ITEM 4

Report to Board

21 May 2015

Title: Demand for Council Housing in Gateshead

Report of: Director of Customers and Communities

Purpose of Report

1. To advise on the changing pattern of demand for council housing in Gateshead and increase in hard to let properties.

Background

2. A significant decrease in demand for social housing has been experienced across the North of England in recent years, coinciding with the introduction of the “bedroom tax” in 2013.

3. In Gateshead, despite apparent high numbers of applicants on the housing register, more properties are attracting low levels of interest when advertised, and refusal rates are increasing. Turnover of properties has increased, along with rent loss due to vacant properties

4. In the last few months, a major stock condition exercise has been carried out in Gateshead by Ridge consultants. To accompany the stock condition data, an assessment of demand for each property has been made – on a scale of 1 (high demand) down to 5 (very low demand).

5. The results of the recent exercise show that almost 40% of the council stock is now assessed to be in low demand.

Low demand properties

6. Low demand covers a range of scenarios ranging from properties that we manage to let from one advert, but only after high numbers of refusals – down to properties that remain very difficult to let, even after repeated adverts.

7. An assessment of demand for council properties was previously carried out in 2013, shortly after the introduction of the “bedroom tax”. 1,286 properties were classed as being in low demand, and grouped into three levels of severity. The list of properties was almost exclusively made up of flats or maisonettes with two or more bedrooms, most with shared entrances. The initial impact of the bedroom tax had been felt on these properties, many of which had previously been readily lettable.

8. The new assessment of demand in 2015 shows a large increase in low demand properties with 7,692 rented council properties now affected, covering a wider range of property types. Underoccupation is still a key factor but not the only reason for low demand, as some one bedroom properties and properties for older persons are now also included.

Demand Category	Number of properties	% of properties
1 (high demand)	7,420	37.5%
2 (above average)	2,557	12.9%
3 (average demand)	2,113	10.7%
4 (low demand)	3,448	17.4%
5 (very low demand)	4,241	21.4%
All Properties	19,779	100.0%

9. Categories 4 and 5 on this scale equate to low demand as assessed in 2013. Low or very low demand properties now account for 39% of the rented council property stock (7,689 properties). Appendix 1 shows (by area) the properties with very low demand (Category 5). Appendix 2 shows how the numbers within categories would compare if the 2013 categorisation had been used in 2015.

Impact of low demand

10. There have been very obvious impacts in terms of increased levels of vacant properties and vacant property rent loss as properties have become harder to let. Over £2.2 million was incurred in vacant property rent loss in 2014/15, compared to £1.5 million in 2013/14 and £932k in 2012/13.

11. Higher rates of refusals have meant that each letting tends to take longer, and we are more likely to consider applicants who have been demoted on the housing register for rent arrears from previous tenancies. In 2014/15 we rehoused 249 demoted applicants (115 in 2013/14 and 51 in 2012/13).

12. The housing register may appear to be healthy, with over 12,500 applicants stating that they are interested in rehousing in Gateshead. However of these, 1,039 have a recognised housing need, and the remainder are in the General Needs category where they are essentially rehoused based on waiting time on the register. Some potential customers are not prepared to wait, and increasingly are finding that they can be rehoused in their area of choice within the private rented sector.

Issues for consideration

13. Redesignation of affected flats at Redheugh and Eslington Courts in 2014 helped to increase demand to a degree. Redesignation of a wider range of flats may now need to be considered.

14. A review of rent levels generally may also be required, to ensure that rents are not uncompetitive for low demand properties. If further redesignations do occur (two bed flats to “one bed with flexible living space“ at a lower rent) then care must be taken that standard one bed flats do not become more unpopular. A reduction of rent for one bed flats may therefore be an option for consideration.

15. A number of the properties in lowest demand have eligibility restrictions in terms of age criteria. A lowering of age criteria may need to be considered in some locations in order to widen the market. Properties with age criteria are indicated in the appendix.

16. The issue of low demand links to a wider issue of tenancy sustainability, and our emphasis is on trying to let properties sustainably. This means that a quick letting is not always the most desired outcome. However, greater flexibility will also be given to Housing Officers so that additional décor, floor coverings etc may be used as an incentive to secure a letting.

17. The information on demand will be considered along with the emerging stock condition data, and discussed with the council in order to review the Housing Revenue Account business plan.

