

**THE ESTABLISHMENT OF A PRIVATE SECTOR LEASING SCHEME FOR THE  
PROVISION OF TEMPORARY ACCOMMODATION FOR HOMELESS  
HOUSEHOLDS**

<u>Report of the:</u>	Director of Finance & Resources/Head of Housing & Environmental Health
<u>Contact:</u>	Rod Brown/Annette Snell
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	Appendix 1 - Unit cost of each type of property Appendix 2 - PSL Overall Financial Model
<u>Other available papers (not attached):</u>	None

**REPORT SUMMARY**

To establish an in house private sector leasing scheme for the provision of temporary accommodation for homeless households.

**RECOMMENDATION (S)**

*Notes*

- (1) The Committee notes the report and endorses its support for the establishment of a Private Sector Leasing Scheme.
- (2) Authorises the Head of Housing & Environmental Services to take leases of up to 15 private residential properties on such terms as he considers appropriate, following consultation with the Director of Finance & Resources and Head of Legal & Democratic Services.
- (3) A review of the operation of the scheme be conducted within 12 months of operation and reported to the Strategy & Resources Committee.

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 Managing Resources - Utilise the Council's limited resources in the most efficient and effective way.
- 1.2 Quality of Life - Improve the quality of life for all residents, but particularly the

## **STRATEGY AND RESOURCES COMMITTEE**

### **27 JANUARY 2016**

more vulnerable within our society.

- 1.3 Health, Housing and Well-being is a priority theme of the Sustainable Community Strategy. The Council has a statutory duty to house homeless persons

## **2 Background**

### **Legal Duty – Suitability of Accommodation**

- 2.1 The Housing Act 1996 (as amended by Homelessness Act 2002) places a duty on local housing authorities to secure accommodation for unintentionally homeless people in 'priority need'. When an application is made, the authority is under a duty to carry out inquiries to ascertain the level of duty owed to the applicant. If a local authority has reason to believe that an applicant may be homeless, eligible for assistance, and has a priority need, the authority has an immediate duty, pursuant to s188 Housing Act 1996, to ensure that emergency accommodation is available for his/her occupation pending a decision as to the duty (if any) owed to him/her.
- 2.2 The properties will be offered either as emergency interim duty under section 188 of the Housing Act 1996) or as temporary accommodation to meet the main duty under section 193 of the Housing Act 1996.
- 2.3 Section 206 of the Housing Act 1996 provides that any accommodation secured must be suitable. Suitability must be considered in relation to the applicant and to all members of his/her household who normally reside with him/her, or who might reasonably be expected to reside with him/her.
- 2.4 The Homelessness (Suitability of Accommodation) (England) Order 2003) order states that applicants who are pregnant or have dependent children must not be housed in shared bed and breakfast accommodation (defined as accommodation where the toilet, bathroom or cooking facilities are shared) unless there is no other suitable accommodation available, and then only for a maximum of six weeks.
- 2.5 The Homelessness Codes of Guidance for Local Authorities, the Homelessness (Suitability of Accommodation) (England) Order 2012, and the Supplementary Codes of Guidance on homelessness, advises that housing authorities should aim to secure accommodation within their own district wherever possible.
- 2.6 As far as reasonably practicable authorities should secure accommodation in their own areas. Where this is not possible the authorities must try to place the applicant as close as possible to where they were previously living.
- 2.7 Key factors that have to be assessed for each household when considering suitability include:
  - The distance of the accommodation from the local authority area
  - The significance of any disruption which would be caused by the location

## **STRATEGY AND RESOURCES COMMITTEE**

### **27 JANUARY 2016**

of the accommodation to the employment, caring responsibilities or education of the applicant or members of his household

- Proximity and accessibility to schools, public transport, primary care services, local services and amenities in the area in which the accommodation is located
- Space and arrangement
- Health and safety considerations
- Affordability
- Location
- Availability of alternative suitable accommodation in the local authority area
- Size and location of alternative equivalent accommodation available outside of the borough and the availability of support networks in the area.

2.8 Section 11 of the Children Act 2004 requires that local authorities have regard to the need to safeguard and promote the welfare of children in the applicant's household when making its decisions. The suitability of accommodation to meet a child's needs is a key component in its suitability generally. Disruption to education and other support networks may be detrimental to a child's development. It is not enough for a local authority to only consider whether a child is approaching a significant exam when deciding whether accommodation is suitable in terms of its location.

2.9 The Supreme Court has advised that each local authority should have a policy for procuring sufficient units of temporary accommodation to meet the anticipated demand during the coming year. It should also have a policy for allocating those units to individual homeless households. Where there was an anticipated shortfall of units in its own area, that policy would explain the factors which would be taken into account in offering households those units, the factors which would be taken into account in offering units close to home, and if there was a shortage of such units, the factors which would make it suitable to accommodate a household further away. Both policies should be kept up-to-date and be publicly available.

