

**REPAYMENT OF LOANS MADE FOR REPAIR/REFURBISHMENT OF  
PRIVATE SECTOR HOUSING  
(Report by the Head of Housing Services)**

**1. PURPOSE OF REPORT**

- 1.1 Cabinet requested, at its meeting held on 25 March 2004 information on the estimated rate at which loans made under the Council's Repair Assistance Policy will be repaid to the Council.

**2. BACKGROUND INFORMATION**

- 2.1 Following the Government's Regulatory Reform Order, the Council adopted a policy to give loans rather than grants to improve owner occupied private sector housing wherever there is sufficient equity to support the loan. The Council places a charge on the property and the loan is repaid when the property is sold.
- 2.2 The number and nature of the assumptions that have had to be made in order to produce this report mean that the result can only provide a very rough indication of the timing of repayments.

**3. KEY ASSUMPTIONS**

- 3.1 Based on 2002/03 and 2003/04 figures, the Council can expect to award a loan to approximately 50 households per year and the average loan is for £4,000.
- 3.2 The age profile of grant applications is as follows:

<b>Age band</b>	<b>% of loans awarded by age group</b>
Under 50	24%
50 - 70	28%
Over 70	48%

As there are no plans to change the current eligibility criteria for assistance this report assumes that the future age profile of applicants will remain the same.

- 3.3 Loans will be repaid when the property is sold either when the applicant moves or upon their death. Households where the eldest member is under 50 will on average move house every seven years<sup>1</sup>.

This report assumes that households where the eldest member is over 50 and under 70 will move on average every 14 years and that households where the applicant is over 70 at the time of application will leave the property only on their death.

- 3.4 Life expectancy in the UK is currently 75.9 years for men and 80.6 years for women. The calculations in this report use the female life expectancy figure and assumes that all applicants are 70 on the date

<sup>1</sup> According to the Council of Mortgage Lenders

that the loan is approved. In this way it is assumed that all loans to over 70s will be returned within 10 years.

#### 4. CONCLUSIONS

4.1 Based on the assumptions set out above, Table 1 estimates the rate at which the loans made under the Council's Repair Assistance policy will be repaid.

**Table 1**

Age of applicant	% of loans awarded by age group <sup>2</sup>	Number of loans awarded by age group (p/a) <sup>3</sup>	Total amount (£) loaned by age group (p/a) <sup>4,5</sup>	<u>Projected cumulative repayment (£) by time period and % of total loans awarded</u>		
				0 – 7 years	8 – 10 years	11 – 14 years
<b>Under 50</b>	24	12	48,000	£48,000	£144,000	£200,000
<b>50 – 70</b>	28	14	56,000	(24%)	(72%)	(100%)
<b>Over 70</b>	48	24	96,000			

4.2 Based on this modelling, the Council can expect to pay £200,000 of the £277,000 budget for private sector housing renewal on loans under the Repair Assistance Policy. The remaining budget is awarded in grants to landlords and owners of empty property in return for tenancy nomination rights and to owner-occupiers without sufficient equity to support a loan.

4.3 The Council can expect £48,000 to be repaid within 0-7 years; a further £96,000 within 8-10 years and a further £56,000 within 11-14 years of the date that the loan was approved if all the assumptions detailed in paragraph 3 hold.



4.4 Assuming the loan budget increases by inflation each year, the amount loaned in any one year will always exceed the amount repaid. The total amount loaned will not be repaid to the Council until 14 years after the policy ends.

#### 5 RECOMMENDATION

5.1 It is recommended that Cabinet note the report.

#### BACKGROUND INFORMATION

Repair Assistance Policy

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<sup>2</sup> Based on 2002-03 and 2003-03 patterns of lending

<sup>3</sup> Based on 50 loans a year

<sup>4</sup> Based on average award per application of £4000

<sup>5</sup> Based on loans totalling £200,000 (i.e. assumes £70,000 of budget will be used to make grants)