Links to Values

18. This report links to the values around being open and honest, and accountable.

Impact on tenants

19. Low demand properties have an impact on all tenants as rental income reduces.

Risk Management

20. The report relates to the strategic risk around the adverse impact of welfare reform.

Health Implications

21. There are no health implications directly associated with this report

Financial Implications

22. Properties becoming harder to let has contributed to a significant increase in vacant property rent loss over the last two years, with an additional £1.3 million in 2014/15 compared to 2012/13.

Value for Money Implications

23. Investing in a higher lettable standard for some vacant properties may help to improve lettability. Reviewing rent levels may also help to increase demand, but would need to be considered against a reduction in potential income.

Recommendation

24. Board are recommended to approve the submission of information on demand to the council, along with stock condition information, and as part of ongoing business planning.

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Appendix 1

Category 5 – Very low demand

The following property types by area are now classed as very low demand. These are properties that tend not to be let when first advertised, and have to be routinely re-advertised

(4,241 x Category 5)

Key: F1 = 1 bed flat; F2 = 2 bed flat etc; B = bungalow; M = maisonette; H = house

* = Bungalow / flat with minimum age criteria
** = multi storey flats with minimum age criteria

Central	**Stock**	**Turnover 2014/15**
Regent Court **	154	24
Bensham Court **	126	20
Milvain Close *	42	12
Saltwell Rd block flats	18	5
Sunderland Rd block flats	48	11
Barns Close	192	28
Newbolt/Tennyson Courts	133	15
St Cuthberts Court	85	14
Warwick Court	109	37
East Street – (F2 & F3)	101	6
Sheriff Hill & Deckham (F2)	78	15
Mulgrave Villas *	33	2
Sheriff Hill (B1) *	5	2
Shipcote – Acquired flats (F3,F4)	3	0
All Central	**1,127**	**191**
South	**Stock**	**Turnover 2014/15**
Springwell flats	150	38
Springwell - Blackhill Cres (H3)	4	6
Allerdene / Harlow Green (multis)	407	82
Low Fell block flats	72	12
Beacon Lough East (multis)	143	38
Beacon Lough East (F2)	20	9
Angel Court * (extra care)	45	11
Birtley Villas *	57	13
Pleasant place (F1 * & M3)	48	16
Cheshire Ave (F1) *	29	1
Harrison Court (F1) *	27	4
Leyburn Place (F1) *	33	6
Elizabethville/Barley Mow (H3 & H4)	80	8
Portmeads/Birtley West (F2)	66	9
Mount Road (F1)	23	6
All South	**1,204**	**259**

East	Stock	Turnover 2014/15
Crowhall Towers	88	15
Sir Godfrey Thompson Court	56	14
Wellington Street	80	5
Nest/Stoneygate (B1 & H3))	150	12
Pelaw (sheltered) *	16	2
Bill Quay (B1) *	54	8
William Pitt (F2)	46	7
Abbotsford Rd (B1) *	2	0
Leam Lane Blocks (F2)	41	15
All East	**533**	**78**
Inner West	**Stock**	**Turnover 2014/15**
Redheugh/Eslington Courts **	334	74
Whickham (Bedsit bungalows) *	16	1
Derwentwater (B1) *	15	2
Teams (F1)	106	30
Teams (B1) *	29	13
Lobley Hill larger block flats	38	14
Dunston larger block flats	27	4
Sunniside (Bedsits)	13	1
All Inner West	**578**	**139**
West	**Stock**	**Turnover 2014/15**
Highfield (B1, B2) *	110	15
Highfield (H3)	26	5
Blackhall Mill (H3)	18	3
High Spen (H2)	23	1
Chopwell (various bungalows *, F2 and H2)	248	35
Emmaville flats *	21	7
Greenside, Rowlands Gill (B1, B2) *	105	13
Ryton/Greenfields flats *	49	12
High Spen (B1,B2) *	58	6
Winlaton/Blaydon (B1 *, F2)	122	17
Blaydon sheltered flats *	19	1
All West	**799**	**115**
TOTAL	**4,241**	**782**

Appendix 2

In 2013 an assessment was made only of low demand properties, which were then grouped by degree of severity (1 = lowest demand)

If the categories from 2013 had been applied over the two assessments (2013 and 2015) then the results would be:

Category 1 (most severe cases of low demand)
  2013 = 241
  2015 = 1,046

Category 2 (less severe)
  2013 = 834
  2015 = 3,400

Category 3 (least severe but still below average)
  2013 = 211
  2015 = 3,653