Affordable Home Loan Network Progress Report

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INTRODUCTION

Since the 1980s it has become the norm for governments to assert that the primary responsibility for maintaining their homes rests with home-owners. For more than sixty years, however, governments in England have recognised the need to assist poor and vulnerable home-owners with the upkeep of their homes. This role has rarely been as important as it is now and yet in the current recession, and despite claims by government ministers that they are seeking to protect the most vulnerable members of society, there is a real possibility that this support will be discontinued. This report addresses the needs of vulnerable home-owners living in poor housing conditions. It sets out the scale of the current problem, the role and contribution currently being made by members of the Affordable Home Loan Network (see Appendix) to tackle these problems and the potential impact of the loss of the service contribution of AHLN members.

THE CHALLENGE OF MAINTAINING HOUSING STANDARDS IN THE OWNER-OCCUPIED SECTOR

The English housing market is dominated by private sector ownership. Over 15 million dwellings, (67% of the entire housing stock), is now owner-occupied[i] and the scale of the sector poses an enormous challenge to local authorities seeking to maintain minimum standards for poor and vulnerable households. One of the major problems is that much of this stock is now very old and there is a close correlation between the age of the stock, its condition and the costs associated with maintenance. Over 3 million dwellings (21.3% of the total stock) now in owner-occupation were built before 1919 and a further 2.7 million (19.7%) also exist from before the end of the Second World War[ii]. In 2008, 4.8 million owner-occupied dwellings (32.3% of the owner-occupied stock) failed the current Decent Homes standard[iii] and accounted for two-thirds (66%) of the total number of dwellings failing the standard as a whole.

The age of the owner-occupied stock is also a major factor affecting its energy efficiency. Much of the housing built before 1919 did not adhere to more modern construction methods. Once again the owner-occupied sector presents the greatest challenge. It reflects an average energy efficiency rating[iv] which is the lowest of all the housing sectors and indeed is far below the average in the social housing sectors. Because of the larger average size of housing in the sector and the poor energy efficiency of the older housing stock, the average rate of carbon emissions per dwelling is also highest. When multiplied across the size of the stock, annual carbon emissions from the owner-occupied sector are three times more than the remainder of the housing stock put together.[v]

The scale of these problems is naturally reflected in costs. The English Housing Survey 2008 (EHS) estimates comprehensive repair costs on all pre 1919 housing at over £30bn. Since owner-occupied properties account for approximately two-thirds of these properties it is not unreasonable to assume that the overall costs for this part of the sector must amount to around £20bn. But these estimates are for comprehensive repairs; a more realistic indicator of the serious nature of the problem is that the overall cost of basic repairs to the pre 1919 owner-occupied stock would be about £5.4bn.

Progress in improving the owner-occupied stock, moreover, has stagnated. Net improvement in the quality of the housing stock over the last decade has been most marked in the public rather than the private sector and clearly the rate of improvement/repair has slowed in recent years. One of the key findings of the 2007 English House Condition Survey[vi] acknowledges that “the survey shows no (statistically significant) change in the overall number or proportion of homes that were non-decent between 2006 and 2007”. This performance has only marginally improved in 2008. Whilst there has been a consistent improvement in the average SAP rating of all dwellings over the last decade or so, the rate of improvement in the owner-occupied sector is the slowest of all.

What all this means is that our current rate of investment in the owner-occupied stock is just about keeping pace with the level of deterioration and given economic forecasts for the next few years, these circumstances are likely to worsen.

Hence the renewal of owner-occupied homes for the poor and vulnerable presents a critical challenge. It affords:

- **The greatest problem of scale in tackling poor housing conditions**
- **Poor levels of energy efficiency**
- **Very high overall carbon emissions levels**
- **High (and increasing) costs as investment is deferred**

THE HEALTH AND SAFETY IMPACT OF POOR HOUSING CONDITIONS

150 years ago it was the link between poor housing conditions and the fear that these conditions might be associated with ill health and the spread of infectious diseases that led to the first legislation in housing. In more recent years a wealth of research has been undertaken on the impact of poor housing conditions on the health and welfare of residents. This research evidence demonstrates that poor housing conditions in general have been linked to increased levels of limiting long-term illness, respiratory and infectious diseases, accidents, psychological problems and perceived poor general health; even to increased mortality. In particular, a number of key factors associated with the home can have an adverse impact on the health and well-being of the occupants.

Annual UK Excess Winter Deaths	Owner-occupied dwellings where Excess Cold is a major hazard	Owner-occupied dwellings with serious Dampness
30-40,000	1.38M	800,000

Low internal temperatures: persistently cold homes can have a detrimental effect on the health of residents and contribute to an increased risk of strokes, heart disease and respiratory illnesses. In a study which examined the phenomenon of the annual 30-40,000 excess winter deaths in UK, Wilkinson and colleagues (2001)[vii] concluded that there is "… a credible chain of causation which links poor housing and poverty to low indoor temperatures to cold-related deaths." The EHS (2008)[viii] recorded 1.38m owner-occupied dwellings in which excess cold was a major hazard.

Damp homes and condensation: damp homes are favourable to the growth of bacteria and viruses, and in turn, mould growth and dust mites contribute to respiratory problems in the home. In a review of relevant literature, Peat et al (1998)[ix] concluded that the presence of increased levels of dust mites and fungal spores in a damp home does lead to an increased risk of respiratory or allergic symptoms, especially amongst children. Similarly, poorly ventilated homes can enhance exposure to damage by pollutants and increase respiratory symptoms. According to the EHS (2008)[x], over 800,000 owner-occupied dwellings experienced problems with dampness and a disproportionate number of these were in pre 1919 homes.

