

To: City Executive Board

Date: 10th July 2013

Report of: Head of Housing

Title of Report: EQUITY LOAN SCHEME FOR TEACHERS
PROJECT APPROVAL

Summary and Recommendations

Purpose of report: From the initial work with schools as part of the Council's work on primary educational attainment in disadvantaged areas of the City, it is clear that schools have experienced problems in both recruiting and retaining experienced teachers in leadership posts because of the cost of housing.

This report seeks major project approval for a scheme to provide equity loans to support the recruitment of teachers to leadership roles in schools in the areas identified as priority for the educational attainment initiative.

Key decision? :Yes

Executive lead members: Councillor Kennedy

**Policy Framework: Oxford Economic Growth Strategy 2013
Regeneration Framework to 2026**

Recommendations:

Executive Board is asked to :

- i) grant Project Approval for the Equity Loan Scheme for Teachers**
- ii) waive the requirement to seek quotes under Contract Rule 19.12 on grounds that to do so would achieve no overall economic benefit to the Council**
- iii) agree the virement of £150,000 from the Depot Relocation Feasibility Study budget**
- iii) grant delegated authority to the Executive Director (City Regeneration) to:**

a) approve the operational details of the scheme and the funding based on the principles set out in section 3 of the report

b) in conjunction with Procurement Team and Legal Services, negotiate the operation and capital funding of the scheme with Catalyst Housing Group.

BACKGROUND

- 1.1 The Council has developed a programme of work to raise levels of educational attainment in primary schools which serve the City's most disadvantaged communities. These schools identify difficulties in recruiting and retaining teachers in senior leadership posts, which are crucial to the delivery of improvement in educational attainment. A factor is the problem of access to appropriate affordable housing .
- 1.2 The link between access to housing and employment for key public sector workers has been recognised by Government and has been subject to a number of initiatives over the years to assist with house purchase. The Council successfully provided equity loans for key workers under a Public Service Agreement in 2005 and it is proposed to draw on this experience to provide similar financial assistance specifically for teachers in these leadership posts.

SCHOOL STAFFING ISSUES

- 2.1 The link between school leadership and student outcomes is well documented. The higher the quality of leadership, the better the levels of student attainment. The leading researcher in the field is Viviane Robinson, Distinguished Professor in the Faculty of Education at Auckland University and she has published a book¹ and a wide range of articles showing evidence for this.
- 2.2 It is currently proving very difficult to recruit to senior leader and headship posts in schools serving Oxford's disadvantaged areas. Recent advertisements for the headships of Rose Hill and Church Cowley St James, which are both good schools, have received no external interest in the posts and only one local response so far. Recent recruitment for the Blackbird Academy Trust in Blackbird Leys for the three heads of school attracted a very small field and only one head of school from the three was able to be appointed initially. Of the 12 schools in the most disadvantaged areas of the City, 5 of them are currently seeking a new headteacher. Chairs of Governors unable to

¹ Robinson, V. M. J. (2007). School leadership and student outcomes: Identifying what works and why. Winmalee, NSW: Australian Council for Educational Leaders: (Monograph 41, ACEL Monograph Series Editor David Gurr) 28 pages. Reprinted in SPANZ: The Journal of the Secondary Principals Association of New Zealand, December 2008.

recruit headteachers are having to draw up contingency plans for interim management as a result which may put the schools recent improvement at risk. Problems in recruiting to teaching posts are being experienced by authorities nationally and there are many reasons for this. However, there is a strong view that housing support would help tip the balance when teachers are considering changing jobs and this scheme will assist in attracting interest from outside the City.

- 2.3 In addition, schools also indicate that they have problems in retaining younger teachers who are just moving into posts which will develop their leadership skills. These teachers might be looking to buy for the first time whereas more senior staff may already be owner occupiers.
- 2.4 A range of needs has to be met from teachers in core management posts as well as more general leadership roles. Financial assistance will therefore need to be tailored to meet different housing situations.

PROPOSED SCHEME

- 3.1 The Council would be acting under its well-being powers (Section 2 of the Local Government Act 2000, as amended by the Localism Act 2012) because it is intended to improve the economic and social well-being of the area and fits with the Council's overall strategic approach as set out in the current Corporate Plan.
- 3.2 It is proposed to adopt the same principles and parameters as for the Council's previous key worker loan scheme. This model is used by other local authorities and has the advantage of being acceptable to commercial mortgage lenders.
- 3.3 The main features of the scheme are:
 - 3.3.1 The function of the equity loan is to bridge the gap between what the applicant can afford to pay by way of a mortgage and the purchase price of an appropriate property. The applicant is assessed for a normal commercial mortgage and the amount the equity loan is then calculated.
 - 3.3.2 Both new and second hand properties will be eligible. Properties must be appropriate for the needs of the household so purchasers are allowed to acquire housing with one bedroom additional to their immediate requirements.
 - 3.3.3 Teachers who are in or targeted for recruitment to leadership posts by schools in areas of deprivation will be eligible to apply but the allocation of individual loans is carried out by a third party, usually a housing association. This avoids any taxable benefit arising from the employer's involvement but care will be taken in designing the scheme to avoid undermining this position.

