

Chief Executive's Department
Civic Centre
HARTLEPOOL

12th March, 2012

The Mayor (Stuart Drummond)

Councillors Aiken, C Akers-Belcher, S Akers-Belcher, Barday, Brash, Cook, Cranney, Fenwick, Fleet, Fleming, Gibbon, Griffin, Hall, Hargreaves, Hill, Ingham, Jackson, James, Lauderdale, Lawton, A E Lilley, G Lilley, Loynes, Maness, A Marshall, J Marshall, J W Marshall, McKenna, Dr. Morris, Payne, Preece, Richardson, Robinson, Rogan, Shaw, Shields, Simmons, Sirs, Sutheran, Tempest, Thomas, H Thompson, P Thompson, Turner, Wells, Wilcox and Wright.

Madam or Sir,

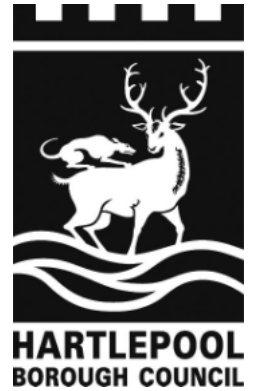
You are hereby summoned to attend an extraordinary meeting of the COUNCIL to be held on THURSDAY, 22 March, 2012 at 7.00 p.m. in the Civic Centre, Hartlepool to consider the subjects set out in the attached agenda.

Yours faithfully

N Bailey
Acting Chief Executive

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EXTRAORDINARY COUNCIL AGENDA



22nd March 2012

at 7.00 p.m.

**in the Council Chamber
Civic Centre, Hartlepool**

1. To receive apologies from absent members.
2. To receive any declarations of interest from members.
3. To deal with any business required by statute to be done before any other business.
4. To consider reports from the Executive:-
 - (a) Proposals in relation to the Council's budget and policy framework
 - (i) Adoption of Local Development Orders relating to Enterprise Zones
 - (b) Proposals for departures from the budget and policy framework
 - (i) Empty Property Purchasing Scheme

COUNCIL
22nd March 2012



Report of: EXECUTIVE

Subject: ADOPTION OF LOCAL DEVELOPMENT ORDERS
RELATING TO ENTERPRISE ZONES

1. PURPOSE OF REPORT

- 1.1 The report requests Council to agree the adoption of Local Development Orders in support of the delivery of Hartlepool's three Enterprise Zone sites.

2. BACKGROUND

- 2.1 Hartlepool has been successful in securing Enterprise Zone status for three sites as part of a wider Tees Valley Enterprise Zone scheme. These sites are at The Port, Oakesway and Queens Meadow. The government has introduced Enterprise Zones as part of a range of initiatives aimed at stimulating private sector development and investment. The rationale behind the Tees Valley Enterprise Zone scheme is to support growth in key sectors including petrochemical, process and engineering, existing and new supply chains and emerging and fast growing digital sectors.
- 2.2 Enterprise Zones provide benefits to business in the form of financial incentives either through Business Rate Discount or Enhanced Capital Allowances. Business Rate Discount (BRD) is aimed at fostering small and medium sized businesses and provides discount worth up to £55,000 per year for 5 years for qualifying businesses. Enhanced Capital Allowance (CA) seeks to support larger scale investment, expansion and relocation, by providing capital allowances against the cost of plant and machinery. Table 1 below summarises the types of incentive and sectors eligible to receive these benefits for each Enterprise Zone.

Table 1: Hartlepool Enterprise Zones Summary of Incentives and Eligibility

Site Name	Sector Summary	Incentive Type
Queens Meadow	Chemical processing, advanced engineering/manufacturing	Business Rate Discount
Oakesway	Renewable and green energy supplier chain	Business Rate Discount
The Port	Renewable energy, advanced engineering and green manufacturing	Capital Allowance

- 2.3 A condition of the Enterprise Zones being designated is that planning controls on the site are 'simplified' and the Government is promoting LDOs as a means to simplify the planning process. An LDO essentially grants planning consent for specifically identified development uses and activities, provided that they meet certain conditions and design criteria. If a proposal falls within the parameters of the LDO there is no need to submit a planning application. The LDO approach is seen as being business friendly as it would save time, reduce costs and provide greater certainty by removing perceived 'barriers' to development taking place.
- 2.5 Developments that do not meet the LDO requirements may still be suitable for these sites but would be required to submit a planning application for approval in the normal way. LDOs do not replace or supersede policies in the Local Plan and will need to be in compliance with the emerging Core Strategy. The proposed uses covered by the LDOs would meet this requirement as they are largely in line with policies in the Core Strategy. Other conditions and requirements which are set out in the LDO's reflect Core Strategy policies for example in relation to design and energy efficiency standards and site development densities.
- 2.6 An LDO can be revoked at any time. The LDOs referred to in this report have a proposed lifetime of three years commencing on 1st April 2012. This timescale corresponds with the Government's planned timeframe for the Enterprise Zones.
- 2.7 LDOs do not remove the requirements associated with other legislation eg Building Regulations, Environmental Impact Assessments, health and safety requirements etc. but in relaxing planning controls it is essential to strike a balance between freeing up control and maintaining design and environmental standards. Indeed it could be counter productive to investment if the quality standards of a site are compromised.
- 2.8 In terms of developing the LDO's, Cabinet at its meeting on 10th October 2011 agreed a course of action and timetable which would enable them to become operational on 1st April 2012. This included delegating to officers authority to prepare draft LDO's for the three sites; undertake public consultation on these drafts in line with statutory regulations; taking account of feedback, prepare and submit the final LDOs to the Secretary of State for Communities and Local Government for approval, and; present the final LDOs to Council for adoption.