Overcrowded homes: the EHS (2008) also confirms that, "Overcrowding significantly increases the risk of condensation and mould growth within the home". The incidence of dampness in the home was especially related to circumstances where households had insufficient bedrooms – 666,000 households as a whole failed the bedroom standard[xi] and about a third of these were owner-occupied households (231,000)[xii]. Just under a quarter of all households failing the standard (146,000) experienced problems of dampness in the home compared with just 6% of households with additional bedrooms according to the standard.

Accidents in the home: according to Roys et al (2010)[xiii] non-fatal accidents in the home account for around 45% of all accidents and are second only to leisure induced accidents as a source. This is perhaps not surprising when one takes account of how much time is spent at home. An enormous variety of accidents occur in the home, but burns, scalds and falls are amongst the most frequent injuries suffered by young children, whilst the elderly are likely to be more susceptible to trips and falls on stairs[xiv]. The EHS (2008)[xv] found almost 2m owner occupied dwellings with domestic arrangements that constituted a potential falls hazard.

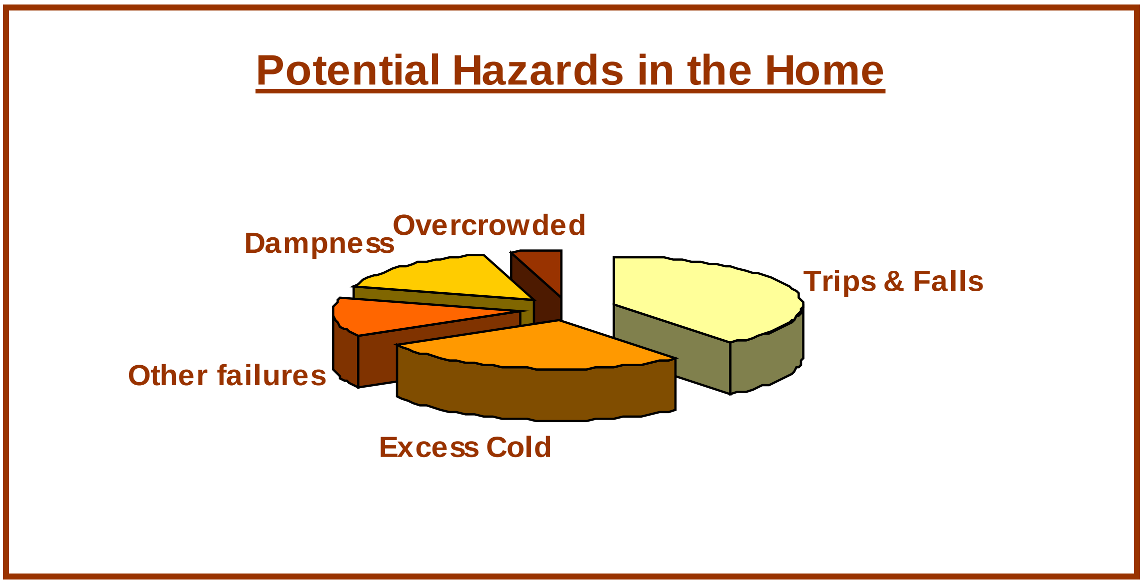
Fires in the home: the most serious accidents in the home are often dwelling fires. CLG maintains an annual monitor of fire and fire related events attended by the Fire Services in England[xvi]. The most recent statistics (to March 2010) show that fire brigades attended 39,000 dwelling fires during the year, of which 33,000 were considered to be 'accidental'. Arising from these accidental dwelling fires there were 210 fatalities and 5,700 non-fatal injuries. Until the current year, these statistics have shown a consistent year on year reduction for many years, reflecting the significance of improved electrical and safety standards in the home and more effective fire prevention work.

Owner Occupiers	Owners over 60	Owners over 75	Non Fatal
343 Deaths	185 Deaths	100 Deaths	500 Incidents

Carbon Monoxide poisoning: faulty gas fires and blocked chimney flues can cause carbon monoxide poisoning. An independent charity, CO-Gas Safety, has maintained a data-base of deaths in the UK arising from carbon monoxide poisoning in the home since 1995. During this period there have been 601 recorded deaths, an average of 40 deaths per year. 343 of these deaths have been owner-occupiers (57%) and of these there is a strong preponderance of elderly and very elderly people. 185 people were aged 60 years or more (44%) and 100 were aged 75 or over (17%). In 1997, the Department of Health[xvii] also estimated there were around 500 non-fatal incidents per year involving carbon monoxide poisoning in the home.

Fuel Poor Households in 2008	Fuel Poor Vulnerable Households in 2008	Fuel Poor Vulnerable Households in the Private Sector	Official Projection of Fuel Poverty in 2009/10
3.35 Million	2.65 Million	2.1 Million	4 Million +

Fuel poverty[xviii]: the most recent report on fuel poverty by the Department of Environment and Climate Change (DECC) estimates that a total of 3.35m households in England were suffering fuel poverty in 2008 and of these 2.65m were 'vulnerable households'. **Over 2.1m of these vulnerable households were in the private sector,** (accounting for almost 80% of all vulnerable households). It follows, therefore, that the vast majority of this vulnerable group were owner occupiers. Official projections, moreover, anticipate a rise in the numbers of fuel poor households to over 4m households in 2009/10.



Summarising these potential hazards in the home

- **a total of 3.45 million owner-occupied dwellings failed the current minimum legal standard[1] to a degree which justified statutory intervention**
- **almost 2m of these dwellings were in a condition likely to cause falls**
- **around 1.38m homes failed the standard because of 'excess cold'; around 20 – 30,000 'excess' deaths during the winter months each year in England are attributed to cold homes**
- **approximately 660,000 dwellings failed on other elements of the standard**
- **over 800,000 owner-occupied dwellings were exposed to dampness**
- **230,000 owner-occupied homes were overcrowded**

WHAT THIS MEANS FOR POOR AND VULNERABLE HOME-OWNERS

AHLN members have developed in support of the private sector renewal agenda of local authorities which has focused on 'vulnerable households in non-decent homes'. Because a major part of their role has been in making equity based loans, however, they have also prioritised home-owners rather than private renters. Hence, this section will analyse the impact of these poor housing conditions on 'vulnerable' home-owners - the poor, households with children and the elderly.

