monmouthshire
sir fynwy

SUBJECT:	**Private Sector Housing Loan Schemes – Change of Terms**
MEETING:	**Individual Member Cabinet Decision**
DATE:	**25th July 2018**
DIVISION/WARDS AFFECTED:	**All**

1. PURPOSE:

1.1 To seek Cabinet Member approval for the implementation of the new criteria; terms and conditions of the delivery of the Welsh Government's Private Sector Housing Loan schemes.

2. RECOMMENDATIONS:

2.1 To approve and adopt the new criteria; terms and conditions for the delivery of private sector housing loans in Monmouthshire.

3. KEY ISSUES:

3.1 Welsh Government has provided local authorities in Wales with mixed funding to improve the standard of housing and help return empty properties back in to use in the private sector. This has taken the form of two types of funding streams: grant funding of £604,749.00, with the launch of the Houses into Homes scheme and a repayable loan funding stream of £620,855.69, known as the Home Improvement Loan Scheme. Both schemes are recyclable and offer loans to applicants on an interest free basis with a fee charged to the applicant for the administration process.

3.2 By implication the Houses into Homes funding stream being grant is offered to the Council in perpetuity so long as it is being utilised and recycled as loans to applicants. The Home Improvement Loan funding scheme in contrast has to be re-paid to Welsh Government by 2030. If the funding repayable is less than the award (ie from loan default) then Welsh Government will share 50% of the shortfall to a maximum amount of 2.5% of the funding awarded.

3.3 On the 25th March 2015, Individual Cabinet Member approval was acquired for the Council's participation in the Welsh Government Home Improvement Loan Scheme.

3.4 Local authorities have found varying degrees of success in delivering both schemes. Most have been successful promoting the H2H loan scheme (grant funded) but have been relatively unsuccessful with the loan funded HIL scheme. Whereas a small number have found their success has been the other way around. It is thought that the criteria of both schemes was too rigid and not flexible enough to respond to local factors that probably contributed to their being unsuccessful in a number of local authority areas. To address this the Welsh Government have proposed changes to the criteria and terms and conditions.

3.7 An overview of the loans available for private sector housing – both current and future criteria; terms and conditions can be found at **Appendix 1**

3.8 The following summarises the main changes to the schemes:

3.8.1 Removal of the 50/50 funding allocation criteria between both Houses into Homes and Home Improvement Loan schemes to allow each Authority to spend the loan funding according to demand in their areas.

3.8.2 However there is an expectation that the loans are prioritised towards bringing back into use empty properties and providing loans to applicants considered to be more ‘risky’, that is, they would fail affordability assessments.

3.8.3 The introduction of three distinct loan schemes

1) Owner/Occupier Loans
2). Property Appreciation Loans - available to those applicants considered ‘risky’.
3). Landlord Loan (to be marketed in Monmouthshire as Landlord / Property Developer Loans

3.8.4 Administration Fees – These are allowed under the new criteria but are capped depending on the loan scheme. For the Owner Occupier and the Property Appreciation Loans any shortfall between the cap and the actual costs associated with administrating the loan application can be recouped from the Grant Funding Stream. The total fee and recouped shortfall will not exceed the actual costs.

1). Owner/Occupier Loans: Monmouthshire will charge 50% of the total cost for administrating the application to the client with the remaining shortfall costs up to £500 being funded out of the grant funding stream.
2). Property Appreciation Loans: The fee chargeable to the applicant will be capped at £250 the remaining shortfall costs up to £250 being funded out of the grant funding stream.
3). Landlord / Property Developer Loans: A one off fee can be charged and will be capped as no greater than the market rate of APR for loans of the same amount and term.

4. OPTIONS APPRAISAL:

4.1 Option 1: Not to approve the changes would mean the Council would not be able to access these funding streams and in the absence of alternative methods of funding, many owner occupiers and empty property owners will not be able to improve the sub-standard condition of their properties.

4.2 Option 2: The recommended option. Approving the changes will allow the Council to maximise the options available to improve the quality of the private sector housing and help bring back into use empty properties within the county.

