Open Agenda

Cabinet

Tuesday 22 March 2011
4.00 pm
Town Hall, Peckham Road, London SE5 8UB

Supplemental Agenda No. 1

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20.	**Development of a Social Lettings Agency Scheme** To approve the operation of a social lettings agency scheme.	1 - 17

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Agenda Item 20

Item No.	Classification:	Date:	Meeting Name:
20.	Open	22 March 2011	Cabinet
Report title:		Development of a Social Lettings Agency scheme	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	

FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND HOUSING MANAGEMENT

Social Lettings Agency

1. The Social Lettings Agency is a new scheme where the Council acquires flats and houses in the private sector on a direct lease with landlords and offers the properties to those at risk of homelessness. The Council will take on full housing management functions. These include repairs, voids, rent collection and dilapidations. These risks and the cost of management of the scheme will be funded by the margin between the rents charged to the tenant and rents paid to the landlord. These risks have been assessed and we are confident that the scheme will be self-funding.

Background

2. Southwark Council faces a difficult few years where demand for private sector housing is likely to increase whilst supply will become more difficult. For many years the Council has used the private rented sector to bridge the gap between the demand for social housing from homeless households or those at risk of homelessness and the supply of available social housing.

3. The main schemes used to meet this demand are direct-let schemes where the Council matches a household in need with a landlord who has an available property. The landlord and tenant have a direct relationship, and in the majority of cases the rent is covered by Housing Benefit (HB).

4. The emergency budget in June 2010 and the Comprehensive Spending Review in October 2010 announced a range of cuts in HB levels which come into effect this month that will compound the imbalance in supply and demand.

5. From 1st April, HB levels will fall by an average of £20 - £30 per week. As direct-let schemes rely on a reasonable level of rent to attract landlords, these falls will make it difficult to persuade sufficient landlords to offer their properties to our schemes. The Council already face stiff competition in the lettings market where there is currently more prospective tenants than available supply.

6. We further expect these HB falls to increase demand for housing. There will be approximately 2000 households in the borough living in the private rented sector whose HB payments will no longer cover their rent. The Council will make every effort to sustain these tenancies, but inevitably a proportion of landlords will seek to

repossess. There is a 9 month transitional relief for existing HB claims so this increase in demand will happen towards the end of 2011.

7. In an announcement in August 2010, the DWP made leasing schemes exempt from the general falls in HB, and protected the existing subsidy arrangements until at least April 2013. This means that the rents currently offered to landlords to lease their properties will be more attractive than rents affected by the falls in LHA. It is therefore the Housing Department's intention to make up for the anticipated falls in direct-lets with a range of leasing schemes.

8. The Social Lettings Agency, as a leasing scheme is part of this strategy.

Why Social Letting Agency?

9. All existing leasing schemes are through partner suppliers who are mainly RPs. The supplier takes on all of the risks outlined above, and the Council's only financial risk is through late nominations and excessive voids.

10. However the rate of supply through existing partners is significantly below demand. The Council sought expressions of interest from RPs in late 2010 to test their appetite for leasing in partnership. The response was limited with only two positive replies. We intend to develop Housing Association Leasing Schemes (HALS) with both of these RPs but even with this additional supply we are still likely to face shortfalls.

11. The SLA is a way to both supplement the above supply and to take direct action ourselves if we are short of supply targets. In the past, we have been reliant on third parties to supply suitable accommodation and minimise Bed and & Breakfast costs. If we are directly acquiring leases, we have more control and can apply extra efforts and resources as required. We also believe this scheme will be popular as there have been numerous calls from landlords who would prefer to have a direct leasing relationship with the Council.

12. Although the Council will be taking on additional risks through this scheme, we are confident that it will be self financing. As part of the development of the scheme we have produced a thorough risk assessment and a robust financial model.

RECOMMENDATION(S)

Recommendations for the Cabinet

13. That cabinet approves the operation of a social lettings agency scheme set out in paragraphs 50-61.

14. That cabinet authorises officers to acquire on lease an initial 100 properties for use in a Social Lettings Agency scheme and review the scheme's progress after a 12 month period, subject to the review in paragraph 15.

Recommendation for the Leader of the Council

15. That the Leader of the Council authorises the Deputy Leader and Cabinet Member for Housing Management to review the scheme's progress after the acquisition of the first 50 properties and use his delegated authority to extend the scheme.

BACKGROUND INFORMATION

16. A Social Lettings Agency is a scheme whereby the council leases flats and houses in the private rented sector from private landlords and uses them to house those at risk of homelessness.

