

Subject:	Empty Homes Project Update	Status:	For Publication
Report to:	Overview & Scrutiny Committee	Date:	18 th July 2016
Report of:	The Housing Manager	Portfolio Holder:	Leader of Council
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: No
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1.	RECOMMENDATION(S)
1.1	Members note the significant progress made in turning around the empty homes project

2. PURPOSE OF REPORT

2.1 To update members on the empty homes project following the demise of the managing agent last year

3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting sustainable investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.

4. RISK ASSESSMENT IMPLICATIONS

4.1 There are no specific risk issues for members to consider arising from this report.

5. BACKGROUND AND OPTIONS

5.1 Rossendale Council was appointed the lead authority in the delivery of the East Lancashire Empty Homes scheme in 2012. AAW was appointed as agent on behalf of the Council under the lease & repair element of the scheme. In this, property owners, otherwise known as *Leaseholders*, assigned over their properties to the Council via a lease for periods of between 3 – 10 years in return for a guaranteed rental income. The guaranteed rental income was backed by a Rossendale Council guarantee. AAW retained 30% of the rent as a management charge to cover staffing costs, voids, day to day repairs and empty council tax.

As AAW collected rental income, it retained 30% for its management and either passed over the 70% to the leaseholder (where any initial investment had been recovered) otherwise it handed over the 70% to the Council to repay the investment in the property. In theory the HCA grant was supposed to be fully recyclable, as any investment incurred in the first instance by the Council (via AAW) was recovered from the rent.

On the 31st January 2015 AAW the Directors of AAW informed the Council they had been advised to cease trading with immediate effect.

5.2 The key points to note upon the demise of AAW were:

- RBC was responsible for circa 355 properties as per the table below

BwD	Bly	Hynd	Pdl	Ross	Total
50	104	29	90	82	355

- The Council had made completion payments to AAW in respect of 117 properties where AAW's records indicated that the properties were not ready to let. The expenditure on these 117 properties was circa £1.3m.
- There was a repair backlog
- There were significant rental arrears owing to AAW circa £400k, and no system in place to recover.
- Rossendale Council became responsible for the empty council tax on circa 200 properties.
- A significant proportion of the properties were under occupied and consequently there were housing benefit shortfalls
- AAW had not handed over all monies collected from property owners to RBC

Immediate actions taken by the Council in the aftermath of AAW Demise:

- Introduced a system for tenants to request repairs, utilised Greenvale Homes to provide an out of hours number.
- Utilised two former AAW employees to get tenants to complete Housing Benefit and Discretionary Housing Benefit forms. Tenants were awarded the annualised equivalent of £90,000 per annum.
- Commissioned agents to undertake stock condition surveys of the properties
- Secured properties (metal shuttering) in Burnley, Blackburn and Pendle- circa 160

During the remaining part of the 14/15 financial year RBC incurred £278k in revenue running cost.

The management team recognised that a key element of the recovery process was to bring in experienced housing management professionals. The current Housing Coordinator arrived on 1 July 2015 and established a number of immediate priorities, namely:

- Recruiting a very experienced team of social housing staff
- Reviewed existing contractors and brought in some new ones
- Attacking long standing property condition issues, such as non-functioning boilers and damp, by working constructively with owners
- Dealing with a backlog of repairs and renovated 40 properties in Autumn 2015

- Serving Notice to Quits on abandoned properties
- Evicting tenants who were abusing their home
- During 15/16 the Council has incurred revenue cost of £896k, with the largest cost element being attributable to the cost of voids (c £500 per month per property). The key element of void costs being:
 - Guaranteed income to property owners (70% of rent values)
 - Loss of rent share (30%)
 - Cost of Council Tax
 - Other holding costs (utilities, security, repairs)

5.3 The new Rossendale Housing service has turned around a failed initiative and begun to deliver on the promise of the Empty Homes scheme for East Lancashire. Key achievements include:-

- Ensuring existing tenanted properties are maintained well and up to standard
- Tendering the remaining empty properties and getting them renovated
- Renovations have been high quality and feedback from tenants, owners and partner agencies has been highly complimentary
- Successful utilisation of existing lettings scheme ie Be with Us to let properties to those in real housing need
- Lets have been sustainable and based on merit and ability to manage a tenancy- in total there are current 150 properties occupied
- Reconnected with owners about their properties, instilling confidence back into the project
- Working with local support agencies and Housing Options Teams to meet the greatest housing needs

For the properties that were left unrenovated by AAW, three major tenders were published in order to attract the best and most cost effective local contractors. The total number of properties tendered exceeded 100. However many needed more work than originally scheduled by AAW and owners had to be consulted on the extra costs- in many cases, thousands of pounds worth. As a consequence 50% of the tenders were removed from the contracts due to protracted negotiations with owners about additional investment or return of the property.

