

Item No. 12.	Classification: Open	Date: 8 March 2022	Meeting Name: Cabinet
Report title:		Empty Homes Funding in the Private Sector	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Darren Merrill, A Safer, Cleaner Borough & Councillor Stephanie Cryan, Council Homes and Homelessness	

FOREWORD FOR COUNCILLOR DARREN MERRIL, CABINET MEMBER FOR SAFER, CLEANER BOROUGH & COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR COUNCIL HOMES AND HOMELESSNESS

With 16,500 households on our council waiting list, private rents now exceeding £20,000 per annum and house pricing far exceeding Southwark residents' incomes. Keeping an empty property that could be a much-loved home for a family is irresponsible.

In spite the council applying the maximum allowable premium on council tax and the investments made though our empty homes initiative, Southwark still has those that feel holding onto an empty home is acceptable. This report sets out how the council will use the carrot and stick.

Southwark like many London boroughs has many empty homes with three quarters of these in the private sector where unfortunately the council has limited powers to return these homes back to use. With the increase in construction costs this report lays out what the council is prepared to contribute through a loan/grant scheme, where owners may struggle to get finance or do not have the professional resources. But it also lays out that if owners still do not bring their property back into use the council will look at all options including if required compulsory acquisition.

We would ask all owners of an empty home in the borough to consider their options, be they an accidental owner, developer, housing association or buy to let, to approach the council where there are many solutions that can be found to make their property a valued home for our residents.

RECOMMENDATIONS

1. To note the report and recommend the following bids to Cabinet for capital funding to help increase the number of properties brought back into use across the borough:
 - a. A capital allocation of £2m to provide funding to compulsory purchase (CPO) long-term empty homes. This will be a revolving fund as costs

will be recouped from the sale of the properties. Further details in paragraphs 29-33;

- b. To increase the annual capital funding available for grants to refurbish empty homes from £95k to £400k. Further details in paragraphs 22-26;
- c. To increase the annual capital funding available for loans to refurbish empty homes from £62k to £700k. Further details in paragraphs 22-26;
- d. To support the expanded programme 2 additional officers will be recruited. The costs for the posts will be £90k. These posts will be funded from capital resources. Further details in paragraph 27-28.

BACKGROUND INFORMATION

2. Southwark, like many other London boroughs and other councils across the country has a large number of empty homes. Almost three-quarters of these homes are in the private sector where unfortunately there are significant limits to the powers that local authorities have to return these homes to use.
3. Empty homes are a needless waste and a lost resource, particularly in an area where there is high demand and significant levels of housing need. Empty homes can also create a serious blight on a neighbourhood.
4. The council is committed to take action to reduce the number of empty homes in our borough, so more local people can move into them, as set out in the Borough Plan 2018-2022.
5. In February 2021 Cabinet agreed a new council wide Empty Homes Action Plan to bring empty homes back in to use and increase the supply of homes in Southwark.
6. The Action Plan brings together key services who have a role to play in helping to increase the number of homes brought back into use, and also included a number of key actions for the Empty Homes Service (EHS) which is managed through the Private Sector Housing and Adaptations Team within Asset Management. The service works with empty property owners in the private sector.
7. The report was presented to SMT at their meeting on 20th October 2021 and the Housing Investment Board (HIB) on 14th December. Both SMT and the HIB gave their approval and recommended the report went to Cabinet for approval with the following clarified;
 - The council has a clear process on how it will deal with the immediate resale to avoid the property remaining empty and with the council. The

following options will apply following CPO action or purchase by agreement, to be considered on a case by case basis;

- i. Evaluation by the New Homes team, possibly using RTB receipts to part fund the purchase, and considering letting at a TA rent if a social rent is not viable
 - ii. Evaluation by the New Homes team to determine whether the purchase of the property is commercially viable for inclusion of the new council homes programme
 - iii. Offer to a housing association to purchase for use as social housing with potential access to social housing grant
 - iv. Auction in line with existing practice and procedures
- With the increase in staffing resources and the grants & loans, the current target of 25 properties brought back into use will be increased to 50. In the new financial year, the targets will be reviewed on a regular basis to take account of the additional resources to the service.

