

SUBJECT: HOME IMPROVEMENT LOAN SCHEME

MEETING: Individual Member Decision

DATE: 17 December 2014

DIVISIONS/WARDS AFFECTED: All

1. PURPOSE:

- 1.1 The purpose of the report is to set out the Welsh Government's national recyclable loan scheme to support the improvement of private sector housing in Wales due to come in to operation during 2015
- 1.2 To seek approval of an 'agreement in principle' for the Council's participation in scheme in lieu of a more detailed report to be submitted to Cabinet in the New Year.

2 RECOMMENDATIONS:

- 2.1 To approve in lieu of a more detailed report to be submitted to Cabinet an 'agreement in principle' of the Council's participation in the Welsh Government's national loan scheme

3. KEY ISSUES:

- 3.1 The Welsh Government, through a loan finance agreement with the UK Treasury (Financial Transaction Reserve Budget) is able to offer Councils Repayable Funding for the purpose of providing recyclable loans to owner occupiers and landlords in the private rented sector. The recyclable loans are provided within a broad framework common to all Councils throughout Wales (**Appendix 1**).
- 3.2 The framework sets out the basic conditions of the loan scheme, however it is left to regional steering groups to fine tune the details to allow the scheme to align and support regional priorities (**Appendix 2**)
- 3.3 The funding from Welsh Government to councils will be provided in the form of interest free loan that will be repayable to the Welsh Government after 15 years and which the Council will be bound by the loan's terms and conditions (**Appendix 3** for a draft version).
- 3.4 Each Council will receive an amount based on their private housing dwelling stock. Monmouthshire County Council's share of the funding can be found at **Appendix 4**. The money is to be recyclable and offered to applicants a number of times within its 15 year lifetime.
- 3.5 Applicants will be able to apply for an interest free loan of between £1,000 and £25,000 subject to an administration charge of up to 15 per cent (determined by each region). The maximum repayment period is 5 years for landlords and 10 years for owner occupiers.
- 3.6 The Welsh Government has taken into account the risk of non-payment of loans and has planned on a bad debt provision of 5%. The Welsh Government has indicated that it will share any loss equally with an individual Council up-to a total of 5% of the initial loan amount. What this means in practice is that the Welsh Governments maximum contribution would not be greater than 2.5%. However, there is also the potential that the overall debt could exceed 5% of total loan amount with the Sevice having to service the whole of the exceeded amount.

4 REASONS:

- 4.1 The Welsh Government has indicated that they see loan funding schemes eventually replacing grant funded schemes across all sectors where grant funding is currently still available.
- 4.2 The Council has a statutory responsibility to assess housing need in Monmouthshire and to address that need. This includes ensuring that the quality of existing homes, including those that are privately owned is maintained. This is a significant challenge for the Council particularly in the current financial context as the vast majority of homes in the County are privately owned. Failure to approve an 'agreement in principle' will impact on the Council's ability to intervene in the private housing sector
- 4.3 In the past the Council has addressed poor conditions within the private housing sector by providing discretionary grants for home improvement and repairs to home owners and landlords. However financial pressures have meant that the Council has not been in a position to offer renovation grants for many years other than the mandatory grant for disabled adaptations. The Council currently has an annual capital budget of £600,000 for disabled adaptations. This is used to fund Disabled Facilities Grants (£500k) and Safety at Home Grants (£100k).
- 4.4 There is a strong case for supporting the improvement of private sector housing as this raises housing standards in terms of safety and energy efficiency measures and this has a positive impact on the health and well-being of the citizens of Monmouthshire. However the cost to individuals in meeting these measures can be prohibitive and with no grant funds available many properties will remain in a poor condition.
- 4.5 A further benefit to the Council will be the opportunity to promote the availability of the scheme as a new service in Monmouthshire in lieu of discretionary renovation grants. The scheme will also complement the recent decision of Cabinet to establish a new Housing Solutions Service with Torfaen CBC, which includes a new Private Sector Housing Team.

5 RESOURCE IMPLICATIONS:

- 5.1 None but there could be the risk to the Service of a small proportion of applicants will default on their loan repayments (see 3.6 above).

6. LEGAL IMPLICATIONS:

- 6.1 The Welsh Government expects Councils to enter into a signed loan agreement for the awarding of the Repayable Funding before they can participate in the scheme and monies are released.

7. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

- 7.1 The renovation and repair work envisaged will reduce carbon emissions and fuel poverty (see appendix 6 attached).
- 7.2 There are no equality implications. All potential applicants will be treated equally.

8. CONSULTEES:

9. BACKGROUND PAPERS: None

10. AUTHOR: Stephen Griffiths, Housing Policy & Strategy Officer

11. CONTACT DETAILS: Tel: 01633 644455 E-mail: stephengriffiths@monmouthshire.gov.uk

Appendix 1

The Loan Scheme and Framework

Purpose of Loan:

The scheme would build on the success of Houses into Homes but with a wider set of criteria, meeting the needs of owner occupiers as well as landlords.

The intention is that the scheme should enable short to medium term loan finance to be provided to owners of sub-standard properties to overcome a key barrier to improving a property to a suitable living condition, eliminating Category 1 and 2 hazards and producing 'safe, warm and secure' homes across Wales.

