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14 November 2007

S U M M O N S

MEETING: Void Properties Sub-Board
DATE: 22 November 2007
TIME: 6pm
PLACE: Committee Room 2, Town Hall, Gosport
Democratic Services contact: Lindsey Holloway

BOROUGH SOLICITOR

MEMBERS OF THE SUB-BOARD

Councillor Burgess
Councillor Foster-Reed
Councillor Mrs Wright

The Mayor (Councillor Gill) (ex officio)
Chairman of Policy and Organisation Board (Councillor Cully) (ex-officio)

FIRE PRECAUTIONS

(To be read from the Chair if members of the public are present)

**In the event of the fire alarm (continuous ringing) or controlled evacuation alarm (intermittent ringing) sounding, please leave the room immediately.
Proceed downstairs by way of the main stairs or as directed by GBC staff, follow any of the emergency exit signs. People with disability or mobility issues please identify yourself to GBC staff who will assist in your evacuation of the building.**

IMPORTANT NOTICE:

- If you are in a wheelchair or have difficulty in walking and require access to the Committee Room on the First Floor of the Town Hall for this meeting, assistance can be provided by Town Hall staff on request

If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

NOTE:

- i. Members are requested to note that if any member wishes to speak at the Sub-Board meeting then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off for the duration of the meeting.

AGENDA

RECOMMENDED
MINUTE
FORMAT

PART A ITEMS

1. APOLOGIES FOR NON-ATTENDANCE
2. ELECTION OF CHAIRMAN
3. DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter, any personal or personal and prejudicial interest in any item(s) being considered at this meeting.

4. DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Sub-Board is required to receive a deputation(s) on a matter which is before the meeting of the Sub-Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Tuesday 20 November 2007. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

5. PUBLIC QUESTIONS – STANDING ORDER 3.6

(NOTE: The Sub-Board is required to allow a total of 15 minutes for questions from Members of the public on matters within the terms of reference of the Sub-Board provided that notice of such question(s) shall have been submitted to the Borough Solicitor by 12 noon on Tuesday 20 November 2007).

6. VOIDS OVERVIEW AND FINANCIAL IMPLICATIONS REPORT

(report to follow)

7. ANY OTHER ITEMS

- which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.

PART II
Contact Officer:
Charles Harman
Extension 5287

AGENDA ITEM NO. 6

Board/Committee:	VOIDS PROPERTIES SUB BOARD
Date of Meeting:	22 NOVEMBER 2007
Title:	VOIDS COSTS, TRENDS & FINANCIAL IMPLICATIONS
Author:	HOUSING SERVICES MANAGER
Status:	FOR DISCUSSION

Purpose

To brief Members of the Sub Board on issues around void costs and management

Recommendation

That Members note the report

1.0 BACKGROUND

- 1.1 The number of voids has ranged from 290 in 2003-04 to an anticipated 235 in 2007-08.

Year	Average cost of standard voids	Average cost of capital voids (over £5K)	Average cost all voids	No. of voids (£5k+)	No. of voids in region of £20k+	Total No of Voids let in period
03-04	£1,742	£6,500	£1,988	15	0	290
04-05	£2,675	£8,800	£3,421	34	2	279
05-06	£2,434	£9,500	£3,597	42	4	255
06-07	£2,160	£9,250	£3,228	41	4	272
07-08 April- Sept	Not known at present	£11,100		20	3	99

1.2 Annual Void Figures: Explained

- a) Total voids figures do not impact directly on the average costs as detailed in the table in 1.1. They do, of course, impact on total expenditure for the year. The higher the number of voids in a given year the likelihood the expenditure will be higher.
- b) The total number of properties that go through the void process, and therefore incur expenditure, in any given year has two primary drivers:
- The proportion of allocations that are made to existing council tenants as opposed to waiting list

- The speed at which a property is put back into use after it is been vacant (void turnaround time)
- c) The precise mathematical relationship is complex but the general principles are relatively straight forward. When a vacant property is offered and let to an existing council tenant it creates a further empty property. In turn, if that property is re-let to another council tenant it creates another empty property. On the other hand if that original vacant property is let to someone on the waiting list, no further empty property is released (and therefore no additional expenditure is incurred). In this example the impact would be as follows:

Relet to Council Tenant	Total no. of vacancies	Costs*	Relet to Waiting list	Total no. of vacancies	costs
Original Let	1	£3,228	Original Let to Waiting list	1	£3,228
Re-let to Council Tenant	1	£3,228			
Re-let to Council Tenant	1	£3,228			
Total for year	3	£9,684		1	£3,228

*using 06-07 costs

The proportion of lettings to transfer as opposed to waiting list applicants has significant impact on number of annual total of voids.

- d) Likewise the speed that a property is re-let is a similar driver. The faster the property is brought back into use after the work is completed the quicker it gets re-let. This could create further voids in a given year as described in 1.2.3 above. Between 2005-06 and 2006-07 void turnaround time reduced from 47 days on average to 32 days. The quicker the turnaround the greater the rental income.
- e) New properties becoming available for letting via Housing Association developments will impact on total void figure. The extent of impact will depend on 1.2.3. and 1.2.4 above.