17. It is designed to stem the flow of homelessness approaches to the borough (currently anticipated to be around 150 more at the end of March 2011 than originally projected) and thus reduce costs to the authority of bed and breakfast accommodation.

18. The vehicle behind the Social Lettings Agency is called Private Sector Leasing (PSL). PSL schemes have been used by the majority of London Local Authorities since the 1980's to place homeless families into good quality private sector properties pending their permanent re-housing. They use the income from the rent, which is largely supported by Housing Benefit to pay the landlords rent and cover the operational cost and risks of running the scheme. There are no additional costs from the Council required to support the scheme. Some Local Authorities commission suppliers to acquire and manage this supply, whilst others supply through in-house schemes.

19. Southwark Council has used a combination of PSL and Housing Association Leasing Schemes (HALS – a Housing Association variation on PSL) to supply temporary accommodation since the 1990s. This scheme is the first time that Southwark has set up an in-house scheme. The rationale for this is covered in the Supply Strategy section in paragraphs 35-43 below.

20. More recently Local Authorities have started to consider the use of PSL for those at risk of homelessness. Southwark will be one of the first Local Authorities to set up a scheme specifically to prevent homelessness.

21. This scheme is part of a range of schemes in development to boost supply of properties to prevent homelessness, reduce temporary accommodation and minimise spend, especially on B&B.

22. As a leasing scheme, Social Lettings Agency will be protected from the general falls in Housing Benefit (HB) and Local Housing Allowance (LHA) that are due on 1 April 2011 until at least 1 April 2013.

23. The previous government had a strong emphasis on reducing homelessness and within the Housing Act 2002 required Local Authorities to develop a homeless strategy and to develop ways to prevent homelessness. Further to this, in 2005 they set a target to reduce temporary accommodation by 50% by 2010. The use of bed and breakfast accommodation (B&B) for families for over 6 weeks was deemed impermissible as an inappropriate and expensive form of temporary accommodation.

24. The council's main prevention strategy since then has been to create a good supply of private sector properties and offer them to those at risk of homelessness, so reducing households making formal applications and moving into temporary accommodation.

25. There are two existing schemes that are used to attract private sector landlords; the Finder's Fee Scheme (FFS) and the Rent Deposit Scheme (RDS). Both of the above are direct-let schemes where the council find a tenant (or with FFS the tenant finds a property themselves), set up the tenancy and arrange Housing Benefit (HB) payments to cover the rent, but has no legal or financial link to the property save for a bond in the RDS. These have been successful, and in the previous two years they have supplied over 900 properties to assist the council in preventing homelessness and reducing temporary accommodation. The FFS has supplied the majority of these properties.

KEY ISSUES FOR CONSIDERATION

Current private sector supply

26. There has been a general slow down in the private sector lettings market during 2010 which has affected the supply of properties for both temporary accommodation and for homelessness prevention.

27. As a result performance on homelessness prevention overall is behind target. The FFS and RDS are projected to be 100 properties short of target. Temporary Accommodation Services had intended to supplement the supply of properties for prevention this year. They are also 150 properties behind target.

28. As a result of these falls in supply there has been a growth in the use of B&B. This is both costly and unsuitable for homeless families. It is imperative that the council seek further schemes to supplement the existing supply of private sector accommodation. Net costs for Bed and breakfast (B&B) for 100 families for a full year including HB subsidy loss and bad debt are estimated to be £1.2M per year. The scheme is designed to reduce these costs by introducing this new cost-neutral scheme.

29. The indicators for 2011 are that the private sector lettings market will continue to be slow. There are few new Buy-to-let landlords as mortgages continue to be difficult to obtain. There is also greater competition from those who in the past would have bought, but have to rent due to the unavailability of mortgages.

30. Further to this there are significant reductions in HB and LHA levels that will take effect from 1 April 2011 (for details see paragraphs 44-49 below). There will be 1,700 tenants in the private rented sector in Southwark whose benefits will no longer cover the rent. There is a 9 month transition period which would mean that these changes will not take place until the last quarter of 2011/12.

31. These changes will risk increasing demand for our services from existing private sector tenants. Housing Strategy & Options are currently developing plans as to how to manage this risk and maintain these tenancies, but all indicators suggest we will need a greater supply of private sector accommodation to meet this extra demand which is likely to be several hundred extra approaches to the service over and above current demand.