Poor households: there are over 1.3m 'poor' households living in non-decent homes in England[xix] and many of these households will be home-owners. As the EHS (2008) makes clear these households suffer some of the most serious housing problems. The poor "are much more likely to live in homes in serious disrepair", with problems of "serious condensation and mould" or in neighbourhoods with the "worst upkeep problems". Almost 50% of households in the lowest income quintile are also living in properties in the three lowest residential energy-efficiency bands. Households in this income group also accounted for 78% of all households experiencing fuel poverty[xx]. Poor ethnic minority households were particularly vulnerable. According to the EHS (2008), "22% of poor ethnic minorities were living in homes in disrepair, 15% in homes with serious condensation and more than one in four (26%) in neighbourhoods with worst upkeep problems". With the most limited financial resources and living in some of the worst housing conditions, this is the group which is most vulnerable to persistent problems of ill health, social anxiety and depression. It is these households who will suffer most if local budgets for private sector housing renewal are withdrawn. They have scarce funds of their own, limited experience of institutional loan finance, and by virtue of their 'high risk' postcode or poor credit-rating, very few would be able to access commercial loans from 'High Street' lenders.

As a consequence, it is precisely on these households that the financial assistance of the AHLN membership is focussed. In addition to the advisory and supervisory services provided by the AHLN Partnerships, most offer a range of loan products which include an interest free equity loan requiring no monthly repayments – absolutely essential in seeking to help the very poorest households.

Households with Children that fail DHS	
Households with Children under 16	1.76m
Households with children Under 5	766,000
Within Owner Occupied Sector	
Children under 16 living in Over-crowded homes	Approx 350,000
'Poor' owner-occupied households living in Serious Disrepair	61,000 Households
'Poor' owner-occupied households experiencing Problems in the neighbourhood	61,000 Households
Owner-occupied Households with children living in Fuel Poverty	300,000

Households with children: there are 1.76m households with children aged under 16 that live in dwellings that fail the decent homes standard; 766,000 of those households have young children aged under 5 years old[xxi]. Within the owner-occupied sector, approximately 350,000 children under the age of 16 were living in over-crowded homes[xxii]. The Department of Work and Pensions (DWP)[xxiii] found that 30% of children in households with the lowest 5% of income would like to but could not afford to have enough bedrooms for every child of ten years of age of a different gender. As mentioned above, there is a strong correlation between overcrowding and problems of condensation in the home, and poor households with children were twice as likely to experience serious condensation problems as those not living in poverty (10% and 5% respectively).

Other problems of house condition experienced by poor owner-occupied households with children included 'serious disrepair' (61,000 households); the potential for falls; or problems in the neighbourhood, (61,000 households). In recent years, the 'traditional' household of a couple with dependent children has also seen the highest percentage increase in fuel poverty. Between 2003 and 2008, the number of couples with dependent children in fuel poverty increased six-fold to over 300,000 households[xxiv].

The impact of poor housing conditions on children's health and well-being is especially important. Lisa Harker, a specialist in children's development, observes that, "The impact (of poor housing) on children's development is both immediate and long-term; growing up in poor or overcrowded housing has been found to have a lasting impact on a child's health and well-being throughout their life"[xxv] Children living in poor, damp or overcrowded conditions are more likely than adults to experience respiratory problems[xxvi], to be at risk of infections[xxvii], and to exacerbate psychological problems[xxviii]. Housing conditions are also imperative to the safety of a child and in 2001/2, the Child Accident Prevention Trust estimated that almost 900,000 children under the age of 15 years attended hospital and around 100 died, as a result of accidents in the home[xxix].

As Marsh et al (1999) point out, moreover, "housing history matters" because those who had experienced overcrowded housing conditions in childhood also had a higher likelihood of infectious and respiratory diseases, including tuberculosis, in adult life[xxx]. Similarly, educational attainment is important in subsequent years to economic well-being and those children whose growth and educational development were impaired as a result of poor housing conditions during childhood may experience an increased risk of unemployment and/or working opportunities limited to low-paid employment. Sparkes (1999)[xxxi], for example, found that adults with low basic skills were five times as likely to be unemployed as those with average skills.

This analysis suggests that intervention to improve the housing conditions of households with children is likely to have a double benefit, first on improving the immediate health and well-being of family members; and second, on being an investment for the future in improving the subsequent housing, health and economic opportunities of the children. The needs of households with young children are also a key concern of AHLN members and hundreds of such households have been helped out of very poor housing conditions over recent years.

Elderly Households	
Home owners over 60 living in non decent homes	**2.5m**
Poor Elderly home owners affected by persistently cold conditions	**147,000**
Elderly households living in poverty	**84,000**

Elderly households: 75% of all households aged 65 and over are owner-occupiers and 94% of those households own their homes outright[xxxii]. But 33% of all households aged 60 or more (2.5m households) live in non-decent homes[xxxiii]. Elderly households are more seriously affected by cold homes than other households, but they are also susceptible to the potential for falls and to conditions of serious disrepair. Approximately 147,000 poor elderly owner-occupied households were living in dwellings affected by persistently cold conditions. The problem of disrepair was more serious for very elderly households, (over 100,000 households in total included a household member more than 85 years old) and for poor elderly owner-occupied households (over 160,000 households). The EHS 2008 also identified a relationship between poor living conditions and length of residence. Hence, around 350,000 elderly households, having lived in their homes for 30 years or more, were living in conditions of serious disrepair and 380,000 were living in excess cold homes. 84,000 of these latter elderly households were living in poverty. A "little over half" of the 3.3m households living in fuel poverty were households with at least one person over 60 years, and 22% of households containing someone over 60 were fuel poor [xxxiv].