2.0 TRENDS

- 2.1 Expenditure on standard voids (those that do not require major works) rose sharply between 2003-04 and 2004-05. This was when the policy of undertaking Decent Homes work in voids rather than when re-let fully came into effect. There were a number of other changes; increased expenditure on asbestos removal and some increases in the Void specification to take account potential liabilities of Health and Safety (for example garden work such as the removal of old sheds, poor quality concrete patios, gas safety checks carried out prior to re-letting). This expenditure has stabilised, indeed decreased in subsequent years.

- 2.2 Of more concern is the increasing number of properties that require substantial investment. These are commonly called “capital” voids as they are funded from capital sources. They can be divided into 2; those costing more than £5,000 to repair and those costing £20,000 and above. As can be seen in table 1.1 both types of capital void have been increasing
- 2.3 In 2003-04 there were 15 capital voids costing over £5,000 and nil voids costing £20,000+. The following year had 34 over £5,000 with 2 of those costing in the region of £20,000. By 2006-07 there were 41 properties that were over £5,000 with 4 properties around £20,000. It is anticipated that similar numbers of £5k+ voids will be recorded for 2007-08 with an increase in £20k+ to 5 or 6.
- 2.4 The increase in capital voids over £5,000 is in part attributable to the reasons described in 2.1 above and 2.5 below; in particular the desire to meet Decent Homes standards. Housing Board in the past has supported taking advantage of a property being vacant to carry out potentially disruptive work; such as new kitchens and central heating systems, while the property is empty. In theory at least this should start to reduce as the Decent Homes programme is delivered borough wide although there have been no such reductions noted in the numbers of voids falling into this category. It should also be noted that there has been some stabilisation in average cost in 2006-07.
- 2.5 Of equal concern is the number of properties, anticipated this year to be 4 to 6, that are costing in the region of £20,000 (+). These properties, collectively, are costing between £100,000 - £150,000 per annum. The increases are believed to be attributable to three main factors:
- **Structural failures:** the stock age profile is clearly increasing, significant structural failures are showing up on a number of estates. These can be roof failures, rising damp, movement in walls, wall tie failures or more often a combination of these problems. Included in this is work required to “prove” structural stability and ‘loading’, particularly in terms of floor joists, rafters etc
 - **Decent Homes work:** the same as would apply to lower cost voids
 - **Tenant Damage:** although not an endemic problem there have been two high profile cases recently where substantial damage by (ex) tenants has been identified. Although tenants are recharged it takes a significant period for the debt to be paid off.

3.0 FINANCIAL IMPLICATIONS

- 3.1 The HRA element of the capital programme is financed from a fixed external grant (the major repairs allowance) and a revenue contribution from the HRA (this is projected in the future to diminish in importance) with the balance coming from prudential borrowing.

- 3.2 Prudential borrowing has a direct impact on the HRA through the financing charge (Item 8) and the limiting factors on this are the affordability and sustainability of the charge to the HRA.
- 3.3 The diminishing levels of capital receipts (through right to buy) and the cessation of any further support for capital borrowing by the government, in conjunction with HRA budgetary constraints on the level of revenue contributions, have all conspired to put further pressure on the need to prudentially borrow in order to achieve decent homes standard.
- 3.4 It is believed that the presently projected levels of prudential borrowing in the draft capital programme are affordable even after allowing for the current capital void commitment. However, further substantial increases in borrowing should be avoided. Any significant increase in the future borrowing requirement to fund voids or other capital expenditure will require a further review of the financial position.
- 3.5 The issues regarding the case for either retention or disposal of a particular void property are complex and include both financial and service considerations. If the property is sold the Council will only receive 25% of the resulting Capital Receipt under current legislation. It cannot be seen as merely an issue of comparing the rental income to the cost of financing the repairs, for example:
- 3.6 If a void required £30,000 in repairs to bring it to a acceptable condition an example of the basic costs/income are as follows:
- (based on 15 San Diego Road)
- Capital Cost of Repairs £30,000
Annual Financing Cost 5.04% = £1,512 per annum
- Annual gain in housing subsidy £740 per annum
- Annual Rent £3,474 although this is increasing on average at approximately 4.9 % per annum for the next 5 years. If we were to assume that the rental income was fairly constant for the following four years and there were sufficient funds available within the Housing Revenue Account to repay the £30,000 it would take 9 years for the investment in the property to be recouped.
- 3.7 As the above example shows even by using the simplest of calculations, assumptions regarding the rent levels and the availability of funds to repay the capital at some point in the future have to be made.

4.0 CONCLUSION

- 4.1 The total spend on void properties has increased substantially from 2003 -04, in particular on “capital voids”, those costing over £5k. Average costs have also increased over the same period.

- 4.2 The total number of voids requiring substantial investment (£5k plus) had increased dramatically over the last 5 years. There have also been increases in those costing £20k plus.
- 4.3 Allowance will need to be made in the composition of the capital programme for 2008-09 to take account of these changes.

Financial Services comments:	See 3.0 above
Legal Services comments:	No comments
Service Improvement Plan implications:	Implement a plan to ensure the housing stock achieves the Decent Homes Standard by 2010 is a SIP Objective and a Housing Strategy objective
Risk Assessment	No risks associated with this report
Corporate Plan:	Better Access to Decent Housing is a Corporate Plan Strategic Priority (Prosperity PR2). An action within that Priority is to “work towards a high standard of housing being available” (PR02/01)
Background papers:	
Appendices/Enclosures:	
Report author/ Lead Officer:	Charles Harman/Tim Hoskins