

Subject: HCA Empty Property Funding Allocation
Date of Decision: 21 March 2013
6 March 2013 – Housing Committee
Report of: Geoff Raw, Strategic Director, Place
Contact Officer: Name: Martin Reid Tel: 29-3321
Email: martin.reid@brighton-hove.gov.uk
Key Decision: Yes Forward Plan No:
Ward(s) affected: All

FOR GENERAL RELEASE/ EXEMPTIONS

1. SUMMARY AND POLICY CONTEXT:

- 1.1 Working with the Homes & Communities Agency (HCA) and neighbouring authorities to bring long term empty homes back into use meets both a key aim of the City-Wide Housing Strategy 2009-14 and Corporate Plan priority of Tackling Inequality. Bringing long term empty homes back into use:
- Promotes effective use of the City's housing stock to meet housing need
 - Ends the blight on neighbourhoods caused by long term empty homes
 - Attracts New Homes Bonus from Government
 - Increases council tax revenue where the property is returned to use.
- 1.2 Brighton & Hove has a successful Empty Property Strategy. The Empty Property Team works with owners to return more than 150 long term private sector empty homes back to use every year in the City, including around 30 for our leasing scheme for homeless households. Brighton & Hove Empty Property Team have a strong track record as a sub-regional lead in delivering empty property services and investment across borough boundaries.
- 1.3 Brighton & Hove were sub-regional lead on a recent successful bid for funding under the Homes & Communities Agency (HCA) Empty Homes Programme 2012–15.
- 1.4 Brighton & Hove's allocation, subject to contract and including delivery for Lewes DC, is £900k to bring 60 long term empty homes back in use over three years across both authorities. This is on the basis of recyclable loan fund supporting capital investment for repair and lease back to the Council for a minimum of 5 years. Additional homes will also be returned to use as the loan funding is repaid and then recycled and used to fund further loans.
- 1.5 This paper seeks to inform Housing Committee of the details of this successful funding bid and the potential investment to support the strategic priorities of maximising housing supply, investment and income and to secure sub-regional partnership working with the Homes and Communities Agency and Lewes DC.

2. RECOMMENDATIONS:

2.1 It is recommended that Housing Committee –

2.1.1 Note the successful bid to the Homes & Communities Agency for funding under the Empty Homes Programme 2012-15 (currently subject to contract).

2.1.2 Delegate authority to Strategic Director Place to enter into the Empty Homes (Revolving Fund) Agreement (2012-15 allocation (local authority)), the key elements of which are set out in paragraph [3.22] of this report.

2.2 It is recommended that Policy & Resources Committee –

2.2.1 Approve the Empty Property Capital Scheme and update the Capital Programme with budgets of £405k in 2013/14 and £495k in 2014/15 to be funded by £900k HCA capital grant (of which £675k relates to BHCC and £225k relates to Lewes to be managed via BHCC).

2.2.2 Approve forward funding to a maximum of £200k for this project due to the timing issues of awarding funding and the subsequent grant claim as detailed in paragraph 3.20.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 Improving Housing Quality and Housing Supply by working with owners to bring more of the City's long term empty private sector homes back into use are key strategic goals of City-Wide Housing Strategy 2009-14.

3.2 The Empty Property Team bring back c 150 long term empty private sector homes back into use per annum through:

- Working with colleagues in Council Tax to identify empty homes;
- Working with owners offering advice and assistance and any available funding to encourage owners to bring empty homes back into use;
- Where all other negotiation has failed use of appropriate enforcement action up to and including compulsory purchase to bring long term empty homes back into occupation through EPEG (Empty Property Enforcement Group) which works with teams across the Council to co-ordinate any and all appropriate enforcement actions.

3.3 In addition to making best use of existing housing resources in the City and ending the blight on neighbourhoods often caused by homes left empty, bringing empty homes back into use also generates income for the General Fund.

3.4 The New Homes Bonus (NHB) is a funding incentive for local authorities largely to facilitate the creation of new homes in their area and bring empty homes back into use. The funding allocation announced in January includes £0.191m from a reduction in long term empty properties payable for six years from 2013/14.

