



# Doncaster Council

## Report

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Date: 31st July, 2018

### To the Chair and Members of the Cabinet

### Breathing Space – Regional Mortgage Assistance Loans Scheme

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Councillor Glyn Jones Cabinet Portfolio Holder for Housing	All Wards	Yes/No

### EXECUTIVE SUMMARY

1. Approval is sought for the Council's participation, through St Leger Homes, in a Regional Mortgage Assistance Loan Scheme called Breathing Space. This is the Regional Mortgage Assistance Loan Scheme for owner occupiers who are in difficulty with their mortgage. The scheme provides an interest free loan which is secured on the property.

### EXEMPT REPORT

2. The report may be published as it does not contain exempt information.

### RECOMMENDATIONS

3. It is recommended that approval is given for the Council's participation in the Breathing Space scheme by delegating authority for project delivery to Wakefield Metropolitan District Council on Doncaster Council's behalf, with St Leger Homes of Doncaster providing the necessary assistance to ensure the effective operation of the scheme in Doncaster.

### WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. The scheme will help to ensure that some residents of Doncaster who are at threat of eviction and homelessness due to mortgage repayment arrears will be able to remain in their home, and be given time to resolve their difficulties.

## BACKGROUND

5. The Mortgage Breathing Space Loan Scheme is a regional initiative, administered by Wakefield Metropolitan District Council (WMDC). The project was initially established in 2009 using funds from the Regional Housing Board which were top sliced from the Yorkshire and Humber's regional allocation. 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. The project's on-going viability is secured through the recycling of loan repayments. It is suitable for cases where the difficulty in meeting the payment requirements of the mortgage is likely to be short term, or where continuation in ownership is not possible, and time is needed to allow the property to be sold and a structured move to more suitable accommodation organised. The Mortgage Assistance Loan model gives people a chance to remain in their home and gives time to resolve their financial difficulties. To benefit from the scheme, householders do not need to be classed as being in one of the priority groups as defined by Homelessness Legislation.
6. To enable WMDC to act as the Accountable Body for the Breathing Space Scheme, the other participating Local Authorities are required to delegate some of their functions to WMDC (even where the relevant local authority has an ALMO).
7. The scheme offers an interest free loan of between £2,000 and £15,000, which is secured against the applicant's property. Its' purpose is to help applicants avoid the repossession of their home. Loans are used to clear arrears and give ongoing support if needed and are paid directly to lenders. There are no set up fees or charges applied. Repayment in full is achieved either at the end of the 3 year deferred loan payment period, or upon sale of the property.
8. The loan will only be appropriate in two circumstances:
  - 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; or
  - where time is needed to allow for the sale of the property and a planned move to alternative accommodation.
9. To be offered this help, applicants must receive independent financial advice before progressing to a loan. Neither Doncaster Council, St Leger Homes of Doncaster or 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 St Leger Homes' role in offering assistance through the Breathing Space scheme.
10. Applicants must agree to receiving debt counselling and money advice during the loan application process. They must also agree to review meetings conducted by St. Leger Homes' Home Options Service every three

months to monitor their financial situation. WMDC holds the funds for this scheme across the region and are responsible for making the loan and arranging for a charge to be secured on the property.

11. It is important to note that neither Doncaster Council nor St Leger Homes would be taking on any financial risk and would not be required to make any capital investment in order to participate in the regional partnership. Debt recovery is also the responsibility of WMDC and no debts would be placed upon Doncaster Council or St Leger Homes' financial ledger. Nevertheless, the Council, through St Leger Homes, does have a key role to play in helping to administer the scheme locally. This involves:
  - Undertaking initial assessments to determine the potential eligibility of households for the scheme (as part of wider Housing Options work);
  - Referring potential clients to the scheme and supporting clients to submit applications;
  - Supporting WMDC through the conduct of quarterly repayment progress meetings with clients;
  - Providing interview facilities for face to face meetings between WMDC and clients; and
  - General local promotion of the scheme.
12. WMDC would take any action as necessary against any clients who defaulted on their loan. As part of this, WMDC may request the assistance of St Leger Homes through information sharing from their records and arranging interview rooms so that clients can be seen, however, St Leger Homes would not be involved in any of the formal recovery action. Should Members agree to participate in this Scheme then the Council would be required to enter into agreement with WMDC in accordance with the terms and conditions of the Scheme.
13. Steering Group meetings of participating authorities are held every 6 months, where information on loans provided and the balance of funds held by the Breathing Space Scheme is reported.
14. The current number of people helped to date through the scheme in local authority areas is in single digits. This is a consequence of the wider housing market but increased numbers of repossessions are expected once interest rates begin to rise. However, if only a small number of households would qualify for, and be willing to take up, this scheme it is still worth offering the service to those households.

## **OPTIONS CONSIDERED**

15. Utilise another scheme - There are currently no other loans scheme of this type that Doncaster Council or St Leger Homes would be able to participate in to offer support to people who are in mortgage arrears and at risk of losing their home. The only alternative to offer this service would therefore be for the Council to find the financial resources to set up its own loans scheme. This option is not recommended however due to the difficulty in finding such funding, but also the time and cost associated with setting up from scratch and administering such a scheme.

16. Do nothing - this is not recommended as it would be denying Doncaster Residents with mortgage arrears a service that could allow them to remain in their home.
17. Join the Breathing Space Scheme – Recommended Option.

## REASONS FOR RECOMMENDED OPTION

18. Joining the Breathing Space scheme would allow the Council, through St Leger Homes, to offer a mechanism to prevent homelessness for those qualifying residents, by giving those households time to resolve their financial difficulties.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

19.