The loans would be made available to homeowners and landlords to help improve or bring their properties back into use. The funding would be paid to local authorities who then recycle the money a number of times before being required to pay the funding back to Welsh Government.

The Recyclable loans scheme can contribute to a number of authority priorities including:

- Improving energy efficiency and tackling fuel poverty
- Improving poor housing conditions and reducing health and safety risks
- Supporting vulnerable people to continue living independently at home eg topping up DFG's
- Bringing empty homes back into use
- Contributing to neighbourhood regeneration and renewal
- Assisting authorities with homeless prevention by incentivising private landlords to give authorities nomination rights to privately rented homes

Framework:

A national framework for the recyclable loans scheme has been developed:

- Minimum loan £1000, maximum loan £25,000 per property
- No loan to an individual to exceed £150,000
- Costs of the loan to an individual not to exceed an administrative charge of 15%
- No revenue funding from Welsh Government, costs to be re-covered from one off charge or interest charged on loan
- Period of loan not to exceed 5 years for landlords and 10 years for owner occupiers
- loans to owners of empty or sub-standard houses to make them a minimum of 'warm, safe and secure'

Appendix 2

Aspects of the Private Sector Loans Scheme for consideration by each Regional Group

A Gwent regional group has been set up which comprises of officers from the following local authorities: Monmouthshire County Council; Torfaen County Borough Council; Caerphilly County Borough Council; Blaenau Gwent County Borough Council and Newport City Council. The remit of the group is to work up the finer details of the loan scheme so that it supports regional priorities. The following areas the ??

Applicant: who / what will they be?

To whom would the loans be made available to

- homeowners?
- Landlords?
- Empty property owners?

Eligibility: What are the criteria?

- Would there be an age limit of the applicant
- Income
- Savings
- The ability to go to the 'open market' for a loan?
- Should we prioritise landlords that 'work' with the Council?

Loan Terms:

- Secured loan?
 - Secured property charge – above £5k or across all value of loans?
 - Local land charge? – below £5k?
- Repayment schedule
 - Monthly, quarterly, annually or as a lump sum at the end of the loan term.
- Default rates what will it be - current thinking is 5%

Fees:

- What % rate (max 15%)?
- Upfront or added to the loan?
- What would be included in the fee charge?
 - Processing the application?
 - Credit checks?
 - Affordability test?
 - Valuations of property?
 - Registration charges?
 - Agency fees (ie, placing the application process with an outside agency that has the necessary skill set to carry out the above bullet points, eg, a credit union)?
 - Default charges?

Managing Risk:

- Affordability Test

- Secured Charges
- Creditworthiness
 - Eg, bankruptcy checks
- Bad debt provisions
 - The Welsh Government is working off a figure of 5% of debts going bad. On this basis WG intends to share any loss equally with the Council, however the maximum they will go to is 2.5% of the risk of non-payment. This is the maximum they will go to.
- Can a percentage of the admin fee be used to mitigate against bad debt
- Maximum loan to value ratio (for H2H this is 80% of the current market value of the property the charge is secured against)
- Staged payments

Appendix 3

Draft copy of the Terms & Conditions Letter

[Contact Name]

[Name of Recipient Organisation] [Address
1]

[Address 2] [Address
3] [Post Code]

[date]

Dear **Sirs**

Award of Repayable Funding for a Loan Fund to provide Home Improvement Loans

1. Award of Repayable Funding

- (a) We are pleased to inform you that repayable funding of up to £[**1,000 ([] thousand pounds)** ("the Repayable Funding") is awarded to you for the Purposes (as defined in Condition 4(a)).
- (b) The Repayable Funding is available to you from October 2014 and must be claimed in full by 31 March 2016. Any unclaimed part of the Repayable Funding will cease to be available to you after that date.
- (c) You must use the Repayable Funding for the Purposes from October 2014 until 31 March 2030 (the "Term").
- (d) The Repayable Funding must be repaid to us during the Term in accordance with the Repayment Plan set out in Schedule 3.
- (e) The Repayable Funding is dependent upon Financial Transaction Reserve budget. The terms of this particular source of funding have yet to be agreed with Her Majesty's Treasury. You will work with us to vary these Conditions to reflect our obligations to Her Majesty's Treasury in respect of the Financial Transaction Reserve budget.
- (f) If you have any queries in relation to this award of Repayable Funding or the Conditions please contact the Welsh Government Official who will be happy to assist you.

2. Statutory Authority and State Aid

- (a) This award of Repayable Funding is made on and subject to the Conditions and under the authority of the Minister for Communities and Tackling Poverty, one of the Welsh Ministers, acting pursuant to sections 70 and 71(1) of the Government of Wales Act 2006 and sections 126-128 of the Housing Grants, Construction and Regeneration Act 1996.
- (b) You must comply with the European Commission's State Aid Rules.