3. PROPOSALS

- 3.1 Copies of the final LDOs are available in the Members Room and on the Council's web site www.hartlepool.gov.uk. These have been developed in consultation with key partners including statutory consultees, businesses, Tees Valley Unlimited and the Department of Communities and Local Government Link Officer. The draft LDO's were subject to a 4 week statutory period of consultation and the feedback from this has been taken into

account in preparing the final LDO documents. These were sent to the Secretary of State in early February who had 21 days to respond to the proposed Orders. This period has now lapsed and the Secretary of State has confirmed that he does not wish to make any Direction on the LDOs. This allows the Council to confirm the adoption of the LDOs.

- 3.2 In terms of the LDO's content, as mentioned above, the aim has been to strike a balance between speeding up the planning approval system while at the same time ensuring that the development allowed is appropriate to the individual site, meets relevant design and quality standards, does not lead to an unacceptable adverse impact on the surrounding area or neighbouring uses and ensures compliance with other statutory or regulatory requirements.
- 3.3 Whilst granting consent for the specified uses, the LDO's include a set of development requirements and conditions that need to be complied with as part of the consent. Some of these criteria vary between LDO areas but include requirements relating to design standards, development plot coverage, energy efficiency measures, site infrastructure, drainage and flood risk, contamination, landscaping, environmental mitigation, crime prevention, outside storage, noise levels and general disturbance. Where appropriate, developers will be required to submit flood risk assessments, carry out Environmental Impact Assessment (EIA) screening and consult with statutory bodies. Developments above certain floorspace levels will be required to submit Transport Assessments to the local planning authority for consideration and may require off site mitigation works to highways.

4. RECOMMENDATIONS

- 4.1 Council is requested to approve the adoption of the Local Development Orders for The Port, Queens Meadow and Oakesway.

6. BACKGROUND PAPERS

Report to Cabinet 10th October 2011

7. CONTACT OFFICER

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COUNCIL
22nd March 2012



Report of: Cabinet

Subject: EMPTY PROPERTY PURCHASING SCHEME

1. PURPOSE OF REPORT

To enable Council to approve the proposed Empty Property Purchasing Scheme.

2. CONSIDERATION OF ISSUES

- 2.1 The proposed empty property purchasing scheme was approved in principle within the budgetary decision and proposals set out in the Medium term financial strategy (MTFS) by full Council on the 23rd February 2012. Council notes that a detailed business case for this scheme would then be developed and reported to Cabinet and Council for consideration and approval.
- 2.2 The detailed business case is being presented to Cabinet for approval on the 19th March 2012. Owing to the timing of meetings and the need to progress this scheme, it has been necessary to prepare this report before Cabinet have approved the detailed proposals. A copy of the Cabinet report is therefore attached to enable Members to familiarise themselves with this issues.
- 2.3 The scheme proposes the acquisition and refurbishment of long term empty private sector properties by agreement. The properties will remain in the Council's ownership and let to tenants at an affordable rent (80% of market rent). The proposals are in line with the adopted Empty Homes Strategy.
- 2.4 The detailed business case proposes the scheme is split into projects linked to distinct funding streams. The business case demonstrates that rental income is not sufficient to support costs of providing affordable homes and subsidy is required for these types of schemes. The business case has been developed to manage risk and avoid any costs falling on the General Fund Revenue budget.
- 2.5 The subsidy for the first project will be financed from an ongoing saving of £60,000 from lower interest rates in relation to the HCA New Build scheme, in addition to a one-off saving of £200,000 resulting from the timing of borrowing

for that scheme. This initial subsidy is vital to the financial viability of the scheme and equates to 50% of the overall funding total.

