

AGENDA ITEM XX

REPORT TO CABINET

11 JULY 2013

**REPORT OF CORPORATE
MANAGEMENT TEAM
COMMITTEE**

CABINET DECISION

**Housing and Community Safety – Lead Cabinet Member – Councillor S Nelson
Corporate Management and Finance – Lead Cabinet Member – Councillor D Harrington**

INVEST TO SAVE BUSINESS CASE - EMPTY HOMES

1. Summary

As part of the 2012/13 scrutiny work programme the Regeneration and Transport Select Committee recently concluded a review of empty and abandoned residential properties. Following presentation of the review report (on the 7.3.13) Cabinet agreed that during 2013 a business case should be developed to explore an 'invest to save' opportunity to provide additional resources (funded through Council Tax and/or investment reserves) to tackle the problem of empty homes. The purpose of this report is to present the findings of the business case exercise back to Cabinet and seek a one-off 'invest to save' resource.

2. Recommendations

Cabinet are asked to:

1. Support a one-off 'invest to save' resource of £92,200 to be targeted at bringing additional long-term empty properties back into use. Details of how this resource will be spent are detailed in paragraph 14.
2. Note that whilst the project is estimated to deliver a financial income of £56,492 by the end of year 2, it has the potential to bring in a substantial additional income by year 7 (as detailed in paragraphs 7 – 9 and in **Appendix 1**).
3. Agree that a further report be brought back to Cabinet detailing what has been achieved and examining in more detail the case for continuing funding beyond 2015/16.

3. Reasons for the Recommendations/Decision(s)

Returning empty properties to use is both a Government and Council priority. Empty residential properties are not only a wasted resource, they have the potential to blight our local communities and are costly for both the Council and our partner agencies. Additional resources will enable the Council to actively address these issues.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

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RECOMMENDATIONS

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DETAIL

1. During 2012/13 the Regeneration and Transport (R &T) Select Committee undertook a scrutiny review of 'Empty / Abandoned Properties'. As part of this review R & T Select Committee concluded that the work undertaken by the Private Sector Housing Team to return empty properties to residential use is beneficial to the Council in a number of ways i.e. by responding directly to the concerns of our local communities, by helping to reduce costs and service demands on other council service areas and our partner agencies (such as the police and fire brigade) and by delivering additional units of accommodation (across a range of housing tenures). In addition, the team also provide practical support and advice to landlords who may want to return their properties to use but do not have the skills, knowledge or finance to do this.
2. R & T Select Committee acknowledged that returning empty properties to use can be both time and resource intensive (the case study in **Appendix 2** provides an example of this). And if the Council is to fully utilise the legal powers at its disposal then financial resources are required 'up front' to pay for works in default (with costs being recovered from the owner via debt recovery, by placing a charge on the property to be recovered when it is sold or through

implementation of the enforced sale procedure). R & T Select Committee considered the potential of achieving additional outputs (which would deliver a financial return to the Council) if resources into this service area were increased via a one-off invest to save resource.

3. On this basis the R & T Select Committee Review Report presented to Cabinet recommended that a business case be developed to explore an 'invest to save' opportunity and whether this would deliver an additional income to the Council via increased Council Tax payments or revenue received via the New Homes Bonus?

Business Case

4. A comprehensive financial exercise has been undertaken between Housing and Finance colleagues to determine the financial implications of returning more empty residential properties to use. This exercise examined a range of factors including: -

