

Local government support for equity release

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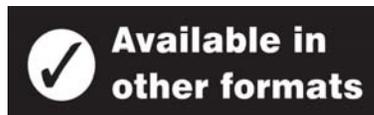
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Introduction

1 Local authorities have had to cut back on the funding they can provide for older people requiring additional care at home. Grants for private sector renewal are no longer generally available. Yet older home-owners who are asset-rich and income-poor are reluctant to spend their own money on these things. How can local authorities work together to change attitudes?

2 One of the conclusions of the JRF report, *Obstacles to equity release*¹, was that local authorities should consider setting up a national body offering equity release arrangements. This was intended to help overcome the lack of trust in commercial providers and products that many older home-owners express. The report also emphasised the importance of guidance and support for older home-owners who need works on their home or additional care at home.

3 For the many older home-owners entitled to benefits, it is currently financially hazardous to draw on the equity in their home to improve their quality of life. The report recommended that central government should:

- provide a practical way in which older home-owners can draw on the equity in their homes to purchase care, without adverse effects on their entitlement to benefits; and
- facilitate the use of moderate amounts (up to £3,000 a year) of equity in people's homes without affecting entitlement to benefits, and make a corresponding change in the requirements for local authorities' charging policies for their homecare services.

4 JRF has since held discussions with the Department for Work and Pensions (DWP) on how the broad intention of the proposals in the report might be pursued. DWP agreed to re-examine the existing rules, and has now helpfully identified a possible way forward within them. In the light of this, what is needed for an older home-owner on benefit to release money to pay for additional care at home is:

- an equity release arrangement under which they can draw relatively small sums (e.g. up to £3,000 a year) on demand.

¹ *Obstacles to equity release*. Rachel Terry and Richard Gibson; Joseph Rowntree Foundation, October 2006

Such an arrangement is already available commercially, although it is uncommon.

5 This paper identifies the range of tasks needed to support older home-owners who could benefit from an equity release deal to pay for works or additional care at home. It distinguishes those tasks that need to be delivered to people locally, rather than more remotely; and it examines the merits of organising and managing delivery of particular tasks at local, regional, or national level.

6 In the light of this, the paper considers three organisational models by which these tasks might be delivered, though other permutations would be feasible. It also considers two models for organising finance in a way that, possibly, more older home-owners would trust. The pros and cons of the models, and support for implementation, are to be considered at a meeting organised by the Local Government Association (LGA) and JRF on 26th June 2007.

7 At the end of the paper, to assist discussion, there are four sections of supporting information:

- A** suggestions of the tasks to be done, and the possible geography of delivery and provision;
- B** models of delivery and provision of promotion, guidance, and support;
- C** what some providers are offering; and
- D** relevant findings in a recent Communities and Local Government (CLG) report on loans for vulnerable owner-occupiers.

Context

8 Many older home-owners need encouragement and assistance in considering whether to have works done to their home, or whether to seek additional care at home (i.e. 'additional' to what the local authority provides, or pays for through 'direct payments'), and how to pay for either. The JRF report identified that, without considerable guidance and support throughout the process, many older people would soon be put off seriously considering options involving spending their own money.

9 A large number of older home-owners are asset-rich but income-poor. An Institute for Public Policy Research (IPPR)

analysis showed that a million older home-owners have unmortgaged housing assets worth more than £100,000, yet incomes so small that they qualify for means-tested benefits. If a threshold of £50,000 were used instead, there would be more than two million of such low-income older home-owners.²

10 Local authorities will want to enable certain older home-owners to remain for longer in their own home, but are more limited than in the past in the financial assistance they can offer. To achieve this, they may support other organisations that can help older home-owners to:

- get works done to their home (e.g. an adapted bathroom, or for a leaseholder to pay for Decent Homes works), and/or
- obtain additional care at home (e.g. help with shopping, gardening).

They also need to see that the home-owner can get the money needed to pay for such help.

11 There thus seem to be four main obstacles to be tackled:

- overcoming the lack of awareness of their needs, and the possibilities for meeting them;
- overcoming the lack of information and guidance tailored to the individual's circumstances;
- overcoming the lack of support for those unable to pursue the help unaided; and
- overcoming the lack of trust in relevant financial products.

Broadly similar conclusions, though grouped a little differently, were reached by a recent study for CLG³; relevant extracts are reproduced in Section D, *Relevant findings in CLG report on loans for vulnerable owner-occupiers*.

² *Housing-rich, Income-poor: the Potential of Housing Wealth in Old Age*. Sonia Sodha; Institute for Public Policy Research, October 2005.

³ *Loan finance to improve housing conditions for vulnerable owner occupiers*; Communities and Local Government, April 2007.

Tackling the obstacles

Increasing awareness

12 If local authorities want more older home-owners to contemplate works on their home or the purchase of additional care at home, promotional work will be needed to increase awareness of possibilities available to them. One of the findings of the JRF report was that many older home-owners who seem likely to benefit from home improvements or additional care at home may be reluctant to contemplate pursuing these possibilities. Their reluctance may arise from several factors:

- lack of trust in any financial arrangement to release equity in their home (possibly the most influential factor);
- lack of awareness of how their quality of life might be improved;
- lack of energy to pursue such possibilities, and lack of a trusted friend able and willing to do so on their behalf;
- lack of confidence that they could navigate successfully the variety of steps likely to be involved;
- reluctance to tolerate the disturbance of physical works on their home;
- concern that they might be taken advantage of;
- reluctance to spend their prospective estate on paying for works or additional care at home; and
- fear that any means-tested benefits might be affected adversely.

13 To increase older people's awareness of the possibilities, a local authority needs to ensure that:
there are effective and convincing arrangements locally to deal with such concerns; and
that these arrangements are readily accessible to those older home-owners they wish to help.

But they do not necessarily have to do the substantive promotional work themselves. Trusted advisory organisations with a **local** presence, such as the Citizens Advice Bureau and Age Concern, are promoting the possibilities. National literature such as Age Concern's fact sheets can be helpful, particularly if accompanied by a list of local contacts.