As these figures demonstrate, it is the elderly who are most at risk from the consequences of poor housing conditions on their health and well-being. Many of the most chronic health conditions that afflict the elderly, like heart disease, strokes, respiratory diseases and arthritis, have an associated link with poor housing[xxxv]. In 2001, the Department of Health confirmed that older people make most use of the nation's health and social care services. It claimed that almost two-thirds of general and acute hospital beds were used by people over 65; that 130,000 people per year experienced strokes, (the vast majority of whom are over 60); and that around 400,000 elderly people per year attended Accident and Emergency departments following a fall and up to 14,000 people die as a consequence [xxxvi]. As our population ages, moreover, the challenge of caring for the elderly also grows. CLG (2008)[xxxvii] estimates that by 2026 there will be 2.4m more older households than there are now. The elderly population will become increasingly diverse, requiring equally diverse housing solutions. Hitherto, an important part of the solution has been government policy to encourage 'Independent Living' – to encourage elderly and disabled households to remain living independently in their own homes for as long as possible. But for this strategy to work there has to be a commitment to assist poor and vulnerable elderly home-owners with the advice, guidance and funds necessary to repair and maintain their homes.

This has been the group on which the AHLN network has focussed most of its attention. All members offer interest free, equity release loan products or low-cost loans designed to assist low-income elderly home-owners with the repair and improvement of their homes. With IFAs to advise on the most appropriate loan product, HIAs to schedule and supervise the building works and additional safeguards to employ reliable and responsible building contractors this is an invaluable and comprehensive service for those unable to help themselves.

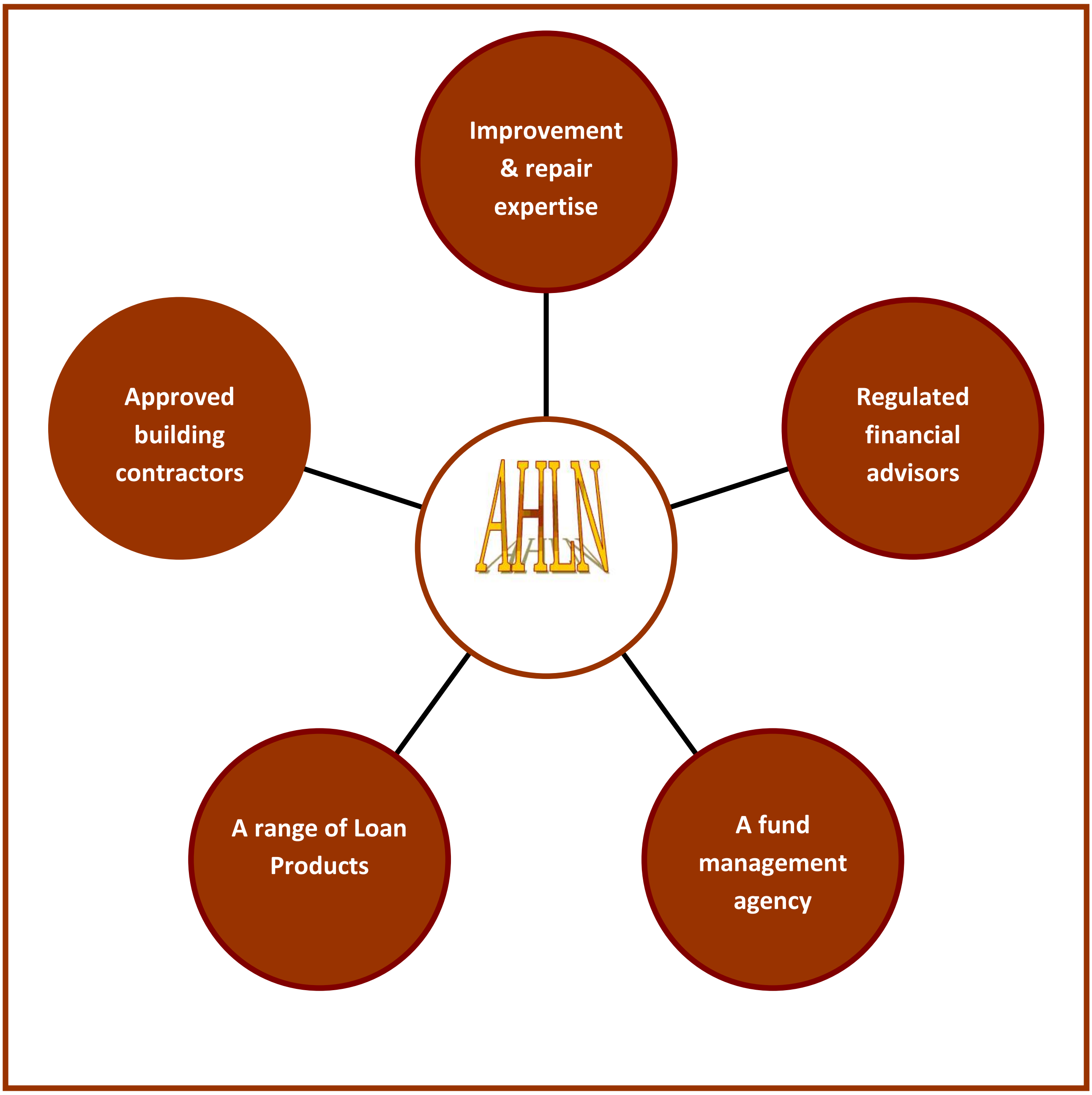
- **1.3m ‘poor’ households live in properties that fail to meet current minimum housing standards**
- **766,000 owner-occupied households living in such poor housing conditions have children under 5 years old**
- **and almost 150,000 elderly home-owners are residing in homes which are excessively cold**
- **In all of these cases the health and well-being of the young, the old and the poor are seriously jeopardised by the housing standards in which they live and in very few cases can they afford to improve their homes on their own.**