### **What is a Private Sector Leasing Scheme?**

2.10 Under a private sector leasing scheme properties are leased from a private sector landlord, for typically three to five years. The property is then let and managed by the Council with the rent to the landlord guaranteed for the period of the lease. The Council uses the properties as temporary accommodation for homeless households and grants non-secure tenancies/licences.

## **STRATEGY AND RESOURCES COMMITTEE**

### **27 JANUARY 2016**

- 2.11 The Council will be responsible for managing the properties including minor repairs, rent collection, voids and tenancy management. Landlords will however remain responsible under the terms of the lease for carrying out major repairs and gas safety.
- 2.12 Landlords would receive a lower rental income than might be available at market levels as the Council removes the risks and costs of letting, such as agents fees, management & voids costs and will be guaranteeing the rent. The operation costs associated with running the scheme will be funded by the margin between the rents charged to the tenant and rents paid to the landlord and the costs avoided from nightly-paid emergency temporary accommodation.
- 2.13 This scheme is part of a range of schemes in development to boost supply of properties to prevent homelessness, reduce and minimise the spend on nightly-paid emergency accommodation, whilst providing suitable local accommodation for homeless families.
- 2.14 The proposed private sector leasing scheme offers the Council a mechanism to quickly procure suitable local properties, at a much reduced cost than expensive nightly paid accommodation, and supplement the temporary accommodation supply by taking direct action ourselves.
- 2.15 In the past, we have been reliant on third parties/housing associations to supply suitable accommodation. If we are directly acquiring leases, we have more control and can apply extra efforts and resources as required.
- 2.16 A PSL scheme can be quick to implement and relatively cost effective compared to other schemes such as buying existing street properties or funding new developments, with the flexibility to scale up or down numbers as demand dictates. The great advantage of PSL is that it can be designed around the needs of specific households and it can provide a relatively rapid response to those needs.
- 2.17 PSL schemes operate in neighbouring boroughs, and an in-house scheme would reduce the risk of procurement from other authorities within our borough and increases our presence in the market, thus attracting and maintaining relations with landlords.
- 2.18 The importance of this scheme is primarily the ability to reduce the costs associated with nightly-paid emergency accommodation and has the added bonus of being able to provide good quality local homes for the homeless families to whom we have a duty.

### **3 Proposals - How will the scheme operate?**

- 3.1 The Council will acquire properties from private landlords typically on 3 year leases at rents close to the current Local Housing Allowance (LHA) levels. Each lease will contain a break clause of between 6-12 months, allowing it to be ended sooner.

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

- 3.2 The initial intention is to offer landlords rents at current LHA levels. However if it is not possible to attract enough landlords at this rent level it is requested that the Head of Housing and Environmental Services be authorised to make such changes to the rent level as he considers appropriate.
- 3.3 The Council will sub-let the properties to homeless households through non-secure council tenancies.
- 3.4 The rents the Council charges to tenants will be set at the Housing Benefit subsidy formula which is January 2011 LHA rates minus 10% plus a £60 per week management fee. The scheme will be funded by the margin between the rents charged to the tenant and rents paid to the landlord plus any savings from nightly-paid emergency accommodation.
- 3.5 The landlord is paid a guaranteed rent during the term of the lease regardless of whether the property is occupied or not.
- 3.6 The Council will be responsible for the day to day management of the properties including minor repairs, rent collection, voids and tenancy management. Landlords will however retain responsibility under the lease for major repairs and will be required to have building insurance and a gas servicing contract.
- 3.7 The Council will take responsibility for the first three minor repairs worth up to a maximum of £500 each year. The Council will use their existing contractors or the Handyman service to carry out of these minor repairs. The price of these repairs, bad debt and voids has been costed into the financial model.
- 3.8 At the end of the lease period the property would either be returned to the landlord in the same condition with vacant possession, or a further lease will be agreed and the contract re-negotiated. Alternatively the landlord and tenant will have the option of entering into a direct Assured Shorthold Tenancy arrangement which the Council could facilitate.
- 3.9 If the property was returned to the landlord the Council would have to guarantee vacant possession and would be responsible for any dilapidations taking into account fair wear and tear. A sinking fund of £1500 per property over the term of the lease has been costed into the financial model.
- 3.10 The scheme will focus on families with children and is aimed at homeless households in two categories; (i) those that the Council has accepted a duty to and are already occupying nightly-paid temporary accommodation, or (ii) those who are threatened with homelessness within 28 days and the Council has a reason to believe they will have a duty to them. This will prevent the need for them to be provided with nightly-paid emergency accommodation.
- 3.11 The intention is to start the scheme by building up a small portfolio of properties steadily. In the first 12 months the Council will lease up to 15 properties, procuring at least two properties a month. These will be a mixture of 1, 2 & 3 bedroom properties.