32. These HB and LHA falls will also impact on the attractiveness of our direct-let schemes as the rents we can offer to landlords are limited to LHA levels.

33. Given these HB changes, some landlords who currently let their properties through the Rent Deposit Scheme may be unlikely to renew tenancies under that scheme. They may therefore look to letting their property through an alternative scheme such as a Social Lettings Agency.

34. It is therefore imperative that we offer a range of schemes that attract landlords and compete in a difficult market. The Social Lettings Agency is a leasing scheme and is exempt from the falls in LHA and HB that affect the direct-let schemes of FFS and RDS.

Supply Strategy

35. Temporary Accommodation Services have been developing a range of flexible schemes that can be used either for temporary accommodation or to supplement FFS and RDS including a new Social Lettings Agency.

36. At present there are three suppliers of leased accommodation. One supplier, with a static supply may lose some grant this year on which their scheme hinges. The other two suppliers are procuring at a rate far lower than their supply targets.

37. We are currently negotiating with new Housing Association (RSL) suppliers, to supplement existing supply. However, there is not a great appetite amongst them to operate private sector schemes, and at present there are only two who have expressed an interest in working in partnership with the council.

38. Whilst we will negotiate with these two, our large targets suggest we have the need for a greater supply than they will be able to deliver. We therefore intend to run both an in-house scheme and these commissioned ones in parallel.

39. The in-house and commissioned schemes offer similar benefits to landlords; however, judging by comments often made by landlords, many will be assured by the fact that the local authority is the managing agent.

40. Whilst with an in-house scheme the council takes on risks associated with arrears repairs, voids and dilapidations, the financial model suggest the scheme will be at worst cost neutral.

41. Supply will start from a zero base in April 2011 and is targeted to reach 100 properties by April 2012. The financing of the scheme will be monitored on a monthly basis. The rest of our supply targets would be made up through our existing and new RSL suppliers.

42. The scheme will also contribute to Business Plan objectives to reduce temporary accommodation and minimise use of costly and inappropriate Bed & Breakfast. It will also contribute to the objectives and priorities of the emerging Private Sector Housing Strategy. The scheme has been discussed at the Southwark Housing Strategic Partnership and received a positive response.

43. We will work at sustaining the tenancies over long periods, and the intention will be to run each tenancy for the duration of the 3 year lease, and thereafter endeavour to either renew the lease or facilitate a direct tenancy between landlord and tenant. However, we cannot say at this stage whether tenants will reapply as homeless at a greater rate as they do with Finder fee and Rent deposit schemes.

Changes to Housing Benefit and Local Housing Allowance

44. The following are some of the large scale changes announced in the emergency budget of June 2010 concerning HB and LHA levels. These will impact significantly on existing and future private sector supply, and are likely to create extra demand.

45. From April 2011 LHA rates will be set at the 30th percentile of local rents. At present LHA is calculated using the 50th percentile. This would see falls in the maximum rents covered by Housing Benefit in this area of £11 per week for a 1 bedroom property, £33 for a 2 bed, £34 for a 3 bed and £58 for a 4 bed. Existing LHA claims will receive transitional support for 9 months.

46. From April 2011, LHA rates will be capped at £211.34 per week for a 1 bed property, £268.47 for a 2 bed, £310 for a 3 bed and £400 for a 4 bed. These changes will have minimal impact in this area.

47. However, in a further announcement in August 2010, Department of Work and Pensions have decided that leasing schemes will be exempt from the above LHA falls, and that they will continue to be calculated at the 50th percentile until at least 2013.

48. Below is an extract from the letter from Department of Works and Pensions sent on 18.8.10 announcing these further reforms. These are contained within a Statutory Instrument – Social Security – Income related Benefits (Subsidy to Authorities) Amendment (No2) Order 2010.

    I. *The LHA-based subsidy scheme will apply to all relevant cases (including those already subject to the scheme) where the accommodation has been provided to enable the local housing authority to discharge a homelessness function or to prevent homelessness.*

    II. *From April 2011, the appropriate LHA rate used to determine the maximum weekly subsidy amount will be based on the rates in January 2011. (This will remain unaltered until at least the end of March 2013.)*

49. This will mean that schemes backed by a lease will become more attractive to landlords and direct-lets will become relatively less attractive.

Details of the scheme

50. The features below are designed to offer an attractive package to local landlords similar to those offered with Private Sector Leasing Schemes (PSL) to ensure a good supply.