3.5 The recent Council Tax Discounts and Exemptions Reform report made the

following recommendations relating to work of Housing Empty Property Team and bringing long term empty private sector homes back into use:

- That the Council introduces a period of up to six weeks 100% discount for dwellings that are empty and unfurnished, to replace the current six month exemption known as Class C;
 - That the Council introduces an Empty Home Premium at the maximum 50%, meaning that those liable for empty dwellings will have to pay 150% Council Tax after two years of the dwelling remaining empty.
- 3.6 Brighton & Hove Empty Property Team provide a sub-regional lead through both the BEST (Brighton & Hove and East Sussex Together) partnership and the pan Sussex Empty Homes Forum.
- 3.7 From 2008-2011 the sub-regional BEST partnership (Brighton & Hove, Lewes, Wealden, Eastbourne, Rother & Hastings) delivered a programme of more than 700 empty homes returned to use, through direct funding and enabling work, as part of the wider programme of private sector renewal.
- 3.8 Brighton & Hove Chair the Sussex Empty Homes Forum which brings together empty property officers (or those dealing with the issue) from all authorities in East and West Sussex and the Homes & Communities Agency (HCA) to share skills and resources.
- 3.9 The Brighton & Hove Empty Property Team also directly provide empty property services to Horsham District Council & Lewes District Council.
- 3.10 Brighton & Hove were sub-regional lead on a recent bid for funding under the HCA Empty Homes Programme 2012–15. The HCA Empty Homes Programme bid offered two bid options, purchase & repair and lease and repair. No Registered Provider partner was willing to undertake purchase and repair in the City so we proceeded with a bid based on the lease and repair option on the basis of recyclable loan fund supporting capital investment for repair and lease back to the Council for a minimum of 5 years.
- 3.11 Our allocation, subject to contract and including HCA approval for delivery on behalf of Lewes DC, is £900k to bring 60 long term empty homes back in use, broken down as follows:

HCA operating area	Number of units	Funding requested
East & South East (BHCC)	45	£675k
East & South East (Lewes District)	15	£225k

- 3.12 The proposed £900,000 programme is broken down as follows:
- 13/14 – 27 units (405k)
 - 14/15 – 33 units (495k)
- 3.13 We also supported local housing co-ops and community groups in their successful bid under this programme with four groups being allocated £713k to bring up to 10 long term empty homes back into use through a mixture of leasing

and purchasing empty properties.

- 3.14 The bid and funding allocation are based on offering home improvement loans under our existing Private Sector Housing Renewal Assistance policy to enable long term empty homes to be brought back into use on a lease and repair basis whereby we secure the property for a period of time under our private sector leasing scheme in return for our loan funding.
- 3.15 The Council has insufficient Council homes to meet the demand from vulnerable households to whom we owe an accommodation duty. In order to meet this accommodation need the Council currently lease c 700 homes from private owners. Our Empty Homes Team support this leasing through funding long term empty homes back into use on the basis that homes are leased back to the Council to provide temporary accommodation. Overall, up to a third of the homes leased provide homes to meet referrals for accommodation Adult Social Care (Adult Mental Health, Physical Disabilities & Learning Disabilities), CYPT, Community Safety Team and Housing Management. The budget strategy is to reduce costs by taking long term lease agreements with private sector landlords based on forecasts of need from referring services. It has been estimated that long term leasing of homes for some 312 households has saved the Council £4.86m pa.
- 3.16 Given the impact of rising rents in the City, we are also aiming to secure the supply of leased accommodation at lesser cost by sub-regional procurement of leased accommodation. This includes work with Lewes DC on leasing as well as Empty Property Services in support of Lewes DC also meeting accommodation needs in their area.
- 3.17 The lease and repair model funded through this allocation secures a recycled loan fund to maximise available funds on a revolving loan basis to enable more long term empty homes to be brought back into use beyond the initial programme.
- 3.18 Home improvement loans are currently offered by authorities in the BEST partnership, including Brighton & Hove and Lewes DC, through our established not for profit community finance funding partner Parity Trust. Parity currently offer a Home Trust Loan scheme on behalf of their local authority partners to which they contribute additional capital funding as well as the capacity to offer recyclable loans enabling a sustainable long term funding solution. Under the existing funding model Council funding via Parity includes capital to support costs of work and interest rate subsidy. Parity add 25% top up funding. This is the model proposed for the HCA funded scheme.
- 3.19 The HCA Empty Property Programme funding is payable on a property by property basis when a long term empty home is brought back into use. Front funding of capital of up to 50% of approved grant to be paid at commencement of works (and the remaining 50% paid at completion of works) Overall HCA capital will support costs of work, related administration costs and subsidise interest rate. Current interest rate proposal is 8.49% subsidised to allow rate available to owner of 5.49%.
- 3.20 The scheme will require forward funding as the grant cannot be claimed in full

until completion of the works which could take up to 6 months. Forward funding has been calculated at £200k which will be repaid from the grant income.

