

Individual Decision

The attached report will be taken as
Individual Portfolio Member Decision on:

6th May 2009

Ref:	Title	Portfolio Member(s)	Page No.
ID1831	Extension of the Flexible Home Improvement Loan Scheme and Review of Empty Homes Grant	Councillor Alan Law	3 - 8

Individual Executive Member Decision

Title of Report:	Extension of the Flexible Home Improvement Loan Scheme and Review of Empty Homes Grant
Report to be considered by:	Individual Executive Member Decision
Date on which Decision is to be taken:	06/05/2009
Forward Plan Ref:	ID1831

Purpose of Report: To seek approval to extend the Flexible Home Improvement Loan scheme to offer loans to owners of empty homes, where this would facilitate the home being brought back into use. To review the eligibility and application of the Empty Homes Grant.

Recommended Action: That the Portfolio Holder for Planning and Housing approve the extension of the Flexible home Improvement Loan scheme to allow the Council to offer loans to owners of empty homes, where this will facilitate the home being brought back into use and approve the reviewed application of the Empty Homes Grant, as set out in this report.

Reason for decision to be taken: To extend the criteria for the application of Flexible Home Improvement Loans and review the application of Empty Homes Grant

Key background documentation: Regulatory Reform (Housing Assistance) (England and Wales) Order 2002
'Department of Communities and Local Government, Housing Research Summary (Number 233, 2007)
DCLG, Draft Mortgage Sales Guidance for Local Authorities and Housing Associations
DCLG, Housing Renewal Guidance (consultative document)
Report submitted to GOSE on the viability of an Equity Release Scheme supported by initial funding from the RHB
Private Sector Housing Renewal Policy, adopted September 2006
Executive report 6th March 2008
Empty Homes Strategy

Portfolio Member Details	
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Implications

Policy:	The policy implications are as detailed in the report. The Empty Homes Strategy was adopted in 2008 and committed to exploring the option to offer loans. A wider review of the Private Sector Housing Renewal Policy will be undertaken over the next couple of months and will be subject to a later report to Members but is not expected to change the Flexible Home Improvement Loan Scheme which is operated through a consortium of local authorities.
Financial:	The financial implications are as detailed within the report
Personnel:	N/A
Legal/Procurement:	The legal implications are as detailed within the report
Environmental:	N/A
Partnering:	The Flexible Home Improvement Loan scheme has been set up through a consortium of 16 local authorities who have been awarded £16M of funding by the Regional Housing Board. This is a good example of the benefits of partnership working.
Property:	N/A
Risk Management:	N/A
Community Safety:	Empty Homes can provide opportunities for crime, vandalism, squatting, arson and other antisocial behaviour. Bringing empty homes back into use deters this behaviour and therefore contributes towards safer communities.
Equalities:	An Equalities Impact Assessment has been completed for Flexible Home Improvement Loans.

Consultation Responses

Members:

Leader of Council: No response received

Overview & Scrutiny Commission Chairman:	Asked why loans were only being offered to people over 60, whether there was a limit on the loans the Council would give in a 12 month period, and whether there was a limit on the amount of loan per person. Also asked what controls were in place to manage budgets and how many staff would be required to manage the scheme. A full answer has been supplied to Councillor Bedwell who has made no further comments.
Policy Development Commission Chairman:	No response received
Ward Members:	N/A
Opposition Spokesperson:	No response received
Local Stakeholders:	Wide consultation with Members, managing and letting agents and other stakeholders was undertaken as part of the development of the Empty Homes Strategy. No specific consultation with these stakeholders has been undertaken on the details of this proposed policy.
Officers Consulted:	June Graves, Head of Housing & Performance Tracy Hendren, Housing Operations Manager Maureen Sheridan, Housing Strategy Support Officer Bob Watson, Group Accountant Viv Austin, Accountant Sevil Rush, Group Accountant Anna Shiner, Principal Environmental Health Officer - highlighted the need for properties benefiting from a loan or grant to be bought up to a fit standard with no Category 1 hazards, to reduce the likelihood of enforcement work
Trade Union:	N/A

Is this item subject to call-in.	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval		<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council		<input type="checkbox"/>
Delays in implementation could compromise the Council's position		<input type="checkbox"/>
Considered or reviewed by OSC or associated Task Groups within preceding 6 months		<input type="checkbox"/>
Item is Urgent Key Decision		<input type="checkbox"/>

