

Cabinet

30 October 2013

Revisions to the Council's Financial Assistance Policy 2011-2014 and Empty Homes Cluster Programme April 2012 to April 2014



Report of Corporate Management Team

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Councillor Eddie Tomlinson, Cabinet Portfolio Holder for Housing and Rural Issues

Purpose of the Report

- 1 To inform Cabinet of revised arrangements for the delivery of the Department of Communities and Local Government (CLG) and Council capital programme funded Empty Homes Cluster Programme made under paragraph 12 of table C of the Council's constitution (taking urgent action).
- 2 To inform Cabinet of necessary amendments to the Council's Financial Assistance Policy 2011-2014 in order to deliver on the Empty Homes Cluster Programme made under paragraph 12 of table C of the Council's constitution (taking urgent action).

Background

- 3 Cabinet approved proposals for the Empty Homes Cluster Programme on 5 June 2013. The proposal entailed the Council purchasing private sector empty properties in defined "cluster" areas and investing in these and bringing them back into use with partner Registered Providers.
- 4 In 2012 the Council were awarded £2.12m of funding by CLG to be match funded through the Council's capital programme (£1,123,200 in each of 2013/14 and 2014/15) to bring 120 empty properties back into use by March 2014 in the following defined areas:
 - a. Easington Colliery (40 units)
 - b. South West Durham notably Eldon Lane, Coundon Grange, Coundon, Dean Bank and Chilton (55 units), and
 - c. Craghead/South Moor, Stanley (25 units).

- 5 The bid was underpinned by the assessment that it would cost an average of £36,000 to purchase a vacant property. This purchase would be made using equal amounts of CLG and Council capital funds. Additionally it was estimated that an average of £15,000 would be required to bring the property up to Decent Homes Standard. It was envisaged that this funding would be provided by the partner Registered Providers.
- 6 The proposal was for the Council to own the properties and to lease them to Registered Providers for a period of 12 years. Properties would be maintained and managed by the Registered Providers and rented out at an affordable rent of approximately £90 per week. The Council would receive a proportion of the income that could then be recycled into bringing further empty homes back into use.
- 7 To implement the approved approach an expression of interest process was undertaken in May 2013 which targeted all active Registered Providers operating in the County. No expressions of interest were received. Feedback was sought from Registered Providers to see if it would be possible to amend proposals to make them more attractive to Registered Provider partners. Again no expressions of interest were received. Officers are confident that this option has been fully exhausted.
- 8 The Homes and Communities Agency (HCA) oversee the programme on behalf of CLG. A meeting was held with HCA to discuss an alternative way forward. HCA specified that the target of 120 empty homes brought back into use cannot be altered downwards; no additional funding is available and the target areas must remain those detailed in 4 above. HCA also specified that there is no option that we give the funding back to them and that we must have all the funding committed by April 2014. On the other hand, HCA were open to alternative proposals about the approach we adopt to achieve this end and encouraged us to link with Gateshead and Newcastle (two other authorities in receipt of HCA Empty Homes Cluster Programme funding) to consider the approach they had adopted.
- 9 Gateshead Council are offering the owners of empty homes a non means tested grant of £6,000 to improve properties and bring them back into use. The cost of the works required is assessed and the difference between the cost and the grant is counted as match funding by the property owner. Gateshead has brought over 25 properties back into use under the scheme, already exceeding its targets for the two year scheme.
- 10 Newcastle City Council is offering a £2,000 grant coupled with a non means tested interest free repayment loan of up to £15,000. The Council are using Five Lamps (the loan administrator for the North East Regional Loans Scheme, contracted since April 2010) to administer the loans. The Council have brought around 30 homes back into use to date and have another 30 homes in the pipeline.

