

^CYNGOR SIR POWYS COUNTY COUNCIL

**CABINET REPORT
20th December 2016**

REPORT AUTHOR: County Councillor Rosemary Harries, Portfolio Holder for Property, Buildings and Housing

SUBJECT: Use of Homefinder Receipts for Provision of Sustainable Revolving Landlord Loans to tackle empty Properties and Deliver Urban Regeneration

REPORT FOR: Decision

1. Summary

1.1. This report seeks Cabinet approval to utilise Homefinder receipts to supplement a shortfall in capital necessary to progress a number of housing renovation projects involving empty properties.

2. Proposal

2.1 The success of Powys Landlord Loans has resulted in demand outstripping funds available, thereby placing regeneration of valuable empty units on hold.

2.2 It is proposed that the use of part of Homefinder receipts be employed and ring fenced to delivery of sustainable revolving landlord loans. All loans offered via this fund would be restricted to the development of strategically targeted empty properties and wherever possible, targeted towards the provision of desperately needed affordable housing, designed to alleviate homelessness.

2.3 Inevitably, there is always risk associated with delivery of interest free loans, particularly regarding non-payment of the outstanding debt by the loan recipient. Consequently, it will be imperative to use robust delivery mechanisms to mitigate against such risk.

2.4 One such delivery mechanism with a proven track record for delivery of loans to commercial property is the award winning Powys Landlord Loan Scheme. With this scheme, landlords enter into a legal agreement with the authority and the debt is secured against the property in question, as a local land charge. On certified completion of the works for which the loan was required, the loan is registered to be recovered in 20% instalments, commencing 12 months after completion. The "payment holiday" is specifically designed to encourage landlords to bring long-term empty properties back into use. Due to the fact that rental properties are a commercial enterprise, any

default on payment results in 100% recovery of the outstanding loan balance.

- 2.5 In addition, risk is mitigated by only releasing payments on completed works and targeting loans at 50% of the total development cost. The robust process of scheme selection will also support a reduction in risk of default.
- 2.6 Three landlord loan projects have been identified for progression. Subject to funding availability, formal offers and funding approval will be issued with expenditure likely to span the financial years 2016/17 and 2017/18. Loans will be fully repayable under the 5-year landlord loan conditions detailed above
- 2.7 The following table provides details of schemes currently on hold and level of capital required for progression. (Loan values reflect £25,000 max per unit + 12% fee):

Project	Cost £ (estimate)	Loan £ (work)	Fee £	Total support £	Scheme & Benefits
30 High Street, Brecon.	700,000	275,000	33,000	£308,000	11 new domestic lets, section 106 affordability /local needs conditions applied - 5 year let Legal Services forming charge/mortgage deed as additional security. Loan only paid on completion of works
Henllys Farm, Builth Wells	50,000	25,000	3,000	28,000	1 empty back into use, limited to 50% cost of work + fee
9 Bell Street, Talgarth.	54,500	25,000	3,000	28,000	1 empty back into use, + client funding second empty from other funds
Totals *	804,500	325,000	39,000	364,000	13 additional domestic lets
Investment ratios	100%	40%	5%	45%	55% private finance (100% following loan repayment)
* Costs subject to application progression/ variation, no uplift to be granted.		Capital Sought from Homefinder Receipts - £364,000			£364,000 (maximum) £200,000 (16/17) & £164,000 (17/18)

- 2.7 Whilst affordable housing and local needs projects, including invitations of nomination rights on projects will secure priority of funding, imposing such conditions will always be subject to viability on a case by case basis.

3. **Powys One Plan**

3.1 The Council is committed to ensuring people live in appropriate housing suitable for their needs and seeks to achieve this by maintaining and rising standards through provision of urban regeneration via use of sustainable revolving interest free loans.

3.2 Core objectives of the Powys One Plan:

- Stronger, Safer & Economically Viable Communities
- Children & Young People
 - Safeguarding Children & Addressing Poverty
- Transforming Learning & Skills
 - Training & Jobs for Young People

Will be addressed by tackling poor housing conditions via use of sustainable revolving interest free loans, whilst simultaneously promoting health, social care & wellbeing and the Wellbeing & Future Generations Act.

