

 Executive – 7 February 2018		Agenda Item No. 10
Title	Private sector leasing scheme	
For further information about this report please contact	Lisa Barker Head of Housing Services Email: lisa.barker@warwickdc.gov.uk Ken Bruno Housing Strategy and Development Manager Email: ken.bruno@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	None.	
Background Papers	Executive report 4/1/2018 – “Homelessness initiatives and the new legislation”.	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes Ref 909
Equality Impact Assessment Undertaken	No
There are not considered to be any negative equality implications.	

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive	18/01/2018	Bill Hunt
Head of Service	02/01/2018	Lisa Barker
CMT	03/01/2018	Chris Elliott
Section 151 Officer	18/01/2018	Mike Snow
Monitoring Officer	17/01/2017	Andrew Jones
Finance	18/01/2018	Andrew Rollins Andrea Wyatt
Portfolio Holder(s)	05/01/2018	Cllr Peter Phillips
Consultation & Community Engagement		
None.		
Final Decision?		No
Suggested next steps (if not final decision please set out below)		
If approved the recommendation will go to the next available Council meeting.		

1. Summary

- 1.1 In light of the new duties in the Homelessness Reduction Act 2017, which were considered by Executive on 4th January 2018, it may be appropriate from time to time for the Council to lease properties from the private sector for use as temporary accommodation.
- 1.2 Available properties are likely to be quite rare and will normally require a rapid and flexible response that would not accord with committee timescales. Delegated powers to enter into such leases are therefore considered necessary.

2. Recommendation

- 2.1 That Executive recommends to Council that delegated authority be granted to the Head of Housing Services and the Head of Finance, in consultation with the Portfolio Holders for Housing & Property and Finance to enter into a maximum of five leases for properties from the private sector (of no more than ten years in duration each) for use in connection with homelessness accommodation duties.

3. Reasons for the Recommendation

- 3.1 The Homelessness Reduction Act 2017 ("the 2017 Act") comes into force on 1st April 2018 and radically changes the approach that local authorities need to take in delivering their obligations to those who are homeless, threatened with homelessness or in need of housing advice.
- 3.2 Executive considered these measures on 4th January 2018 and members will recall that there are new duties to all applicants, regardless of priority need or intentionality, to help to secure accommodation for anyone who the authority is satisfied are homeless and eligible for assistance (the "relief duty").
- 3.3 The Council currently has a stock of 24 units of accommodation across three different sites (one of which is leased from the private sector) specifically for temporary accommodation for the homeless and may supplement this with temporary use of other Council properties and/or guest house/hotel accommodation when necessary.
- 3.4 The impact of the new legislation is unknown at this stage but may result in a need for additional accommodation for homeless or potentially homeless people on a short, medium or long-term basis which could be used to meet both interim duties to accommodate or full duties if the tenancy is of sufficient length. This may be particularly relevant where a large family needs to be accommodated and the authority does not have a property of the appropriate size. It would also help to ensure that the use of guest house accommodation continues to be minimised.
- 3.5 The preferred option would be to purchase property on the open market as this results in the acquisition of a long-term asset. If that were being pursued then a report would be brought to Executive seeking approval for the purchase. However another option is by leasing properties from the private sector.
- 3.6 This option may arise for example where an owner wishes to retain ownership and only be looking for a lease arrangement for a number of years.

- 3.7 Because of the vibrant private rented sector in the district, opportunities to lease appropriate properties are rare and landlords require a swift decision because they have other options available and do not wish to keep a property void for any length of time incurring rent losses, while a decision is taken.
- 3.8 Delegated powers are therefore necessary to enable officers to proceed swiftly in appropriate cases, subject to the following criteria:
- Legal advice will be taken on the terms of the lease to ensure that these are acceptable and that there are no land law complications;
 - The rent payable by the Council will be within 10% tolerance of an independent valuation;
 - The property will be surveyed and must be in a condition such that it is available for immediate occupation at the commencement of the lease. The Council will only carry out works prior to entering into the lease where the costs are met in full by the landlord directly, or "in kind" through reduced rental or a rent free period.
 - The Head of Finance will be satisfied that any net costs of a lease can be met from existing budgets.
- 3.9 It is proposed that the use of this power should be limited initially to a maximum of five properties and that any lease should be for a maximum duration of ten years with appropriate break clauses. If the scheme proves successful and additional properties are required then a further report will be brought to Executive seeking to extend it.

