

COUNCIL: 26 MARCH 2015

CABINET PROPOSAL

HOME IMPROVEMENT LOANS

Reason for this Report

1. To seek Council approval for amendments to the Private Sector Housing Policy including new arrangements for awarding private sector Home Improvement Loans making use of Welsh Government repayable funding.

Background

2. The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 empowers local authorities to assist with the improvement of private sector properties. The Council currently operates a number of schemes to assist private owners and landlords to improve their properties and these are set out in the Private Sector Housing Policy which is appended to the Housing Strategy. The Policy includes a number of schemes to assist private owners to improve their properties:

Home Improvement Grants for the Elderly

These grants assist people aged 65 and over who are in receipt of a means-tested benefits, with a home in Council Tax band A-E, to repair, and maintain their homes with the aim of keeping them warm, dry safe & secure. A charge is made on the property for a period of 5 years which is recoverable once the property is disposed of or changes hands. The Council currently provides capital funding for these grants although there is no statutory requirement for this. However in recent years this funding has been reduced and was proposed to be reduced further due to declining capital resources and will be phased out over 2 years.

Renewal Area Grants.

The Renewal Area was a 10 year Welsh Government funded programme to improve the housing and environmental conditions of an area in a strategic and co-ordinated manner over a period of time. Cardiff had two Renewal Areas – West Adamsdown and North Grangetown. This funding ends 31st March 2015.

Houses into Homes Loans

These loans are provided to renovate long term vacant property for sale or for rent. The loans are repaid over 2 years or 3 years. Significant Welsh Government funding was made available for this in recent years with Cardiff's allocation being in excess of £2m. The allocation forms a recyclable pot which may in the future need to be repaid to the Welsh Government. Cardiff has achieved success in the payment of the loans with only £8,000 remaining from the original allocation. Although recently there has been less interest and currently there are no completed applications awaiting processing at this time.

Contribution for Owners Costs in Regeneration Schemes

General Fund Capital has been used together with other funding including Housing Revenue to deliver improvement schemes and improve energy efficiency. Owners or leaseholders often can not fund the work themselves and therefore a financial contribution towards the costs of the improvement work means that it more likely private owners will become involved in the scheme and holistic improvement work completed. To date a Capital allocation has been used to fund improvement work to leasehold properties. An example of this is the current programme to overclad post war BISF steel frame properties which are very poorly insulated due to non traditional build techniques used in their construction. While funding exists to upgrade the Council owned properties this is not appropriate unless adjoining private dwellings are upgraded at the same time. There is a limited amount of capital funding for this purpose.

Issues

3. The Welsh Government have indicated their intention to make available repayable funding to Local Authorities to enable them to deliver a home improvement loan scheme to owners in the private sector.
4. The funding available for Cardiff is £743,493 in 2014/15 and £1,380,773 in 2015/16. A total of £2,124,266 over the two years. Schemes must be in place and the 2014/15 funding must be drawn down by 31 March 2015.
5. This funding must be repaid to the Welsh Government after 15 years. The Welsh Government will not charge interest on the repayable Loan Fund, however if the funds are not used within 6 months the interest earned on the balance must be added to the loan fund.
6. From similar schemes that have operated elsewhere the Welsh Government have estimated that 5% of the loans will not be repaid and have agreed to share this risk by writing off half of the first 5% of bad debt. The Council must underwrite the remaining bad debt.
7. Loan funding not committed or awarded in a reasonable time (not defined) must be either passed to another local authority or back to Welsh Government.

8. The repayable funding from Welsh Government is available in two instalments, the first can be drawn down by late 2015, and the second by March 2016. The second instalment cannot be drawn down if the first instalment has not been committed and awarded.

