



FULL COUNCIL REPORT

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| Date Written | 23 rd January 2018 |
| Report Author | J Pike |
| Service Area | Housing & Community Safety |
| Exempt/Non Exempt | Non Exempt |
| Committee Date | 7 th February 2018 |

To: Mayor, Ladies and Gentlemen

REPAYABLE FUNDING AWARD FROM WELSH GOVERNMENT TO DELIVER PRIVATE SECTOR HOUSING LOAN PRODUCTS

1.0 SUMMARY OF THE REPORT

- 1.1 To consider a grant offer dated the 17th January 2018 from Welsh Government, which outlines the new terms and conditions associated with capital grant and repayable funding already held by the Council (under previous offer documents)
- 1.2 The new offer seeks to consolidate the two funding streams received previously, under a revised single set of terms and conditions. One of the additional terms is that the Council must offer an additional loan product, namely a Lifetime Loans product or Property Appreciation Loan product.
- 1.3 This report sets out the implications of accepting or rejecting this offer.

2.0 RECOMMENDATIONS that

- 2.1 Council considers the content of this report.
- 2.2 Council agree to accept the offer and terms and conditions authorising the new revenue source required to administer the three loan products, to a total value of £717,520.35.
- 2.3 If the Council approves the acceptance of grant an additional full time staff resource will be required to administer the programme. The member of staff will be managed within the Environmental Health Service.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 Welsh Government have provided capital funding to local authorities in Wales since 2012 to administer interest free loans. Huw Lewis AM initially secured £5M for Wales for this purpose in 2012, this almost immediately grew to £10M. This initial funding was capital grant to local authorities – and was to be recycled indefinitely for the sole purpose of Houses into Homes (H2H) Empty Property loans for landlords or investors (not owner-occupiers).
- 3.2 MTCBC's allocation for this initial funding was £355,560 – but it was held by Rhondda Cynon Taf CBC who were bankers for a larger, regional allocation. MTCBC received and administered the full value of this loan fund since 2012. MTCBC's first loan was approved in September 2012 and completed in March 2013. All funds have been spent, with a significant proportion also being repaid.
- 3.3 MTCBC has retained all repaid monies from this fund, therefore RCTCBC no longer hold any funds on account for MTCBC.
- 3.4 In later years the loan funding was transferred in responsibility within Welsh Government from the Private Sector Housing Team to the Innovative Funding Team of Welsh Government. The IFT offered additional monies – but as a repayable loan (not grant) which must be repaid by MTCBC to Welsh Government in 2030. The purpose of this repayable fund was to continue to issue Houses into Homes (Empty Property) Loans, plus a new Home Improvement Loan product, aimed at owner-occupiers who cannot access mainstream finance to fund home repairs/improvements.
- 3.5 The total repayable fund paid to MTCBC was £361,960.35. This money was paid directly to MTCBC and was not a regional fund.
- 3.6 The Home Improvement Loans were very poorly received nationally, due to the extensive personal financial assessments which Councils or their appointed agents had to do, in order to satisfy themselves that the loan was affordable for the client. The application fee on this 0% interest product was capped at 15% - but was still significant (e.g. 15% of £25,000 = £3,750)
- 3.7 To date MTCBC have not issued any Home Improvement Loans, but have issued 25 Houses into Homes Loans to the total value of £894,000 which have brought back into use 37 units of accommodation.
- 3.8 The loan products were administered by the Housing Renewal Team between 2012 and May 2017. In May 2017 the Housing Renewal Team was closed due to the end of the renewal area programme funding from Welsh Government. Since this time the Housing & Community Safety Manger has issued four additional loans to the value of £250,000 as the applicants were already mid-application.
- 3.9 Since December 2017, no new loans can be administered as there is insufficient workforce capacity to do so.

- 3.10 At the time of writing this report loans to the value of £495,000 are outstanding (i.e. have been paid to clients) and due for repayment between May 2018 and November 2020, depending on when the loans were issued. Therefore the total loans balance (credit) is currently £222,520.35.