51. The council will acquire properties on 3 year leases at rents fixed below LHA levels. We will review rent levels paid to landlords yearly, so that if LHA levels fall, we will reduce rents to landlords. This will ensure that the financing of the scheme will be protected from future fluctuations in the levels of LHA. As paragraph 37 bullet point II confirms, LHA levels will be broadly preserved at current levels until 2013 so will make leased schemes more sustainable in the medium term.

52. We will sub let the properties to tenants through non-secure council tenancies. The rents to tenants will be set at the new Housing Benefit formula for PSL which is LHA minus 10% plus a £40 management fee.

53. This scheme is aimed at people in two categories; (i) those at risk of homelessness but not yet homeless or threatened with homelessness for the purposes of part 7 of the Housing Act 1996 (i.e. those at risk of homelessness but not within 28 days) and (ii) those who the council has reason to believe are homeless or threatened with homelessness for the purpose of part 7 HA 96 but who having been appraised of all options open to them decide that they do not wish to make or pursue a homelessness application.

54. The scheme will focus on families as it is these households who are most likely to have priority need in terms of homelessness legislation. Currently there are around 60 homeless families in bed and breakfast accommodation who are awaiting either moves into alternative temporary accommodation or a private sector housing solution, of which 75% require a two bedroom property. The scheme is designed to reflect the demand for family-sized units.

55. The council will be responsible for full management of the properties including repairs, rent collection, voids and tenancy management. Landlords will however be responsible under the terms of the lease for carrying out repairs to the main structure of, main services for and common parts of the building.

56. As the Council will provide a full management service it will carry out the landlord role. One of the main aims of the London Landlord Accreditation scheme is to provide tenants with safe and high quality accommodation. Property standards will be high and meet at least those demanded by registered social landlords across the region. In respect of property management, Council staff will be fully trained to a level that will be at least as high as that offered through the London Landlord Accreditation Scheme.

57. At the end of the lease period, should the tenant and property owner agree to a direct relationship, we will insist upon the owner becoming accredited through the London Landlord Accreditation Scheme.

58. At the end of the lease period the council will have a dilapidations responsibility and will guarantee vacant possession.

59. The margin between the rents charged to tenants and the rents paid to landlords will cover the management costs and arrears risk. It is anticipated that around 90% of income generated will be from Housing Benefit.

60. These risks have been assessed in a financial model and a risk assessment (below). The financial model indicates that the scheme will be cost neutral.

61. At the end of the lease the landlord and tenant will have the option of entering into a direct Assured Shorthold Tenancy arrangement which the council will facilitate.

Legal Documentation

62. In developing the scheme we have replicated the benefits to landlords that are offered through the existing PSL scheme.

63. The lease with landlords therefore broadly replicates the Head Lease of the existing PSL agreements with appropriate amendments and additions to ensure that secure tenancies are not created.

64. The tenancy agreement will be based on a standard council non-secure tenancy agreement with minor amendments to reflect the appropriate exclusion from secure tenancy status.

Risk Assessment

Risk	Likelihood	Consequences	Mitigation	Risk after mitigation
Non-secure tenancies are deemed to be secure under HA 1985.	Low	Tenants become secure tenants acquiring all the rights and protections arising from secure tenant status.	- Secure tenant status is excluded where the conditions of the relevant provision under schedule 1 of Housing Act 1985 are satisfied. - Officers have taken legal advice and have taken steps to ensure compliance with the conditions of the relevant 'exclusion' provision.	Low
Perception that the scheme is operated to avoid the council's obligations to the person homeless or at risk of homelessness	Med	Legal challenges against the council	- Choices will be clearly explained to applicants. - Staff within the Options Service will be trained to ensure they are aware that this is one of a range of private sector options for those at risk of homelessness. - Applicants will be asked to sign a disclaimer in the appropriate terms.	Low

Risk	Likelihood	Consequences	Mitigation	Risk after mitigation
Changes in HB regulations. The emergency budget in June 2010 and the CSR of October 2010 announced falls in LHA to take effect from 2011. Further announcements in August 2010 broadly preserved LHA levels for leased schemes through to 2013.	High	Leased schemes will become more attractive to landlords compared to direct let schemes. There is no commitment to preserve LHA levels beyond 2013. If LHA rate drops substantially beyond 2013 this will erode the schemes margins The Financial Model suggests we can absorb a small reduction in LHA, but if the reduction is large we will have to reduce landlord rents.	Ensure that all leases with landlords have a yearly rent review. If LHA falls, we will be able to reduce rents to landlords accordingly. Monitor financial performance of scheme. If running at a loss, consider terminating or varying the lease. Reduce the attractiveness of the scheme to landlords where these are causing losses.	Low
Financial risk of operation of scheme.	Med	Scheme runs at a loss and causes General Fund overspend.	Monitor income and expenditure on a monthly basis. Key issues are - Income. Maintain equivalent rent collection at 95%. - Repairs costs must compare to costs of estate TA, and excusive of landlord re-charges. - Dilapidations costs must	Low

