

POLICY & RESOURCES CABINET BOARD

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVE REES

19TH FEBRUARY 2015

SECTION A – MATTERS FOR DECISION

WARDS AFFECTED: ALL

HOME IMPROVEMENT LOANS INITIATIVE

1. Purpose of the report

- 1.1 The purpose of the report is to seek member approval for the Council to participate in the Welsh Government initiative, which aims to improve the standard of private sector housing and maximise the number of empty homes brought back into use.

2. Background

- 2.1. The home improvement loan scheme is being promoted in partnership between the Welsh Government, Welsh Local Government Association and Local Authorities in Wales as a way of providing loan funding to individuals and businesses for home improvements, which will contribute to the overall programme of improving the quality of homes and increasing housing supply within Neath Port Talbot. WG are seeking the agreement of Neath Port Council to participate in the scheme.
- 2.2. The power to enable us to lend the money comes from the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002. However, in order to be able to provide assistance under ‘The Order’, an Authority must have adopted a policy for the provision of assistance and give public notice of the policy. If approved the policy will be included in the Council’s Housing Renewal Policy and there will also be other promotional activity.
- 2.3. An all-Wales fund of £5m has been set aside for participating authorities to offer recyclable loans in 2014/15 with a further fund of £15m in 2015/16. To qualify for funding Local Authorities must work collaboratively within one of 6 regional groups. Neath Port Talbot CBC

has been designated in the Swansea Bay Regional Steering Group, which also includes CC Swansea and Bridgend CBC.

- 2.4. The Funding has been apportioned to each Authority based on private sector housing stock numbers. Neath Port Talbot's funding allocation has been broken down as £223,061 for 2014/15, and £669,183 for 2015/16. It will be available for a maximum of 15 years and will need to be re-paid to Welsh Government by 31st March 2030. The breakdown of the regional funding is as follows:

Local Authority	2014-15	2015-16	Total Loan Amount
Neath Port Talbot	223,061	669,183	892,244
Bridgend	228,320	684,960	913,281
Swansea	379,764	1,139,291	1,519,055
			3,324,579

Neath Port Talbot's Vibrant & Viable Places (VVP) programme has also been allocated £200,000 per year for 2014/15, 2015/16 and 2016/17 to offer recyclable loans within the VVP boundary under the same conditions of the home improvement loan scheme.

- 2.5. The National Loan scheme will add to and not replace existing tools that authorities have in improving private sector housing and reducing the number of empty homes.

3. Scheme Details

- 3.1. Detailed below are some of the scheme details and conditions. Please also see Appendix A for further information.
- 3.2. The scheme will enable Local Authorities to provide loans, which are recoverable within 5 years (for landlords / developers), but can be extended for up to 10 years where the loan is provided for the purpose of owner occupation.
- 3.3. The loans must contribute to making the property warm, safe or Secure. There is no requirement that the impact of the loan meets all of these criteria, the loan could be targeted at one key element and can be used to support the following:

- Substandard Housing (Cat 1 / Cat 2 Hazards / Welsh Housing Quality Standard);
 - Repair, Fire Safety or Security;
 - Empty Homes (Renovation / Conversion);
 - Energy Efficiency (ECO top up);
 - Group Repair Schemes / Envelope Schemes;
 - Private Rented Sector (Access Schemes);
 - Aids and adaptations or DFG top up.
- 3.4. Loans will be paid ‘up front’, subject to a financial, property and scheme viability risk assessment, which will be carried out by the Housing Renewals team using a standard template provided as part of the Welsh Government toolkit. Support will also be provided by the Finance Division.
- 3.5. The Welsh Government has given a commitment to share the risk with Local Authorities in relation to applicants defaulting on their loan repayments, the WG anticipate a default level of 5% on each of the loan funds. They will fund half of any default costs up to a maximum of 2.5% of each loan fund. On the basis therefore of WG’s estimate of a maximum default of 5%, the potential risk to Neath Port Talbot would be £22,306, plus a further £15,000 through the VVP scheme. These figures however, would be greater if the default level is higher than the WG estimate.
- 3.6. A loan administration fee which is added to the cost of the loan has an upper limit of 15%. This will cover all associated costs such as legal fees, registering a charge where necessary etc. The level of charge needs to be determined on a regional basis, and discussions have indicated that the region would charge between 10 and 15%.
- 3.7. In each of the years there is a 12 month rolling programme to spend, and if any of the money is not loaned within the 12 months, any funding that is not loaned is re-allocated amongst the regional area. The 12 month period starts at the point at which the money is drawn down by the Authority. The Authority is only liable for de-defaults on money that it issues and not for any monies that are re-distributed. Loans can be recycled into further loans as can repayment monies.
- 3.8. There is a minimum loan value of £1,000, and a maximum home to value ratio for any loan of 80%. Any loans valued at over £3,000 will be secured on the property; the maximum loan available is £25,000 per unit of accommodation, up to a maximum of £150,000 where multiple applications are made.

