



AGENDA ITEM: 5(b)

CABINET: 17th September 2013

Report of: Assistant Director Housing and Regeneration

Relevant Managing Director: Managing Director (Transformation)

Relevant Portfolio Holder: Councillor V Hopley & Councillor A Owens

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SUBJECT: COUNCIL HOUSING LEASE ARRANGEMENTS

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To consider the approach for Council housing made available to organisations under lease arrangements.

2.0 RECOMMENDATIONS

2.1 That the principle that council housing will be leased at social rent values, with the exemption of those leases in Appendix A, and the policy approach shown in Section 5 to be approved.

2.2 That exceptions to the policy of charging social rent values be considered when an organisation provides a service of social and community benefit and can demonstrate that they cannot afford to pay social rent levels.

2.3 That the Assistant Director Housing and Regeneration be given delegated authority in consultation with the Portfolio Holders for Landlord Services and Human Resources and Housing (Finance), Regeneration and Estates to enter into leases of Council dwellings where below social rents are deemed appropriate.

2.4 That the Assistant Director Housing and Regeneration be given delegated authority to obtain all necessary consents, approvals and permissions and to enter into all necessary documentation.

3.0 BACKGROUND

- 3.1 The Housing and Regeneration Service has a number of leases in place, whereby some of the Council's housing stock is let to external organisations.
- 3.2 Historically the rent charged to these organisations ensures that the income received is no less than that which would be achieved if the property were let as Council housing.
- 3.3 However, while this is the starting point of negotiations, the rent finally set under the lease, will have been based upon the delivery context, the type of service and/ or community benefit being provided by the organisation at the time the lease was commenced.
- 3.4 The majority of the leases commenced in the late 80's/90's when there was a drive to diversify the affordable housing offer available in the area by introducing different social housing providers. This meant that some housing associations leased property from the Council and this in turn provided local people with a wider choice of social housing landlord.
- 3.5 At the time this will have also assisted the Council who had some properties that were in need of significant capital investment and so lease terms were agreed that enabled the housing association to pay a low rent and thus invest in the property.
- 3.6 Leases also exist with organisations who are providing important services from their leased dwellings that help specific vulnerable client groups such as:
- ex-offenders
 - experiencing domestic violence
 - young and homeless / threatened
 - experiencing mental health problems
 - vulnerable by virtue of other reasons.
- 3.7 Such services have been helpful to the Council because they assist the Council in fulfilling its own statutory function and housing enabling role.
- 3.8 Having dedicated services in West Lancashire for vulnerable client groups, beyond that of emergency intervention which would ordinarily be provided by the Council, means that vulnerable clients have the potential to receive support in a manner that enables them to work through their crisis situation and take steps to move forward with their lives in an improved, person centred and co-ordinated manner. Such an approach is a more favourable solution to a crisis scenario than the Council having to react to emergency homeless situations and in the process, having to expend officer time and other Council resources.
- 3.9 In essence, where a below social rent has been charged, this would have been because the agreement would have been judged to provide some social and /or economic benefit to the Council.

- 3.10 Each lease at the time will have been considered on a case by case basis.
- 3.11 The organisation types who currently have leases for our Council dwellings consist of:
- Housing Associations
 - Small local charities
 - Statutory Agencies
 - Tenants Groups / Associations
- 3.12 There are approximately 100 Council dwellings subject to these different lease terms.
- 3.13 It is worth noting that funding approaches have changed over the years with the introduction of the Supporting People Programme in 2003. Some organisations have also reconfigured their services since their lease commenced and so it is now feasible that some organisations are able to absorb a full or partial increase in charge due to the way in which they are now funded.

4.0 CURRENT POSITION

- 4.1 Historically the Council has been able to be fairly flexible in its approach to making Council dwellings available to other organisations through leases. This would have been due to the circumstances at the time for both the Council but also the individual organisations. In some instances demand for Council housing was lower than is the case today.
- 4.2 Because of this past approach towards Council housing leases, there is an expectation from existing organisations that the Council would automatically continue to offer lease terms at below social rent, when it is time to renew a lease.
- 4.3 Although custom and practice endeavours to re-enforce the approach of income maximisation where appropriate, it would now seem timely to adopt a formal policy approach as shown in section 5 below.
- 4.4 This is particularly important given that there is an increased demand for Council housing and the fact that the Council housing service is now self-financing and so needs to ensure that the rental income derived from its dwellings is maximised so as to underpin its own financial business plan.
- 4.5 Officers are aware that they will need to seek legal advice as is appropriate to ensure that any lease negotiations, whether a lease renewal or granting of a new lease take account of relevant legislation that applies to such lease arrangements.

