

CABINET MEETING – 7 NOVEMBER 2012

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

EMPTY HOMES CLUSTER PROJECT AND AMENDMENTS TO THE COUNCIL'S HOUSING FINANCIAL ASSISTANCE POLICY IN RELATION TO EMPTY PROPERTIES.

Author(s)

Executive Director of Health, Housing and Adult Services

Purpose of Report:

The purpose of the report is to:-

- i) Seek Cabinet's approval for amendments to the Council's Housing Financial Assistance Policy April 2011 to March 2014.
- ii) Update Cabinet with regard to the Council's Empty Property Projects.
- iii) Seek approval for an Empty Homes Cluster Project funded £472,105.15 from Homes and Communities Agency Clusters of Empty Homes Fund and £472,105.15 from Council New Homes Bonus funding.
- iv)

Description of Decision:

Cabinet is invited to:

- a) Agree to the amendments of the Council's Housing Financial Assistance Policy (policies FAP 12 and FAP 15) as set out in this report.
- b) Receive and note the empty property projects progress report
- c) Approve an Empty Homes Cluster Project funded £472,105.15 from Homes and Communities Agency Clusters of Empty Homes Fund and £472,105.15 from Council New Homes Bonus funding.

Is the decision consistent with the Budget/Policy Framework? **Yes**

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision

Implementing the Council's Empty Property projects, in line with the revisions set out within the amended Housing Financial Assistance Policy, will provide the Council with the opportunity to reduce the wasted resource of empty properties in the City through assisting owners to bring them back into use and increase the opportunity to secure optimum New Homes Bonus funding.

Alternative options to be considered and recommended to be rejected:

The Council could leave the Housing Financial Assistance Policy as it is but this would not allow the Executive Director of Health, Housing and Adult Services to utilise the Homes and Communities Agency (HCA) funding or New Homes Bonus Funding in a manner flexible enough to encourage the acquisition and/or refurbishment and return to use of empty properties. In turn the New Homes Bonus payments, rewarded for returning empty properties back into use, would not be perpetuated in future years. Residents from the Council's Housing Register would not be rehoused as quickly. This course of action, therefore, is not recommended.

Impacts analysed:

Equality ☒ Privacy ☐ Sustainability ☒ Crime and Disorder ☐

Is this a "Key Decision" as defined in the
Constitution? Yes

Is it included in the 28 day Notice of
Decisions? Yes

Scrutiny Committee

REPORT OF THE EXECUTIVE DIRECTOR OF HEALTH, HOUSING AND ADULT SERVICES

EMPTY HOMES CLUSTER PROJECT AND AMENDMENTS TO THE COUNCIL'S HOUSING FINANCIAL ASSISTANCE POLICY IN RELATION TO EMPTY PROPERTIES

1.0 Purpose of the Report

- 1.1 The purpose of the report is to:
- i) Seek Cabinet's approval for amendments to the Council's Housing Financial Assistance Policy April 2011 to March 2014.
 - ii) Update Cabinet with regard to the Council's Empty Property Projects.
 - iii) Seek approval for an Empty Homes Cluster Project funded £472,105.15 from Homes and Communities Agency Clusters of Empty Homes Fund and £472,105.15 from Council New Homes Bonus (NHB) funding.

2.0 Description of the Decision

- 2.1 Cabinet is invited to:
- a) Agree to the amendments of the Council's Housing Financial Assistance Policy (policies FAP12 and FAP 15) as set out in this report
 - b) Receive and note the empty property projects progress report.
 - c) Approve an Empty Homes Cluster Project funded £472,105.15 from Homes and Communities Agency Clusters of Empty Homes Fund and £472,105.15 from Council NHB funding.

3.0 Introduction/Background

- 3.1. The Empty Property Action Plan 2011 – 2012 presented to Cabinet in November 2011 is updated for 2012 – 2013 and is incorporated into the Housing and Neighbourhood Renewal Team's Area Operational Plans.
- 3.2 The NHB grant is awarded to Councils by the Government each October and is based on increases in the housing stock, including empty properties brought back into use. In 2011/2012 the Council received £0.577m and this amount will be paid each year for a 6 year period through the NHB. In 2012/2013, it received £0.575m for a six year period, giving a total of £1.152m for 2012/2013. Of this £0.500m was approved by Cabinet in June 2012 towards funding the Hendon Orphanage project.
- 3.3 In November 2011, Cabinet agreed that the £0.577m of New Homes Bonus funding for 2011/2012 could be used for the following 2 projects:
- i) £0.250m of the funding to be used to offer equity loans to owners to refurbish empty properties.
 - ii) £0.327m to be put into a loans fund which Registered Providers, or similar organizations, could bid for in order to purchase and improve problematic empty homes.