3.21 In terms of next steps. The HCA awarded Brighton & Hove Affordable Housing Programme Investment Partner status, approved on 21/11/12. The HCA Empty Homes Funding Agreement has been released and is currently subject to review and final agreement in negotiation between Brighton & Hove and HCA Legal teams.

3.22 The HCA Funding Agreement is based upon standard HCA Affordable Homes Programme contract as amended, including:

- Property should not have been occupied for residential purposes during any of immediately preceding six months;
- Minimum Lease Duration - a lease of between five and seven years unexpired duration;
- Loan Agreement – agreement entered into between Grant Recipient (Council) and a Homeowner in relation to Revolving Fund Scheme;
- Affordable Rent Terms – the tenant rent (inclusive of service charge) must be set at a level which is no more than 80% of the estimated market rent for an equivalent rent in the locality.

3.23 A further HCA Empty Homes funding round was announced by the minister on 26/11/12. As well as tackling Empty Homes this new bid round has an additional emphasis on refurbishing empty commercial and non-residential properties for Affordable Housing with links to the 27 Portas Pilots and 326 Town Teams. Bidding for this funding is now open and bids must be submitted through the HCA's Investment Management System (IMS) by noon 25 March 2013. We are currently considering our approach to this bidding opportunity in discussion with partners. We aim to support additional bids from community groups and support them in their searches for suitable properties if successful.

3.24 If, due to their regulations and timescales, the HCA require the Funding Agreement be completed prior to the Housing Committee meeting on 6 March 2013, the Strategic Director Place would need to consult with the Committee Chair, then authorise the completion of the Agreement himself using urgency powers available to him under the council's scheme of delegation to officers.

3.25 Should this situation occur, the Strategic Director would need to report his actions to the Committee.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

4.1 The bid and funding allocation are based on home improvement loans offered under our existing Private Sector Housing Renewal Assistance policy to enable long term empty homes to be brought back into use. Development and review of Private Sector Housing Renewal Assistance Policy has been subject to consultation.

4.2 In addition, we have supported local housing co-ops and community groups in their successful bid under the HCA Empty Homes Community programme and

will continue engagement with community groups to support any future bids they may wish to make.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The £900k HCA funding includes £675k for Brighton & Hove City Council and £225k for Lewes District Council.
- 5.2 The financial implications of this scheme are that the Council will release funding for the loans to homeowners, delivered by BHCC under a proposed contract with Parity Trust with 50% of the grant funding being received in advance and the remaining 50% being subject to a claim being approved by HCA.
- 5.3 It is anticipated that 27 properties will be delivered in 2013/14 and 33 properties in 2014/15 requiring capital funding of £405k and £495k respectively. The estimated timing of cash flows will require forward funding up to £200k pending receipt of outstanding grant from the HCA.
- 5.4 The proposed contract with Parity would manage the loans to homeowners and the subsequent loan repayments. These loan repayments would then be used as the recyclable loans fund in order to comply with the terms of the grant funding and deliver an ongoing supply of affordable loans to eligible homeowners.. Appropriate administrative costs and the interest rate subsidy can be charged to the grant funding.
- 5.5 A Service Level Agreement will be entered into with Lewes DC.

Finance Officer Consulted: Name Anne Silley Date: 22/02/13

Legal Implications:

- 5.6 The Council has a legal obligation under Part VII of the Housing Act 1996 as amended by the Homelessness Act 2002 to provide accommodation to people and households who are vulnerable and in priority housing need. Receipt and execution of this fund will enhance the Council's ability to meet this obligation.
- 5.7 With the execution of the Funding Agreement the Council will now formalise on going negotiations by completing a legal agreement with Parity Trust to disburse the funds and progress the Council's housing objectives as set out in this report.
- 5.8 With reference to paragraphs 3.24 – 3.25 above, the urgency powers available to the Strategic Director, should he require them, are set out in the General Delegations to Officers at Part 6.2, paragraph 7, of the council's constitution.