Risk	Likelihood	Consequences	Mitigation	Risk after mitigation
			average at no more than £1000 per property (average dilapidations costs of local suppliers offering similar leases range between £450 and £800 per property. The lease to be used in this scheme limits liability to the Council and excludes all decorations, fixtures and fittings). - Void turnaround must be as good as TA Estates and limited to 4 weeks. - Void repairs must be under £1,500 per void (LBS liability) - Void frequency must be no higher than 20% of stock in a year. - Legal fees should be standard. If scheme runs at a loss, vary as above, or close the scheme after the pilot.	
Scheme is not popular with landlords and supply targets are missed	Med/ High	TA builds up and budgets for TA/CHS are overspent.	Review supply performance on a monthly basis. Collect stats on reason for landlord drop	Med

Risk	Likelihood	Consequences	Mitigation	Risk after mitigation
			outs. If for a specific reason, consider amending the lease.	

Property Standards

65. All properties will meet current quality and safety standards at acquisition stage including appropriate fire safety standards as stipulated in the PSL property standard documents.

66. All properties will have a yearly Gas Safety Certificate at landlord's cost.

67. All properties will have an Electrical Safety Certificate issued at commencement of the lease and whenever it becomes void during the term.

68. All structural, heating and plumbing repair costs will be charged to the landlord with the authority having limited responsibilities. These will be clearly defined in the lease agreement.

Staffing

69. An Acquisitions Officer will be funded from Homelessness Grant. The management of properties and the administration of the scheme will be carried out with existing resources during the initial stages of the pilot. Once the portfolio reaches 100 properties, additional staffing resources will be required to provide a full management service. However, associated costs will be covered by the income generated by the scheme once the supply is at that level.

70. Full training will be given to staff within the Temporary Accommodation and Housing Options Services. Properties will be offered by these teams to those at risk of homelessness.

Exit Strategy

71. Should the scheme become unviable or unnecessary for whatever reason the council has the ability through a break clause to terminate each individual lease.

72. The first option will be to negotiate a direct tenancy agreement between the tenant and the owner of the property where we wish to end the lease.

73. The second option would be to negotiate with PSL suppliers to acquire and manage the properties on our behalf.

74. 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 accommodation to move the tenants to.

75. The margins generated by the scheme will initially allow the council to cover the costs of handbacks and dilapidations providing there is a sufficient stock of remaining properties. As the stock reduces there will be less rental income to cover

these costs and we will reach a critical point where costs associated with handbacks will be greater than the rent collected.

76. We cannot give an accurate indication as to what stock figure below which costs will be greater than income. This will depend on the speed with which we hand properties back, the timing of when we incur dilapidations costs, and the success of our first option, to negotiate a direct tenancy between landlord and tenant.

Legal powers and duties to operate the scheme

77. The council's duties and powers to prevent homelessness are provided in the Housing Act 2002 (which requires Local Authorities to take a more strategic approach to homelessness) and the well-being power, under the Local Government Act 2000 enables the council to operate the proposed scheme. In addition the Local Government Act 1972 enables the council to acquire properties on leases.

Community impact statement

78. In exercising our well being powers under the Local Government Act 2000 the council must have regard to the council's Sustainable Community Strategy.

79. The council's Sustainable Community Strategy has 3 core objectives,

- Improving individual life chances.
- Making the borough a better place for people.
- Delivering quality public services

80. This scheme will address all of these policy objectives by;

- Offering high quality properties fully managed by the council, to those families at risk of homelessness. The high specification will not only improve the quality of life of those tenants placed in these properties, but also contribute toward improving the fabric of properties and areas where they are located.
- Reducing the number of families we have to place in unsuitable Bed & Breakfast accommodation and provide them with a greater level

Resource implications (FIN0597DK24012011)

81. This report seeks approval for council officers to set up and operate as a managing agent. Properties will be sought from local private landlords. Individual lease agreements will be between the council and the landlord and used to house tenants within borough.

