

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET (FINANCE) SUB COMMITTEE

27 JUNE 2018

Report of the Head of Financial Services – David 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 grant funded Houses Into Homes (HIH) scheme in 2012 and the repayable funding Home Improvement Loan (HIL) scheme in 2015.
3. In February 2018 the Welsh Government announced changes to the criteria for the Housing Loan schemes to be implemented no later than the 30th June 2018:
 - a) That the grant funding awarded for the Houses into Homes Loan scheme be re-awarded as repayable funding, to be repaid to Welsh Government by 31st March 2030 so the risk of default or non-repayment to Authority is minimised.
 - b) The Houses into Homes Loan scheme be rebranded as Landlord Loans.
 - c) That the fee structure for the Landlord Loans be changed from a set fee basis with a maximum fee of £495.00 to a percentage based administration fee based on the loan value, the fee charged must be compared with the market rate for loans of the same value and term (loans will remain interest free).

- d) Lengthen the loan term for Landlord Loans from 5 years to 10 years where the property is to be let on completion of the works so long as the landlord lets the property at the Local Housing Allowance (LHA) rates, the maximum 5 year loan term will remain for properties let at market rate rent. An annual check of the chargeable rent will be conducted through the revenues system and/or by review of the tenancy agreement for the property, if details are not supplied this could be classed as a breach in the terms of the loan and the loan will become repayable immediately. Another option would be to manage the property through the Council social lettings agency therefore this would eliminate the need for the annual check.
- e) That the repayable funding awarded for the Home Improvement Loan scheme be re-awarded as Welsh Government grant funding to allow the fund to be continuously recycled, this will also minimise the risk to the authority should there be any defaults or non-repayment by loan recipients as this funding stream is not repayable to Welsh Government. The total amount re-directed to grant is £913,238.
- f) The Home Improvement Loan Scheme be rebranded as Owner Occupier Loans.
- g) That the fee for the Owner Occupier loans be changed from a maximum fee of 15% of the loan value to a maximum fee of £1,000.00 to be split between the applicant (max £500.00) and a contribution from the grant funding award (max £500.00), the fee can be added to the loan amount or paid up front.
- h) The introduction of a third loan product Owner Occupier Financial Assistance for applicants that fail the affordability test of the Owner Occupier Loan, Owner Occupier Financial Assistance criteria set out within Appendix 3.
- i) The assistance offered through the Owner Occupier Financial Assistance will be in the form of a property appreciation loan or lifetime loan where repayment to the Authority is triggered on sale or transfer of the property.
- j) That the fee for Owner Occupier Financial Assistance be set to a maximum fee of £500.00 to be split between the applicant

(max £250.00 and added to the loan) and a contribution from the grant funding award (max £250.00), the fee will be added to the loan amount.

Background

4. Cabinet approved the delivery of the Welsh Government (WG) Houses into Homes Loan scheme in 2012, the Home Improvement Loan scheme in October 2015 and previous scheme changes in September 2017.
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.

Housing Loans – Scheme details

7. The current criteria of the existing loan schemes as detailed by Welsh Government is attached at Appendix 1.
8. The proposed criteria for the loan schemes as detailed by Welsh Government is attached at Appendix 2.
9. The proposed criteria for the additional loan product Owner Occupier Financial Assistance as detailed by Welsh Government is attached at Appendix 3.
10. A typical process map of an application processed through the Housing Loan Schemes is attached at Appendix 4.

Financial Appraisal

11. There are no new revenue funds allocated to local authorities to implement the Loan Schemes. The existing funding details are:

Total funding (grant and repayable):	£1,834,606
Total loaned (inc. loans approved awaiting payment):	£1,685,420

Total loans repaid:	£618,079
Available balance:	£767,265.

The amount of loan available will be unchanged as the fee can be added to the loan value or paid up front by the applicant.

Equality Impact Assessment

12. 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.”

13. 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

14. It is not anticipated that there will be any workforce impact on the Council as these changes are to existing housing loan scheme criteria.

Legal Impact

15. The power to enable the Council to lend the money comes from the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002.