- a. What is the historic position of empty properties in the Borough?
 - This exercise determined that since 2000/01 whilst the number of empty homes has fluctuated, there has been a general upward trend. As at the 31.3.13 there were 2757,
 - *The exercise confirmed there are a significant number of empty properties to target.*
- b. Of the above how many are long term empties (over 6 months)
 - Once again the Borough has seen a significant increase, from 702 in 2000/01 to 1330 as at 31.3.13.
 - It is important to understand this split as only empty properties returned to use after a period of 6months (or more) qualify for the New Homes Bonus.
 - *Again there are significant numbers to target.*
- c. Does the Private Sector team have a positive track record in returning empty properties to use?
 - Between 2008-2011, 141 long term empty properties were returned use (creating 191 units of accommodation)
 - Last year (2012/13), 52 long term empty properties were returned to use (creating 75 units of accommodation).
 - *The team have a track record in returning long term empty properties to use.*
- d. What funding is available to support owners wanting to return their properties to use?
 - The Council is currently working in partnership with 2 local Registered Housing Providers who have secured HCA Empty Homes funding.
 - Post HCA funding (March 2015) rental income secured via this scheme will be recycled to enable the project to continue up to 2019/20.
 - *In the longer-term there is sufficient funding to support owners who want to return their properties to use.*
- e. What will be the implication of 150% council tax charge on residential properties that have been vacant for 2+years?
 - Consideration has been given to assumptions made in the Councils MTFP i.e. the assumed rate of collection and to the potential behaviour of landlords i.e. will they voluntarily return their properties to use.
 - *At this present time it is too earlier to determine if owners will actively seek to return empty properties to use as a result of the new council tax charges.*

Financial modelling

5. All of the above factors have influenced the financial modelling exercise. In essence the business case has accounted for:

- a. The anticipated levels of additional council tax income from empty properties returned to occupation (council tax recovery rates have been factored in).*
- b. The anticipated losses of council tax income (income currently estimated within the Councils MTFP) from those properties where a 150% council tax charge is currently being made (those empty for 2 years+). *

**The financial modelling has ensured that there is no 'double' counting in relation to council tax income.*

- c. Anticipated levels of additional income secured by the Council through the New Homes Bonus (NHB), as described previously residential properties vacant for 6+ months are eligible for payment of the NHB when returned to use.
- d. The additional costs incurred via the project (the £92,200 one-off invest to save request).

Assumptions

6. As Members will appreciate, whilst much of the financial modelling can be undertaken against 'firm' data (i.e. council tax charges, the value of the New Homes Bonus) what cannot be guaranteed at this stage is the total number of empty homes which will be returned to use and how long each property has been vacant. For the purpose of this 'invest to save' analysis a number of scenarios have been modelled - detailed in **Appendix 1**.

Business case conclusion

7. Clearly there are risks associated with each of the scenarios detailed in **Appendix 1**, the most significant being a low number of empty homes being returned to use. On this basis each scenario is modelled against a conservative estimate. The table below provides a summary position financial position over the 2 year period:

	Option A	Option B	Option C 'worst case'
Net Income generated (once the additional staff resource has been deducted)	£102,062	£81,492	£16,068
Minus contingency pot (works in default)	£25,000	£25,000	£25,000
Net income generated - position after 2 years	+ £77,062	+ £56,492	- £ 8,932

8. Based on the middle option (B), after the £25k 'contingency pot' has been factored (which will fund works in default) the project is expected to deliver a financial benefit to the council by the end of 2 years (a net additional income of £56,492).

9. Members will note (as detailed in **Appendix 1**) that should they decide to fund this project over the longer term there is the potential to secure a significant investment return. For example if all 412 empty property units are returned to occupation (as detailed in option B), in 7-year alone the council will secure a net annual income of £470k.

10. Given the current number of long-term empty properties (which has risen over the last 10 years) there are sufficient properties in the Borough for this project to actively target.

Reporting back to Cabinet

11. It is then proposed to bring a further report back to Cabinet during 2015/16 which will detail:

- a. The actual number of empty properties returned to use (and the number of residential units this has delivered) against projected estimates.
- b. The total value of income the above has secured for the Council (offset against any lost income from the 150% council tax liabilities).
- c. How the 'contingency pot' has been spent (including the amount which has been repaid/re-cycled and details of any other ongoing recovery activity) and whether this has directly returned any properties to occupation.
- d. Any HCA funding announcements for funding empty homes post March 2015.

