



Report of the Director of Environment and Neighbourhoods

Scrutiny Board (Environment and Neighbourhoods)

Date: 16 March 2009

Subject: Miscellaneous Properties

Electoral Wards Affected: Various	Specific Implications For: Equality and Diversity <input type="checkbox"/> Community Cohesion <input type="checkbox"/> Narrowing the Gap <input type="checkbox"/>
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EXECUTIVE SUMMARY

1. The purpose of the report is to provide an update to Scrutiny Board on the miscellaneous properties, following an initial report in October 2008. The properties are owned by the Council, but not managed by the ALMOs. All of the properties are vested with Environment and Neighbourhoods. The report also discusses proposals for the future management of this housing stock.
2. There are currently 353 miscellaneous properties in the ownership of the Council, which are not managed by the ALMOs. All of these properties were previously leased to Housing Associations (HAs), who managed the properties on behalf of the Council. In some instances the HAs set up sub leasing arrangements with other housing providers.
3. Strategic Landlord have been working the ALMOs, Housing Finance, Legal Services and the managing agents to resolve the matter of the miscellaneous property portfolio.

1.0 Purpose Of This Report

- 1.1 The purpose of the report is to update Scrutiny Board on the miscellaneous properties owned by the Council, but not managed by the ALMOs. All of the properties are vested with Environment and Neighbourhoods. The report also discusses proposals for the future management of the housing stock.

2.0 Background Information

- 2.1 Approximately fifteen years ago an assessment was undertaken on the miscellaneous properties owned by Leeds City Council (LCC) and managed by the Housing Department. The properties were classified as 'miscellaneous' as they were predominantly back to back houses, which were sporadically located across the city, and did not form part of the traditional council housing estates.
- 2.2 The assessment confirmed that the properties were in an extremely poor state of repair due to a lack of investment and were expensive to refurbish. Due to their state they were in very low demand and difficult to let. The properties were located in hard to let areas where there are high levels of social deprivation and unemployment
- 2.3 On this basis, some properties were declared surplus to requirements and disposed of, whilst the others were leased to Housing Associations (HAs) on long term leases on a peppercorn rent. The main reason for this was that HAs were able to access Social Housing Grant from the Housing Corporation to invest in the properties. The Council was not eligible for this funding. The HAs undertook the investment the properties required to make them habitable in return for the £1 per annum rent.
- 2.4 In February 2003, six Arms Length Management Organisations (ALMOs) took over the management of the Council's housing stock. These miscellaneous properties were not transferred to the ALMOs to manage, as they were under lease/ license at the time. The majority of properties were not in charge on the orchard system, and were not included in the Decency costings or the ALMO Business Plans.
- 2.5 The Strategic Landlord Division, in conjunction with Housing Finance and Legal Services undertook an assessment of miscellaneous properties, to establish the current position with regards to the leases. It has now been established that there are approximately 353 miscellaneous properties, vested with Environment and Neighbourhoods.

3.0 Main Issues - Latest Position

- 3.1 There are currently 353 properties identified as part of this portfolio. These properties are listed on appendix 1, which also identifies the wards they are located in.
- 3.2 Current Leases – 65 properties
- 3.3 Of the 353 properties, 65 are on lease to social housing providers. These social housing providers include Unity Housing Association (HA), Connect HA, Unipol and Leeds Federated HA (LFHA) who sub lease to GIPSIL. These leases are all current and have a range of expiry dates, the earliest being August 2010 and the latest December 2022. All the properties are tenanted.

3.4 Expired Leases which legally 'hold over' – 16 properties

3.5 There are currently 16 properties which are all leased to LFHA, but where the leases have expired. However, the properties are fully let, all to long term tenants. Legal Services have confirmed that the leases legally 'hold over' which means the terms of the lease are still in force, even though the expiry date has passed. Strategic Landlord has agreed with LFHA that they will continue to lease these properties and pay rent, until a time when they become void (i.e. avoiding serving notice on long standing tenants). Once a property is empty, LFHA will hand it back to the Council, for it to be included in the ALMO's management portfolio.

3.6 Properties where renewal leases are about to be signed – 144 properties

3.7 Of the 353 miscellaneous properties, there has been a decision for the leases on 144 properties to be renewed on long term agreements to social housing providers. These social housing providers include Home HA, Connect HA, LATCH and Canopy.

3.8 The decision to renew the leases to these organisations has been agreed at Executive Board. All the properties are to be leased for at least 21 years, making them exempt from housing subsidy, but with regular 5 year break clauses included.

3.9 Instructions have been sent to Legal Services, who have negotiated on the leases with the housing providers. The leases are now awaiting signing, which should be completed shortly.

3.10 The majority of the properties are fully tenanted, as the organisations have been managing the properties for many years, but under old lease or sub leasing arrangements. The leaseholders are responsible for all Decency works to the properties and will have full repair and maintenance liability for the properties for the length of the lease.

3.11 Returned Properties – 44 properties

3.12 There are 44 properties which were returned to the Council from LFHA. All were returned with vacant possession, and the majority were in a poor state of repair having received little or no investment in the last 5 to 10 years.