16. 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

17. There is a risk that local authorities could adopt different approaches in the delivery of loan schemes. Authorities are required through the terms of the funding to work collaboratively to ensure that there is a consistent delivery approach.
18. In agreeing to the changes in the terms of the delivery of the Housing Loan Schemes there is no greater risk to the Authority; the changes to be implemented would be considered of less risk.

Consultation

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

Recommendations

20. (1) It is requested that the Cabinet Board approves the changes in the delivery of the Housing Loan schemes as set out in this report.
- (2) It is requested that the Cabinet Board approves the delivery of the Owner Occupier Financial Assistance as set out in this report.

Reason for Proposed Decision

21. 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

22. The decision is proposed for immediate implementation.

Appendices

23. Appendix 1 – Existing Loan scheme criteria
Appendix 2 – Proposed Loan scheme criteria

Appendix 3 – Owner Occupier Financial Assistance criteria
Appendix 4 – Process map for the Housing Loan scheme

List of Background Papers

24. None

Officer Contact

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26. Mr Rob Davies, Principal Officer Housing Renewal & Adaptation
Service
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Existing Loan Scheme Criteria

Houses Into Homes Loan (HIH)

The Houses into Homes initiative is a Welsh Government Scheme to offer interest free loans to tackle empty properties. Loans are available to enable the renovation and improvement of single properties or the conversion of empty properties into a number of units, so that they are suitable for use as residential accommodation.

<p>Who is eligible?</p>	<ul style="list-style-type: none"> • Owners of properties vacant for a minimum of 6 months. Individuals and companies can apply. • Persons applying for loans may either be existing or prospective owners. The property must be registered in the applicants name before the loan can be approved. • All loans are secured by placing a financial charge on the vacant property itself or any other property the applicant is able to offer as security against the loan.
<p>Eligible Works</p>	<ul style="list-style-type: none"> • Improvements to the overall quality of the accommodation to bring it up to a reasonable standard for sale or letting referred; and to ensure it is free from Category 1 hazards as defined by the Housing Act 2004 Housing Health and Safety Rating System on inspection. • Works to convert an empty property or commercial building into one or more units of residential accommodation, works must be completed to a reasonable standard so that the property is suitable for immediate occupation.
<p>Loan amounts and contribution</p>	<ul style="list-style-type: none"> • The maximum loan amount will be £25,000 per property or unit, up to a total maximum of £250,000 (10 units) per applicant • Loans will be interest free • Fees are payable on approval of the loan by applicants towards the costs of processing applications. These are as follows:

	<table border="0"> <tr> <td>Loan amount</td> <td>Fee</td> </tr> <tr> <td>£0 - £50,000</td> <td>£295.00</td> </tr> <tr> <td>£50,001 - £100,000</td> <td>£395.00</td> </tr> <tr> <td>£100,001-£150,000</td> <td>£495.00</td> </tr> </table> <p>Land Registry Fee</p> <ul style="list-style-type: none"> The Council is required to register a first or second charge on the property being offered as security with a fee of £40.00 payable. <p>Companies</p> <ul style="list-style-type: none"> In addition to the above, a Company applying for a Loan will also be required to pay a fee of £45.00 to cover costs associated with registering the charge at Companies House. <p>Valuations</p> <ul style="list-style-type: none"> Applications where the total borrowing is over 65% of the property value must be supported by a valuation report undertaken by a member of the Royal Institute of Chartered Surveyors (RICS) qualified and certified to undertake valuations on the property offered as security for the loan. The cost of the valuation is payable by the applicant. 	Loan amount	Fee	£0 - £50,000	£295.00	£50,001 - £100,000	£395.00	£100,001-£150,000	£495.00
Loan amount	Fee								
£0 - £50,000	£295.00								
£50,001 - £100,000	£395.00								
£100,001-£150,000	£495.00								
<p>General Conditions</p>	<ul style="list-style-type: none"> In the case of competing applications priority will be given to properties in areas identified as being in the most housing need. The loan to value ratio will not exceed 80% of the value of the property used for security (to include all secured borrowing). Properties must be identified as being empty for a minimum of 6 months. This will be verified by Council Tax records. Where appropriate, Planning and Building Regulation consent will be required for proposed works. WG rules state the loan may be used for: <ul style="list-style-type: none"> Loans to return a property to use to sell - maximum 2 year repayment period Loans to return a property to use for rent - maximum 5 year repayment period 								

