

## CABINET MEETING 14 SEPTEMBER 2021

### EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**

Private Sector Housing Leasing models

**Author(s):**

Report of the Executive Director of Neighbourhoods

**Purpose of Report:**

The purpose of the report is to seek approval to implement a Private Sector Housing leasing scheme, whereby the Council leases empty properties from the Private Sector, improves the housing conditions where necessary and lets the properties to Council tenants. This will provide additional interventions to tackle empty properties and poor housing conditions in the private sector that can adversely affect local communities.

**Description of Decision:**

Cabinet is recommended to approve the Private Sector Housing Leasing models

**Is the decision consistent with the Budget/Policy Framework?** \*Yes

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

The private sector housing leasing models have been developed to create additional interventions that will assist in tackling empty properties, poor housing conditions and associated adverse community impacts. The application of private sector leasing will increase the range of housing options available for local people who are waiting for homes from the Council's Housing Register.

**Alternative options to be considered:**

That the leasing model options do not proceed was considered but rejected as the proposed models will provide wider intervention options available to tackling empty properties in the City

**Impacts analysed;**

Equality ☒ Privacy ☒ Sustainability ☒ Crime and Disorder ☐

**Is the Decision consistent with the Council's co-operative values?** Yes/

**Is this a "Key Decision" as defined in the Constitution?** Yes

**Is it included in the 28 day Notice of Decisions?** Yes



**PRIVATE SECTOR HOUSING LEASING MODELS****Report of the Executive Director of Neighbourhoods****1.0 Purpose of the Report**

- 1.1 The purpose of the report is to seek approval to implement a Private Sector Housing leasing scheme, whereby the Council leases empty properties from the Private Sector, improves the housing conditions where necessary and lets the properties to Council tenants. This will provide additional interventions to tackle empty properties and poor housing conditions in the private sector that can adversely affect local communities

**2.0 Recommendations**

- 2.1 Cabinet is recommended to approve the Private Sector Housing Leasing models

**3.0 Background**

- 3.1 Cabinet in February 2020 approved the review of wider models to tackle local housing problems particularly those in the Private Sector. This review has taken longer than planned due to the impact of the Covid pandemic, but work has continued to assess what models are available across the UK and which models would be appropriate for use in the City.
- 3.2 To support the wider delivery models for addressing empty properties and poor housing conditions within the Private Sector, across the City, a wide range of models have been considered.
- 3.3 In assessing each option and model it was necessary that they complement the Housing Delivery Investment Plan (HDIP) in relation to tackling empty homes, address poor housing conditions, meet local strategic housing priorities and:
- enable new more flexible approaches to dealing with empty properties
  - ensure a financially sound investment for the Council
  - enable community and market cohesion
  - provide wider social and economic benefits

**4.0 Current position**

- 4.1 There are a number of private landlords in the City who hold properties but do not have the capital to bring the properties to a lettable or Decent Homes standard, or simply lack the skills or ability to let and manage their properties in a legally compliant and customer focussed way.

- 4.2 This can add significant delays in letting the property with the added risk of poor management or result in the property being unable to let due to its poor condition. The impact is that properties are left empty for longer, some indefinitely and communities are often affected by Anti-Social Behaviour and other issues that often arise from long term empty properties such as fly-tipping, vermin, and arson.
- 4.3 Therefore, two models have been identified that will provide additional Council interventions to address these concerns and issues. The two models are:
1. Private Sector Housing Lease Model
  2. Private Sector Housing Lease & Repair Model

## **5.0 Proposed Leasing Models**

### **5.1 Private Sector Housing Lease Model**

- 5.2 The Private Sector Housing Lease Model has been developed to provide the Council with an intervention that can support the owner to keep their property as they may be in negative equity and unable to sell or they may lack management skills to let the property and provide appropriate landlord services.
- 5.3 The proposed leasing model will enable the Council to play a proactive landlord role and bring empty properties back into use, ensuring properties are occupied and well managed and to enable the identification of a tenant from the Council's Housing Register.
- 5.4 The Model would operate on a lease basis. The mechanisms for this model are that the Council's Housing Team would inspect the property to determine what improvement works are required. If no works were required, the Council would agree lease terms based on the following assumptions:
- The property would be allocated from the Council's Housing Register
  - The property would be managed by the Council under its housing management service
  - There is no Right to Buy or security of tenure under this lease model.
- 5.5 A financial model has been developed which considers the void risk (as the Council will be liable to pay the property owner under its lease regardless of whether or not the property is occupied). The void risk has been mitigated against by the financial parameters used within the model, in addition to the inclusion of clear responsibilities outlined within the terms of the lease. This means that each lease should be cost neutral to the Council, or even turn a small positive return over its term. The financial parameters included are:
- Management Fee
  - Voids and bad debt provision
  - Annual Responsive Repairs
  - Management costs
  - Average 5 years Lease Term
  - Ongoing maintenance

5.6 There are clear benefits by implementing this model which enable the Council to:

- Offer a wider range of housing options from the Council's Housing Register
- Improve management practices and reduce tenancy management problems in private sector properties
- Improve local communities and their physical appearance
- Encourage additional investment in the PRS
- Reduce demands on wider public sector services

5.7 Private Sector Housing Lease & Repair Model

5.8 This model expands on the Private Sector Housing Lease model described above and is based on a lease, improvement and repair basis.

