

MIDDLESBROUGH COUNCIL

EXECUTIVE REPORT

EXECUTIVE DECISION

Housing Stock Transfer – ten year progress report

Executive Member for Regeneration: Councillor Charles Rooney

**Executive Director Economic Development and Communities:
Kevin Parkes**

10 December 2014

PURPOSE OF THE REPORT

1. The Stock Transfer Agreement, finalised on 15 November 2004, contained a range of operational and strategic responsibilities that the Council and Erimus Housing would be required to monitor over defined periods, most of which needed to be completed within ten years.
2. The purpose of this report is to update the Executive by:
 - a) detailing the achievements from the last ten years of this Agreement and subsequent partnership with Erimus Housing;
 - b) detailing the remaining responsibilities/liabilities with the Council/Erimus; and,
 - c) outlining the continuing partnership work for the future.

SUMMARY OF RECOMMENDATIONS

3. It is recommended that the Executive:
 - a) accepts the findings of the report;
 - b) is assured that Erimus Housing has fulfilled its obligations within the Stock Transfer Agreement and understands any liabilities for the future, highlighted at paragraphs 14-16 and 17-20; and,
 - c) acknowledges a range of benefits that the partnership has brought to the town and the intentions for future work with the Council.

IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

4. It is over the financial threshold (£150,000)
It has a significant impact on 2 or more wards
Non Key

<input type="checkbox"/>
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DECISION IMPLEMENTATION DEADLINE

5. For the purposes of the scrutiny call in procedure this report is:

Non-urgent

Urgent report

<input checked="" type="checkbox"/>
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If urgent please give full reasons

BACKGROUND

1. In November 2004, the Council transferred approximately 12,000 houses to Erimus Housing, the newly formed Registered Social Landlord, and looked to Erimus to complete works to bring every property up to decent homes standard by March 2010. The key driver for housing stock transfer. In addition, Erimus provided some direct and associated services for the Council, including a number of Service Level Agreements that have been updated and/or re-negotiated and are now on new procured agreements with no impact from the end of the Agreement. (See Appendix 1).
2. This report highlights the investments made by Erimus both in the housing stock and in its regeneration and development capacity. It indicates the main Transfer Agreements service responsibilities and liabilities. It also provides an illustration of what else has been delivered by Erimus in terms of social and corporate responsibilities since it has become a significant force as a local employer and investor in neighbourhoods and services.
3. Erimus joined a number of Registered Providers, in April 2014, to form Thirteen Group. The group now owns over 32,000 properties with borders spanning from North Tyneside to York. This makes it one of the largest group housing associations in the North East; in the top 25 nationally; and in the top 10 largest employers in the North East. This report also sets the scene for future partnership working between Erimus as part of Thirteen Housing Group and the Council.

INVESTMENT, REGENERATION AND DEVELOPMENT

Investment in the housing stock

4. Following the Large Scale Voluntary Transfer (LSVT), Erimus was able to access additional financial resources to complete an extensive programme of investment in repairs, modernisation and estate improvements and a strong programme of new build was progressed. Within the first five years after Transfer, Erimus announced that the Decent Homes Standard had been achieved through:
 - a) £160m of investment to provide homes with 3,800 new bathrooms, 7,300 new kitchens, 4,500 replacement windows, 8,500 house rewires and 6,400 new heating systems;
 - b) 1,000 unpopular and outdated houses demolished; and,
 - c) 100% of homes achieving Decent Homes Standard within the targeted time frame.
5. Other investment included:
 - a) £7m invested in environmental improvements to provide car parking, improve amenity spaces and enhance neighbourhoods;
 - b) demolition of two 90 unit multi-storey blocks of flats in Netherfields;
 - d) £3.4m invested in Welton House to provide internal/external works, new communal facilities and a new base for the concierge service;
 - e) £100,000 per annum spent on neighbourhood projects by area housing forums to address local priorities; and,
 - f) in 2013, Erimus acquired around 1,000 homes from Tees Valley Housing Association in Middlesbrough. This 'stock swap' ensured that all residents within the former Fabrick Group would receive the same quality services from Erimus.
6. Erimus has recognised the need for the stock to become as energy efficient as practicably possible. They have worked to attract grant funding from initiatives such as

Community Energy Saving Programme (CESP), Carbon Emissions Reduction Target (CERT) and more recently Energy Company Obligation (ECO). To date this funding has totalled around £10m and has enabled the following;

- a) installation of Photovoltaic panels on 278 homes;
- b) fuel switching from electric to gas on 323 homes;
- c) external wall installation fitted to 'difficult to treat' properties in Hemlington, Newport and Thorntree; and,
- d) external wall installation and new communal heating system to Glastonbury House.

