or are insufficient to meet the full cost of the work. The option of not assisting clients to access small loans has been rejected by the C.A.R.E. Advisory Panel because it is felt that it would be unsatisfactory from the point of view of customer care to do so.
10. It has also been considered that C.A.R.E. could discharge its duty in this respect by referring Clients to 'High Street lenders'. However, the small sums of money being borrowed and the rate at which clients could realistically make repayments, would make it unlikely that they would be able to obtain loans in the private sector.

**Consultation undertaken:**

11. C.A.R.E. Advisory Panel Meeting 25 May 2004 and Special Meeting 16 December 2004.

**Resource implications:**

**Budget provision:** No additional resources are required.

**Personnel:** Nil.

**Land:** Nil.

**Community Plan/BVPP reference:**

**Relevant statutory powers:** Local Government Act 2000 Section 2(4)(b).

**Background papers:** Minutes of C.A.R.E. Advisory Panel Meeting 25 May 2004, Minutes of C.A.R.E. Advisory Panel Meeting 16 December 2004.

**Environmental/Human Rights Act/Crime and Disorder Act Implications:** N/A.

**Key Decision reference (if required):** N/A.