

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1 The National Kickstart Programme was established by the Government in 2004 to provide loans to residents on low incomes unable to access finance for home improvements that would enable them to remain living independently
- 1.2 The report outlines the implications for T&WC of the wind up of the West Midlands Kickstart Partnership established to administer the national programme in the Region and includes proposals for the management of home improvement loans to be assigned to T&WC as a result.

2. RECOMMENDATIONS

- 2.1 That Cabinet approve that all secured and unsecured loans, as listed in the respective Deeds of Assignment of Loans schedules are formally assigned to Telford & Wrekin Council so that it can legitimately deal with any queries from borrowers relating to those loans and with any enforcement issues (where deemed appropriate).

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<ul style="list-style-type: none"> • Regenerate those neighbourhoods in need and work hard to ensure that local people have access to suitable housing protect • Support our vulnerable-children and adults
	Will the proposals impact on specific groups of people?	
	Yes	The national Kickstart scheme was established by Central Government to provide finance to those unable to access funding through mainstream lenders as a way of encouraging growth in the Housing market.
TARGET COMPLETION/ DELIVERY DATE	Engrossed Deeds of Assignment of Loans, with regards to Street (UK) Homes Limited and to Art Homes Limited (the two loan management companies acting for the former Partnership.) have been sent to the Kick Start Programme Management Team (established to administer the national programme within the West Midlands) who will liaise with those companies in order to arrange execution of the Deeds, and their subsequent return to T&WC. T&WC will seal the Deeds, which will formally transfer the loans to Council control.	
FINANCIAL/VALUE FOR MONEY IMPACT	Homeowner loans and capital allocation of £361,000 will be assigned under this arrangement. Full details are attached in Section 5 of this report. There are implications for the administration of the loan portfolio including monitoring and chasing payments, providing annual loan statements and responding to queries in relation to secured loans.	
LEGAL ISSUES	Yes	Until the formal assignment of the benefits of the loan portfolio(s) to T&WC, from Street (UK) Homes Limited and from Art Homes Limited, T&WC do not have legal ownership of the loans and will not be able to deal with queries relating to those loans or enforcement of non-payment. T&WC is reliant on the Kick Start Programme Team and particularly on Street (UK) Homes Limited and Art Homes

		Limited executing the Deed of Assignment of Loans in order to affect the transfer. When the loans have been assigned to T&WC there will be potential implications for Legal Services workload in terms of property related issues - further advances or remortgaging (secured loans) and enforcement due to non-payment (unsecured loans).
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	Risk of non repayment of loans. Opportunity to invest loan repayments into housing capital programme to support action to meet housing need and enable households to remain living independently
IMPACT ON SPECIFIC WARDS	Yes	Those accessing loans live across the Borough so the Report may impact on all Wards

PART B) – ADDITIONAL INFORMATION

4. INFORMATION

- 4.1 The National Kickstart Programme was established by the Government in 2004 to provide loans to residents on low incomes unable to access finance for home improvements that would enable them to remain living independently.
- 4.2 In the West Midlands region a Partnership of around 12 Local Authorities was established with Birmingham City Council hosting a Programme Management Team. The Programme Team procured a loan management company to manage the provision of secure and unsecured loans provided to home owners. The funding originating from a national allocation was recycled through the Programme with funds released from payment of loans reinvested into new loans.
- 4.3 T&W joined the Partnership in 2008 with the Home Improvement Agency linking residents contacting the Agency with the Programme Team. Initially, once loans were agreed the Council undertook the work or procured contractors and managed the work on site. Following a change in the loan management company work is now procured and managed centrally.
- 4.4 Since the establishment of the Regional Partnership 59 households in T&WC have benefited from the scheme. Typical home improvements have included replacement heating systems, roofing works and electrics. A number equity share and unsecured types of loans were offered. The equity share loans were a maximum of £30k and unsecured were a maximum of £2k. Repayment of unsecured loans is typically over 4 years with full repayment anticipated by 2015.
- 4.5 In 2010 the Government took a decision to cease to provide Kickstart loan finance. This has necessitated the wind up of the Partnership. As part of this process remaining secure and unsecure loans are to be assigned to the relevant Local Authority. This loan portfolio will then become the responsibility of the Local Authority to administer. It has been confirmed that there will be no claw back of capital to Government and the funds released as loans will not be ring-fenced. Although final figures are still being clarified it is anticipated that T&WC will take responsibility for:
- 27 secured loans with a value of £328K at 31 March 2012
 - 21 unsecured loans with a balance of £18k to be repaid