3. Interpreting these Conditions

Any reference in these Conditions to:

'you', 'your' is to [name, registered address and company registration no of loan *This may be the name of a company / partnership / sole trader. The business recipient and charity registration no if applicable*];
name may be different from the person or organisation who is the recipient of the grant. Include charity registration no where applicable. YOU MUST VERIFY THIS INFORMATION FROM PUBLIC RECORD WHERE POSSIBLE [delete]

'we', 'us', 'our' is to the Welsh Ministers;

'Welsh Government Official' is to

Carrie Riley
Senior Innovation Manager
Cathays Park 2
Cathays
Cardiff
CF10 3NQ

Tel: 02920 823472
Email:Carrie-Anne.Riley@wales.gsi.gov.uk

or such other Welsh Government official as we may notify you.

'Project Manager' is to

[address]
[]
[]
[]
[]
Tel: []
Email:[]@[]

'Conditions' is to the terms and conditions set out in this letter;

'Schedule' is to the schedules attached to this letter;

'Term' is to the period of time specified in Condition 1(c);

'Repayment Plan' is to the terms set out in Schedule 3 on which the Repayable Funding is repayable;

'Repayment Notice' is to the notice of demand for repayment as defined in Schedule 3, paragraph 1.

"Home Improvement Loans" and **"HIL"** have the meaning given in Schedule 1;

'Notification Event' is to any of the events listed in Schedule 2;

'State Aid Rules' is to the rules set out in Articles 107 to 109 of the Treaty on the Functioning of the European Union (or in those Articles that may succeed Articles 107 to 109), secondary legislation such as frameworks, guidelines and block exemptions produced by the European Commission derived from Articles 107 to 109, case law of the European Courts and decisions of the European Commission regarding the application of Articles 107 to 109; and

any legislation will include all amendments to and substitutions and re-enactments of that legislation in force from time to time;

4. What you must use the Repayable Funding for

- (a) You must use the Repayable Funding solely for and in accordance with the purposes set out in Schedule 1 (the **"Purposes"**).
- (b) Any change to the Purposes will require our written consent which must be obtained from us in advance of implementing any change. Please note that we are not obliged to give our consent but we will consider all reasonable written requests.
- (c) You must not use any part of the Repayable Funding for: (1) party political purposes; (2) the promotion of particular secular, religious or political views; (3) gambling; (4) pornography; (5) offering sexual services; (6) purchasing capital equipment (other than as specified in the Purposes); (7) your legal fees in relation to this letter; (8) costs incurred and defrayed by you in the delivery of the Purposes prior to the period referred to in Condition 1 (b); (9) any kind of illegal activities; or (10) any kind of activity which in our opinion could bring us into disrepute.

5. Repayable Funding Pre-Conditions

- (a) We will not pay any of the Repayable Funding to you until you have provided us with the following information and documentation:
- (i) documentary evidence that the signatories who have signed this letter on your behalf are duly authorised to do so;
 - (ii) confirmation that you have the necessary provisions in place to issue HIL to homeowners and to place the appropriate charges on properties/land to secure those loans;
 - (iii) documentary evidence that you have put in place all staff and other resources as required to commence the Purposes;
- (b) Where you are required to provide information and documentation to us as evidence that you have satisfied a particular pre-condition, Condition or in support of a claim, the information and documentation must be in all respects acceptable to us. We reserve the right to reject any information and documentation which is for any reason not acceptable to us.

6. How to claim the Repayable Funding

- (a) The Repayable Funding will be paid to you in two instalments in the amounts set out in the following payment profile:

	Amount	Period within which instalment can be claimed
Instalment 1	£[]	[1 October 2014 – 31 March 2015]
Instalment 2	£[] less any amount of Instalment 1 which has not been spent or committed by you in the delivery of the Purposes at the date of your claim.	[1 April 2015 – 31 March 2016]

- (b) Instalment 1 will be paid to you in full on receipt of a claim form.
- (c) Instalment 2 will be paid to you on receipt of a claim form together with a statement of the amount of Instalment 1 you have spent or committed in the delivery of the Purposes.
- (d) You must claim the Repayable Funding within the periods specified in the payment profile. We reserve the right to withdraw any part of the Repayable Funding that you do not claim promptly.

- (e) You must submit your claims for payment of Repayable Funding to the Welsh Government Official.
- (f) You must use our current claim pro-forma (which is available from the Welsh Government Official).
- (e) We will aim to pay all valid claims as soon as possible and typically within 28 days.

7. Your general obligations to us

You must:

- (a) safeguard the Repayable Funding against fraud generally and, in particular, fraud on the part of your management, employees, contractors and/or suppliers and notify us immediately if you have reason to suspect that any fraud has occurred or is occurring or is likely to occur. You must also participate in such fraud prevention initiatives as we may require from time to time.
- (b) comply with all applicable laws or regulations or official directives whether derived from domestic, EU or international law;
- (c) put in place and maintain adequate insurances to cover against the risks which may arise in connection with any property or any activity undertaken in delivery of the Purposes. We reserve the right to require you to provide proof of your insurance;
- (d) co-operate fully with the Welsh Government Official and with any other employee of the Welsh Government or consultant appointed by us to monitor your use of the Repayable Funding and your compliance with these Conditions.

