

BRIEFING



Home Information Packs (HIPs)

June 06

Please note: This briefing is for guidance only to assist your company with preparing for the introduction of HIPs. It is based on the draft Government legislation which is subject to change. For latest information visit the Government website <http://www.homeinformationpacks.gov.uk>

1. Background

The Housing Act 2004 received Royal Assent on 18 November. Part 5 of this act requires a Home Information Pack (HIP) to be provided before a residential property can be offered for sale. In 2003 ODPM (now DCLG) published a consultation paper setting out detailed proposals for contents of HIPs. The Government intends to facilitate a 'dry-run' to trial HIPs this year and HIPs are set to be compulsory in England and Wales from June 2007.

2. When will HIPs be used?

Home Information Packs will apply to most residential property sales of homes marketed for owner occupation. HIPs will not be required for:

- Non-residential property, such as shops
- Mixed commercial and residential property, such as shops with flats above them (including work/live units)
- Sales of tenanted properties, where the tenant is to remain in residence.
- Leases of less than 21 years

3. Timetable of activities

In March 2006 the Government produced an indicative timeline for the introduction of HIPs. The key milestones include:

April 2006	Launch of stakeholder publicity campaign and details of the phased 'dry-run' product launch published.
June 2006	Draft regulations made.
June 2006	Phase one of the product launch, focussing on ensuring that the existing components of the Home Information Pack can be brought together and can be used.
September 2006	First Certification Schemes approved and Home Condition Report Register and Portal contract agreed.
November 2006 - June 2007	Product testing continues into implementation.
March 2007	Final assurance checks completed.
April 2007	Publicity campaign launched to consumers.
June 2007	Home Information Packs become mandatory ('Go Live' - 1 June 2007).

4. Contents of HIP

The regulations specify that there should be one original Home Information pack per property (consisting of original or true documents). The original pack can be copied and passed to a potential buyer on request, providing it is a 'true copy' e.g in some cases a map will need to be copied in colour. The official HIP logo must be displayed on the Home Condition Report within the pack.

The pack contents are divided into REQUIRED documents (must be included) and AUTHORISED documents (not required but recommended). Documents not mentioned in the regulations should not be included but can be passed to a customer providing they are distinguished from, and not linked to the pack. This briefing concentrates on those items which are required.

Evidence of Title

Where title to the property is registered, the pack will need to include an Official copy of the Title Entries together with an official copy of the Title Plan. The regulations also specify what needs to be included where a title is unregistered.

The regulations do not currently cover homes currently being registered, which is often the case with new developments.

Home Information Pack Index – Schedule 2 of the regulations

The Index will be a prescribed form outlining the contents of the pack. It currently lists 41 possible pack documents with a further 15 on common hold sales and a further 16 on leasehold sales.

The current legislation indicates that the form does not need to be complete but needs to be updated as documents are added and removed.

A copy of the draft form can be found at:

http://www.odpm.gov.uk/pub/274/Schedule2Index_id1161274.pdf

Sales Statement – Schedule 3 of the regulations

The Sales Statement will be a prescribed form describing the property to be sold namely: -

- Address of the property
- Whether it is freehold/leasehold and if the latter the number of years.
- The title of property – whether it is registered, unregistered or in the case of new homes not yet registered.
- The name of the seller
- How the property is being sold - for new homes this will be with vacant possession.

A copy of the draft form can be found at:

http://www.odpm.gov.uk/pub/275/Schedule3Salestatement_id1161275.pdf

Home Contents Form – Schedule 4 of the regulations

Again this will be in a prescribed form and details the contents within the property and intention to which items are included in the sale e.g fixtures and fittings. Under the regulations a blank version of this form must be included but it is not compulsory that it is filled in.

A copy of the draft form can be found at:

http://www.odpm.gov.uk/pub/276/Schedule4Homecontents_id1161276.pdf

Home Use Form – Schedule 5 of the regulations

As with the Home Contents, the prescribed Home Use Form must be included within the pack but does not have to be filled in. The form provides information about the property and its use, alterations to its boundaries, access arrangements etc.

Commonhold Properties - Schedule 6 of the regulations

For commonhold properties the following will be required: -

- Individual register and title plan for common parts
- Actual or proposed commonhold community statement
- Actual or proposed memorandum and articles of association
- Contact details of managing agents
- Regulations or rules made by the commonhold association which are not in the community statement
- Summary of works affecting the commonhold either current or proposed.
- Copies of any requests for payments made in the previous 12 months in respect of commonhold assessment, reserve fund levy and insurance
- Estimate of costs expected of the unit-holder in the first 12 months.

