

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Policy and Resources Cabinet Board

20th September 2017

Report of the Head of Financial Services – Dave Rees

Matter for Decision

Wards Affected: All Wards

Housing Loan Schemes

Purpose of Report

1. To approve the changes in the delivery of the Welsh Governments Housing Loan schemes.

Executive Summary

2. The Welsh Government launched the Houses Into Homes (HIH) scheme in 2012 and the Home Improvement Loan (HIL) scheme in 2015.
3. In August 2017 the Welsh Government announced changes to the criteria for the Housing Loan schemes to be implemented with immediate effect:
 - a) Remove the 50/50 funding allocation to both Houses into Homes and Home Improvement Loan schemes to allow each Authority to spend the loan funding according to demand in their areas
 - b) Lengthen the loan term for empty properties (Houses into Homes Loans) intended for rental to a minimum of 3 years and a maximum of 5 years (this is optional)
 - c) Increase the maximum loan offered per applicant for empty properties to £250,000 (10 units @£25,000) from the existing £150,000 (6 units @ £25,000)

- d) Removal of the requirement to recycle funding within 6 months of a loan repayment, where the loan pot is not substantial enough to recycle

Background

4. Cabinet approved the delivery of the Welsh Government (WG) Houses into Homes Loan scheme in 2012 and the Home Improvement Loan scheme in October 2015.
5. A national steering group has been set up to monitor and review the schemes. The group is made up with representatives of each regional group, Welsh Local Government Association (WLGA), the Wales Housing Technical Panel, and Welsh Government.
6. The Housing Loan schemes are administered primarily within the Housing Renewal & Adaptation Service with additional support provided by legal services and finance, indicative flow charts of both loan schemes have been attached at Appendix 2.

Housing Loans – Scheme details

7. A detailed breakdown of the existing loan schemes criteria as detailed by Welsh Government is attached at Appendix 1.

Financial Appraisal

8. There are no new revenue funds allocated to local authorities to implement the Houses Into Homes Schemes.

Equality Impact Assessment

9. The Equality Act 2010 requires public bodies to “pay due regard to the need to:
 - Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and

- Foster good relations between persons who share a relevant protected characteristics and persons who do not share it.”
10. Local data related to the existing housing loan schemes do not identify any particular group with a protected characteristic as being disproportionately affected. Consequently, the impact of the Houses Into Homes Loan Scheme is considered to be neutral as far as the equality impact is concerned.

Workforce Impact

11. It is not anticipated that there will be any workforce impact on the Council as the changes are to existing criteria.

Legal Impact

12. The power to enable the Council to lend the money comes from the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002.
13. 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. The policy will be included in the Council’s Housing Renewal Policy.

Risk Management

14. There is a risk that local authorities could adopt different approaches in the delivery of the Home Improvement Loan Scheme. Authorities are required through the terms of the funding to work collaboratively to ensure that there is a consistent delivery approach.

Consultation

15. There is no requirement under the Constitution for external consultation on this item.

Recommendation

16. It is recommended that the Cabinet Board approves the changes in the delivery of the Housing Loan schemes as set out by the Welsh Government and shown in paragraph 3.

Reason for Proposed Decision

17. The proposed decision is recommended to enable the Authority to maximise the funding opportunity presented by the Loan schemes to bring empty properties back into use as residential accommodation and to improve the quality of private sector housing throughout the borough.

Implementation of Decision

18. The decision is proposed for implementation after the three day call in period.

Appendices

19. Appendix 1 – Housing Loans criteria
Appendix 2 – Housing Loans – Flow Charts

List of Background Papers

20. None

Officer Contact

21. Mr Dave Rees, Head of Financial Services
Tel: 01639 763634 or e-mail: d.rees1@npt.gov.uk
22. Mr Rob Davies, Principal Officer Housing Renewal & Adaptation Service
Tel: 01639 763514 or e-mail: r.i.davies@npt.gov.uk

Houses Into Homes Loan (HIH) Criteria

General requirements	There must be consistency, from the perspective of the loan recipient, in respect of the eligibility criteria for a Houses into Homes Loans and the terms on which the Houses into Homes Loans are provided.
Maximum fee charged to a loan recipient	£495
Minimum and maximum Houses into Homes Loan value	£1,000 up to £25,000
Maximum Houses into Homes Loan available per loan recipient	£150,000 at any one time. Once repaid the applicant can reapply.
Interest	Houses into Home Loans must be interest free.
Permitted improvement works	Works which bring an Empty Property back into use.
Houses into Homes Loans can be provided for the purpose of bringing an Empty Property back into use to/for:	<ul style="list-style-type: none"> • Sell • Rent
Houses into Homes Loan conditions	<p>The Houses into Homes Loan terms and conditions must specify:</p> <ul style="list-style-type: none"> • the purpose/works for which the Houses into Homes Loan is provided. • if after completion of works funded by a Houses into Homes Loan the relevant property contains a category 1 hazard (as defined by Housing Health and Safety Rating System (HHSRS)) the property can not be rented out. (for PRS only) • that if the loan recipient sells the property during the term of the Houses into Homes Loan, the loan must be immediately repaid in full.
Maximum loan period	A maximum of 2 years if the intention is to sell the property following the works. A maximum of 3 years if the intention is to rent the property following the