8. Declarations

You declare that:

- (a) you have the power to enter into and to perform the obligations set out in these Conditions and you have taken all necessary action to authorise the entry into and performance of the obligations under these Conditions;
- (b) no litigation or arbitration is current or pending or, so far as you are aware, threatened, which have or could have an adverse effect on your ability to perform and comply with any of these Conditions;
- (c) you have disclosed to us all material facts or circumstances which need to be disclosed to enable us to obtain a true and correct view of your business and affairs (both current and prospective) or which

ought to be provided to any person who is considering providing funding to you;

9. Notification Events and their consequences

- (a) You must notify us immediately if a Notification Event has occurred or is likely to occur but we also reserve the right to notify you where we believe a Notification Event has occurred or is likely to occur.
- (b) We will seek to discuss the Notification Event with you and to agree a course of action to be taken to address the Notification Event and in doing so we will consider both the seriousness of the Notification Event and whether or not it can be remedied.
- (c) We will be entitled to take any of the actions listed in Condition 9(d) if:
 - (i) despite our reasonable efforts we have been unable to discuss the Notification Event with you, or
 - (ii) we notify you that the Notification Event is not capable of remedy, or
 - (iii) a course of action is agreed with you but you fail to follow it, or any conditions attached to it are not met (including without limitation the timescale for such course of action), or
 - (iv) the course of action fails to remedy the Notification Event to our satisfaction.
- (d) If any of the circumstances set out in Condition 9(c) occurs we may by notice to you:
 - (i) withdraw the award of Repayable Funding; and/or
 - (ii) require you to immediately repay all or part of the Repayable Funding; and/or
 - (iii) require you to cease using the Repayable Funding for the Purposes;
 - (iv) suspend or cease all further payment of Repayable Funding; and/or
 - (v) make all further payments of Repayable Funding subject to such conditions as we may specify; and/or
 - (vi) deduct all amounts owed to us under these Conditions from any other funding or grant that we have awarded or may award to you or from any other sum payable by us to you; and/or
 - (vii) exercise any other rights against you which we may have in respect of the Repayable Funding.
- (e) All repayments of Repayable Funding must be made to us within 28 days of the date of our demand. You must pay interest on any overdue repayments at a rate of 1.5% per annum above the Bank of

England base rate from time to time or at such other rate as may be required by the State Aid Rules. Interest will accrue on a daily basis from the date the repayment is due until actual repayment of the Repayable Funding, whether before or after judgment. You must pay the interest together with the overdue repayment.

10. Monitoring Requirements

You must:

- (a) provide us with such documents, information and reports which we may reasonably require from time to time in order for us to monitor your compliance with the Conditions including without limit:
 - i) the information described in Part 1 of Schedule 4 on a quarterly basis; and
 - ii) the information described in Part 2 of Schedule 4 on an annual basis;
- (b) meet with the Welsh Government Official and such other of our representatives as we may from time to time reasonably require.
- (c) ensure that the Project Manager (or such other person as we may agree) attends all meetings with the Welsh Government Official.

11. Audit Requirements

(a) You must:

- (i) maintain clear accounting records identifying all income and expenditure in relation to the Purposes;
 - (ii) without charge, permit any officer or officers of the Welsh Government, Wales Audit Office or European Commission at any reasonable time and on reasonable notice being given to you to visit your premises and/or to inspect any of your activities and/or to examine and take copies of your books of account and such other documents or records as in such officer's reasonable view may relate in any way to your use of the Repayable Funding. This undertaking is without prejudice and subject to any other statutory rights and powers exercisable by the Welsh Government, Wales Audit Office or the European Commission or any officer, servant or agent of any of the above;
 - (iii) retain this letter and all original documents relating to the Repayable Funding until we inform you in writing that it is safe to destroy them;
- (b) Under paragraph 17 of Schedule 8 to the Government of Wales Act 2006 the Auditor General for Wales has extensive rights of access

to documents and information relating to monies provided by the Welsh Government. He and his officials have the power to require relevant persons who control or hold documents to give any assistance, information and explanation that they may require; and to require those persons to attend before them for such a purpose. The Auditor General and his staff may exercise this right at all reasonable times.

12. Third Party Obligations

- (a) Nothing in the Conditions imposes any liability on us in respect of any liability incurred by you to any third party (including, without limit, employees and contractors).
- (b) You must indemnify us against any liabilities, claims, proceedings, demands, losses, costs and expenses suffered or incurred by us directly or indirectly howsoever arising in contract, tort (including negligence) or otherwise and as a result of or in connection with any failure by you to perform fully or in part any obligation you may have to a third party.

13. Intellectual Property Rights & Publicity

- (a) Nothing in these Conditions transfers to us any rights in any intellectual property created by you as a result of the Purposes.
- (b) You must acknowledge our support on all publicity, press releases and marketing material produced in relation to the Purposes. Such acknowledgement must be in a form approved by us and must comply with the Welsh Government's branding guidelines.
- (c) You must provide the Welsh Government Official with a copy of all material listed in Condition 13(b) for our approval before any such material is published and you may not publish such material without our prior written approval. We will endeavour to respond to all written requests for approval within 5 working days.
- (d) You agree that from the date of this letter until the expiry of the Term we may include details about your organisation and business, the Repayable Funding and the Purposes in Welsh Government promotional materials and you further agree to cooperate with our reasonable requests to achieve the production of such materials.

14. Access to Information

- (a) You acknowledge that we are subject to the requirements of the Code of Practice on Access to Information published by the Welsh Government (the "Code"), the Freedom of Information Act 2000 (the "FOIA"), the Environmental Information Regulations 2004 (the

“EIR”) and the Data Protection Act 1998 (the “DPA”).

