

Briefing on Home Improvement Loans

Homes PDG January 2017



1.0 Introduction

The council has supported a home improvement loan scheme, which is administered through Wessex Resolutions CIC since 2011. Recent years have shown a significant decrease in loan activity leading to the council considering the validity of the scheme for the area.

The scheme was originally introduced to help address poor housing conditions in privately owned housing often lived in by elderly and/or vulnerable people. It also provided an alternative to grants giving access to responsible finance that was a loan and could be recycled to help more people.

The scheme links to Mid Devon District Councils corporate plan 2016-20 which has four main priorities concentrating on economy, homes, community and environment. The home improvement loan relates directly to these priorities and in particular to homes.

Homes – Facilitating the housing growth that Mid Devon needs, including affordable homes

The team contributes to this by:

- Providing loans to assist landlords, home owners and empty home owners to improve their properties, carry out essential repairs and install energy efficiency measures.
- Improving the condition of the existing housing stock

In February 2016 a report was taken to the PDG reflecting the issues that had come to light regarding the scheme. A recommendation was put forward that was taken to Cabinet to delegate the decision on the future of the scheme to the relevant cabinet member and Director. This decision allowed for a review of the options available to either revise the scheme or withdraw from it.

Following the review that was undertaken during the summer of 2016, a revised scheme was put forward jointly by officers and Wessex and this is currently being piloted with the support of the cabinet member for housing. The pilot commenced on 1st October 2016 is due to end in March 2017 when a final decision will be required as to whether MDDC remain part of the scheme or decide to withdraw funding and support.

2.0 Pilot changes

The following reasons were identified as contributing factors to the low take up:

- Difficulty with converting enquiries into a loan application due to the process of application taking too long
- Challenges around publicising the product to hard to reach customers, making the advantages of the scheme clear and not having a long term tactical marketing plan.
- Issues with a difficult and convoluted application process

Having identified the contributing factors, recommendations were put forward for changes to the scheme to improve the application process, the time frame for delivery and the marketing of the scheme.

A summary of the pilot changes are detailed below:

- Mid Devon District Council to delegate loan sanctioning authority to Wessex Resolutions CIC for delivery of the project until 31st March 2017.
- There will be no maximum affordability or savings criteria – client(s) must demonstrate affordability within WRCIC financial assessment to borrow responsibly.
- Properties must be located within the Mid Devon District – there will be no minimum property ownership criteria.
- Loans will only be available to property owners – homeowners, landlords, empty property & park home owners.
- Works will only be provided for property improvements and clients are only required to provide one quote for eligible works.
- Tactical marketing plan in place to generate genuine leads.
- Introduction of new target time frames for key stages of the process.

3.0 Pilot progress

Compared to the activity in 2015/16 there has been a marked increase in the number of referrals received and an improvement in the number of cases those that are now staying in the system.

In summary up to 30th November 2016 the pilot has achieved:

- 12 new enquiries have been received. 4 of these are from partner agencies such as CHAT, CosyDevon, Devon Carers and Age UK.
- 7 referrals with 2 more in the pipeline. This referral rate is ten times higher per week than last year and 50% higher on average for the scheme since it commenced.
- Decline rates are over 75% lower than the previous year. This means that despite higher numbers of enquiries in previous years the number of cases that are progressing is much higher, with only 2 cases failing to progress.

- Loans are being completed in just 3-weeks (enquiry to sanction) which compares to an average of 19 weeks for the scheme before the pilot changes.
- 2 loans sanctioned with drawdown due in January 2017. No loans were sanctioned in the whole year of 2015/2016.
- Total amount sanctioned is £14,800.
- The value of loans in the pipeline that will be sanctioned by the end Jan 2017 is £58,000 (three times greater than the total completed in the whole of 2015/16 with the outturn likely to be higher still). To do date, therefore, the expected value of the current loan referrals is £72,800.
- 2 further enquiries that are expected to progress during the pilot have an estimated value of £32,000.
- If all expected activity proceeds then approximately £104,000 will be sanctioned by 31st March 2017 with a view to this capital being repaid and recycled.
- Mid Devon are now performing strongly compared to neighbouring authorities, including Exeter who has also made changes to the scheme in their area.

4.0 Next steps

- The progress of the pilot is being monitored on a monthly basis to check that the changes are working efficiently and that the marketing plan is effective.
- A final decision on whether to continue with the scheme will need to be made by the end of April 2017.
- To date the response has been positive and the objectives set prior to the start of the pilot are on target to be met.
- However, this is a challenging time of the year to promote loans and get contractors to commit to providing quotes and/or starting work and therefore it should be expected that the drawdown of funds will be lower than the amount approved/sanctioned.
- Once a decision has been made on the future of the scheme further tactical marketing will be undertaken to maintain the interest that has been generated during the pilot period.
- Ultimately the aim is that the scheme becomes self-sustaining without the need for further capital from the council

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