	works.
Payment terms	Houses into Homes Loans can be drawn down by loan recipients in advance, in stages or on completion of the works.
Repayment terms	Full repayment at the end of the Houses into Homes loan term or on transfer/sale of the property if earlier.
Eligible loan recipients	<p>Owners of Empty Properties who pass affordability checks.</p> <p>"Empty Property" means a property which has not been lived in for at least six consecutive months.</p>
Risk mitigation measures	A maximum loan to value of 80%
Part funding and financial viability	<p>Houses into Homes Loans must only be provided to fund a schedule of improvement works which is financially viable taking into account the sum of the loan to be offered and any other funding available to the loan recipient.</p> <p>A Houses into Homes Loan may be provided to fund part of the works provided that evidence of sufficient/adequate funding for the remainder of the works is provided.</p>
Other funding options:	<ul style="list-style-type: none"> • Other funding options such as Arbed must be explained to loan applicants. • Other funding options can be used in conjunction with the Houses into Homes Loan as long as there is no double funding of the works. • Loan applicants that can easily obtain commercial finance to fund the improvement works should be directed to appropriate sources of funding.

Home Improvement Loan (HIL) Criteria

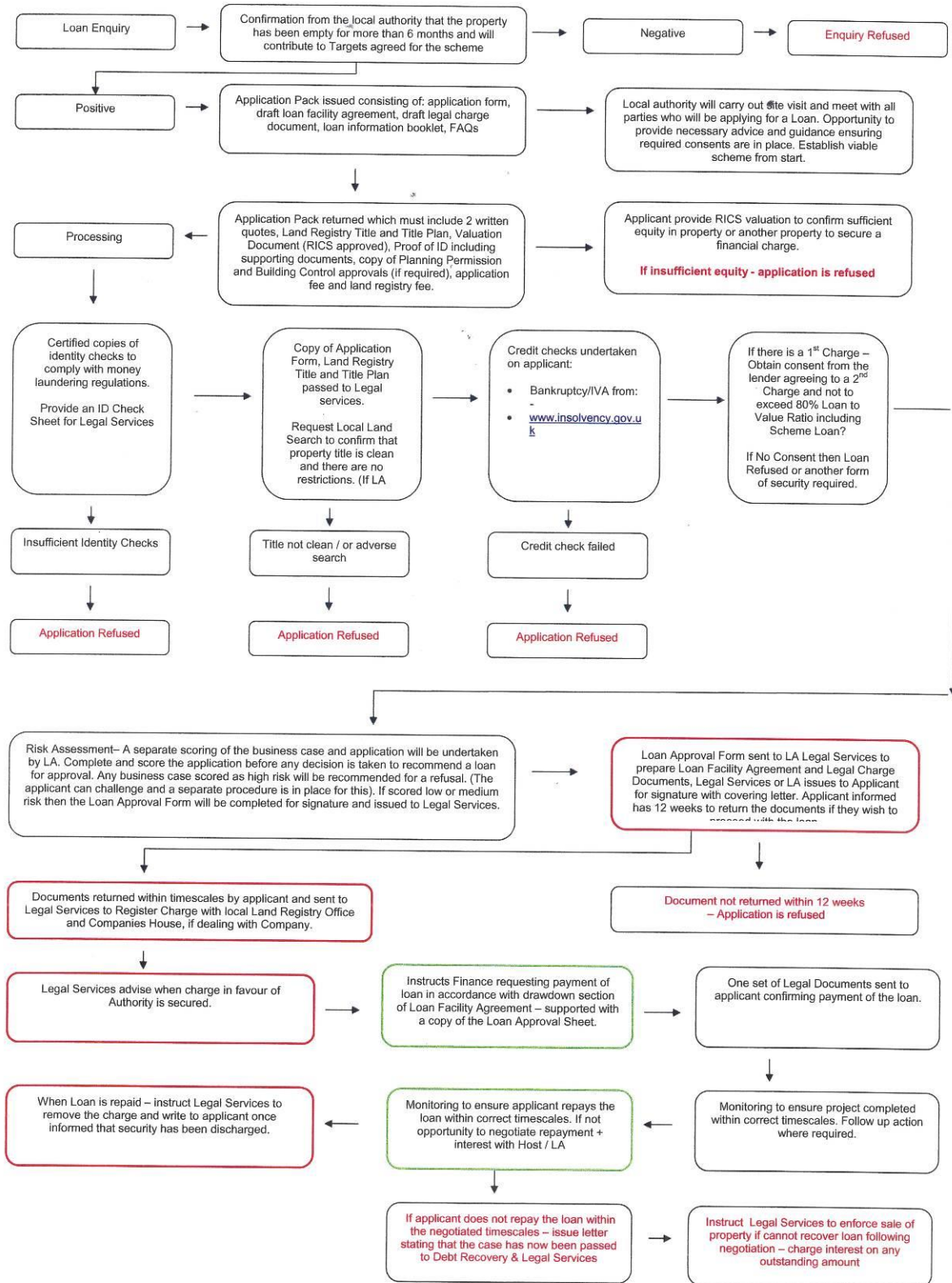
General requirements	There must be consistency, from the perspective of the loan recipient, in the respect of the eligibility criteria for a HIL and the terms on which the HILS are provided.
Maximum fee charged to a loan recipient	<p>A one off administration fee of up to 15 per cent of the HIL amount may be charged. For example, a £10,000 HIL could incur a maximum fee of £1,500.</p> <p>The sum of the fee charged must take into account the APR (annual percentage rate) of the HIL for the term of the loan. The APR of the HIL must not be greater than the market rate of APR for loans of the same amount and term.</p>
Minimum and maximum HIL value per unit of accommodation	£1,000 up to £25,000
Maximum HIL available per loan recipient	£150,000 at any one time. Once repaid the applicant can reapply.
Interest	HILs must be interest free.
Permitted improvement works	<p>Works which make a residential property safe warm and/or secure.</p> <p>This includes such works undertaken to Empty Properties on the condition that (i) the loan recipient occupies the property on completion of the works for the duration of the loan; and (ii) if the loan recipient dies, ceases to occupy the property or transfers/sells the property before expiry of the loan term the loan is repaid immediately. Works undertaken by a Private Rented Sector (PRS) landlord to an empty property is not eligible.</p> <p>“Empty Property” means a property which has not been lived in for at least six consecutive months.</p>