- (b) You acknowledge that we are responsible for determining in our absolute discretion whether:
 - (ii) to disclose any information which we have obtained under or in connection with the Repayable Funding to the extent that we are required to disclose such information to a person making a disclosure request under the FOIA or the EIR; and/or
 - (iii) any information is exempt from disclosure under the Code, the FOIA or the EIR.

15. Buying Goods and Services

If you decide to buy any goods and/or services to deliver the Purposes, they must be purchased in a competitive and sustainable way so as to demonstrate that you have achieved best value in the use of public funds.

16. Giving Notice

- (a) Where notice is required to be given under these Conditions it must be in writing (this does not include email but may include a letter attached to an email) and must prominently display the following heading:

“Notice in relation to the Repayable Funding to provide Home Improvement Loans”

- (b) The address and contact details for the purposes of serving notice under these Conditions are as follows

You: the Project Manager at the address stated in Condition 3.

Us: the Welsh Government Official at the address stated in Condition 3.

- (c) A notice will be deemed to have been properly given as follows:-

Prepaid first class post: on the second working day after the date of posting.

By hand: upon delivery to the address or the next working day if after 4pm or on a weekend or public holiday.

By email attachment:

upon transmission or the next working day if after 4pm or on a weekend or public holiday.

17. Equal Opportunities

You must apply a policy of equal opportunities as employers, as users of volunteers, and as providers of services, regardless of race, gender/gender identification, sexual orientation, religion and belief, age or any disability.

18. Welsh Language

Where the Purposes include or relate to the provision of services or written materials (including signage and information published online) in Wales, they must be provided in Welsh and English, unless it would be unreasonable or disproportionate to do so. Guidance about providing services and written materials in Welsh can be obtained from the Welsh Language Commissioner on 0845 6033 221 or by visiting www.comisiynyddygydraeg.org.

19. Sustainability

Your use of the Repayable Funding must (where reasonably practicable) meet the Welsh Government's current agenda for sustainable development and the environment.

20. Welsh Ministers' Functions

You acknowledge that the Welsh Ministers have a range of functions which will continue to accrue and be amended and that decisions in relation to each such function are obliged to be taken in the light of all relevant and to the exclusion of all irrelevant considerations. You agree that nothing contained or implied in , or arising under or in connection with, these Conditions will in any way prejudice, fetter or affect the functions of the Welsh Ministers or any of them nor oblige the Welsh Ministers or any of them to exercise, or refrain from exercising, any of their functions in any particular way.

21. General

- (a) If at any time any of these Conditions is deemed to be or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired.
- (b) No failure or delay on our part to exercise any power, right or remedy under these Conditions will operate as a waiver of any such

power, right or remedy or preclude its further exercise or the exercise of any other power, right or remedy. The powers, rights or remedies hereby provided are cumulative and not exclusive of any powers, rights or remedies provided by law.

- (c) Any amendment or variation to these Conditions must be in writing and signed by us and you in the same manner as this letter.
- (d) You may not assign or otherwise dispose of in any way your rights, benefits, obligations or duties under these Conditions.
- (e) Conditions 7, 9, 11, 12, 13, 14, 16, 21(e) and 21(f) and such other Conditions which by implication need to continue in force beyond the final payment of Repayable Funding will so continue in full force and effect.
- (f) The award of the Repayable Funding is to you alone and no one else is entitled to make any claim in respect of the Repayable Funding or seek to rely on or enforce any of these Conditions.
- (g) These Conditions are to be governed by and construed in accordance with the laws of Wales and England as applied in Wales and the parties hereto submit to the exclusive jurisdiction of the courts of Wales and England.

22. How to accept this offer of Repayable Funding

- (a) To accept this award of Repayable Funding you must sign and return a copy of this letter to the Welsh Government Official. None of the Repayable Funding will be paid to you until we have received your signed letter.
- (b) We must receive your signed letter within 14 days of the date of this letter, or this award of Repayable Funding will automatically be withdrawn.

Yours faithfully

Signed by Brian Pickett

under authority of the Minister for Communities and Tackling Poverty,
one of the Welsh Ministers.

SCHEDULE 1

The Purposes

The Repayable Funding is offered to you for the purpose of providing loans to owner occupiers and the private rented sector (“PRS”) to improve properties in accordance with the provisions of this Schedule (the “Home Improvement Loans” or “HIL”).

Part 1 of this Schedule sets out the specific criteria for the Home Improvement Loans.

Part 2 of this Schedule sets out the conditions which apply to your use and administration of the Repayable Funding.