5. EVALUATION CRITERIA:

5.1 An evaluation report can be found at **Appendix 2.**

6. REASONS:

6.1 It is the expectation of Welsh Government that the Council supports this proposal to support low income households.

6.2 The Council made the decision a number of years ago to withdraw discretionary private sector housing funding, such as renovation grants. There are, therefore, no alternative funding streams available to householders over and above a typical bank loan.

7. RESOURCE IMPLICATIONS:

7.1. There are currently no financial or resource implications at this stage, although the Council will need to be mindful that the ‘loan’ element will have to be repaid to Welsh Government by 2030 and in the event of a shortfall, will share 50% of the shortfall to a maximum amount of 2.5% of the funding awarded.

8. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

8.1 The Future Generations Evaluation has been completed and no negative implications were identified (**See Appendix 3**)

9. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS

9,1 The policy supports and contributes positively to these priorities (**See Appendix 3**)

10. CONSULTEES:

10.1 Chief Officer Enterprise; Cabinet Member for Enterprise; Head of Planning, Housing & Place-Shaping; Assistant Head of Finance; Head of Legal Services;

11. BACKGROUND PAPERS:

12. AUTHOR: Stephen Griffiths, Strategy & Policy Officer

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

Appendix 1

Overview - Private Sector Housing Loan Scheme

Background:

Welsh Government has provided local authorities in Wales with funding to improve the standard of housing and help return empty properties back in to use in the private sector. This has taken the form of two types of funding streams; grant funding stream and a repayable loan funding stream.

Both schemes offered interest free loans to applicants and are intended to be recyclable:

The success of both schemes under their current delivery mechanism has proved to be a bit hit and miss. Most local authorities have been successful promoting the H2H loan scheme (grant funded), while at the same time have been unsuccessful with the loan funded loan scheme. Whereas others have found their success has been the other way around.

It is thought that the criteria of both schemes was too rigid and not flexible enough to respond to local factors that probably contributed to their being unsuccessful in a number of local authority areas.

Factors

- Affordability Assessment –. Potential applicants failed at the 1st hurdle. The requirement that households / applicants have to undergo affordability assessments acts against low income households in that they are more likely fail the assessment, the very same households whose properties are in need of the work and for which the loan was designed to help. This would also preclude households / applicants who are asset rich but cash poor.
- Bad Debt Risk – The risk of bad debt can place an onerous lability on local authorities thereby diminishing their ability to be more flexible when it comes to determining affordability.
- The fact that the loan scheme has to be paid back to WG after 15 years limits the flexibility of the loan funded scheme. Again this precludes those households who require the work but cannot repay within the repayment term.

To address this the Welsh Government has introduced new funding criteria for both the grant and loan funded streams which will allow local authorities to be more responsive in addressing empty properties and sub-standard low quality housing in their locality.

The Current Delivery Mechanism (see Appendix 1A)

1) Grant Funding Award Stream – Houses into Homes (HIH)

This was awarded in 2012 as a grant to bring empty properties back into use and is by implication offered in perpetuity. From the beginning Welsh Government encouraged local authorities to work collaboratively in setting up regional working groups to oversee the administration of the funding award which became known as the Houses to Homes (H2H) loan scheme. The purpose of scheme was to help empty property owners with refurbishment costs required to bring their properties back into use through sale or rent.

The five local authorities of South East Wales - Monmouthshire, Newport, Caerphilly, Blaenau Gwent and Torfaen - came together to form the Gwent region.

It was agreed regionally that there would be a pooling of the five authorities' allocated award and the scheme would be administered by Newport City Council. It was also agreed that if demand in one local authority area was greater than their allocated award and another local authority area was underspending, the underspending authority could offer up their unspent award to meet that demand.