5.0 PROPOSAL – POLICY APPROACH

- 5.1 I have identified 7 properties in Appendix A which are let on a reduced rental basis and I believe for social value attributed to these should continue to be charged at a “peppercorn” rent and excluded from the policy approach referred to below.
- 5.2 The remainder of the leased properties identified in Appendix B would have a policy approach that falls within 2 parts (1&2).
- 5.3 Part 1 – It is proposed that the Council formally establishes the principle that any new lease arrangements for Council Housing shall require that Social rents apply. This shall be the same for any lease renewals of existing leases for Council Housing.
- 5.4 The rates to be charged would seek to achieve the equivalent to social rental income that would have been due, had those Council dwellings been let to households from the Council’s waiting list.
- 5.5 Part 2 - For some organisations increasing the lease charge to social rents will prove challenging.. This may also mean, if a service is being provided, they could no longer operate the intended service.
- 5.6 In such circumstances, where the organisation is able to clearly demonstrate that they are unable to absorb increased lease charges and that they have undertaken all reasonable steps to attempt to do so, then only when the Assistant Director Housing and Regeneration in consultation with the relevant Portfolio Holders is satisfied that they cannot pay the increased lease charges shall consideration be given to how best to proceed.
- 5.7 In considering how best to proceed the Assistant Director Housing and Regeneration in consultation with the relevant Portfolio Holders would wish to understand the nature of the use of the Council housing and how its use meets the Councils Corporate and strategic housing priorities and if there is any added value by making it available to the organisation. The options available would be:
 - a) Not allow the organisation to take a lease.
 - b) Issue a lease but at below social rent levels but with the organisation and Council agreeing the nature of the added value that is to be achieved by virtue of the Council allowing the lease to be provided at below social rents. This could take the form of a letter between both parties and / or memorandum of understanding that may also contain specific monitoring and review requirements.
 - c) Determine if another approach is appropriate. For example the Council charging market lease rates but provide a fixed grant per annum to the organisation, subject to Member approval.
- 5.8 It is intended that the above steps would help to ensure consistency of approach towards Council housing made available under lease arrangements and that of the commercial portfolio. Such a policy approach would enable improved transparency in considering whether to agree leases at below social rent levels.

- 5.9 This proposal will help Officers make informed decisions as to the nature of the services offered by organisations and how they fit within Council priorities.
- 5.10 Income maximisation is important to the Council but it is recognised that we work alongside a range of organisations that provide services to the local community. This policy approach is aimed at achieving the right balance between income maximisation and the provision of indirect Council support to organisations by way of reduced rent charges.

6.0 INCOME FROM HOUSING LEASED PROPERTIES

- 6.1 At present the leases held with external organisations provide income of £43,000 per annum.
- 6.2 If rents were increased to a social rent level then income up to £113,000 per annum might be able to be achieved from those leases which are currently due for renewal or their lease ends in the next 12 months. This is based upon an average Council property rent of £72.79 per week.
- 6.3 Additional income to that referred to at paragraph 6.2 could be achieved but around 70 of the 100 Council dwellings are subject to lease periods whereby there is still at least 10 years of the lease term remaining.

7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 7.1 There are no negative sustainability / community strategy impacts associated with this report, however if the Council were to aim to achieve social rent for its leased Council housing there may be some organisations that would not be able to continue with a lease. This may mean subsequent closure of the services being provided by them. Part B of the proposal in Section 5 is intended to have due regard to the impact of any lease charge increases on a case by case basis in order that the Council can consider the nature of the services offered and whether Council support by way of reduced leases charges or other approach, is appropriate, dependant on the organisations contribution to Council priorities and strategic housing objectives.

8.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 8.1 Council housing is an asset and it is only proper that income from its use is maximised, particularly given the fact the there is an increased demand for Council housing and that the service is now operating under self financing arrangements.
- 8.2 By establishing the principle that social rents will apply to Council housing leased to organisations this may result in an increased income stream.

9.0 RISK ASSESSMENT

9.1 By adopting a policy approach as proposed in Section 5 of this report, it will allow Council Officers to consider whether organisations are able to pay social rental rates for the use and occupation of council housing dwellings and whether granting use of the Council housing to the organisations is making best use of this Council asset.

10.0 CONCLUSIONS

10.1 It is not appropriate to assume that organisations who currently hold leases with the Council still require lease charges to be set at below social rent. Their funding circumstances may have changed since the lease was originally agreed and so they may have capacity to pay increased rents. It is still prudent to try and maximise income from our Council housing asset where appropriate.

10.2 At the same time the Council needs to be mindful that some of the organisations that use Council leased dwellings provide services to specific vulnerable client groups. They may have insecure funding and so may be more reliant upon the reduced lease rent approach than others.

10.3 By introducing a process as referred to in Section 5, that is applicable to all organisations, it will bring parity to the process, transparency and enable Officers to maximise rental income where appropriate, whilst also having due regard to the strategic importance of any services that are provided from some of our Council housing leased properties within a West Lancashire context.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups.

Appendices

Appendix A - Council Housing Property Subject to Lease Arrangements

Appendix B - Council Housing Property Subject to Lease Arrangements

Appendix C - EIA Initial Assessment

Appendix D – Minute of Landlord Services Committee held on 11 September 2013 (to follow)

Leases to be granted on a discounted rate

Birchwood Centre (Crisis and Information Centre)	4 properties
Muir Group Housing Association (Woman's refuge)	3 properties

Properties Subject to Lease Arrangements where the new policy will apply

Riverside Housing Association	4 properties
New Progress Housing Association	9 properties
Lancashire Fire and Rescue	2 properties
Lancashire Police Authority	2 properties
Stonham Housing Association	17 properties
Muir Group Housing Association	38 properties
New Flyde Housing Association	1 property
Carr Gomm Society LTD	9 properties
Salvation Army Housing	2 properties
Digmoor TRA	1 property
Tanhouse TRA	1 property