4.0 CURRENT ISSUES

- 4.1 There is no 'loans officer' (or similar) to administer new loans or track and chase repayments of loans already issued (to the value of £495,000).
- 4.2 With the cessation of the Housing Renewal Team in May 2017, the Council lost some of its private sector housing capacity, knowledge and experience. Therefore, only the current Housing & Community Safety Manager has the knowledge and experience to manage the loans fund, but he does not have capacity to do so, due to his extensive other duties of his substantive role.

5.0 IMPLICATIONS OF THE NEW LOAN OFFERING FROM WELSH GOVERNMENT

- 5.1 A dedicated resource (person) will be required to amend the current Housing Renewal Policy of the Council, (which outlines the financial assistance available to assist with home improvements) to reflect the new terms and conditions outlined in the offer letter. Whilst some fees are permissible to subsidise administration of the loans, the fees will only cover a very small percentage of the costs of a post (estimate 25% of the total cost).
- 5.2 This new resource/person, would have to devise the specific terms and conditions of the lifetime loan product or property appreciation loan product.
- 5.3 The introduction of a lifetime loan product for those who cant afford the Home Improvement Loan product or high street finance, would allow potentially hundreds or even thousands of clients to apply for this product. Demand could in theory, outstrip supply (funds) in a matter of a few months.
- 5.4 As the repayable funding element of the fund (£361,960.35) is repayable to Welsh Government in 2030, it is entirely possible that some lifetime loans will not have been repaid to the MTCBC by such time, requiring the Council to repay Welsh Government from the capital grant element of the fund (£355,560) or from its own resources. As the lifetime loan product would only be repayable upon death or sale of the property – it is very difficult to estimate repayment dates of such a product.
- 5.5 Page 17 of the offer letter states (mid page):
In the context of lifetime charges, the Owner Occupier Loan will be deemed to have been repaid in full on the earlier of 31 March 2026 or the tenth anniversary of the Owner Occupier Loan agreement and you are required to recycle an amount equivalent to the Owner Occupier Loan provided in accordance with paragraph 2 of Part 4 of this Schedule.

5.6 This would suggest that the Council has to replenish the loan fund with capital monies from either the 'grant' element of the loan fund (assuming there is some remaining at that time) or its own capital funds.

6.0 FINANCIAL IMPLICATION(S)

6.1 To accept the terms and conditions of the Welsh Government offer letter (dated 17th January 2018) will require a revenue requirement of circa:

- £34,276 per annum if post is Scale 5 (following job evaluation); or
- £40,448 per annum if post is Scale 6 (following job evaluation)

NB – the above are at today's rates and include pension costs, but don't include the pending 2% pay award for the next 2 years.

6.2 Some of the above costs would be subsidised by allowable fee income, but fees are only payable on approved loans, and hence will depend upon demand and approval rates. As an estimate, fees may cover 25% of the above costs.

6.3 Should the Council decide to reject the Welsh Government offer the following financial implications are likely (awaiting confirmation from Welsh Government):

6.4 Repay all £711k

6.5 Repay £361k

6.6 Only £222,520.35. currently in our loan account – so the balance will have to be found, to be repaid, when clients loan repayments are settled (by Nov 2020).

6.7 An additional staff resource will be required to administer the loan programme to a cost of £32k to £38k per annum.

7.0 DECISION REQUIRED

7.1 Council must therefore consider the content of this report and the attached offer letter and decide whether to ACCEPT or REJECT the offer, having due consideration for the different financial implications of each.

8.0 EQUALITY IMPACT ASSESSMENT

8.1 An Equality Impact Assessment (EqIA) form has been prepared for the purpose of this report. It has been found that a full assessment is not required at this time. The form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link.

ALYN OWEN
CHIEF OFFICER – COMMUNITY
REGENERATION

CLLR GERAINT THOMAS
CABINET MEMBER FOR
REGENERATION & PUBLIC
PROTECTION

| BACKGROUND PAPERS | | |
|--|-------------------------------|--------------------------|
| Title of Document(s) | Document(s) Date | Document Location |
| Award of Grant Funding and Repayable Funding – Offer letter | 17 th January 2018 | |
| Does the report contain any issue that may impact the Council's Constitution? | | No |

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.