Loan assistance will not be available for the following:

- Properties that are not of a permanent nature such as houseboats and caravans.
- Structures that do not have Building Regulations approval.
- Buildings not suitable for conversion to habitable dwellings.
- Buildings used by the applicant and/or his family as their home.

Home Improvement Loan (HIL) Criteria

The National Home Improvement Loan scheme is a Welsh Government initiative to offer interest free loans to help improve housing conditions in the private sector. Loans are available to enable the renovation and improvement of single properties or the conversion of properties into a number of units, so that they are suitable for use as residential accommodation.

The criteria for National Home Improvement Loans Scheme is outlined below.

<p>Who is eligible?</p>	<ul style="list-style-type: none"> • Owners of sub-standard properties, landlords and owner occupiers, who pass an affordability check. Individuals, companies, charities and voluntary sector organisations can apply. • Persons applying for loans may either be existing or prospective owners. The property must be registered in the applicants name before the loan can be approved. • Tenants on repairing leases may be considered if the relevant interest offers adequate security. • All loans are secured by placing a financial charge on the property itself or any other property the applicant is able to offer as security against the loan.
<p>Eligible Works</p>	<ul style="list-style-type: none"> • Improvements to the standard and overall quality of the accommodation to make it warm, safe and / or secure. • Works should bring it up to a reasonable standard for occupation; private rented properties must be free from Category 1 hazards as defined by the Housing Act 2004 Housing Health and Safety Rating System on completion of the works. • Works to convert an empty property or commercial building into one or more units of residential accommodation, works must be completed to a reasonable standard so that the property is suitable for immediate occupation.
<p>Loan amounts and contribution</p>	<ul style="list-style-type: none"> • The maximum loan amount will be £25,000 per property or unit of accommodation, up to a total maximum of £250,000 (10 units) per applicant

	<ul style="list-style-type: none"> • Loans can be used to improve a property for continued ownership, for sale or for rent on completion of works. • The maximum loan term is 5 years if the property is to be rented, or 10 years for owner occupation until 2020. From 1st January 2020 the maximum loan term will be the period from approval until expiry of the scheme in 2030. • Loans will normally be repaid in monthly instalments. Owner occupiers will be subject to an affordability check. • Loans will be interest free. • The administration fee payable by the applicant will be a maximum of 15% of the loan value, the fee charged must be compared with the market rate for loans of the same value and term (loans will remain interest free). • Fees include costs such as application processing, affordability checks, credit checks, valuation where required, legal fees, Land Registry registration and Companies House. • Fees can be paid in advance or added to the loan.
<p>General Conditions</p>	<ul style="list-style-type: none"> • In the case of competing applications, priority will be given to owner occupiers over landlords and, where a loan is provided to a landlord, to those landlords offering affordable rents over market rents. • Loan to value ratio will not exceed 80%. • A schedule of works will be agreed with the applicant prior to the offer of any loan and will form part of the loan conditions. • Where appropriate, Planning and Building Regulation consent will be required for proposed works. • Applicants must not have any outstanding debt to the Council at the time of making an application or have adverse credit history which may include County Court Judgements, Individual Voluntary agreements (IVAs), Debt Relief Orders, Bankruptcy (within last 6 years), Company Insolvency/Liquidation.

Loan assistance will not be available for the following:

- Properties that are not of a permanent nature such as houseboats and caravans.
- Structures that do not have Building Regulations approval.
- Buildings not suitable for conversion to habitable dwellings.

Proposed Loan Scheme Criteria

Owner Occupier Loans

The Owner Occupier Loan scheme is a Welsh Government initiative to offer interest free loans to help improve housing conditions in the private sector. Loans are available to enable the renovation and improvement of single properties or the conversion of properties into a number of units, so that they are suitable for use as residential accommodation.