5.9 In this model all repairs (capital works) to the property are undertaken where an owner does not have the capital to bring the properties to a lettable or Decent Homes standard

5.10 The process for this model would be:

- The Council's Housing and Building Services Team would undertake a full property survey and develop a priced schedule of works
- The works and costs are reviewed and agreed with the owner
- Once agreement is reached the Council would enter a lease arrangement. Agreed lease terms would minimise the risk of forfeiture to protect the Council's capital investment in a property which is demised to it on a relatively short term lease.
- The Council would then refurbish the properties via its Building Services Team
- Once the works are complete the Council will allocate the property from the Council's Housing Register
- The Council's Housing Services Team would manage the property and the tenancy would be on a flexible secure basis

5.11 The financial arrangements in place for this model ensure that the Council recovers its capital expenditure over the period of the lease, mitigates risk and includes the following areas of consideration:

- Debt Charges
- Management Fee
- Voids and bad debts
- Annual Responsive Repairs
- Management costs
- Lease Term – This can be flexible based on the payback arrangements linked to the capital costs incurred but the model assumes a period of at least 10 years. Between 10 – 15 years is expected to be the normal lease term
- Refurbishment Time – This is set at 4 weeks to complete and takes account of income payback after the property is let
- Forfeiture risk

- 5.12 This model has the potential to lever in Homes England Grant funding to reduce the overall cost and hence risk to the Council and this is being explored further with Homes England. It therefore provides another option of intervention to help the Council reduce Empty Properties within the private sector in partnership with private landlords.
- 5.13 The benefits of this model are similar to the Private Sector Housing Leasing Model described at section 5.5 of this report. However, the additional benefits of the Private Sector Housing Lease & Repair Model are that the Council would be undertaking the refurbishment capital works through its Building Services Team creating additional income to the Council and support wider apprenticeship and job creation opportunities.

## **6.0 Financial implications**

- 6.1 The two models align well with the Council's strategic housing priorities within the Housing Strategy and the aspirations of the Housing Delivery and Investment Plan in that they tackle empty homes, improve standards in the private sector and improve local communities.
- 6.2 As set out in section 5, the proposed delivery models will ensure that the Council's costs are recovered over the lease term associated with each property. The costs associated with any investment required by the Council would be met from the provision for the Housing Delivery and Investment Plan within the existing capital programme.

## **7.0 Reasons for the Decision**

- 7.1 The private sector housing leasing models have been developed to create additional interventions that will assist in tackling empty properties, poor housing conditions and associated adverse community impacts. The application of private sector leasing will increase the range of housing options available for local people who are waiting for homes from the Council's Housing Register.

## **8.0 Alternative options to be considered:**

- 8.1 That the leasing model options do not proceed was considered but rejected as the proposed models will provide wider intervention options available to tackling empty properties in the City

## **9. Impact Analysis**

- (a) **Equalities** - An assessment of Equalities Impact will be undertaken if the leasing models are implemented
- (b) **Privacy Impact Assessment (PIA)** – n/a
- (c) **Sustainability** – The recommendations will enable the Council to deliver capital improvement works in a sustainable manner

- (d) **Reduction of Crime and Disorder – Community Cohesion / Social Inclusion** – The leasing models will help tackle empty homes and the associated risks of anti-social behaviour, fly tipping and other environmental impacts that attract crime and disorder activity

**10. Other Relevant Considerations / Consultations**

- (a) **Co-operative Values** – There are no implications
- (b) **Financial Implications.** There are no direct financial implications arising from this report, as set out in section 5, the cost associated with the implementation of the leasing models would be met from the provision for the Housing Delivery and Investment Plan within the existing capital programme. Based upon the delivery models proposed these costs would be recovered over the term of the individual leases.
- (c) **Legal Implications** – The Housing Act 1985 provides that individuals letting properties from local housing authorities for use as their main dwelling are (a) entitled to a secure tenancy and (b) benefit from a right to buy the property. An exception to this is where the local housing authority itself leases the property and is obliged at the end of the term of that lease to yield up the property with vacant possession. This exception would apply to both of the models above.

A relatively short term lease where a market rent is paid usually carries material forfeiture risk, which is not ideal for the Council where it makes capital investment in a property under the Lease & Repair Model. The Council will only enter into a lease under this Model where the detailed lease terms agreed with the property owner reflect an acceptable level of forfeiture risk.

- (d) **Health & Safety Considerations** – All management and works processes will be undertaken in line with appropriate Health and Safety legislation and requirements
- (e) **Procurement** – The only impact of procurement would be the delivery of capital works and provision of materials. All associated procurement implications are currently provided for within existing frameworks, managed store or procured providers.
- (f) **Risk Analysis-** There are financial risks associated with these proposed delivery models particularly with regard to void risk. Arrangements will be put in place by the Housing Services team to mitigate these risks through identifying appropriate tenants through the Council's Housing Register.

**11. List of Appendices - None**

**12. Background Papers – N/A**