Monmouthshire allocated award was £604,749.00. The total pooled amount for the region was £3,545,524.00

Loans were offered to empty property owners on the following main criteria:

- Minimum loan £1000, maximum loan £25,000 per property
- No loan to an individual to exceed £150,000
- Loan term period was not to exceed 2 years for owners who intended to sell and 3 years for owners who intended to rent out their properties.
- Loans were to be paid off in full at the end of the respective term.
- All loans were to be secured against the property either as a first or second charge.
- All repayable funds were to be recycled.
- Administration fees could be charged at the following fixed rates
    - £290 for loans up to £50K
    - £390 for loans between 50k and £100k
    - £490 for loans greater than £100k

2) Repayable Funding Award Stream – Home Improvement Loan (HIL)

This was awarded in 2015 as a loan to Monmouthshire County Council to provide a loans for Home Improvement and Empty Properties. Monmouthshire's Loan Fund is £620,855.69. This is required to be repaid in full to WG during the financial year 2029 – 30. Within the provisions of the loan terms there is a bad debt provision whereby the Welsh Government would share equally with the Council any bad debt up to a maximum of 5% of the total amount of bad debt. Any bad debt accrued above this figure is to be met by the Local Authority.

Due to the fact that the award is a loan and local authorities are responsible for repaying their allocated award to Welsh Government in 2030, the administration of the scheme rests with each individual local authority.

The purpose of the Repayable Funding is to provide recyclable loans to owner occupiers, landlords and empty property owners.

The loan award has two elements to it:

- The Home Improvement Loan Scheme - offered to both owner occupiers and landlords of properties that are of substandard condition. The scheme provided loans to help with refurbishment costs that made the properties 'safe, warm and secure' on the following criteria.
    - Applicants can apply for an interest free loan of between £1,000 and £25,000
    - For landlords no loan to an individual to exceed £150,000
    - Loans to be paid by monthly repayment.

- The maximum recyclable loan period under the Home Improvement Loan is 5 years for Landlords and 10 years for owner occupiers.
- Loans to be secured as a first or second charge
- A one off administration fee of 8% of the amount borrowed is charged.
- For Landlords who offered the Council nomination rights the administration fee was 4%

- Houses to Homes Scheme – provided loans to empty property owners on the following criteria
  - Applicants can apply for an interest free loan of between £1,000 and £25,000
  - No loan to an individual to exceed £150,000
  - The loan period is 2 years if the intention is to sell and 3 years if the intention is to rent the property after the completion of the works.
  - Full repayment at the end of the loan term or on transfer/sale of the property if earlier.
  - A one off administration fee of up to £495 could be charged.

The Delivery Mechanism from June 2018 (See Appendix 1B)

Set out below is a summary of the main aspects of the new funding mechanisms, see appendix 1B for more detail.

In readiness for the introduction of the new delivery mechanism from the 30th June the regional working group that oversaw the Gwent region's pooled recourses was disbanded with each authority receiving their nominal funding award. For Monmouthshire this is £604,749.00. This means that as from the 30th June the total amount of funding available to Monmouthshire is £1,225,604.69.

1). Grant Funding Award Stream (604,749,00).

- This is known now as "Owner Occupier Repayable Financial Assistance" and offers Home Improvement loans (HIL) to owner occupiers who are unable to access other forms of lending because of affordability issues. As these loans are financed from the grant funding stream there is no requirement to repay the funding back to WG. Loans that can be offered are known as Property Appreciation and Lifetime loans.
- One advantage of these types of loans is that no money has to be repaid by the applicant until a predetermined event occurs such as the death of the applicant or the sale of the property.
- Consequently, these types of loans can be targeted at those applicants who are asset rich and cash poor and therefore do not have the means to meet the monthly repayment.

2). Loan Funding Award Stream (620,855.69).

Loans funded from this stream are known now as Owner Occupier Loans and targeted at the following applicants

Owner / Occupiers

- Loan amount from £1000 - £25,000
- Offered to empty property owners and owner occupiers who pass the affordability test.
- Repayment Terms will depend on the end use of the property.
  - For empty property owners the following applies.
    - If the owner intends to occupy the property after refurbishment the term is up to 10 years.
    - If the owner does not intends to occupy – up to 5 years.
  - For owner occupiers refurbishing their main place of residence.