IMPACTS OF THE AFFORDABLE HOME LOAN NETWORK

THE ROLE OF THE AGENCIES IN THE AFFORDABLE HOME LOANS NETWORK

The aims of the AHLN membership: the agencies within the AHLN network are a diverse group of organisations. Some operate explicitly as Community Development Finance Institutions (CDFIs),[xxxviii] others operate under the auspices of local authorities, whilst others seek to work as Social Enterprise Agencies. Nonetheless, all of these agencies have a similar objective in seeking to work in partnership with local authorities to provide low-cost financial products to assist poor and vulnerable home-owners to repair and improve their properties in order to achieve the Decent Homes standard.

AHLN Range of Services



The range of services provided: while detailed arrangements vary, members of the AHLN network are part of a series of partnerships which usually comprise the following elements. These are

- improvement and repairs expertise often contributed by local authorities and/or Home Improvement Agencies (HIAs) – these agencies may identify clients, draw up schedules of work and supervise the building works whilst in operation

- regulated financial advisors, whose role it is to give independent financial advice to clients regarding the choice of a loan product which seems most appropriate to their needs in order to pay for the works

- a fund management agency which administers the revolving loan fund – these may be local authorities, e.g. Yorkshire and Humberside Home Loans Service, or independent not-for-profit agencies, such as Street UK in the West Midlands or the Five Lamps Organisation in the North-East

- the services of approved building contractors with considerable experience of carrying out residential maintenance and repair works for elderly, disabled or vulnerable households. HIAs may also carry out building works themselves under the supervision of local authorities

- a range of loan products available in order to provide choice to the home-owner in meeting the costs of the works

In addition to these 'core' services, all of the Partnerships offer advice and guidance to prospective clients. In many cases this can result in a positive outcome for the client by securing alternative sources of funds, (such as charitable bodies), by giving practical support towards building works, (such as the preparation of schedules of work), or by making referrals for other forms of support. It is often difficult to measure the impact of this kind of activity, but in one case in the North-East where three local authorities have attempted to quantify the outcome, an additional £60,000 of funds was invested in home repairs and maintenance by prospective applicants themselves in the first nine months of this financial year. This kind of outcome is likely to be replicated across all the partnerships in the AHLN.

Some partnerships may also draw on additional areas of expertise. The London Rebuilding Society, for example, works with the most vulnerable, often elderly and disabled households, or those with a long-term limiting illness. It works in partnership with social services departments and other support agencies for the elderly, e.g. Age UK and the Royal British Legion, which can provide care and support to these households after the works have been completed. Examples of other related services include the North East Partnership where advice and guidance is given on skills development and employability for young people. In the South West, the Wessex Reinvestment Trust also provides financial support for small business start-ups and for community initiatives, such as community savings schemes and affordable homes projects. Most partnerships also seek to provide advice on welfare benefit entitlement as part of an income maximisation strategy. In addition to the primary objective of assisting poor and vulnerable households with help and support in repairing and improving their homes, therefore, most if not all the partnerships also contribute some 'added value' to the local communities they serve.

Value for money: the centralising of these functions in seeking to rationalise policies and to reduce the costs of administration (including loan administration) by a large number of different local authorities has been one of the principal advantages of the partnerships. In one case it is estimated that the savings in loan administration costs has been reduced by half. At the same time, some partnerships, e.g. West Midlands Kick Start Partnership & PUSH, have been able to benefit from the sharing of good practice between authorities and the occasional sharing of human resources in order to encourage performance. Such opportunities are a considerable asset to the partnerships.

Geographical coverage: AHLN members are organised on a regional basis and in the West Midlands, Yorkshire and Humberside, and the South-West of England the service provided by the West Midlands Kick Start Partnership, Yorkshire and Humber Home Loans Service and Wessex Home Improvement Loans includes the majority of local authorities in those regions. South Coast Moneyline works in collaboration with sixteen authorities in the South of England; PUSH with seven authorities in South Hampshire and the London Rebuilding Society with seven London Boroughs. The North-East Home Loans Partnership works together with twelve local authorities in the North-East region and the Borough of Oldham is seeking to establish an agency to service the North-West where a number of authorities currently offer a home repair and improvement loans service. Together these agencies provide affordable home loans services in almost every region and to 109 local authorities across the country, including most of the major provincial cities.

The range of loan products: With one or two specific exceptions, such as interest only loans for some elderly households, commercial loans are invariably unaffordable for low-income households. Hence the available capital funding has hitherto come largely from local authority private sector housing renewal budgets. Whilst partnerships may use this funding to subsidise traditional loan products, e.g. reducing interest payments on repayment loans, e.g. Wessex Home Improvement Loans or South Coast Moneyline, most partnerships offer 'supported' loans, such as interest free equity release loans, e.g. West Midlands Kickstart, Yorkshire and Humber Home Loans Partnership. As a measure of last resort, however, these partnerships may also draw on local authority grant aid in order to achieve a satisfactory housing outcome. All AHLN members provide a range of loan products. These include loans for residential repair and improvement as well as a variety of other loans. Each regional partnership varies a little in the types of loan they provide, the North East Regional Home Loans Partnership, for example, is offering home improvement loans, relocation loans,[xxxix] loan top-ups for Disabled Facilities Grants and Warmfront grants. But given the relative absence of alternative sources of affordable loans in the region, it is also considering providing loans for more general housing needs, such as loans for installing renewable energy sources, mortgages for council house sales and loans for private landlords to improve properties where they are bringing an empty property back into use.