- 2.6 The remaining capital costs will be funded from Prudential Borrowing which will be repaid from rental income. The total capital budget will be £2,630,000
- 2.7 The project will be completed in two phases of 24 properties being purchased and renovated. This phased approach will enable risks to be managed and ensure the assumptions built into the business case are achievable and the overall project can be delivered within the available resources. This is essential to avoid any increased costs falling on the General Fund budget. The planning assumptions included in the business case include capital costs of acquiring and refurbishing homes, the level of rent income, maintenance and management costs, borrowing costs and potential voids and bad debt levels. A prudent view of these has been taken, consistent with the self financing model used by authorities with a Housing Revenue Account.
- 2.8 Additional funding opportunities including £1.2m from Section 106 monies from the Wynyard development and the possibility of HCA match funding will be considered in separate future reports. Detailed business cases will be submitted to future Cabinet and Council meetings for consideration and approval.

3. PROPOSALS

- 3.1 That Council approves:
- a) the first phase of the project to purchase and renovate 24 affordable homes up to a capital cost of £1,315,000, to be repaid from £1,115,000 prudential borrowing and a one-off saving of £200,000 as detailed in the attached report;
 - b) the second phase of the project to purchase and renovate a further 24 affordable homes up to a capital cost of £1,315,000 of prudential borrowing to be repaid from future rental income subject to a further a further report to Cabinet at the interim project review stage to confirm the financial viability of the project prior to implementation.
 - c) the resulting amendments to the capital programme and prudential indicators.

7. CONTACT OFFICER

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Chris Little – Chief Financial Officer, Tel 01429 523003, Email Chris.little@hartlepool.gov.uk

CABINET REPORT

19TH March 2012



Report of: Director of Regeneration and Neighbourhoods, Chief Finance Officer and Chief Solicitor

Subject: EMPTY PROPERTY PURCHASING SCHEME

SUMMARY

1. PURPOSE OF REPORT

To enable Cabinet to consider the business case for the proposed Empty Property Purchasing Scheme to be referred to Council on the 22nd March 2012 for consideration and approval.

2. SUMMARY OF CONTENTS

The report sets out the project implementation proposals for the Empty Property Purchasing Scheme approved in principle within the budgetary decision and proposals set out in the Council report of the 9th February 2012 and 23rd February 2012. The scheme proposes the acquisition and refurbishment of empty private sector properties by agreement across Hartlepool. It is proposed that the scheme will begin with the implementation of the first phase by acquiring 24 empty properties followed by an interim project review to assess the financial and operational position before moving on to the next phase of the scheme.

The report provides a detailed implementation plan for this scheme including roles and responsibilities, selection criteria, financial considerations and risk analysis.

The report suggests that the strategy is implemented using two projects (known as Projects 1 and 2) to reflect the different funding streams available for the projects.

3. RELEVANCE TO CABINET

The report enables Cabinet to consider the business case and recommend the proposals to be referred to Council for approval.

4. TYPE OF DECISION

Budget and Policy Framework Key Decision test i and ii applies.
Forward Plan Reference RN98/11

5. DECISION MAKING ROUTE

Cabinet 19th March 2012 & Council 22nd March, 2012

6. DECISION(S) REQUIRED

- a) That Cabinet approve the implementation of the first phase ('Project 1') of the proposed empty property purchase scheme in line with the business case and project implementation plan to provide 48 affordable rented homes as set out within this report.
- b) That Cabinet seeks Council approval to implement the first phase of 'Project 1' to provide 24 affordable homes up to a capital cost of £1,315,000.
- c) That Cabinet seek delegated authority from Council to implement phase 2 of 'Project 1' to provide a further 24 affordable homes up to a capital costs of £1,315,000 subject to a further report to Cabinet at the interim project review stage to confirm the financial viability of the project prior to implementation.
- d) That Cabinet notes that separate Cabinet and Council approval will be sort for 'Project 2' when the funding for this scheme is more certain and a business case has been developed.
- e) That Cabinet approves the extension of the existing management agreement with Housing Hartlepool to provide housing management services.
- f) That Cabinet approves a bid to the Homes and Communities Agency (HCA) for Empty Homes funding in adjacent areas which is likely to be launched in March 2012.

Report of: Director of Regeneration and Neighbourhoods, Chief Finance Officer and Chief Solicitor

Subject: EMPTY PROPERTY PURCHASING SCHEME

1. PURPOSE OF REPORT

- 1.1 To enable Cabinet to consider the business case for the proposed Empty Property Purchasing Scheme to be referred to Council on the 22nd March 2012 for consideration and approval.