- Repayment period is up to 10 years.

- Fees – Can charge up to a 50% (£500) of the actual admin costs. The remainder of the admin cost can be claimed from the grant funding element***.**

Landlord / Developer

- Loans amounts from (£1000 - £25,000 per property up to a maximum of 10 properties - £250K
- Offered to developers that purchase empty properties to bring back them back into use. Repayment terms will depend upon the end use of the refurbished property:
  - If the property is being sold after refurbisment the term is 2 years
  - If the property is going to be for rental at market rents the term is 5 years.
  - If the property is going to be for rental at LHA rate the term is 10 years.
- Fees – This can be determined by us BUT it should not exceed the market rate APR for loans of same amoung and term of repayment.

Owner Occupier Repayable Financial Assistance

- Offered to applicants who have failed the financial affordability checks.
- Fees to be capped at £250 per application and added to the loan but can top up from the grant funding element to a maximum of £250 per application*****.
  - These loans will be life time loans repayable on the sale of the property (likely to be when the loan applicant dies).
  - For this reason this type of loan should be payable from the grant funding pot of money as this pot is not required to be paid back to WG, although it does mean that monies loaned could take some considerable time to be repaid to us. We will need to put in place a policy setting out lending criteria and length of term of the loan. It probably not inconceivable that we could have money loaned out for 30+ years depending on the ages of the applicant and whether they move or stay put.

Appendix 1A

Criteria, Terms and Conditions

The Purposes

The Repayable Funding is offered to you in accordance with the provisions of this Schedule for the purposes of:

(a) Providing loans to owner occupiers and the private rented sector (“PRS”) to improve properties (the “Home Improvement Loans” or “HIL”); and

(b) Providing loans to bring empty properties back into use (the “Houses into Homes Loans”).

50% of the Repayable Funding paid to you (either directly from us or reallocated to you from another local authority) must be used for Home Improvement Loans and 50% must be used for Houses into Homes Loans within your region.

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

Part 2 of this Schedule sets out the specific criteria for the Houses into Homes Loans.

Part 3 of this Schedule sets out the conditions which apply to your use and administration of the Repayable Funding.

Part 1: Home Improvement Loans 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. The sum of the fee charged must take into account the APR (annual percentage rate) of the HIL for the term of the loan. The APR of the HIL must not be greater than the market rate of APR for loans of the same amount and term.
Minimum and maximum HIL value per unit of accommodation	£1,000 up to £25,000
Maximum HIL available per loan recipient	£150,000 at any one time. Once repaid the applicant can reapply.
Interest	HILs must be interest free.

Permitted improvement works	Works which make a residential property safe warm and/or secure. This includes such works undertaken to Empty Properties on the condition that (i) the loan recipient occupies the property on completion of the works for the duration of the loan; and (ii) if the loan recipient dies, ceases to occupy the property or transfers/sells the property before expiry of the loan term the loan is repaid immediately. Works undertaken by a PRS to an Empty Property is not eligible. "Empty Property" means a property which has not been lived in for at least six consecutive months.

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 specify: • The purpose/works for which the HIL is provided. • 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 cannot be rented out. (for PRS only). • 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 owner occupiers:
	    o Up to 10 years,
	    o or a lifetime charge may be taken over the property and the loan can be repaid on the earlier of the death of the loan recipient, when the loan recipient ceases to occupy the property or on the transfer/sale

	of the property. In the context of lifetime charges, the HIL will be deemed to have been repaid in full on the earlier of 31 March 2026 or the tenth anniversary of the HIL loan agreement and you are required to recycle an amount equivalent to the HIL provided in accordance with paragraph 2 of Part 3 of this Schedule.
Payment terms	HILs can be drawndown 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 transfer/sale of the property if earlier unless specified otherwise herein.
Eligible loan recipients	• Owners of sub-standard residential properties e.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	• HILs must only be provided to fund financially viable improvement works. • 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.
Other funding options:	• Other funding options such as Arbed must be explained to loan applicants. • Other funding options can be used in conjunction with the HIL as long as there is no double funding of the works. • Loan applicants that can easily obtain commercial finance to fund the improvement works should be directed to appropriate sources of funding.