<p>HILs can be provided for the purpose of improving a residential property to/for:</p>	<ul style="list-style-type: none"> • Continued ownership • Sell • Rent
<p>HIL conditions</p>	<p>The HIL terms and conditions must specify:</p> <ul style="list-style-type: none"> • the purpose/works for which the HIL is provided. • if after completion of works funded by a HIL the relevant property contains a category 1 hazard (as defined by Housing Health and Safety Rating System (HHSRS)) the property can not be rented out. (for PRS only) • that if the loan recipient sells the property during the term of the HIL the loan must be immediately repaid in full.
<p>Maximum loan period</p>	<p>Up to 5 years;</p> <p>For owner occupiers: Up to 10 years or a lifetime charge may be taken over the property and the loan can be repaid on the earlier of the death of the loan recipient, when the loan recipient ceases to occupy the property or on the transfer/sale of the property.</p> <p>In the context of lifetime charges, the HIL will be deemed to have been repaid in full on the earlier of 31 March 2026 or the tenth anniversary of the HIL loan agreement and you are required to recycle an amount equivalent to the HIL provided in accordance with paragraph 2 of Part 3 of this Schedule.</p>

Payment terms	HILs can be drawdown by loan recipients in advance, in stages or on completion of the improvement works.
Repayment terms	Either staged repayments (monthly, quarterly or yearly) or full repayment at the end of the HIL term or on transfer/sale of the property if earlier unless specified otherwise herein.
Eligible loan recipients	Owners of sub standard residential properties e.g. landlords, owner occupiers who pass affordability checks.
Risk mitigation measures	Two or more of the following measures should be applied to each HIL: loan to value ratio, first/second property charges, local land charges, staged repayments, default fees, staged payments to the loan recipient.
Part funding and financial viability	<p>HILs must only be provided to fund financially viable improvement works.</p> <p>A HIL may be provided to fund part of the improvement works provided that evidence of sufficient/adequate funding for the remainder of the works is provided.</p>
Other funding options:	<ul style="list-style-type: none"> • Other funding options such as Arbed must be explained to loan applicants. • Other funding options can be used in conjunction with the HIL as long as there is no double funding of the works. • Loan applicants that can easily obtain commercial finance to fund the improvement works should be directed to appropriate sources of funding.

Houses into Homes

Flow chart to show loan approval process for empty property loan scheme



Home Improvement Loans – Flow Chart

