

**AGENDA ITEM: 6**      Pages 9 – 15

Meeting	Cabinet Resources Committee
Date	19 October 2010
<b>Subject</b>	<b>Leasing of empty properties on the Regeneration Estates to Barnet Homes to let as assured shorthold tenancies</b>
Report of	Cabinet Member for Housing, Planning and Regeneration
Summary	This report concerns a proposal to lease empty hard to let properties on the Council's regeneration estates to Barnet Homes, so that they can be let as assured shorthold tenancies at intermediate rent levels to working households and students, as well as continuing to provide an option for potentially homeless households.

Officer Contributors	Stewart Murray, Director of Planning, Housing and Regeneration Paul Shipway, Strategy and Performance Manager
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix – Table of Regeneration Estates in Barnet
For decision by	Cabinet
Function of	Executive
Reason for urgency / exemption from call-in	Not Applicable

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## 1. RECOMMENDATIONS

- 1.1 That the relevant Chief Officer be authorised to lease properties on the Council's regeneration estates to Barnet Homes who will offer these units to households on assured shorthold tenancies at affordable rents.
- 1.2 That the relevant Chief Officer be authorised to seek approval from the Secretary of State as required in order to implement recommendation 1.1 above.

## 2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet Resources Committee, 2 September 2009 (Decision item 8) – approval was granted for the leasing of hard-to-let properties on regeneration estates to a housing provider who will offer units to households on assured shorthold tenancies at affordable rents.

## 3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council's Housing Strategy includes an objective ***Providing housing related support options that maximise the independence of residents*** and identified that using empty regeneration properties as temporary accommodation for homeless people was unpopular and had resulted in increasing numbers of properties remaining empty. This proposal will enable properties to be let on a non secure basis as assured shorthold tenancies to a range of people on low incomes.
- 3.2 The Council's Corporate Plan 2010-2013 includes a target to reduce the use of temporary accommodation under the Council's priority Sharing Opportunities and Sharing Responsibilities. Properties let by Barnet Homes on an assured shorthold tenancy will not count a temporary accommodation.
- 3.3 This proposal will also contribute to the Council's other Corporate Plan objectives, ***Better Services with Less Money*** and ***A Successful London Suburb***, by ensuring that the Council's properties are fully utilised and providing a more economically diverse mix of tenants on the on the regeneration estates.

## 4. RISK MANAGEMENT ISSUES

- 4.1 If the hard-to-let properties on regeneration estates are not let through Barnet Homes on assured shorthold tenancy agreements, the Council and its Housing Revenue Account will experience a continued loss of income on the empty properties and a continuation of poor void performance.
- 4.2 It needs to be clear in letting these properties that they are not standard social housing lettings and are not secure tenancies (they should not therefore be offered via the Choice Based Lettings process). We have received legal advice that these properties would fall outside of Part 6 of the Housing Act 2004. This risk will be addressed by badging lettings under these proposed arrangements differently to those that the Council lets as secure or temporary tenancies. This does not rule out offering them as a prevention of homelessness option to people in housing need if, with the customer, the Council determines it is a good solution.