## STRATEGY AND RESOURCES COMMITTEE

### 27 JANUARY 2016

- 3.12 The role of setting up and managing the PSL scheme will be combined with duties currently undertaken by the Temporary Accommodation Liaison Officer post however on a full time basis.
- 3.13 Key responsibilities of the role would include:
- **Setting up & developing the PSL scheme** – the development of detailed procedures, leases and property standards;
  - **promoting the scheme** – following its launch and at regular intervals as more properties are required;
  - **procuring properties** – skilful negotiations with landlords to acquire properties;
  - **assessing property standards** – to ensure that properties are of a type and in a location to meet identified needs and to a prescribed physical standard;
  - **tenancy sign up** – inventory inspections, drafting of tenancy agreements, setting up rent accounts and housing benefit claims
  - **organising repairs** – based on the terms of the lease, arrangements for ensuring that maintenance liabilities were addressed by the Council or Landlord;
  - **overall management** – ongoing housing management of the property - tenancy sustainment, arrears management, routine property inspections.
  - **procuring, organising and managing emergency accommodation (B&B) placements and storage.**
- 3.14 Given the experience already within Housing Services team and using existing models of operation officers anticipate that the scheme would take three months to set up.

### Property Standards

- 3.15 As part of the setting up the scheme a set of Property Standard which landlords must meet will be establish.
- 3.16 All properties will be inspected and only properties meeting the schemes property standard at acquisition stage will be taken on.
- 3.17 This will encourage landlords to provide good quality accommodation and reduce the risk of minor repairs expenditure.
- 3.18 At a minimum the property will be required to meet the Housing Health and Safety rating system with no category 1 or 2 hazards.
- 3.19 The landlord will be responsible for undertaking annual gas and electrical safety checks and providing certificates, smoke and carbon monoxide

## **STRATEGY AND RESOURCES COMMITTEE**

### **27 JANUARY 2016**

detectors, as well as having a central heating service contract. In addition they will be required to provide an Energy Performance Certificate, proof of ownership, permission to rent from the mortgagee and building insurance.

- 3.20 The landlord will remain responsible for major repairs which will be clearly defined in the lease agreement. The Council may agree to undertake these repairs on behalf of the landlord but the costs would be reclaimed through the rent.

#### **Types of Landlord**

- 3.21 The current buoyant private rented market has meant that it has become extremely difficult for households in receipt of housing benefit to find and secure private rented accommodation in the borough.
- 3.22 The features of the scheme are designed to offer an attractive package to local landlords and to encourage them to work with the Council to meet local housing need and address homelessness.
- 3.23 The scheme is particularly good for those landlords with little or no experience who do not want the expense of using a private estate agent to manage their property. This would reflect the profile of landlords in our borough as we do not tend to have portfolio type landlords.
- 3.24 It is thought this scheme may be popular as there have been a number of calls from landlords who would prefer to have a direct leasing relationship with the Council. Discussions with local estates agents would indicate that this type of scheme would overcome the barriers of landlords being reluctant to rent to this group of tenants as it removes the risks.
- 3.25 We believe that the scheme will complement our existing Rent Deposit Scheme where these landlords often prefer to manage properties themselves. Landlords not interested in PSL will be directed to Rent Deposit Scheme an alternative option and vice versa.

#### **Benefits for landlords**

- 3.26 The PSL model should be attractive to private landlords because, in exchange for a slightly lower market rent, they will be offered:
- Guaranteed rental income for the lease period, even if the property is empty
  - No bad debt risk
  - No void loss periods
  - Limited risk of void repairs
  - No agents or management fees
  - Day to day tenant & property management including minor repairs

## **STRATEGY AND RESOURCES COMMITTEE**

### **27 JANUARY 2016**

- Guaranteed vacant possession at the end of the lease
- Property returned at the end of the lease in the same condition (taking into account fair, wear and tear).

#### **Marketing**

- 3.27** In developing the scheme we will need to set up a marketing strategy and an in house media campaign to attract landlords, this may include promotional literature, adverts in local papers / business journals or running a landlords forum. Set up costs associated with marketing fees have been costed into the financial model.

#### **Legal Documentation**

- 3.28** In developing the scheme we need to work with Legal Services to set up a model lease for landlords.
- 3.29** The tenancy agreement for the homeless household will be based on a standard Council non-secure tenancy agreement with minor amendments to reflect the appropriate exclusion from secure tenancy status.
- 3.30** Other Councils have operated PSL schemes for a number of years and their leases and tenancies are readily available as templates, as are ones provided by the Chartered Institute of Housing. Set up costs associated with legal fees have been costed into the financial model.

