

Subject:	Capital Expenditure	Status:	For Publication
Report to:	Council	Date:	9 th December 2015
Report of:	Head of Finance	Portfolio Holder:	Resources & Performance
Key Decision:	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	Members to commit up to £1.7m of Council resources to the Empty Homes Project, being expenditure of £4.2m less external funding resources of £2.5m.

2. PURPOSE OF REPORT

2.1 The purpose of the report is for Members to approve the capital expenditure programme in relation to the Empty Homes project.

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 in this report involve risk considerations as set out below:

1. The required investment provides the Council with the least cost option over the life of the project when compared to the liability the Council has to property owners.
2. Each property will be evaluated on an individual basis to ensure the benefits of investment are greater than the liabilities associated with returning the property to the owner and repaying grant to the Homes and Communities Agency (HCA).
3. The Housing Team will in all cases seek property owner contributions for those costs due to be funded by owners, under the terms of the lease.

4. The Housing Team will work to build an appropriate tenant waiting list in order to ensure speedy occupancy once each property is completed.
5. Following Counsel's advice the Council is currently in talks with the other District Council partners with a view to them making a financial contribution to the Empty Homes programme.

5. BACKGROUND AND OPTIONS

5.1 Council Officers have commenced the tender exercise in relation to the first phase of capital investment. The project plan has identified c.180 current empty properties for refurbishment during 2015/16. This has been broken into 3 separate tenders. Subject to Member approval the first tender (c 50 properties) has been returned and evaluated and is valued at £590k (albeit no contingency has been built in). The average unit cost being £11.1k per property. Typically the refurbishment required is a mix of amongst others:

- Kitchens
- Bathrooms
- Heating
- Electrics
- Damp course
- Floors and ceilings

5.2 Based on the first tender received we anticipate a total investment of £2.34m (again no contingency allowance is built in) for the initial 180 properties identified for 2015/16.

5.3 2016/17 will see the final refurbishment programme focused on those houses currently occupied.

5.4 Based on the initial tender and assuming 10% uplift for additional unforeseen works (ie a contingency) we anticipate a total capital programme of £4.2m funded in part by owner contributions (£455k) and recycling the remaining HCA grant of £2.0m. The funding shortfall is estimated at £1.7m. No assumption has been made at this stage regarding partner contributions.

5.5 As part of the long term funding requirements it is proposed that an earmarked reserve is created in order to bridge the funding gap of capital and future revenue costs. In addition, the latest Financial Monitoring Report (November Cabinet 2015) has forecast a revenue contribution to the Empty Homes Reserve of £495k. This latter contribution is based on a number of assumptions and in particular is based on an occupancy rate that is unlikely to be achievable given the current refurbishment programme of the initial 180 properties, as noted above. We must expect a further cost delay for 2015/16, subject to any partner contribution as noted in paragraph 4.1.5 above, for example every 10% partner contribution is worth c.£170k to the capital programme and c.£20k to future annual revenue costs.

5.6 A fundamental part of the mitigation of financial liability is to ensure maximum occupancy of the properties in order to deliver a maximum income stream over the remaining life of the lease arrangements. The first step in this strategy is to provide fit for purpose accommodation which does therefore require a refurbishment/investment programme.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Financial implications are noted within the report.

7. MONITORING OFFICER

7.1 Under the Council’s Contract Procedure Rules only Full Council can accept a tender that would require an increase in the Council’s capital budget. It is therefore imperative that the capital expenditure is agreed in advance to mitigate against the risks outlined in the report and avoid any delay in the acceptance of future tenders.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 Any implications are included in the body of the report.

9. CONCLUSION

9.1 The investment programme is the least cost route over the life of the Empty Homes Programme and will be assessed on an individual property basis.

9.2 Officers continue to monitor costs and seek all options to mitigate expenditure and maximise income.

Background Papers

Document	Place of Inspection
LCC Internal Audit report: “Bringing Empty Homes into Use”	Committee papers
Tender evaluation documents	Housing Team