Part 1: Home Improvement Loan Criteria

You must provide HILs within the framework set out below:

General requirements	There must be consistency, from the perspective of the loan recipient, in respect of the eligibility criteria for a HIL and the terms on which the HILs are provided.
Maximum fee charged to a loan recipient	A one off administration fee of up to 15 per cent of the HIL amount may be charged. For example, a £10,000 HIL could incur a maximum fee of £1,500.
Minimum and maximum HIL value	£1,000 up to £25,000
Maximum HIL available per loan recipient	£150,000
Interest	HILs must be interest free.
Permitted improvement works	Works which make a residential property safe warm and/or secure.
HILs can be provided for the purpose of improving a residential property to/for:	Continued ownership Sell Rent
HIL conditions	The HIL terms and conditions must

	<p>specify:</p> <p>the purpose/works for which the HIL is provided.</p> <p>if after completion of works funded by a HIL the relevant property contains a category 1 hazard (as defined by Housing Health and Safety Rating System (HHSRS)) the property can not be rented out. (for PRS only)</p> <ul style="list-style-type: none"> that if the loan recipient sells the property during the term of the HIL the loan must be immediately repaid in full.
Maximum loan period	Up to 5 years for PRS, 10 years for owner occupiers.
Payment terms	HILs can be drawdown by loan recipients in advance, in stages or on completion of the improvement works.
Repayment terms	Either staged repayments (monthly, quarterly or yearly) or full repayment at the end of the HIL term or on sale of the property if earlier.
Eligible loan recipients	Owners of sub standard residential properties.g. landlords, owner occupiers who pass affordability checks.
Risk mitigation measures	Two or more of the following measures should be applied to each HIL: loan to value ratio, first/second property charges, local land charges, staged repayments, default fees, staged payments to the loan recipient.
Part funding and financial viability	<p>HILs must only be provided to fund financially viable improvement works.</p> <p>A HIL may be provided to fund part of the improvement works provided that evidence of sufficient/adequate funding for the remainder of the works is provided.</p>

<p>Other funding options:</p>	<p>Other funding options such as Arbed must be explained to loan applicants.</p> <p>Other funding options can be used in conjunction with the HIL as long as there is no double funding of the works.</p> <p>Loan applicants that can easily obtain commercial finance to fund the improvement works should be directed to appropriate sources of funding.</p>
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Part 2: Conditions on the use and administration of the Repayable Funding.

1. The Repayable Funding is not awarded in replacement of any current scheme in place for those individuals in absolute need. It is offered and intended to complement any current scheme operated by you which provides grants to those who cannot make loan repayments.
2. You must hold and use the Repayable Funding as a recyclable loan fund (the "Loan Fund"). On repayment by a loan recipient, the Repayable Funding must be recycled during the Term. You may decide not to recycle the Repayable Funding during financial years (1 April – 31 March) 2027/28, 2028/29, 2029/30.
3. From 1 April 2016 you must not retain any Repayable Funding which is not allocated/offered as a HIL for longer than 6 months and must either make arrangements to transfer such underspend to another local authority within your region (in accordance with paragraph 5 of Schedule 1, part 2) or to repay the sum to us on demand so that it can be allocated to a local authority outside your region.
4. You must inform us of any expected "underspend" in the aggregate sum of HILs provided immediately and make arrangements to transfer such underspend to another local authority within your region (in accordance with paragraph 5 of Schedule 1, part 2) or to repay the sum to us on demand so that it can be allocated to a local authority outside your region.
5. You may not transfer any Repayable Funding to another local authority within your region without our written approval. To obtain our written approval you must send the intra-region transfer pro-forma signed by you and the other local authority to the Welsh Government Official.

6. Any interest earned from holding the Repayable Funding must be recycled into the Loan Fund and added to the sum available for providing HILs.
7. You must prioritise home owners over PRS when offering HILs.
8. You must prioritise landlords who offer affordable housing or properties where you have nomination rights to the property.
9. The Repayable Funding cannot be used towards any management, administration or operating costs incurred by you in providing HILs and in managing and administering the Loan Fund.
10. Any fee charged by you for providing HILs may be used towards any operating costs incurred by you in providing HILs and managing and administering the Loan Fund including (but not limited to) any legal or professional costs or the costs of any searches.
11. You are responsible for managing all HILs provided and for ensuring that all necessary procedures are in place before any HIL is offered. In the event that you procure a third party to manage and administer the Loan Fund and to provide the HILs you must ensure that appropriate contractual documentation are in place between you and the third party.
12. You must determine what due diligence procedures are appropriate and undertake the necessary due diligence before a HIL is offered.
13. You must put in place appropriate HIL terms and conditions ensuring that they are in accordance with the provisions of Part 1 of this Schedule 1. It is your responsibility to obtain legal advice on the terms and conditions on which any HILs are provided.
14. You must agree with the loan recipient of each HIL the specific purpose for which the HIL is provided and how you will measure the success of the loan recipient's delivery of that purpose. SMART targets must be agreed.
15. You must collaborate with the other local authorities within your region to agree (i) consistency in the provision and management of the HIL and (ii) the procedure for the transfer of Repayable Funding to another local authority in your region.
16. You must exercise reasonable skill care and diligence in your management of the Loan Fund.

SCHEDULE 2

Notification Events

The Notification Events referred to in Condition 9 are listed below:

1. repayment of any part of the Repayable Funding is required under European Law (whether under State Aid Rules or otherwise);
2. you fail to comply with any of the Conditions;
3. we have made an overpayment of Repayable Funding to you;
4. any declaration made in Condition 8 is incorrect in any respect or, if repeated at any time with reference to the facts and circumstances then existing, would be incorrect;
5. there is a change in your constitution, status, control or ownership and/or your external auditors resign.
6. any event occurs or circumstances arise which in our opinion gives reasonable grounds for believing that you may not, or may be unable, to perform or comply with any of your obligations under these Conditions (including but not limited to your ability to repay the Repayable Funding).