#### **Exit Strategy**

- 3.31** The scheme will be monitored monthly and the Head of Housing and Environmental Services will report back to the Strategy & Resources Committee the progress of the scheme after 12 months.
- 3.32** Should the scheme become unviable or unnecessary for whatever reason the Council has the ability through a break clause to terminate each individual lease with the appropriate notice.
- 3.33** Where we wish to end the lease the first option will be to negotiate a direct tenancy agreement between the tenant and the owner of the property.
- 3.34** Should these options prove unsuccessful the Council will vacate the property and return it to the owner in accordance with the lease. The speed with which we reduce the stock will depend on the supply of alternative temporary accommodation to move the tenants to.
- 3.35** A sinking fund has been worked into the financial model to cover up to £1500 for dilapidations per property over the 3 years lease period.

#### **Empty Properties**

- 3.36** A small EEBC officer group has been established to identify and encourage back to use empty properties within the borough. PSL can be an ideal vehicle to help bring empty properties back into use as temporary accommodation.



## **STRATEGY AND RESOURCES COMMITTEE**

### **27 JANUARY 2016**

- 3.37 Suitable properties identified through the Empty Property Group and potential owners/landlords can be directed to the PSL scheme. This would provide a means of managing the property on their behalf. If works were required to bring the property up to standards various options to achieve this could be considered. The Council could carry these out as improvement works and remain cost through the rental payment due to landlords or by placing a charge on the property.

#### **4 Financial and Manpower Implications**

- 4.1 The Council has experienced an unprecedented increase in the incidence of homelessness. This has resulted in the use of expensive nightly-paid emergency accommodation and a corresponding increase in expenditure. The figures in 4.2 below demonstrate this. The development of a private sector leasing Scheme the Council can significantly reduce the use and cost of nightly-paid emergency accommodation for homeless households, resulting in avoidable expenditure savings in the region of £244,000 per year once the scheme is fully set up.
- 4.2 The net current approved budget for nightly-paid emergency accommodation for 2015/16 is £616,130. At quarter two the current net expenditure forecast for 2015/16 is £1,090,000.
- 4.3 The working budget for 2016/17 the net expenditure for nightly-paid emergency accommodation is estimated at £1,025,000.
- 4.4 An evaluation to assess the average annual net cost of nightly-paid emergency accommodation by household, was undertaken by Finance and Housing Services in September 2015. These costs range from £17,988 to £24,743 per household per year depending on the size of the household.
- 4.5 Currently the costs for nightly-paid emergency accommodation do not take into account staffing costs or bad debt.
- 4.6 Through the development of a private sector leasing Scheme the Council can significantly reduce the use and cost of nightly-paid emergency accommodation for homeless households.
- 4.7 The financial model indicates that the initial procurement of 15 properties during year one (procuring at least two properties a month) would result in estimated net expenditure of £49,145. This includes scheme set up costs, all operational costs as outlined in figure 2 and staff costs. The equivalent net cost to the Council of placement into nightly-paid emergency accommodation would be £144,113. Resulting in net avoidable expenditure savings of £94,968 pa in year one.
- 4.8 Once the scheme is fully operational the net expenditure for the PSL scheme is estimated to be £58,653 in year two and £59,133 in year three. The equivalent net cost to the Council of placement into nightly-paid emergency accommodation would be £303,595 pa. Resulting in net avoidable expenditure savings of £244,942 pa in year two and £244,462 pa in year three.

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

- 4.9 The table below shows a comparison between the average annual net cost of nightly-paid emergency accommodation and the equivalent net costs of a private sector lease property. In addition to this the set up and staffing costs have been factored into the overall financial model.

<b>Household Type</b>	<b>Average net cost of nightly-paid emergency accommodation  £'000 per year</b>	<b>Equivalent net costs of a private sector lease property  £'000 per year</b>	<b>Cost Avoidance Savings Per property  £'000 per year</b>
Small Family - 2 adults & 1 child or 1 adult & 2 children	17,988	793	17,195
Medium Family – 2 adults & 2 children	17,988	146	16,526
Larger Family - 3 or more children	24,743	3,069	21,674

Figure 1

- 4.10 The avoidable expenditure savings will be dependent on the rent levels negotiated with landlords.
- 4.11 In addition there will be some avoidable expenditure savings for associated costs of storage of homeless household's personal belongings.

