

## **FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:** HOUSING OVERVIEW & SCRUTINY COMMITTEE

**DATE:** WEDNESDAY, 27 JUNE 2012

**REPORT BY:** DIRECTOR OF COMMUNITY SERVICES

**SUBJECT:** DELIVERING PRIVATE SECTOR HOUSING  
RENEWAL

### **1.00 PURPOSE OF REPORT**

1.01 To seek the support of Housing Overview & Scrutiny Committee for a revised Private Sector Housing Renewal & Improvement Policy, including the proposal to introduce equity loans and also repayment loans at an interest rate of 4% for the first year.

### **2.00 BACKGROUND**

2.01 The current Private Sector Housing Renewal & Improvement Policy was implemented on 1<sup>st</sup> April 2010 and a copy has been provided for comparison. The format of the new Policy has been substantially altered to make it easier to read and understand and also to minimise duplication which existed within the previous Policy.

2.02 The primary purpose of this Policy was to ensure that residents could continue to be supported to repair, improve and adapt their homes, despite the likely budget cuts (particularly Capital Budgets) following Central Government's Comprehensive Spending Review and the resultant reduction in funding to Welsh Government.

2.03 The Policy moved the Council from providing traditional housing grants, to a system of interest free loans for all assistance, with the exception of Disabled Facilities Grant which remain mandatory.

2.04 During the last financial year (2011/12) the Council delivered 50 Home Repair and Renovation Loans, to a value of £421,325. This resource can eventually be recycled back in to the Housing Capital Programme to provide further support to homeowners. This compares with 45 Home Repair and Renovation Grants to a value of £352,086 in the financial year 2009/10 (the final year of the previous grant system).

2.05 This shows that the demand for support has been sustained, despite moving away from an effectively free service. Members have been widely consulted over the last 12 months and have agreed to a proposal to move towards equity and interest bearing repayment loans.

- 2.06 Approval was given to tender for a suitably qualified organisation to manage a portfolio of interest bearing and equity loans. Flintshire approached the other Council's in North Wales and Denbighshire, along with Gwynedd decided to join the project.
- 2.07 The successful organisation who won the tender was Street UK LTD. They have extensive experience of providing loan services to other local authorities and the 3 Council's involved are currently working with them to set up the processes and procedures required for an effective and legally compliant service.
- 2.08 Best practice dictates that when equity and interest bearing loans are to be offered, applicants should have access to independent financial advice. In order to achieve this for our clients, the Council has commissioned a list of local Independent Financial Advisors (IFA's), who can advise on the Council's own products and the whole of the financial market. This latter point is important, as it might act to unlock more private finance for individuals, thereby lessening the call on the Council's Housing Capital Programme.

### **3.00 CONSIDERATIONS**

- 3.01 The Council cannot offer any new loan products unless they are included within its own Private Sector Housing Renewal & Improvement Policy. It is therefore timely to review the rest of the Policy and its operation given the experience of the last 2 years; the evidence provided by the Private Sector Stock Condition Survey and the forthcoming changes proposed as a result of the Housing White Paper.
- 3.02 In order to ensure that any new Policy had Member input from an early stage, a Member Task and Finish Group was formed and a series of meetings held on various theme areas, including amongst others; empty homes, disabled adaptations and options to support a high quality private rented sector.
- 3.03 The Task and Finish Group consisted of Councillor Marion Bateman, Councillor Haydn Bateman, Councillor Ron Hampson, Councillor Gareth Roberts and Councillor Patrick Heesom. The Group provided valuable contributions to the formation of this Policy.
- 3.04 The new Policy (attached as appendix 1) is centred around the following four themes: -
- Client focused – targeting vulnerable, older and disabled people living in the poorest housing
  - Theme focused – tackling issues such as empty homes and energy efficiency
  - Tenure focused – improving and encouraging the private rented sector
  - Area based – supporting neighbourhood initiatives including the

## Council's Renewal Area

- 3.05 A review of the existing Policy identified that there are gaps in provision which exist; below is a summary of the main changes.
- 3.06 Increasingly an issue for the Service is Disabled Facilities Grant applicants, who cannot meet their means tested contribution. The national means test only takes account of income and savings; an applicants' expenditure is not considered. Increasingly applicants are approaching with outgoings such as repaying household debts, or being the subject of debt management orders, which prevents them from accessing their Grant because they cannot meet their contribution. It is envisaged that this situation will worsen in light of the welfare reform changes and the reduction or removal of benefits such as Disability Living Allowance. The new Policy includes loan support for DFG contributions, where necessary.

### **3.07 Energy Efficiency Support**

- 3.08 In addition the Council has been very proactive in its approach to energy efficiency, in both Private and Council Housing. Successful bids have been achieved through Welsh Government's ARBED Scheme. The Council has also successfully levered in private money through the Community Energy Savings Programme (CESP), which comes to and end on 31<sup>st</sup> December 2012. Flintshire has 5 of the 10 active CESP areas across the whole of Wales and has the potential to lever in over £3M of utility company funding through the agreement reached with NPower. Flintshire's success in attracting private sector housing involvement rests with its decision to provide top up funding, in the form of an interest free loan, to CESP applicants where the grant falls short of the cost of the work. The new Policy proposes to retain the top up loan, with a new fuel poverty calculation in the event of a need to prioritise the applicants for support.