Supporting Information

1. Background

- 1.1 On 6th March 2008, Executive approved the implementation of a Flexible Home Improvement Loan (FHIL) scheme, under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002, which gives local authorities powers to improve living conditions in their area, including: the repair, improvement, and adaptation of housing.
- 1.2 The FHIL scheme offers loans to homeowners over the age of 60, for the purpose of repairing or improving their home. The loans are flexible, as payments of capital and interest may be made on a regular, or irregular basis, or not at all. Thus the loan may be viewed as a conventional mortgage, or an overdraft, or as an equity release loan (lifetime mortgage), or as a combination of any of them. The loan is secured by a charge on the householder's property and if the borrower decides not to make payments of capital, or interest, the amount borrowed, plus the 'rolled up' interest, will be repaid out of the proceeds from the sale of the property after the borrower dies, or if he/she vacates the home to go into long-term care.
- 1.3 The FHIL scheme is funded through a £16 million grant from the Regional Housing Board for the period 2008/09 to 2010/11, at minimal cost to the Council itself.
- 1.4 The Empty Homes Strategy was adopted by Executive in July 2008. At the time, the Council was not able to offer a loan product for owners of empty homes, but committed to exploring the potential for this type of scheme, particularly through joint working at a sub-regional level. Subsequently, the FHIL scheme has been reviewed and now has the capacity to be expanded to include a loan for empty homes.
- 1.5 The Empty Homes Strategy did offer an Empty Homes Grant. This provided up to £20,000 in grant funding, which must be match-funded by the owner, and in return for which the owner must offer the Council 5 years nomination rights for applicants on the Common Housing Register. No grants have been awarded to date, and owners are indicating that the economic downturn presents difficulty in securing match-funding, and that the nomination restriction is not attractive when works are relatively low cost. The introduction of FHIL for empty homes presents an opportunity to review the overall package available to empty home owners and to seek to address some concerns.

2. The Empty Home Loan

- 2.1 A bridging loan can now be offered through the FHIL scheme to owners of empty homes where this would facilitate the home being brought back into use, principally to make the property habitable.
- 2.2 The loan offered would be for a fixed term of 5 years, and would not exceed the lesser of the cost of the works or two-thirds of the value of the property. Further advances or stage payments may be possible if the value of the property increases as the work progresses.
- 2.3 Like the core scheme, the loan recipient can choose to make regular, irregular or no payments during the life of the loan, but unlike the core scheme, the loan must be

repaid, in full, at the end of the 5 year term, either by re-mortgaging or selling the property. There is no age requirement for access to this loan.

- 2.4 It is proposed that the interest rate for the Empty Home Loan will be offered at 2% above the Bank of England rate, with a minimum interest rate of 5% and a maximum interest rate of 7.5%.
- 2.5 The Council currently offers a match-funded Empty Home Grant of up to £20,000, in return for which the owner must offer the Council nomination rights for applicants on the Common Housing Register, for a period of 5 years. It is suggested that the Empty Home Loan would be offered without the requirement to offer nomination rights, thus offering two different options to empty home owners. A land charge would be placed against the property.

3. The Empty Home Grant

- 3.1 Empty home grants of up to £20,000 are available, subject to the owner match-funding the cost of the works and agreeing to a five year nomination agreement.. A land charge is placed against the property. Owners are indicating that they are finding it difficult to secure finance to match fund the works in the current climate, and dislike the nomination arrangement when works are relatively low cost
- 3.2 It is suggested that the grant could be reviewed so that grants are made available, up to a maximum of £20,000, without the requirement to match-fund, but still with an agreement to the accept nominations from the Council's Common Housing Register.
- 3.3 The Nomination Agreement could also be amended to link the number of years of nominations to the level of grant funding awarded, as follows
- £15,000 grant or above – 5 years nomination agreement
 - £10,000 - £14,999 grant – 3 years nomination agreement
 - £5,000 – £9,999 grant – 2 years nomination agreement
 - Up to £5,000 grant – 1 year nomination agreement
- 3.4 Furthermore, where the cost of works exceeds the maximum grant available, owners could be offered the loan as a top-up to the grant, subject to meeting the eligibility criteria for the loan. The nomination requirement would remain, linked to the amount of grant awarded.

4. Summary of Proposal

- 4.1 In summary, the recommendation is to extend the Flexible Home Improvement Loan Scheme to incorporate Empty Home Loans, and to amend the Empty Home Grant, in order to increase the options available to owners of empty homes as follows:
- To offer flexible Empty Home Loans, up to the lesser of the cost of works or 2/3 of the value of the property, at an interest rate of 2% above Bank of England rate (minimum 5%, maximum 7.5%), subject to repayment within 5 years. No nomination

requirement will be attached to loans

- To offer Empty Home Grants, up to a maximum of £20,000, in return for nomination rights set on a sliding scale according to the level of the grant
- To offer Empty Home grants, topped up with an Empty Home Loan. The loan will need to be re-paid within 5 years and nomination rights will be required in accordance with the sliding scale set for grants

4.2 Whether an owner is accessing a loan, a grant or both, a land charge would be placed against the property for the period of the loan or the nomination agreement.

4.3 The funding is available and promotion can start immediately.

Appendices

There are no appendices to this report.