**Private Sector Lease Financial Model**

- 4.12 In developing the PSL scheme we have sought to quantify the financial implications for the Council of operating a PSL scheme based on a portfolio of 15 properties, procuring at least two properties a month in the first year. These will be a mixture of 1, 2 & 3 bedroom properties
- 4.13 For the purposes of developing the financial model this has been based on procuring 5 x 1-bedroom, 5 x 2-bedroom and 5 x 3-bedroom properties. However the actual mix will depend on demand at the time. The financial model scales up the procurement of two properties a month in the first year.
- 4.14 A financial model has been produced to calculate the level of operational costs and avoidable expenditure savings associated with the PSL scheme. The model has two aspects, the first is based on the unit cost of each type of property and the second is the overall operating costs of the scheme over a three year period. The key areas for financial consideration resulting from the model are in appendix 1 & 2 and are identified in the scheme outline above and in key points below.

### **Operational Costs**

- 4.15 In developing the financial model the costs have been estimated over a three year period. In year one it is estimated the scheme will take three months to set up with the procurement of properties starting in month four. Supply will start from a zero base and is targeted to reach 15 properties within 12 months, procuring two properties per month. The costs associated with year one have been scaled up on this basis and include start up and staff costs. For year two & three the model will operate on 15 properties.

### **Income Assumptions**

#### **Rental Income from tenants**

- 4.16 The rental income for a PSL scheme is based on the Housing Benefit temporary accommodation subsidy formula outlined in section 3.4. Projecting the likely rental income/expenditure has been made on the basis of procuring 5 x 1-bedroom, 5 x 2-bedroom and 5 x 3-bedroom properties. However the actual mix will depend on demand at the time. The financial model scales up the income based on the procurement of two properties a month in the first year.
- 4.17 In year one the total rent receipts from tenants is profiled at £81,879 in year two and three £186,029 each year.

### **Void Loss and Bad Debt**

- 4.18 The model has factored in 2 weeks rental void loss per property per year. However due to the slow turnover of settled housing it is anticipated that most tenants will remain in the property for 3-4 years so void loss is like to be significantly less than this. Void loss is likely to be incurred when the property is first taken on and when a tenant vacates. A bad debt provision of 5% per property per year has been factored into the model.

### **Expenditure Assumptions**

#### **Rental payments to landlords**

- 4.19 The main expenditure on the scheme will be the rental payments to be made to the owners/landlords under the terms of the lease. These payments have initially been set at the current Local Housing Allowance for the property size. If a higher rent level has to be agreed in order to attract landlords this will impact on the cost avoidance savings.
- 4.20 In year one the total rental payments to landlords is profiled at £75,107 and in year two and three £105,771 each year.

### **Minor & Void Repairs**

- 4.21 As noted above the owners/landlord remains responsible for major repairs to the property, however under the PSL model as an incentive to encourage participation the Council will undertake minor repairs up to a maximum of £500 each year. The equivalent amount has been set aside for void repairs.

## STRATEGY AND RESOURCES COMMITTEE

### 27 JANUARY 2016

This has been factored into the financial model, however this is unlikely to be required for each property.

#### Dilapidation Sinking Fund

4.22 Dilapidations are the cost of reinstatement works to a leased property when it is returned to the owner at the end of the lease. If the property is in good condition initially and if it is well maintained with regular inspections then these should be minimised. A sinking fund has been worked into the financial model to cover up to £1500 dilapidations per property over the 3 years lease period. This equates to an annual contribution of £500 per property.

#### Legal Costs

4.23 The legal costs to set up each lease have been estimated at £250 per property. Legal costs associated with evicting a tenant for ASB or rent arrears have been factored into the financial model, however it is estimated that the risk of this occurring over the lease period are low and only likely to affect one property. As figure of £5000 has been estimated and this has been spread over the whole property portfolio.

<b>Income &amp; Expenditure Assumptions per unit</b>	<b>1 bedroom property x 5 To be used for small families</b>	<b>2 bedroom property x 5 To be used for medium families</b>	<b>3 bedroom property x 5 To be used for larger families</b>
Rent charged to tenant (90% of Jan 2011 LHA + £60pw)	10,410	12,299.88	14460.12
LHA rent paid to Landlord	-8719.32	-10,979.76	-14555.16
Bad Debt (5% pa)	-520.44	-614.88	-723
Void Lost (2 weeks pa)	-268.32	-473.04	-556.08
Void Repairs (£500 pa)	-500	-500	-500
Minor Repairs (£500 pa)	-500	-500	-500
Legal Costs	-195	-195	-195
Dilapidations Fund (£500 pa)	-500	-500	-500
<b>TOTAL</b>	<b>-793</b>	<b>-1462.80</b>	<b>-3069.12</b>

Figure 2

#### Staffing Costs

4.24 This is the main operating cost to be factored into the PSL scheme. In the start-up period, staff costs will be higher and expenditure will exceed income until a critical mass of properties is achieved. This has been taken into account when scaling up the financial model. Staffing projections have to allow for staff time on procurement and on negotiations with owners, the time for letting and allocating properties, and for settling-in visits, rent account monitoring and repairs administration etc.

