

# MUNICIPAL YEAR 2015/2016 REPORT NO. 139

## MEETING TITLE AND DATE CABINET – 16 December 2015

**REPORT OF:** Director –  
Environment and Regeneration  
and Director of Finance,  
Resources and Customer  
Services

<b>Agenda - Part: 1</b>	<b>Item: 12</b>
<b>Subject:</b>  <b>Residential Properties in Parks Portfolio</b>  <b>Wards: All    KD 4084</b>	
<b>Cabinet Members consulted:</b> Cllr Stafford and Cllr Anderson	

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number

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### 1. EXECUTIVE SUMMARY

This report sets out the current position in respect of 39 residential properties within parks and street properties owned by Enfield Council. The properties are currently held in the General Fund (GF) and since June 2014 Strategic Property Services has been actively managing these properties.

To ensure that these properties are effectively managed, maintained and funded, this report proposes an intermediate strategy that will:

- Regularise the legal status of occupiers of the properties.
- Regularise rents.
- Ensure effective on going management, repair and maintenance.
- Fund the future management and costs of repair/ maintenance.
- Secure self-funding of the on-going repair and investment costs from disposals of those properties which have been vacated.
- Generate capital receipts from disposals.
- Transfer all rental income received by the Parks Department from April 2015 to Strategic Property Services for these properties only

## **2. RECOMMENDATIONS-**

### **Portfolio Management and Ownership**

- 2.1 To authorise the budget (as set out in Part 2 of this report) for the ongoing management, repair and maintenance (including comprehensive surveys) of the properties identified in Appendix 1 (part 2) *Schedule for Parks Properties*.
- 2.2 To authorise Strategic Property Services to manage the properties until the refurbishment programme is completed.
- 2.3 To continue to consult and negotiate with the tenants, where appropriate, new rents and tenancies.
- 2.4 To delegate authority to the Director of Finance Resources and Customer Services, to prepare a comprehensive strategy for the future management and holding of the `park` properties in an appropriate fund.

### **Retention of Properties**

- 2.5 To authorise the retention of the vacant parks properties listed in Appendix 1- *Schedule for Parks Properties*; to use as decant properties where appropriate

### **Disposals**

- 2.6 To authorise Strategic Property Services to investigate and undertake the disposal and/or redevelopment of vacant parks dwellings listed in Appendix 2- *Schedule for Parks Properties* (attached to Part 2 of this report).
- 2.7 To authorise that the capital receipts from the disposal of the properties be utilised to reimburse the repairs and maintenance expenditure incurred to-date for urgent repairs and to fund future necessary repairs to the remaining properties.

## **3. BACKGROUND**

### **3.1 Overview**

The Council has acquired various residential properties located within its parks through various local and national government legislative and regulatory changes. In the last 9 months the Council has made considerable progress in identifying the immediate/short term actions required for the effective management of this property portfolio, and SPS has taken over its direct management. Officers will investigate further ways of

holding these assets in the future as part of the overall management strategy.

3.1.1 The parks residential portfolio contains 39 properties that are scattered throughout the borough. These properties vary in type, size, and age and are in varying degrees of repair, with some considered to be beyond economic repair and structurally unsound. Over a number of years, ambiguities evolved as to how these assets were held and managed, where their income was allocated and where funding for repairs and maintenance was to come from.

### 3.2 **Current Occupation Status:**

Occupied	Vacant/Refurbishment Programme	Disposal/Redevelopment
28	4	7

### 3.3 **Regularising Tenancies and Rent Reviews**

3.3.1 Appendix 1 (part 2 report) identifies those properties where tenancies may be issued. Further details can be found in Part 2 of this report.

3.3.2 To-date officers have successfully negotiated ten rent increases.

3.3.3 This approach is considered justified and equitable, given that rents charged on these properties over the years have been substantially lower than the relevant social rents.

3.3.4 Preliminary estimates suggest that as a result of the proposed rent changes, the Council could increase the rental income from £80,000 to £150,000 in 2017.

