

COMMUNITY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Wednesday, 6 November 2019
Report Subject	Private Sector Home Improvement Loans
Cabinet Member	Cabinet Member for Planning and Public Protection
Report Author	Chief Officer (Planning, Environment and Economy)
Type of Report	Operational

EXECUTIVE SUMMARY

The home improvement loans programme provides a cost-effective way of improving the quality of life and well-being of households in Flintshire. The programme includes three separate loan products:

1. Landlord Loans
2. Owner Occupier Loans
3. Owner Occupier Financial Assistance

The loans are described in more detail in the report together with the management arrangements for the programme.

RECOMMENDATIONS

1	That Members review the progress made in delivering private sector home improvement loans.
---	--

REPORT DETAILS

1.00	Explaining the home improvement loans
1.01	The County has delivered loans to improve the condition of private sector homes for many years using both its own capital resources and capital secured from other sources, predominantly Welsh Government. Home improvement loans represent a cost-effective way of improving the well-being and quality of life of residents especially those in low-income or vulnerable households.

1.02	The portfolio of loans on offer has changed over time as the availability of funding and funder requirements have changed. The current loan products offered by the Council are set out below. The criteria for the loans are largely set by Welsh Government although some local flexibility is possible.
1.03	<p>Landlord Loans</p> <p>Landlord Loans are intended to improve private rented properties and to bring empty properties into use for future rental in order to increase the housing stock available in the county. Since 2013, 36 loans worth a total of £1,645,815 have been issued. The maximum loan value for each property is £25,000 repayable within 2 years if the owner intends to sell the property following renovation, 5 years if they intend to rent the property themselves or 10 years if they allow the local authority to nominate tenants and accept an affordable rent. The loan is issued interest-free although the Council is able to charge a variable administration fee to cover the costs of administering the loan.</p>
1.04	<p>Owner Occupier Loans</p> <p>Owner Occupier Loans are intended to bring dwellings to a safe, warm and secure standard in order to improve the quality of life of residents. Since 2014, 24 loans worth a total of £343,828 have been issued. The maximum loan value for each property is £25,000 repayable within 5 years if the owner does not live in the property or up to 10 years otherwise. The loan is issued interest-free although the Council is able to charge an administration fee of up to £500 to cover the costs of administering the loan.</p>
1.05	<p>Owner Occupier Financial Assistance</p> <p>This loan has recently been issued by Welsh Government and no loans have yet been issued. The purpose of the loan is identical to the Owner Occupier Loans but it is a fund of last resort for householders who cannot afford to make the repayments on that product. The loan is only repaid when the property is sold or transferred to another owner. The loan is issued interest-free although the Council is able to charge an administration fee of up to £250 to cover the costs of administering the loan.</p>
1.06	The home improvement loans are programme managed by the Housing Regeneration team. The team also manages the individual loan products themselves with the exception of the Landlord Loans which are managed by the Environmental Health team as part of their wider approach to working with landlords and tackling empty properties in the county.
1.07	The Owner Occupier Loans have been issued through a contract with an external provider, Street UK; an arrangement which was established regionally some years ago. As of 1 November 2019 the Council will directly issue these loan products itself and anticipates being able to provide a high quality, flexible and timely service to customers.
1.08	<p>The Council applies a robust risk management process in issuing home improvement loans including:</p> <ul style="list-style-type: none"> • checking the identity of the person applying for the loan; • checking that the loan applicant owns the property to be improved;

	<ul style="list-style-type: none"> • placing a legal charge for the value of the loan against the property to enable the loan to be safeguarded; • paying the loan capital to the customer in instalments with each instalment only being released once the progress of the improvements to the property have been verified; and • inspection of the property before and after the works.
--	--