Part 2: Houses into Homes Loans Criteria

General requirements	There must be consistency, from the perspective of the loan recipient, in respect of the eligibility criteria for a Houses into Homes Loans and the terms on which the Houses into Homes Loans are provided.
Maximum fee charged to a loan recipient	£495
Minimum and maximum Houses into Homes Loan value	£1,000 up to £25,000
Maximum Houses into Homes Loan available per loan recipient	£150,000 at any one time. Once repaid the applicant can reapply.
Interest	Houses into Home Loans must be interest free.
Permitted improvement works	Works which bring an Empty Property back into use.
Houses into Homes Loans can be provided for the purpose of bringing an Empty Property back into use to/for:	• Sell • Rent
Houses into Homes Loan conditions	The Houses into Homes Loan terms and conditions must specify: • The purpose/works for which the Houses into Homes Loan is provided. • If after completion of works funded by a Houses into Homes Loan the relevant property contains a category 1 hazard (as defined by Housing Health and Safety Rating System (HHSRS)) the property cannot be rented out. (for PRS only) • That if the loan recipient sells the property during the term of the Houses into Homes Loan, the loan must be immediately repaid in full.
Maximum loan period	• A maximum of 2 years if the intention is to sell the property following the works. • A maximum of 3 years if the intention is to rent the property following the works.
Payment terms	Houses into Homes Loans can be drawn down by loan recipients • in advance, • in stages, or • on completion of the works.
Repayment terms	Full repayment at the end of the Houses into Homes loan term or on transfer/sale of the property if earlier.

Eligible loan recipients	• Owners of Empty Properties who pass affordability checks. "Empty Property" means a property which has not been lived in for at least six consecutive months.
Risk mitigation measures	A maximum loan to value of 80%
Part funding and financial viability	Houses into Homes Loans must only be provided to fund a schedule of improvement works which is financially viable taking into account the sum of the loan to be offered and any other funding available to the loan recipient. A Houses into Homes Loan may be provided to fund part of the works provided that evidence of sufficient/adequate funding for the remainder of the works is provided.
Other funding options:	Other funding options such as Arbed must be explained to loan applicants. Other funding options can be used in conjunction with the Houses into Homes Loan as long as there is no double funding of the works. Loan applicants that can easily obtain commercial finance to fund the improvement works should be directed to appropriate sources of funding.

Part 3: 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. Any funding that you chose not to recycle should be repaid to us immediately.

3. From 1 April 2017 you must not retain any Repayable Funding which is not allocated/offered as a HIL or Houses into Homes Loan 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 3) 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 and Houses into Homes Loans 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 3) 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 or Houses into Homes Loans.

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 Houses into Homes Loans and in managing and administering the Loan Fund.

10. Any fee charged by you for providing HILs and Houses into Homes Loans may be used towards any operating costs incurred by you in providing HILs and Houses into Homes Loans 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 and Houses into Homes Loans provided and for ensuring that all necessary procedures are in place before any HIL or Houses into Homes Loans is offered. In the event that you procure a third party to manage and administer the Loan Fund and to provide the HILs or Houses into Homes Loans 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 or Houses into Homes Loan is offered including but not limited to an assessment to ensure compliance with the State Aid Rules.

13. You must put in place appropriate HIL or Houses into Homes Loan terms and conditions ensuring that they are in accordance with the provisions of Part 1 or Part 2 of this Schedule 1, as appropriate. It is your responsibility to obtain legal advice on the terms and conditions on which any HILs and Houses into Homes Loans are provided.

14. You must collaborate with the other local authorities within your region to agree
    (i) consistency in the provision and management of the HILs and Houses into Homes Loans and
    (ii) the procedure for the transfer of Repayable Funding to another local authority in your region.

15. 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 3;

    b. the sum of Repayable Funding reallocated by you to another local authority in accordance with paragraphs 3 or 4 of Schedule 1, Part 3; 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 or Houses into Homes Loan 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).

