



WANDSWORTH COUNCIL

Technical Services Department

Environmental Services &
Community Safety Division
PO Box 47095
London SW18 9AQ

Please ask for/reply to: Nick Gracie-Langrick

Telephone: 020 8871 7868
Fax: 020 8871 6147
Email: ngracielangrick@wandsworth.gov.uk
Ref
Your ref:

Date: January 2007

Dear Sir / Madam,

Wandsworth Borough Council Vacant Property Grant.
South West London Initiative.

You recently made an enquiry to Wandsworth Borough Council about grant support to help you pay for renovation works at your empty property. I am pleased to be able to contact you to let you know about a new scheme, with a grant of to £25,000 per unit that is available to help you bring empty properties back into use where you agree to certain letting conditions.

You will need to act quickly to get your scheme underway. To help owners, Wandsworth Council's Home Improvement Agency may be able to manage the renovation works for you. I can provide a leaflet for your information if necessary. To find out more and whether your property is eligible, please read the enclosed information;

- the vacant property grant that is available and conditions attached
- information on selecting a builder and names of surveyors
- how housing associations can manage your property following renovation
- a scheme where tenants are nominated by the council
- VAT and capital gains tax advantages for vacant property owners
- Capital allowances for flats above shops.

Once you have read this, if you are interested in pursuing your enquiry, please return the vacant property grant enquiry form or if you need more details please do not hesitate to contact me on 020 8871 6127.

Yours sincerely

Nick Gracie-Langrick
Team Leader

Director of Technical Services: William G. Myers OBE
Head of Environmental Services & Community Safety Division: Paul Copeland

GRANTS (South West London Initiative).

Wandsworth Council are currently promoting a vacant property strategy in the Borough, encouraging owners of empty properties to bring them back into residential use.

As part of this strategy, grants are available for renovation works.

Who can apply for a grant?

Any owner or leaseholder with (over five years of their lease to run) of a property which has been vacant for more than two years.

The applicant must not have successfully prosecuted by Wandsworth Council in respect of any offence relating to Housing Benefit, Council Tax, Tenancy Relations or Private Housing regulation within five years prior to the date of the application. For offences of serious fraud, this period will be extended to ten years.

The applicant must not be in debt to the Council tax department for an amount exceeding the level of one years full tax for the relevant property.

For a property to qualify the owner should agree to rent it out in the future for at least 3 years. This must be to a vulnerable tenant, as part of a Housing Association leasing scheme (HALS) or using council nominated tenants.

The amount of the grant.

The council will grant aid eligible costs per dwelling up to a maximum of £25,000. The grant can only be approved where the owner agrees to one of the following conditions following completion.

If the owner gives a housing association a minimum of either a 3 or 5-year lease to let at a rent determined by the association.

If the owner allows the council a minimum of either 3 or 5 years nomination rights and lets it at a rent which does not exceed the maximum level supported by the local housing allowance.

A failure to meet these (or any) conditions can result in the repayment of the grant. The maximum grant for a three-year lease is £15,000.

For further details on the scheme, please contact Nick Gracie-Langrick in Environmental Services on 020 8871 7868 (or your case officer).

The vacant property enquiry form can be used to request additional information and confirm your intentions for continuing with the grant.

BUILDING WORKS AND REPAIRS.

There are several organisations that represent the building trade. Some of these are listed below:

British Wood Preservation and
Damp Proofing Association
Unit 6
The Office Village
Stratford
London
E15 4EA
020 8519 2588

CORGI
(Council of Registered Gas Engineers)
1 Elmwood
Chineham Business Park
Crockford Lane
Basingstoke, Hampshire
RG24 8WG
01256 372200

Institute of Electrical Engineers
Savoy Place
London
WC2R OBL
020 7240 1871

Institute of Plumbing
64 Station Lane
Hornchurch
Essex
01708 472791

National Inspection Council for
Electrical Contractors
Vintage House
37 Albert Embankment
London
SE1 7UJ
020 7564 2323

RICS
Royal Institute of Chartered Surveyors
12 Great George Street
Parliament Square
London,
SW1P 3AD
020 7222 7000

Federation of Master Builders
14 Great James Street
London
WC1N 3DP

Health and Safety Executive
St. Dunstan's House
201-211 Borough High Street
London,
SE1 1GZ

You can also find out information about builders from the internet. Examples of sites can be found at:

www.improveline.com; www.construtction-on-line.co.uk; www.hi-revolution.com

You are likely to need planning and building control permission for any major works.

Building Control 020 8871 7620
Development Control 020 8871 8415

HOUSING ASSOCIATIONS

Thames Housing Association in Wandsworth are involved in leasing schemes which provide affordable accommodation in the Borough. The lease is made between the housing association and a property owner.