2. BACKGROUND

- 2.1 Hartlepool Borough Council has prioritised the adoption of real measures to bring privately owned empty properties back into use as part of its strategic housing policy, through the adoption of the Empty Homes Strategy and Members have received a number of reports over recent years in relation to work underway to bring empty homes back into use.
- 2.2 The key aim of the strategy is to bring private sector empty homes back into use and to acknowledge the concerns of the community about empty homes and the associated issues that relate to the image of the town. The intention is to bring appropriate empty homes back into use, using a range of flexible solutions and to reduce the number of empty homes to an accepted level of 3% vacancy (it is accepted that 3% of properties need to be vacant to allow a housing market to function effectively).
- 2.3 Given the current economic climate the volume of property sales has reduced in number and there has been an increase in the number of properties available to purchase which are long term empty. Owners of empty properties are also approaching the Council with the intention of selling their property and have no alternative plans to bring their empty property back into use. This empty property purchase scheme intends to provide an alternative approach to bringing empty homes back into use, which sits alongside other incentive schemes and enforcement action being undertaken, effectively giving officers a menu of options to tackle this contentious issue in the town.
- 2.4 The private sector in Hartlepool accounts for a large proportion of residential accommodation. The 2009 private sector stock condition survey identified that 34.8% of stock did not meet the Government's Decent Homes Standard. It also found that the poorest housing

conditions are concentrated in the oldest housing stock. This project will work to improve conditions and standards in the private sector.

- 2.5 The overall objective is for the Council to acquire a number of empty properties across the town by agreement. The properties would be refurbished to a high standard and let at an affordable rent to tenants in affordable housing need, meeting the aims listed below. The properties would then be managed by a Registered Provider under a management agreement. The scheme will generate an ongoing revenue stream to fund the operating costs as well as capital assets which could be sold for affordable home ownership in the future.

3. PROJECT AIMS

- 3.1 The overall objectives are:

- To bring long term empty properties within Hartlepool back into use in line with the Council's 'Empty Homes Strategy'.
- Deliver a high standard of property improvement and management and encourage further improvements in standards within the private rented sector.
- Increase decent and affordable rented housing for those in housing need and maximise housing options in the town
- Support investment in the Housing Market Renewal areas and adjacent areas through the reduction of long-term empty homes and prevention of decline
- Maximise use of existing housing stock
- Investment in capital assets, with a future realisable value which also generate income and meet social objectives.
- To provide construction projects to sustaining local jobs and promote training.

4. FINANCIAL MODEL – PROJECT 1

- 4.1 The development of a business case recognises that this type of scheme cannot be developed without some form of subsidy as rent levels are not sufficient to cover annual loan repayments. The Homes and Communities Agency (HCA) grant provided the subsidy for the previous scheme completed by the Council at Gladys Worthy Court, Golden Meadows and Charles Street. As HCA grant is currently not available alternative sources of subsidy finance need to be identified
- 4.2 The Medium Term Financial Strategy (MTFS) report of February 2012 presented the opportunity to develop an affordable homes strategy using capital construction and interest rate savings generated from the capital financing of the Council's new build scheme of 82 houses at Gladys Worthy Court, Golden Meadows and Charles Street. In particular, from the ongoing benefits of lower borrowing costs achieved

for this scheme from, effective treasury management, which are much lower than forecast in the business case. This has secured an ongoing saving of £60,000 from 2012/13 which can be used to finance further borrowing of £1,115,000. In addition, there was a one-off saving of £200,000 in 2011/12. These savings can fund a subsidy injection of £1,315,000 (which is slightly higher than the £1.2m forecast reported in February 2012) for the acquisition and renovation additional properties.

- 4.3 A detailed business case has been developed for 'Project 1' covering:
- Capital costs of purchasing and refurbishing properties, as detailed in paragraph 6.7;
 - Annual loan repayment costs;
 - Whole life repairs and maintenance costs over 40 years;
 - Management and maintenance costs;
 - The levels of annual rental income and potential voids;
- 4.4 The business case demonstrates that the initial capital investment of £1,315,000 will in itself generate an operating surplus from rental income which can be used to fund further investment to provide a total capital budget of £2,630,000. It is estimated this is sufficient to fund around 48 properties. The majority of the expenditure, £2,630,000, will be funded using Prudential Borrowing.
- 4.5 A significant proportion of prudential borrowing, £1,115,000 for the project is already funded from the savings achieved on the HCA New Build scheme as detailed in paragraph 4.2. The remaining borrowing of £1,315,000 will be funded from rental income and the annual repayment cost of this element will be £71,000. This is the maximum annual financial risk to the Authority. In practice this will not occur owing to the prudent financial assumptions underpinning the business case.
- 4.6 In order to manage the financial risks of this new type of scheme it is recommended that 'Project 1' is completed in two phases of 24 properties in each phase. The first phase will be financed from the initial subsidised capital investment of £1,315,000 and the second phase from the rent income generated, as summarised in the table overleaf.