3.13 Strategic Landlord worked in conjunction with Housing Finance to come up with a solution to these properties. Major Repairs Allowance (MRA) funding has been identified over the next 3 years, which will allow these properties to be brought up to a habitable and 'Decent' standard, for them to be managed by the ALMOs. The MRA pot currently stands at £402,600 per annum.

3.14 Aire Valley Homes (AVH) have started refurbishment work on the majority of properties identified in their management area, using MRA monies, and should have the works completed and the properties let by the end of the financial year. West North West Home Leeds (WNWhl) are about to commence works to their properties and also aim to have the works completed by the end of the financial year. East North East Homes Leeds (ENEhl) have completed the surveying works for the properties in their management area, and should be able to draw down money to commence works in April 2009.

- 3.15 Additionally, of the returned properties 2 are scheduled to be demolished as part of regeneration schemes.
- 3.16 Leases currently being negotiated – 81 properties
- 3.17 There are currently 81 properties where new leases are being renegotiated, but where Executive Board approval has not yet been granted.
- 3.18 31 of the properties are to be leased to Supported Housing Agents who receive Supporting People funding to house vulnerable tenants. These organisations include Leeds Housing Concern (LHC), St Anne's and GIPSIL.
- 3.19 The properties are all tenanted as LHC, St Anne's and GIPSIL have been managing and maintaining these properties for many years but under an old expired sub leasing agreement with LFHA. LFHA no longer want to be involved with these properties, so the leases will be direct to the three organisations.
- 3.20 A report is to be sent to Executive Board in April 2009 to agree the lease terms.
- 3.21 The remainder of the properties have expired leases to Unipol. Strategic Landlord met with Unipol in December 2008 to discuss the leases. Unipol are keen to continue leasing the properties, and want to work with Connect HA to secure Homes and Communities Agency (HCA) funding to refurbish and let the properties to mature students with families. Further work is required on this initiative and the scheme, if progressed, will require ratification by Executive Board. All the Unipol properties are tenanted, but are let on annual tenancy agreements.
- 3.22 Remaining Properties – 3 properties
- 3.23 Of the remaining 3 properties, 1 property at Stanks Hall is due to be disposed of on the open market by Development Department. The other 2 properties are leased out on commercial terms as offices.

4 Implications For Council Policy And Governance

- 4.1 Housing Finance confirmed that under Department of Communities and Local Government (DCLG) regulations, LCC should be aware of the void records, tenant information and rent restructuring for the miscellaneous properties.
- 4.2 To ensure this happens, when new leases are signed the miscellaneous properties become part of the ALMO portfolio's/ management agreements, although the day-to-day management and maintenance will be the leaseholder's responsibility. Finance have confirmed that the properties will need to be entered onto the Orchard system, and the agents should be contracted to provide tenant and void information for LCC records. The ALMO's should also be notified of Decency works.
- 4.3 Housing Finance are being informed as soon as 21 year plus leases are negotiated, so that they are removed from the HRA.

5 Legal And Resource Implications

5.1 Housing Revenue Account Implications

5.2 Discussions have been held with Environment and Neighbourhood's Finance Section regarding these miscellaneous properties and the impact they have on the Housing Revenue Account (HRA). LCC pay in the region of £1000 per property to the DCLG in housing subsidy, for them to re-distribute around the country. The approximate £1000 housing subsidy per property applies to the 354 miscellaneous properties (therefore £354,000 per annum approximately, is paid by LCC to the DCLG for the miscellaneous properties). As the majority of properties are on peppercorn rents, there is insufficient income to offset the housing subsidy (as with other LCC properties).

5.3 Housing Finance have confirmed that if the properties are leased out for more than 21 years, then they are excluded from the £1000 housing subsidy repayment. The properties will also be excluded from any rent restructuring requirements.

5.4 It would seem preferable that all future lease agreements, are set at a minimum of 21 years, to be exempt from housing subsidy. This not only has beneficial effects on the HRA, but will also provide security for smaller agents and allows them to confidently apply for funding to refurbish the properties. Given this situation, a standardised 25 year lease is being negotiated on all the leases.

5.5 Rent restructuring

HRA properties which have been leased to an RSL or other managing agent for 21 years or less are subject to rent restructuring. As these properties are within the HRA, then the rents to tenants ought to be so calculated. Additionally, LCC are required to keep detailed records on occupancy and voids and include these properties within the decency programme. Measures are currently being put in place to manage this information, once the leases have been signed.

6.0 Conclusions

6.1 The work regarding the miscellaneous properties is on-going. Housing Finance, the ALMOs and Strategic Landlord have worked together to identify funding to bring the returned properties up to the Decent Homes Standard, to be managed by the ALMOs. Work to these properties has now begun.

6.2 Lease agreements are currently being completed by Legal Services, for those properties where Executive Board approval to lease on a long term basis has been granted.

6.3 Ongoing discussions are taking place with Unipol and the other supported housing agents about renegotiating new leases.

7.0 RECOMMENDATION

7.1 Scrutiny Board is requested to note the contents of this report.

Background papers

None

**Please note that the figures in this report are subject to change as leases expire.*