## STRATEGY AND RESOURCES COMMITTEE

### 27 JANUARY 2016

- 4.25 The initial staffing costs incurred in the first year can be met through existing departmental budgets, using funds currently held in the reserve account for the Rent Deposit Scheme, therefore the Council is not required to find any additional expenditure to set the scheme. The financial model has been fully costed for staff expenditure so these funds could be reimbursed to the Rent Deposit Scheme reserve account at end of the first year.
- 4.26 This funding will also cross fund the other duties of the Temporary Accommodation Liaison Officer.

#### Initial One Off set up

- 4.27 The set up costs involved with establishing the scheme include legal costs for the template lease/rental agreement and the costs of promoting the scheme to attract landlords. One off costs of £5000 have been factored into the financial model. Initial set up costs for the scheme can be met through funds currently held in the reserve account for the Rent Deposit Scheme.
- 4.28 **Chief Finance Officer's comments:** *If significant works to properties were undertaken this would have a negative impact on the Council's VAT position. However, as only minimal expenditure on properties is anticipated this impact should be very limited.*

## 5 Legal Implications (including implications for matters relating to equality)

- 5.1 The Council's duties and powers in relation to homelessness are principally contained within the Housing Act 1996 (as amended) and the Homelessness Act 2002. The Council has specific powers to acquire and operate housing for the proposed purpose.
- 5.2 The Right to Buy (RTB) does not apply to families being accommodated in these properties. The RTB attaches to Secure Tenancies and the tenancies being offered in these circumstances are granted in pursuance of our functions under Part VII of the Housing Act 1996, and such tenancies are specifically not "Secure Tenancies" in accordance with section 79(2) of, and para 4 of Schedule 1 to, the Housing Act 1985.
- 5.3 Under section 74 of the Local Government & Housing Act 1989, a local housing authority has a duty to keep a housing revenue account in respect of houses provided under Part II of the Housing Act 1985 (and certain other properties).
- 5.4 If any of the dwellings are regarded as being held for the purposes of Part II, then the duty to have a HRA applies. The Secretary of State can, however, direct that the duty shall not apply to such land as they specify. The HRA manual indicates that such a direction will normally be given where fewer than 50 dwellings are held by an authority.
- 5.5 Considering the properties already owned by the Council, plus those envisaged under the proposed Private Sector Leasing Scheme, refurbishment of 1 – 3 Blenheim Road and the possible 8 properties that could be purchased as part of the acquisition programme, it is not considered the Council will exceed this limit of 50 dwellings.

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

- 5.6 It is therefore recommended that, when implementing the above schemes, the Council firstly assert to DCLG that the duty does not apply and, in the alternative, seeking in-principle support for a direction (or even an actual direction for the dwellings we own already). Secondly, to seek a direction in respect of each unit when acquired.
- 5.7 There are no matters relating to equality in providing local suitable temporary accommodation through a PSL scheme.
- 5.8 **Monitoring Officer's comments:** Section 120(1) of the Local Government Act 1972 provides that:

*"For the purposes of—*

- (a) any of their functions under this or any other enactment, or*
- (b) the benefit, improvement or development of their area, a principal council may acquire by agreement any land, whether situated inside or outside their area."*

*Section 17(1) of the Housing Act 1985, in addition, specifically provides that:*

*"A local housing authority may for the purposes of this Part—...*

- (b) acquire houses, ... together with any land occupied with the houses or buildings,"*

*Section 18 of the Housing Act 1985 provides that:*

- "(1) Where a local housing authority acquire a building which may be made suitable as a house, they shall forthwith proceed to secure that the building is so made suitable either by themselves executing any necessary works or by leasing it or selling it to some person subject to conditions for securing that he will so make it suitable.*
- (2) Where a local housing authority—*
  - (a) acquire a house, or*
  - (b) acquire a building which may be made suitable as a house and themselves carry out any necessary work as mentioned in subsection (1), they shall, as soon as practicable after the acquisition or, as the case may be, after the completion of the necessary works, secure that the house or building is used as housing accommodation."*

*In this case, the accommodation will be acquired by way of short term lease, for the purpose of providing temporary accommodation for homeless persons where the Council has a duty to provide them with accommodation. This is clearly within the Council's powers.*

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

*It is also intended that any properties acquired for this purpose are brought into use as housing accommodation at the earliest opportunity, and this is in accordance with the Council's obligations.*

*As any properties acquired under this scheme will be directly managed by the Council, the Council will need to ensure it complies with its obligations in terms of the general management regulation and control of housing, under the Housing Act 1985 and any other relevant legislation.*