7. The energy efficiency of the stock, measured by the Standard Assessment Procedure (SAP) rating, now stands at an impressive 74, placing them in the top quartile nationally. In a time of rising fuel bills, this will deliver welcome benefits in terms of controlling fuel costs for tenants and providing the appropriate level of thermal comfort.
8. Erimus Housing is a key supporter of the Council's One Planet Living strategy and has adopted the same principles for sustainable living across the Organisation. It currently invests over £100k per annum on the Green Agenda including programmes to support healthy eating, energy advice health and wellbeing and carbon reduction.

Regeneration and development

9. Since Transfer, Erimus has built over 430 new homes, a total investment of £45m, including £15m grant funding from the Homes and Communities Agency (HCA). This has included a mix of family homes, specialist accommodation for older people and accessible homes for people with long term disabilities.
10. This development investment has also included partnership working with the Council to progress multi-million pound regeneration projects in Grove Hill, Hemlington and Newport which have provided:
 - a) 23 new homes in Daleville Close and Keithwood Close, Grove Hill (2008/09);
 - b) demolition of 592 unpopular properties across Grove Hill and 110 new units built 2012-14, including Marton Grove school site, Castle Way and Lambton Road;
 - c) £11m invested in Hemlington to modernise properties, improve the local environment, complete selective demolition and conversions from outdated and unpopular flats into spacious three and four bedroom homes; and,
 - d) £10m to build 94 units, comprising of apartments, houses and bungalows transforming the housing offer in part of the Newport area.
11. In addition, new and innovate schemes have been included in the Erimus portfolio, which have helped drive the Council's regeneration plans at Middlehaven:
 - a) 20 live/work units in Bohouse, investing £2.6m in building a scheme for entrepreneurs in the digital industry; and,
 - b) The Gateway facility for people with acquired neurological conditions for which Erimus built 12 units (a mix of general needs and fully accessible) to let on a short term basis to support rehabilitation and move-on.

Joint Venture (JV)

12. In December 2011, the Executive approved the development of a joint venture (JV) agreement between the Council and Erimus Housing. This has facilitated the development of Grove Hill with a new neighbourhood park and has helped progress

the required infrastructure improvements and attract private sector developer interest in new schemes.

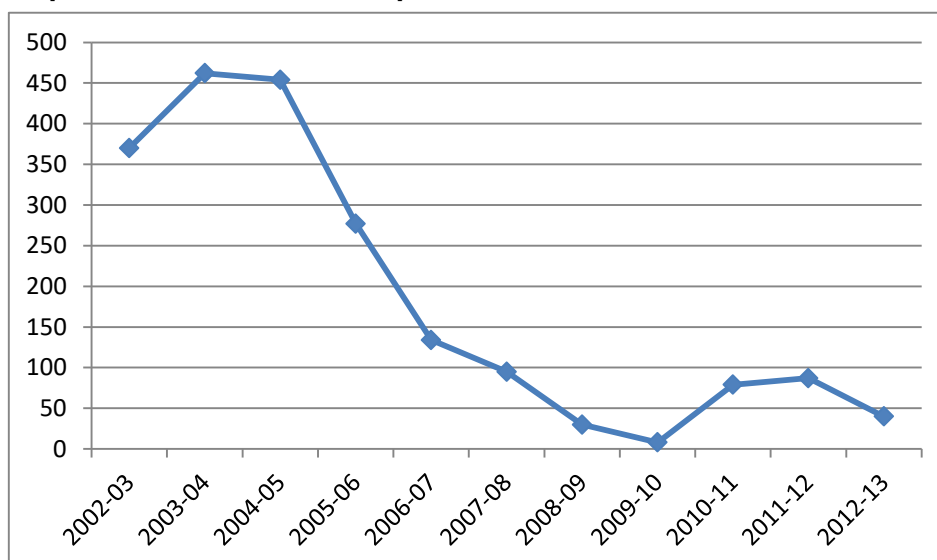
13. The JV was formally agreed in October 2012 and is one of the first of its type in the country. It has released a ring-fenced investment fund of £5.4m, jointly funded by the JV partners each contributing £2.7m. The Council's investment was funded by a payment from Erimus Housing to release the organisation from some of the ongoing financial obligations of the Stock Transfer agreement.

