



**AGENDA ITEM: 12**  
**SUMMARY**

<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>24<sup>th</sup> July 2012</b>
<b>PART:</b>	<b>1 (Appendix is Part 2)</b>
<b>If Part II, reason:</b>	That the appendix contains information relating to the financial or business affairs of any particular person (including the authority holding that information)  Local Government Act 1972, Schedule 12A, Part 1, paragraph 3

<b>Title of report:</b>	<b>PRIVATE SECTOR LEASING REPORT</b>
<b>Contact:</b>	Margret Griffiths Portfolio Holder for Housing  Julia Hedger, Group Manager – Strategic Housing Jack Burnham, Housing Strategy and Development Team Leader
<b>Purpose of report:</b>	<ol style="list-style-type: none"> <li>1. To update Cabinet on the increase in expenditure on temporary accommodation resulting from homelessness demand and to recommend to Council a supplementary budget estimate</li> <li>2. To consider the establishment, and implementation of a Private Sector Leasing Scheme in Dacorum.</li> </ol>
<b>Recommendations:</b>	<ol style="list-style-type: none"> <li>1. That Council be requested to approve a supplementary budget estimate of £80k be made in respect of predicted increases in temporary accommodation expenditure in 2012/13 and that this be financed from the General Fund Working Balance.</li> <li>2. That Cabinet approves the establishment of a Private Sector Leasing Scheme in Dacorum, based on the business case set out in the Appendix to this report.</li> <li>3. That Cabinet recommend to Council the approval of a supplementary revenue estimates for Private Sector Leasing as follows:</li> </ol>

	<p>Income            £15,420</p> <p>Expenditure     £12,810</p> <p>4. That detailed arrangements for commencement and implementation of the Private Sector Leasing Scheme be delegated to the Portfolio Holder for Housing, subject to the satisfaction of the Statutory Officers.</p>
<p>Corporate and IDP objectives and benefits:</p>	<p>This project contributes to Affordable Housing.</p> <p>The benefits it will deliver are: an improved affordable housing supply that can relieve the burden on bed and breakfast accommodation, and help to prevent homelessness.</p>
<p>Implications:</p>	<p><u>Financial</u></p> <p>The increase in unavoidable demand for temporary accommodation arising from homelessness will require an additional £80k to be added to the B&amp;B budget for this financial year.</p> <p>The income from the proposed PSL scheme covers its own expenditure – further details are below.</p> <p><u>Value for money</u></p> <p>A Private Sector Leasing (PSL) scheme can considerably reduce the bed and breakfast spend, which has been rising considerably this year and in the latter stages of the previous financial year. The scheme can be financed to ensure that further work to reduce homelessness can be undertaken and to increase the supply of affordable housing in the Borough.</p> <p><u>Legal</u></p> <p>The preparation of the Landlord Lease Agreement will require input from the legal department. Additional advice from legal may be required in setting up this scheme.</p>
<p>Risk implications:</p>	<p>PSL schemes have been in operation by Local Authorities, and by Housing Associations, for many years and are an accepted means of reducing the impact on the Council Tax payer whilst avoiding unsuitable temporary accommodation for homeless households. There are risks involved but these can be controlled and mitigated.</p> <p>The key financial risks are:</p> <ul style="list-style-type: none"> <li>• Oversupply of properties which the Council are unable to fill resulting in loss of income</li> <li>• Extensive void periods due to slow turn round of homeless applications</li> <li>• Changes to Housing Benefit legislation.</li> </ul>