- 3.4 In March 2012, the Government announced, through the HCA, that there was a further £50 million pounds being made available to local authorities, through its “Clusters of Empty Homes Programme” to return empty properties back into use in areas where 10% or more of properties are empty. This Council made a joint bid with Gateshead Council (in view of the HCA’s eligibility criteria of returning a minimum of 100 empty properties back to use) and in May 2012, the Council received confirmation that its Clusters bid had been successful. The HCA awarded £472,105.15 of funding to Sunderland City Council to refurbish 80 properties in the cluster areas of Millfield, Hendon, Sulgrave and Sunderland North and this seeks the approval from Cabinet to undertake the programme with matched contributions through £472,105.15 of its NHB funding. Gateshead Council will be returning a further 25 empty properties back into use through its own portion of the funding.
- 3.5 **External Projects** - The Council’s Empty Properties Team is also working with a number of external organizations to help them identify empty properties to return to use in the Sunderland area, using funding from the HCA. The organisations are Gentoo, the Cyrenians and Centrepont. Details of these projects can be found at Appendix 1.
- 3.6 As a consequence of increased funding becoming available for empty properties, there is a need to amend Section FAP15 of the Financial Assistance Policy (Empty Homes Assistance) to better reflect the funding available and the outcomes required from these projects. The proposed change will allow the Council flexibility to offer the type of loan that is felt to be most appropriate to the property in question; this may be a repayment loan, equity loan or interest free loan. Adopting the use of repayment loans in appropriate cases will also allow the Council to recycle funds at a quicker pace than has been the previous case for empty property assistance. The policy also allows for area based grants for empty property improvements.

4.0 Current Position

The Council aims to return 407 empty properties back into use and the empty properties projects will help contribute to this target. A summary of the progress of the Council funded projects and external projects can be found at Appendix 1. However, Cabinet is requested to particularly note the following:

- 4.1 **Empty Property Equity Loans** - This scheme is progressing well with a good uptake from owners particularly from the East and Coalfield areas of the City.
- 4.2 **Empty Property Acquisitions Project** - Despite and invitation being sent to all Registered Providers and similar organisations, only one organisation (Back on the Map) has applied for loans from the £0.327m loan fund (to the full value of the fund) to acquire and refurbish 5 empty properties in the Hendon area.

The application meets all of the criteria for the project. Back on the Map is not a Registered Provider but with its social purposes including regeneration within the Hendon area and the provision of affordable housing, it may be properly classed as “a similar organisation” as referred to in the Cabinet report of November 2011. The loan will be paid back to the Council by March 2024 through the monthly rental income from the properties in question. If there is insufficient rental to repay the loan by 2024, Back on the Map will use its own money or funding through other sources to repay the loan e.g. Cluster funding for the Hendon area could be used. Section FAP 15 of the Financial Assistance Policy (which currently restricts the provision of assistance to owner occupiers and accredited landlords) requires amendment in order that financial assistance can be made available for Registered Providers, or similar organisations, for the purpose of acquiring and improving empty properties.

- 4.3 **Clusters Project** - following confirmation of the HCA funding, empty properties officers are currently contacting all owners of empty properties in the cluster areas. The financial assistance for this project is through half repayment loan and half grant. This will enable the Council funding to be recycled with the HCA element being offered as an interest free loan to make the assistance more attractive to empty property owners. Sections FAP 12 and FAP 15 of the Financial Assistance Policy require additional amendment to allow for this flexibility. This is in the context of the Regional Financial Assistance Policy and allows for the grant to be repaid within a stated period if a property is sold within a period of up to 5 years. The target for this financial year is 23 empty properties to be refurbished and brought back into use.

There has not been a big uptake to date by owners, many of whom are choosing to refurbish the properties through their own funds with other properties being above shops and used for storage. However, empty property officers are working hard to contact all owners on the lists and are hopeful of meeting this year's targets and regular meetings are being held with the HCA to look at best practice. The HCA has also established a national Empty Homes Clusters Network, the first meeting of which was held on 28 September in Manchester and at which Sunderland was represented.

It is anticipated that expenditure of £0.271m will take place in 2012/2013 with the balance of £0.673m taking place in 2013/2014.