### 3.4 **Condition of Properties**

3.4.1 Over the years, very little investment has taken place in these properties, resulting in varying states of repair.

3.4.2 Currently, essential works are being undertaken on several properties to ensure statutory compliance. Works on high risk properties have been completed. Officers are currently carrying out comprehensive surveys to ascertain the next phase of refurbishment.

3.4.3 In certain cases it will be necessary to undertake opening up works and further specialist surveys/reports (structural, damp and timber infestation). Professional fees for such surveys have been included in the proposed budget.

### **3.5 Relocation**

3.5.1 To-date, seven tenants have agreed and were relocated to different properties. Details are included in Part 2.

### **3.6 Vacant Possession**

3.6.1 In order to assist with the extensive works programme required, officers are utilising vacant properties for decant purposes until the works are completed. The Council has a range of legal powers to obtain vacant possession of the properties, if negotiations fail, but to date it has not been necessary to resort to legal action.

### **3.7 Disposal/Redevelopment Potential**

3.7.1 Part 2 of the report contains information about the proposed disposals and/or redevelopment proposals. The disposal of these assets will be reviewed within the context of their setting and location and dealt with sensitively by officers.

### **3.8 Economic Benefits of the Current Management Programme**

3.8.1 In terms of the economic benefits, the entire property portfolio has an estimated value of £8-9m with the benefit of full vacant possession. Current annual rental income of the properties identified in Appendix 1 is only £83,000. Increasing the rents as suggested above will result in a rent increase to circa £150,000 in £2015/16.

### **3.9 Other issues**

3.9.1 By actively managing the property portfolio and bringing it up to standard, SPS will ensure that void periods are minimised. The current turnaround is 6 weeks for a full refurbishment programme.

## **4. ALTERNATIVE OPTIONS CONSIDERED**

Three options for the future strategic management of the Parks Residential Property Portfolio were developed and considered, viz.:

1. The strategy outlined in this report.

2. Transferring the Housing Portfolio to the Housing Revenue Account with immediate effect. This option was not considered appropriate at this stage because the HRA is unable to fund the investment required. The transfer to the HRA fund may be part of the long term strategy for the management of these properties, which will continue to be reviewed as the properties undergo the initial repair and maintenance works.
3. Disposing of the entire portfolio. Whilst this seems simple at face value, the condition of the stock, the location of the properties and the nature of the tenancies would make this a lengthy and costly exercise resulting in the Council losing control over properties located in parks and creating new management issues.
4. The option to do nothing has been rejected as the responsibilities of the Council as corporate landlord together with lack of funding would compound future liabilities.

## **5. REASONS FOR RECOMMENDATIONS**

- 5.1 To agree a clear programme for immediate maintenance of the residential properties; including the regularisation of the basis of occupation, and rents.
- 5.2 To provide funds for the required works.
- 5.3 To consider the long term management options for these properties and prepare a comprehensive long term strategy.

## **6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

### **6.1 Financial Implications**

See Part 2 for detailed Financial Implications.

- 6.1.2 Officers are currently carrying out repairs and maintenance to bring the portfolio up to an acceptable standard. It is intended that once sold the capital receipts from the vacant properties will be used to fund the monies already spent and to bring the balance of properties up to decent homes standards and / or fund the remedial works for the remaining properties.

### **6.2 Legal Implications**

- 6.2.1 The Council must, in its capacity as landlord, comply with its obligations under the landlord and tenant, housing and health

and safety legislation. The recommendation to implement an immediate strategy for the maintenance of the parks properties accords with the Council's obligations.

6.2.2 Going forward, the Council must consider the allocation of the properties in an appropriate fund. Currently the properties are held in the General Fund (GF).

6.2.3 The final allocation of the properties to the appropriate fund will be the consideration of the long term strategy for the management of the properties.

### **6.3 Property Implications**

#### **Value of Portfolio**

6.3.1. Current estimated values indicate that the value of the portfolio of 39 properties were they all to be held with the benefit of full vacant possession to be circa £8 – 9m. The vacant units account for approximately £5m taking into account development value. The above figures assume that the properties have been maintained and are inherently in a reasonable condition.

6.3.2 The above figures give a broad guide rather than more accurate figures because for each of the houses there are various options to consider which would affect any accurate value, i.e. whether the tenant is secure, can legally exercise a right to buy or is financially able so to do and the condition of the property.