The Current Services Delivered By The Empty Homes Service

8. The EHS works with owners of privately owned empty properties, in a number of ways, helping them to find solutions to bringing their empty property back into residential use.
9. The EHS has typically focused on the longer-term empty properties, as these often cause the most nuisance, blight neighbourhoods and attract anti-social behaviour. Given the nature of these cases, they often take considerable time to bring back into use and require the most resources. The council has some of the oldest private sector stock in London and a large number of heritage buildings, therefore the costs associated to bringing these types of long-term properties back into use is often very high. The EHS also deals with all empty properties as they are reported to the service including short-term empty properties as a preventative measure to ensure that the property does not then become a long-term empty.
10. The work involves tracing empty property owners where properties have been reported to the council and/or identified by the Empty Homes Project Officer, investigation to confirm the property is indeed empty and negotiations on how to bring about the property's reuse. Each stage can often be very lengthy due to a range of factors such as owners not being resident within the borough or indeed the country; the complexity of the issues causing the properties to be empty; or the owner's unwillingness or resistance to make a decision on what to do.
11. The EHS promotes a range of grants and loans to help owners bring their properties back into use. These grants and loans act as a small contribution towards the overall cost of works and, is paid as a lump sum on satisfactory completion of the works.

12. Building materials and associated costs of repairs have increased substantially over the last few years, while the current grants and loans have remained at the same level since 2008. The current funding needs to increase to a level, which will provide an incentive and encourage empty property owners to carry out works to their empty properties.

Options for Enforcement Action

13. The council has a number of enforcement powers/options which can be used to help bring empty homes back into use, however, they can be very complex and have significant limitations. The powers include:
14. Enforced Sale Procedure. Local Authorities can force the sale of homes, although there are complexities to this. The reasons for an enforced sale include:
 - Outstanding council tax debt; and
 - Other outstanding debt on the property due to works carried out in default.
15. Empty Dwelling Management Orders (EDMOs). EDMOs enable the council to take over the temporary management of an empty property for up to seven years, and all costs incurred by the authority to do this must be recouped within this time frame.
16. The EDMO process is complex. National statistics are not published on the number of EDMOs that have been granted. The last published information indicated that there were very few EDMOs in place across the country.
17. Compulsory Purchase Order. Where it can be proven that no other means is available to a Local Authority which will result in the property being returned to use, which includes purchase by agreement, the Local Authority can seek to use Compulsory Purchase Orders (CPO). The CPO powers are used as a final option and are governed by legislation and must be in accordance with Government guidance. Any CPO must be in the public interest and must be confirmed by the Secretary of State.
18. The council has historically favoured the use of CPOs over EDMOs as the repair costs incurred are often higher than those incurred by other boroughs due to the older housing stock present in the borough.
19. Other enforcement powers under planning, building control and environmental health legislation are available that complement empty homes work and can be used to enhance the effectiveness of further enforcement by the EHS. In many cases, this is enough to prompt an owner to bring their property back into use. Enforcement will only be used as a final resort where owners remain uncooperative or untraceable and where it is in the best interest of the public

20. As referenced in the Empty Homes Action Plan, there are currently 2,396 unfurnished empty properties in the private sector. Without a substantial funding investment in the EHS to try and tackle the issues faced by empty property owners, the number is likely to increase.

KEY ISSUES FOR CONSIDERATION

21. The Empty Homes Action Plan agreed by Cabinet in February 2021 set out a number of actions for the EHS. These include:

- To review the individual amounts of grants and loans delivered through the EHS
- To review the overall budget required to take account of the increase in grants and loans following the review. Any increase would require a report to the Housing Investment Board (HIB)
- To submit a report to the HIB for a capital fund for the Purchase by agreement or the compulsory purchase of identified long-term empty homes within the private sector.

22. The current grants and loans available include:

- Loans up to £15k per unit
- Grants up to £10k per unit

Full details of the current grants and loans are attached in Appendix 1.

23. The current grants and loans have remained at the same level since 2008. With the increase in building costs over the years has meant the loans and grants act as a very small contribution or incentive to property owners/landlords when looking to carry out works to their property.