SERVICES AND RESPONSIBILITIES

Homelessness and Housing Advice Service

14. At Transfer, Erimus was contracted to manage the statutory Homelessness and Housing Advice Service on behalf of the Council, delivering it from Homechoice, a town centre site and then, more recently, from Rivers House, North Ormesby Road. In July 2009, Middlesbrough led on a new sub-regional, choice based system (Compass) that continues to advertise vacant houses across the Tees Valley, with Registered Providers and a number of private landlords also advertising their vacant properties through the system.
15. Working with the Council, the Service looked to use positive intervention across three major areas of concern (domestic violence cases, asked to leave cases and people receiving notices to quit from private landlords). Key milestones have been:
 - a) Middlesbrough Council and Erimus Housing partnership received Homeless Champions award (2006-07) having reduced homelessness cases by 61%;
 - b) key partnership to deliver Sanctuary domestic violence scheme with My Sister's Place was established and continues to deliver on key outcomes (2004);
 - c) early intervention, support and mediation for young people and their families to prevent homelessness; and,
 - d) Rent Bond Guarantee scheme to support access to private rented housing.
16. The Service has recently been reviewed by Erimus, a new triage system adopted with staff focusing on key delivery and prevention areas. The current homelessness and housing advice contract has been extended until March 2015. A one stop shop approach is being proposed as part of the Council's transformation agenda and on-going partnership work will be required to ensure continuity of the service as this procurement of the service moves forward. Key performance statistics on homeless acceptances (graph 1 below) indicates the huge improvements made in tackling homeless acceptances, since 2004.

Graph 1 Homelessness acceptances 2002-2013



Adaptations

17. Erimus was required to deliver adaptation work under the Transfer Agreement up to a specified annual minimum expenditure target. Erimus has, through its Vulnerable Persons' Housing Service:
 - a) completed 6,150 major and minor adaptations between 2004 and 2014; and,
 - b) spent approximately £4.5m (see Table 1 below) towards meeting and delivering adaptation needs to its stock over the past ten years.

Table 1 – Financial spend from November 2004 to March 2014

Financial year	Minimum expenditure target (£)	Erimus expenditure (£)
15 November 2004 – 31 March 2005	195,000	14,834.01 (estimated)
1 April 2005 – 31 March 2006	520,000	577,165.99
1 April 2006 – 31 March 2007	520,000	630,311.09
1 April 2007 – 31 March 2008	480,000	712,657.68
1 April 2008 – 31 March 2009	440,000	720,671.70
1 April 2009 – 31 March 2010	400,000	462,001.47
1 April 2010 – 31 March 2011	400,000	336,380.37
1 April 2011 – 31 March 2012	400,000	361,225.27
1 April 2012 – 31 March 2013	400,000	304,378.96
1 April 2013 – 31 March 2014	400,000	352,088.57
Total	4,155,000	4,471,714.60

18. Erimus has also provided support and advice on housing options for clients with high cost adaptations to enable them to live more independently in their own homes, identifying housing options, designing and organising adaptations where required and assisting with moves to more appropriate accommodation. This investment has ensured that the majority of adaptation works for Erimus tenants are not referred to the Council for Disabled Facilities Grant assistance.
19. This agreement ended in March 2014 though Erimus has committed to continuing the service to its tenants until March 2015. This will allow time for it to undertake a comprehensive review of the adaptations policies and arrangements across the new Thirteen Group and continue negotiation with the Council about future adaptation expenditure and delivery. Resolution of this position longer term will form a key part of ongoing partnership work.

20. If however, Erimus were to cease the funding of adaptations for their tenants, then these cases will be transferred to the Council for a mandatory disabled facilities grant (DFG). If the DFG budget were to remain the same as 2014/15 we would not be in a position to accommodate this additional demand, and this would result in clients having to wait to longer for adaptations.