14 There would be benefits in terms of confidence-building if there were strong **national** messages that:

- older people should consider spending some of their savings on works and care; and
- equity release may seem expensive, but there are products worth considering if you don't want to move house.

15 Authorities may wish to supplement national messages with those reflecting their priorities. In London, for example, there might be an emphasis in **regional** media on making the home warmer and more energy-efficient, reflecting the Mayor's policies.

Tailored information and guidance

16 Promotional work can increase the availability of information and guidance expressed in general terms, and this may be sufficient for some people. But others will need the relevant information and guidance tailored to their own circumstances, if they are to find it sufficiently reassuring to pursue.

17 This suggests a need for a tailored information and guidance service that could help the potential customer to take an informed decision on whether or not they wished to pursue possible solutions to whatever concerns they had identified. This would require personnel who were well informed on both the practicalities of what was needed, and the financial aspects.

18 Drawing in part on experience from some existing services that seek to fulfil these kinds of role, the main elements would be:

- understanding the customer's needs;
- arranging a visit by an appropriate expert to the customer's home;
- home visit assessment;
- guidance on options;
- independent advice on funding of options; and
- guidance on the funding offer and on the financial advice received.

19 These can be considered in three groups:

1. Identifying requirements.
2. Getting the requirements fulfilled.
3. Paying for works and additional care.

Identifying requirements

20 The customer is likely to perceive a need, such as keeping warmer, or requiring help with gardening. This stage of the information service would help the home-owner to crystallise the need in terms suitable for inviting proposals from potential suppliers of the work.

21 Some home-owners may be willing to obtain such help by phone (perhaps as a free call), or through the internet. Such provision could be made **nationally, regionally, or locally**. But older home-owners tend to seek face-to-face help⁴, which would have to be available **locally**. A home visit may be necessary for some people, though for others, provision could probably come through:

- the local authority's one-stop shop;
- social services;
- housing department (for private housing);
- Citizens Advice Bureau: and/or
- older people's charities' local offices (e.g. of Age Concern or Help the Aged).

22 The chosen point of contact could be used to:

- provide relevant information on how to gain access to local services;
- capture basic information about the prospective customer and their home;
- refer the customer to a local expert for assessment, passing on captured information; and
- arrange a home visit for the local expert (to establish condition of property, access and likely support needs).

23 A **local expert**, probably from a home improvement agency or social services, a trusted advocacy person, and/or someone nominated by the older person themselves, would carry out the home visit. This would be followed by a tailored report on proposals, options and next steps.

⁴ *Closing the advice gap: providing financial advice to people on low incomes*. Patrick South; Resolution Foundation, May 2006.

Getting the requirements fulfilled

24 The **information service** would provide assistance in understanding the expert's report. This would enable the customer to assess what would be involved in getting their requirements fulfilled. It might offer information about potential contractors known to be reliable. If the customer was daunted by the process, the information service provider would describe the additional help that could be offered by the support service (discussed below).

25 As for identifying requirements, it seems likely that some people would be content with assistance provided remotely, by phone, post, or internet, thus allowing provision from a **national**, **regional**, or **local** source. But older home-owners are more likely to want further face-to-face discussion, which would require local provision, either in a local office, or by a home visit.

26 It will be important to agree with the Financial Services Authority (FSA) a straightforward practical way in which older home-owners can be advised in these circumstances. It seems likely that advisers dealing with less well-off home-owners will need to be particularly well-versed in the requirements of the benefit system, but may not need detailed knowledge of wider investment opportunities.

Paying for works or additional care

27 The local expert who did the home visit would brief the information service as to which aspects of guidance on raising the money to pay seemed of most relevance in the particular case. The information service would describe *generically* the possible ways in which the customer might find the money to pay for their requirements. For some people, it might be necessary to offer a more in-depth service, based on an analysis of the customer's overall financial position, so that the options put to the customer would be narrowed to those most relevant. The local expert should be able to identify whether more general advice relating to money, including benefit advice, should be offered at the same time.

28 This aspect of the information service would require appropriate literature to be sent to the customer, with an explanatory letter. This would include contact details of local

independent financial advisers (IFAs) and solicitors specialising in the form of funding they were most likely to use.

29 As with the other aspects of tailored information and guidance, provision remotely is likely to be sufficient for some people, though older home-owners are likely to want the information face-to-face.

Support in carrying out works and obtaining additional care

30 A **support service** would provide the customer with support in carrying out all the steps necessary for their requirements to be fulfilled, and paid for. This would require personnel who the home-owner saw as a 'trusted friend'. They would need to be well-informed on both the practicalities of what was needed, and the financial aspects. There would be four main aspects to the service:

- contracting for the physical requirements;
- obtaining the money to pay;
- overseeing the physical works (if building work was involved); and
- sustainable after-care.

By its nature, a support service would require **local** delivery of most, if not all, of its aspects. But that need not preclude such local delivery being organised **nationally**, or **regionally**.

Contracting for the physical requirements

31 The service would provide support in choosing tenderers⁵, assessing the tenders received, and contracting for the work. In most cases this would be provided **locally** by a home improvement agency or by social services.

Obtaining the money to pay

32 The service would provide support in obtaining any benefits or grants to which the customer was entitled. If further funds were needed, it would provide support in choosing an IFA, assessing the

⁵ For some requirements, a less-formal process of seeking quotations may suffice.

financial options offered, dealing with the documentation, and ensuring that the funds were properly received.

Overseeing the physical works (if building work is involved⁶)

33 The service would provide support in overseeing the works, resolving problems that might arise, and ensuring that the works were completed satisfactorily and payment made.

After-care

34 This aspect of the service should ensure that customers' needs continue to be met satisfactorily. After a few years the whole process may have to be gone through again.

Finance that is trusted

35 The JRF report said that, although the great majority of older home-owners knew that it was possible to draw on the equity in one's home, about half of them ruled out doing so. The predominant reason for their reluctance was their perception that the providers of equity release deals, and/or the products, could not be trusted.

