



Cabinet 19 January 2011

Private Sector Leasing Scheme (Feb11/10)

1. Summary and Reasons for Recommendations

- 1.1 The Council's current Private Sector Leasing Scheme (PSLS) operated by Havebury Housing Partnership (Havebury) is to come to an end in April 2011. Officers have, therefore, been exploring other options for providing a Private Sector Leasing Scheme to continue to prevent homelessness in appropriate cases.
- 1.2 Housing Action, a 'social enterprise', is offering an innovative approach which includes some support for the tenants within the Scheme. The cost to the Council will be a one-off payment of £75,000, which will deliver at least 75 additional properties in the first 5 years of the scheme. This report outlines the Scheme and seeks approval to enter into an agreement with Housing Action to implement the Scheme and for the one off payment to be made.

2. Recommendations

- 2.1 The implementation of the new Private Sector Leasing Scheme with Housing Action, as outlined in Report B420, be approved.
- 2.2 The Corporate Director for Community Services be authorised to finalise and sign the Service Level Agreement on behalf of the Council, in consultation with the Portfolio Holder for Haverhill and Housing.
- 2.3 The payment of £75,000 to Housing Action, as outlined in paragraph 9.2 of Report B420, be approved.

3. Corporate Objectives

- 3.1 The recommendations meet the following, as contained within the Corporate Plan:-
- (a) Corporate Priority: *'Improving the safety and wellbeing of the Community, and*
 - (b) Vision 2025: St Edmundsbury will be a place which: *'has a range of affordable housing.'*

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4. Key Issues Background

- 4.1 Working with Havebury, the Council has provided a PSLS since 2005. This Scheme, similar to the majority of other PSLS at present, committed the Council to a shared financial risk with Havebury who managed the scheme on the Council's behalf. This meant that at the end of each financial year, any operating deficit was shared between Havebury and the Council.
- 4.2 It was anticipated at the start of the Scheme that eventually it would become self-sustaining, as Havebury aimed to have 50 properties in the Scheme within the first year. However, this was not achieved and the Scheme, although now managing about 45 properties, has never been self financing.
- 4.3 Since the start of the Scheme, and up until April 2010, the cost to the Council has been in the region of £35,000. There will be further costs for 2010/2011 which will not be known until the Scheme finishes at the end of March 2011. The Scheme has been funded from the homelessness prevention grant that the Council receives from the Government, which is coming under increasing strain as homelessness is increasing.
- 4.4 It has, therefore, been agreed with Havebury that the Council will withdraw from the Scheme from the end of March 2011 and the relevant notice has been given.

Current Position

- 4.5 Officers have, therefore, been investigating other options for providing another PSLS which is an essential option for preventing homelessness. With the exception of an organisation called Housing Action, all other PSLS investigated operate on a similar risk sharing basis to the Havebury scheme, which would require ongoing funding, which could vary year on year and be difficult to predict.
- 4.6 Housing Action operate a PSLS as a 'social enterprise', offering an innovative approach, but requiring a one off investment rather than ongoing funding. Housing Action is a registered charity, which has been operating and providing supported housing since 1989. Their aim is to house and support both individuals and families with no other access to housing. They offer a link between those most in need of housing and those with the ability to provide housing through the private sector. PSLS is their core business and at present they are operating in seven other local authorities in the Norfolk and Suffolk area.
- 4.7 Part of the service Housing Action offer is support for the tenant, if required, to maintain their tenancy and stabilise their lives, thereby avoiding repeat homelessness. They also are committed to signposting tenants with chaotic lifestyles to specialist agencies, and their staff will maintain regular contact with the tenants and the supporting agencies to ensure multi-agency working to help the tenants.
- 4.8 Housing Action also offer the landlords a good level of service and encourage them to commit to the Scheme on a long term basis. They do, for example, provide a financial comparison to landlords of what return they can expect from a letting agency compared to what they can expect from the PSLS, and whilst the monthly rental income under the PSLS may be less, the landlord has no 'void' loss of bad debts to take into account, which makes the Scheme attractive to many landlords.