Asbestos

21. The Agreement made provision for Erimus to manage asbestos works identified in the housing stock to November 2014. This included the requirement for Erimus Housing to make provision within the stock transfer business plan for up to £13,129,223 to undertake the works. The provisions of this covenant did not oblige Erimus Housing to expend more than the budgeted amount. The Council was responsible for all costs incurred by Erimus Housing in respect of asbestos works if the budget of £13,129,223, was exceeded. The works undertaken, to date, have totalled approximately £6.1m. Erimus fully understands its liabilities, has reliable and efficient systems, policies and processes for the management of any asbestos and is able to demonstrate what works they have undertaken, where this work was carried out and when. Appropriate checks have been carried out that confirm compliance by Erimus with the terms of the Agreement and that Erimus will continue to maintain their responsibilities as a landlord. From December 2014, Erimus will be solely responsible for any costs associated with the removal of any asbestos, which is identified in the transferred stock.
22. The Council will remain liable for any claim in respect of exposure to asbestos in its housing stock prior to stock transfer. The housing stock agreement does not change this liability nor does it expose the Council to increased risks. Middlesbrough Council has appropriate insurances in place to protect it against any such claim.

Newport Road retaining wall

23. Erimus was to set aside £500k between 2004/05 and 2009/10 to maintain the Newport Road retaining wall with any underspend to be carried forward and expended in further maintenance in future years. Erimus has since agreed to maintain the structural integrity of the wall and take full responsibility for the wall without limit of time, or budget.

CORPORATE AND SOCIAL RESPONSIBILITIES

Training and Apprenticeships

24. Erimus has invested in its communities through the development of various initiatives that support families and particularly young people and, in 2004/05, an apprenticeship project brought 56 trainees into the organisation.
25. An Erimus Futures programme was launched in 2005/06 that focused on tenants and residents living in its neighbourhoods and offered a range of initiatives, such as an enhanced work experience programme for year 10 students that included employments skills training, project work, hands on work experience, coaching and preparing for interview training. In 2009/10, this programme was refined to smaller numbers in an attempt to ensure quality rather than quantity.

Table 2 Enhanced work experience programme

YEAR	STUDENTS ENGAGED IN THE ENHANCED PROGRAMME	STUDENTS COMPLETING THE ENHANCED PROGRAMME
05/06	79	50
06/07	72	42
07/08	84	61
08/09	20	20
09/10	20	20
10/11	20	20
11/12	20	20
TOTAL	315	233

Peer Kids

26. One of the most successful Erimus Futures initiatives was Peer Kids, a citizenship programme for primary school children. This ten week programme was delivered in over 43 local primary schools across Middlesbrough promoting citizenship, positive communities and prospects for children. In 2007/08, it received external recognition for the second year running when awarded the Business in the Community Big Tick award. In total over 7,000 pupils have benefitted from the Peer Kids programme. In addition, Erimus is:

- a) a patron and part funder of the Children’s University, which works in over 20 schools in Middlesbrough to promote out of school learning activities that culminate in the annual graduation ceremony in the Town Hall;
- b) a member of Business in the Community and hosts the Middlesbrough and Redcar Business Class cohort, linking local schools to local businesses, providing employability skills and work experience for learners;
- c) part of the High Tide initiative, let by PD Ports and provides a range of work placements for school leavers during the summer months;
- d) a key partner in Middlesbrough Foundation, the charitable arm of Middlesbrough Football Club and, in collaboration with Tees Valley Community Foundation, £50k has been invested into the ‘Kicks’ programme, bringing football into the community and providing a range of activities for 18 – 25 year olds, promoting community cohesion and health awareness with 750 young people benefitting.

27. In 2012, Erimus was successful in accessing BIG Lottery funding to develop the ‘Resinet’ programme to promote digital inclusion to some of the most hard to reach groups in East Middlesbrough.

Tandem

28. Tandem is a financial inclusion service, which was set up in 2007 to assist Erimus tenants. Tandem advisers help residents to claim benefits, manage money, maximise income, reduce outgoings and access debt advice from specialist services. In 2010, Tandem advisers started to take on more in-depth benefit work and practical assistance, in response to increased need.

29. Tandem has assisted 3,962 Erimus customers during 6,699 appointments and has generated £4.3m in benefit income for Erimus customers (yearly equivalent amount)

since the project began in 2007. In addition, Tandem advisers have helped Erimus residents to receive £50,000 in grants during this period.

30. In April 2014, the Tandem team became part of a wider inclusion team at Thirteen Group, which means that Erimus residents have access to additional in-house support around employment and digital skills, in addition to financial inclusion advice.