- 4.4 **External Projects** - work is progressing with Gentoo and the Cyrenians to identify empty properties for either acquisition and/or refurbishment. Centrepont's project will be starting in 2013/2014 with 10 properties being refurbished in the Sunderland area in that financial year and a further 10 in 2014/2015.
- 4.5 To allow the Executive Director of Health, Housing and Adult Services to utilise funding from the Homes and Community Agency for Empty Property work and to allow the Council to maximise the opportunity presented through New Homes Bonus funding, it is necessary to change policy FAP 15 of the Financial Assistance Policy, in relation to empty homes. The previous and new versions of this policy is attached at Appendix 2. Further flexibility will also be gained through the proposed amendments to policy FAP12 (assistance in connection with Area/Themed Based Assistance) which is also shown in Appendix 2. The full version of the Financial Assistance Policy can be found on the Council's website www.sunderland.gov.uk/index.aspx?articleid=1928 As well as the criteria set out within the Financial Assistance Policy, conditions will be applied by Five Lamps, the Regional Loans Administrator, at the point of awarding the loan under policy FAP15. These are outlined below:

- i) A full financial assessment of the applicant will need to be undertaken, should a repayment loan be the preferred loan product.
- ii) Where an equity product is preferred a full financial assessment is not required however, verification will be required to ensure the applicant is not discharged bankrupt or has County Court Judgements against him that are deemed unacceptable. A full assessment of the property must be undertaken to ensure sufficient equity is available.
- iii) To assist stimulate the market it is proposed to remove the condition that an applicant must have owned the property for a period of 12 months prior to the date of application for assistance.
- iv) To improve the level of protection when securing loans against properties it is proposed to include a new condition excluding applicants that have been discharged bankrupt from the offer of financial assistance.

4.6 To ensure Empty Property Assistance is used to bring empty properties back into occupation a new condition stating that the property must be occupied within three months of the works being completed and must not remain unoccupied for any more than three months in each year of the term of the loan has been introduced.

4.7 To support Sunderland's drive to improve standards in the private rented sector the condition which obligates landlords to become members of local Accreditation Schemes for the lifetime of the loan will remain.

5.0 Reasons for the Decision

5.1 Implementing the Council's Empty Property projects will provide the Council with the opportunity to look at innovative and proactive ways to reduce the wasted resource of empty properties across the City and thus, increasing the opportunity to secure New Homes Bonus Funding.

6.0 Alternative Options

6.1 The Council could leave the Financial Assistance Policy as it is but this would not allow the Executive Director of Health, Housing and Adult Services to utilise Council's and the Homes and Communities Agency (HCA) funding in a manner flexible enough to encourage the acquisition and/or refurbishment and return to use of empty properties. In turn the New Homes Bonus payments, rewarded for returning empty properties back into use would not be perpetuated in future years. Residents from the Council's Housing Register would be rehoused as quickly. This course of action, therefore, is not recommended.

7.0 Relevant Considerations/Consultations

7.1. **Financial** - The Executive Director of Commercial and Corporate Services has been consulted on the financial implications. All Council funding will be repaid to the Council either as an equity or repayment loan.

As noted in the report £0.577m is available from the New Homes Bonus funding for the Empty Homes projects listed above plus £472,105 for the Clusters project. A further £472,105 has been provided by the HCA for the cluster's project. Other funding is provided through Gentoo, the Cyrenians, Back on the Map and Centrepint.

7.2 Risk Analysis

- 7.2.1 There is a risk that the proposed New Homes Bonus projects will not perpetuate the bonus for future years. This risk has been mitigated by proposing a number of different projects, increasing the likelihood of delivery. Additionally, if the fund established for Registered Providers and similar organizations is not exhausted, this will be transferred to the loans project and vice versa. This additional flexibility will mitigate the risk of the funding not being spent. The projects will be monitored carefully, using the PRINCE II methodology. The Housing and Neighborhood Renewal Team also has a good “track record” in delivering successful projects. Additionally, empty properties which fall into the definition of the NHB will be focused on.
- 7.2.2 There is a risk that the Council cannot deliver the return to use of 80 empty properties in the cluster areas. This risk has been mitigated by contacting all owners with empty property in the whole of the cluster areas rather than focusing on the more problematic properties. The Empty Property Team is looking at different ways to market the benefits of the scheme together with partners such as the Access to Housing Team, the HCA and Northumbria Police.
- 7.3 **Legal Implications** – The Head of Law and Governance has been consulted and her comments taken into account in the preparation of this report.
- 7.4 **Consulting the Public.** – Empty property projects have been raised at the State of the Area debates, residents’ meetings and through the Council’s website.
- 7.5 **Equalities** – There is no direct negative impact with regard to equalities and the project will create more affordable housing for key workers and vulnerable households, including those threatened with homelessness.
- 7.6 **Project Management Methodology** – The Council’s project management methodology will be used. Officers have been trained in PRINCE 2.
- 7.7 **Sustainability** - The project meets aim 5 of the Sunderland Strategy.

8.0 List of Appendices

Appendix 1 – Empty Property Projects – Summary Sheet

Appendix 2 – FAP 12 and FAP 15 of the Housing – Financial Assistance Policy 1 April 2011 – March 2014 (former and revised versions)

9.0 Background Papers

There were no background papers relied upon to complete this report.