36 The suggestion in the JRF report was that an equity release deal endorsed by local government in some way might be acceptable to at least some of those distrustful of existing equity release deals. If local government wished to pursue this, there seem two main approaches it might consider:

- local government endorsement of one or more products and companies providing them; and
- local government sponsorship of a (national or regional) body providing equity release deals itself.

Endorsement of a product and companies providing it

37 The LGA might investigate whether any commercial provider of equity release products either has an existing product that local

⁶ Probably not necessary in relation to additional care at home.

government would be prepared to endorse as a national product⁷, and so encourage other providers to offer a similar product; or whether any providers would be prepared to work with others to develop a more appropriate product for the identified client base that could be given endorsement by local government.

- 38 If the LGA wished to pursue this, it would need to:
- establish whether there is sufficient interest among member authorities for them to pursue this; and if there is, go on to:
 - identify the attributes of an equity release product that they would contemplate endorsing, distinguishing between essential attributes, and desirable ones;
 - invite commercial providers of equity release products to express willingness in principle to develop a product meeting the LGA’s specification (if they did not offer such a product already); and
 - assess the responses from commercial providers, and pursue further those that met their requirements.

Sponsorship of a national or regional body

39 The alternative, proposed in the JRF report, would be for a group of local authorities to sponsor a newly-created or existing not-for-profit company that would offer equity release products, with the finance coming from the private sector. The LGA might wish to establish whether there is sufficient interest among member authorities to pursue this.

40 Such a body could offer products that had the attributes the authorities wished to be able to offer. Provided that the terms were commercially viable, the company could expect to attract private finance for the transactions. (If the authorities wished to offer deals on terms more favourable than those commercially viable, they should still be able to finance them privately, provided that the authorities subsidised them sufficiently to offset the effect of the more favourable terms.)

⁷ Existing examples of such backing are Age Concern’s endorsement of one of Northern Rock’s equity release products, and Birmingham City Council’s endorsement of those offered through ART Homes.

41 It therefore seems likely that the body could expand its business in response to demand, rather than have to confine its products to particular kinds of customers. On the other hand, a principal purpose of the body would be to provide a good deal for those customers unwilling to deal with commercial providers, rather than to compete with the commercial market for customers.

42 One approach that the sponsoring local authorities and the body might adopt would be for prospective customers to be referred to an IFA specialising in equity release for less well-off older home-owners. They would be advised even-handedly about what the local government sponsored body could provide in comparison to a direct deal in the commercial market. This could be integrated into the service of information and support described earlier.

43 It is quite possible that an existing organisation, such as ART Homes⁸, could develop to become such a body. This would be a good value-for-money solution.

44 The cost of creating a new lending company would depend on whether the company would take on any lending risk. Until there is a view about whether the market can provide an appropriate product for the client base, this cannot be ascertained. The development of ART Homes with revenue and capital support of over £300,000⁹ gives some indication of what it might cost to set up a new lending company with minimum lending risk. All the existing local authority sponsored loan providers charge local authorities an annual fee for the service and an administrative charge per case to cover their running costs. (These existing schemes are described at the end, in Section C *What some providers are offering*).

45 An alternative role for such a body, should an authority prefer to retain responsibility for equity release lending itself, would be to provide it with a service of management of such transactions, thus enabling the authorities to offer equity release deals without having

⁸ A subsidiary of Mercian Housing Association, making loans to vulnerable clients identified by local authorities.

⁹ *Delivering decent homes in the private sector*. Doug Wright and Deborah Carlo; Mercian Housing Association, 2005 (funded by an Innovation and Good Practice Grant).

to handle much of the administration. The cost of such an alternative could be covered by a cost-plus charge to the authority.

46 A new lending company could be designed to have an administrative infrastructure that could also be used to make and administer other lending on behalf of local authorities. These could include unsecured loans (where the amounts required by borrowers are too small to warrant the cost of setting up an equity release deal), equity-sharing loans, and the like. The cost of administration and lending would need to be charged to the commissioning local authority. The commissioning local authority would also have to provide most of the funds to be lent, as it is unlikely that the lending company could lever in significant private finance to support non-commercial loans.

Putting it into effect

What is done already

47 Some services exist at present which offer specific client groups some of the information, guidance and support suggested in this paper. Section C *What some providers are offering* briefly describes some examples.

48 A common feature of these services is their relatively small scale. This may be attributed to the limited amount authorities feel able to spend on them. Any significant expansion in services seems likely to require increased spending. However, there is also likely to be scope for economies of scale in the provision of some aspects of these services, if authorities operate jointly on a national or regional basis.

Possible approaches to organising information and support services

49 As the previous sections have illustrated, much of the *delivery* of the necessary services seems likely to need to be done **locally**, if it is to be as effective as possible in encouraging people to pursue works to their home or additional care at home. If local delivery is too costly, some of the services might be delivered remotely, for example by phone, though this may reduce the take-up.

50 Local *delivery* does not necessarily have to be *organised* locally, however. It is possible to envisage **national** or **regional** organisations orchestrating and managing most of the services, if a local authority found that preferable. An authority might find such delegation was more economical, could use staff with more specialist knowledge, and avoid competing claims on the authority's own capacity.

Cost of information, guidance and support

51 The cost of increasing the use of housing equity by older home-owners is likely to depend largely on the extent to which the service provided is individually tailored.

- The support service would be the most expensive element, since it would probably require several contacts, often in the home.
- The service of information and guidance could probably be provided to some people by relatively inexpensive means, such as free telephone contact, or through the internet; but older home-owners will often need individual discussion face-to-face which would be more costly.
- The promotional activities would tend not to be individual, and are likely to be the least expensive element.

52 The scope for offsetting such costs by fees is likely to be limited. The people assumed to be of interest to authorities are those reluctant to pursue works or additional care at home. If they faced charges, the beneficial effect of the services offered might be negated, and the offer of help turned down. If charges were made, they might be confined to the support service.