Leasehold Properties – Schedule 7 of the regulations

The contents of the pack vary depending on whether a property is freehold or leasehold. For leaseholders, the pack will also include: -

- The Lease
- Details of the landlord or managing company
- Regulations or rules made or proposed by the landlord or management company
- Memorandum and Articles of Association
- Details of service charges and recent requests for payments for ground rent and insurance for the last 3 years.
- Summary of works affecting the property that are current or proposed.
- Most recent requests for payment made on behalf of the leaseholder

Home Condition Report* - Schedule 8 of the regulations

Reports the physical condition of a home including how energy efficient the property is.

The reports will be completed by qualified, certificated Home Inspectors by on-site assessments.

NB: At the beginning of April the Government estimated that between 5000 and 7400 full time Home Inspectors will be required to complete an estimated 1.44 million Home Condition Reports each year. Over 4000 people have begun training to gain the Home Inspector qualification. The Government plans to introduce a certification scheme of home inspectors and provide a register of Home Information Packs on a dedicated website.

It is likely that corporate employers of Chartered Surveyors will require the majority of their people to qualify as Home Inspectors. This can be arranged using a credit tariff or with QA process.

Warranties and guarantees – Schedule 9 of the regulations

This regulation gives an exemption from the regulations to provide a Home Condition Report (see new homes below). A copy of the terms of a new homes warranty and warranty cover note to confirm that the warranty will apply must be included.

NB: The warranty must not have commenced at the first point of marketing.

Report on a home to be sold ‘off plan’– Schedule 10 of the regulations

The contents of this report is prescribed in Schedule 10. It is only required where a property is not complete at the first point of marketing. The form contains 15 sections including items such as: completion date, details of property type (house/flat/detached etc), plans showing location and boundaries (site plan) and layout of individual property, floor area in square metres, proposed methods of construction, details of materials, heating and hot water systems etc.

Mandatory Searches– Schedule 11 of the regulations

The HIP must include

Search of the local land charges register
Standard enquiries of the local authority
Drainage and water enquiries

All required searches should be no more than three months old at the point marketing commences. Original search documents are required for each home (not just copied for like-for-like properties within a development or block).

Energy Performance Certificate (Required if no Home Condition Report)

Where a new home is being marketed, the pack should have the same contents as for other homes apart from the following:

New homes marketed `off plan` before physical completion

When a home is being marketed `off plan` a Home Condition Report, warranty or insurance policy would not be `required`. However, where the home is intended to be registered with the provider of such a warranty or insurance cover on completion the pack should include evidence to that effect and include details of this cover as `required` information.

If the home is not to be registered with such a warranty/insurance scheme but a professional consultant is monitoring the building work details of the name of the consultant, his/her professional qualifications and details of any insurance cover held by the consultant that gives protection to the buyer should be `required` information.

In addition to the above, a report on a home not physically complete will be required (see below).

Report on a Home to be sold `off plan` before physical completion

The contents of this report is prescribed in Schedule 10. It is only required where a property is not complete at the first point of marketing.

New homes marketed `physically complete`

When a new home is being marketed `physically complete` a Home Condition Report including an energy efficiency assessment should be `required` unless the property is registered with a housing warranty scheme designated by the Secretary of State.

This exemption from providing a Home Condition Report should apply only to the first sale of the home after physical completion. Transfer of ownership prior to marketing for sale would not count as a first sale so long as the transfer was to a company in the same group of companies as the developer or to another company that is a member of a designated warranty scheme. In such cases the first sale would be the first marketed sale.

5. Practical Considerations for your company

5.1 Pack Providers

An increasing number of estate agents, surveyors and conveyancers are offering Home Information Packs. Your company will need to consider whether the packs will be co-ordinated in-house or externally by a national or local specialist.

It is worth mocking packs for some of your developments now to address any problems and agree on your company procedures in relation to the pack, prior to June 2007.

5.2 The costs of HIPS

The Government expects that the cost of preparing a Home Information Pack for an average home will be around £600-700 - not all new costs. The new cost to the process is the Home Condition Report, which is estimated to be around £350 for an average home. However, provided there is a suitable warranty this cost would not arise for the initial sale of a new home.

The current regulations allow the developer to make a reasonable charge for making a copy of a pack and sending it, however, in practice this may be something that you will want to include within the sales contract, upon completion. The regulations do not allow for the costs of compiling the pack.

What costs will your company incur in relation to completion and ongoing co-ordination and maintenance of the Home Information Pack?

5.3 Selling through an estate agent

If you are using an estate agent to sell your developments and you believe that the HIP the estate agent is using complies with the regulations in his possession or under his control, the developer does not himself have to have a HIP in his possession or under his control. In these circumstances the estate agent is the 'responsible person' not the developer.

If a developer continues to market a property, alongside an estate agent then both the developer and the estate agent are the 'responsible persons' and both need to be in possession of the pack.