The remaining 50 properties have been delivered to an exceptional quality, meeting Decent Homes and HHSRS standards as a minimum and in most cases exceeding them. Partner organisations have acknowledged the quality of renovations carried out. As a consequence demand is high, with applicants viewing properties every day of the week, most weeks. For this reason additional resource has been brought in to facilitate the viewings and sign-ups.

The service has been audited recently by the HCA for the two financial years 2014/15 and 15/16. This involved a detailed analysis of how the randomly chosen properties comply with the original funding conditions – plus on-site inspections and interviews with tenants.

Their verdict is outstanding, however they have already fed back their acknowledgement of the significant and positive progress made on the project overall.

Currently the status of properties in management is as follows:

	BwD	Bly	Hynd	Pdl	Ross	Totals
Original February 2015	50	104	29	90	82	355
Already Returned	9	3	2	10	4	28
Return is being negotiated	1	23	3	5	5	37
Possible Return due to viability issues	3	6	1	4	14	28
Future estimated Units Proceeding	37	72	23	71	59	262

5.4 The current exit strategy is to transfer all refurbished and tenanted properties to a qualified social housing provider.

It is proposed that we seek, through competitive tender and appropriate due diligence, a competent and able managing agent to carry out the following on our behalf:

Management Service

- Re-letting of properties
- Tenancy sustainment and financial inclusion advice
- Rent collection and Arrears Management
- Access to existing support, training and employment programmes if appropriate

Repairs and Maintenance Service

Includes

- Includes out of hours service
- Routine Repairs completed to required standards– within 20 working days- typical repairs will include annual gas servicing and maintenance, repairs to electrics, window catches, leaks and blocked toilets.
- Any repairs through tenant damage will be addressed through procedures.
- Major Works (roofing, damp, replacement heating) up to a limit, although normally the owner would be responsible.

Other

- Monthly performance reports to be produced with clear targets
- Quarterly monitoring meetings take place with RBC
- At end of lease properties will be handed back in lettable condition

If a suitable partner can be found and soft market testing by Officers have demonstrated there is interest from registered providers, it is envisaged that the housing service can be transferred by the end of the Summer. A tender can be issued mid-July, through OJEU, and a contractors appointed by the end of August.

There is likely to be a residual role for the Council, after sub-contracting the project, to include contract enforcement, owner liaison, lease-related issues, returning of unviable properties and liaison with HCA etc - this will be developed further with the new provider.

In terms of a procurement strategy the Council has taken independent legal advice on the procurement process, which has confirmed that given the value of services the OJEU process should be adopted by the Council – after allowing for contract notices to be prepared, return of tenders and evaluation and award of contract by end of August, a phased transfer of the service is expected during September.

This should all but end the future revenue costs to Council and which is scheduled to cease by the end of September. The challenges/risks are now to:

- Complete all renovations from the 3 tenders that were under negotiation (and ensure security of work via formal charge)
- Maximise tenant occupancy
- Return uneconomical properties to owners where possible
- Transfer the remaining housing stock and tenants to a third party provider
- Confirm with the HCA eligibility of the majority of grant received
- Manage any residual functions and cost following stock transfer (outstanding tenancy debt collection, outstanding owner loan repayments/negotiations, exiting HCA, etc).

The current number of properties remaining on the programme total **323**; however the housing team are currently in negotiations with owners of c 60 properties, in attempt to return the properties at a cost which is less than continuing with the scheme.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 No further comments

7. MONITORING OFFICER

7.1 All legal implications have been covered in the body of this report

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 No policy implications. In relation to the Housing Service procurement, HR policies and procedures will be followed with relevant staff where TUPE legislation applies.

9. CONCLUSION

9.1 The turnaround over the last year has resulted in the empty homes scheme delivering on the aims of the project ie to bring back into use empty homes and to meet real housing need.

Background Papers

Document	Place of Inspection

Or

No background papers (*delete where applicable*)

Case Studies

2 Bedroom Property

Miss K

Miss K has been in social care all her life and was heavily pregnant with her first child. Rossendale Housing worked with her Social Worker and ensured she was rehoused in the above property a few weeks before her baby was due and her 18th Birthday. She is now settled in her first independent home with her new baby. It has helped immensely to give her some stability in her life and she appears to be managing very well since moving in.

3 Bedroom Property

Miss A

Miss A had previously suffered domestic violence at the hands of her partner and was forced to live in sheltered accommodation with her children. This arrangement was far from ideal for the family and it lasted for a year in the end. She was referred to us as a priority by the local authority and moved in with the help of her support workers. Miss A was over whelmed to have such a fresh start in a lovely property which we had refurbished. The children are also settled in to the local school.

Owner Feedback

Feedback from Owner who, with our help, invested over £40,000 in 2 properties:

I have had a look at both properties today and I am very impressed with all the work done. Please pass on my thanks to the contractors who've done a fantastic job with both properties.

Sample Refurbishment

Before



After