Table 1: Summary of Costs

	Total
<u>Phase 1</u>	
One-off saving from HCA New Build Scheme	200,000
Borrowing subsidised by HCA New Build Scheme	1,115,000
<u>Phase 2</u>	
Borrowing from net rental income	<u>1,315,000</u>
Total Borrowing	2,430,000
Total Scheme Value	2,630,000
Percentage of subsidy required	50%

- 4.7 The table above also shows that the model relies on the subsidy from the Homes and Communities Agency (HCA) New Build Scheme which equates to 50% of the overall budget for Project 1.
- 4.8 This phased approach will ensure the assumptions built into the business case are achievable and the overall project can be delivered within the available resources. This is essential to avoid any increased costs falling on the General Fund budget. The planning assumptions included in the business case include capital costs of acquiring and refurbishing homes, the level of rent income, maintenance and management costs, actual borrowing costs and potential voids and bad debt levels. A prudent view of these has been taken, consistent with the self financing model used by authorities with a Housing Revenue Account.
- 4.9 Phasing 'Project 1' will also enable the Council to fully assess the Housing reforms and risks detailed in section 5.
- 4.10 To ensure the long term financial sustainability of this scheme and to ensure properties are maintained in good condition, the business case includes an annual contribution to cover future life cycle costs for major repairs and maintenance. The annual contributions will be held in a Major Repairs Reserve and resources will be released to fund planned life cycle costs identified in the detailed business case, which will be completed at defined periods over the life time of the project. This arrangement is in line with statutory requirements for Council's with housing and prudent business case practice, and is designed to avoid unbudgeted expenditure in future years.
- 4.11 The results of the first phase will be presented to members before advancing to the second phase to the purchase a further 24 properties.
- 4.12 **FINANCIAL MODEL – PROJECT 2**

- 4.13 The MTFs report presented to Members in February 2012 identified additional potential funding opportunities arising from the future receipt of £1.2m Section 106 monies from the Wynyard development and anticipated Homes and Communities Agency (HCA) match funding for empty properties. These resources will provide a subsidy for 'Project 2', which will be subject to a separate business case. Based on the assumptions used in this funding model, £1.2m could produce a further 44 properties.
- 4.14 It may be possible to use Projects 1 and 2 as match funding as part of a HCA bid, which could ultimately produce a total of 184 properties. Any additional funding will be considered as separate schemes to be reported and approved by members.

5 HOUSING REFORMS AND RISKS

- 5.1 This project is being initiated against a backdrop of evolving housing reforms and initiatives such as:
- The Localism Act and the introduction of tenancy changes
 - Right to Buy (RTB) changes
 - Housing Benefit changes and Universal Credit
 - Abolition of the Housing Revenue Account (HRA) subsidy system and introduction of self financing
 - Allocations changes
- 5.2 This scheme will be affected by these changes.
- 5.3 Right to Buy (RTB)
Although the Council is unlikely to be required to re-open its HRA it will be required to comply with specific requirements in relation to rent setting, tenancy agreements, tenant rights and the Right to Buy. Work is ongoing to determine the full impact of these requirements on the project.
- 5.4 It is expected that the properties will be subject to Right to Buy. The financial risk of RTB sales on the business case will be reduced in the short term, as a result of the 'Cost Floor' regulations which limits the RTB discount to reflect recent expenditure on acquisition and renovation. These regulations should ensure that where a tenant exercises the RTB the capital receipts will be sufficient to repay any outstanding debt, which funds 50% of the acquisition and refurbishment costs. The full effect of the RTB regulations will not be known until the Government's proposals become law.
- 5.5 Housing Benefit Reform
Another challenge will be the impact of Government changes to Housing Benefit, Local Housing Allowance and the introduction of Universal Credit on people's ability to afford a home in the rented

sector. The interaction of these developments with the requirement to adopt the Government's rent setting formula will require further analysis and the financial model updated to take account of actual rents set. An initial assessment of these changes has been completed and it is not anticipated that they will have a negative impact on the business case.

5.6 New Homes Bonus

For each property brought back into use through this scheme the Council will receive New Homes Bonus. In addition to this, if the properties are let at an affordable rent (80% of market value) they will qualify for the affordable uplift and will receive extra New Homes Bonus for a 6 year period. The existing New Homes Bonus has already been allocated as part of the Medium Term Financial Strategy (MTFS). The value of any additional income will need to be quantified and presented to members as part annual Budget process. As reported previously there is a risk that increases in New Homes Bonus funding may be offset by higher reductions in the main Formula Grant than currently anticipated. If this occurs the General Fund budget deficit will increase and more cuts will need to be made to existing services.

5.7 Additional Funding Opportunities

A key part of Government's housing agenda is to bring empty homes back into use and to make best use of housing stock. A funding application has been made by the Tees Valley registered providers to secure an allocation from the three year empty homes fund.