SCHEDULE 3

Repayment Plan

1. You must repay the Repayable Funding during the financial year 2029/2030 (1 April 2029 – 31 March 2030) in one instalment within 3 calendar months of the date of a written notice of demand (the “Repayment Notice”) from us or such other period specified therein. The sum repayable (the “Repayment Amount”) shall be the total sum of Repayable Funding paid to you (including any sum reallocated to you from another local authority for the Purpose) minus:
 - a. the sum of any Repayable Funding already repaid by you to us for reallocation to another local authority in accordance with paragraphs 3 or 4 of Schedule 1, Part 2;
 - b. the sum of Repayable Funding reallocated by you to another local authority in accordance with paragraphs 3 or 4 of Schedule 1, Part 2; and
 - c. 50% of any shortfall in the Loan Fund up to a maximum of 2.5% of the total sum of Repayable Funding paid to you.

For the purpose of this paragraph 1c:

- i. any HIL offered by you with a repayment date after the date of the Repayment Notice shall be deemed to have been repaid in full. The entire financial risk of default by the loan recipient shall be borne by you; and
 - ii. “the total sum of Repayable Funding paid to you” shall mean the total sum of Repayable Funding paid to you (including any sum reallocated to you from another local authority for the Purposes) minus the amounts described in paragraphs 1a and 1b above.
2. Within 1 calendar month of the date of the Repayment Notice you must confirm in writing the sum you intend to repay together with supporting evidence.
3. A repayment profile will be provided to you on a yearly basis on request. The repayment profile will set out the total sum of Repayable Funding paid to you, the sum of Repayable Funding repaid to us and the sum of Repayable Funding reallocated to or from you (if any).
4. All payments made by you to us must be made in full, without set-off, counterclaim or condition, and free and clear of, and without any deduction or withholding without our prior written agreement.
5. Interest will accrue on any overdue repayment of the Repayable Funding in accordance with Condition 9(e).

SCHEDULE 4

Monitoring Requirements

PART 1

Information per application (WG to collect quarterly):

1. Postcode?
2. Who is the loan recipient: PRS Limited company, PRS individual, PRS unincorporated entity or Owner occupier?
3. If PRS: Is the house to be sold following the works?
4. If PRS: Who is/will be the tenant: Homeless, LA register – social, Intermediate rent, Market or Other?
5. If Owner Occupier: What is the household income: Bands?
6. Is it a vacant property?
7. If vacant, how many units brought back into use?
8. If vacant, how long has it been empty: <1 year, <2 years, <3 years?
9. What works were required: HHSRS Category 1, HHSRS Category 2, Safe Warm and Secure (SWS) or Other?
10. What are the costs of the works (including VAT)?
11. What is the value of the loan?
12. What is the assumed National Health Service saving?

PART 2

Information on all data (WG to collect annually):

1. How many applications declined to date?
2. How many applications outstanding?
3. How many loans issued using recycled funding?
4. Do you anticipate spending your full allocation for this year?
5. If you are transferring funds to another LA, please state how much, when and to whom.
6. Was the external impact of the home having a negative impact on the area?
7. Full Time Employees time working on HIL

- 8. No. of loans written off
- 9. Amount of loans written off
- 10. No. of loans in default
- 11. Amount of loans in default

TWO SIGNATORIES ARE REQUIRED

We hereby accept the award of Repayable Funding to provide Home Improvement Loans and the Conditions relating to the Repayable Funding

_____ Signature
An authorised signatory of **[Name of Repayable Funding Recipient]**

_____ Name

_____ Job Title

_____ Date

_____ Signature
An authorised signatory of **[Name of Repayable Funding Recipient]**

_____ Name

_____ Job Title

_____ Date

Appendix 4

The Funding:

The national recyclable loans scheme will be funded with a minimum of £5m of UK Treasury loans in 2014-15, £10m in 2015-16 and the possibility of a further £5m in 2016-17. The loan will be for a maximum 15 year period with staged repayments to UK Treasury in years 13 – 15. Loan finance will be distributed to individual authorities on the basis of the number of private homes in their area and will be paid to individual authorities quarterly in advance. The regional arrangements for the 'houses into homes' recyclable loan scheme will be used to re-distribute any end of year under-spend to other authorities within the region.

The table below shows the amount each local authority area will receive based on the size of their housing stock.