	<p>The current and predicted demand for additional accommodation arising from homelessness and housing need more generally indicates that given the modest scale of proposed operations – adding one property per month for three years to develop a portfolio of 36 properties – that there will be no difficulties in keeping all properties occupied. Evidence from providers elsewhere confirms this. By integrating use of the Chilterns Hostel carefully with this new supply a rapid turn around where properties become void can be achieved. It should be noted that, according to data provided by Paradigm Private Sector Leasing, the average length of stay in PSL properties is around four years and voids do not regularly occur. This reduces the risk of voids but increase the risk that Government departments will not recognise the facility as supporting temporary accommodation where tenants are resident for extended stays.</p> <p>Whilst Housing benefit legislation is out of the Council’s control the proposal has been modelled to allow up to a 10% reduction in applicable Housing Benefit. If benefits were to reduce the scheme can be adapted accordingly moving forward. The introduction of benefits caps from April 2013 and Universal Credit on a phased basis from October 2013 add further potential risks. The detailed implications are set out in the business plan, but the main impact will be in the increased need for the council to collect a proportion of the rent from tenants, rather than through Housing Benefit, which may reduce the potential surplus and increases the costs of operating the scheme.</p> <p>The only other key operational risk is the ability to arrange for an adequate supply of properties. Evidence from the current Deposit Guarantee scheme indicates that a steady stream is, and will be, available.</p>
<p>Equalities implications:</p>	<p>Equality Impact Assessment carried out indicating a positive impact on vulnerable groups and households.</p>
<p>Health and safety implications:</p>	<p>N/A</p>
<p>Sustainability implications:</p>	<p>Avoiding unsuitable bed and breakfast use and replacing it with more stable and long term accommodation has a positive impact on the sustainability of households and communities.</p>
<p>Monitoring Officer/S.151 Officer comments:</p>	<p><u>Deputy Monitoring Officer</u></p> <p>The Council has a statutory duty to house homeless households, both temporary and permanent. The Private Sector Leasing Scheme is aimed at assisting the Council with the fulfilment of this duty.</p> <p>In respect of the required lease agreements with landlords it will be important to ensure that there are no onerous obligations imposed on the Council in terms of maintenance</p>

	<p>and insurance. The Council should agree a standard template lease which can be consistently applied across all properties in the Scheme and the Legal Governance Team will assist in drafting and agreeing a suitable template.</p> <p><u>Section 151 Officer</u> Using the assumptions included in the report the proposed Private Sector Leasing Scheme should have no ongoing financial implications for the Council. To ensure that the risks identified above are managed, adequate financial monitoring arrangements will be agreed between the budget holder and Financial Services to the satisfaction of the S.151 Officer.</p> <p>There may be additional revenue costs, such as for recruitment, legal and leasing arrangements, and also potentially some initial expenditure to ensure that properties are suitable, which may arise in advance of the income generated by letting the properties. The impact of these will be fully evaluated and should be contained within approved budgets.</p> <p>The proposal to draw properties into the scheme on a moderate basis should mitigate any significant financial implications arising from one-off costs. A further report on the impact of up-front costs may be needed once these become clearer. Any such costs may be offset against subsequent income streams but these may not be sufficient until after the end of the current financial year and the costs may therefore have an impact on 2012/13 budgets and require the approval of a virement in due course.</p> <p>The Business Plan identifies that the operational costs are likely to be met by Housing Benefit payments. However there are a number of Welfare Reforms being introduced between now and Autumn 2013. Any impact arising from these reforms on the income stream should be kept under review. The Welfare Reforms include the introduction of a Benefit Cap and Universal Credit.</p>
<p>Consultees:</p>	<p>Private Sector Housing Officer Corporate Director Housing &amp; Regeneration Assistant Director Planning, Development &amp; Regeneration Housing Overview and Scrutiny Committee</p>
<p>Background papers:</p>	<p>DIGS Information Booklet</p>
<p>Glossary of acronyms and any other abbreviations used in this document</p>	<p>B&amp;B – Bed and Breakfast accommodation DIGS - Dacorum Incentive Grant Scheme LHA – Local Housing Allowance PSL - Private Sector Leasing</p>

## **BACKGROUND**

### **1. Homelessness demand and expenditure**

The Council has experienced an unprecedented increase in the incidence of homelessness over the past nine months. Homelessness acceptances have increased by a factor of three during this period and the ability of the Chilterns Hostel to cope with this demand has been exceeded. This has resulted in the use of expensive and unsuitable bed and breakfast accommodation and a corresponding increase in expenditure. The figures below demonstrate this.