- 4.3 Whilst there may be a concern of a loss of social housing units, the overall the stock of social housing units will ultimately be replenished by the delivery of the programmed regeneration schemes. This is an interim proposal to make sure that the properties are fully utilised before they are demolished. The assured shorthold tenancies will be let to a mix of people in housing need as a prevention of homelessness option, to people who are working or studying.
- 4.4 There is a risk that the properties continue to prove difficult to let under these proposals and that the additional cost of bringing them up to the Decent Homes standard is not recouped. However, housing officers have found that the regeneration properties are popular with working households on low incomes, and the new arrangement would also provide scope to let units to a broader range of people, as they can only currently be let to homeless households. Further mitigation would be provided by carrying out improvement works in phases.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The difficulty in letting units on the regeneration estates to homeless families as temporary accommodation could have a negative impact on community cohesion. Letting these properties on assured shorthold tenancies to a wider range of households is more likely to create a more balanced and cohesive community.
- 5.2 Housing staff experimenting with the way that properties are let, have found that there are households who are working on low incomes who will accept a regeneration property given the choice to do so. It is anticipated that the provision of an additional housing option which could be made available for non-priority working households will help to improve customer satisfaction. Customers will have more choice when making a decision over their housing and will assist working households through the provision of affordable rents.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 This proposal assumes that average rents would be charged at £140 a week compared to the present level of £81.75. Over a year, this could generate an additional income of £3,029 per property or £296,842 in total. It is proposed that half of this (£1,500 per property or £148,421 in total) is spent on bringing the property up to a better than Decent Homes standard, which would mean that the properties would need to be let for a minimum of six months to recoup this additional cost.
- 6.2 If all 98 properties currently empty are successfully let, the total potential income initially generated would be £713,440 per annum. The total void repair costs including enhanced repair costs described above are £491,421 giving an initial surplus of £222,019, with significantly higher surpluses in subsequent years.
- 6.3 Without this proposal, it is likely that the properties will remain empty, so that there will be an annual rent loss of £4,251 per unit if it does not go ahead before the average cost of void repair works ( £3,500) is taken into account. If all 98 properties remain empty the total void loss would be £416,598 or £73,598 net if void repair works are not undertaken.
- 6.4 The repairs will be funded entirely through revenue, it is expect that Barnet Homes, who routinely undertake such work, to fund this up front on the basis that the additional costs will be recovered from the enhanced revenue stream.

## **7. LEGAL ISSUES**

- 7.1 The Council has obtained Counsel Opinion regarding the proposals referred to in this report and Counsel confirmed that the Council can implement the proposals, subject to obtaining the relevant Consents from the Secretary of State, regarding the proposals.
- 7.2 The Council would have to obtain the Consent of the Secretary state as required under the provisions of the Section 32 of the Housing Act 1985. The Secretary of State, in 2005 gave a General consent to cover different housing transactions. If, the proposals in this report do not fall within any of the General Consents, then, the Council will have to seek the specific consent of the Secretary of State; this is particularly relevant if the consideration for the Lease is for less than the best that can be obtained.
- 7.3 If the implementation of the proposal would result in the Council providing financial assistance, by subsidising the rental value of the Lease, then the Council would have to obtain the consent of the Secretary of State under Section 25 of the Local Government Act 1988.
- 7.4 The Management Agreement between Barnet Homes Limited and the Council would have to be varied, to reflect the proposals contained in this report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Council's constitution in Part 3, Responsibilities for Functions, paragraph 3.6 states the functions delegated to the Cabinet Resources Committee including all matters relating to buildings owned, rented or proposed to be acquired or disposed of by the Council.

## **9. BACKGROUND INFORMATION**

- 9.1 Following the formulation of plans to regenerate the Council's four largest council estates<sup>1</sup> several years ago, empty properties have been let as temporary accommodation to homeless households in order to facilitate the repossession of properties at the point they are due for demolition. The schemes have all taken longer to progress than originally anticipated, and there are now 831 properties are let as temporary accommodation (see the accompanying appendix for more details). At 2 August 2010, 98 properties on the regeneration estates were empty.
- 9.2 The Council's Housing Service has identified that the regeneration stock can provide an attractive option to households that are working on low incomes. However, at present, the Council can only let them to households to whom the Council has an accepted homeless duty. This means that in order to let the properties to Barnet residents the Council has to first find them homeless and thereby take on a long-term duty to re-house them. This process often creates delays to letting and diminishes the effective use of the empty properties as reducing rental income.
- 9.3 An alternative approach would be to let the properties as assured shorthold tenancies (ASTs) to a wider group of potential tenants with the added advantage that these lettings would not be counted as temporary accommodation in national statistics. In order to achieve this, the Council would have to lease the properties to a third party, which could then let them as ASTs; this would require permission from the Secretary of State.

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<sup>1</sup> Grahame Park, West Hendon, Stonegrove/Spur Road, Dollis Valley

- 9.4 Officials from the CLG have indicated that the Secretary of State would look favourably on an application from the Council to proceed with leasing empty regeneration properties to Barnet Homes, as the Council's contracted ALMO<sup>2</sup>, to be let as described above.

### **The Relet Proposal**

- 9.5 The proposal is that in order to get these void properties let we (LBB) wish to pass them on a lease to Barnet Homes so that they can be let on an AST to people referred to Barnet Homes by the Council. The lease would align with the regeneration proposals and would be for a maximum of 5 years, so as not to prejudice future vacant possession programming that could hinder regeneration delivery.

