

# TONBRIDGE & MALLING BOROUGH COUNCIL

## STRATEGIC HOUSING ADVISORY BOARD

19 July 2010

### Joint Report of the Director of Health and Housing and Cabinet Member for Housing

#### Part 1- Public

#### Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

#### 1 ADMINISTERING THE CLG'S REPOSSESSION PREVENTION FUND

##### Summary

This report seeks Members' endorsement of the principles that underpin the procedure for administering this fund to prevent homelessness in defined circumstances.

#### 1.1 Background

- 1.1.1 Members will recall that CLG awarded TMBC a one-off grant of £38,000 in June 2009 to set up a specific fund for preventing repossessions. The fund is primarily focused on providing small loans to prevent repossessions and evictions across all forms of tenure. In each case the intention is for the local authority to make a loan on the basis of the lender or landlord being prepared to compromise on the debt owed in return for the payment which, in turn, results in the threat of repossession or eviction being removed. Although customers do not need to be in priority need to access the fund, they do have to be threatened with homelessness, be eligible for assistance and have a local connection to Tonbridge and Malling.
- 1.1.2 CLG guidance advises that although the funding is not ring-fenced, it is important to ensure that it supports the maximum number of households in need of financial assistance to enable them to stay in their homes. The provision of small loans (where possible) allows the money to be recycled to help others in the future.
- 1.1.3 As previously reported, the CLG guidance suggests that this fund could cover:
- one off payments to clear or reduce mortgage arrears where lenders are willing to write down the level of arrears in return from a contribution from the owner. These payments would not be made unless the homeowner had acted on money advice, and was able to meet any existing or newly negotiated monthly repayments;

- one off payments as a contribution to clearing or part settling second charge actions where that charge had been taken out against the property for security;
- payments for a local version of the Mortgage Rescue scheme to supplement the Government's scheme or to apply to some groups or circumstances not covered by the Government's scheme;
- one off payments for tenants in the private rented sector or social sector who are in rent arrears due to debt or 'income shocks' due to loss of earnings, reduced hours, with no previous history of rent arrears. This should only be payable where the tenant's ability to afford the continuing rent payments have been verified through debt advice;
- Negotiating a joint agreement with landlords, lenders and the household for the clearance of rent and mortgage arrears;
- boost existing prevention funds across the whole range of local authority prevention work; and
- boost existing deposit bond schemes where it is not possible to save the person from homelessness in the property they are.

1.1.4 This is not an exhaustive list, and local authorities are expected to use the fund to assist with enhancing their current prevention services.

## 1.2 Use of the fund

1.2.1 The Repossession Prevention funding has been used to prevent homelessness for 15 households. To date £17,127.87 has been used, mostly to private sector landlords and housing associations in payments towards arrears to enable households to remain in their home. Two homeowners have been assisted to remain in their homes, one of which was accepted by Moat Housing under the Government's mortgage rescue scheme. Of the £17,127.87 used, £5,902.81 was paid to seven families as non repayable grants and the remaining £11,225.06 is currently being repaid by a further eight households.

Month	Number of cases	Loan amount	Grant amount
<b>Total : 2009/10</b>	<b>9</b>	<b>£5,247 (4 cases)</b>	<b>£3,023.50 (5 cases)</b>
April 2010	2	£700 (1 case)	£2,500 (1 case)
May 2010	2	£3,905.56 (2 cases)	£0
June 2010	2	£1,372.50 (1 case)	£379.31 (1 case)

1.2.2 All procedures for the Housing Options service have recently been updated. The Repossession Prevention Fund procedure at **[Annex 1]** includes detailed guidance as to the homeless prevention principles which underpin the use of the fund.

- 1.2.3 Where a loan is appropriate the repayment schedule will be tailored to ensure that payments are affordable. For loans of under £1,000, the maximum repayment period will usually be 18 months. This can be extended to 24 months in exceptional circumstances. Similarly, for loans of between £1,000 and £5,000, the maximum repayment period will usually be 48 months, extended to up to 60 months in exceptional circumstances.
- 1.2.4 The CLG guidance does not provide any information on how grants should be provided by local authorities. However, since the guidance was issued, the CLG has confirmed that grants using the Repossession Prevention Fund are permissible in appropriate circumstances. For the purposes of using this fund, appropriate circumstances are considered to be where a customer's financial circumstances are such that they cannot afford to take on any additional borrowing and to do so would place them in a situation where they would be unable to afford to pay their housing and essential living costs.

### **1.3 Legal Implications**

- 1.3.1 The Council has a legal duty to provide accommodation for households that are homeless, eligible for assistance and in priority need. In the absence of suitable permanent accommodation, bed and breakfast and other forms of temporary accommodation must be made available instead. Use of the fund to prevent homelessness occurring will reduce the need to take a homeless application in some circumstances.

### **1.4 Financial and Value for Money Considerations**

- 1.4.1 There is a significant risk that levels of homelessness (and the consequent use of temporary accommodation) will increase as a result of the economic downturn. The use of the Repossession Prevention fund to include grants in appropriate cases to prevent homelessness will reduce the need to rely on bed and breakfast and other forms of temporary accommodation, and ensure that certain households who could otherwise face lengthy periods of unsettled housing can remain in their current home.

### **1.5 Recommendations**

- 1.5.1 **CABINET** is **RECOMMENDED** to:
- 1.5.2 **ENDORSE** the principles of the repossession prevention fund procedure to include small loans and grants in the defined circumstances described.

The Director of Health and Housing confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

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Nil

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