24. The review of grant and loans was completed in July. The review took into account the range of works carried out by previous owners (these can range of £50k up to and in excess of £1m, depending on the size of the property). It was also important to try to incentivise owners to increase the take up of grants and loans, which will return a greater number of homes back into use. Many owners struggle to arrange the necessary funding to complete repairs. The proposed increases will help and support owners to attract additional funding to pay for improvements and repairs. Full details regarding the proposed increase in the grants and loans funding are attached in Appendix 1

25. The EHS target properties that are often in substantial disrepair and have been the subject of complaints and blight the neighbourhood. The owners struggle to finance the required works because of their financial position and the extent of work required which means that the complaints can escalate and become very difficult to manage. The EHS work very closely with the owners to identify what means they have available and to ensure the full range of options to assist in bringing the property back into a habitable state are considered.

26. The grants and loans area designed to assist bringing those properties that have been empty long term back into use and are a priority for the EHS because of the issues that this attracts, including anti social behaviour.
27. The proposed increase in grants and loans will require an increase in the capital funding for 2022-23 of:
 - Grants - from £95k to £400k
 - Grant repayment conditions reduce from 5 years to 3 years where a property is leased to the council
 - Loans - from £62k to £700
 - Loans remain repayable at some point in the future when the property is Sold or break in contract conditions. The repayments will help to fund future year's programmes.
28. The increase in capital funding will help to incentivise property owners to take up the funding which will help to increase the number of properties brought back into use. Therefore, the current annual target has been increased from 25 to 50 properties, to take account of the increase in funding and staffing resources. It is clear that there is a high demand for this service but this is no always capitalised on because of the limited value of grants and loans that are available, particularly in proportion of the costs required to bring properties back into use with current market rates.
29. The current EHS has limited staffing resources. The service is supported by one full time empty homes project officer, with some additional support from a Contract officer within the Housing Adaptations Team. The implications of the Empty Homes Action Plan will have a substantial impact on the EHS staffing resources. For the service to deal with increased levels of general enquiries, funding applications, works on site and the work around potential properties for PO action, additional staffing resources will be required.
30. To support the empty homes project officer, the service will require 2 additional full time posts. These include an Assistant Project Officer to support with delivering the service, help with visiting new enquiries and a Surveyor who will work with property owners to prepare specifications/plans/work with contractors and oversee work on site as part of the process to return more homes back into use.
31. In addition to the current funding options offered to empty property owners, it is proposed that a new service be provided to facilitate the delivery of works to owners who are either incapable or unable to obtain specifications and engage with builders. The Building Surveyor will act as a consultant on behalf of the owner for a management fee, to supervise and instruct contractors on site in accordance with a consultancy agreement. This type of service is currently, provided by the Home Improvement Agency in relation to adaptations.

32. The availability of this option will help bring properties back into use, where funding assistance alone is not adequate without further involvement from the council. The proposed option would include being available where owners are willing to lease their properties back to the council to use, as much needed temporary accommodation.

Compulsory Purchase Orders (Cpo) – Capital Programme

33. Compulsory acquisition is very much a process of last resort and will only work if the acquisition is clearly in the public interest and it is clear that the council has the identified funds to make the acquisition and a clear idea of the purpose for which a property will be used for or re-sold.
34. As part of the process leading up to a compulsory acquisition, the council would be expected to offer to purchase the property from the owner by agreement, to avoid CPO action. Should the property owner refuse the offer, then the council would continue with a CPO.
35. For properties identified for CPO acquisition, there are the legislative tools in place for the council to follow if funding is in place.
36. Allowing for the complex CPO process and appropriate sign off by Cabinet the reasonable number of properties which could go through this process in a year is 2 properties.
- The council has a clear process on how it will deal with the immediate resale to avoid the property remaining empty and with the council. The following options will apply following CPO action or purchase by agreement, to be considered on a case by case basis:
 - A. Evaluation by the New Homes team, possibly using RTB receipts to part fund the purchase, and considering letting at a TA rent if a social rent is not viable
 - B. Evaluation by the New Homes team to determine whether the purchase of the property is commercially viable for inclusion of the new council homes programme
 - C. Offer to a housing association to purchase for use as social housing with potential access to social housing grant
 - D. Auction in line with existing practice and procedures

Where a property is resold, the capital receipt would be used to fund further properties using this process.