82. These leases will be in operation for periods of between 3 to 5 years. Each property will operate on an individual basis. So a signed lease will used to record the agreement and payment depending on bed size to the landlord and set out in table one below.

83. The plan is to source a supply of properties over the financial year 2011-2012 on an increasing scale outlined in appendix one. Increases in future years will be assessed in year and on an annual basis.

84. The council has a statutory duty to provide temporary accommodation to homeless applicants under part VII Housing Act 1985. Southwark Council uses a variety of accommodation to discharge these duties, including Bed and Breakfast accommodation, hostels, estate voids and private sector leased properties. This project will allow for further choice.

85. Tenants are mainly on housing benefit and will be charged an occupancy rate as per table one. This rate is agreed by government and outlined in local housing allowance for the London sector, broad rental market area (BRMA). Guidelines are on the local housing allowance (LHA) direct website.

Table 1

Bed size	Occupancy Rate	Landlord fees	Average stock	Expected year end stock
One bed	211.34	160.00	11	20
Two bed	268.47	200.00	36	65
Three bed	310.11	230.00	8	15
Total			**55**	**100**

86. The key areas for financial consideration resulting from the model in appendix one are identified in the scheme outline above and in key points below:

87. In summary, total gross rent is profiled at £707k, void loss of £21k and non collection provision of £37k resulting in net income £649k. Costs recharged to landlords at £529k, repairs and legal fees amount to £120k per year so resulting in total cost of £649k and expected neutral position for the budget.

88. Rent collection will be undertaken by officers at Bournemouth Road in year one and should units increase in future years will be assessed accordingly. The rate of collection is budgeted at 95% and in line with other providers used for temporary accommodation.

89. The scheme will operate on the margin between the occupancy rate less empty properties and the fee charged by landlords and repair costs. Breakeven point is expected at the end of September 2011 and outlined in appendix one.

90. Excessive voids will be monitored for repairs and lost rent. Expected at around 3% of the stock used in the year. This is based on 20% of stock being void for 5 weeks.

91. Day to day repairs will be the responsibility of the council and built in at £500 per unit to allow for small works. Plumbing and heating are expected to remain with the landlord and will form part of the lease.

92. Hand backs and dilapidation of properties are not expected in year one, however, to ensure funding is available to cover one off repairs and redecoration. The allowance is for this type of work assumes a maximum of 10 for the year costing £15,000.

93. Funding for the cost of a Procurement Officer has been earmarked for the first year from Homelessness Grant (2011/12) at £38,000. Management set up costs and scheme development is subsumed in to the present establishment in financial year 11/12. Rent collection and chasing of rent arrears will be incorporated with the

existing income team and report through to the business unit manager. No extra funding has been allocated to this function and is expected to be contained within the business unit.

94. Legal costs for the set up of each lease has been estimated at £250 and any under spend will be ploughed back in to the scheme should repossession funding be required.

95. Risks are associated with when, and the condition of the handed back property in future years. Landlords are not likely to supply properties with leases shorter than the period specified. At hand-back stage, landlords may claim repair/ dilapidation costs where tenants have left the property in worse conditions than fair wear and tear outlined in the lease. This could be pursued through breach of their tenancy agreement and cost the council. However, at this stage is negligible.

96. Council officers are advised to continually review and monitor the scheme and financial model for variances against housing benefit rates and costs of landlords. This is to reduce areas of risk and report developments regularly. The report indicates a cost neutral position in terms of resources.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Finance Director

97. This report asks the Cabinet to approve the operation of a social letting agency scheme and authorises officers to acquire on lease 100 properties for use in the scheme.

98. The scheme is self funding and can be contained within existing budgets; all relevant financial information is included in this report.

Strategic Director of Communities, Law & Governance

99. The report recommends approval of a social lettings agency scheme that involves the acquisition on lease of an initial 100 properties. The proposed scheme is intended to supplement the council's existing portfolio of homelessness prevention assistance that is provided in the exercise of its duty under section 179 Housing Act 1996 to prevent homelessness and sits alongside the council's arrangements under is obligations to the homeless and those threatened with homelessness under Part 7 of same Act.

100. Section 120 (1) of the Local Government Act 1972 ("the 1972 Act") authorises the council to acquire any land by agreement for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. The council therefore has sufficient legal powers to acquire land by entering into leases. Decisions relating to the acquisition of land and property, outside any scheme already agreed by members, where the market value is more than £100,000 are reserved to full cabinet for approval. As the number of properties to be acquired under this scheme is such that the value will exceed this amount, this is a decision to be taken at cabinet level.