*The Council has approved an Asset Management Plan, which sets out criteria for acquisition and disposal of property. This report proposes a departure from the provisions of that plan and the delegations which members have previously agreed. If this report is agreed, it is essential that the Asset Management Plan (which is shortly to be reviewed) is amended to take into account the proposed approach.*

**6 Asset Management Plan**

- 6.1 The Council has agreed an Asset Management Plan which, amongst other things sets out the criteria to be applied when properties are to be acquired or disposed of. The plan also includes specific division of authority for approval of property matters, including the level of delegation to officers. This report seeks to depart from the Plan, in terms of criteria, process and delegation. This is considered necessary in order to enable the Council to act efficiently and effectively to meet the objectives of the proposed scheme – to acquire and bring into use additional temporary accommodation within the borough

<b>Acquisition Criteria</b>	<b>Comment</b>
Property requirements are identified by the Capital Management Group in compliance with the Capital Strategy.	This report departs from this process. The requirement for temporary accommodation has been identified.
A business case is prepared, including a whole life costing exercise and a review of existing holdings to determine whether the need can be met from the current portfolio.	A business case will be prepared in respect of each acquisition (broadly as set out in this report). It is clear that the Council's existing portfolio cannot meet the identified need for temporary accommodation
A briefing note including location, size, specification and other relevant requirements is produced and agreed. At this stage, based on funding and other constraints a decision is made on the appropriate interest to be acquired (freehold, long lease etc.).	These matters have been identified in broad terms. The scheme will operate on an opportunistic basis as suitable properties come up for sale in the borough. It is intended that properties will be acquired on a short-term leasehold basis.
The Corporate Property Officer, in liaison with the service head or other appropriate nominee, leads in the search and acquisition	The lead for this project will be the Head of Housing & Environmental Services, with suitable advice from the Corporate Property

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

<b>Acquisition Criteria</b>	<b>Comment</b>
process, instructing external agents where necessary, through the negotiation of terms, reporting and final approval by Strategy and Resources Committee.	Officer and others. In a departure from the plan, officers will agree terms of acquisition, which, if the recommendations in this report are agreed will not require the approval of Strategy and Resources Committee.
Strategy and Resources Committee must approve the terms of all acquisitions.	As stated above, in a departure from the plan, officers will agree terms of acquisition, which will not require the approval of Strategy and Resources Committee.

## **7 Sustainability Policy and Community Safety Implications**

7.1 None for the purposes of this report.

## **8 Partnerships**

- 8.1 Historically we have worked in partnership with housing associations to provide suitable temporary accommodation. There is currently little appetite for housing associations to enter into new private sector leasing arrangements as it is difficult to make a profit. However for the Council due to the high costs associated with nightly-paid emergency accommodation it makes PSL a financially viable alternative. For a housing associations to operate PSL they would expect the Council to fully fund the scheme and would normally require an additional 10%-12% management fee.
- 8.2 By managing the scheme in-house we are minimising the costs to the Council whilst at the same time reducing our reliant on housing associations, which means we have more control and can apply extra efforts and resources as required to meet demand.
- 8.3 By working in partnership with private sector landlords this will encourage landlords to provide good quality accommodation.

## **9 Risk Assessment**

- 9.1 With an in-house scheme the Council takes on risks associated with arrears, minor repairs, voids and dilapidations, however the financial model suggests the scheme will operate at significantly less costs than the equivalent nightly-paid emergency accommodation. As part of the development of the scheme a risk assessment has been produced and is outlined below.



**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

Risk	Level	Mitigation
The rent paid to landlords is less than the market rent so landlords may be reluctant to participate in the scheme	<b>M</b>	There are a number of benefits of the scheme such as the rent being guaranteed, no agent fees or hassle of managing a property. Strong marketing and skilful negotiations regarding the Council's 'offer' to landlords should make them aware of the benefits of working in partnership with the Council. In the event that the rent is still considered too low then the Head of Housing & Environmental services will re-evaluated this but this will then affect the margins of the scheme.
The scheme is not able to attract enough landlords to make it viable	<b>L</b>	Strong procurement & marketing of the scheme will be critical. The financial viability of the scheme will be monitored monthly and the Head of Housing and Environmental Services will report back to Social Committee the progress of the scheme at 12. If the scheme is deemed not viable then the Council can serve notice on the landlords to end the lease and the scheme can be wound up.
Legal Challenge	<b>L</b>	Diminishing reliance on suitable nightly-paid emergency accommodation will reduce the risk of legal challenge.
<p>Dilapidations</p> <p>Research indicates that dilapidations can be a subject of dispute between landlords and the Council</p>	<b>M</b>	<p>Hand backs and dilapidation of properties are not expected in year one or two. However to mitigate risk an agreed schedule of the condition of each of the property at initial handover will be attached to the lease. This will include a photographic record of all aspects of the property and a register of all fixtures and fittings and their condition. Whilst the property is being leased, complete records of works undertaken by the owner and works undertaken by the Council will be kept. All properties will be routinely inspected to note any deterioration to the property not resulting from fair, wear and tear. If all of this is done then the costs of reinstatement will be kept to a minimum. In addition a dilapidations sinking fund of £1500 has been set up for each property.</p> <p>Routine inspection of the property will help ensure that tenants are maintaining their property in a satisfactory manner and they will be over looked for social housing if they are not. Tenants will be recharge for damaged they cause to the property.</p> <p>The scheme will accumulate risk funds to cover</p>

