



Leicester
City Council

OVERVIEW AND SCRUTINY MANAGEMENT BOARD
Cabinet

11 FEBRUARY 2010
12 July 2010

Report of the Adults & Housing Scrutiny Task Group – Final Report
Review into “Homecome Ltd”

Report of Councillor Potter, Task Group Leader

1. Summary

- 1.1 This report provides the Overview and Scrutiny Management Board with the findings of the Adults & Housing Task Groups review into ‘Homecome Ltd’, a social housing company. This review was undertaken to ensure that HomeCome Ltd provides a value for money and quality service.
- 1.2 Leicester City Council approved the creation of HomeCome Ltd in 2004 to create new affordable housing in Leicester. HomeCome is managed by a Board of Directors and is a not-for-profit limited company owned by its members. Leicester City Council is a member of HomeCome with 49% voting rights.
- 1.3 The Task Group were informed that the council ceased funding in 2008. The ‘Homecome Annual Report’ was considered by the Overview and Scrutiny Management Board in February 2008 and members requested further information before any decisions were to be made.
- 1.4 This report sets out the findings, conclusions and recommendations of the HomeCome Task Group.

2. Recommendations

The Overview and Scrutiny Management Board is asked to endorse the following recommendations of the HomeCome Task Group.

These recommendations have been split into 2 parts:

2.1 to 2.5 City Council, as a **stakeholder** in the company ‘HomeCome Ltd’.

2.2 to 2.10 City Council, as a **contractor** to ‘HomeCome Ltd’, responsible for the interface with tenants plus housing repairs & maintenance to properties.

- 2.1. The Task Group submit a report as strong supporting evidence at APPENDIX A, 'Strategic Assessment of the Role of HomeCome', which supports the view that HomeCome has benefited the council by creating new housing stock that has resulted in reducing the councils housing register.
- 2.2. Leicester City Council to recognise the benefits to the Housing Revenue Account (current payment £223K) from HomeCome. To note that City Council is the main contractor providing letting, rent collection and repairs & maintenance services.
- 2.3. The Council to consider, either a re-investment into HomeCome or to explore options for future alternatives.
- 2.4. The Council to note that it has the powers to influence HomeCome in a variety of ways, aswell as with its 49% stake in the company.
- 2.5. That the Council supports a request to the Regional Loan Fund to make available funds to Private Sector Landlords, such as HomeCome, to improve the condition of their properties.
- 2.6. That Leicester City Council continues to work in partnership with HomeCome and other social landlords to increase the stock of Affordable Housing in the city.
- 2.7.** Leicester City Council to ensure that the Housing Services Division delivers the same standard of customer service and guidance to all HomeCome tenants, as it does to its council tenants.
- 2.8. Leicester City Council to ensure that the Housing Services Division develops a process to consult with all HomeCome tenants on an annual basis to monitor performance and customer satisfaction of the housing services provided.
- 2.9. That Leicester City Council and HomeCome Ltd ensures that all future inspections carried out on HomeCome properties are to the same Decent Homes Standard as council housing properties.

3. Background

- 3.1 At its meeting in September 2008 the Overview and Scrutiny Management Board agreed for the Adults & Housing Task Group to undertake a review of HomeCome Ltd, which is a social housing company in Leicester.
- 3.2 The Task Group met on 4 occasions. In addition to these meetings the Task Group have conducted a focus group session and carried out site visits for the purpose of gathering evidence.
- 3.3. The Overview and Scrutiny Management Board have received regular progress reports on the work of the Task Group.

4. Membership of the Task Group

- 4.1 The members involved in the Task Group are: Councillors Potter (chair), Newcombe, Glover, Thomas, Lloyd-Harris, R. Blackmore, Joshi, Mayat, and Allen. The lead officers involved in this review - Ann Branson, Service Director and Ian Craig, Head of Housing Repairs plus Joanna Bunting, Head of Commercial & Property Law.

5. Acknowledgements

- 5.1 The Task Group wishes to thank:
Housing Service leads – Ann Branson and Ian Craig
Legal Services lead – Joanna Bunting
HomeCome Ltd representatives - Mike Forrester and Brian Jarman (plus tenants)

6. Aim of the Review

- 6.1 The HomeCome Scrutiny Task Group was set up to investigate:
- how homecome as a company is operated,
 - the performance of homecome,
 - to compare the costs associated with homecome purchasing property,
 - the relationship of homecome with Leicester City Council.