4. **Options Considered/Available**

4.1 There are two principal options, either adoption or rejection of the proposal. Adoption will encourage partnerships with the private rented sector, promoting housing renewal and urban regeneration, reducing numbers of empty units and relieving pressure on homelessness provision.

4.2 Rejection will postpone redevelopment of 13 additional empty units and provision of desperately needed accommodation within these specific areas.

5. **Preferred Choice and Reasons**

5.1 Preferred choice - adoption. This will provide 13 additional Building Regulation compliant, energy efficient units, helping alleviate fuel poverty thereby delivering valuable affordable housing. The fund will also revolve over time allowing sustainable investment into the private rented sector.

5.2 Adoption will also generate an additional £39,000 in fees for the Private Sector Housing Team to service delivery costs. The revolving nature of the fund will also allow further fees to be generated via future sustainable investment into the private rented sector.

6. Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc.

- 6.1 The proposal is designed to improve the quality of life of the citizens of Powys by improving housing conditions in the private sector, enhancing the local built environment & delivering wider urban regeneration. It assists growth of the local economy whilst simultaneously improving environmental sustainability, reducing fuel poverty and providing affordable housing.

7. Children and Young People's Impact Statement - Safeguarding and Wellbeing

- 7.1 The proposal is intended to enhance standards, provide security, reduce fuel poverty and provide greater housing options. It is hoped it will assist the Council in addressing homelessness and provide children and young people with a greater sense of wellbeing within those units addressed.

8. Local Member(s)

- 8.1 The provision of regeneration via use of sustainable revolving landlord loans will have an equal impact across the County and apply to all members.

9. Other Front Line Services

- 9.1 The proposal should have no impact on other front line services.

10. Support Services (Legal, Finance, Corporate Property, HR, ICT, BPU)

- 10.1 The Professional Lead - Legal notes the recommendation in this report and presumes that the Homefinder Receipts can be used for the purpose outlined in this report.
- 10.2 Finance - The Finance Business Partner notes the content of the report.
- 10.3 The Capital and Financial Planning Accountant confirms that the balance of the Homefinder receipts is currently £1.24m. The use of these receipts will reduce the balance to £0.88m which is affordable, while at the same time providing much needed affordable accommodation. The loans will repaid and the capital receipts will be available for future use by the authority.

11. Local Service Board/Partnerships/Stakeholders etc.

11.1 This should have no implications for, or require involvement of, the LSB for reasons stated above.

12. Corporate Communications

12.1 The scheme is currently well publicised and promoted via the Powys web site and should have no additional implications for Corporate Communications.

13. Statutory Officers

13.1 The Solicitor to the Council (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report".

13.2 The Strategic Director Resources (S151 Officer) notes the comments made by finance. There is risk attached to this proposal but paragraphs 2.4 and 2.5 indicate the mitigation to reduce the risk. It is important that assurance and evidence is provided that Homefinder receipts can be used for this purpose.

14. Members Interests

14.1 The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:		Reason for Recommendation:	
That the Landlord Loan budget is increased by £200,000 in 2016/17 and by £164,000 in 2017/18 funded from Homefinder Receipts.		The decision will allow for delivery of 3 additional strategically targeted empty property schemes currently on hold. It will provide 13 additional units of accommodation and result in significant income generation for the service via fees applied to the delivery and recovery of sustainable landlord loans.	
Relevant Policy (ies):	Housing Renewal		
Within Policy:	Y	Within Budget:	Y
Relevant Local Member(s):	All		
Person(s) To Implement Decision:	Julian Preece, Private Sector Housing Lead		
Date By When Decision To Be Implemented:	On Approval by Cabinet		

Contact Officer Name:	Tel:	Fax:	Email:
Simon Inkson	01597 826631		simon.inkson@powys.gov.uk
Julian Preece	07795 602642		Julian.preece@powys.gov.uk

Background Papers: