

SHEFFIELD CITY COUNCIL

Individual Cabinet
Member Report

Report of: Simon Green

Report to: Councillor Jayne Dunn

Date: 28 July 2015

Subject: Empty Homes Agreement 2015-18

Author of Report: Neil Piper (34617)

Key Decision: YES

Reason Key Decision: Affects 2 or more wards

Summary:

On 10 April 2013, Cabinet approved the establishment of a Purchase and Repair scheme for the acquisition of Long Term Empty (LTE) properties in Sheffield (then defined as being empty for at least two years but now required to be empty for 6 months or more). The decision enabled access to Homes and Communities Agency (HCA) funding for the period 2012-2015 of £17,366 per acquisition for the purchase of LTE properties.

Subsequently, on 19 February 2014 Cabinet approved the development of a mixed programme of 600 acquisitions and new build to renew the Council's housing stock. Officers were authorised to identify properties for acquisition and strategies for those acquisitions were to be prepared. The Purchase and Repair scheme was absorbed into the wider acquisitions programme, with purchases made under the scheme subject to the same criteria as those in the wider programme. On 4 February 2015, the Council approved the updated HRA Business Plan which included an increased target of 1,000 new properties.

The HCA's 2012-15 programme has now ended and the HCA has provisionally allocated £900,000 of grant funding to the Council for the purchase of 45 LTE properties in the period 2015-18 (£20,000 per property).

In order to access this funding, the Council must enter into a new Empty Homes Agreement 2015-18 with the HCA. This report seeks approval for the terms of the HCA Empty Homes Agreement 2015-18 to be accepted and the agreement to be completed.

Reasons for Recommendations:

In order to achieve the target of 45 Long Term Empty properties purchased through the Purchase and Repair scheme the City Council need to be able to access the grant provisionally allocated in the HCA Affordable Homes Programme 2015-18.

The grant funding will enable the City Council to purchase 15 properties a year via this scheme and the grant funding of £20,000 per property (total of £900,000) can then be claimed.

The Council can also claim New Homes Bonus for each empty property brought back into use.

Recommendations:

The Cabinet member is recommended to:

R1. Agree that the terms of the HCA Empty Homes Agreement 2015-18 attached to and described in this report be accepted.

R2. Authorise the Director of Regeneration and Development to take all necessary steps to finalise and complete the HCA Empty Homes Agreement 2015-18.

Background Papers: Empty Homes Agreement (local authority) in relation to the Affordable Homes Programme 2015-18

Category of Report: **OPEN**

If CLOSED add 'Not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Paul Schofield
Legal Implications
YES Cleared by: Andrea Simpson
Equality of Opportunity Implications
NO Cleared by: Annemarie Johnston
Tackling Health Inequalities Implications
NO
Human Rights Implications
NO
Environmental and Sustainability implications
NO
Economic Impact
NO
Community Safety Implications
NO
Human Resources Implications
NO
Property Implications
YES
Area(s) Affected
Citywide
Relevant Cabinet Portfolio Lead
Jayne Dunn
Relevant Scrutiny Committee
Safer and Stronger Communities
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
NO

REPORT TO THE CABINET MEMBER FOR HOUSING

INSERT REPORT TITLE

1.0 SUMMARY

- 1.1 On 10 April 2013, Cabinet approved the establishment of a Purchase and Repair scheme for the acquisition of Long Term Empty (LTE) properties in Sheffield (then defined as being empty for at least two years but now required to be empty for 6 months or more). The decision enabled access to Homes and Communities Agency (HCA) funding for the period 2012-2015 of £17,366 per acquisition for the purchase of LTE properties.
- 1.2 Subsequently, on 19 February 2014 Cabinet approved the development of a mixed programme of 600 acquisitions and new build to renew the Council's housing stock. Officers were authorised to identify properties for acquisition and strategies for those acquisitions were to be prepared. The Purchase and Repair scheme was absorbed into the wider acquisitions programme, with purchases made under the scheme subject to the same criteria as those in the wider programme. On 4 February 2015, the Council approved the updated HRA Business Plan which included an increased target of 1,000 new properties.
- 1.3 The HCA's 2012-15 programme has now ended and the HCA has provisionally allocated £900,000 of grant funding to the Council for the purchase of 45 LTE properties in the period 2015-18 (£20,000 per property).
- 1.4 In order to access this funding, the Council must enter into a new Empty Homes Agreement 2015-18 with the HCA. This report seeks approval for the terms of the HCA Empty Homes Agreement 2015-18 to be accepted and the agreement to be completed.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

- 2.1 The purchase of properties that have been vacant for 6 months or longer allows the Council to better meet social housing needs across the city, based on the findings of the 2013 Strategic Housing Market Assessment (SHMA).
- 2.2 Long Term Empty properties can often be eyesores, attract anti-social behaviour and affect the value and condition of neighbouring properties. Bringing LTE properties back into use will reduce these issues and contribute to the improvement and sustainability of local areas.