- 5.8 As detailed in paragraph 4.9 the HCA have announced a further funding pot available for Local Authorities to bid to bring empty homes back into use in or adjacent to former Housing Market Renewal (HMR) areas. This funding must be matched by the Local Authority and therefore money allocated to this scheme could be considered as match funding. Submitting a bid for this funding provides an opportunity to maximise the Council's funding and delivering a wider empty homes purchasing scheme in Hartlepool following this project plan. The full details of this scheme will be launched in March 2012.

6. IMPLEMENTATION PLAN

6.1 Roles and Responsibilities

This project will be delivered internally with support of services from outside agencies being procured when required. The in-house Building Consultancy and Maintenance teams will be responsible for managing and delivering the property improvement works and when required procure local sub-contractors. Their additional responsibilities will include ensuring the delivery of employment and training outputs and also assessing cost of improvement works to a property before acquisition.

- 6.2 The Estates and Assets team will be responsible for the valuation and acquisition of properties in this scheme and may procure an agent when necessary to negotiate purchases. This work will be conducted by a qualified surveyor who can provide professional advice on purchasing.
- 6.3 The Housing Services team will manage the delivery of the project overall, to ensure the properties meet the strategic objectives and present value for money. This team will also be responsible for ensuring quality of renovation works and management of the managing agent contract. The housing services team will also assist in finding suitable tenants. Monthly management meetings of all parties to be conducted to monitor the implementation and costs of the scheme.
- 6.4 The appointed managing agent will be responsible for the management of the properties in accordance with a management agreement.
- 6.5 Property Location and Selection Criteria
Empty properties can be found in many locations across Hartlepool with concentrations of empty properties within the central area. The aim of this scheme is to reduce long term empty properties across the town and therefore flexibility on the locality of properties is required. It is suggested that the criteria for selection of properties to purchase is flexible but targeted at properties vacant for 6 months or more and empty properties in areas adjacent to regeneration areas.
- 6.6 Properties should be either on the market for sale or when contacted the owner expresses an interest in selling their property by agreement to the Council. The Empty Homes Officer is responsible for keeping a database of owners who have expressed interest in selling their empty property; this database can inform decisions when purchasing empty properties. All properties will be purchased by agreement, with vacant possession. When selecting properties it is essential that a survey of the required works is carried out and the works are deemed reasonable and achievable within the prescribed budget. The overall portfolio will be managed to ensure the projected outcomes are delivered within budget and the decision will be a balance between the length of term empty and overall cost of improvement works. Selection of the properties will be informed by professional advice from a qualified surveyor with a structural survey completed on each property to ensure they are likely to meet the 40 year required lifespan.
- 6.7 Purchase Price and Renovation Cost Framework
The target of 48 properties has been based on an average acquisition and renovation cost of £55,000. In practice the cost of individual properties will vary, therefore the project will be managed to achieve this outcome plus or minus 2 properties.

To provide a framework for officers it is recommended that thresholds for purchase and acquisition costs are set as follows:

Maximum Purchase cost	£60,000
Maximum Renovation cost	£25,000

It is expected that those properties with a higher renovation cost will have a lower purchase value. The aim will be to achieve an average total cost of £55,000. This will therefore be a key factor the decision making of which properties are tackled.

The first phase of the project will be limited to units funded from the initial subsidy of £1,315,000 with a target of 24 properties +/- 2 properties.

The first phase will provide invaluable experience of how the above framework is working in practice and will allow for any proposed changes to be approved by Members before embarking on the next phase.

6.8 Improvement Works

Properties should meet the basic standard required by the scheme. Under HHSRS guidelines (Housing Health and Safety Rating System) a dwelling should be a safe and healthy living environment for both occupants and any visitors. To uphold the health and safety of tenants the HHSRS insists that:

- A dwelling should be free from unnecessary and avoidable hazards; and
- Where hazards are necessary or unavoidable, they should be made as safe as reasonably possible.

6.9 In addition to the above, the Council would like to raise the standards further to achieve a more desirable property standard. A reasonable view will be taken on case by case basis on the level of works to be completed and this will be agreed jointly by the Building and Housing Services teams. The property must meet Registered Providers minimum lettable standard. The project aim is to create a decent living environment to assist in creating sustainable tenancies and reduction in long term maintenance liabilities.

6.10 Eligible internal works can include new/ improved kitchens, bathrooms and central heating systems plus damp proof courses, minor structural repairs, re-wiring, plastering and joinery work. Eligible external works can include new/replacement windows, doors, roof repairs or replacement, rendering and rainwater goods. All works will be completed in accordance with all statutory consents including planning permissions and building regulations.