- 11 The most deliverable option for the Empty Homes Cluster Programme is to work with private landlords and home owners to bring empty homes back into use using grants and loans. Given the delays we have experienced in commencing this essential programme urgent action is required to take the programme forward. HCA have indicated that they expect to see our programme start in October 2013. It is in light of this urgent need that the Council's constitution has been utilised to take "urgent action" in consultation with the Leader of the Council and relevant portfolio holders to get the programme underway and provisions have been made to inform Cabinet of the programme changes at the earliest opportunity.
- 12 In order to deliver the Empty Homes Cluster scheme under these new arrangements amendments have been required to the Council's FAP which have also needed to be affected using the "urgent action" provision in the constitution. The amendments to the FAP also assist more generally with achieving the objectives of its Private Sector Housing Strategy. The following amendments have been made to the Council's FAP:
- a. To introduce a non means tested interest free repayment loan of up to a maximum of £15,000 for a fixed term up to a maximum of 5 years in the designated Empty Homes Cluster Programme areas. (It should be noted that the FAP will offer scope for the maximum loan to be increased to £35,000 and the repayment period to be extended to 15 years to cater for future eventualities should new needs be identified) To offer a grant of up to £5,000 to enable empty properties in Empty Homes Cluster Programme areas to be brought back into use. (It should be noted that the FAP will offer scope for this grant to be increased to £8,000 to provide additional flexibility should the need arise).
- 13 It is proposed that approximately 70% of the total funding available in each of the two years (£3,056,480) is earmarked for grants and loans with the Housing Regeneration Project Managers for each of the cluster areas being left with a pot of money to be able to address other issues deemed to be contributing to low demand. This is because issues of low demand are not only linked to property standards but often to the wider environment and it is critical that local stakeholders have ownership of the cluster area regeneration initiatives and have the means to collectively decide key actions that will generate local housing demand on an area by area basis. Activities might include improving green spaces, creating additional car parking spaces, or dealing with fly tipping and accumulations of rubbish in gardens and yards.
- 14 The majority of funding will be used to issue loans and will therefore be recycled. Strict grant and loan conditions will be drawn up to ensure that homeowners complete required refurbishment works and bring their properties into occupation. The loans will be secured by placing a land charge on the properties. Five Lamps will administer the loans on our behalf. They have an excellent track record and of the loans they have

administered on our behalf since 2010 not a single household has defaulted on loan repayments. Five Lamps contract is due to end in March next year but the North East Loans Partnership has determined to extend the contract for another year.

- 15 Even in the unlikely event that owners and landlords all opt for the maximum £15,000 loan in addition to the £5,000 grant 152 properties will be brought back into use versus 120 properties under the old proposal. Furthermore the funding retained for related regeneration activity in the cluster areas will have a further positive impact on housing demand. Whilst the recycling element of the programme is very important, the overriding concern is that the programme is successful is increasing housing demand (reducing levels of empty homes) in the identified cluster areas. Officers feel confident that the new arrangements maximise chances of delivering successful programmes in each of the cluster areas.
- 16 There are several other benefits that the revised arrangements have over the original proposals notably:
- a. Under the old scheme properties were brought back into use for social rent meaning that the rented sector would be the dominant sector in the cluster areas. Under the new arrangements incentives can be provided to encourage owner occupation and provide a more sustainable tenure mix;
 - b. Government is placing great emphasis on building partnerships with the private rented sector and in doing so raising standards. There are a number of large scale private landlords that are keen to work with us in the cluster areas;
 - c. Funding will be recycled more quickly under the new arrangements;
 - d. The new arrangements are easier and more cost effective to administer (using Five Lamps to administer loans as opposed to property purchase and lease) ; and
 - e. Greater leverage of funding from the private sector will be realised under the new arrangements.
- 17 The changes to the delivery of the Empty Homes Cluster Programme and resultant required changes to the FAP accord with a wider review that has been undertaken of the effectiveness of the Council's FAP that is included as Appendix 2 to this report.

Recommendations and reasons

- 18 That Cabinet notes amendments to the delivery arrangements for the Empty Homes Cluster Programme that involve administering a combination of grants and loans to owners of empty homes in defined "cluster" areas.

- 19 That Cabinet endorses necessary amendments to the Council's Financial Assistance Policy in order to deliver the Empty Homes Cluster Programme and more widely on the key objectives of the Council's Private Sector Housing Strategy.

Background Papers

- 20 Empty Homes Cluster Programme Cabinet Report - 5 June 2013

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Appendix 1: Implications

Finance -

The CLG monies cannot be paid back, but the Council risks considerable reputational damage if it fails to deliver the programme. There may also be a negative impact on future funding bids to the CLG.

Staffing -

The programme will be delivered by existing staff teams notably the area-based housing regeneration teams and the Housing Improvement Team (HIT)

Risk -

The CLG programme funds need to be spent within the prescribed timescale. Should this be delivered the Council risks incurring reputational damage that may affect our ability to bid successfully for future CLG funding programmes.

Equality and Diversity / Public Sector Equality Duty -

None.

Accommodation –

None.

Crime and Disorder -

Reduction of crime and anti-social behaviour in “cluster areas” due to a decrease in the number of vacant properties blighting areas.

Human Rights -

None.

Consultation –

Cluster programmes will be delivered in consultation with local stakeholders.

Procurement -

None, utilising an existing contract with Five Lamps to administer loans.

Disability Issues –

None.