#### **Income from Portfolio**

Please refer to PART 2 of this report.

#### **Property Condition**

6.3.7 The condition of the properties varies considerably; to date the Council has been undertaking a programme of works to ensure that mechanical and electrical installations are compliant with current requirements. These works are forming part of the corporate repairs and maintenance programme; with essential works being carried out as a priority.

6.3.8 The status of the programme is necessarily fluid due to the condition of the properties. However essential works need to be completed as soon as possible.

6.3.9 There are a few properties where more works are required due to the poor condition of the buildings. These have been prioritised with the safety of all tenants being of paramount importance.

## **7. KEY RISKS**

- 7.1 The Council in its capacity as landlord must comply with the landlord and tenant as well as housing legislation, inter alia, to maintain the properties and carry out regular and sufficient maintenance of the properties. Good corporate management implies that all possible risks are identified and the properties are managed in a professional and fair manner. All the properties have been visually inspected using the Decant Homes Checklist to ascertain the level of risks. However further condition surveys are being undertaken to inform the full extent of the works which will require costing.
- 7.2 Properties need to be renovated to ensure that the Council complies with its duties as landlord. This requires a funded programme of maintenance and repair based on the condition surveys.

## **8. IMPACT ON COUNCIL PRIORITIES**

### **8.1.1 Fairness for All**

The Council as property owner has a responsibility to maintain and manage its properties in accordance with the relevant legislation and within the principles of good property management. Some of these properties require works to be carried out to ensure that they are brought up to Decent Homes Standards and thus bring them in line with the standards of other housing that Enfield owns.

8.1.2 Bringing these homes up to Decent Homes Standard has ensured that the occupiers feel that they are being treated fairly..

8.1.3 Some of the capital receipts from those properties sold could be used for carrying out the repairs on all the other properties and thus reduce the liability of the Council to find the money required for the repairs elsewhere.

8.1.4 As some of the properties are occupied by Parks employees, research is being undertaken to ensure that those parks employees that have accommodation are treated equally with those employees who do not have parks properties. A further report may be necessary once these investigations have been completed and the position clarified.

8.1.5 Regularising rents will also ensure that residents are all made to pay fair rent for their dwellings and are not subsidised over and above those on social market rents.

## **8.2 Growth and Sustainability**

8.2.1 To put these properties into good repair means that the assets will be more valuable to the Council and easier to manage in the future.

## **8.3 Strong Communities**

8.3.1 There is already a strong community feel amongst the parks houses occupiers. Occupiers have expressed a view that they have been unsure as to who is responsible within the Council for their properties and who they can speak to resolve any issues. Management clarity will help to resolve this, as would budgeting for the future to ensure that problems can be dealt with in a timely manner.

## **9. EQUALITIES IMPACT IMPLICATIONS**

9.1 By regularising rents, tenancy agreements and securing an appropriate budget for these parks properties tenants will have access to service improvements and regular estate management.

9.2 The circumstances of each occupier will need to be taken into account and reasonable adjustments/support will be made available.

## **10. PERFORMANCE MANAGEMENT IMPLICATIONS**

10.1 Clarifying the position on each of these properties once and for all will lead to clearer and more successful management of the properties, clarify responsibilities, lead to better tenant relationships and increase the value of the portfolio for the Council in the long-term.

## **11. HEALTH AND SAFETY IMPLICATIONS**

11.1 The Council is legally required to comply with the requirements of current health and safety and legislation. Resolving outstanding issues with these houses will help ensure the Council complies with Health and Safety and or other relevant legislation.

11.2 Effective management together with informed budget forecasting will enable issues to be identified together with informed and resolved at an earlier stage in the future and thus minimise future risks.

11.3 All the properties have had gas and electrical safety checks undertaken and remedial works have or are being carried out where access has been provided.

**12. HUMAN RESOURCES IMPLICATIONS**

Please refer to PART 2.

**13. PUBLIC HEALTH IMPLICATIONS**

Improving the standard of these properties may enhance the health of residents in these properties.

**Background Papers**

None.