101. Section 2 of the Local Government Act 2000 (the 'well-being' power) provides the council with power to do anything it considers is likely to promote or improve the economic, social and/or environmental well-being of its area. The power may be exercised in relation to or for the benefit of the whole or any part of the

authority's area or all or any persons resident or present in the authority's area. It may be used in a number of ways including the provision of accommodation to any person. The provision of accommodation under the proposed scheme for the purpose of homelessness prevention is within the ambit of the power.

102. The well-being power is subject to statutory limitations but none adversely impact on the proposed scheme.

103. In determining whether or how to exercise the well-being power the council must have regard to its community strategy. Members are advised to have this in mind when considering the recommendation; paragraphs 64 to 66 of the report comment on the proposed scheme's link to the council's community strategy.

104. The law requires allocation of housing accommodation to be in accordance with the council's scheme of allocation (lettings policy) when it selects or nominates a person to be a secure or introductory tenant of property it holds or nominates a person to be an assured tenant of a registered social landlord. However, as the proposed scheme involves the granting of non secure tenancies, which are not caught by the allocation requirements, the council may grant such tenancies to persons outside if its allocation scheme.

105. Care should be taken the scheme is not operated in such a way that it opens the council to challenge on the basis it is circumventing its duties to the homeless and those threatened with homelessness under Part 7 of the Housing Act 1996; this risk is recognised in the risk assessment contained in the report and mitigation is in line with legal advice.

106. As to the granting of non secure tenancies under the scheme, this is permissible where the situation falls within one or more of the exemptions under schedule 1 of the Housing Act 1985. Paragraph 6 of schedule 1 is applicable to the proposed scheme provided :

(i) the properties are to be leased to the council with vacant possession for use as temporary accommodation,
(ii) the terms on which they are to be leased include provision for the lessor to obtain vacant possession from the council on expiry of a specified period or when required by the lessor,
(iii) the lessor is not a body which is capable of granting secure tenancies and
(iv) The council will have no interest in the properties other than under the lease in question.

107. The report confirms that officers will arrange for the lease agreements to contain the provisions necessary for compliance with the conditions set out in paragraph 89 above.

108. The recent Supreme Court judgment in Manchester CC v Pinnock that every defendant in a possession claim brought by a public authority has the right to ask the court to assess the proportionality of making an order for possession has implications for potential possession actions involving non secure tenants. This is not, however, considered to present a significant risk to the proposed scheme.

109. Officers from Housing Strategy and Options have sought legal advice throughout development of the scheme and will continue to work with legal services

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
N/A		

APPENDICES

No.	Title
Appendix 1	Social Lettings agency profile 11-12

AUDIT TRAIL

Cabinet Member	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management		
Lead Officer	Darren Welsh, Head of Strategic Housing and Options		
Report Author	Leigh Richman, Temporary Accommodation Services Manager Lindsay Deveney, Procurement Manager, Temporary Accommodation Services)		
Version	Final		
Dated	14 March 2011		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		**Comments Sought**	**Comments included**
Strategic Director of Communities, Law & Governance		Yes	Yes
Finance Director		Yes	Yes
Cabinet Member		Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team			14 March 2011