	Outcomes	Implications
	<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	<p>It is well known that periods of homelessness not only affect people's ability to find employment, but also to remain in employment. Allowing those who benefit from this scheme to remain in their homes will be beneficial to their employment opportunities.</p>
	<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	<p>This scheme is designed to enable people to remain in a home on terms which are affordable for them during the terms of the loan agreement.</p>
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p>	<p>A period of homelessness is known to often have a detrimental effect on children's (and adults') ability to study. By helping families through this scheme, this</p>

	<ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	detrimental effect can be avoided.
	<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>	For families with children, this scheme will reduce stress and upheaval which will be of benefit to those children.
	<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	Preventing homelessness is usually more cost effective than having to deal with the costs of temporary accommodation and other costs associated with dealing with homelessness.

## RISKS AND ASSUMPTIONS

20. Provided the terms and conditions of the scheme remain as they are, the Breathing Space Scheme provides no financial risk to the Council or St Leger Homes. The scheme could, nevertheless, fail in Doncaster if it is not well publicised. It will therefore be important that relevant services within the Council and St Leger Homes ensure information about the scheme reaches those who might benefit from the Breathing Space loans scheme.

## **LEGAL IMPLICATIONS [Officer Initials SF Date 12/04/18]**

21. Article 7.04 of the Council's Constitution enables the Executive (Cabinet) to delegate Executive functions to the Executive of another local authority. Using this provision, Cabinet is able to authorise Wakefield Council to carry out this work within Doncaster. Wakefield Council already has an approval in place allowing it to receive such delegations for the provision of this scheme.
22. The terms of the administration of this scheme and the delegation will be governed by an agreement to be entered into between the two Councils.
23. The power to provide loans is discretionary 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 Wakefield Metropolitan District Council and the individual borrowers.
24. As highlighted within the body of the report, it is essential that loan applicants receive independent financial advice which neither council is registered to provide and the agreement between the two councils will need to reflect this requirement.

## **FINANCIAL IMPLICATIONS [Officer Initials DH Date 09/05/18]**

25. The Breathing Space scheme is operated by Wakefield Council on behalf of the Local Authorities across Yorkshire and The Humber region, to enable them to offer loans to help owner occupiers in difficulty with their mortgage and/or secured loan. Wakefield Council will process and administer the Breathing Space loans for all of the participating Local Authorities from receipt of the client's referral to payment of the loan.
  - The loan is an interest free loan, secured as a legal charge against the Applicant's property, in the name of City of Wakefield Metropolitan District Council (WMDC).
  - There are no monthly repayments required.
  - The loan is repayable in full at the end of three years.
  - If the Breathing Space Loan is not repaid when due, interest will become payable at the Bank of England base rate plus 3%.
  - The Applicant has the right to repay the loan in full at any time. There are no early repayment charges payable if the loan is repaid early.
  - Part repayments are allowed.
  - Debt recovery is the responsibility of WMDC and no debts would be placed upon DMBC's financial ledger.
  - Providing interview facilities for face to face meetings between WMDC and clients
  - General local promotion of the scheme.
26. Any loan offers will be subject to the qualifying assessment criteria, detailed in the Breathing Space scheme handbook being satisfied.

The lending policy requires:-

- The property must be owned and occupied by the Applicant/s.

- The Applicant must be at least 18 years of age (there is no upper age limit).
  - The minimum loan amount is normally £2,000 and the maximum normally £15,000.
  - The maximum loan to value of all secured lending (and including any Breathing Space loan) will not normally exceed 90% of the property value.
  - Loan amounts outside of these limits may be considered according to their individual circumstances.
27. There are no financial costs to St Leger Homes becoming part of the regional partnership however; elements of the administration of the loan will fall on the Home Options team (detailed below). These are not expected to be significant and should be able to be contained within the existing resources of the team. Some of the processes are already carried out as part of the personal housing plan assessments that all home options' officers carry out with customers.

Full details of the Local Authority partner responsibilities are detailed in the handbook.

- Undertaking initial assessments to determine the potential eligibility of households for the scheme (as part of wider housing options work).
  - Referring potential clients to the scheme and supporting clients to submit applications
  - Supporting Wakefield Council through the conduct of quarterly repayment progress meetings with clients.
28. Wakefield Council will provide all the required training and guidance to Housing Options staff to undertake application interviews for Breathing Space loans.

#### **HUMAN RESOURCES IMPLICATIONS [Officer Initials MLV Date 07/06/18]**

29. There are no specific HR implications associated with the content of this report.

#### **TECHNOLOGY IMPLICATIONS [Officer Initials PW Date 31/05/18]**

30. There are no anticipated technology implications in relation to this report.

#### **HEALTH IMPLICATIONS [Officer Initials RS Date 31/05/18]**

31. Housing has a direct impact on health as does financial insecurity. This scheme seeks to reduce the threat of eviction and homelessness due to mortgage repayment arrears by allowing residents to remain in their own homes, and be given time to resolve their difficulties. On this basis the scheme should maintain health and wellbeing however, this impact is difficult to quantify and compare to other interventions.

## **EQUALITY IMPLICATIONS [Officer Initials PA Date 30/05/18]**

32. The Council is statutorily required to have due regard to the protected characteristics of those affected by these proposals. These proposals are aimed at households with mortgage arrears irrespective of their personal characteristics, including any protected characteristics.

## **CONSULTATION**

33. This report has been produced in Consultation with the Portfolio Holder, officers from the Council and St Leger Homes of Doncaster and Wakefield Metropolitan Borough Council.

## **BACKGROUND PAPERS**

34. Not applicable.

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