

	REPORT TO CABINET TO BE HELD ON 17 JANUARY 2017	
	Key Decision	No
Corporate Priority Aim 3 – Creating Healthy and Vibrant Communities	Forward Plan Ref No Cabinet Portfolio Holder	 Cllr Bill Chatt, Cabinet Member for Public Health and Housing

REPORT OF: DIRECTOR (TW) – 17/12

WARDS AFFECTED: ALL

SUBJECT: MORTGAGE BREATHING SPACE LOAN SCHEME

RECOMMENDATION (S):

Cabinet is recommended to:

- 1) Support the use of the Mortgage Breathing Space Loan Scheme as a homeless prevention tool within the Borough and enter into agreement with Wakefield Metropolitan District Council regarding the administration of this scheme.
- 2) Delegate to the executive of Wakefield Council, in accordance with Article 11.4(b) of the Constitution, the function of the payment of loans by the Borough Council under the Breathing Space Scheme.

REASON FOR RECOMMENDATIONS

To help reduce the incidence of homelessness within the Borough.

HIGHLIGHTED RISKS:

See attached matrix.

1. INTRODUCTION

- 1.1 This report informs Members of the details of the Mortgage Breathing Space Loan Scheme administered by Wakefield Metropolitan District Council (WMDC). The report highlights the implications of this and recommends that

the Council supports the scheme as an additional homeless prevention tool for residents within the Borough.

2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN

- 2.1 Contributes to Aim 3 of the Council's Corporate Plan, 'Creating Healthy and Vibrant Communities'.

3. BACKGROUND AND ISSUES

- 3.1 The Mortgage Breathing Space Loan Scheme is a Government funded, Regional initiative, administered by Wakefield Metropolitan District Council (WMDC). The scheme provides interest free secured loans to clear arrears on mortgages and secured loans, as well as giving up to 12 months' forward payments when needed. Funding for this scheme was originally provided via DCLG grant, however its on-going viability is secured through the recycling of loan re-payments. Figures from WMDC from earlier this year show that there was in excess of £500,000 of loans outstanding and being recovered within the scheme and over £900,000 of funding available for further loans
- 3.2 The founding principle of the scheme is to help owner occupiers who suddenly find themselves in financial difficulties to stay in their own home and where this is not possible to help them through a controlled move where they can keep more of their property equity. This is not only a better solution for the client but is more effective for the Council than dealing with the effects of homelessness.
- 3.3 The scheme offers an interest free loan of between £2000 and £15,000, which is secured against the property. Its purpose is to help applicants to avoid the repossession of their home.
- 3.4 The loan is due for repayment as specified within the loan contract. This will either be on monthly terms for one, two, three, four or five years, or immediate repayment in full as a result of releasing capital from the equity of the property.
- 3.5 The loan will only be appropriate where there is a reasonable expectation that the applicant will be able to sustain home ownership in the longer term after the period of assistance provided by the loan.
- 3.6 The loan may also be appropriate in circumstances where time is needed to allow for the sale of the property and a planned move to alternative accommodation.
- 3.7 The scheme can also be used for applicants aged 55+ who have an interest only mortgage which is due to end and they do not have the means to pay back some or all of the amount they originally borrowed.

- 3.8 Loans can only be made in circumstances where the maximum value for all secured borrowing, including the Mortgage Breathing Space loan does not exceed 90% of the property value.
- 3.9 Any applicant who would be offered help through the scheme must receive independent financial advice before progressing to a possible loan. Neither the Borough Council nor WMDC are registered with the Financial Conduct Authority, so the role of the independent financial adviser is crucial in ensuring that there are no other options that would better suit the applicants' situation. It also removes any link between any advice or financial products recommended and the Council's role in signposting clients the Mortgage Breathing Space scheme.
- 3.10 Applicants must also be agreeable to receiving debt counselling and money advice during the loan application process. They must also agree to review meetings conducted by the Borough Council every three months to monitor their financial situation.
- 3.11 WMDC holds the funds for this scheme for across the region. They are responsible for making the loan and arranging for a charge to be secured on the property. Debt recovery action is also the responsibility of WMDC.
- 3.12 In order to allow WMDC to provide this service within the Borough, the original funding agreement with CLG requires that the Council agrees to delegate the function of offering loans (which all Councils can do under section 2 of the Local Government Act 2000) to WMDC under the specific terms highlighted within this report.
- 3.13 Whilst the function of providing loans in these circumstances is being delegated to WMDC it is important to note that there is no financial risk to the Council. The Council is not expected to contribute any funds towards the scheme. Debt recovery is also the responsibility of WMDC.
- 3.14 Whilst there is no financial risk to the Council, the Council does nevertheless have a key role to play in helping to administer this scheme locally. This involves:
- Undertaking initial assessments to determine the potential eligibility of households for the scheme.
 - Signposting clients to the scheme and supporting clients to submit applications
 - Signposting clients on to receive independent financial advice.
 - Supporting WMDC through the conduct of quarterly repayment progress meetings with clients.
 - Providing interview facilities for face to face meetings between WMDC and clients
 - General local promotion of the scheme.
- 3.15 The recovery of the funds loaned is the responsibility of WMDC and it would be WMDC who would take any action as necessary against any clients who

defaulted on their loan. As part of this, WMDC may request the assistance of the Borough Council in information sharing from our records and arranging interview rooms so that clients can be seen, but we would not be involved in any of the formal recovery action.