Know Your Money – Keep The Change (KYM)

31. Know Your Money – Keep the Change is a Big Lottery funded project led by Erimus Housing. The initial concept for the funding bid was developed by the Middlesbrough Financial Inclusion Group with the aim to help young people aged 16 - 24 years old improve their money management and be better equipped to manage money themselves and make better financial choices.
32. Since opening in August 2013, KYM has helped 1,202 young people aged 16 to 24 years old. The project is seeing real changes in the young people they work with, not just financially, but in their general confidence and employability skills, too. KYM has put an additional £481,862.26 (yearly equivalent) in the pockets of young people by helping them:
- reduce their outgoings and budget more effectively;
 - obtain benefits they are entitled to;
 - access grants for household items, baby equipment and other necessities;
 - make smarter money decisions and access money saving deals; and,
 - gain employment – 40 young people have obtained jobs via the KYM in-house job club.
33. During the next year, KYM will be delivering outreach services in East Middlesbrough and is hoping to work with local colleges and schools to engage young people into their services.

Resident involvement

34. The Residents' Scrutiny Panel ensures a robust system of governance within a co-regulation framework operating as a Registered Provider of affordable housing. Resident involvement, which is fundamental across Erimus's business, focuses on service delivery and value for money. This is currently under review since the merger of the Thirteen Housing Group to look at consistency and involvement across the Group.

PARTNERSHIP WORKING IN THE FUTURE

35. Erimus and Middlesbrough Council have enjoyed a very positive and productive partnership over the last 10 years and Erimus has proved a major contributor to the local economy through its investment, service provision and in assisting with the financial inclusion and health and well-being agenda. It is important that the partnership is further cultivated to meet future challenges.
36. The Council is using its agreed Joint Venture approach with Erimus to look at new opportunities through the development of a Housing Regeneration Vehicle and delivery of broader environmental and neighbourhood work, new homes and bringing empty homes back into use.
37. Other priorities for collaboration include:

- a) working together to develop a skills and employability pathway for Middlesbrough people that ensures local people are advantaged;
- b) developing housing and support solutions that meet specific needs and seek to address budget pressures around health and social care;
- c) investigating opportunities for the better delivery of joint services across the town that will increase efficiencies and give a better customer experience; and,
- d) developing a vision for a regeneration programme that further underpins economic/social priorities and provides an improved housing offer to retain and attract economically active households in the town;

OPTION APPRAISAL

38. Not applicable.

IMPACT ASSESSMENT (IA)

39. Not applicable.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

FINANCIAL

40. Not applicable.

WARD IMPLICATIONS

41. Not applicable.

LEGAL IMPLICATIONS

42. Legal Services have provided advice on aspects of the report to ensure that the Council is not exposed to any risks, once the Transfer Agreement has ceased.

CONCLUSION

- 43. The Stock Transfer gave rise to an Registered Housing Provider, which is now, as part of Thirteen Group, a major national Organisation and the tenth largest regional employer. It has been a positive partnership and Erimus has delivered a major boost of £160m to the town's economy and local tenants in terms of investment to the existing housing stock with major improvements in energy efficiency, new kitchens and bathrooms, windows and re-wiring. It has seen over 430 new homes being developed in Middlesbrough totalling £45m of capital investment to meet local housing needs and has delivered innovative specialist schemes, such as Bohouse and The Gateway.
- 44. A key partner in the regeneration of the town, Erimus's pro-active approach, in working closely with the Council, has helped deliver major improvements in the sustainability and resilience of areas, such as Grove Hill. A partnership the Council will seek to build upon.
- 45. Many of Erimus residents have benefitted through having improved homes and reduced utility bills because of investments in energy efficiency.
- 46. Erimus will continue to be a major partner both in term of local employment pathways; meeting housing needs; contributing to the health and wellbeing agenda; and, delivering improved neighbourhoods and services for the future.

RECOMMENDATIONS

47. It is recommended that the Executive:
- a) accepts the findings of the report;
 - b) is assured that Erimus Housing has fulfilled their obligations within the Stock Transfer Agreement and understands any liabilities for the future, highlighted at paragraphs 14-16 and 17- 20; and,
 - c) acknowledges a range of benefits that the partnership has brought to the town and the intentions for future work with the Council.

BACKGROUND PAPERS

48. No background papers were used in preparing this report.

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