7. Method of Investigation

- 7.1 The Task Group gathered information to inform this review through:
- presentations from Homecome
 - questioning homecome representatives
 - presentations from the Housing Service Director and related officers
 - table top review of documents and relevant reports
 - focus group with a selection of homecome tenants
 - visit to homecome properties.

8. Introduction

- 8.1 Ann Branson, Housing Service Director explained that HomeCome was set up by the Council in 2004 to create new **Affordable Housing***(see *definition below*), initially as a way of keeping properties that required a large amount of renovation accessible to the housing register.
- 8.2 Ann Branson submitted a report prepared specifically for the task group: 'Strategic Assessment of the Role of HomeCome' at APPENDIX A. This report provided the task group with a detailed account of:
- a) the current position and background information,
 - b) costs of homes and purpose of HomeCome Ltd,
 - c) the councils control and influence over HomeCome Ltd, and
 - d) the benefits of HomeCome.

- 8.3 It was explained that HomeCome properties were financed with an Affordable Rent Grant (ARG) from the Council and a loan taken out by HomeCome. The Council's Housing Capital Programme made available:
- £3m in 2005/06,
 - £2.75m in 2006/07,
 - £1.75m in 2007/08

***Definition of Affordable Housing**

Affordable Housing is homes for people whose needs are not met by the market.

Affordable Housing includes:

- (i) social rented housing – homes for rent which have rents determined through the national rent regime or equivalent arrangements (this includes council houses and homes owned and/or managed by Registered Social Landlords for rent);
- (ii) Intermediate affordable housing – homes at prices and rents above those of social rent but below market price or rents (this includes shared equity products like Homebuy, other low cost homes for sale and intermediate rent, **like HomeCome properties**).

Because affordable housing is rented or sold at a price below the market level, subsidy is needed to create it.

9. KEY FINDINGS

How is HomeCome Operated

- 9.1 The task group investigated the function of HomeCome by interviewing Homecome representatives. Mike Forrester and Brian Jarman from HomeCome gave evidence to the Task Group, which included an explanation of the organisation, in summary:
- HomeCome Ltd was created as a not for profit organisation
 - The Board was made up of three Elected Members and six Directors
 - The Company was financed through an Affordable Rent Grant and a Bank Mortgage with Lloyds TSB
 - The property portfolio comprised of 184 properties, of which 15 were leased from Leicester City Council and a further 35 leased from Private Sector Landlords
 - All properties were maintained to the Decent Homes Standard
 - Tenants were all nominated from the Leicester City Council housing register
 - Assured Short Hold tenancies were provided to tenants on a rolling basis, subject to the requirements of the tenancy agreement
 - All rents charged were within Housing Benefit levels
 - Repairs and Maintenance were all still provided through the Leicester City Council Housing Repairs Service
- 9.2 The task group examined specific documents relating to HomeCome, such as:
- Business Plan and Service Level Agreement

- Annual accounts
- List of HomeCome properties
- Comparison to HomeCome property rents

9.3 Task Group members questioned HomeCome regarding the financing and management of the company, summary of responses received:

- Homecome is a not-for-profit limited company owned by its members. The council, as one of its members owns a 49% stake, and Homecome was financed partly by the council and partly through the banks.
- There was a difference between the members and board of directors, as the members effectively owned the company, and the Board of Directors managed it (comprising Ian Harkness, as chair, Councillor Aqbany, Chris Cronogue, Jaffar Kapasi, John Townsend and Martin Traynor).
- Homecome pays for a company secretary and services of an acquisition manager (2 members of staff only). The company secretary is appointed by the directors.
- Homecome has no premises and the work is undertaken through contractors.
- The main contractor is the City Council providing letting, rent collection and repairs and maintenance services. The current payment from Homecome to the Housing Revenue Account is **£223K**.
- The majority of the homes owned by Homecome had been bought from private ownership and made available to people on the housing register.

9.4 Joanna Bunting, Head of Commercial & Property Law stated that HomeCome had a five-year business plan. This was confirmed by Mike Forrester from HomeCome who explained:

- The business plan had to be agreed by the bank;
- The bank expected to see rising rent levels in line with rises in Council house rent;
- They needed to balance profit with the best deal for residents of Leicester;
- The company was being managed in the best possible way; and
- Private sector properties were being taken on at no extra cost to Leicester City Council.

9.5 In response to Members questions, Brian from HomeCome stated that financial support for Private Sector Landlords to improve homes was no longer available through HomeCome due to the financial position of the organisation. HomeCome was only able to work with Private Sector Landlords that had sources of finance available or if their properties already met the Decent Homes Standard.

9.6 The Task Group questioned how the membership to the company was appointed. In response Mike Forrester confirmed that membership was made up of Tenants Association, Chamber of Commerce and Leicester City Council members.

9.7 The task group agreed that the benefit of the company was that the Council retained a stake in the properties as there was no right to buy, and it also enabled homes to be brought up to the **Decent Homes Standard***(see definition below).

***Decent Home Standard** is defined as one which meets modern standards of fitness, structure, energy efficiency and facilities. All Housing Executive and registered housing association homes must meet the Decent Homes Standard by 2010.

Homecome Tenants

- 9.8 All Homecome tenants are nominated from the city council housing register. The alternative for Homecome tenants is the private rented sector. No Registered Social Landlords accept 100% nominations in perpetuity.
- 9.9 Homecome tenants remain on the city council housing register and are still able to receive offers. The turnover of Homecome tenants is relatively low and there are 110 tenants (84%) who have lived in their home for over 2 years.
- 9.10 All the normal landlord services for Homecome tenants are provided by city council under contract to Homecome for which Homecome is charged a fee. These services include access to city council cash offices, city council staff providing arrears and other tenancy advice and repairs services.

Consultation with Homecome Tenants

- 9.11 The task group held a consultation focus group session inviting Homecome tenants to give their views and opinions to the task group. Also present at the focus group meeting was city council housing officers and a Homecome representative. Although only a small selection of tenants participated, the evidence gathered helped to inform the review. Summarised feedback from the focus group session, questions and responses, is attached at Appendix B.
- 9.12 Following the focus group session, the task group summed up that tenants were confused about:
- Who their point of contact was (was it Homecome or city council)
 - How city council provides a service to tenants on behalf of HomeCome
 - Who to contact with issues and complaints
 - Why the rent levels vary compared to non-HomeCome tenants
 - What the tenancy agreement with HomeCome really means
- 9.13 At the focus group session, many of the tenants referred to individual repairs and maintenance issues, these were recorded by the Housing Repairs officer who agreed to chase up and action.
- 9.14 The task group were reassured that in the future Homecome tenants along with all tenants will be able to raise issues and voice opinions through a new national body 'Tenants Services Authority'. This body has been created by the Government to take responsibility for statutory consultations with tenants from the social housing sector.

Visits to HomeCome Properties

- 9.15 Task Group members visited 2 HomeCome void properties. The purpose of these visits was to inspect the condition of HomeCome properties prior to being let out.
- 9.16 A HomeCome property in the Momacre area was visited on 2 occasions for inspection. A list of repairs work and issues as identified by the members was passed onto the local housing office for action to be taken. A HomeCome property in the Netherhall area was visited on 1 occasion and this was far more positive.
- 9.17 In summary, the following observations were made by members of the task group:

Momacre area property

- Health & safety concerns raised due to this 3 bed & 1 bathroom property being converted to a 4 bed property with the bathroom moved downstairs. The 4th bedroom seemed too small with a tiny window which would not allow emergency access (**however housing officers have since stated that this bedroom meets both size standards & does not contravene health & safety**).
- A variety of internal and external repairs works had not been completed even though 2 visits had been made to the same property, therefore this property deemed not fit for purpose in its current state.

Netherhall area property

- This property was viewed as one which was complete and ready for let.
- Provided with a check list of works to help view this property.
- Vey impressed with this property, was of a very high standard and quality specification.
- Apart from some minor works, in our opinion this property was deemed as a very desirable property fit for let.
- The property also had an energy efficiency pack which we were impressed with.

Comparison of Costs with HomeCome Property

9.18 TABLE 1 - Comparisons of Private Sector/HomeCome/Housing Associations/Council Weekly Rents (December 2009)

	Local Housing Allowance (Housing Benefit for Private Sector December 2009)	HomeCome owned	Average target rents for Housing Associations as at December 2009	City Council average rents as at December 2009
2 Bed house	£114.23	£95.00	£64.54	£60.05
3 Bed House	£126.92	£95.00	£71.38	£65.20
4 Bed House	£173.08	£117.00	£82.79	£74.94

(**Homecome properties** are classed as intermediate affordable housing – which is homes at prices and rents above those of social rent, but below market price or rents)

9.18 TABLE 2 - Homecome Lets (July 2009)

No	Ownership	1bed	2bed	3bed	4bed	5bed	6bed
132	Owned houses	0	25	51	48	7	1
27	Private leased houses	0	5	10	8	4	0
15	Council owned properties	13	1	1	0	0	0

9.19 TABLE 3 – Homecome Rents (July 2009)

No	Ownership	1bed	2bed	3bed	4bed	5bed	6bed
132	Owned houses	None	£95	£95	£117	£135	£147
27	Private leased houses (LHA)	None	£115	£129	£173	£219	£219
15	Council owned properties (LCC)	£55	£69	£82	-	-	-

9.20 Homecome lets – It is very unusual for city council to have a 4bed house to offer yet there is significant demand for such large properties. Homecome currently lets 56, 4+ bed houses and in the last year let 6.

9.21 In comparing HomeCome with the private rented sector, it is recognised that:

- the comparison of living conditions, rent and security of tenure make a HomeCome property very attractive to families waiting years in private rented accommodation for a council house
- without HomeCome 180 families would be suffering poor private sector tenancies with the health and educational disbenefits arising from damp, overcrowded and insecure tenancies.
- HomeCome provided homes for families who cannot access council housing that meets their needs in terms of rooms or location, similarly access to RSL homes.

9.22 No Homecome tenant pays rent above Benefit level. The rents for the private leased properties are higher to allow sufficient rent to be paid to the owners to be of interest to them.

9.23 In comparison to a private property, Homecome tenants felt that they received value for money. However, in comparison to city council property, some Homecome tenants felt that they do not receive value for money (although the task group noted that city council subsidises its rents).

9.24 The task group questioned how secure the tenancy of each tenant was. In response, HomeCome confirmed that each tenancy was renewed on a rolling basis and that private leased properties were subject to a five-year lease, after which if it was not renewed they would work with the Council to find a replacement property.

9.25 The task group were informed that both Homecome owned and Homecome leased properties are let to tenants on assured shorthold tenancies:

- a) For Homecome owned properties tenants are given an assurance that their tenancies will not be ended unless they breach the tenancy conditions.

- b) Homecome leased homes are leased from private landlords for 5 years at a time. These tenants are told that their tenancies may come to an end when the lease ends because the landlord may want the property back. That stage has not yet been reached on any properties. Tenants are told when they sign up how long there is left on the lease. They are told that Housing Options will advise them on their housing rights and options when their tenancies end, based on their circumstances at the time.
- 9.26 The Task Group highlighted a potential 'poverty trap', whereby HomeCome tenants who received housing benefit could be disadvantaged when finding employment, due to the higher rent, compared to Council tenancies. Members were informed that this was fully explained to potential tenants prior to acceptance of an offer, and that refusal of an offer did not count towards the two allowed refusals for Council tenancies. Current rules regarding housing benefit were also explained.
- 9.27 Mike Forrester from HomeCome confirmed that 88% of HomeCome tenants were currently on Housing Benefit. The Task Group raised concerns about the high number of HomeCome tenants on benefits, potentially being vulnerable if faced with financial difficulties.
- 9.28 In response to Members questions relating to the higher level of rent charged for HomeCome properties, it was stated that the rent was structured to reflect the need to cover HomeCome mortgage payments, insurances and the management & maintenance fee charged by Leicester City Council. It was also stated that, although the rent levels were comparatively higher than those charged by Leicester City Council, none of the rent levels contravened Housing Benefit guidelines.
- 9.29 In response to questions from Task Group members on the extra £15 per week given to HomeCome tenants (a government regulation housing benefit allowance), the theory of the £15 reward was to encourage tenants to shop around until a £15 reduction in rent was found. Chris Burgin from City Council Housing confirmed that a government review of the regulations is considering the scrapping of the £15 allowance.
- 9.30 Several Task Group members indicated that they were not convinced that HomeCome contributed to more affordable housing and that tenants could have got a privately rented property for the same amount as a HomeCome property. In response, Homecome stated that it has provided the only 4 bed plus properties in the city for the last 3 years.
- 9.31 Task Group members wanted to know how many of the HomeCome stock were former Council houses and how many were former privately owned acquisitions, HomeCome confirmed 130 out of 132 purchased. HomeCome stated that they manage and rent out a total of 184 homes to households from the city's housing register, 132 of these homes are owned by Homecome, the rest are leased by Homecome from the private sector and the Council.

Relationship of HomeCome with Leicester City Council

- 9.32 The Task Group members were informed that the Council's Chief Financial Officer and Internal Audit has previously done assessments of Homecome to their satisfaction.
- 9.33 The Council can influence / determine the future of Homecome in four ways:

- As a member with a 49% ownership. It, therefore, needs the support of one other member to change the constitution.
 - Nomination of one Director.
 - By provision of capital funding.
 - Through the terms of the affordable rent grant agreement.
- 9.34 The Affordable Rent Grant agreements which apply to all properties owned by Homecome mean:
- the council has a stake in the property (an indexed linked equity charge)
 - Homecome cannot sell properties without council permission
 - Homecome is required to report on its business to council.
 - In addition, the grant agreement secures that Homecome must take all its tenants from the Council's Housing Register.
- 9.35 Ann Branson, Housing Service Director explained to the Task Group the benefits of City Councils relationship with HomeCome:
- had had a positive impact in bringing private and public sector housing up to the Decent Homes Standard,
 - had made larger properties available on an affordable basis,
 - had contributed to reducing the number of empty homes throughout Leicester City,
 - had also successfully managed to identify and occupy redevelopment sites, not ready for redevelopment to commence, on a short-term basis.
 - Further, as Home Come Ltd no longer received investment grant from Leicester City Council, they had been required to lease more properties from Private Sector Landlords, therefore bringing more private sector homes up to the Decent Homes Standard.
- 9.36 Members questioned why there hadn't been a greater pursuit of recognition for the concept of HomeCome with the Government. In response, it was stated that through greater recognition, alternative funding opportunities might have been identified.
- 9.37 Members also questioned who was responsible for assessing the repairs required to bring properties up to a decent standard. In response it was stated that Leicester City Council Officers, with representatives from HomeCome, assess all properties to identify the work required.

Homecome Funding

- 9.38 Members questioned the financial position of HomeCome, in the view of the financial climate at the time, and questioned whether Leicester City Council could consider making loans available to HomeCome from any surplus as this would enable a much greater level of affordable housing to be provided across Leicester City on a more sustainable basis.
- 9.39 In response it was confirmed that HomeCome continued to make it's mortgage repayments with Lloyds TSB and that more funding from Leicester City Council would be welcome. Mike Forrester explained and that no dividend was received by the directors.

- 9.40 The Homecome owned houses were bought with city council grant which gives the council a percentage ownership of the property and a bank loan raised by Homecome. This significantly increased the number of properties that could be bought with the funding city council had available. However, due to the need for Homecome to repay the loans plus interest, Homecome rents for its owned houses are higher than those of the council. So this arrangement created homes for more families by having higher rents.
- 9.41 Ann Branson confirmed to the Task Group that the Regional Housing Board were setting up a Regional Loan Fund and that Officers from the Council would be exploring this further. Specifically, they were investigating whether loans could be made available to Private Sector Landlords to improve the condition of their properties.
- 9.42 The Task Group members enquired about eventual ownership of HomeCome Ltd, Mike Forrester confirmed that once the loans are paid off the Council owns 50% *and the remaining 50% be for the well being of the City*. Joanna Bunting explained further, and stated that the Council is the closest match to an organisation that could deliver the service for the greater good of the City, and therefore theoretically is most likely to own the company and the entire stock, if the Company were dissolved.
- 9.43 Joanna Bunting, Head of Commercial & Property Law, confirmed that Cabinet was due to consider a report with the purpose of supplementing the supply of Council houses. There was a possibility that new funding may have become available for this. In the past the Council had been receiving approximately 400 right to buy applications per year but this had recently tailed off and since the “credit crunch” were down to very few.

Does Homecome provide Value for Money and a Quality Service

10. CONCLUSION

- 10.1 In addressing the future of housing needs, the City Council has recently been successful in attracting new funding and is set to build new council homes following the city councils successful bid for Government funding. Last year the government gave the city council more than £4.5m so it could build its own houses for the first time since 1977.
- 10.2 The Task Group supports the councils aim to create stable communities in the city and in relation to the councils allocations policy, to give tenants more choice to which area they wish to live. Leicester City Council is currently faced with 8,194 people on the councils housing register, including 4,000 families waiting for 2 or 3 bedroom homes. More than 500 people are in hostels.
- 10.3 The task group recognise that Leicester City Council is unique in having the experience of HomeCome that demonstrates how a higher rent sub Benefit model can create twice as many properties for the same amount of funding. Homecome has said that it would welcome the opportunity to extend its work with Leicester City Council to create a greater number of homes for families in need.
- 10.4 At present the supply of social housing in Leicester is unable to meet demand. Fewer and fewer city council properties are available to let each year due to RTB and reduced

turnover. Registered Social Landlords are building houses, but not enough and over the last 10 years too many flats have been created by Registered Social Landlords and private developers - which are generally unsuitable for families.

- 10.5 The Task Group also recognise that the city council has benefited from HomeCome in relation to the increase in the Housing Revenue Account (current payment £223K).
- 10.6 The Task Group recognises that HomeCome does provide a good service with homes for families who cannot access council housing that meets their needs in terms of rooms or locations, similarly, access to RSL homes. In comparison to the private rented sector, a HomeCome property offers a better deal to tenants.
- 10.7 The task group suggested that improvements be made to address the issues of concern highlighted by this review, in the main relating to:
 - a) the possibilities of Homecome tenants facing financial difficulties 'the poverty trap' due to the rent levels being higher than council tenants.
 - b) homecome tenants finding themselves locked into tenancy agreements and not fully understanding the procedures.
 - c) homecome tenants confused about how to access customer services and repairs and maintenance services.
 - d) the standard of works carried out and inspections to Homecome properties being prepared for let.
- 10.8 Overall, the task group recognise that strategically, HomeCome has been the main driver for the council to have extra properties to offer to families on the Housing register, therefore for this reason HomeCome has provided value for money.

11. LEGAL IMPLICATIONS - Joanna Bunting

- 11.1 These are contained in the body of the report. ARG is designed to benefit tenants through the provision of affordable rents and homes to the decent homes standard. The principal power the Council is using is s2 Local Government Act 2000 (well being powers) HomeCome is not a controlled or regulated company and is not subject to group accounting as part of the Councils accounts. HomeCome is a private company limited by guarantee, and is not able to make a distribution to its members.

12. FINANCIAL IMPLICATIONS – Rod Pearson

- 12.1 Details of the financial relationship between the Council and HomeCome are set out in the report above.
- 12.2 Because of the pressure on the Council's capital programme, it has not been possible to make Affordable Rent Grants to HomeCome for the purchase of properties since 2008.
- 12.3 The charges to HomeCome for maintenance and management are set to reflect as nearly as possible the actual cost to the Council so as to have a neutral effect on the Housing Revenue Account.

13. BACKGROUND PAPERS – Local Government Act 1972
 - 13.1 Report of the Corporate Director of Adults and Housing :
HomeCome Annual Report 14.02.08 to Overview & Scrutiny Management Board.

14. CONTACT
Councillor Barbara Potter, Task Group Leader (Adults & Housing)
Tel: 39 8825 (internal)
Tel: 0116 229 8825 (external)
Email: Barbara.Potter@leicester.gov.uk

Anita Patel, Member Support Officer
Tel: 39 8825 (internal)
Tel: 0116 229 8825 (external)
Email: Anita.Patel@leicester.gov.uk

15. APPENDICES:

Appendix A – Strategic Assessment of the Role of HomeCome
Appendix B - Focus Group Consultation with HomeCome Tenants
Appendix C – Housing Services Response to the report of the Task Group