4. **Policy Framework**

4.1 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels

Impacts of Proposal		
Accommodation provision has a direct positive impact upon meeting housing needs and contributes to improved health for those accommodated.	Accommodating the homeless may reduce rough sleeping and help to improve public spaces and reduce crime and ASB.	None
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
Delegated powers within clearly defined limits enhance staff effectiveness.	The proposal will give officers an additional option for extending accommodation provision for the homeless.	The scheme will be self-financing or, where a deficit is likely, containable within existing budgets.

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies. The Council adopted the current Housing and Homelessness Strategy in April 2017. This includes an objective of providing suitable accommodation, information and advice for the homeless in an effort to prevent and reduce homelessness. Additional temporary accommodation will contribute to the achievement of this objective.

4.3 **Changes to Existing Policies**

This report does not change existing policies but provides another tool for delivering upon an objective within the Housing & Homelessness Strategy.

- 4.4 **Impact Assessments** – An impact assessment has not been completed because the proposed power provides for a greater level of service and support for the homeless and potentially homeless and should therefore have positive impacts upon recipients of the service.

5. **Budgetary Framework**

- 5.1 Each property to be leased will be different and will need to be assessed on its own merits as the precise financial arrangements cannot be known in advance.

- 5.2 Ideally rents to be received from occupiers should cover the outgoings on the property. However it is in the nature of temporary accommodation that there is a higher turnover and therefore a potential for greater void losses. For each property the Council's Housing and Finance teams will draw up estimates for income and expenditure and set rents that aim to ensure that there are no losses.
- 5.3 Where it appears that a particular property would incur a loss the first step will be to seek to negotiate a lower rent with the landlord. If this is unsuccessful but the Head of Housing Services nevertheless believes that the lease is still beneficial for the service the Head of Finance will be consulted to ensure that any losses can be met from within existing budgets. If this cannot be guaranteed then, if the landlord is willing to wait, a report will be brought to Executive seeking approval for an additional budget to meet the costs.
- 5.4 The use of such properties may also generate savings in that they would make the use of guest house/bed and breakfast accommodation (where the Council receives no offsetting income) less likely.
- 5.5 A Business Case will need to be drafted for each proposed lease setting out the projected costs and rental income. Any net costs, whereby the rental income (from tenants and housing benefit) is below the cost of the lease will need to be accommodated out of the Homelessness budget. The costs and income for each property will need to be monitored throughout the period of the lease.

6. Risks

- 6.1 The principal risks involved in leasing properties are: that the terms of the lease are unduly onerous upon the lessee; that the condition of the property is poor; and that the scheme finances do not stack up;
- 6.2 The mitigations for these have been set out above, namely that legal advice, a full survey of the property and a financial appraisal will all form part of the decision matrix.
- 6.3 Temporary accommodation inevitably carries a risk of higher void rates and more re-let repairs and this will be factored into the financial appraisal. However there is a possibility that the property may prove to be surplus to requirements at a later date and this will be mitigated by ensuring that break clauses are included within the lease.

7. Alternative Option(s) considered

- 7.1 The use of private sector leasing for temporary accommodation provides an additional option rather than an alternative.
- 7.2 It would be possible to bring a report to Executive for each property that comes forward through the scheme. However, as indicated above, landlords are seeking swift lettings and have other options due to the buoyant private rented sector in the district. Windfall opportunities would therefore be likely to be missed and delegated powers are therefore considered preferable.
- 7.3 The preferred option in most cases would be to purchase a property in which case a report would be submitted to Executive seeking approval for the purchase. The proposed delegated powers would only be for situations where

leasing was the only option or was shown to be a better option than purchase in a particular case following a full financial appraisal.