

Item: 12

Education, Leisure and Housing Committee: 8 September 2021.

Housing Loans.

Joint Report by Interim Executive Director of Finance, Regulatory, Marine Services and Transportation and Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider revisions to the existing housing loan scheme to support housing purchase, development, improvement and repair in the private sector.

2. Recommendations

The Committee is invited to note:

2.1.

That, on 6 June 2018, the Education, Leisure and Housing Committee recommended that, with effect from July 2018, the ceiling for any single housing loan be set at a maximum of £130,000, and thereafter increased annually in line with the Retail Prices Index, or £30,000 in the case of an interest-only loan.

2.2.

That since 1 July 2018, 17 loans, amounting to £1,470,740, have been approved with one application unable to meet the criteria and one application pending.

2.3.

That the Registers of Scotland report, which shows average house prices by local authority area, indicates that average house prices in Orkney have increased from £147,125 in 2017/18 to £170,498 in 2020/21.

2.4.

That a review of the parameters of the Housing Loan Scheme has been undertaken, as detailed in section 4 of this report, the outcome of which is to increase the maximum loan amount, amend the income earnings multiplier and increase the overall available funding in any financial year.

It is recommended:

2.5.

That the Housing Loan Scheme should be amended as follows, to take effect from 1 November 2021:

- The ceiling for any single loan being set at a maximum of £160,000 and be increased annually in line with Retail Prices Index.
- The funding available to be increased to £585,000 and underwritten by the General Fund Capital Programme.
- The Council lending up to 90% of the valuation of the property or three times earned income, whichever is the lesser, up to a maximum of £160,000 for any single loan or £30,000 in the case of an interest only loan.

3. Background

3.1.

The Council makes housing loans to eligible applicants to support housing purchase, development, improvement and repair in the private sector.

3.2.

On 6 June 2018, the Education, Leisure and Housing Committee recommended that, with effect from July 2018 the ceiling for any single housing loan be set at a maximum of £130,000, and thereafter increased annually in line with the Retail Prices Index, or £30,000 in the case of an interest-only loan. The Housing Loan Scheme now operates under the following parameters:

- Provision of loan assistance from the Council continues to be limited to those applicants who are unable to borrow from a financial institution.
- The Scheme is assessed following receipt of two decisions, in principle, from lending institutions evidencing refusal of a loan, together with a copy of the original application, before the Council will consider a loan for the same amount.
- The ceiling for any single loan is set at a maximum sum of £130,000, increasing each year based on RPI. Following these criteria, the maximum sum is currently set at £137,000.
- The funding available is £500,000 and is underwritten by the General Fund Capital Programme.
- Interest only housing loans, limited to £30,000 in value, are available in certain circumstances.
- The Council lends up to 90% of the valuation of the property or 2.5 times earned income, whichever is the lesser, up to a maximum of £137,000 for any single loan or £30,000 in the case of an interest only loan.
- Repayment is at the current applicable interest rate and on such terms and conditions as determined by the Head of Finance, in consultation with the Solicitor to the Council.
- Assessment of the loan, including consideration of the housing issues of the applicant's household and the extent to which this assists in meeting the aims of the Local Housing Strategy, and conditions are determined by the Head of Finance, in consultation with the Solicitor to the Council.
- In cases of common repair, in order to avoid any impact on the Housing Revenue Account, the scheme is available to private landlords as well as owner occupiers.

3.3.

Currently the Council has 25 housing loans being repaid, with a further three recently approved and one pending application. The balance outstanding as at 31 March 2021 was £1,271,930.11.

3.4.

The level of arrears in respect of housing loans as at 31 March 2021 amounting to £12,612.11.

4. Proposed Revisions to Existing Housing Loan Scheme

4.1.

It is proposed that the ceiling for any single loan be increased by £23,000 to a maximum sum of £160,000 following a review that has taken place, which considered the following key indicators:

- Movements in the Retail Price Index between 31 March 2018 to 31 March 2021 which showed that the Retail Price Index had increased by 18.6 points from 278.3 to 296.9 during that period.
- The Registers of Scotland report on average house prices in each Local Authority which showed that average house prices in Orkney now stand at £170,498 for financial year 2020/21.