Next steps

37. Promotional information will be prepared in readiness to implement the revised grants and loans funding offer from April 2022.
38. The recruitment process will begin to recruit 2 new positions to support the current empty homes project officer.

Policy implications

39. In December 2020 the council agreed the new Southwark Housing Strategy 2020. This contained a commitment to tackling empty homes and making better use of existing properties.
40. The report is in line with the council wide Action Plan signed off by Cabinet in February 2021.

Community impact statement

41. The Empty Homes funding should benefit all communities through reducing the number of vacant homes in the borough and therefore ensuring more homes are used to house our local residents. The action plan should not have any negative impacts in relation to any of the protected characteristics under the Equality Act.
42. Any Compulsory acquisition may face a challenge on Human Rights and/ or equalities grounds.

Resource implications

43. To implement the Empty Homes Action Plan, the EMS will require 2 additional posts to support the empty homes project officer. These include an Assistant Project Officer and Surveyor.

Legal implications

44. There are no direct legal implications arising from this report. There may be further work required to fully understand the legal implications if the council decides to use enforcement powers through CPO action.

Financial implications

45. The report makes a number of recommendations that impact upon the council's Housing Renewal programme, which forms part of the Housing General Fund capital programme. The three initiatives comprise a revolving fund of £2m to support the compulsory purchase of long term empty homes and increases to the annual allocations for grants and loans to refurbish empty homes to £400,000 and £700,000 respectively. The expanded programme will require additional staffing resources at an

estimated annual cost of £90,000. The cost of these staff will be met from the capital programme.

46. The additional capital expenditure that will arise from the implementation of these recommendations will be met from resources supporting the Housing General Fund capital programme.

Consultation

47. The council consulted on the Southwark Housing Strategy 2020 as set out in the Cabinet report to agree the Housing Strategy in December 2020. The Empty Homes Action Plan will assist in part with the delivery of the housing strategy. There are no plans for further consultation at this stage.

Climate Change implications

48. There are no direct implications arising from this report with regards to climate change. All works undertaken with homeowners will meet Building Regulations and be subject to planning consent as required.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

49. There are no significant legal implications arising from this report. The Director of Law and Governance and her staff will be available to provide advice to officers on the development of any policies or strategies to support the empty homes initiative, and if required, on the use of legal powers in relation to specific properties.

Strategic Director of Finance and Governance (H&M 21/159)

50. This report is seeking Cabinet approval to implement a range of initiatives aimed at bringing back into use empty properties within the borough. These initiatives include an initial capital outlay to fund the compulsory purchase of empty homes with the intention that it be recouped through the subsequent sale of the properties purchased. The proposal to increase funding available for grants and loans to refurbish empty homes follows a detailed review carried out earlier in the year. As outlined in the financial implications section of the report, the cost of these initiatives, together with the additional staffing resources needed to support the expanded programme, will form part of the council's Housing Renewal programme within the council's overall Housing General Fund capital programme.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark's Borough Plan 2020 - 2022	160 Tooley St Se1 2TZ	Robert Weallans Tel: 02075251217
https://www.southwark.gov.uk/council-and-democracy/fairer-future/council-plan		
Southwark Housing Strategy 2020	160 Tooley St Se1 2TZ	Robert Weallans Tel: 02075251217
https://www.southwark.gov.uk/housing/housing-strategy		
Empty Homes Action Plan	160 Tooley St Se1 2TZ	Perry Singh Tel: 02075252603
https://www.southwark.gov.uk/news/2021/oct/a-zero-tolerance-approach-to-southwark-s-empty-homes		

APPENDICES

No.	Title
Appendix 1	Existing and Proposed Empty Homes Grant & Loan policy

AUDIT TRAIL

Cabinet Member	Councillor Darren Merrill, A Safer, Cleaner Borough and Councillor Stephanie Cryan, Cabinet Member for Council Homes and Homelessness	
Lead Officer	Keith Kiernan, Specialist Services Contract Manager	
Report Author	Mike Scarlett, PSH & Adaptations Manager	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		28 February 2022