- 6.11 Once a property has been identified as a possibility for this scheme a detailed internal and external inspection of the property will be carried out. A schedule of works will be produced for the property including a detailed breakdown of the costs of the works. If this property is deemed to be financially viable and fits with the strategic objectives then it will be acquired and the Building Maintenance team will begin implementation of the improvement works for completion within a two month period.
- 6.12 Works to improve the energy efficiency of the property will also be included if the property is suitable and the costs fit within those set out in the model.
- 6.13 It is envisaged that a flexible range of security services will be on site to ensure the Council's investment is protected during the improvement works. This is likely to occur through an extension to existing Council contracts. It is not envisaged that security will be required once the property is occupied.
- 6.14 The standard of work is envisaged to be in line with that of the empty homes pilot scheme currently being implemented in partnership with Housing Hartlepool. It is envisaged that properties purchased will have improvement works implemented to the same standard; this provides accurate evidence of the costs associated with improvement works of terraced properties and can be used to benchmark costs and standards in this project. If the improvement works are undertaken to a high standard this will mitigate the risk of high maintenance costs in the future and provide value for money in the long term.
- 6.15 It is envisaged that the Council's in house Building Consultancy and Maintenance teams will complete the works and procure sub-contractors where necessary in line with contract procedure rules, which form part of the overall commissioning and procurement strategy. A value for money assessment will be conducted on the schedules produced for this scheme to ensure standards and costs are delivering good value. The appointed management agent will also have a role in checking the improvement works to ensure they meet the required standard and that the property is suitable for letting.
- 6.16 Through this process it is anticipated that employment and training opportunities will be available. It will be the responsibility of the Building Maintenance Team to maximise employment and training opportunities and provide monitoring outputs.
- 6.17 Property Management

Effective and responsive management is a crucial element of this scheme. A high standard of management of the properties purchased will result in the improvement of management standards and reduce potential decline in fragile areas. A Registered Provider partner is required to be responsible for the overall property and tenancy management of the properties. A Registered Provider is proposed, given the standards required and the aim to increase access to good quality affordable accommodation available through the Compass Choice Based Lettings (CBL) system. Housing Hartlepool currently manage Council owned properties and are also involved in management of the private rented sector through the empty homes pilot. They have therefore established the necessary experience in private sector management and lessons learned from these schemes can inform the delivery of management services. It is recommended that Housing Hartlepool is appointed as managing agent for this and the existing management agreement be extended to incorporate the properties purchased as part of this scheme.

- 6.18 Identification of tenants to occupy the properties following improvement is a further critical element of the scheme. A structured marketing and publicity plan for the scheme will be developed and which will aim to reach those potential tenants not already engaged in CBL. Marketing material will focus on the good property standards and excellent standards of management by a registered provider, plus the additional benefit of the tenant paying an affordable rent. The tenant will be required to participate in the Good Tenant Scheme and therefore references will be sought. The property can also be advertised through the CBL system as a private property managed by a Registered Provider and will provide an opportunity to residents on the waiting list to access this accommodation. Properties will also be advertised to rent through web-sites in the private sector area, e.g. Right Move.
- 6.19 Tenants will enter into an assured short-hold tenancy with the registered provider. The appointed registered providers responsibilities will be as follows:
- Identify a suitable tenant to move into the property through the Good Tenant Scheme and Choice Based Lettings;
 - Assist the tenant when they move in, for example setting up utility suppliers etc.
 - Various rent payment options and rent account monitoring to prevent arrears occurring;
 - Manage rent arrears if required;
 - Complete benefit forms, not just Housing Benefit, but other forms to ensure households maximise their income;
 - Complete change of circumstances forms to ensure benefits such as Housing Benefit, Tax Credits etc. are paid correctly, preventing financial hardship for the tenant;
 - Report then implement minor repairs;
 - Report and consult with the Council on major repairs;

- Ensure the property remains safe for occupation – for example ensuring annual gas safety checks are completed, smoke alarms are working etc.
- Undertake legal processes at agreed cost to remove illegal occupants or squatters;
- Undertake regular property inspections to ensure property condition is maintained – if necessary taking legal action to protect the Council's investment;
- Report problems that arise in the surrounding environment, as necessary, and chase up when they are not rectified;
- Deal with alleged anti-social behaviour issues that may occur and which could affect the sustainability of the tenancy, and liaise with other relevant providers and agencies, as required;
- Work collaboratively with other agencies – for example Floating Support, Probation Service and Family Intervention Project; to try to ensure a successful tenancy, deal with any issues quickly to prevent possible problems escalating;
- Assist the Council's Housing Services on broader street-wide initiatives, community development etc. as part of supporting the partnership regeneration approach on an on-going basis;
- Ensure the property is re-let with minimum rental loss and arranging an agreed level of security to property whilst vacant;
- Mediate if tenant has complaints or refer them on to relevant agency, as required, to ensure the tenant settles in and remains in the tenancy;
- Assist with any other related service to support the ongoing Neighbourhood Management of the wider area, sustainability and community cohesion.