Local Authority	2014-15	2015-16	Total Loan Amount
Blaenau Gwent	103,531	310,592	414,123
Bridgend	228,320	684,960	913,281
Caerphilly	270,581	811,743	1,082,324
Cardiff	531,066	1,593,199	2,124,266
Carmarthenshire	312,671	938,014	1,250,685
Ceredigion	134,616	403,848	538,464
Conwy	215,181	645,542	860,723
Denbighshire	159,482	478,445	637,927
Flintshire	240,858	722,573	963,430
Gwynedd	225,119	675,356	900,474
Isle of Anglesey	127,065	381,194	508,258
Merthyr Tydfil	87,617	262,850	350,467
Monmouthshire	150,261	450,783	601,045
Neath Port Talbot	223,061	669,183	892,244
Newport	219,479	658,438	877,918
Pembrokeshire	225,392	676,175	901,567
Powys	238,053	714,159	952,212
Rhondda Cynon Taff	387,179	1,161,536	1,548,714
Swansea	379,764	1,139,291	1,519,055
The Vale of Glamorgan	211,057	633,172	844,229
Torfaen	131,496	394,487	525,982
Wrexham	198,153	594,458	792,611
Total	5,000,000	15,000,000	20,000,000

Appendix 6

The “Equality Initial Challenge”

Name: Service area: Housing & Communities Date completed: 27 th November 2014		Please give a brief description of what you are aiming to do. Participate in the Welsh Governments Home Improvement Loan Scheme	
Protected characteristic	Potential Negative impact Please give details	Potential Neutral impact Please give details	Potential Positive Impact Please give details
Age		x	
Disability		x	
Marriage + Civil Partnership		x	
Pregnancy and maternity		x	
Race		x	
Religion or Belief		x	
Sex (was Gender)		x	
Sexual Orientation		x	
Transgender		x	
Welsh Language		x	

Please give details about any potential negative Impacts .	How do you propose to MITIGATE these negative impacts
➤	➤
➤	➤
➤	➤
➤	➤

Signed: Stephen Griffiths **Designation:** Strategy & Policy Officer **Dated:** 27th November 2014

EQUALITY IMPACT ASSESSMENT FORM

What are you impact assessing	Service area
The Introduction of the Home Improvement Loan Scheme	Housing & Communities
Policy author / service lead	Name of assessor and date
Stephen Griffiths	Stephen Griffiths

1. What are you proposing to do?

To introduce the Welsh Government's Home Improvement Loan Scheme to:

- Improving energy efficiency and tackling fuel poverty
- Improving poor housing conditions and reducing health and safety risks
- Contributing to neighbourhood regeneration and renewal

2. Are your proposals going to affect any people or groups of people with protected characteristics in a **negative** way? If **YES** please tick appropriate boxes below.

Age		Race	
Disability		Religion or Belief	
Gender reassignment		Sex	
Marriage or civil partnership		Sexual Orientation	
Pregnancy and maternity		Welsh Language	

3. Please give details of the negative impact

No impact

4. Did you take any actions to mitigate your proposal? Please give details below including any consultation or engagement.

No specific action taken as not necessary.

5. Please list the data that has been used to develop this proposal? eg Household survey data, Welsh Govt data, ONS data, MCC service user data, Staff personnel data etc..

Housing related statistics

The “Sustainability Challenge”

Name of the Officer completing “the Sustainability challenge” Stephen Griffiths		Please give a brief description of the aims proposed policy or service reconfiguration To provide short to medium term loan finance to owners of sub-standard properties to overcome a key barrier to improving their properties to a suitable living condition and producing ‘safe, warm and secure’ homes across Monmouthshire.	
Name of the Division or service area Housing & Communities		Date “Challenge” form completed 27 th November 2014	
Aspect of sustainability affected	Negative impact Please give details	Neutral impact Please give details	Positive Impact Please give details
PEOPLE			
Ensure that more people have access to healthy food		X	
Improve housing quality and provision			X improving properties to a suitable living condition and producing ‘safe, warm and secure’ homes

Reduce ill health and improve healthcare provision			X There is a direct correlation between poor housing and poor health so by improving the quality of people's homes will have a positive effect on their overall health.
Promote independence			X Yes through better health of households which enhances independent living.
Encourage community participation/action and voluntary work		X	
Targets socially excluded			X Proposal will benefit many households, particularly those vulnerable who are often excluded for a variety of reasons
Help reduce crime and fear of crime		x	
Improve access to education and training		X	
Have a positive impact on people and places in other		x	

countries			
PLANET			
Reduce, reuse and recycle waste and water		x	
Reduce carbon dioxide emissions			X Through better insulated homes
Prevent or reduce pollution of the air, land and water			X As above
Protect or enhance wildlife habitats (e.g. trees, hedgerows, open spaces)		x	
Protect or enhance visual appearance of environment		x	
PROFIT		x	
Protect local shops and services		x	
Link local production with local consumption		x	
Improve environmental awareness of local businesses		x	
Increase employment for			X

local people			The refurbishment work will mean more work for local businesses and trade persons.
Preserve and enhance local identity and culture		x	
Consider ethical purchasing issues, such as Fairtrade, sustainable timber (FSC logo) etc		x	
Increase and improve access to leisure, recreation or cultural facilities		x	

What are the potential negative Impacts	Ideas as to how we can look to MITIGATE the negative impacts (include any reasonable adjustments)
➤	➤
➤	➤
➤	➤
➤	➤

The next steps

- If you have assessed the proposal/s as having a **positive impact please give full details** below

If the recommendation of the report is accepted the next step is to put before Cabinet a more detailed report of the loan scheme once the Welsh Government has finalized the legal detail.

- If you have assessed the proposal/s as having a **Negative Impact** could you please provide us with details of what you propose to do to mitigate the negative impact:

N/A

Signed Stephen Griffiths **Dated** 27th November 2014