Purpose and Use of the Fund

9. The repayable Loan Fund must be used to offer private sector homeowners a loan to make their properties warm, safe or secure. This is not a statutory duty of the Council.
10. It can be awarded for:
 - Providing loans to owner occupiers and the private rented sector to improve properties (the “Home Improvement Loans”) and
 - Providing loans to bring empty properties back into use (the “Houses into Homes Loans”)
11. Fifty percent of the funding must be used for Home Improvement Loans and 50% must be used for Houses into Homes.
12. Loans can be from £1,000 up to £25,000 per unit of accommodation up to a maximum of £150,000.

Regional Approach

13. The Welsh Government have stipulated that a regional approach must be taken, however the way in which the products are awarded and repaid can vary between authorities.

Repayment

14. All loans offered to private sector owners must be repayable. The loan will be interest free, but the local authority can charge an administration fee of up to 15% for Home improvement loans. For Houses to Homes there is an administration fee based on a sliding scale dependant on loan value
15. The Welsh Government have indicated that repayment by way of lifetime charge on a property would be acceptable, provided that the local authority is able to repay the loan within the set period.

Proposed Schemes

16. Given the changes to funding arrangements it has been necessary to update the Private Sector Housing Policy, the amended draft is attached at appendix 1. The proposed schemes are outlined below:

Extended Home Improvement Assistance for the Elderly

17. In line with the Corporate plan objective to assist the vulnerable and with the aim of supporting the elderly to live independently in their own homes it is proposed to continue the approach of focusing funding on those over the age of 65.
18. The purpose of the scheme will be to ensure that elderly people can remain in their own home, warm, safe, dry and secure. The eligibility scheme will be very similar to that of the current grant assistance offered. The clients will be assessed to ensure they do not have sufficient funds to cover the cost of work themselves.
19. It is proposed that all such assistance will be repayable by means of a lifetime charge set against the property. This will recover all monies paid out including the 15% administration charge when the property changes ownership, either by sale or transfer to another person.
20. The minimum amount of funds will be £3,000 with a maximum of £10,000, anything above this would be exceptional and determined on case by case basis.
21. Funds will be recycled for the first ten years, however at the end of this period all new payments will cease so that the capital can be returned to the Welsh Government in March 2030. As loans will not be repaid until the property is disposed of or changes hands there is a risk that all funds will not be recovered before the capital is repaid to the Welsh Government.
22. This scheme will be administered as part of the Independent Living Gateway Service and will operate in partnership with Care and Repair. Care and Repair are an external not for profit organisation advocated by Welsh Government which supports clients of 60 years and older. They will evaluate the best solution for the client, one of which could be the Home Improvement Loan. Other options will also be considered including equity release, charitable donations and external funding to ensure the best fit for the individual client. Care and Repair will also carry out Healthy Home Checks and benefit maximisation to ensure a full service for clients.

Extend the Houses into Homes Scheme

23. These loans will be provided to renovate long term vacant property for sale or for rent. Preference will be given to properties where the Council will be able to nominate future tenants, for example where the property will be used to rent to homeless people or to those on the Common Waiting List.
24. The maximum amount of loan is £150k per person, based on a maximum of £25k per unit of accommodation provided. Thus a maximum loan of £25k is available for a single house, but up to £50k is available for 2 flats.

Other Loan Schemes

25. Providing general repayable loans to other private sector residents has been considered and this is problematic for a number of reasons:
26. There are significant concerns about providing repayable loans to those who have little or no disposable income and with limited ability to make monthly repayments loans of this nature could put the individuals in financial difficulties. Those with higher disposable incomes could afford to raise the loans through normal banking arrangements at similar cost.
27. Granting and recovering loans for this group would be expensive in terms of administration and the allowable fee would not cover this cost. In addition previous attempts to operate loan schemes in Cardiff have proved unsuccessful with very little take up. It is not therefore proposed to use loans widely for private owners other than through the targeted elderly programme.
28. However, the use of a repayable loan to enable private owners to become involved in wider stock improvement programmes (such as non-traditional over cladding and BISF improvement schemes) being delivered by Cardiff Council would be advantageous.
29. In many cases owners may not be in a position to fund the work themselves and therefore a repayable loan option provided by Cardiff council could increase the number of private owners entering into the programme. Although other grant funding is sought and applied for and other sources of funding promoted, some schemes can be prevented from going ahead or can be significantly compromised due to the lack of capital to assist the homeowner and their inability to raise the finance themselves. Further work is currently underway to establish whether the use of repayable loans is appropriate for owner contributions to regeneration schemes where no other funding is available, if this is considered viable a report will be brought forward early in 2015/16.