The criteria for Owner Occupier Loan Scheme is outlined below.

<p>Who is eligible?</p>	<ul style="list-style-type: none"> • Owners of sub-standard properties, landlords and owner occupiers, who pass an affordability check. Individuals, companies, charities and voluntary sector organisations can apply. • Persons applying for loans may either be existing or prospective owners. The property must be registered in the applicants name before the loan can be approved. • Tenants on repairing leases may be considered if the relevant interest offers adequate security. • All loans are secured by placing a financial charge on the property itself or any other property the applicant is able to offer as security against the loan.
<p>Eligible Works</p>	<ul style="list-style-type: none"> • Improvements to the standard and overall quality of the accommodation to make it warm, safe and / or secure. • Works should bring it up to a reasonable standard for occupation; private rented properties must be free from Category 1 hazards as defined by the Housing Act 2004 Housing Health and Safety Rating System on completion of the works. • Works to convert an empty property or commercial building into one or more units of residential accommodation, works must be completed to a reasonable standard so that the property is suitable for immediate occupation.
<p>Loan amounts and</p>	<ul style="list-style-type: none"> • The maximum loan amount will be £25,000 per property or unit of accommodation, up to a total

<p>contribution</p>	<p>maximum of £250,000 (10 units) per applicant</p> <ul style="list-style-type: none"> • Loans can be used to improve a property for continued ownership, for sale or for rent on completion of works. • The maximum loan term is 5 years if the property is to be rented, or 10 years for owner occupation. • Loans will normally be repaid in monthly instalments. Owner occupiers will be subject to an affordability check. • Loans will be interest free. • The fee for the Owner Occupier loans will be a maximum fee of £1,000.00 to be split between the applicant (max £500.00) and a contribution from the grant funding award (max £500.00) • Fees can be paid in advance or added to loan. • Fees include costs such as application processing, affordability checks, credit checks, valuation where required, legal fees, Land Registry registration and Companies House.
<p>General Conditions</p>	<ul style="list-style-type: none"> • In the case of competing applications, priority will be given to owner occupiers over landlords and, where a loan is provided to a landlord, to those landlords offering affordable rents over market rents. • Loan to value ratio will not exceed 80%. • A schedule of works will be agreed with the applicant prior to the offer of any loan and will form part of the loan conditions. • Where appropriate, Planning and Building Regulation consent will be required for proposed works. • Applicants must not have any outstanding debt to the Council at the time of making an application or have adverse credit history which may include County Court Judgements, Individual Voluntary agreements (IVAs), Debt Relief Orders, Bankruptcy (within last 6 years), Company Insolvency/Liquidation. <p>Loan assistance will not be available for the following:</p> <ul style="list-style-type: none"> • Properties that are not of a permanent nature such

	<p>as houseboats and caravans.</p> <ul style="list-style-type: none">• Structures that do not have Building Regulations approval.• Buildings not suitable for conversion to habitable dwellings.
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Landlord Loans

The Landlord Loans initiative is a Welsh Government Scheme to offer interest free loans to tackle empty properties. Loans are available to enable the renovation and improvement of single properties or the conversion of empty properties into a number of units, so that they are suitable for use as residential accommodation.

Who is eligible?	<ul style="list-style-type: none">• Owners of properties vacant for a minimum of 6 months. Individuals and companies can apply.• Persons applying for loans may either be existing or prospective owners. The property must be registered in the applicants name before the loan can be approved.• All loans are secured by placing a financial charge on the vacant property itself or any other property the applicant is able to offer as security against the loan.
Eligible Works	<ul style="list-style-type: none">• Improvements to the overall quality of the accommodation to bring it up to a reasonable standard for sale or letting referred; and to ensure it is free from Category 1 hazards as defined by the Housing Act 2004 Housing Health and Safety Rating System on inspection.• Works to convert an empty property or commercial building into one or more units of residential accommodation, works must be completed to a reasonable standard so that the property is suitable for immediate occupation.
Loan amounts and contribution	<ul style="list-style-type: none">• The maximum loan amount will be £25,000 per property or unit, up to a total maximum of £250,000 (10 units) per applicant• Loans will be interest free• The administration fee payable by the applicant will be a based on a percentage of the loan value, the fee charged must be compared with the market rate for loans of the same value and term and reviewed annually or when interest rates change (loans will remain interest free).• Fees can be paid in advance or added to the loan.• Fees include costs such as application