6.20 Additional housing advice and support will be provided by the Council's Housing Advice Team to all potential tenants to ensure the accommodation is suitable for their needs and affordable. The impact of welfare reform proposals must also be considered and advice provided where necessary to potential tenants (if necessary in conjunction with the Housing Benefits Service).

6.21 Advertising and Marketing

As discussed above, advertising and marketing of the properties improved through this scheme will be in line with the marketing strategy for attracting tenants in the private sector properties developed for the empty homes pilot scheme.

6.22 Options for selling on the property

As part of this project a range of options for disposing of the properties will be produced. This will include disposing of the properties for affordable home ownership including shared equity, shared ownership and potentially Council mortgage products. This is a long term aim and the feasibility of this will be explored in a later report. This could potentially provide tenants the option of purchasing properties in the future and increase home ownership in the central area of Hartlepool.

6.23 Long Term Outcomes and Monitoring

The overall outcome is to bring 48 empty properties back into use. This will have a positive impact on the individual localities that will need to be monitored through the duration of this scheme. A number of key areas will be monitored:

- Monitor cost of works and standard
- Take up of properties and tenant availability
- Costs of voids and bad debts and the long term maintenance budget
- Impact on surrounding environment including private sector property management, crime and anti-social behaviour, property condition and vacancy levels.

6.24 Linkages to other projects

This scheme links to other projects and elements of the housing service including:

- Selective Licensing
- Private Sector Housing Enforcement
- Empty Homes Enforcement and Incentive schemes including the Baden Street Empty Homes Scheme
- Housing Market Renewal programme
- Furniture Project

This scheme will be part of a range of options available to bring empty homes back into use within Hartlepool.

7. TIMETABLE AND PHASING

- 7.1 It is anticipated that acquisition of properties can begin in April 2012 and once acquired improvement works will be completed within a 2 month period.
- 7.2 As highlighted above, the first phase of the scheme will include the acquisition of up to 24 properties +/- 2 properties, which is expected to be completed by end of March 2013. Following this an interim project review will be conducted to confirm the assumptions made were correct and the rent levels being generated are as anticipated. Data on repair and maintenance costs will also be monitored and the overall environmental impact on discrete localities in Hartlepool, particularly the town centre.
- 7.3 The practicality of extending the scheme will then be considered in the light of new funding opportunities from unused surplus rental income, section 106 monies and any grant funding.

8. RISKS

Risk	Mitigation Measure
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Cost of property acquisition is higher than forecast	Less properties are acquired through the scheme and financial assumptions re-addressed following the implementation of phase 1.
Improvement works are higher than forecast or if unforeseen costs emerge during implementation of the improvement works	A detailed structural survey will be conducted of properties before they are acquired. A contingency of 10% is built into the budget to cover unforeseen works. Financial assumptions to be re-appraised following the implementation of phase 1.
Failure to find a suitable tenant	The risk is mitigated as the properties will be let at affordable rent (80% of market value) and will have good quality management. The property could be sold for low cost home ownership as an alternative if a tenant could not be found. Properties let through the CBL system and advertised on-line.
Unable to obtain a suitable rent to cover cost of repairs and management and allow for future phases of the programme to be complete	During the interim review process the assumptions will be tested and future phases of the scheme will not be implemented if they are not deemed to be financially viable.
Lack of availability of properties to purchase	This is unlikely given the housing market however the scheme would be implemented at a slower pace than projected and the criteria for acquisition may be reassessed at a later date if targets cannot be achieved.
Welfare reform has a detrimental impact on the ability to find a suitable tenant	Appropriate advice and support will be provided to all potential tenants and the affordable rent levels should make these properties accessible for potential tenants.

9. RECOMMENDATIONS

- a) That Cabinet approve the implementation of the first phase 'Project 1' of the proposed empty property purchase scheme in line with the business case and project implementation plan to provide 48 affordable rented homes as set out within this report.

- b) That Cabinet seeks Council approval to implement the first phase of 'Project 1' to provide 24 affordable homes up to a capital cost of £1,315,000.
- c) That Cabinet seek delegated authority from Council to implement phase 2 of 'Project 1' to provide a further 24 affordable homes up to a capital costs of £1,315,000 subject to a further report to Cabinet at the interim project review stage to confirm the financial viability of the project prior to implementation.
- d) That Cabinet notes that separate Cabinet and Council approval will be sort for 'Project 2' when the funding for this scheme is more certain and a business case has been developed.
- e) That Cabinet approves the extension of the existing management agreement with Housing Hartlepool to provide housing management services.
- f) That Cabinet approves a bid to the Homes and Communities Agency (HCA) for Empty Homes funding in adjacent areas which is likely to be launched in March 2012.

10. CONTACT OFFICER

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