2.00	RESOURCE IMPLICATIONS
2.01	<p>The capital funding for the home improvement loans has been provided by Welsh Government. £869,411 has been provided as a grant to the Council to part-support the administration costs of providing the loans and to fund loans themselves. £1,081,709 has been provided as repayable finance to the Council and is due for repayment to Welsh Government in March 2031.</p> <p>The staff costs of delivering the home improvement loans are partly covered by the Welsh Government and by the management fees charged to customers. The Council provides £42,000 of funding annually to cover the core staff costs needed to effectively deliver the service.</p> <p>There are no new implications to either capital or revenue arising from this report.</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT						
3.01	<p>The risks to the Council from delivering the home improvement loans are set out below:</p> <table border="1"> <thead> <tr> <th>Risk</th><th>Mitigation</th></tr> </thead> <tbody> <tr> <td>Loan customers default on payments</td><td> <p>Section 1.08 outlines the controls in place in issuing the home improvement loans which reduce the risk of defaults on payments. In addition, the repayment of loans is monitored on weekly basis and prompt action is taken to discuss issues with customers including negotiating amended repayment terms to prevent customers being driven into financial hardship or into unsustainable high-cost lending to make repayments.</p> <p>Welsh Government have undertaken to pay 50% of the cost of any loan defaults that cannot be recovered.</p> <p>Ultimately, the Council holds a legal charge for the value of each loan secured against each property.</p> <p>The experience across Wales is that there have been very few defaults on repayments and none in Flintshire.</p> </td></tr> <tr> <td>Failure to issue loans in accordance with the WG criteria</td><td> <p>A detailed process map is in place to ensure that all steps required are taken with the appropriate checks and balances made. This is subject to periodic spot-checking by staff outside of the service.</p> </td></tr> </tbody> </table>	Risk	Mitigation	Loan customers default on payments	<p>Section 1.08 outlines the controls in place in issuing the home improvement loans which reduce the risk of defaults on payments. In addition, the repayment of loans is monitored on weekly basis and prompt action is taken to discuss issues with customers including negotiating amended repayment terms to prevent customers being driven into financial hardship or into unsustainable high-cost lending to make repayments.</p> <p>Welsh Government have undertaken to pay 50% of the cost of any loan defaults that cannot be recovered.</p> <p>Ultimately, the Council holds a legal charge for the value of each loan secured against each property.</p> <p>The experience across Wales is that there have been very few defaults on repayments and none in Flintshire.</p>	Failure to issue loans in accordance with the WG criteria	<p>A detailed process map is in place to ensure that all steps required are taken with the appropriate checks and balances made. This is subject to periodic spot-checking by staff outside of the service.</p>
Risk	Mitigation						
Loan customers default on payments	<p>Section 1.08 outlines the controls in place in issuing the home improvement loans which reduce the risk of defaults on payments. In addition, the repayment of loans is monitored on weekly basis and prompt action is taken to discuss issues with customers including negotiating amended repayment terms to prevent customers being driven into financial hardship or into unsustainable high-cost lending to make repayments.</p> <p>Welsh Government have undertaken to pay 50% of the cost of any loan defaults that cannot be recovered.</p> <p>Ultimately, the Council holds a legal charge for the value of each loan secured against each property.</p> <p>The experience across Wales is that there have been very few defaults on repayments and none in Flintshire.</p>						
Failure to issue loans in accordance with the WG criteria	<p>A detailed process map is in place to ensure that all steps required are taken with the appropriate checks and balances made. This is subject to periodic spot-checking by staff outside of the service.</p>						

	A more detailed risk register has been prepared for the management of the home improvement loans.
--	---

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None.

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Niall Waller Enterprise and Regeneration Manager Telephone: 01352 702137 E-mail: niall.waller@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
	<p>Healthy Homes Healthy People – a programme delivered across North Wales to encourage an integrated approach to assessing customer needs and strengthen cross-referral between agencies, including General Practitioners, to meet those needs.</p> <p>Legal charge – a legal process of securing a sum of money against the value of a property. The money is repaid should the property be sold or transferred to another person.</p>