Clientele: each of the home-loans agencies provides loan finance in accordance with policies set out in local authority private sector housing renewal strategies. In the West Midlands and the North-East region, the Partnerships have sought to introduce a measure of standardisation to those policies in an attempt to guarantee a relatively consistent and high level of service throughout the region. In other regions the policies may vary from one authority to another depending on local strategies. In all cases, however, they are directed to meeting the needs of vulnerable households in houses in poor condition. Prospective clients are invariably subject to a means-test to ensure that scarce public resources are directed to those with very limited incomes, but for those clients who may be able to afford repayments, they may be assisted with access to commercial products. The clear majority of clients assisted by AHLN partnerships are elderly households, they also include a significant proportion of households who may include disabled people and those with a long-term illness. Younger households are also assisted where they may be living in very poor housing conditions, (such as prospective clearance areas), or perhaps ethnic minority households who are particularly prone to overcrowded housing conditions.

The contribution of AHLN members: since they were established AHLN members have made the following achievements

AHLN Members have Completed	AHLN Members have funded	AHLN Members have Approved further investment
4891 Loans	**£64 Million worth of Loans**	**£10.6 Million**

- **they have assisted 4,891 households with completed loans to date. The vast majority of these loans have been to bring poor housing conditions up to the Decent Homes standard**
- **they have funded £64m worth of loans at an average of over £13,000 per loan, and**
- **a further £10.6m worth of investment has been approved or comprises 'work in progress'**

At the same time, through the advice and guidance given by these agencies, significant additional investment has been generated from other sources of finance, e.g. from families themselves, or from other agencies such as charitable bodies.

The agencies differ significantly in the scale of their activity. An important lesson to have emerged from the experience of all of these agencies is that it takes time for them to become established and operationally efficient. Two of the agencies that have been operating for the longest period have recorded the highest levels of activity. The West Midlands Kick Start Partnership, (commencing in 2004), has completed over 2,300 loans at a total value of over £30.5m; and the Yorkshire and Humber Home Loans Partnership (2005) has made 765 loans at a total value of £15.6m. All of the agencies have seen their output increase, however, as they have become better established and their role more widely understood. Nonetheless, all of the agencies are still at an early stage of their development and have the potential for a much greater expansion in tackling local housing needs. Most are now in receipt of redemptions on earlier loans into their revolving funds, but as yet these redemptions do not provide a sufficiently robust and guaranteed income stream to persuade mutual lenders to make a significant advance of private capital.

What is necessary at this stage is for government agencies, especially at the local level, to support AHLN members politically and economically, (with a modest one-off contribution of funds), which is sufficient to satisfy the criteria of private lenders in order to make them economically self-sufficient in the long-term.

THE POTENTIAL SOCIAL AND ECONOMIC COSTS OF DISCONTINUING THIS EMBRYONIC 'NATIONAL' HOME LOANS SERVICE

In the event that the current services provided by AHLN members fail to attract the political and economic support that they now need, there will naturally be economic and social consequences.

These, then are some of the potential costs of discontinuing the services of AHLN members:

- **The social costs associated with the burden of continuing poor housing conditions will fall on thousands of the most vulnerable households in our society**
- **Significant potential long-term financial savings to the NHS and society more generally will be lost**
- **Around 2,400 jobs will go in the construction sector, and**
- **Carbon emissions savings will be lost as well as the opportunity to reduce fuel costs for low-income households**

The social costs of a discontinued service are unquantifiable. They will be borne, however, by the thousands of households all over the country who will no longer receive the support they need, or be able to access affordable loan finance, in order to embark on the repair and improvement of their properties. These are the most vulnerable households in our society, the poor, the elderly, the disabled and long-term sick and low-income families with young children who will have to continue to live in damp and poorly heated houses in desperate need of repair and improvement for the foreseeable future.

Some costs are quantifiable, however, and these include the loss of potential savings to the National Health Service and to society in general associated with the failure to tackle poor housing conditions. They include the loss of jobs that will result as a consequence of the decline in investment in housing repair and maintenance and the impact on the environment of the failure to reduce carbon emissions from largely old, owner occupied dwellings.

Roys et al[xl] have developed a methodology to calculate the costs of medical treatment in the NHS arising from various accidents in the home associated with poor housing conditions. They have calculated an initial (and theoretical) estimate for the total cost of poor housing. Using data from the English House Condition Survey (2007) regarding the incidence of hazards in the home, they argue that the current state of repair of the English housing stock results in accidents, such as falls, burns and scalds, carbon monoxide poisoning, etc., which costs the NHS over £600m per year. From their methodology one can infer that had the £75m investment made by AHLN members been spent in precisely the same way as advocated by Roys et al, then it would have saved the NHS around £2.55m per annum and something like £6.375m per annum in total costs to the community. The latter involves a pay-back period for the initial investment of about twelve years.

The loss of housing investment will also result in a loss of jobs. This would not only involve those immediately employed by AHLN members but most particularly those engaged in the construction industry in the HIAs and the building contractors who actually undertake the building work. HIAs in the West Midlands are already planning redundancies and an exercise undertaken by the North-East

Partnership suggests that many of the small building contractors currently used by the partnership are heavily dependent on the business provided by them. According to 'Construction Skills', (part of the Construction Industry Training Board), the loss of £1m to the construction industry results in the equivalent loss of 32 full-time jobs in the repair and maintenance sector. Hence, if the £75m investment made by AHLN members is to be discontinued, then this would result in the loss of the equivalent of 2,400 full-time jobs in the construction industry.

The damage to the environment as a result of the discontinuance of the investment can also be quantified. Using figures from the EHS (2008),[xli] if 5,000 owner occupied properties had all been improved to Energy Performance Certificate standards[xlii] then total carbon emissions would have been reduced by around 9,500 tonnes per year and the savings in fuel costs to those low-income households would have been around £167 per year or £835,000 collectively.