This additional detail will allow Members to make an informed decision regarding the cost effectiveness of this invest to save initiative and whether they wish to support any further funding.

FINANCIAL IMPLICATIONS

14. Cabinet are asked to support a one-off 'invest to save' funding allocation of £92,200. This money will be used to fund a £25k 'contingency pot' to carry out works in default and an additional staff resource for a 2 year period (2014/15 – 2015/16). Works in default include for example remedying unsafe structures, securing properties open for access and carrying out improvement works. As detailed in paragraph 2 of this report monies spent on works in default are recovered by the Council.

LEGAL IMPLICATIONS

15. None

RISK ASSESSMENT

16. This Empty Homes Business case is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

Economic Regeneration and Transport

17. Throughout Stockton Borough the quality of place will be improved with a reduced number of unsightly empty properties.

Safer Communities

18. Bringing properties back into use can help to reduce incidences of anti-social behaviour and arson from taking place.

Health and Well-being

19. Increasing the availability of housing will reduce homelessness, improve quality of life, resulting in reduced costs for health and social care.

Environment and Housing

20. Enhanced and pro-active housing options with increased access to quality and affordable homes and improved environment.

EQUALITIES IMPACT ASSESSMENT

21. This Cabinet report has not been subject to an Equality Impact Assessment as it builds on the previous 'Review of Empty / Abandoned Properties' presented to Cabinet on 7.3.13. This report was subject to an Equalities Impact Assessment, it was judged to have a positive impact and that no remedial actions were required.

CONSULTATION INCLUDING WARD/COUNCILLORS

22. Discussions regarding the development of the Business Case have taken place with the Cabinet members for Housing and Community Safety and Corporate Management and Finance.

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Education related? No

Background Papers
Review of Empty / Abandoned Properties (Cabinet 7.3.13)

Ward(s) and Ward Councillors: All

Property N/A

Appendix 1
Empty Homes Business Case – Scenario Analysis

Option A - Best Case*	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7
No. of Empty Property Units Returned to Use	47	61	76	78	88	90	90
Net Income Generated	£24,448	£102,062	£201,312	£301,769	£420,203	£539,383	£605,787

*This option is based on historical performance and recently secured additional HCA funding (Empty Homes Round 2).

Option B*	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7
No. of Empty Property Units Returned to Use	30	60	56	58	68	70	70
Net Income Generated	£3,452	£81,492	£151,413	£226,278	£318,803	£411,749	£470,807

*This option is based on historical performance and our successful partnership work with RPs (without additional HCA funding).

Option C – Worst case*	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7
No. of Empty Property Units Returned to Use	20	20	20	20	20	20	20
Net Income Generated	-£8,899	£16,068	£41,344	£66,935	£92,845	£119,078	£123,033

*This option is based on returning to use significantly fewer long term empty properties i.e. no consideration has been given to past performance.

Key issues to note:

- Each of the above scenarios has included an additional staffing cost (£33,600 per annum, including on costs). The salary cost of the existing Empty Homes Officer is not included as revenue resources are already available for this post.
- Each of the above scenarios does not include the one-off 'contingency pot' cost of £25k.
- The total number of properties to be returned to use is a 'total' i.e. it includes the activity of the current Empty Homes Officer plus the anticipated 'additional' properties secured via this 'invest to save' proposal.
- Whilst additional resources will cover a 2-year period 2014/15 and 2015/16; the financial scenarios are modelled over a 7 year period to take account of the compound impact of New Homes Bonus payments. Should the project prove to be successful Members can see the value of additional income the project would secure over this period.
- In addition to the 'standard' New Homes Bonus payment, the Council will receive a further £350 per annum for each unit that is brought back into use on an 'affordable housing' basis (for example units returned to use via HCA Empty Homes monies will qualify for this additional premium). This 'premium' is not included in the above calculations.