Communication with your company estate agents will be key to ensure that both parties are working from the same, and most up to date pack.

5.4 Part Exchange

The regulations suggest that your company could take over the compilation of a PX seller's HIP. This does not include the Home Condition Report which cannot be prepared on behalf of a former seller or his estate agent.

If a seller is not marketing the property then it would appear that the seller will not need to produce a HIP. In these cases, your company will need to start preparing his Home Information Pack from scratch.

In all cases, a developer will need to wait until his own Home Information Pack is ready before marketing the onward sale.

Communication considerations: -

5.5 IT needs

Customers will expect the home information pack to be available electronically. Some considerations:

How and where this information will be logged and stored?

How and when will the information be updated? Who will have access to the information?

Will you have room on your server for this additional data?

How will the pack integrate with your website and any other portals you may be present on? Will you want to provide customers with updates?

Will you be able to send the pack contents via email?

5.6 Staff Training

Sales and marketing staff at all levels will need to be trained in the detail of the HIP; what it means to the consumer, how to sell with it plus any procedures or processes your particular company may have in place.

5.7 Customer Information, awareness & assistance

Many customers will be simply unaware of the HIP or unclear about what is involved. Providing clear information for consumers to guide them through and help them understand the process will play a key part in resolving this.

Think about some of your buyers and the effect the HIP may have on them:

First time buyers – Will have no knowledge of the pack and will not require a pack to move.

'Downsizers' – May require assistance from your company to prepare a pack for their current home?

5.8 Integration with marketing material

How will your packs integrate with existing marketing material; on-site information packs, brochures, leaflets?

5.9 Penalties associated with non-compliance

The amount of a penalty charge specified is £200. The Government have indicated that the non-availability of a HIP will be considered an ongoing breach and that the charge will be per home, per day of not having a HIP available.

6. FAQs

Q

How many packs will I need for my development?

A

Currently each home you build will require a separate pack.

Q

How much will the HIP cost and how do I find a suitable provider?

A

The Government have outlined that for the Home Information Packs, average costs overall for the seller will increase from £285 to £635, as the responsibility for searches and survey transfers to the seller, and there is a small additional cost in legal fees (£25) for checking the pack. The average cost for the buyer decreases from £600 to £175

Q

How often do I need to update each HIP?

A

Providing the searches are only 3 months old the HIP will not require updating (unless some of its elements are not present)

Q

Do you have to wait for all Home Information Pack components before the property is marketed?

A

Not necessarily. Providing reasonable attempts have been taken, in certain circumstances the property can be marketed with an incomplete pack –likely to be after 14 days, but to be defined in the regulations.

Q

What describes a property that is ‘physically complete’?

A

Property which has basic living facilities shall be physically complete (e.g wind and weather proof, safe and sanitary with heating, water, electricity, washing and drainage facilities)

Q

What constitutes marketing a development?

A

Marketing includes advertising, promotion, or a development being made known to the public or section of the public.

Q

How long will the completed pack be valid for?

A

The regulations are likely to state that the HIP is valid whilst the home is continuously marketed for sale and allow for a period where the property might be taken off the market whilst, for example it is under offer or to allow a seller to change agents.

The Home Condition Report and local searches need to be less than three months old at the time of marketing. It is thought that there will be no requirement to update these or any other document thereafter.

Q

Would the developer be liable?

A

The competent provider is liable for any misinformation within the pack. For example search providers for searches, Home inspectors for Home Condition Reports etc.

To view the government questions and answers on HIPS visit www.homeinformationpacks.gov.uk/faq_overview.aspx

Early roll-out

The Association of Home Information Pack Providers (AHIPP) has advised HBF that they are working with the Government to facilitate an early roll-out later on this year. This will take place throughout the country in clearly identified towns/regions (10-12 places approx).

Once these locations are known, HBF will be encouraging members within those areas to contact AHIPP to participate in the early adoption, if they wish to do so. Those not taking part in such trials may wish to test the use of HIPs before they become mandatory in June 2007. Feedback to HBF on issues that may arise for developers would be helpful, so that we can discuss these with the DCLG and AHIPP as necessary.

Further Information

HBF:

Contact: John Slaughter or Jo Turner
0207 960 1600

To download a copy of this briefing visit: hbf.co.uk/homeinformationpack

HIP Providers:

Association of Home Information Pack providers (AHIPP):
www.hipassociation.co.uk

Government Information:

www.homeinformationpacks.gov.uk

To subscribe to receive the HIPS update newsletter from the Government visit:
<http://www2.abcon.net/hip/subscribe.cfm>

Procedural guidance can be found at:
http://www.odpm.gov.uk/pub/487/DraftHomeInformationPackRegulations2006DraftProceduralGuidancePDF399Kb_id1161487.pdf