The housing association will take responsibility of providing tenants, managing the property on a day to day basis, and will guarantee a rental income. In return, the property must be presented by the owner in a good state of repair, and meet the specifications laid down by each association – for example on decorative repair, furnishings, access, gas central heating etc. the table below gives an approximate idea of how much rents might be. It is advisable to meet the representative from Thames at an early date to ensure they have a need for your proposed accommodation and for exact rent levels.

Guide rental Levels for Housing Association Properties. Wandsworth supports tenants through the new Local Housing Allowance scheme:

Local Housing Allowance	Property Size
To £225 week	2 bed dwelling
To £265 week	3 bed dwelling

(January 2007)

For more information please go to the following site on the Wandsworth website:

<http://www.wandsworth.gov.uk/Home/CommunityServices/Benefits/default.htm>

Local Housing Allowances are paid directly to the responsible tenant. It is available to support them in paying for the cost of accommodation.

If you have a vacant property and are interested in the scheme, a representative from Thames housing association can advise you on their requirements and how to become involved.

More information is also available on this scheme through the 'Let by Wandsworth' booklet that can be requested on the enquiry form.

NOMINATIONS.

Agreeing to make your property available to the Council, to nominate tenants, is one way to ensure you qualify for a £25,000 grant. The council must be permitted a minimum of 3 or 5 years nomination rights with the rent at a level which does not exceed the maximum level supported by housing benefit.

Suitable tenants will be selected from the Council's waiting list once details of the property are known. It will be up to the landlord to draw up and agree a contract with the tenant, while the Council will arrange the deposit and rent.

An approximate idea of the rent levels, to be expected, is outlined below.

Property Size	Rent level.
Shared room	90 week
Two rooms	206 week
Three rooms	268 week
Four rooms	318 week

January 2007.

The length of tenancies will vary, but if the property becomes vacant before the three or five year period elapses, another tenant will be nominated by The Council. You must inform the council if your property becomes vacant during this period.

More information is also available on this scheme through the 'Let by Wandsworth' booklet that can be requested using the enquiry form.

If you would like more information on this scheme;

Capital Allowances for Living-Over-The-Shop Schemes

THE BACKGROUND

The November 2000 Budget introduced a 100% initial capital allowances on the costs of refurbishing and adapting properties above ground floor retail and commercial uses, for residential use. The measures became law in the Finance Act 2001¹. The following is the text of a government briefing note which summarizes the features of the new legislation:

SUMMARY OF MEASURE

A new scheme is introduced to enable property owners and occupiers to claim up-front tax relief on the whole of their capital spending on the renovation or conversion of vacant or underused space above shops and other commercial premises to provide flats for rent.

The scheme will focus on properties in traditional shopping areas and be open to all property owners and occupiers, provided they have an interest in the property in which the flats are to be created. It will be targeted as follows.

Qualifying properties

The property must have been built before 1980.

The property must not have more than 5 floors in total, including accommodation in the roof (but excluding any basements). The property must have been originally constructed so that the floors above the ground floor were primarily for residential use.

The ground floor can have been originally either residential, or commercial, or mixed use. However, the whole or the greater part of the ground floor must, at the time the conversion work starts, be rated as follows for England and Wales:

A1 - broadly speaking, retail shops

A2 - financial and professional services

A3 - food and drink

B1 - offices not in A2, R&D and industrial processes which can be carried out in residential areas

D1(a) - medical and health services, such as doctor's surgeries and dental practices.

The upper floors must have been either unoccupied, or used only for storage, for at least 1 year before the conversion work starts. The qualifying expenditure will be apportioned if part of the upper floors satisfies this test, and part does not.

The new flats

The conversion must take place within the existing boundaries of the building. Extensions will qualify if they are required only to provide access to the flat(s). But conversions, which form part of a larger scheme of development, do not qualify.

Each new flat must be self-contained, with external access separate from the ground-floor premises. Each flat must have no more than 4 rooms, excluding kitchen and bathroom and small areas such as cloakrooms and hallways.

There will also be limits to exclude high-value flats from the scheme.

Capital allowances rules

The rules will be based on those for capital allowances for industrial buildings (IBA), but with various simplifications and modifications.

In particular, there will be no recovery of allowances if a balancing event takes place more than 7 years from the time the flat is completed and suitable for letting. Balancing events can include the transfer of the relevant interest in the flat to another person, the granting of a long lease in the flat for a capital sum, or the flat ceasing to be let, or held out for letting. The allowances will not be transferable to a purchaser.

FURTHER INFORMATION

General

The new measures came into effect on 11th May 2001 and will apply to any expenditure incurred after that date. Unlike the well-publicised VAT measures (which are operated by Customs and Excise), the new capital allowances are part of the main taxation system and are the responsibility of the Inland Revenue.