Equality Impact Assessment

30. An Equality Impact Assessment has been carried out and this is attached at appendix 2.

Reasons for Recommendations

31. To agree amendments to the Private Sector Housing Policy and to put in place new arrangements for private sector Home Improvement Loans making use of Welsh Government repayable funding.

Legal Implications

32. Assistance pursuant to the Regulatory Reform Order may include conditions including repayment of the assistance but before imposing any such condition or taking any steps to enforce the condition at a later

stage the Authority must have regard to the ability of the person concerned to make that repayment.

33. Consequently before the Authority provide any assistance they have to provide a statement in writing of the conditions to be applied and satisfy themselves that the person has received appropriate advice about the extent and nature of any obligation to which that person will become subject.
34. The adoption of the amended policy which is recommended in this report (and its public notification and provision for inspection and post to interested people) is necessary prior to the provision of any assistance under the proposed policy changes and the power to provide assistance must be exercised in accordance with the amended policy.
35. Other legal implications appear in the text of this Report.

Financial Implications

36. The Council already acts as an agent for the WG Houses into Homes scheme. WG has introduced a further scheme and it is essential that any funds available from this WG scheme are utilised in support of Council objectives.
37. The new WG scheme is based on funds to be received from WG, which are to be returned to WG in 2030, or sooner if the funds cannot be utilised. Non utilisation of funds could incur an interest penalty unless returned to WG. Whilst the Councils approach to introduce a life time charge on properties for Loans in respect of Targeted elderly Home improvement Grants and a charge on properties where Houses into Homes loans are provided, there remains a risk of non recovery in relation to loans provided as part of Council regeneration schemes to owner occupiers. Such loans would supplement grant bids and signposting to owner occupiers of other funding available, which may require an assessment of affordability.
38. Whilst Welsh Government will only cover any default of up to 2.5% of the £2.124 million provided i.e £53,000. Any default in excess above this will be the responsibility of the Council, with £2.071 m required to be paid by to WG, irrespective of the sums actually remaining from the recyclable fund. Given the timing of recovery of any land charges, there may be a cash flow risk, however this is mitigated in part by ceasing the scheme up to 5 years before sums have to be returned to WG.
39. Any loans will need to be limited to the amounts available in the recyclable fund.
40. The report indicates that the detail of any loan schemes is to be delegated. Such detail will need to consider the significant additional administrative costs of managing the existing houses into homes scheme and introducing new loans schemes. This will need to consider processes and systems required to manage payments, receipts, charges,

financial vetting and ensuring the council complies with the terms and conditions of the recyclable funding. Any such costs will need to be recovered from any administration charges which can be levied on the loans (up to 15%) or be fully re-imbursable from the directorates existing revenue budget.

Human Resources Implications

41. There are no Human Resource Implications for this report.

CABINET PROPOSAL

Council is recommended to:

1. approve the amendments to the revised Private Sector Housing Policy including the proposals set out in this report to provide Home Improvement Loans to elderly owner occupiers and Houses into Homes Loans to the private rented sector to bring empty properties back into use.
2. approve the use of Welsh Government repayable funding to meet the costs of these loans
3. agree that authority be delegated to the Director of Communities, Housing and Customer Service to put in place the detailed arrangements relating to the Home Improvement Loan schemes and to make minor changes to the schemes as necessary to their ensure effective operation.

THE CABINET

19 March 2015

The following appendices are attached

Appendix 1 – Draft Private Sector Housing Policy

Appendix 2 – Equality Impact Assessment