Part 1: Owner Occupier Loans Criteria

You must provide Owner Occupier Loans 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 an Owner Occupier Loan and the terms on which the Owner Occupier Loans are provided.
Maximum fee charged to a loan recipient:	A suggested one off fee of up to 50% of the costs associated with administering the loan application up to a maximum of £500. A contribution towards the remaining costs of up to £500 may be made from the Grant Funding. The total fee and subsidy from the Grant Funding must not exceed the actual costs associated with providing the Owner Occupier Repayable Financial Assistance.
Minimum and maximum Owner Occupier Loan value per unit of accommodation	£1,000 up to £25,000
Interest	Owner Occupier Loans must be interest free.
Permitted improvement works	Works which make a residential property safe warm and/or secure. This includes such works undertaken to Empty Properties on the condition that (i) the loan recipient occupies the property on completion of the works for the duration of the loan; and (ii) if the loan recipient dies, ceases to occupy the property or transfers/sells the property before expiry of the loan term the loan is repaid immediately.

Owner Occupier Loans can be provided for the purpose of improving a residential property for:	• continued ownership • sale • rent
Owner Occupier Loans conditions	The Owner Occupier Loans terms and conditions must specify: • the purpose/works for which the Owner Occupier Loan is provided. • if after completion of works funded by an Owner Occupier Loan the relevant property contains a category 1 hazard (as defined by Housing Health and Safety Rating System (HHSRS)) the property cannot be rented out. (for PRS only) • that if the loan recipient sells the property during the term of the Owner Occupier Loan the loan must be immediately repaid in full.
Maximum loan period	For home owners who do not occupy the property: up to 5 years; For owner occupiers: up to 10 years or a lifetime charge may be taken over the property and the loan can be repaid on the earlier of the death of the loan recipient, when the loan recipient ceases to occupy the property or on the transfer/sale of the property. 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.
Payment terms	Owner Occupier Loans can be drawn down 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 Owner Occupier Loan term or on transfer/sale of the property if earlier unless specified otherwise herein.

Eligible loan recipients	Owner occupiers of sub-standard residential properties who pass affordability checks.
Risk mitigation measures	Two or more of the following measures should be applied to each Owner Occupier Loan: 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	Owner Occupier Loans must only be provided to fund financially viable improvement works. Owner Occupier Loans 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.
Other funding options:	• Other funding options such as Arbed must be explained to loan applicants. • Other funding options can be used in conjunction with the Owner Occupier Loan as long as there is no double funding of the works. • Loan applicants that can easily obtain commercial finance to fund the improvement works should be directed to appropriate sources of funding.

Part 2: Owner Occupier Repayable Financial Assistance Criteria

General requirements	Owner Occupier Repayable Financial Assistance such as Property Appreciation Loans or Lifetime Loans (please see below for details) will be offered at your discretion to applicants who fail affordability checks for Owner Occupier Loans. Owner Occupier Repayable Financial Assistance may only be given for HHSRS hazards and in order to improve the house to a 'safe, warm and secure' standard and may not cover all costs requested in the application. All Owner Occupier Repayable Financial Assistance must be repayable to you. A Property Appreciation Loan is a loan registered as an equity charge on the property to which the loan relates that is repayable upon sale or disposal of the property. The loan is linked to a percentage of the property value, rather than a fixed figure. A Lifetime Loan is a lump sum loan, where the interest payable is rolled up over the full term. The loan is repayable upon sale or disposal of the property.

