



REPORT TO: Cabinet
LEAD OFFICER: Director of Housing

9 February 2017

Private Sector Leasing Scheme

Purpose

1. To seek approval from Cabinet to establish a new housing company, Shire Homes Lettings Ltd to run the Council's private sector leasing (PSL) scheme.
2. This is a key decision because
 - (a) it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to this Council's budget for the service or function to which the decision relates; or

The original report was first published in the April 2016 Forward Plan.

Recommendations

3. It is recommended that:
 - a) Cabinet approves the establishment of Shire Homes Lettings Ltd as a Council owned housing company to take forward the management of the PSL scheme.
 - b) That the Director of Housing is authorised to act as the Director of Shire Homes Lettings Ltd in order to establish the company.

Reasons for Recommendations

4. The main purpose of the PSL scheme is to provide access to affordable, good quality private rented accommodation to help prevent homelessness. It achieves this by offering a management service to the owners of the private sector properties. The Council cannot issue the Assured Shorthold Tenancies (AST's) needed for this scheme whereas a separate Council owned company can. Without this option the Council runs a high risk of incurring escalating costs related to meeting its statutory homelessness duties.

Background

5. On 14th July 2016, Cabinet approved the setting up of a Council run PSL scheme to replace that previously offered by a partner housing association.
6. The Cabinet considered three options:
 1. Setting up a new Council owned housing company
 2. Utilising the in house, council housing management service under the operational name Shire Homes
 3. Using Ermine Street Housing

7. It was agreed that Ermine Street Housing was set up for a different business purpose and it may complicate its operation to become involved. Setting up a new company would involve extra work. The option to run the service in house as Shire Homes was therefore approved.

Considerations

8. Since this decision the budget to run the in house service has also been approved and included in the Medium Term Financial Strategy.
9. A new lead officer to take forward the service has also been recruited and has begun to meet with landlords.
10. A series of legal papers have been drawn up by external solicitors who also advised in Ermine Street Housing so that we have lease agreements to offer the private landlords.
11. Legal advice, however, has also indicated that the types of tenancy a council can offer are Secure and Non-Secure tenancies. Non Secure tenancies offered under a PSL scheme will only be for the purpose of providing temporary accommodation in respect of our statutory homeless duties. Secure tenancies would provide the tenants with the rights associated with council tenants and are therefore unsuitable when the properties are on a short lease and owned by private individuals.
12. Through the PSL scheme our main aim is to prevent homelessness through finding settled accommodation for families in housing need. To do this Assured Shorthold tenancies (ASTs) are needed for the tenants and these need to run for at least 12 months. A company or housing association is able to offer an AST but not a council.
13. The delivery of the in house PSL scheme as agreed by Cabinet in July 2016 is therefore poised to begin but requires the establishment of a new Council owned housing company to be able to be legally compliant.

Options

14. The option of managing the homes through Shire Homes with the tenancies offered by Ermine Street Housing was explored but threw up a number of other technical accounting difficulties and was not therefore supported by Ermine Street Housing board.
15. The option of offering a management service to the landlords but asking them to issue the tenancies directly to the tenants has also been discounted as it does not offer the long term tenancies needed to discharge homelessness duties and is less attractive to landlords who want to sign a long term deal covers all of the housing management duties in that period.
16. Without a company the Council could only offer Non-Secure tenancies suitable only for temporary accommodation. This is likely to leading to less homeless prevention and an overall increase in the numbers in temporary accommodation.
17. The recommended option is therefore to set up Shire Homes as a Council owned company Shire Homes Lettings Ltd.

Implications

Financial

18. Shire Homes Lettings Ltd would still utilise in house housing management resources and exercise but would be registered at Companies House and have its own separate financial accounting and audit requirements.
19. Shire Homes Lettings Ltd would receive income from rents and have obligations to make lease payments to the property owners as well as meet repairs etc. The company would not be operating to generate a profit but in order to provide a social service. A formal legal agreement would therefore require the Council to provide funding of the company to meet its obligations. The social purpose of the company excludes it from State Aid considerations.
20. Figures in the previous Cabinet report showed that the estimated cost of progressing with a PSL scheme managed by Shire Homes is approximately £175,000 and this has not changed. The previous report also estimated the cost of extra temporary accommodation of not having a PSL scheme as approximately £2m.

Legal

21. There will also be some additional legal work required to set up a new Council owned company but most of the work has already been completed.
22. Drawing on the Council's experience of setting up Ermine Street Housing suitable governance arrangements will be put in place to oversee the work of the new company.

Staffing

23. An additional post was approved in July 2016. The new officer will manage the business of the PSL scheme and landlord and tenant relationships. Other housing management services will be drawn from the Council's in house team.

Risk Management

24. There are significant risks in not having a suitable private sector leasing scheme in place. The current scheme provides a substantial amount of access to suitable accommodation for households in housing need.

Consultation responses

25. None

Effect on Strategic Aims

Aim 1 - Homes for our future - Secure the delivery of a wide range of housing to meet the needs of existing and future communities

26. Access into the private rented sector has been a crucial part of addressing housing need in the district, as demand far outweighs the supply of social rented homes. The PSL scheme provides an affordable form of private renting for tenants.

Background Papers

Cabinet report from 14th July 2016

<http://modern.gov/ie/ListDocuments.aspx?CId=293&MId=6794&Ver=4>

Report Author: Sue Carter – Head of Housing Advice and Options
Telephone: (01954) 713044