

REPORT TO THE EXECUTIVE



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PORTFOLIO	Regeneration and Economic Development
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Selective Licensing - Management Orders

PURPOSE

1. To seek delegated authority for the Head of Housing and Neighbourhoods to make interim management orders and final management orders.
2. To seek authority for the Management Order contract to run for a 12 month period from its commencement date.
3. To outline detailed financial implications associated with the delivery of Management Orders.

RECOMMENDATION

4. To authorise the Management Order Contract to run for a twelve month contract period from the date it is signed, rather than a stipulated period from April 2010 to March 2011.
5. That Full Council be recommended to make an amendment to Part 3 of the Council's Constitution Scheme of Delegation for the Head of Housing and Neighbourhoods to make Interim and Final Management Orders.
6. That the executive recommend to Full Council the establishment of a net budget of £10,000 to facilitate the carrying out of works in default.

REASONS FOR RECOMMENDATION

7. To enable the ongoing delivery of the Trinity Selective Licensing scheme.

SUMMARY OF KEY POINTS

8. The designation of the Trinity Selective Licensing Area came in to effect on the 22nd October 2008. All properties within that area are required to be licensed if they are a

privately rented property. Failure to do so is a criminal offence. The Council has recently successfully prosecuted 4 landlords for the failure to apply for a licence.

9. Where there is no reasonable prospect of a property becoming licensed the Council have a duty to serve a Management Order to take over the running of the property.
10. The appointment of an Interim Management company will allow management orders to be made for those properties that have no reasonable prospect of receiving a licence in the near future or having the licence revoked; if they licence holder fails to meet the specified conditions.
11. Officers are currently in the process of preparing in the region of 80 prosecution cases where complete application forms have not been received. We have had 4 successful prosecutions with fines of £2000 plus court costs being awarded. Where the owner remains to fail to engage with the Council and there remains no prospect of the property becoming licensed the Council would make a management order.
12. The Council will be appointing Calico to be the managing company for the properties that are subject to Management Orders. The cost of the management of a property for a 12 month period will be £486. This is 11% below the management fee currently being paid by other local authorities that have appointed a company to manage properties subject to IMO's. Calico will submit valid invoices to the Council for the management fee in respect of the properties for the period of the IMO. With 50% due at the commencement of the IMO and the remaining balance at the termination of the IMO.
13. The contract with Calico will be continually monitored. Either party may terminate the agreement by either:
 - Providing three months prior written notice to the other party or by
 - Providing five working days written notice in the event that either party is in breach of any of its obligations under the Contract that is capable of remedy and which has not been remedied or by
 - Providing five working days written notice in the event there is a material or substantial breach.
14. In the unlikely event that the contract has to be terminated early the contract states that Calico recognises the Council's statutory obligations in relation to IMOs and the need to ensure that any Property that the Council has made subject to an IMO is adequately managed. Calico agrees that where it terminates the Contract it will continue to provide the Services for such reasonable period of time as is necessary to ensure the Council can put suitable alternative arrangements in place with another contractor.
15. The ongoing repair costs and legal costs will be additional costs that will be deducted from the rental income; these will be charged by Calico at a rate of labour costs (based on time job/hourly rate) plus materials used, plus a 10% admin fee. Any job costing less than £30 will be charged at a flat rate fee of £30.
16. Officers will make arrangements for this contract to be tendered so that at the end of the initial 12 month period a further contract can be signed
17. In order to remedy serious hazards that the property may suffer from at the commencement of the management order, it may be necessary for the Council to carryout repairs. It is estimated that this could be approximately £4000 per property.

18. The Council will pay the Company the capital costs incurred of all works of routine maintenance, responsive repairs and all other obligations as outlined in the contract. The Council will pay an administration fee of 10% of the capital cost incurred in respect of all works.
19. After a 6 month period and also at the expiration of the IMO the company shall reconcile the accounts for each property and pay any credit balance to the Council. The costs of initial repairs and the initial 50% management fee will then be deducted from this income. The remaining 50% fee will be due at the end of the IMO, which will be deducted from any balance transfer received from Calico. Where there remains a credit balance this will be transferred to the landlord. If there is a deficit the Council will seek to register a charge on the property.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

20. The properties located in the selective licensing area that could be subject to management orders may have serious hazards at the commencement of the management order. As set out above the intention will be to recover these costs through the rental income generated from the properties, but there is a clear risk that not all of the Council's initial expenditure will be recovered and the debt will need to be pursued through the debt recovery process as a local land charge. As with all debts there is also a risk that ultimately not all the money owed to the Council will be recovered, but this risk will be mitigated as far as possible through effective internal procedures operated by the Council. It is therefore proposed in the recommendation to establish a net budget of £10,000, with the expectation that any additional expenditure will be recovered.
21. At the commencement of the IMO 50% (£243) of the management fee will be required to be paid per property IMO. In addition to this there is likely to be an initial repair cost of approximately £4000 per property IMO, to ensure the property has any serious hazards removed. This is an estimated cost based upon the costs of repairs to remedy the most common serious hazards found in properties that are poorly managed, such as Excess Cold and Dampness.

POLICY IMPLICATIONS

22. The recommendations in this report will require an amendment to the scheme of delegation in the council's constitution.

DETAILS OF CONSULTATION

23. Calico

BACKGROUND PAPERS

Report to the Executive 27th April 2010 – Management Orders

FURTHER INFORMATION

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