53 There appears to be very little information on which to make any estimate of the cost of information, guidance and support on the lines described in this paper; and such information as there is indicates a wide range of figures. The three main sources of information on activities bearing some resemblance to those described in this paper relate to:

- a study of a pilot service giving advice on housing options for older people which was introduced by Care & Repair

England in 2002 under the title *Should I stay or should I go?*¹⁰;

- a study by the Resolution Foundation of the scope for providing financial advice to people on low incomes¹¹; and
- a report for CLG on loan finance for vulnerable homeowners¹².

54 Care & Repair England's pilot projects provided information, advice, support and practical help to older people who were living in poor or unsuitable housing and/or considering options for moving on. The cost per case of advice of this kind appeared to be of the order of £400 on average, with a range from about £250 to about £750.

55 The Resolution Foundation found that a session of financial advice of 10-15 minutes would suffice for about 4 out of 5 people. They estimate the cost of providing such sessions as:

- £29 for a face-to-face meeting locally;
- £20 for a face-to-face meeting at a regional centre;
- £15 for advice by phone; and
- £6 for advice through the internet.

The study confirmed that older people had a strong preference for face-to-face contact.

56 The study for CLG included estimates of cost *per loan concluded*. Since it also reported the experience of Birmingham City Council that only about 3 in 10 enquiries resulted in a loan, the cost per case dealt with would be less. It indicated costs of:

- £500 to £3,000 per loan for promotional work, account management, guidance, and project management;
- £1,000 per loan for expert advice on physical needs; and
- £500 per loan for the fee of an IFA.

¹⁰ *Report of the Evaluation of Pilot Local Housing Options for older people*. Gail Mountain and Helen Buri; Sheffield Hallam University for Care & Repair England, February 2005.

¹¹ *Closing the advice gap: providing financial advice to people on low incomes*. Patrick South; Resolution Foundation, May 2006.

¹² *Loan finance to improve housing conditions for vulnerable owner- occupiers*; Communities and Local Government, April 2007.

There would also be fees, totalling around £500, for valuation and legal work.

57 This evidence is insufficient to draw more than very tentative conclusions. But the following points may be relevant.

- Provision of services remotely is very likely to be cheaper than provision locally. However, remote provision seems likely to attract significantly fewer older home-owners than face-to-face provision locally.
- The cost of assisting with building works seems likely to be greater than for obtaining additional care at home. This may reduce the average cost per case. Authorities might wish to consider offering, at first, just a service related to additional care at home, with potential for extending to works on the home when experience had grown.
- The Care & Repair England report indicated that the staff providing the service need wide knowledge, and have limited scope for drawing on assistance of others if they themselves need advice. This may indicate that **national** provision of training and support for such **local** staff would be desirable.

Possible risks and barriers

58 In considering what action local authorities may wish to take, it is necessary to recognise and assess possible risks that may arise, and possible barriers that may hamper implementation.

Possible risks

59 Two possible risks that should be assessed are **reputational** and **financial**.

60 The suggestions here require local authorities to use their **reputation** to reassure older home-owners that particular financial products can sensibly be used. The risk arises from the possibility that the products endorsed might become tarnished, and with it the reputation of those that gave the endorsement. Authorities can minimise the risk by careful choice of endorsed products, and probably some continuing involvement in the way in which they are operated.

61 There remains a risk that the press may – perhaps quite mistakenly – suggest that problems that might arise with some

related, but unendorsed, product could also affect those products that the authorities have endorsed. This risk has been one of the factors inhibiting some of the major financial institutions from offering equity release deals. However, some of these institutions now seem to judge that this risk has diminished sufficiently for them to enter the equity release market. They may have been reassured by the relatively recent introduction of very full regulation of this market by the FSA.

62 The **financial** risk is that authorities may spend substantial sums on setting up systems and recruiting staff to provide some of the help described in this paper, only to find that relatively few people make use of them. This could make the cost per household helped too great to justify continuing with it.

63 Piloting in a few authorities would be the obvious way of gaining some indication of both the practicalities and the demand. But it would not be unusual for innovations of the kind described in this paper to take a significant time to show their potential. This suggests that pilots may need to be sustained for a long time before they would yield reliable evidence of their potential elsewhere.

Possible barriers

64 Two possible (and related) barriers that should be assessed are **staffing** and **affordability**.

65 The help needed by older home-owners touches on a wide range of subjects that fall within a number of disciplines. They may also relate to a number of local authority departments. Finding sufficient **staff** that can handle such a wide range of subjects competently may be challenging. To obtain staff with such competence may mean paying them relatively highly. Providing management that reflects their wide range of subjects may also not be easy.

66 Any service giving individual help locally will be labour-intensive, and hence relatively costly. Authorities may feel that such a service is beyond what they can reasonably **afford**, given the other demands on their budgets. It would be desirable to explore whether government has sufficient interest in the

approaches described in this paper that they might be prepared to contribute to the cost.

Models for consideration

- 67 The main conclusion drawn from the earlier analysis is that:
- **delivery** probably has to be done locally, to a large extent; but
 - **provision** could be arranged at local, regional, or national levels.

A more detailed analysis of the tasks, and how each might be delivered and provided, is described at the end in Section A *The tasks to be done: the geography of delivery and provision*.

- 68 There are many possible combinations of local, regional and national provision to deliver the tasks identified as necessary to achieve works or additional care at home funded by equity release. To simplify the situation, we have focused on three models:
- Model 1 - local authority does most itself (with possible LGA involvement on national issues);
 - Model 2 - local authority builds on existing organisations¹³;
 - Model 3 - local authority delegates as many of the tasks as possible to a national or regional body.

These models are described more fully at the end in Section B *Models of delivery and provision of promotion, guidance, and support*.

What a national body might do

69 Comparison of the three models in section B *Models of delivery and provision of promotion, guidance, and support*, shows that there is an essential role for the local authority in all of them. However, there are tasks that could be provided **nationally** for some customers. Doing so, instead of making **local** provision, would potentially be cheaper, and would relieve authorities of having to develop their own expertise and systems. These tasks are:

¹³ For example, Age Concern, Home Improvement Agencies, and the Home Improvement Trust.