4.2.

It is proposed that the funding available is increased from £500,000 to £585,000, following a review that considered the following:

- Funding expended in 2019/20 and 2020/21 was £485,080 and £364,748 respectively. Though these are both still below the £500,000 limit, an increase in the maximum loan available will increase the amount being expended from the fund each year, with the likelihood being the limit will be exceeded.
- The increase of 17% would match the increase of the maximum loan limit from £137,000 to £160,000.

4.3.

It is proposed that the earned income multiplier be increased from 2.5 to 3 times, following a review that considered the following:

- Feedback from local financial advisers as part of the consultation that took place when considering changes to the current scheme parameters.
- Increasing the income multiplier will allow more applicants the opportunity to utilise the increased maximum loan limit.

4.4.

All other parameters for the Housing Loan scheme, as detailed at 3.2 above, would remain unchanged.

5. Equalities Impact

An Equality Impact Assessment has been undertaken and is attached as Appendix 1 to this report.

6. Corporate Governance

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

7. Financial Implications

7.1.

The annual provision of £500,000 for Housing Loans has always been underspent, however the proposed increase in the maximum loan makes it likely this limit will now be reached. A new recommended provision of £585,000, an increase of 17% in line with the new maximum loan, would reduce the likelihood of an overspend occurring.

7.2.

The recommended maximum loan of £160,000 at up to 90% of valuation would equate to a maximum eligible value/price of £177,800.

7.3.

The advance of housing loans is not expenditure that would be charged to the General Fund Revenue Account, loans are instead treated as investments. These are secured investments on which the interest rate of 3.93% is a reasonable level of return when considered against the 5.6% target return on the Strategic Reserve Fund.

8. Legal Aspects

8.1.

The Housing (Scotland) Act 2006 sets out lending provisions which came into effect in four separate phases from September 2008 to July 2013. This allows provision of assistance in respect of conversion or construction of property, improvement, repair and maintenance of property and the installation of fire precautions.

8.2.

Section 80 of the Housing (Scotland) Act 2006 outlines arrangements in respect of the terms of any loan. The Council can set terms covering interest, any charges and repayment and can require that the loan be secured by a standard security on the premises to which the loan applies. The Council is required to ensure that where it offers a loan, it should advise the applicant to seek independent advice on the terms of the loan.

9. Contact Officers

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James Wylie, Executive Director of Education, Leisure and Housing, extension 2433, Email james.wylie@orkney.gov.uk

Colin Kemp, Interim Head of Finance, extension 2106, Email colin.kemp@orkney.gov.uk

Frances Troup, Head of Community Learning, Leisure and Housing, extension 2177, Email frances.troup@orkney.gov.uk

10. Appendix

Appendix 1: Equality Impact Assessment.



Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

1. Identification of Function, Policy or Plan	
Name of function / policy / plan to be assessed.	Housing Loans
Service / service area responsible.	Housing Services
Name of person carrying out the assessment and contact details.	Frances Troup, Head of Community Learning, Leisure and Housing Ext 2177 E-mail frances.troup@orkney.gov.uk
Date of assessment.	18 August 2021
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	Review for 2021
2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	To seek to provide a housing loans scheme to assist householders to fund property purchase or improvement where they have been unable to secure a loan from a high street lender and to assist the Council to meet the priorities outlined in the Local Housing Strategy and Housing Needs Assessment.
Is the function / policy / plan strategically important?	Yes. It links to the Local Housing Strategy and aims to provide an appropriate housing option for those who cannot secure a loan
State who is, or may be affected by this function / policy / plan, and how.	Householders who are seeking a loan for the purposes of property purchase or improvement but have been unable to obtain this from a high street lender.