TEN COMPELLING REASONS FOR CONTINUING SUPPORT TO AHLN MEMBERS

So why should the government and other agencies continue their support for members of the AHLN Network?

- **To enable continued access to affordable loan finance** – in circumstances where 1.3m 'poor' households live in conditions below the current minimum standard and in an environment of growing financial exclusion, vulnerable and low-income home-owners will have very few alternative sources of finance to enable them to repair and maintain their homes

- **Public expenditure savings** – improved housing conditions for poor, vulnerable and elderly households will reduce the demands on the NHS and other public services in the long-term

- **To save local jobs** – sustaining AHLN member services will save at least 2,400 jobs in the construction industry and other service industries

- **Improved environmental conditions** – energy efficiency measures in the home will continue to reduce carbon emissions and mean lower heating costs for some of the poorest households

- **Greater satisfaction, independence and security for the most vulnerable households** – this can continue to be achieved through the targeting of improved housing conditions on those most in need

- **Demographic change will impose an even greater burden on health and public services in the future** – interventions to maintain and improve housing standards now for the elderly and disabled will ensure "that little bit of help" that is necessary to ensure their continued independence for as long as possible

- **Value for money** – partnership arrangements involving many local authorities serviced by a single provider of financial advice and fund management have secured significant economies of scale and effort for those authorities

- **Added value** – the advice and guidance role of these agencies has ensured the attraction of additional sources of finance and resulted in higher numbers of repaired and improved homes than the overall statistics reveal

- **Sustainability** – the nature of these 'revolving loan funds' means that a limited injection of public capital on a 'once and for all' basis now will ensure their ability to attract private capital and lay a sustainable financial foundation for the future

- **The Big Society** – the role and function of AHLN members is compliant with many of the priorities of the Coalition Government and lies at the heart of community-led regeneration programmes which the government wishes to pursue

NOTES AND REFERENCES

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[ii] Ibid
[iii] A 'Decent Home' is described by the government as one that is wind and weather tight, warm, and has modern facilities. This statistic is derived from, CLG, (2010) *English Housing Survey 2008*
[iv] CLG, (2010), *English Housing Survey.* The energy efficiency of a dwelling is measured by the SAP rating system which estimates both energy efficiency and carbon emissions of particular dwellings
[v] Ibid
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[vii] Wilkinson, P et al, (2001), *Cold Comfort: The Social and Environmental determinants of Excess Winter Deaths in England, 1986-1996.* Policy Press, England
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[xi] The Bedroom Standard was established in the 1960s. It allocates bedrooms in accordance with the age , sex and relationship of family members. A separate bedroom is allocated to, a married couple; adults aged 21 years or more; a pair of adolescents aged 10-20 years of the same sex; and a pair of children aged under 10 years regardless of sex.
[xii] CLG, (2010), *English Housing Survey: Household Report 2008/9*
[xiii] Roys M, Davidson M, Nicol S and Ormandy D, (2010) *The Real Cost of Poor housing,* BRE Trust
[xiv] The Child Accident Prevention Trust claims that 43,000 children were admitted to hospital after a fall in 2008/9 and 16,000 of these were children under 5. 800 under 5's were also admitted to hospital with burns and 5,600 under 5's visited Accident and Emergency Departments after suffering scalds
[xv] CLG, (2010), *English housing Survey 2008*
[xvi] CLG, Annual Fire Statistics Monitor – NB that these statistics relate to all the housing stock rather than just the owner-occupied sector
[xvii] Department of Health, (1997), *Handbook on Air Pollution and Health,* HMSO, London – NB this statistic also relates to the entire housing stock rather than owner-occupation
[xviii] 'A household is considered to be in Fuel Poverty if it spends more than 10% of its income on fuel to maintain an adequate level of warmth' – this definition and the statistics that follow available from Department of Environment and Climate Change, (2010) *Annual report on Fuel Poverty Statistics 2010*
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xxxv Blackman T, (2005), Housing Risks and Health Inequalities, Department of Health

xxxvi Department of Health, (2001), National Service Framework for Older People

xxxvii CLG, (2008), Lifetime Homes, Lifetime Neighbourhoods: a National Strategy for Housing in an Ageing Society

xxxviii The Community development Financial Association defines CDFIs as "independent organisations which provide financial services with two aims: to generate social and financial returns. They supply capital and business support to individuals and organisations whose purpose is to create wealth in disadvantaged communities or underserved markets"

xxxix Relocation loans may be used to assist households move into alternative, appropriate accommodation from designated clearance areas in advance of compulsory purchase orders, or they may be used to relocate households with a disabled member where it may not be feasible to carry out the necessary works to their existing property, or prohibitively expensive to do so

xl Roys M, Davidson M, Nicol S, Ormandy D, and Ambrose P, (2010), The Real Cost of Poor Housing, BRE Press

xli CLG, (2010), English Housing Survey: Housing Stock Report 2008, Table 6.7

xlii This would mean the installation of the following measures; insulation to the loft, cavity walls and hot water cylinder, a programmable central heating system plus a Class A condensing boiler, English Housing Survey, Box 1, Chapter 6.

APPENDIX

Members of the Affordable Loans Network

The West Midlands Kick Start Partnership:

The Partnership was established in September 2003 following the liberalisation of local authority powers for private sector housing renewal under the Regulatory Reform Order of 2002. It was set up by the seven 'urban authorities' in the West Midlands conurbation in response to the challenge of the nature and scale of poor housing conditions within private sector housing in the region. At that time the project was seen as a pilot scheme with a particular emphasis on testing the market for equity release loans amongst low-income and vulnerable home-owners in order to undertake the repair and improvement of their homes.