1. Producing and distributing literature.
2. Organising publicity campaigns.
3. Identifying customer requirements for equity release products, to enable a model product to be specified.
4. Specifying national products and negotiating with funders – this has the advantage of being more likely to get government endorsement if negotiated for a number of local authorities.
5. Responding to enquiries that do not require a face-to-face meeting.
6. Negotiating a simplified regulatory regime with the FSA for potential clients borrowing the endorsed national equity release product to pay for works or care.
7. Providing relevant information on how to access local services.
8. Capturing basic information about the customer and their home.
9. Referring the customer to a local expert for assessment, passing on captured information.
10. Arranging a home visit for the local expert.
11. Getting local expert to send copy of report sent to customer.
12. Describing support service possibilities and contact details.
13. Responding to local expert's request for funding information to be sent to customer, together with explanatory letter.
14. Referring customer to local benefits and money adviser in some cases.
15. Giving customer details of local IFAs and solicitors.
16. Giving customer support in obtaining benefits or grants.

70 All the models must be adaptable to allow customers choice on how to make contact at various times. Some older people may be happy with email or telephone for most of the tasks, but others may prefer to visit a local office or may need a home visit.

Building on existing activities

71 A key consideration will be who pays for these services. As there is currently considerable reluctance among older people to spend their own money on paying for works or care, any material charge is likely to deter older people from using the service. On

any plausible view of the likely costs, a charge intended to cover them would mean asking for what would seem to them to be huge arrangement and advisory fees. It is our view that such charges would mean that the services would very seldom be taken up by those people local authorities are likely to wish to help. These costs would need to be met in other ways.

72 The local authority could make provision to meet the costs itself. It may be able to moderate the costs it has to meet if it can collaborate with other bodies operating in the same field. For example, Age Concern has funding for its fact sheet service. Model 2 in Section B *Models of delivery and provision of promotion, guidance, and support*, sets out a possibility that maximises the use of existing organisations.

73 The organisations that are closest to providing most of the services identified as being required in this paper are:

- home improvement agencies;
- the Home Improvement Trust, which provides a number of the possible national tasks listed above by post and/or telephone, with loans provided mainly by the Dudley Building Society, working closely with local authorities and home improvement agencies for the local contact;
- ART Homes, which arranges loans for vulnerable households in the West Midlands, supported financially by local authorities and by the private sector;
- East London Renewal Partnership, which focuses on benefits and financial advice for low-income households, including identifying appropriate loans; and
- Wigan Borough Council, which provides a local grant with loan package.

Section C *What some providers are offering* gives brief details of these services.

74 In our view, none of these is yet close to the comprehensive solution that local authorities need. There are four limitations in particular:

- They tend to be focused on private sector renewal and aids and adaptations. They do not consider with a potential customer whether there is a need for additional care at home and how it might be paid for. The hazards for people on

benefits of drawing on their housing equity to pay for additional care may have been a deterrent.

- They do not provide for an outside person to be available as a trusted friend to help the potential client through each of the processes involved. We believe this is important to instil trust and confidence.
- There is no standard equity release loan package, nationally endorsed by local and central government, for low-income home-owners. We feel this is an essential ingredient at the promotion stage to give many older home-owners sufficient trust in the financial aspect to start considering spending their own money on works or care.
- The regulatory regime is inappropriate for this client group needing equity release in modest amounts for specific purposes. This requires negotiation with the FSA by local government on a national basis.

75 A number of local authorities are also working together on loans connected with renewal of private housing. A review for CLG¹⁴ has recently been published; its findings of relevance to this paper are set out in Section D *Relevant findings in CLG report on loans for vulnerable owner-occupiers*. This partnership work may provide some economies of scale in processing applications. But most depend on the local authority funding the loans on terms that could not be offered commercially.

76 A recent consultation by CLG on Disabled Facilities Grant¹⁵ proposed improvements to the process of obtaining the grant. If this is pursued, it would be desirable to ensure co-ordination of the grant application with the raising of the money to pay for the additional works to be carried out at the same time as the works that are grant-aided.

Conclusions

77 Older home-owners will need an extensive service of information, guidance and support, and a trusted financial product,

¹⁴ *Loan finance to improve housing conditions for vulnerable owner occupiers*; Communities and Local Government, April 2007.

¹⁵ *Disabled Facilities Grant Programme: The Government's proposals to improve programme delivery*; Communities and Local Government, January 2007.

if they are to be persuaded to pay for works or additional care at home with their own money. The benefits to local authorities of enabling older people to stay longer in their own home might lead them to conclude that it could be worthwhile to:

- negotiate a nationally-endorsed and appropriately-regulated financial product; and
- ensure that the necessary arrangements for promotion, information, guidance and support are in place.

78 A number of local authorities have started to work together on loans for private sector renewal, but mostly focused on non-commercial products. The drawback for benefit claimants making regular drawings on their housing equity has deterred local authorities from pursuing equity release as a way for clients to pay for additional care at home. As DWP has recently identified a possible solution to this problem (as described in paragraph 4 above), now is a good time to test the appetite of local authorities to encourage low-income home-owners to spend their own money on paying for additional care at home. By working together, it would be quicker and cheaper than authorities providing the service on their own.

79 There is also considerable scope for working with existing organisations that currently provide some of the services needed.

The discussion

80 It is suggested that, at the meeting hosted by the LGA and JRF, this paper is used to facilitate discussion on five points.

1. Should local authorities be encouraging low-income home-owners to spend their own money on paying for works to their home and on additional care at home?
2. If so, are authorities prepared to invest considerable resources on promotion, information, guidance and support, as described in this paper?
3. What are the pros and cons of the three models in Section B *Models of delivery and provision of promotion, guidance, and support*?
4. What is the view of the three models in Section B – or variants on them – from the point of view of local authorities and of their potential clients?
5. Are potential clients likely to be reassured more successfully by loans from a (national or regional) body

sponsored by local government than by a national endorsement by local government of a product from a commercial lender?