Lawyer Consulted: *Name Ola Oduwole* *Date: 15/02/13*

Equalities Implications:

- 5.9 Working with partners including the Homes & Communities Agency and neighbouring authorities to bring long term empty homes back into use and

improve housing supply is aligned to the key Corporate priority of tackling inequality through meeting identified needs of disadvantaged groups in the City to whom the Council owes a housing duty.

Sustainability Implications:

- 5.10 Bringing long term empty homes back into use makes best use of existing housing resources in the City. Improving homes brought back into use includes improvement to thermal comfort benefiting energy efficiency, addressing fuel poverty and reducing carbon emissions in line with One Planet Living principles. property.

Crime & Disorder Implications:

- 5.11 Empty property is recognised as having high potential to attract anti-social behaviour and crime (i.e. stripping of materials from the property), which can add to a sense of insecurity in the neighbourhood.

Risk and Opportunity Management Implications:

- 5.12 An initial risk will be loss of funding if unable to finalise the HCA contract within their timetable. Mitigation is use of 'urgency' procedure outlined above.

The key risks for the scheme will mean that the Council will be unable to access HCA Funding available under the Funding Agreement.

Other risks include:

- Not being able to identify suitable empty homes for the scheme;
- Rents under the scheme not being attractive enough for owners to lease for minimum term;
- Homeowners not being eligible for or willing to enter into the loan agreement.

There is also a relationship risk with Lewes DC should we be unable to fulfil their element of the programme and deliver empty homes back into use in their local authority area.

By way of risk mitigation:

- We have an established and successful empty property strategy which identifies and makes sustained contact with owners and a previous funding scheme (albeit grant rather than loans) that funded 60 units 2008 - 2011.
- EPEG (Empty Property Enforcement Group) will work to encourage owners to a positive return to use for their property. Introduction of the Council tax premium from 1 April 2013 will be used as another disincentive for owners to leave their properties empty. The enforcement role of the Empty Property Team is outlined in the report (3.2) and can include legal action to bring empty homes back into use up to and including Compulsory Purchase Order.
- We have a strong track record of sub-regional working including past delivery of Empty Property Officer services in Lewes District and a current leasing scheme with LDC. We will be agreeing a Service Level Agreement with LDC around delivery of Empty Property Officer services.

In addition, with the end of Government funding for Private Sector Housing Renewal under Comprehensive Spending Review there are no other capital funding streams available to enable / encourage homeowners to bring long term empty homes back into use.

Public Health Implications:

- 5.13 Brighton & Hove Joint Strategic Needs Assessment 2012 highlights the relationship between poor housing & health outcomes:
- Cost to individual: repeat hospital admissions; frequent visits to GP; isolation; substance misuse; suicide & death;
 - Wider implications: costs to NHS and local authority; environmental impact (e.g. in creased carbon emissions); crime & antisocial behaviour; low community resilience.

In terms of community wellbeing and resilience Director of Public Health Annual report (2010) identifies that Housing in Brighton & Hove represents a particular vulnerability for children and adults.

Bringing long term empty homes back into use supports the aims of the City-wide Housing Strategy to make best use of existing housing resources and improve housing supply and housing quality in the City.

Corporate / Citywide Implications:

- 5.14 The scheme supports corporate priorities, Tackling Inequality and Creating a Sustainable City and specific outcomes: 'A healthier and higher quality built environment' & 'Decent, Affordable, Healthy Housing' The scheme will operate within the council's Empty Property Strategy which works to bring long term empty properties back into use as homes.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 With the end of Government funding for Private Sector Housing Renewal under Comprehensive Spending Review there are no other capital funding streams available to enable / encourage homeowners to bring long term empty homes back into use.
- 6.2 Should funding not be available to assist owners to bring long term empty homes back into use options left to the Council would be limited to identification, encouragement, without any funding incentive, and enforcement action up to and including compulsory purchase.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The reasons for the recommendation are identified in the report.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

1. Empty Homes (Revolving Fund) Agreement (2012-15 allocation (local authority))