The pilot scheme was largely successful in its implementation; using public resources it made 375 equity release loans over three years to the value of £6.424m across all the participating authorities. Hence the scheme was extended in 2008 to include all housing authorities across the region who wished to become involved. Currently there are 27 participating authorities covering the vast majority of the population in the region. The Partnership offers a range of financial products and with a small secretariat, is administering a loan programme of approximately £20m during 2010/11. It operates in partnership with a fund management agency, (which is regulated by the Financial Services Authority (FSA) and works in collaboration with the Home Improvement Trust (HIT) which provides private finance for specific types of loan. Independent financial advice is provided via a panel of Independent Financial Advisers (IFAs), and its improvement and repair programme is delivered via local authority and other Home Improvement Agencies (HIAs). It has a current loan book in excess of £30m with a further pipeline of over £6m.

Wessex Reinvestment Trust – Wessex Home Improvement Loans:

The Trust was established in partnership with several local authorities in the south-west region in 2004/5. It now offers a range of financial services to the community through Wessex Community Assets, small business loans and support via the Fredericks Foundation, as well as a range of loans for home improvement and repair through the Wessex Home Improvement Loan Partnership (WHIL). The Partnership was initiated with a similar remit to the WM Kick Start scheme, to assist low-income and vulnerable home-owners with repairs and improvements to their homes. It was established as a not-for-profit Community Development Finance Institution (CDFI) and whilst it does not offer equity release loans to home-owners, the interest rates on its loans, (as well as the set-up costs), are subsidised by local authority partners. WHIL is also regulated by the FSA. In recent years it has not only expanded the number of local authorities with whom it works, but also the range of loan products available and the type of clientele it addresses. It currently receives financial support from nineteen authorities in the West Country and has a loan book of about £3.9m with a further £2.5m of work in progress.

South Coast Moneyline:

South Coast Moneyline describes itself as a sister organisation to the Wessex Home Loans Partnership. It was established in 2006 by the Portsmouth Area Regeneration Trust. Accordingly, it was set up for similar reasons and offers a similar range of loan products to those initially provided by WHIL. It is also a not-for-profit agency whose products are subsidised by local authority partners, although its rates are higher than those in WHIL. It is currently working with sixteen local authorities primarily, as the name would suggest, along the south coast of England. As with other AHLN members, it has experienced significant growth over recent months and has a loan book of just over £1.1m and a pipeline of £150k.

Partnership for Urban South Hampshire (PUSH):

Within the context of the wider partnership of local authorities in South Hampshire to pursue "sustainable, economic-led growth and regeneration", is the 'PUSH 4 safer homes' initiative. 'PUSH 4 safer Homes' operates two partnerships in the South Hampshire area. The first is in three local authorities together with South Coast Moneyline (as mentioned above). The second is a partnership of seven local authorities led by Southampton City Council for the renewal of private sector homes in the remaining South Hampshire authorities. The partnership was launched in January 2009 with funds of £8.4m for expenditure on the repair and improvement of private sector homes over a three-year period. Under the scheme, loans are available for a variety of purposes to low-income home-owners and to landlords for bringing empty properties back into use or for serious hazards in high-risk rented accommodation. The Partnership also includes local HIAs, landlords' associations and an Energy Advice agency. It has a current loan book of £5.3m.

The London Rebuilding Society – Home Improvement Services:

London Rebuilding Society is a social enterprise specialising in innovative forms of finance. It currently operates in three different areas of activity; it provides loan finance for small scale social enterprises in London; a Mutual Aid fund for migrant communities providing credit and training; and a Home Improvement Scheme helping vulnerable low-income home-owners to renovate their homes through equity release loans. Its home improvement activities have focussed very much on elderly and disabled people and it often funds the difference between the DFG grant and the ultimate costs of works. LRS also works in partnership with other agencies such as AGE UK and the Royal British Legion to provide support to clients after the work has been carried out. It has completed 29 schemes in six London Boroughs amounting to almost £2m.

Homes and Loans Service (formerly the Yorkshire and Humber Regional Home Loans Service):

This home loans agency has been operational since 2005. It provides home loans services to all of the twenty-one local authorities in the Yorkshire and Humberside region and is administered by Sheffield City Council. It was set up using funds from the Government Regional Office with the intention of assisting home-owners in need of assistance to repair or improve their homes, either for health and safety reasons, for disabled adaptations, or to meet decent homes standards. The main loan product is an equity release loan, but uniquely with a cap on the annual rate of growth of the loan for repayment purposes. The Homes and Loans service also covers the cost of the set-up and administration of the loans. Approximately £10.6m has been invested so far on equity-based home improvement loans and a further £5m on relocation loans.

The North East Regional Home Loans Partnership:

This is the most recent of the regional agencies to become operational. After much preparatory activity, the Partnership was launched in April 2010 with the aim of aligning the way in which local housing authorities in the region went about the process of assisting low-income home-owners in three areas of activity, to maintain and improve healthy living conditions in private sector housing; to contribute to the regeneration of older residential areas suffering from market vulnerability; and to encourage home-owners to undertake work which will make their homes more energy efficient. The Partnership now consists of twelve authorities with an initial budget of £2.4m to provide a range of loans and a variety of types of grant assistance for these purposes. Since its inauguration, the

Partnership has relinquished the services of Sunderland as lead authority and has moved into offices with the Association of North East Councils (ANEC). It has also appointed a loans administrator to handle the loans process. In recent months, the Partnership has been approached to broaden the basis of its work to include the administration of council mortgages, the re-use of empty properties and the funding of renewable technologies to improve energy efficiency in the home.

These are the key members of the recently established Affordable Loans Network. There are, in addition, several individual local authorities, such as Oldham, which are members but are not part of a regional organisation, (but are seeking to establish one), and those who are already members of one of the regional consortia outlined above, (e.g. Hastings, Bristol and Wolverhampton).