3.0 OUTCOME AND SUSTAINABILITY

- 3.1 Over time, the Council's housing stock is being eroded by the sale of properties under Right to Buy. In order to sustain the self-financing HRA Business Plan and continue to meet affordable housing need in the city, it

is necessary to replenish the Council's housing stock.

4.0 MAIN BODY OF THE REPORT

- 4.1 On 10 April 2013, Cabinet approved the establishment of a Purchase and Repair scheme for the acquisition of Long Term Empty (LTE) properties in Sheffield (then defined as being empty for at least two years but now required to be empty for 6 months or more). The decision enabled access to Homes and Communities Agency (HCA) funding for the period 2012-2015 of £17,366 per acquisition for the purchase of LTE properties.
- 4.2 Subsequently, on 19 February 2014 Cabinet approved the development of a mixed programme of 600 acquisitions and new build to renew the Council's housing stock. Officers were authorised to identify properties for acquisition and strategies for those acquisitions were to be prepared. The Purchase and Repair scheme was absorbed into the wider acquisitions programme, with purchases made under the scheme subject to the same criteria as those in the wider programme. On 4 February 2015, the Council approved the updated HRA Business Plan which included an increased target of 1,000 new properties.
- 4.3 The Council completed the purchase of 22 LTE properties during 2014-15, securing HCA grant funding of over £380,000 from the Affordable Homes Programme (£17,366 per property).
- 4.4 The 2014 report to Cabinet identified a number of potential sources of funding for the programme, including HCA grant. The Council has now provisionally been allocated £900,000 by the HCA for the purchase of 45 LTE properties during 2015-18. This equates to £20,000 per property, and 15 properties will be purchased in each year.
- 4.5 The funding will allow the Council to purchase 45 LTE properties with the help of external grants, contributing to the wider acquisition strategy and to the acquisition targets for 2015-20.
- 4.6 The allocation for 2015-18 is subject to a new funding agreement with the HCA. The Council must enter into this agreement before any grant funding can be claimed. This report seeks approval for the terms of the HCA Empty Homes Agreement 2015-18 to be accepted and the agreement to be completed.
- 4.7 The new funding agreement is attached to this report as an appendix. It is broadly the same as the 2012-15 agreement, with some key differences:
- 4.8 **Grant level per property:** The amount of grant available for each LTE purchase has increased from £17,366 to £20,000. This will benefit the Council, enabling the purchase of properties using smaller levels of borrowing.
- 4.9 **Rent levels:** Dwellings purchased using funding under the 2012-15 agreement had to be let at Affordable Rent, which is 80% of market rent

and likely to be higher than the social rent usually charged for Council dwellings. This is no longer an absolute requirement. Instead, the requirement is that the Council complies with the Guidance for Rents for Social Housing issued by DCLG in May 2014, as amended, updated or replaced from time to time. The 2014 Guidance provides for properties provided using HCA funding to be let on affordable rent terms and it is envisaged that the Council will continue to let all properties purchased using HCA grant at Affordable Rent, subject to that continuing to be within DCLG Guidance.

- 4.10 **Recovery principles:** The new agreement sets out at length the principles for calculating the amount should any grant become recoverable through any defined "Recovery Event". The degrees of risk associated with the relevant Recovery Events are small.

If a grant-funded property is disposed of by outright sale, and the net sale proceeds are less than the amount of grant attributable to the property, the HCA may require the balance to be carried over for future recovery from other disposals. It is very unlikely that these properties will be sold on, unless through Right To Buy, and the HCA funding will rarely exceed 25-30% of the total acquisition and refurbishment costs, so the risk of the sale proceeds not exceeding the original grant figure will be very low.

If a grant-funded property is sold under the Right To Buy, or at a discount through any other route, then only the actual receipt can be the basis of the recoverable amount. If the tenant disposes of the property within 5 years, then some or all of the discount may be repayable to the Council. This amount would be a further receipt which could be recoverable by the HCA if grant can be attributed to the amount of the discount. Again, the risk to the Council is low. Cost floor provisions protect the sale price on RTB for the first 15 years by preventing the sale of Council homes for less than they cost to build or acquire; this covers the grant-funded acquisition and works. Also, potential repayable discount are not accounted for as possible future receipts for the Council, so there would be no financial risk to the Council if the HCA sought to recover some or all of any repayable discount for a grant-funded property.