- 3.3.4 The equity loan will be between 15% and 40% of the property value up to a maximum amount of £75,000. A small interest charge may be charged, often after an initial three to five year period, but the principal benefit to the Council is the increase in value of the property over time. When the loan is redeemed the Council receives a share of the increase in value proportionate to its initial loan assistance. There is risk of property values falling, and the Council losing money, but it is less onerous for the employee than having a fixed loan if there is negative equity. Some examples of how the equity loan could be applied are set out in Appendix 1 to this report
- 3.3.5 Repayment of the loan could be triggered either when the teacher in question leaves an eligible post or if the property is sold. The exact details of how this provision should operate will be worked up with the other operational matters.
- 3.3.6 The aim is to assist teachers to live in the City and so avoid potentially lengthy journeys to work. Purchases should therefore be within the City boundary but borderline areas close to the City may be included, such as Wheatley and Kidlington. This is a feature of most loan schemes where local authority funding is involved.
- 3.3.7 Given the seniority of some of the eligible posts, the scheme will need to help teachers who are already owners and who will be trading up in value if they move into the City. Any capital gain from the sale of other property will be included in the mortgage assessment and it is proposed to put a maximum value of £500,000 on house purchases which will give people opportunities to buy in most parts of the City.

PROCUREMENT

- 4.1 The Council will procure a housing association partner to grant individual loans and administer the scheme, and also to contribute to the capital funding for the project. This would be on the basis of the housing association matching the capital input and sharing revenue costs with the Council as set out in section 5 below.
- 4.2 The number of housing associations who would undertake this type of scheme is extremely limited and due to low value of the operating contract and the capital funding requirement, informal discussions have identified that there may be little response to the Council's request for competitive bids.
- 4.3 Set against this, the scheme needs to be in place for the start of the school year in September when the vacant headships noted above will be re-advertised. If the scheme is not available at this time because of the bidding and partner selection process, then the scheme will not have the impact on recruitment that is its purpose.

- 4.4 Given the risk of having an unsuccessful bid process and the impact of not having a scheme in place by September, officers consider that there is unlikely to be any overall economic benefit to the Council from seeking quotes from potential alternative suppliers. Under Contract Rule 19.12, this requirement can be waived where no overall economic benefit to the Council can be shown. City Executive Board is asked to approve the waiver and to approve Catalyst Housing Group as the partner for the scheme.
- 4.5 Catalyst are currently administering the remaining loans in the Council's key worker scheme, having successfully delivered the original loans programme, and as they have a proven record of operating successfully with local mortgage providers, they are ideally placed to set up this scheme by September. They are also operating similar schemes in other Oxfordshire districts which have joint capital funding and these will give current comparisons for operational costs.
- 4.6 In addition, as the HCA Zone Agent for the area, their role is to advise on the full range of home ownership options and they will be able to provide a comprehensive advice service to teachers.
- 4.7 The Council's financial interest in the scheme can be secured in a number of ways, from shared legal charges to funding agreements which ensure that the local authority receives its share of any uplift in value on redeemed loans. Shared legal charges give the Council more control where action needs to be taken to compel the sale of property to redeem a loan. However, a funding agreement gives the housing association partner more control and as a result is less costly because of simpler administration.
- 4.8 Consideration will be given, in association with Catalyst, to the detailed mechanism by which loans will be granted and the securities provided to both the Council and Catalyst.

FUNDING

- 5.1 The Council will fund the scheme on a match funding basis with Catalyst. This type of scheme is core business for many housing associations and South Oxfordshire/Vale have a similar scheme in operation with Catalyst with funding shared equally.
- 5.2 Funding has been allocated for a year and options for extending the scheme will be considered, based on this initial exercise, in conjunction with Catalyst and other stakeholders.
- 5.3 It is assumed that 6 loans will be granted at an average of £46,000 which gives a total capital requirement of £276,000.
- 5.4 Catalyst would also manage the scheme, as happens now with the Council's own scheme. The revenue costs have been assumed at £3k

per loan. The exact figure will be established as part of the operational discussions with Catalyst.

5.5 A total of £6k has been assumed for setting up and publicity costs.

5.4 On the basis of shared costs with Catalyst Housing Group, the total cost for the City Council of the scheme would be £150,000 as set out below.

6 equity loans @ £46,000 average	276,000
Operational costs @ £3,000 per loan	18,000
Setting up/ publicity cost	6,000
Total	£300,000
Housing Association	
Loans	138,000
Operational cost (50%)	9,000
Setting up/ publicity (50%)	3,000
Sub-Total	£150,000
City Council	
Loans	138,000
Operational cost (50%)	9,000
Setting up/ publicity (50%)	3,000
Sub-Total	£150,000
Total	£300,000

5.5 The Council's expenditure will be protected by the cap on capital funding of £138,000 and the match funding of revenue between the scheme partners.

RISK

6.1 The risk register is attached as Appendix 2 to this report.

EQUALITIES IMPACT

7.1 This initiative will improve the recruitment and retention of key leadership staff in schools which serve the most disadvantaged areas of the City.

CLIMATE CHANGE/ ENVIRONMENTAL IMPACT

8.1 Property purchases will be within or relatively close to the City which reduces commuting distances and avoids adding to road congestion at peak times.

FINANCIAL IMPLICATIONS

- 9.1 It is proposed to fund the scheme through virement of £150k from the deferred Depot Relocation Feasibility Study.

LEGAL IMPLICATIONS

- 10.1 Other legal implications are set out in the report

Appendices to report:

Appendix 1 – Loan examples

Appendix 2 – Risk register

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List of background papers: None

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