T&WC Responsibilities

- 4.6 Assignment of loans to T&WC will bring with it a series of tasks:
1. Contacting all those with an outstanding loan to confirm new administrative arrangements and providing an annual statement of their loan
 2. Establishing new direct debit payment arrangements for repayment of unsecured loans and administering payments
 3. Pursuing payment if homeowners cease to pay
 4. Responding to HMLR where secure loans are to be repaid on sale of property
 5. Responding to requests from solicitors or homeowners for secure loan charge to be reduced e.g. where a further mortgage or loan is being sought
 6. Ensuring searches accurately reflect the existence of a homeowner loan

Unsecured Loans

- 4.7 The loan management company Street UK ceased to make collections against unsecured loans at the end of February 2012. Customers received a letter explaining the forthcoming transfer of their loan to the LA and indicating there would be no further collections for a period while new administrative arrangements were put in place by the relevant Council. The slow progress of

demobilisation since then and the 4 month payment 'holiday' will make it more difficult to re-establish payment arrangements.

- 4.8 It is also apparent from initial analysis of information received from the Programme Management Team that when Street UK took over from Art (the original loan management company appointed by the Partnership) that new direct debits which should have been put in place with customers were not pursued in all cases. Once all loan information has been received it will be possible to assess the status of each T&WC homeowner loan in full and clarify to what extent loan payments have been collected.
- 4.9 It is important to consider the administrative costs of pursuing loan payments. The existing loan management company, Street, have offered to provide ongoing loan management for Authorities. Birmingham City Council who have a large loan portfolio are tendering for a loan management company and have offered other Authorities opportunity to join this framework. T&WC have a relatively small unsecured loan portfolio and it is not proposed to pursue either option but to use the Authorities Invoicing and Collection Team to manage loan repayments.

Secured Loans

- 4.10 In February 2012 the Programme Office wrote to HMLR with the schedule of loans to be transferred to each Local Authority. To date one request has already been received for the kickstart loan charge to be reduced from 2nd to 3rd charge. A holding response has been given pending the Deed of Assignment being sealed. It is recommended that the Council do not accept a reduction in charge as this reduces the potential to receive full repayment of the loan on sale of the property. This is the approach taken by the Programme Management Team to date. Where a loan is to be repaid the original contract places the cost of providing a final valuation with the homeowner. The Council would potentially value the property to determine the application of the equity % to be repaid.

Application of Funds Repaid

- 4.11 As part of the assignment T&WC has received £15,000 of capital from the Programme Management Team. This represents T&WC proportion of the funds held for recycling at the point loans ceased to be made by Street. This has been directed into the housing capital programme and is being used to provide home improvement grants and to form an allocation to underwrite the provision of loans for similar home improvements through a local partnership with Fairshare Credit Union. Loan repayments are not ring-fenced but also unpredictable in terms of their likely point of repayment. Secured loans may not be repaid for many years until properties are sold. The value of unsecured loans is around £18k.

5. FINANCIAL COMMENT

- 5.1 The value and number of loans outstanding at 31 March 2012 are shown in the table below:

	Number	Loan Value £'000s
Secured	27	328
Unsecured	21	18
Subtotal	48	346
Funds already assigned		15
Total		361

- 5.2 Secured loan repayments will arise only when the properties upon which they are secured are sold. The timing of which cannot be projected with any certainty. Assuming the homeowner meets their unsecured loan repayment arrangements this would equate to a receipt of approximately £18,000. As part of the changes, T&WC has received £15,000 of capital from the Programme Management Team.
- 5.3 The original allocation of funding for the loans was awarded as a part of the single capital pot and there is no requirement to repay funds to DCLG. As such all monies received will represent additional allocation of capital which is not ring-fenced. Approval is requested to accept the capital monies (secured loan repayments, unsecured loan repayments, funds associated with the assignment) as they are received. As it is currently unclear when these funds will be received their utilisation will be considered as part of the service and financial planning process in future years.

5.4 The administrative and legal costs of managing the loan portfolio will be met from within existing resources.

6. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

6.1 The provision of loans has enabled 59 households to make improvements to their homes that they would not otherwise have been able to finance. This has supported individuals to continue to live independently and accommodate changes in their family circumstances.

7. OTHER IMPACTS, RISKS & OPPORTUNITIES

7.1 While full information on individual loans has not yet been received there is a risk that loan repayments will not be made and given the value of the unsecured loan portfolio the administration of pursuing payment may outweigh the financial benefit.

7.2 In relation to secure loans requests to reduce the Council's charge risks the Council not receiving full payment of outstanding loan on sale of the property

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