- 3.9. A national steering group will be set up to monitor and review the scheme. This will be made up with representatives of each regional group, WLGA, the Wales Housing Technical Panel, and Welsh Government.
- 3.10. Performance measures will be put in place – these will need to be determined from the loan types offered. Discussions will be held with finance, legal and audit sections to determine what measures, budget reports and other performance criteria are required.
- 3.11. In terms of the process to invite applications and award the loans, this will follow the houses into homes loan scheme; the Housing Renewal Section are working with the following sections as part of the houses into homes scheme and this will continue across the private sector loan scheme:
- Environmental Health
 - Housing Strategy
 - Building control
 - Renewal Areas

Direct and indirect advertising will also take place to generate leads for the scheme.

4. Current Position

- 4.1. Given the timeframe involved council officers from Housing Renewals, Environmental Health and Housing Strategy are currently developing the best options and a strategic approach, for Neath Port Talbot, created by this opportunity. The delivery mechanisms for the scheme are currently being developed to cover all aspects of the loan assessment, approval and recovery processes, a system flow chart will be provided for approval with the final scheme proposals.
- 4.2. Discussions have also taken place with representatives of both CC Swansea and Bridgend CBC. Subject to Cabinet Board agreement, it is hoped that a consensus can be reached providing the basis for the development of a flexible operational model for the region.

- 4.3. In order to progress the initiative further a Cabinet Board decision is now required:
1. To support a regional model for the delivery of this scheme in collaboration with CC Swansea and Bridgend CBC.
 2. To allow the development of a project plan, with the objective of maximising the potential presented by the scheme within Neath Port Talbot.
- 4.4. If members approve this further development, a further report will be brought back to outline the final scheme and seek member approval. This is likely to be at the next Policy and Resources Board meeting in April 2015.

5. Appendix A

Appendix A – Further details associated with the Home Improvement loan scheme.

6. Recommendations

- 6.1. Members approve the adoption of a regional model for the delivery of this initiative in collaboration with the City and County of Swansea and Bridgend CBC.
- 6.2. Members approve the development of a project plan and final scheme for participation in the Home Improvement Loans Initiative, which will be brought back for approval.

7. Reason for Proposed Decision

- 7.1 The proposed decision is recommended to enable the Authority to maximise the funding opportunity presented by the national Home Improvement Loan scheme initiative

8. List of Background Papers Housing Files

9. Officer Contact

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COMPLIANCE STATEMENT

HOME IMPROVEMENT LOANS INITIATIVE

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(b) **Sustainability Appraisal**

Community Plan Impacts:	
Economic Prosperity	Positive impact
Education and Lifelong Learning	No impact
Better Health and Well Being	Positive impact
Environment and Transport	No impact
Crime and Disorder	No impact
Other Impacts:	
Welsh Language	No impact
Sustainable Development	No impact
Equalities	No impact
Social Inclusion	No impact

(c) **Consultation**

There has been no requirement under the Constitution for external consultation on this item.