It is as yet unclear how the HCA will calculate the level of grant recoverable for each Recovery Event. The agreement states that "The Agency is currently working on a pro forma calculation for use in this circumstance and will be provided shortly". The basis for the calculation is provided for each Recovery Event, but the actual calculation is not yet known.

Following a question from the Cabinet member, the HCA have confirmed that they are unlikely to have the calculations for inclusion into the Agreement any time soon, but that their approach to recovery will be in accordance with the Recovery section of their Capital Funding Guide (the same Guide that will have been the basis for the recovery terms for the previous funding received by the Council in 2012-15).

In addition, the HCA confirmed that local authorities are now able to recycle grant receipts in some circumstances, meaning that there is now more flexibility to re-allocate grant funding that might have previously been subject to clawback.

This uncertainty would not normally be acceptable when the Council is considering whether to enter into an agreement, and more clarity is being sought from the HCA. However, the low levels of risk associated with each relevant Recovery Event is outweighed by the total amount of grant funding available to the Council and the number of properties the Council will be able to bring back into use through access to this funding. When the Council entered into the Empty Homes Agreement 2012 – 2015 there was also lack of clarity regarding the recovery mechanism. We were not subject to any recovery of grant from the HCA during the 2012 – 2015 programme. Clear and transparent management of this scheme and regular conversations with the HCA will mitigate the risk of recovery of grant during this new programme.

5.0 FINANCIAL IMPLICATIONS

- 5.1 If the City Council does not enter into the Empty Homes Agreement issued by the HCA then it will be unable to claim the grant provisionally allocated to it. This will mean that the City Council would not have access to £900,000 of grant funding and would have to identify other sources of funding, or reduce the number of properties that could be purchased.
- 5.2 The Council may be subject to recovery of some or all of the grant from the HCA during the course of the funding period. The risks of recovery are set out at 4.10 of this report.
- 5.3 When the agreement is signed and grant funding is accessed, there may be scope for the Council to bid for additional funding, should it be required, through the HCA's Continuous Market Engagement process. If the Council meets its target of 45 acquisitions and can potentially purchase more in the 2015-18 period, bids for additional grant funding can be submitted to the HCA for consideration.

6.0 LEGAL IMPLICATIONS

- 6.1 Where additional external funding is secured it is necessary to enter into an agreement with the funder and accept any contractual obligations imposed. The Council previously received funding from the HCA for the purchase and repair of long term empty properties from 2012-15. The Empty Homes Agreement 2015-18 is broadly the same as the previous agreement. The key differences are explained at section 4 of this report, and none of these differences are deemed to be significant enough to prevent entering into the agreement.
- 6.2 Section 24 of the Housing Act 1985 provides that the Council may make such reasonable charges as it may determine for the tenancies of its

houses. This power is constrained by government policy on rents for social housing which effectively limits the rent that may be set by restricting the amount of housing benefit subsidy that may be claimed by local housing authorities. The Guidance for Rents for Social Housing issued by DCLG in May 2014 describes when properties may be let on affordable, rather than social, rent terms.

- 6.3 The Council must determine what rent constitutes a reasonable charge for the tenancy of any property, taking into account its own priorities, government guidance and any contractual restrictions. In February 2014 Cabinet authorised the Director of Commissioning in consultation with the Director of Finance to set such charges for the tenancy of each dwelling acquired or built under this programme as he deems reasonable.

7.0 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 **Agreement terms not accepted:** This will result in the City Council losing access to £900,000 grant funding to support the purchase the 45 Long Term Empty properties.

8.0 REASONS FOR RECOMMENDATIONS

- 8.1 In order to achieve the target of 45 Long Term Empty properties purchased through the Purchase and Repair scheme the City Council need to be able to access the grant provisionally allocated in the HCA Affordable Homes Programme 2015-18.
- 8.2 The grant funding will enable the City Council to purchase 15 properties a year via this scheme and the grant funding of £20,000 per property (total of £900,000) can then be claimed.
- 8.3 The Council can also claim New Homes Bonus for each empty property brought back into use.

9.0 RECOMMENDATIONS

- 9.1 The Cabinet member is recommended to:

R1. Agree that the terms of the HCA Empty Homes Agreement 2015-18 attached to and described in this report be accepted.

R2. Authorise the Director of Regeneration and Development to take all necessary steps to finalise and complete the HCA Empty Homes Agreement 2015-18.

Author: Neil Piper
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Date: 28 July 2015