<p>How have stakeholders been involved in the development of this function / policy / plan?</p>	<p>Staff from Housing, Finance and Legal Services have been involved and views have been sought from companies offering financial advice to ensure that the proposed changes to the housing loans scheme would appear to be appropriate to meet the needs of the expected current client base.</p>
<p>Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).</p>	<p>As a public sector organisation it is important to actively consider how we can reduce inequalities of outcome caused by socio-economic disadvantage. Research shows that socio-economic disadvantage can include multiple factors such as low income, material deprivation, area deprivation and socio-economic background. These factors can negatively impact on outcomes including lower skills and attainment, lower quality, less secure and lower paid work and lower healthy life expectancy.</p> <p>Whilst Orkney's labour market has consistently had lower unemployment figures and higher economic activity than almost all other parts of the UK, statistics highlight that average earnings are lower in Orkney in comparison. The seasonality of Orkney's job market and the higher levels of part-time working also have an impact on average income.</p> <p>Recently the impact of the COVID-19 pandemic has had a significant impact on both employment and income levels.</p> <p>Providing equality of access to housing irrespective of protected characteristics and income is a key aim of our approach to local housing and housing loan schemes.</p>
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low income. See The Fairer Scotland Duty Interim Guidance for Public Bodies for further information.</p>	<p>There is significant research around the area of socio-economic advantage or disadvantage and the ability or otherwise to access home ownership.</p> <p>The provision of housing or lack of it is recognised as being intrinsically linked to a range of indicators related to health, wealth and educational achievement.</p> <p>The Joseph Rowntree Foundation has produced a</p>

	range of research focussing on poverty and disadvantage and the links between this and housing and homelessness. Research such as this relates directly to the introduction of the Fairer Scotland Duty.
Could the function / policy have a differential impact on any of the following equality strands?	(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).
1. Race: this includes ethnic or national groups, colour and nationality.	Potentially if for instance there was a language barrier but our Accessibility Policy is specifically intended to address this. We keep service records which include records of any requirements for information in different formats and languages.
2. Sex: a man or a woman.	No specific impact identified.
3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.	No specific impact identified.
4. Gender Reassignment: the process of transitioning from one gender to another.	No specific impact identified.
5. Pregnancy and maternity.	No specific impact identified.
6. Age: people of different ages.	Different age brackets may be more likely to consider a housing loan if for instance an individual is a first time buyer and has no lending history or where an individual is nearing the end of their working life or has retired and may not be in a position to take a traditional loan. However, the policy itself would not have a differential impact on different age groups specifically.
7. Religion or beliefs or none (atheists).	No specific impacts identified.
8. Caring responsibilities.	No specific impact identified.
9. Care experienced.	No specific impact identified.
10. Marriage and Civil Partnerships.	No specific impacts identified.
11. Disability: people with disabilities (whether registered or not).	Potentially if for instance there were specific communication requirements but our Accessibility Policy is specifically intended to address this. We keep service records which include records of any requirements for information in different formats and languages.
12. Socio-economic	Socio-economic disadvantage is likely to lead to difficulties in being able to access a mortgage or

disadvantage.	loan. The policy is intended to be able to assist those who may not be able to secure a housing loan through a high street bank but who would be able to support a mortgage accordingly. However, the policy is intended to assist those who could support home ownership. Other housing options would be more suitable for those who do not have the economic means of supporting a mortgage.
13. Isles-proofing.	No specific impact identified.

3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	Yes, there is a potential greater impact identified as a result of race, age, disability and socio-economic disadvantage. These have been addressed throughout the EQiA.
How could you minimise or remove any potential negative impacts?	Our Accessibility Policy can assist with any language barriers. The Housing Loans policy is intended to assist those who may be unable to access a mortgage through a high street bank but who otherwise would be able to financially support a mortgage. The policy cannot assist those who cannot support a mortgage financially and for them, other housing options may be appropriate.
Do you have enough information to make a judgement? If no, what information do you require?	Yes

4. Conclusions and Planned Action

Is further work required?	No.
What action is to be taken?	N/A
Who will undertake it?	N/A
When will it be done?	N/A
How will it be monitored? (e.g. through service plans).	N/A

Date 18 August 2021

Signature:



Name: Frances Troup

(BLOCK CAPITALS).

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at hrsupport@orkney.gov.uk