DETAILS OF PROPOSED SCHEME

The table below provides further details associated with the Home Improvement loan scheme.

<p>Eligible Applicants</p> <p>The applicant must own the property.</p> <p>Registered Social Landlords and Registered Providers will not be eligible.</p> <p>Tenants on repairing leases may be considered if the relevant interest offers adequate security.</p>	<p>Owners of substandard houses including:</p> <ul style="list-style-type: none"> • Owner occupiers • Landlords • Developers • Charities / Third Sector <p>Priority must be given to homeowners and landlords.</p> <p>Priority must be given to landlords that offer affordable / social housing / nomination rights over market rent.</p>
<p>Regional Approach</p> <p>Each region must ensure a consistent approach.</p>	<p>Any product offered must be available across the region.</p>
<p>Maximum Loan Charge / Cost</p> <p>The maximum fee chargeable</p>	<p>A one-off administration fee of up to 15% e.g. a £10,000 loan would incur a maximum fee of £1,500</p>
<p>Minimum and Maximum Loan Value</p>	<p>Min £1,000 up to a Max £25,000 per unit</p>
<p>Maximum loan per applicant</p> <p>(Applicant can be individual, Company or Charity)</p>	<p>Up to £150,000</p>

DETAILS OF PROPOSED SCHEME

<p>Improvement Required (there is no requirement that the property must meet all of these criteria, the funding may target only one element)</p>	<p>Warm, Safe or Secure</p>
<p>Loan Criteria for Private Rented Sector Only</p>	<p>Property must be free of Cat 1 Hazards (HHSRS)</p>
<p>Loans can be used to improve property to / for:</p>	<p>Continued Ownership To sell To rent</p>
<p>Maximum Loan Periods</p>	<p>Landlords / Developers / Charities: Up to 5 years Owner Occupiers : up to 10 years</p>
<p>Repayment Terms</p>	<p>Choice of Staged Payments (Region to define)</p> <ul style="list-style-type: none"> • Weekly • Monthly • Quarterly • Annual • Full repayment at the end of the loan period • Loan repayable on the sale of the property
<p>Affordability</p>	<p>The applicant must be able to afford the loan or have the means to repay the loan on the due date:</p> <ul style="list-style-type: none"> • Be able to meet the loan amount repayable; <p>or</p> <ul style="list-style-type: none"> • Be able to afford to repay the loan at the end of the loan period.

DETAILS OF PROPOSED SCHEME

<p>Other Criteria</p> <p>This is not an exhaustive list. It is a matter for each Local Authority to establish the suitability of the applicant to enable them to gain access to the funding.</p> <p>The risk of non-payment sits with the individual Local Authority.</p>	<p>Applicants must not:</p> <ul style="list-style-type: none"> • Have adverse credit history which may include: <ul style="list-style-type: none"> ➤ County Court Judgements (CCJ) ➤ Individual Voluntary Arrangements (IVAs) ➤ Debt Relief Order (DRO) ➤ Bankrupt (within last 6 years) ➤ Company Insolvency / Liquidation • Owe any outstanding debt to the Local Authority at the time of making an application
<p>Risk Mitigation Measures</p> <p>The Local Authority must take steps to minimise the risk from non-recovery of the loan.</p>	<p>Possible approaches to minimise the risk:</p> <ul style="list-style-type: none"> • Undertake appropriate ID checks in line with money laundering and Land Registry requirements. • Undertake affordability check (LA / Credit Union) on applicants to ensure they can afford the loan. • Securing any loan as a charge against the property. • Ensure that any loan secured as a charge is up to a maximum loan to value • Obtain a RICS valuation of the property used as security for the loan. • Place a local land charge • Obtaining two estimates for the cost of the works. • Consider applying a suitable default rate for breach of loan conditions i.e. 5%.

DETAILS OF PROPOSED SCHEME

Grant Funding	Any other funding options such as Arbed / ECO should be explained to the applicant where appropriate. Other funding options can be used in conjunction with the loans as long as they are funding separate works
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