- 3.16 Should Members agree to participate in this Scheme then the Council is required to enter into agreement with WMDC regarding the terms and conditions of the Scheme.
- 3.16 That agreement also refers to the delegation to the executive of WMDC which is being sought by this report and set out the roles and responsibilities as highlighted above.

4.0 ASSESSMENT

- 4.1 The Council did not originally look to use the Breathing Space Scheme because of concerns regarding liability. The original format of the scheme placed responsibilities on the local Council areas regarding debt recovery. Essentially Councils were expected to underwrite the risk of unpaid loans and were responsible for debt recovery. Also given the large take up locally for the alternative Mortgage Rescue Initiative (where housing associations paid off the mortgage and acquired the home from the household) the Breathing Space Scheme was not taken forward locally.
- 4.2 Issues around liabilities have however now been resolved. The Loan contract is solely between WMDC and the homeowner. The Borough Council has no liability, either towards the recovery of individual loans or towards contributing toward the pot from which the loans are drawn from.
- 4.3 The effectiveness of the scheme locally is unknown, but for some households who face the threat of repossession through no fault of their own, it could offer a chance for stability and avoid the needs for repossession with all the attendant upheaval around schooling, employment and wider support networks. A large number of Councils within the region already participate within the scheme.

5.0 IMPLICATIONS

5.1 Policy

The Mortgage Breathing Space scheme has no policy implications for the Council. A procedure exists that has been successfully applied in all other Council areas where it has been introduced.

5.2 Financial

There are no financial implications for the Council that arise from this report.

Funding for the Mortgage Breathing Space scheme is held by WMDC and was originally provided from a grant from Central Government. The scheme

would run alongside other 'tools' used by the Housing Options Team to prevent homelessness.

5.3 Legal

On 11 August 2009, as part of the resolution to administer the Breathing Space scheme for Yorkshire and Humberside (based on their Mortgage Assistance Loan Scheme), the Cabinet of WMDC resolved the following.

That, pursuant to the powers conferred by the Local Government Act 2000 and the Local Authorities (Arrangements for the discharge of Functions) (England) Regulations 2000, the Executive of Wakefield Metropolitan District Council exercise on behalf of any local authority within the Yorkshire and Humberside government region which wishes to participate in a loans service provided by Wakefield Council, and has delegated them to the council, the following functions in accordance with such authority's well being powers under section 2 of the Local Government Act 2000:

- Offering loans to the owners of properties who are in mortgage difficulties; and
- agreeing regional arrangements for deciding whether the amount of the loan to be paid on redemption of the mortgage should be deferred or repaid in instalments, or waived in whole or part.

(note that, because the above statutory references no longer apply, the agreement between the two Councils instead refers to the provisions of the Localism Act 2011 and Local Authorities (Arrangement for the Discharge of Functions) (England) Regulations 2012).

The scheme is not mandatory and the Council is not liable should any attempt to take up a Mortgage Breathing Space Loan Scheme be unsuccessful.

Contracts for loans are held between WMDC and the client. The Council is however expected to enter into agreement with WMDC regarding the administration of this scheme and the delegation, to the executive of WMDC, of the function of the payment of loans by the Borough Council.

The Council is required to enter into agreement with WMDC. This agreement sets out the roles and responsibilities of both parties. It also confirms the delegation of powers as described above.

5.4 Equalities and Diversity

The provision of the Mortgage Breathing Space scheme has been considered in the context of the Local Authorities' Public Sector Equality Duties under the Equality Act 2010.

5.5 Staffing Issues

There are no staff implications.

5.6 Planning, Environmental, Health and Safety, Sustainability, Crime and Disorder

There are no implications.



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Background Papers: None

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT CHRIS BROWN ON 01723 232519 OR E-MAIL chris.brown@scarborough.gov.uk

Risk Matrix

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	September 2016	The Council does not introduce the Mortgage Breathing Space Loan Scheme	The Council will have one less option to offer certain households who are threatened with homelessness due to repossession Increased costs associated with processing homelessness and providing temporary accommodation	Adoption of the Breathing Space Loan Scheme.	A1	A1	Housing Manager	
2	September 2016	Borrowers default on the loans that they have received	The total loan pot for future lending will be reduced.	The funds are held solely by WMDC and so there would be no financial implication or risk for SBC.	A1	A1	Housing Manager	

Glossary of Terms

Risk

An event which may prevent the Council achieving its objectives

Consequences

The outcome if the risk materialised

Mitigation

The processes and procedures that are in place to reduce the risk

Current Risk Score

The likelihood and impact score with the current mitigation measures in place

Corporate Objectives

An assessment of the Corporate Objectives that are affected by the risk identified.

Target Risk Score

The likelihood and impact score that the Council is aiming to achieve

Service Unit Manager

The Service Unit or Officer responsible for managing the risk

Action Plan

The proposed actions to be implemented in order to reduce the risk to the target score

Risk Scoring

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

Likelihood:

A = Very Low

B = Not Likely

C = Likely

D = Very Likely

E = Almost Certain

Impact

1 = Low

2 = Minor

3 = Medium

4 = Major

5 = Disaster