Next steps

81 The LGA can use the discussion to assess whether this is something that local authorities would like to see pursued. Both the LGA and authorities will be sensing the likely direction of the CSR. They may need to find ways of countering any financial constraints that could lead to:

- less provision of care at home for older people; and/or
- less support for the repair and improvement of older people's housing.

These proposals offer a contribution that could help many older home-owners on low incomes.

82 If the LGA agrees, a small project team could be assembled, with part-time secondees from interested local authorities, to work up the specification and estimated costings for a national service to support local provision.

Supporting information

A The tasks to be done

The geography of delivery and provision

Task	Need for a local presence	Options for provision
	<i>y=yes; d=desirable; h=helpful; n=no</i>	<i>L=local; R=regional; N=national</i>
Promotion		
<i>Literature</i>		
Identify messages	n-h	L,R,N
Produce literature	n-h	L,R,N
Distribute literature	h	L,R,N
Publicity campaigns	n-h	L,R,N
Tailored information and guidance		
<i>Identifying requirements</i>		
Respond to enquiries	n-h	L,R,N
Provide info on how to access local services	n-h	L,R,N
Capture basic info about customer & home	n-h	L,R,N
Refer customer to local expert for assessment, passing on captured info	n-h	L,R,N
Arrange a home visit for local expert	n-h	L,R,N
Get local expert to send copy of report sent to customer	n	L,R,N
<i>Getting the requirement fulfilled</i>		
Assist customer understand expert's report	d	L,R,N
Describe support service possibilities & contact details	n-h	L,R,N
<i>Paying for works or additional care</i>		
Respond to local expert's request for funding info to be sent to customer, together with explanatory letter	n-h	L,R,N

Refer customer to local benefits & money adviser in some cases	n-h	L,R,N
Give customer details of local IFAs & solicitors	n-h	L,R,N
Support		
<i>Contracting for the physical requirements</i>	d-y	L,R,N
<i>Obtaining the money to pay</i>		
Support in obtaining benefits and/or grants	d-y	L,R,N
Assist customer to choose local IFA, assess financial options, deal with documents, make payments for work/care	d-y	L,R,N
<i>Overseeing the physical requirements</i>	y	L,R,N
<i>After-care</i>		
Diarise & make regular contact with customer	n-h	L,R,N
Other		
<i>National equity release products suitable for low income owners</i>		
Identify customer requirements	n	R,N
Specify national products	n	N
Negotiate with providers	n	R,N
Get government & LA endorsement	n	R,N
Negotiate simplified regulatory regime with FSA	n	N

Supporting information

B Models of delivery and provision of promotion, guidance, and support

Three models are discussed here. But there is much scope for other permutations of organisation (as between the local, regional, and national), as indicated in Section A *The tasks to be done: the geography of delivery and provision*.

- Model 1: local authority does most itself (with possible LGA involvement on national issues).
- Model 2: local authority builds on existing organisations.¹⁶
- Model 3: local authority delegates as many of the tasks as possible to a national or regional body.

Promotional work

Model 1 – <i>principally local</i>	Model 2 – <i>working with others</i>	Model 3 – <i>principally national</i>
LA identifies messages, produces and distributes literature, and runs publicity campaigns. Liaises with local offices of CAB, Age Concern etc. Possibly national publicity also, instigated by the LGA.	LA encourages others to produce and distribute literature and publicise. May contribute some money, and fill any gaps. Relies on bodies such as CAB, Age Concern, Help the Aged, HIAs, Home Improvement Trust etc.	LA relies on a model used by several LAs and publicised by a national/regional body which also produces and distributes literature. Probably minor scope for local adjustments.

¹⁶ For example, Age Concern, Home Improvement Agencies, and the Home Improvement Trust.

Tailored information and guidance

Model 1 – <i>principally local</i>	Model 2 – <i>working with others</i>	Model 3 – <i>principally national</i>
<p>LA responds to enquiries, captures basic information, arranges meeting/home visit by local expert, helps in understanding expert's report, identifying contractors, knowing what financial options are available, and where further information can be obtained.</p>	<p>As Model 1 but also briefs CAB and others to be able to provide these services when a potential client approaches them e.g. on referral by the LA.</p>	<p>LA directs people to national/regional body. This responds to enquiries, captures basic information, arranges meeting/home visit by local expert, obtaining local help for understanding expert's report, identifying contractors, knowing what financial options are available, and where further information can be obtained. Most contact by phone and internet, but with some local delivery.</p>

Support

Model 1 – principally local	Model 2 – working with others	Model 3 – principally national
<p>LA organises the care provision/contracting for works and overseeing physical works, and providing quality assurance. LA guides person through the legal and financial steps of obtaining the money to pay (introducing IFAs and solicitors). LA also provides any after-care.</p>	<p>LA steers person to organisations able to help in organising the care provision/contracting for works and overseeing physical works, and providing quality assurance. LA also guides person to services that will help navigate the legal and financial steps of obtaining the money to pay (introducing IFAs and solicitors). To the extent that there are no suitable organisations, the LA fills the role (and may need to provide the after-care).</p>	<p>National/regional body organises the care provision/contracting for works and oversees physical works, and provides quality assurance. National/regional body also guides person through the legal and financial steps of obtaining the money to pay (introducing IFAs and solicitors). As these steps need a local presence, the body would need suitable agents in each locality. National/regional body may be able to provide any after-care, but this might need to be with the LA.</p>

Supporting information

C What some providers are offering

A National Provider – Anchor Trust’s Staying Put

C1 Anchor Trust is a major charity supporting older people. Among its roles is the operation of some 50 home improvement agencies (HIAs) covering some 70 local authority areas in England. Through these HIAs, it offers a *Staying Put* service that helps older home-owners with the repair, improvement, and adaptation of their home so that they can continue living independently for longer.

C2 The service offers free advice on the need for work, and the availability of grants or loans to pay for it (and any implications for entitlement to benefits). It obtains quotations from contractors known to be reputable; helps with paperwork and management of the contract; and ensures that the work is completed satisfactorily. In half of its HIAs, it also offers a ‘handy-person’ service to carry out tasks too small for contractors.