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

Risk	Level	Mitigation
		costs that may arise such as rent arrears, voids lost, minor repair, legal costs and dilapidations.
Bad Debt	<b>L</b>	<p>A 5% per year debt allowance has been factored into the financial model for each property. In addition early arrears monitoring and careful rent arrears management, including liaison with Housing Benefit should help mitigate bad debt. It should be noted the Council is exposed to this risk when using nightly- paid emergency accommodation but at a much higher financial level, therefore a PSL scheme reduces the risk.</p> <p>The scheme will accumulate risk funds to cover costs that may arise such as rent arrears, voids lost, minor repair, legal costs and dilapidations.</p>
Voids Loss/Void Repairs/Minor Repairs	<b>L</b>	<p>The average length of stay in a PSL property is likely to be around three to four years and voids do not occur regularly. This will reduce the risk of void loss and void repairs. Regular property inspections and careful property/tenancy management should reduce the risk of damages and repairs.</p> <p>The scheme will accumulate risk funds to cover costs that may arise such as rent arrears, voids lost, minor repair, legal costs and dilapidations.</p>
Changes to the Housing Benefit temporary accommodation subsidy formula	<b>L</b>	<p>In the autumn statement the Chancellor announced the governments intentions to devolve and reform funding for managing temporary accommodation from 2017-18.</p> <p>The temporary accommodation management fee will no longer be paid through the benefits system and instead Councils will receive this money upfront.</p> <p>The government has said they will maintain current levels of funding and will be providing an additional £10 million a year, so that they can give more freedom and flexibilities to local authorities. There are no clear details yet however if there were to be a negative risk then the Council would be exposed to this risk when using nightly-paid emergency accommodation but at a much higher financial level, therefore a PSL scheme reduces the risk.</p>
Universal Credit	<b>L</b>	If the tenant is more than one month in arrears the Council can notify the DWP. At this point

**STRATEGY AND RESOURCES COMMITTEE**  
**27 JANUARY 2016**

Risk	Level	Mitigation
		<p>DWP will review the claimants' situation and can offer the tenant budgeting support and may decide to pay the rent directly to the Council.</p> <p>When arrears reach the equivalent of two month's rent (the 'trigger point'), an Alternative Payment Arrangement will be put in place by the DWP to allow a managed payment to the Council. In addition rent arrears can be recovered from the tenant through a deduction to their Universal Credit. The tenant can also be evicted for rent arrears. The Council will be exposed to this risk when using emergency nightly-paid accommodation but at a much higher financial level, therefore a PSL scheme reduces the risk.</p>

L – Low, M – Medium, H - High

## **10 Conclusion and Recommendations**

- 10.1 In setting up the PSL scheme the Council has the opportunity to provide local suitable temporary accommodation to homeless households at a much reduced cost than expensive nightly-paid accommodation. Net avoidable expenditure savings on nightly-paid emergency accommodation have been estimated at £94,968 pa in year one and £244,942 pa in year two and £244,462 pa in year three.
- 10.2 The proposed Private Sector Leasing scheme offers the Council a mechanism to quickly acquire suitable local properties and is part of a range of schemes in development to boost supply of properties to prevent homelessness, to meet our legal duty to provide temporary accommodation and the requirement to have a policy for procuring sufficient units of temporary accommodation to meet the anticipated demand.
- 10.3 The recommendation of this report is that the Committee notes the report and endorses its support for the establishment of a Private Sector Leasing Scheme, where the Council leases properties from private sector landlords for the provision of temporary accommodation for homeless households.
- 10.4 The Head of Housing & Environmental Services be authorised to take leases of up to 15 private residential properties on such terms as he considers appropriate, following consultation with the Director of Finance & Resources and Head of Legal & Democratic Services.
- 10.5 A review of the operation of the scheme be conducted within 12 months of operation and reported to the Strategy & Resources Committee.

**WARD(S) AFFECTED: All**