	processing, affordability checks, credit checks, valuation where required, legal fees, Land Registry registration and Companies House.
General Conditions	<ul style="list-style-type: none"> • The loan to value ratio will not exceed 80% of the value of the property used for security (to include all secured borrowing). • Properties must be identified as being empty for a minimum of 6 months. This will be verified by Council Tax records. • Where appropriate, Planning and Building Regulation consent will be required for proposed works. • WG rules state the loan may be used for: <ul style="list-style-type: none"> ○ Loans to return a property to use to sell - maximum 2 year repayment period ○ Loans to return a property to use for rent at market rate - maximum 5 year repayment period ○ Loans to return a property to use for rent at Local Housing Allowance (LHA) rates - maximum 10 year repayment period • From 1st January 2020 the maximum loan term will be the period from approval until expiry of the scheme in 2030. <p>Loan assistance will not be available for the following:</p> <ul style="list-style-type: none"> • Properties that are not of a permanent nature such as houseboats and caravans. • Structures that do not have Building Regulations approval. • Buildings not suitable for conversion to habitable dwellings. • Buildings used by the applicant and/or his family as their home.

Proposed Loan Scheme Criteria – Owner Occupier Financial Assistance

The Owner Occupier Financial Assistance scheme is a Welsh Government initiative to offer interest free loans to help improve housing conditions in the private sector. Loans are available to enable the renovation and improvement of single properties or the conversion of properties into a number of units, so that they are suitable for use as residential accommodation.

The criteria for Owner Occupier Financial Assistance is outlined below.

<p>Who is eligible?</p>	<ul style="list-style-type: none"> • Owner occupiers of sub-standard properties who have been assessed under the Owner Occupier Loan Scheme and have failed the affordability test and / or do not meet the qualifying criteria for the scheme. • Persons applying for loans may either be existing or prospective owners. The property must be registered in the applicants name before the loan can be approved. • All financial assistance will be secured by the placing a financial charge on the property itself.
<p>Eligible Works</p>	<ul style="list-style-type: none"> • Improvements to the standard and overall quality of the property to eliminate any Category 1 hazards as defined by the Housing Act 2004 Housing Health and Safety Rating System to make the property safe, warm and secure.
<p>Loan amounts and contribution</p>	<ul style="list-style-type: none"> • The maximum Owner Occupier Financial Assistance available will be the cost of remedial works to eliminate all category 1 hazards from the property. • Owner Occupier Financial Assistance will be used for continued ownership. • Owner Occupier Financial Assistance will be offered in the form of a lifetime loan where the loan becomes repayable upon sale or disposal of the property. • Loans will be interest free. • The fee for the Owner Occupier loans will be a maximum fee of £500.00 to be split between the

	<p>applicant (max £250.00) and a contribution from the grant funding award (max £250.00)</p> <ul style="list-style-type: none"> • Fees will be added to loan amount. • Fees include costs such as application processing, affordability checks, credit checks, valuation where required, legal fees, Land Registry registration and Companies House.
<p>General Conditions</p>	<ul style="list-style-type: none"> • A schedule of works to eliminate category 1 hazards from the property will be agreed with the applicant prior to the offer of any loan and will form part of the loan conditions. • Where appropriate, Planning and Building Regulation consent will be required for proposed works. <p>Financial Assistance will not be available for the following:</p> <ul style="list-style-type: none"> • Properties that are not of a permanent nature such as houseboats and caravans. • Structures that do not have Building Regulations approval. • Buildings not suitable for conversion to habitable dwellings.

Typical Process Map for Housing Loan Scheme