C3 The *Staying Put* service operates under agreements with local authorities. The authorities receive a Supporting People grant towards their payments to HIAs. Around 70 per cent of the cost of the *Staying Put* service is met by grants. Fees, which cover about 20 per cent of the cost, are charged to customers if they go ahead with works, but are often reimbursed if the works attract a grant to the home-owner.

A National Provider – The Home Improvement Trust (HIT)

C4 The Home Improvement Trust (HIT) arranges affordable equity release loans enabling older and disabled people to live safely and independently in their own homes. It runs the *Houseproud* programme, which runs in partnership with local authorities and home improvement agencies across England and Wales to provide information on all the loan options available (primarily from the Dudley Building Society) for older and disabled home-owners to fund work on their homes. Local partner officers provide a single and consistent point of contact for clients and can offer information about the equity release loan options for identified

works. The loans arranged by the HIT can be used either as stand-alone funding or as a top-up facility for a grant.

C5 The HIT:

- Works with local authorities, national care agencies and the network of home improvement agencies to raise awareness of the equity release options that are available to older and disabled home-owners.
- Provides training to those involved in administering the scheme in a local authority.
- Facilitates the provision of detailed Key Facts Illustrations of equity release products in line with the requirements of the FSA.
- Provides a centralised legal service through the HIT's solicitors with reduced costs. This includes all local authority searches, registering charges and arranging payments on completion of the works.
- Arranges a competitive valuation service in conjunction with the Valuation Office.
- Offers a confidential freephone helpline for clients and their families.

C6 Local authorities wishing to join the *Houseproud* scheme are requested to pay £10,000 a year for two years towards the HIT's running costs plus an individual fee of £500 towards the costs of each completed loan. The latter includes the legal and valuation fees and other costs.

A Regional Provider – ART Homes

C7 ART Homes is a subsidiary of Mercian Housing Association. It provides affordable home loans to low-income home-owners. The purpose of the loans is solely to help home-owners who cannot afford commercial loans to repair and improve their properties. The loans are only made in association with agencies who oversee and control the building repair process.

C8 ART Homes is registered with the FSA for mortgage lending and is also registered for Consumer Credit Act lending.

C9 The ART Homes loan products are all subsidised in some way. To achieve this, the organisation has been capitalised with a

grant from Birmingham City Council. Their loans tend to be funded by a combination of public and private finance.

C10 To access the services of ART Homes, local authorities are expected to:

- Provide a full front-end delivery service for individual homeowners. This can be delivered by an established home improvement agency or provided directly by a local authority in-house agency.
- Enter into a legal agreement with ART Homes and pay an annual fee for the service, plus the costs associated with individual loan applications.
- Consider establishing a regionally based loans provider, which can be administered by ART Homes.

C11 West Pennine Housing Association is offering a similar service to local authorities in the North West.

A Sub-regional Advice Service – East London Renewal Partnership

C12 The East London Renewal Partnership has set up a home maintenance generic financial advice service for clients of local authorities who are prepared to consider loans alongside grant funding for works to their home. Their first generic financial advisers (GFAs) have recently been trained.

C13 It is intended that the new GFAs will have to start the development process by identifying what grant funds are available locally to support particular client groups. The following is a list of some of the advice needs that have been identified:

- personal loans secured or non-secured against the property;
- credit agency support;
- charitable support for works;
- financial support from relatives;
- subsidised low-cost loans;
- Benefit Agency support for interest payments;
- impact of works on property value;
- making provision for future maintenance needs;
- home insurance liabilities and available products.

C14 To ensure maximum value from the service, clients will have to be referred by their local authority. Some form of limit on the level of support is to be established, e.g. some free visits followed by charges for further support.

Local Provision – Wigan Borough Council

C15 Wigan Borough Council has introduced a grant and loan package for low-income home-owners requiring works under its private sector housing renewal programme. The loan element of the package is a simple, low-cost capital appreciation loan, secured together with the grant against the equity in the property.

C16 The loans available from the council are intended to be simple to understand and relatively easy to administer, thereby minimising the costs to the local authority. The key features include:

- The council covers the professional and administrative costs associated with the loans.
- Interest on the loans is charged at bank base rate and is rolled-up until the house is sold.
- One of the conditions of the grant and loan package is that the property should remain owner-occupied (or rented if the applicant is a landlord) for at least five years.
- Another condition includes the requirement to undertake an energy efficiency audit of the premises and to include the necessary works in the overall schedule.

C17 Local authorities are exempt from the FSA's mortgage regulations, but have a simplified regulatory regime administered by CLG. Wigan is one of a very small number of authorities to make use of this process.

Supporting information

D Relevant findings in CLG report on loans for vulnerable owner-occupiers

(Loan finance to improve housing conditions for vulnerable owner-occupiers, published April 2007)

In April 2007, CLG published a report on research, carried out by DTZ Consulting & Research, into the use of loan finance to improve housing conditions for vulnerable owner-occupiers¹⁷. A key finding was that a number of local authorities are promoting loans in place of grants for vulnerable home-owners that are on terms that would not be offered by the private sector. A problem with this is that as staff get used to publicising loans at a subsidised rate, commercial loans seem expensive. There is though a financial limit to the number of loans that a local authority will be able to subsidise.

At the time of writing most funds are wholly resourced through the public purse. This has allowed schemes the flexibility to pass only part or none of the cost of borrowing to the householder to create cheaper loans.

One of the findings of the research is that ‘the loan types that appear to offer attainable and relatively attractive solutions to most vulnerable owner-occupiers are those that require no monthly payment and can be carried on until sale or death – provided that the home-owner is willing to take out a loan in the first place, and has sufficient equity in their home’. Rolled-up interest equity release loans would come into that category.

In order to adequately address the needs of vulnerable owner-occupiers, delivery models need to be locally based at the engagement end and, at least, regionally based at the loan issuing end. From our review of current and emerging delivery arrangements, this appears to be the most efficient approach.

The key issue for delivery partnerships is perhaps not the availability of capital sums but rather the labour supply and

¹⁷ *Loan finance to improve housing conditions for vulnerable owner-occupiers*; Communities and Local Government, April 2007.

associated resources to effectively raise awareness, engage people and maintain effective and appropriate contact to help see the process through.