Expenditure in the first quarter was £60,578 from a total budget of £80K and, notwithstanding mitigating actions (see below) it is estimated that the total expenditure for 2012/13 will be around £160K, thus requiring a virement or supplementary estimate of £80K. It is recommended that Council be asked to approve this.

### **2. Action to reduce the impact of homelessness**

A number of actions are currently underway:

- Use of existing stock for additional temporary accommodation, with an additional 8 units at Leys Road available in the next few months
- Limited use of existing Housing Revenue Account properties for temporary accommodation
- A range of homelessness prevention activities including the re-introduction of Housing Advice surgeries throughout the Borough, additional information and advice available on the DBC website and the development of a series of Housing Advice leaflets which will shortly be available in CSU.
- Stimulating the overall supply of new homes and in particular the delivery of affordable homes. This includes the direct support from the Council for new provision and the development of the Council's own new build programme
- Joint agreement with the Housing Benefit service to meet some of the costs of Bed and Breakfast accommodation from Housing Benefit up to a maximum value of £150/week per household in B&B, subject to receipt of individual applications.

Whilst this will have an impact some initiatives will take some time to deliver. It is proposed therefore to develop a Private Sector Leasing (PSL) scheme to relieve pressure.

### **3. Private Sector Leasing**

Essentially a Private Sector Leasing (PSL) scheme is where an organisation rents a private property from a private landlord at a discounted rent for a fixed period of time and lets out these properties to directly deal with homelessness demand. They are tried and tested and several Local Authorities in Hertfordshire operate (either solely or in partnership with a housing association) a PSL scheme. It is estimated that 22,000 households are housed in London using PSL schemes.

4. **PSL Working Arrangements**

The Council would establish a portfolio of properties by entering into lease arrangements with private landlords. By moving forward at a modest scale – 12 in the first year and an additional 12 each year until a reasonable portfolio of around 36 is in place. This can be varied dependant on need. The Council would be responsible for managing the tenancy and minor repairs to the property throughout the term of the lease. Tenants would be responsible for paying rent and, in practice, would rely on Housing Benefit. The Housing Benefit claimed by the tenants (subject to their individual circumstances) is likely to cover the lease charge to the landlord and all other costs to the Council. The Council would agree a set rent with the Landlord that is within the Local Housing Allowance (LHA). The Council would manage the property and charge a rent to the homeless applicant that the Council would place in the property. The Landlord would receive a lower income than might be available through private letting as the Council removes the costs of a letting agent and voids. The Council would have to bear empty property costs, but the severe lack of accommodation in Dacorum and increase in homelessness in Dacorum and nationally mean that this is classed as low risk.

The successful Dacorum Incentive Grant Scheme (DIGS) has built up a considerable link with private landlords in the district, and officers have been approached on several occasions with properties that could be used for Private Sector Leasing Service if it were in operation.

By building on the DIGS contacts, the Council would be able to minimise the set up costs of this service. Whereas if this scheme were starting from scratch, there would be associated advertising costs etc. the Council already has an interested list of landlords who have expressed an interest in a Private Sector Leasing scheme. From this list it is estimated that advertising and publicity of the PSL scheme will not require any net expenditure.

A report including the financial information relating to the PSL Scheme was taken to the May Housing Overview and Scrutiny Committee where it received the committee's full support. The further financial detail is contained in the appendix.

Given the experience already in house with the DIGS and use of existing models of operation officers anticipate that the scheme would take three months to get underway.

**The recommendation of this report is that members approve the principle of the implementation of a Private Sector Leasing (PSL) Scheme and delegate authority for its establishment to the Portfolio Holder for Housing. The business plan, attached as a Part 2 report provides further information on the finances of the scheme.**