	Where no equity exists in the property, you may assume that equity will be available upon repayment. However, you must be mindful that there is a higher chance of non-repayment.
Fee	The fee chargeable to the applicant is capped at £250, however, this must be added to the Owner Occupier Repayable Financial Assistance. A £250 contribution towards the costs of administering the application may be used from the Grant Funding. The total fee and subsidy from the Grant Funding must not exceed the actual costs associated with providing the Owner Occupier Repayable Financial Assistance.
Terms and conditions	The terms and conditions must specify: • the purpose/works for which the Owner Occupier Repayable Financial Assistance is provided. • that the Owner Occupier Repayable Financial Assistance must be repaid upon the earlier of the death of the recipient, when the recipient ceases to occupy the property or on the transfer/sale of the property
Payment terms	Owner Occupier Repayable Financial Assistance can be paid in advance to successful applicants
Eligible recipients of Owner Occupier Repayable Financial Assistance	Owner occupiers of sub-standard residential properties who fail affordability checks but are not eligible for other financial assistance schemes e.g. those which require the recipient to be in receipt of means tested benefits

Part 3: Landlord Loans Criteria

General requirements	There must be consistency, from the perspective of the loan recipient, in respect of the eligibility criteria for a Landlord Loans and the terms on which the Landlord Loans are provided.
Maximum fee charged to a landlord	A one off fee to cover the costs of administering the loan. The sum of the fee charged must take into account the APR (annual percentage rate) of the Landlord Loan for the term of the loan. The fee expressed as an APR of the Landlord Loan must not be greater than the market rate of

	APR for loans of the same amount and term. We suggest that the fee is reviewed annually to ensure it is below market rates.
Minimum and maximum Landlord Loan amount	£1,000 up to £25,000
Maximum Landlord Loan available per loan recipient	£250,000 per application - £25,000 per property for up to 10 properties. Once repaid the applicant can apply for further funding.
Interest	Landlord Loans must be interest free.
Permitted improvement works	Works which bring an Empty Property back into use.
Landlord Loans can be provided for the purpose of improving an existing property or bringing an Empty Property back into use to:	• sell • rent
Landlord Loan conditions	The Landlord Loan terms and conditions must specify: • the purpose/works for which the Landlord Loan is provided. • if after completion of works funded by a landlord Loan 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) • that if the loan recipient sells the property during the term of the Landlord Loan, the loan must be immediately repaid in full.
Maximum loan period	A maximum of 2 years if the intention is to sell the property following the works. A maximum of 5 years if the intention is to rent the property following the works. A maximum of 10 years if the intention is to rent the property at Local Housing Allowance (LHA) rates following the works, with a 10 year commitment for Local Authority tenant nomination rights required.

Payment terms	Landlord Loans can be drawn down by loan recipients in advance, in stages or on completion of the works.
Repayment terms	Either staged repayments (monthly, quarterly or yearly) or full repayment at the end of the Landlord Loan term or on transfer/sale of the property if earlier. At your discretion, you can offer to 'write off' the loan value at the end of a 10 year term if the landlord agrees to rent out of the property at LHA rates and give the Local Authority tenant nomination rights for a 10 year period. It is important to note that this funding will therefore be unavailable for recycling.
Eligible loan recipients	Owners of substandard/Empty Properties who pass affordability checks.
Risk mitigation measures	Two or more of the following measures should be applied to each Landlord Loan: 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	Landlord Loans must only be provided to fund a schedule of improvement works which is financially viable taking into account the sum of the loan to be offered and any other funding available to the loan recipient. A Landlord Loan may be provided to fund part of the works provided that evidence of sufficient/adequate funding for the remainder of the works is provided.
Other funding options:	• Other funding options such as Arbed must be explained to loan applicants. • Other funding options can be used in conjunction with the landlord Loan as long as there is no double funding of the works. • Loan applicants that can easily obtain commercial finance to fund the improvement works should be directed to appropriate sources of funding.

APPENDIX 2

Evaluation Criteria – Cabinet, Individual Cabinet Member Decisions & Council

Title of Report:	**Private Sector Housing Loan Schemes – Change of Terms**
Date decision was made:	**19th June 2018**
Report Author:	**Stephen Griffiths**

What will happen as a result of this decision being approved by Cabinet or Council?
• Loan products will be available to owner /occupiers, especially those who cannot access commercial loans, to help improve the quality of their homes in terms of making their properties warm (better thermal insulation), safe (the elimination of hazards under the Housing Health and Safety Rating System) and secure (security of the property, eg window and doors, etc). • Loans products will be available empty property owners and & landlord developers for the refurbishment of empty properties and their return back into use.
12 month appraisal

What benchmarks and/or criteria will you use to determine whether the decision has been successfully implemented?
the following will be monitored: • Number of applicants applying

- Number of properties refurbished
- Number of properties returned back into use.