¹In Section 67, which gives effect to Schedule 19, which in turn provides the wording of a new Part 4A of the Capital Allowances Act 2001 entitled *Flat Conversion Allowances*. The Act was not available on the internet at the time of writing but the URL of the Bill is given at the end.

Who can claim Capital Allowances and how do they benefit?

Only the person or company who actually pays for the building work involved in the conversion/renovation scheme can claim the capital allowance. And they must also have an interest in the building – such as a leasehold and freehold – which they must retain for seven years. They can, with some restrictions, sell a different interest. So the freeholder of a building could convert upper floors into flats, claim the capital allowance, and then sell the converted flats on to an RSL on a 29-year lease. But if they do this, they will need to make sure that the criteria for the capital allowance are still met eg any flats would need to continue to be let on short-term lettings such as assured shortholds.

Capital Allowances can be claimed by any business whether sole traders (i.e. the typical one-man-band business) or giant corporations. However, the true monetary value of these allowances will depend on the rate at which tax is paid. This in turn depends on both the amount of profit and the type of business. Sole traders and partnerships, for example, are subject to Income Tax i.e. their profits are treated as income and are thus taxed at the same rates as salaries and wages. Depending on the amount of income, tax might be payable at 10p, 22p or 40p in the pound.

Companies on the other hand are subject to Corporation Tax. As with the different personal tax bands, Corporation Tax is levied at different rates according to the amount of profit made, with bands ranging from 10p to 30p in the pound.

Worked Examples

Taking the example of sole traders investing £10,000 to refurbish an empty upper floor flat above a shop: if their business profits include at least £10,000 which is taxable at the highest income tax rate of 40% the capital allowance should mean they will pay £4,000 less tax. If they are paying tax at the standard rate of 22p, the capital allowance will still reduce their taxable profits by £10,000, but in this case they will pay £2,200 less tax. And those on the lowest 10p-tax band will benefit by a total of £1,000, and even then this will be over a period of years at the rate of £188 per year.

What if you can't claim the entire allowance in the first year?

You only get one opportunity to take the initial 100% allowance - after that you can only claim a "writing down allowance" at 25%. For example, a small company (not a sole trader) making £20,000 in taxable profits and investing £40,000 to create 2 flats in upper floors could claim £20,000 of initial capital allowance in the first year (reducing taxable income to zero), leaving a residue of £20,000, and claim 25% writing down allowance in following years (i.e. a further £10,000 in year 2 and so on).

You can also choose how much of the capital allowance you want to claim, so that even if you were able to claim the full 100% you might choose to claim only 50%. The main reason for doing this, which would apply in the example given above, is that taking the capital allowance over a longer period of time rather than claiming as much as possible in the first year will mean more of the capital allowance will be offset against income taxed at higher rates and less against income taxed at lower rates - so the savings in tax would be greater.

What if you don't make any profits?

If you are never going to make a profit, you will never receive the benefit from the capital allowance.

This is particularly important for charitable organisations - the most relevant case being Registered Social Landlords (RSLs) with charitable status.

Vacant Property Grant Enquiry Form (2007)

REF NO.....

**RETURN THIS FORM TO
REGISTER AN ENQUIRY.
A COUNCIL OFFICER THEN
WILL CONTACT YOU.**

Owners Details:

Owners Name:

Address:

Post Code:

Contact telephone number:

What is the address, type and condition of the property:

Address of empty Property:

Type of property:

How long has it been Empty:

How long have you owned the property:

If you are a leaseholder,

YES/NO

do you have more than five years remaining on the lease?

Please indicate how many rooms etc. the property has by filling in the questions below:

Number of reception rooms:

Separate bathroom/ YES/NO

Number of bedrooms

Garden YES/NO

Please indicate how you would prefer to allow the property to be used following the grant, by choosing one of the options below. The actual use will not be determined until after the completion of the works although on application you would need to indicate your preference for the length of lease.

Agree lease with a housing association for a minimum of three years who would manage the property and collect the pre-determined rent on your behalf.

Allow the council nomination rights for a minimum of three years and agree to let at a rent which does not exceed the maximum level supported by housing benefit.

Or.

I am unsure at this stage and would like more information about the different options.

And, if you would like more information.

Please send me information about leasing to housing associations.

Please send the 'Let by Wandsworth' booklet.

Please send me the Empty Property Strategy booklet.

Please return this form to:
Private Housing Group
Wandsworth Environmental Services
PO Box 47095
London
SW18 9AQ

Following receipt of this form Private Housing will organise for an officer to contact you to arrange a site meeting to discuss your grant enquiry.