

<b>Subject:</b>	Pennine Lancashire Empty Homes procurement of the Housing Management service	<b>Status:</b>	For Publication
<b>Report to:</b>	Council	<b>Date:</b>	6 <sup>th</sup> July 2016
<b>Report of:</b>	Chief Executive	<b>Portfolio Holder:</b>	Leader of the Council
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
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1.	<b>RECOMMENDATION(S)</b>
1.1	It is recommended that the Empty Homes Project housing management service be procured and the day to day management of the scheme be sub contracted to a housing specialist.
1.2	Officers to accept the tender and award the contract in consultation with portfolio holder in line with council procedure.

## 2. PURPOSE OF REPORT

- 2.1 To update members on the progress made with the Empty Homes project and to present a proposal for the procurement of the Housing Management service.

## 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.
  - **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
  - **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

## 4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- That there is no interest in the tender
- That the managing agent appointed fails to deliver on required performance
- That the HCA does not sanction the proposal
- Transferring the management risks associated with the scheme to a third party, in particular and amongst other things: employment professional staff, day to day maintenance, tenant damage, cost of voids and bad debts, liabilities to property owners, etc.
- Completion of all necessary renovations and full tenant occupancy of all properties transferred prior to the appointment of the Management agent and the TUPE of staff.

- Ensuring adequate resources are retained within Council to resolve any residual matters (eg any properties to be returned to owners)

## 5. BACKGROUND AND OPTIONS

- 5.1 Rossendale Council was appointed the lead authority, by the Homes & Communities Agency, in the delivery of the East Lancashire Empty Homes scheme in 2012. This project was run by AAW Ltd, as agent on behalf of the Empty Homes Partnership until its demise in early 2015.
- 5.2 The Rossendale Borough Council management team recognised that a key element of the recovery process was to bring in experienced housing management professionals and bolster legal resources. As a result experienced staffing resources have been allocated to the project to put it back on track and to establish exemplary practices, compliant with HCA and industry standards.
- 5.3 A Housing Project Plan has been in place, focusing on maintaining the occupied properties, sustaining their tenancies, and expediting the renovation of the empty properties. The renovations are well underway and the first batches completed are of a very high standard and there is healthy demand from the localities. Since February 2015, nearly 100 empty properties have been brought up to standard. Tenants have been selected from Be with Us choice based lettings system and we have met a considerable amount of housing need through this project. A recent HCA Audit has taken place and the outcomes will be shared with the council in June/July; initial feedback so far has been very positive and the efforts made to date have been recognised.
- 5.4 Whilst the success of bringing the project to this stage has been acknowledged, managing social housing properties for the next 5 to 10 years is a prospect which Rossendale Borough Council has to consider very carefully. It is estimated that an in-house housing team would cost the council on average £200,000 per annum over a 5 year period. Alternative managing agents would provide a significantly better-value solution, if the right contractual partner can be found. Existing medium to large housing providers could absorb the current stock without much impact to their systems and structures, in return for the 30% share of the rent, whilst Rossendale Borough Council would be able to save the revenue costs of a housing team except for some costs relating to a residual role.

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 by us through procedures.

- Major Works (roofing, damp, replacement heating) – total costs for all properties to be less than 1.5% of rent. Normally the owner would be responsible anyway.

**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.

There are two members of staff who would be considered, where appropriate, for TUPE or alternative opportunities. The remainder of the existing staff are agency workers and are on short term / month by month contracts. There are no service contracts to be terminated, transferred or assigned and all of the programmed capital works will have been completed, and as will any investment/maintenance work that has been undertaken on an ad-hoc basis.

**COMMENTS FROM STATUTORY OFFICERS:**

**6. SECTION 151 OFFICER**

- 6.1 Arrangement for payment of the 70% to owners at 5.4 above would include repayment of outstanding loans to Rossendale Borough Council in the first instance. Only when those initial renovation costs have been repaid in full would property owners receive a guaranteed income.
- 6.2 Council officers would monitor the financial performance of the scheme as well as the operational performance to ensure that the scheme arrangements are being met throughout the contract. This contract represents a far more certain financial option for the Council than the current in-house operations, but officers must ensure that it continues to perform, even when the number of properties included reduces in later years.
- 6.3 Due to the finite life of each property lease, this contract would come to a natural but gradual conclusion in 2024/25 when the final 10-year leases are concluded. Linking the contract value to 30% of the rents chargeable ensures that costs to Council are not proportionately higher towards the end of the contract, which is something that would be difficult to achieve with an in-house solution.

**7. MONITORING OFFICER**

- 7.1 The Council must carry out the procurement in line with the Council’s Contract Procedure Rules and relevant legislation. Upon completion of the evaluation of tenders, the decision to

award the contract shall be made by the Head of Service and approved via a Scheme of Delegation in line with Council procedure. The successful tenderer will be required to enter into appropriate legal agreements once the standstill period has passed and award of contract has taken place.

**8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT**

8.1 No policy implications.

8.2 Full consultation will be undertaken with relevant staff where TUPE legislation applies.

**9. CONCLUSION**

9.1 Whilst the original arrangement with AAAW Ltd was unsuccessful, Rossendale Borough Council has ensured that it has put the project back on track. The cost to the council will remain if the current housing team continues to provide the service. By seeking to appoint a competent and experienced housing specialist as a sub-contractor, the council will save on average £200,000 per annum over 5 years. The arrangement would be covered by robust contractual agreements to ensure clear lines of responsibility and accountability, that performance targets are met and regular monitoring takes place.

No background papers (*delete where applicable*)