Co-operation is allowing local authorities to share best practice, to pool resources to deliver particular research and development activities, to cost-effectively buy into loans scheme, to exert more control and influence at the strategic level and to co-ordinate provision. It is leading to the development of regional delivery frameworks and performance indicators that will both assure delivery and ensure the accountability can be addressed in a consistent manner.

Some vulnerable owner-occupiers require intensive support through the loans based renewal service. This is borne out anecdotally from Home Improvement Agencies who report that they can handle fewer caseloads under the loans system and from the household survey, which suggests that the process is taking many months, and sometimes more than a year to complete.

Partnerships that are organised on a regional basis appear to be particularly successful at accelerating loan development. Regional partnerships are able to exploit economies of scale at the 'loan issuing' and loan fund end of any service offer, can effectively disseminate best practice and are key conduits for promoting common standards. Such aspects are key to engaging private sector lenders and leveraging in private finance. They are also a precursor to achieving national coverage and national continuity in key areas such as independent financial advice.

DTZ has grouped the tasks into different categories from ours, but their estimates of cost help build up a picture of what the costs of a comprehensive information, guidance and support service are likely to be.

Delivery differs depending upon the products being offered, upon the stage of development and local perspectives, but broadly speaking the following overlapping phases can be identified:

Phase 1: Engagement

Successful engagement of vulnerable owner-occupiers into the 'assistance service' is fundamental to achieving the goal of increasing the number of vulnerable owner-occupiers in decent homes. It is also probably the least developed aspect of the loans agenda. The engagement phase breaks down into three broad and overlapping categories:

- **Marketing, awareness-raising, signposting:** implying no, or limited, client-facing time, and a generic fairly standardised publicity and call centre type of approach across a particular area.
- **Referral and account management:** this is the start point for those householders requiring some form of support from the particular loans service itself, but with a fairly clear idea of their needs and an understanding of the type of solution they require.
- **Guidance and project management:** the third type of engagement is that which leads to intensive support throughout the whole process. It recognises the fact that some householders will need guidance at every step in the process and that a successful outcome will require the loan service to project manage carrying out and overseeing completion of any required works/move to alternative accommodation. Such clients are also likely to need fairly intensive support at the various decision making points and the adoption of a multi-agency approach may be required depending upon specific care and support needs identified along the way.

The cost of providing this part of the service varies considerably, from £500 to £3,000 per loan outcome among the authorities we surveyed. The engagement of clients and their ongoing support is a key part of the process and limited capacity in this area is apparently acting as a brake on performance. It raises the question as to whether the revenue implications and requirements of a loans service are of equal or possibly greater significance than the need for capital sums.

Phase 2: Expert advice

- **Housing advice and the Decent Homes Survey:** it is usually the practice, or at least the aspiration, to conduct a survey that encompasses all aspects of the decent homes standard and so identify, at the same time, issues in relations to adaptations that might be required, energy efficiency and thermal comfort as well as repairs and maintenance. In theory, such practice allows for a one-stop shop approach, avoids duplication of effort and practice by different agencies and offers the prospect of economies of scale.
- **Independent financial advice:** for those authorities or providers offering interest bearing or appreciating loans, the use of Independent Financial Advisors (IFAs) is either a requirement or considered a matter of best practice. They are crucial to helping householders understand what financial options are available to them so that they can make informed choices. The acid test and basis for comparison should be the 'lowest possible monthly payments and lowest overall cost'.

The cost of providing housing advice/decent homes survey has been estimate at c£1,000 per loan and the cost of providing independent financial advice estimated at c£500 per loan.

Phase 3: Professional services

Arguably, by the time this phase is reached much of the hardest work with the client has been done and probably the greater proportion of the time required consumed.

- **Loan arrangement** – is not entirely divorced from the broader advice process and product providers usually provide loan advice as well, which might form part of the guidance and project management process for example. However a separation of duties is maintained and loan arrangements fees, incorporating legal and valuation fees, are relatively fixed, being estimated at c£600 per loan, reducing to c£50 for those areas operating the Interest Free Secured loan only.
- Loan processing is estimated to be c6 weeks on average, once the application is received.

- **Undertaking the works** – procurement of contractors through local authority approved supplier lists remains a feature of the loans system as it did under the grant regime.

As noted earlier, the whole delivery process examined above is taking many months to complete and sometime more than a year. This is likely to reduce as operations bed in and the process becomes more familiar. However the needs of the client group will always act to prolong the time input and intensity of support required. Cost and resource implications of this need to be better understood and opportunities to eradicate duplication of processes across departments explored.

The following recommendations, presented here in summary, arise from the research and aim to extend access to loan finance by vulnerable owner-occupiers. The recommendations are not stand-alone, and can be grouped together or considered individually:

- **National product, local delivery** – the main loan types are offered on fixed terms, set nationally by Communities and Local Government (CLG) and administered through nationally approved suppliers. Delivery is retained a local level.
- **Nationally prescribed range of product types with flexible loans** – the main loan types are prescribed and funded nationally. Charges to be set nationally, but with local partnerships retaining flexibility to subsidise national charges for identified priority cases.
- **Regional private finance pilot** – support the development of one regional public private loan fund over a (5-year?) term. CLG to provide support and brokerage to selected region. The Department to meet cost of risk premium/interest cover.
- **National best practice forum/guidance service** – developed from current arrangements to provide expert advice and guidance on three key areas: product development; delivery; and private finance.
- **National quality mark** – national brand that relates to product offer, choice and delivery standards. Setting minimum standards, key performance indicators and quality of service thresholds.

In terms of the suite of loan products to be offered, we would recommend that this should be as a minimum provision of an interest free loan alongside advice and guidance as regards the commercially available mainstream loan offer. Alternatively, or additionally, quasi-commercial loan types that require no regular repayment, rolling up capital and charges until sale or death, could be part of the minimum offer. This will be essential in terms of attracting private finance in the future.