### **3.09 Empty Homes Support**

- 3.10 The Housing White Paper talks extensively about the need to reduce the number of long term vacant homes on all areas. Welsh Government has committed £10M to an empty homes recyclable loan fund. The fund will provide interest free loans to property owners who wish to renovate an empty property for the purpose of rent or sale. The maximum loan will be £25K per unit of accommodation up to a maximum of £175K and must be repaid within 3 years.
- 3.11 These loans are to be administered on a regional basis and Flintshire has been approached to be the regional lead for the 6 North Wales Council's. The role of the lead would be to hold the capital allocation for North Wales and distribute it to the other 5 Council's when required. The purpose of delivering the loan fund on a regional basis is to ensure that if some Council's are not progressing their empty

property schemes, other Council's in the region who are oversubscribed can apply for the money. Acting as the lead for the region places Flintshire in a good position to identify any under utilised resources, should they exist and apply for their use. This Scheme will be included within the new Policy, along with the offer of repayment loans, to top up the existing loans that Flintshire offers under its existing Policy.

### **3.12 Addressing Housing Supply**

3.13 A further theme running strongly through the Housing White Paper is the increasing contribution that privately rented property is making to households across Wales. The restriction in mortgage finance, the reduction in new build registered social landlord properties and the increase in single person households mean that there is greater competition than ever for privately rented property. Unfortunately the condition of the property in Flintshire's private rented sector, as is commonly the case, is far poorer than the social rented or owner occupied sectors. The stock condition survey identified that over 50% of privately rented properties do not meet the Decent Homes Standard in Flintshire, as compared to approx 30% in the owner occupied sector. The new Policy includes extending interest bearing repayment loans to the sector, to tackle some of the poorest conditions.

### **3.14 Equity and Interest Bearing Loans**

3.15 Prior Approval has been given to invest up to £300K this financial year in equity and interest bearing loans. This resource will be provided in tranches of £100K as the fund depletes and more resources are required, taking account of any repayments made back to the fund.

3.16 The new Policy will ensure that there is earlier recycling of resources through a hierarchy of approach to support. This hierarchy ensures that the first appropriate loan is offered from the following: -

- Repayment Loan (suitable for some applicants with an income, but an insufficient credit rating to obtain support from a mainstream lender)
- Property Appreciation Loan (suitable for those with sufficient free equity within the property once the loan has been made (at least 20%), but no regular income to sustain repayments)
- Flintshire Interest Free Loan (suitable for those who cannot meet the 20% free equity rule), as over time the value of the property should rise and the value of the loan, in inflationary terms, should fall. This loan will also be offered where less than £3K is to be borrowed, as any lesser amount would be disproportionate to the set up cost.

3.17 Discussions have been held with Street UK Ltd and they have recommended that interest rates for the repayment loans be set at 4%. This is approximately half the interest rate charged on personal

loans for people with good credit scores and similarly a quarter of the rate charged by credit cards for a similar client group. Given our vulnerable client group, much higher interest rates exist on the market, as they are deemed to be a higher risk. Therefore, the proposed rate will be highly competitive and should not deter take up. Interest rates will be reviewed annually, in line with the Bank of England base rate.

#### **4.00 RECOMMENDATIONS**

- 4.01 Housing Overview & Scrutiny Committee support the revised Private Sector Housing Renewal & Improvement Policy, including the proposal to introduce equity loans and repayment loans at an interest rate of 4% for the first year.

#### **5.00 FINANCIAL IMPLICATIONS**

- 5.01 Approval has previously been given for up to £300K of the Housing Capital Programme 2012/13 to provide to Street UK LTD for the provision of equity and interest bearing loans as per the Council's Housing Renewal and Improvement Policy.

#### **6.00 ANTI POVERTY IMPACT**

- 6.01 The revised Policy will allow the Council to support vulnerable residents improve, repair and adapt their homes.

#### **7.00 ENVIRONMENTAL IMPACT**

- 7.01 The energy efficiency measures installed as a result of the supported provided by this Policy will reduce carbon emissions and fuel poverty.

#### **8.00 EQUALITIES IMPACT**

- 8.01 The Policy has been written in consideration of the Equalities Act and no potential applicant is treated less favourably than any other.

#### **9.00 PERSONNEL IMPLICATIONS**

- 9.01 There are no staffing implications as a result of the new Policy

#### **10.00 CONSULTATION REQUIRED**

- 10.01 Members and Officer's require consultation prior to presentation of this Policy

#### **11.00 CONSULTATION UNDERTAKEN**

- 11.01 Members have been consulted at previous Housing Overview &

Scrutiny Committees.

**12.00 APPENDICES**

12.01 One – Private Sector Housing Renewal & Improvement Policy 2012-2015

A copy of the Private Sector Housing Renewal & Improvement Policy 2010 is available in the Members Library.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985  
BACKGROUND DOCUMENTS**

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