- 9.6 The rents would be set at a level between council rents and private rented market rents to make sure that that scheme is viable. There will be additional costs of bringing the properties up an acceptable lettable standard given that the relevant estates have not been included in the Decent Homes programme. The housing association involved with the Council at the Grahame Park estate is operating a similar scheme in properties they have purchased from owners on the estate. They are charging at Local Housing Allowance levels and are letting to students and people in work

- 9.7 The advantage of entering into this arrangement with Barnet Homes rather than another housing provider is that they already manage the stock, and no procurement process would be required. The lease would be framed so that any surplus income generated is accrued to the Council.

- 9.8 Any surplus generated would be retained within the Housing Revenue Account (HRA) although the properties will, via the leasing arrangement, have moved outside the HRA.

### **Advantages**

- 9.9 **Letting of Currently Empty Properties** – As described in paragraph 6.1 above this proposal would enable the Council to let 98 properties that otherwise will lie empty, causing possible problems with vandalism and creating a sense of abandonment within the local community.

- 9.10 **Surplus to the Housing Revenue Account** – As described in 6.1 above, this proposal could generate an annual surplus to the HRA of £203,720.

- 9.11 **Bringing regeneration properties up to a better than decent homes standard** – Given the plans to regenerate the four estates they have been excluded from the Council's Decent Homes programme. This proposal has the added benefit of bringing in additional funding through an intermediate rent which enables the Council to bring individual properties up to a better than decent homes standard

- 9.12 **Helping with Community Sustainability** – The new ASTs will be let to people who are working or who are studying as well as prevention offers to people in housing need. This will help with bring both a social and economic benefit to the estates i.e. more income for local shops and better role models. There are significant issues with turnover on the estates. In one block at Grahame Park (in one of the most unattractive locations) 23% properties have changed hands at least 4 times, 36% 3 times or more, 55% 2 times or more and 77% at least once in a 12 month period. It is thought that letting by choice rather than by compulsion will enable the community to be more stable. Also, work is needed to explore a pathway into home ownership for those who are renting on the estates so they can see their futures in the area.

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<sup>2</sup> Arms Length Management Organisation

9.13 ***Future of Barnet Homes*** – The Council has conducted an internal strategic review of its relationship with Barnet Homes and wishes to see the ALMO continue and take on new areas of business. The ability to manage properties on Assured Shorthold Tenancies fits with this strategic aim. The Council would also like to see Barnet Homes manage properties in the borough on behalf of private sector owners who do not want to manage their properties. It is understood from research carried out with customers and landlords that this would be welcomed by both parties. The Barnet Homes Board has also embraced the vision of the ALMO expanding its business into new areas.

## **10. LIST OF BACKGROUND PAPERS**

10.1 Barnet Housing Strategy 2010-2025.

10.2 Any person wishing to inspect this document should telephone Paul Shipway on 020 8359 4924.

Legal – TE  
CFO – MC

**Appendix – Table of Regeneration Estates in Barnet (data correct as of 2.8.10)**

<b>Name of Estate (Total No of Existing Properties)</b>	<b>Details</b>	<b>Partners</b>	<b>Progress</b>	<b>No of non secure tenancies</b>	<b>Voids</b>
Dollis Valley	The detail of the scheme will be part of the discussions with a partner to the development process.	RSL partner Home Group, out to procure a private sector partner	Awaiting outcome of process to procure a private sector partner	138	6
Grahame Park	No of new homes 2,970 No of new affordable homes to be provided 835, 135 low cost home ownership	RSL partner Genesis via Choices for Grahame Park, Countryside private sector partner	Phase 1a underway	377	40
Stonegrove/Spur Road	No of new 999 homes No of new affordable homes to be provided 339, 140 low cost home ownership	Family Mosaic and Barratts	Phase 1 underway, phase 2 has received detailed planning consent and funding from Kickstart 1 with the HCA.	162	46
West Hendon	No of new homes 2,171 No of new affordable homes to be provided 548, plus 132 intermediate	RSL partner Metropolitan Housing Trust Barratts private sector partner	Notified as successful in Kickstart programme 2.8.10	154	6
<b>Total</b>				<b>831</b>	<b>98</b>