Social Lettings agency profile 11-12

Appendix 1

			Year 1 FY 11-12 expected units													
INCOME	**LHA base rate**	**Guideline rate p/w**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**March**	**average stock**	**%**
Bed size																
1 Bedroom	- 190.38	- 211.34	2	6	8	8	10	13	15	17	17	18	19	20	**11.00**	
2 Bedroom	- 253.85	- 268.47	6	10	12	14	18	25	28	32	40	48	56	65	**35.50**	
3 Bedroom	- 300.00	- 310.00	2	4	4	6	8	10	10	11	12	13	14	15	**8.50**	
4 Bedroom	- 415.38	- 413.84	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
5 Bedroom	- 530.77	- 500.00	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Total units			**10**	**20**	**24**	**28**	**36**	**48**	**53**	**60**	**69**	**79**	**89**	**100**	**55.00**	
Days in month			30	31	30	31	31	30	31	30	31	31	28	31	**365**	
weeks in year			4	4	5	4	4	5	4	4	5	4	4	5	**52**	
1 Bedroom			- 1,691	- 5,072	- 8,454	- 6,763	- 8,454	- 13,737	- 12,681	- 14,371	- 17,964	- 15,217	- 16,062	- 21,134	**- 141,599**	
2 Bedroom			- 6,443	- 10,739	- 16,108	- 15,034	- 19,329	- 33,558	- 30,068	- 34,364	- 53,693	- 51,545	- 60,136	- 87,251	**- 418,268**	
3 Bedroom			- 2,480	- 4,960	- 6,200	- 7,440	- 9,920	- 15,500	- 12,400	- 13,640	- 18,600	- 16,120	- 17,360	- 23,250	**- 147,870**	
4 Bedroom			-	-	-	-	-	-	-	-	-	-	-	-	**-**	
5 Bedroom			-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Gross Rent			**(10,614)**	**(20,771)**	**(30,762)**	**(29,237)**	**(37,703)**	**(62,795)**	**(55,149)**	**(62,375)**	**(90,257)**	**(82,882)**	**(93,558)**	**(131,635)**	**(707,738)**	
Void loss	3%		318	623	923	877	1,131	1,884	1,654	1,871	2,708	2,486	2,807	3,949	**21,232**	
LET DEBIT			**(10,295)**	**(20,148)**	**(29,839)**	**(28,360)**	**(36,572)**	**(60,911)**	**(53,494)**	**(60,504)**	**(87,549)**	**(80,395)**	**(90,751)**	**(127,686)**	**- 686,505**	
write off	5%		555	1,086	1,608	1,529	1,971	3,283	2,883	3,261	4,719	4,333	4,892	6,882	**37,003**	
NET RENTS			**(9,741)**	**(19,062)**	**(28,230)**	**(26,831)**	**(34,601)**	**(57,628)**	**(50,611)**	**(57,242)**	**(82,830)**	**(76,062)**	**(85,860)**	**(120,804)**	**(649,503)**	
void stock			0	1	1	1	1	1	2	2	2	2	3	3	**3**	5%
															-	
Cost to landlord (incl mgt fee)															**-**	
Bed size		**rate p/w**													**-**	
1 Bedroom		160.00	1,280	3,840	6,400	5,120	6,400	10,400	9,600	10,880	13,600	11,520	12,160	16,000	**107,200**	
2 Bedroom		200.00	4,800	8,000	12,000	11,200	14,400	25,000	22,400	25,600	40,000	38,400	44,800	65,000	**311,600**	
3 Bedroom		230.00	1,840	3,680	4,600	5,520	7,360	11,500	9,200	10,120	13,800	11,960	12,880	17,250	**109,710**	
4 Bedroom		-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
5 Bedroom		-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
LANDLORD COSTS			**7,920**	**15,520**	**23,000**	**21,840**	**28,160**	**46,900**	**41,200**	**46,600**	**67,400**	**61,880**	**69,840**	**98,250**	**528,510**	
2 x FTE Housing Officer															**-**	
Grade 9 year 2 onwards	40k each	(not in year one - to be shared with existing staff in establishment													**-**	
															-	
unit increase -		**per /unit**	10	10	4	4	8	12	5	7	9	10	10	11	**100**	
Repairs per year		**500**	5,000	5,000	2,000	2,000	4,000	6,000	2,500	3,500	4,500	5,000	5,000	5,500	**50,000**	
															-	
handback provision -	10 props at £1500 p/p		1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	**15,000**	
Void repairs -	per void -	1,500	450	900	1,080	1,260	1,620	2,160	2,385	2,700	3,105	3,555	4,005	4,500	**27,720**	
Legal fees	per lease	250	2,500	2,500	1,000	1,000	2,000	3,000	1,250	1,750	2,250	2,500	2,500	2,750	**25,000**	
Repossessions	0.1	330	330	330	132	132	264	396	165	231	297	330	330	363	**3,300**	
TOTAL COSTS			**17,450**	**25,500**	**28,462**	**27,482**	**37,294**	**59,706**	**48,750**	**56,031**	**78,802**	**74,515**	**82,925**	**112,613**	**649,530**	
															-	
NET			**7,709**	**6,438**	**232**	**651**	**2,693**	**2,078**	**(1,861)**	**(1,211)**	**(4,028)**	**(1,547)**	**(2,935)**	**(8,191)**	**27**	

	20%	by 5 wks
	4.0	3,200
	13.0	13,000
	3.0	3,450
	void est.	19,650

note
Officer cost - homelessness grant £38k to be reassessed in 11/12 - see HO report

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Total:	73

Dated: 28 January 2011