- 4.9 Officers and Councillors Mrs Gower and Everitt have met with representatives from Housing Action to discuss their model, and are satisfied that this option should be pursued. Housing Action have submitted a detailed proposal for the implementation of the Scheme including the transfer of some of the existing PSLS properties from Havebury, where the current landlords agree.
- 4.10 Some features of the scheme include:-
- (a) the new scheme would start on 4 April 2011;
 - (b) it is a social enterprise i.e. a business driven by a social purpose which is at the heart of what they do, and the profits they make are reinvested towards achieving that purpose (rather than being driven by the need to maximise profit for shareholders and owners);
 - (c) funding is a one-off investment that will deliver 100% nomination rights for the Council to the properties in the Scheme for the lifetime of the leases. The leases are typically for 3 to 5 years initially (and are renewed after that) but Housing Action have had no landlords leave their Scheme to date. The aim is for Housing Action to obtain at least 75 new tenancies within 5 years which will be part of the legal agreement with them, but their aim is to continue to grow thereafter to a potential maximum of about 170 tenancies and there will not be any extra cost for the Council;
 - (d) all tenants subject to a needs assessment to decide how much support, if any, they require;
 - (e) all tenants will have an assured short-hold tenancy with rents set at current local housing allowance (LHA) levels, which will be adapted according to any changes to LHA; and
 - (f) landlords receive 80% of LHA levels, and if the LHA level varies, the landlords receive less income. Housing Action and the landlord enter into an agreement for this
- 4.11 The cost to the Council will be a one off payment of £75,000, which will result in at least 75 properties in the first 5 years of the Scheme. If the Scheme expands to its maximum of 170 properties, the extra properties will not be a cost to the Council. Given that most of the tenants that will be housed through this Scheme are homeless and vulnerable, this cost must be considered against the savings achieved from accommodating this client group without having to accept a duty to them as homeless (The cost of each homeless case is accepted to be between £4,000 and £10,500 (CIH research) so significant savings can be made).
- 4.12 Furthermore, in the Government's recent proposals for the reform of housing provision, the importance of privately rented housing is likely to grow, since councils will be able to discharge their homelessness duties through private sector as well as social housing.
- 4.13 Following consultation with the legal and procurement services, it is considered appropriate to use the Council's powers under S137(3) of the Local Government Act 1972 to give a grant to Housing Action. A legal agreement will be drawn up with them regarding the service expected. The funding is available from the affordable housing capital programme budget. It is proposed that the £75,000 is granted to Housing Action on a phased basis depending on delivery of properties to the Scheme. Officers are also considering the establishing of a 'claw back' clause in the legal agreement.

- 4.14 The investigations of options for a replacement PSLS have been carried out jointly with Forest Heath District Council who are also currently part of the Havebury scheme, but who are seeking to change and increase their use of the private rented sector. The intention is that both Councils will commit to invest with Housing Action, which will ensure their financial viability. Each Council will, however, have its own partnering agreement with Housing Action.
- 4.15 Officers will work with Havebury and Housing Action to transfer as many of the tenants and properties in the existing scheme to Housing Action. Initial discussions have indicated that the majority of tenants and properties will transfer.
- 4.16 The 75 properties that Housing Action will provide through the scheme will not include those that have transferred from the Havebury scheme.

5. Other Options considered

- 5.1 To embark on another scheme which is operated on the same principle as the 'key potential' scheme with Havebury. However, it was felt that this option presented an uncertain financial future as it is based on a risk sharing basis with the provider and costs are associated with the costs of empty properties, rent arrears, and other management costs, plus a cost of operating the scheme.
- 5.2 To not have a PSLS. However, the numbers of homeless applicants who require support is increasing and there is a clear need for more properties.

6. Community impact *(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)*

6.1 General

- 6.1.1 The provision of the Private Sector Leasing Scheme will help meet a local housing need in the borough and contribute to the overall supply of housing to meet demand.

6.2 Diversity and Equality Impact *(including the findings of the Equality Impact Assessment)*

- 6.2.1 Nomination arrangements will be determined with Housing Action as part of the implementation of the scheme and will be subject to an Equality Impact Assessment to ensure accessibility to all.

7. Sustainability Impact *(including environmental or social impact on the local area or beyond the Borough)*

- 7.1 Working with Housing Action and the private rented sector through this Scheme will assist in improving the standards of these properties.

8. Consultation

- 8.1 Extensive discussions with Havebury have taken place. Councillors Mrs Gower and Everitt have been involved in meeting with Housing Action to discuss their model in detail. Officers from strategic housing, legal, revenues and benefits, environmental health and Forest Heath District Council have also been involved in the development of the Scheme with Housing Action.

9. Resource implications *(including asset management implications)*

9.1 As outlined in paragraphs 4.6 to 4.12 above, the cost to the Council will be a one off payment of £75,000, which will result in at least 75 properties in the first 5 years of the Scheme. If the Scheme expands to its estimated maximum of 170 potential properties, the extra properties will not be a cost to the Council. Given that most of the tenants that will be housed through this Scheme are homeless and vulnerable, this cost must be considered against the savings achieved from accommodating this client group without having to accept a duty to them as homeless (The cost of each homeless case is accepted to be between £4,000 and £10,500 (CIH research) so significant savings can be made).

9.2 It is proposed that the £75,000 is paid in two tranches. Initially a payment of £50,000 immediately and the remaining £25,000 paid in 12 months time or when the first 30 properties have been accepted into the Scheme, whichever is the sooner. The agreement will also include clauses to ensure that the contract can be broken and an appropriate proportion of the funding reclaimed if initial progress is not satisfactory.

10. Risk Assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

10.1

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
	High/Medium/Low		High/Medium/Low
Council fails to discharge its homelessness duties effectively through the private sector.	H	Continuation of PSLs.	Low
Housing Action do not deliver the required number of properties.	M	Service Level Agreement in place which will be monitored regularly.	Low
Housing Action not financially secure to expand their business.	M	References taken up from other existing clients prospective. Financial vetting has already taken place and officers are satisfied as to the financial viability of Housing Action.	Low
Viability of Housing Action to expand.	M	Housing Action have been in business since 1989 and are a well established organisation dealing with vulnerable households in supported housing. They are financially strong, have a business plan that supports expansion.	Low

11. Legal or policy implications

11.1 A Service Level Agreement has been drawn up with Housing Action which will ensure the level of service and properties provided meet with the Council's requirements to provide at least 75 properties in the first 5 years of operation.

Wards affected	All	Portfolio Holder	Haverhill and Housing
Background Papers		Subject Area	Housing