What is the estimate cost of implementing this decision or, if the decision is designed to save money, what is the proposed saving that the decision will achieve?
There are no costs or saving associated with the update
12 month appraisal

Any other comments

Future Generations Evaluation
(includes Equalities and Sustainability Impact Assessments)

Name of the Officer completing the evaluation Stephen Griffiths **Phone no:** 01633 644455 **E-mail:** stephengriffiths@monmouthshire.gov.uk	**Please give a brief description of the aims of the proposal** Private Sector Housing Loan Schemes – Change of Terms The proposal sets out the criteria that will be used to establish a number of loan products that will be available for the refurbishment of sub-standard private sector housing in Monmouthshire.
Name of Service Housing & Community Services	**Date Future Generations Evaluation** form completed 26th May 2018

1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	Neutral Contribution.	
A resilient Wales Maintain and enhance biodiversity and	Neutral Contribution	

ecosystems that support resilience and can adapt to change (e.g. climate change)		
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	It positively contributes to the health occupants of properties that are of sub-standard quality through their refurbishment that will make them warm safe and secure.	
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	It positively contributes through the refurbishment of substandard houses and by returning empty properties back into use.	
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Through the provision of good quality housing	
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	A neutral contribution	

2. How has your proposal embedded and prioritised the sustainable governance principles in its development?

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
Long-term Balancing short term need with long term and planning for the future	The provision of the loans to owner occupiers would be deemed 'too risky' to access loans from the commercial market will meet their short term need to live in housing that is of good quality of being warm, safe and secure. Once refurbished these properties will add to the number of good quality houses that will be available in the long term.	
Collaboration Working together with other partners to deliver objectives	Not Applicable	
Involvement Involving those with an interest and seeking their views	Not Applicable	
Prevention Putting resources into preventing problems occurring or getting worse	Not applicable	

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 Positively impacting on people, economy and environment and trying to benefit all three	Through the availability of good quality housing.	

3. **Are your proposals going to affect any people or groups of people with protected characteristics?** Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	None	None	
Disability	None	None.	
Gender reassignment	None	None	
Marriage or civil partnership	None	None	
Race	none	None	
Religion or Belief	None	None	
Sex	None	None	
Sexual Orientation	None	None	
Welsh Language	None	None	

4. **Council has agreed the need to consider the impact its decisions has on important responsibilities of Corporate Parenting and safeguarding. Are your proposals going to affect either of these responsibilities?** For more information please see the guidance note http://hub/corporatedocs/Democratic%20Services/Equality%20impact%20assessment%20and%20safeguarding.docx and for more on Monmouthshire's Corporate Parenting Strategy see http://hub/corporatedocs/SitePages/Corporate%20Parenting%20Strategy.aspx

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	**Describe any negative impacts your proposal has on safeguarding and corporate parenting**	**What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?**
Safeguarding	None	*No negative impacts*	
Corporate Parenting	None	No negative impacts	

5. **What evidence and data has informed the development of your proposal?**

None

6. **SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?**

The main positive benefits of the proposal are:

- Improving the quality of sub-standard housing.
- Improving the quality of life for those living in substandard low quality housing
- The loans are available to applicants who would otherwise be excluded from accessing commercial loans.
- Returning back into use empty properties
- Increasing accommodation options within Monmouthshire.

The main negative impacts are: None identified to date

7. **Actions. As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable. Yes**

What are you going to do	When are you going to do it?	Who is responsible	Progress
Submit to Cabinet	July 2018	Stephen Griffiths	
Review the Policy and submit to Select	June 2019	Stephen Griffiths	

8. **Monitoring: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.**

The impacts of this proposal will be evaluated on:	During May – June 2019 and submitted to Select