

Report of the Cabinet Member for Communities & Housing

Cabinet – 18 November 2014

NATIONAL HOME IMPROVEMENT LOAN SCHEME – LOAN AGREEMENT WITH WELSH GOVERNMENT

Purpose:	To consider the Welsh Government (WG) National Home Improvement Loan scheme and enter into an agreement with WG to accept the loan funding for the purposes of issuing loans to applicants.
Policy Framework:	Private Sector Housing Renewal and Disabled Adaptations: Policy to Provide Assistance 2012-2017.
Reason for Decision:	To seek approval to enter into an agreement with WG to receive the loan fund. To comply with FPR7.
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that: 1) Cabinet approves the entering into a loan agreement with WG and receipt of the loan fund to meet FPR7 requirements.
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Legal Officer:	Debbie Smith
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1.0 Introduction

- 1.1 The National Home Improvement Loans Scheme is a Welsh Government (WG) initiative to offer interest free loans to help improve the quality and supply of housing. A total of £5m is available to homeowners across Wales in 2014/15. The City and County of Swansea's allocation is £379,764. The same amount will be available to the City and County of Swansea in 2015/16.
- 1.2 The loan fund is interest free and will be available to the Council to lend to loan applicants for a maximum of 15 years. The loan fund must be repaid by the Council to WG by 31st March 2030. Money repaid to the Council before this date can be recycled to new applicants. The fund will be managed to ensure loans are recovered from applicants in time to return it to WG by 2030.
- 1.3 Loans are available for the repair or conversion of properties to make them safe, warm and/or secure. Individuals and companies can apply for a loan. Priority will be given to owner occupiers over landlords/developers. Where landlords do apply, priority will be given to those proposing to let properties at affordable rent levels. The scheme will also consider applications for loans to convert commercial properties into residential accommodation.
- 1.4 WG rules state the maximum loan amount will be £25,000 per property or unit, up to a total maximum of £150,000, per applicant. The loans are interest free, providing there is no default on the loan. WG rules also state loans for landlords /developers must be repaid within 5 years but can be extended up to 10 years where the loan is provided for an owner occupier.

2.0 Delivery

- 2.1 WG have stipulated that they wish to see consistency of approach in loan policy terms across regions. The City and County of Swansea is part of the Western Bay Region. A consistent range of loan products will be available to applicants in Swansea, Neath Port Talbot and Bridgend.

3.0 Equality and Engagement Implications

- 3.1 The Access to Services Team has advised that an equality impact assessment (EIA) is not required.

4.0 Financial Implications

- 4.1 The City and County of Swansea will receive £379,764 from WG for 2014/15 and the same amount in 2015/16. In addition WG have indicated a further £759,527 will be allocated to City & County of Swansea in 2015/16 for use as Houses into Homes loans for empty properties. This

will be detailed in the loan agreement with WG. The Houses into Homes loan scheme was approved by Council on 20th September 2012.

- 4.2 A fee to cover the Councils costs of administering National Home Improvement loans is payable by the applicant. This fee can be included in the loan amount. Fees will be detailed in an addendum to the Private Sector Housing Renewal and Disabled Adaptations: Policy to Provide Assistance 2012-2017 which will be presented to Council for approval via a separate report. The scheme will be fully administered by Housing using existing revenue resources.
- 4.3 The City and County of Swansea is not required to invest any capital or additional revenue resources into this scheme.
- 4.4 There are financial risks associated with this scheme arising from applicants defaulting on a loan. Risk will be mitigated by proper financial checks and diligence at the application stage. A maximum loan to property value ratio will be set and all loans will be secured on the property to register the Councils interest as a legal charge. This will allow robust debt recovery should the need arise.
- 4.5 The default rate is estimated at 5% of the loan fund. This is based on the experience of similar schemes administered in England. WG have undertaken to share the risk equally with Local Authorities in relation to applicants defaulting on loans up to a maximum of 5% of the loan fund. Any defaults over 5% will be borne by the Council. An amount of £18,988, equivalent to 2.5% of the loan fund, will be set aside from Housing General Fund capital budgets to account for the City and County of Swansea's share of the anticipated default rate. The same amount will be set aside to cover defaults against the additional Houses to Homes funding referred to in para 4.1.

5.0 Legal Implications

- 5.1 The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 ("the RRO") empowers local housing authorities to provide assistance to improve living conditions in their area, and requires them to adopt and publish a policy in accordance with which the power is to be exercised.
- 5.2 Under the RRO discretionary assistance may be provided in any form, and may be unconditional or subject to conditions, including conditions as to the repayment of the assistance or of its value (in whole or in part), or the making of a contribution towards the assisted work, and may require security, including a charge on the property.
- 5.3 The Private Sector Housing Renewal and Disabled Adaptations: Policy to Provide Assistance 2012-2017 will need to be amended to ensure that the Council is able to issue loans under the National Home Improvement

Loan scheme locally. The addendum to the policy will be presented to Council for approval via a separate report.

- 5.4 The loan fund is available to the Council for a maximum of 15 years and must be repaid to WG by 31st March 2030. The loan fund will be made available to the Council subject to acceptance of WG terms and conditions. Legal Services have been consulted on the terms and conditions and advise, subject to Cabinet approval, they are suitable for acceptance.

Background Papers: None.

Appendices: None.