Legal Implications –

Proposals involve placing land charges on properties but this is something we have done since 2010 when we began issuing loans. Five Lamps will deal with any default on loans payments as they have done since 2010. There is a small chance that some of the funding not placed in the grants and loans pot may be used to acquire and repair a property. The Housing Regeneration team have in-depth experience of this activity in relation to existing regeneration proposals. The Local Government Act 1972: General Disposal Consent (England) 2003 removes the need for a local authority to seek specific consent from the Deputy Prime Minister and First Secretary of State, for any disposal of land which the authority considers 'will help it to secure the promotion or improvement of the

economic, social or environmental well-being of its area', where the difference between the unrestricted value of the interest to be disposed of and the consideration accepted (the undervalue) is two million pounds or less. The proposal within this report addresses the needs for social housing within the area. The provision of such housing to meet current lack of suitable accommodation across the county is aligned to the Council's sustainable communities strategy.

Appendix 2: Review of the Council's Financial Assistance Policy

The newly forming Durham County Council approved its first FAP on 5 February 2009. The three key objectives of the policy were:

- a. To improve and maintain healthy living conditions within private sector housing, specifically helping homeowners on limited incomes to repair, improve or adapt their properties and so facilitate independent living;
- b. To contribute to the regeneration of areas suffering from market vulnerability, and to tackle poor housing conditions in areas where these may contribute to neighbourhood decline; and
- c. To encourage owners to undertake works that will make their homes more energy efficient and to reduce the numbers of people affected by fuel poverty.

The Council's 2009 FAP was devised to be in line with an emerging North East Regional FAP and Regional Loans Partnership being developed by the then North East Housing Board. The key aim of the thirteen North East Council's in the Partnership was, wherever possible, to move from a grants to a loans regime. The loans scheme became operational in 2010. All thirteen North East local authorities participate in the scheme. Five Lamps were contracted by the partnership in April 2010 to administer loans products on behalf of the authorities following an open tender process.

The scheme provided for three loan products as follows:

- a. Capital and interest repayment loan;
- b. Equity loan, and
- c. Interest free loan (repaid only when ownership of the property changes).

From the start of the scheme in April 2010 to March 2011 the Council processed 57 loans but none of these were in housing regeneration areas or resulted in empty homes being brought back into use.

The Council's Private Sector Housing Strategy 2011 – 2015 was approved by Cabinet in September 2011. It has five stated key priorities of:

- a. Area based regeneration;
- b. Meeting the needs of vulnerable people / improving and adapting properties;
- c. Improving management practices and stock condition in the private rented sector;
- d. Bringing empty homes back into use, and

e. Making properties more energy efficient.

The Council's Strategy is to focus on geographical areas with the worst concentrations of housing problems including high numbers of empty properties and a high proportion of housing in the private rented sector. In addition, there is also a focus on meeting the needs of vulnerable people across the whole of the county through the provision of an advice, repairs and adaptations service supported by the provision of grants and loans.

Within the County these areas with the worst concentrations of housing problems are typically former coalfield areas. Given that just over 50% of the total housing stock in County Durham is classified as former coalfield housing this represents a major challenge for the Council.

In July 2011 the first periodic review of the Council's FAP was undertaken in light of the Council's emerging Private Sector Housing Strategy and poor performance in bringing empty homes back into use in housing regeneration areas.

In accordance with legal advice at that time changes to the 2009 FAP were adopted by the Corporate Director of RED and the portfolio holder for Economic Regeneration using delegated powers. Amendments did not include any changes to the existing loan types, eligibility or conditions but loans were made available to owners of privately rented properties within defined housing regeneration areas and a clause was inserted into the FAP that "the landlord must satisfy the council that robust management practices and procedures are in place and are maintained until the loan is repaid".

In spite of the revisions to the FAP in 2011 performance in bringing empty homes in housing regeneration areas via a loans regime has continued to be very poor. Whilst a total of 63 loans were given in 2011/12 and 46 in 2012/13 less than ten of these loans have been issued to households in priority regeneration areas or to the owners of empty homes, despite there being key performance indicators in place to monitor performance in these areas. Progress in 2013/14 has been slow with only two loans approved between April and July. Indeed the FAP has not been a successful mechanism in meeting four of the five objectives of the Council's Housing Strategy with the only exception being "meeting the needs of vulnerable people / improving and adapting properties".

Therefore in July 2013 another periodic review of the FAP was undertaken by the Housing Regeneration team. As with the 2011 review the focus was again to ensure that the FAP was adequately aligned with the Council's Private Sector Housing Strategy 2011 – 2015 in order to ensure that the Council is targeting its resources where it has deemed they are most needed. Based on a review of past performance and progress in other authorities it was deemed necessary to introduce new grants and loans products in order to deliver on all five objectives of the Strategy.