

Wolverhampton City Council

**OPEN EXECUTIVE  
DECISION ITEM (AMBER)**

**CABINET**

Date **24 OCTOBER 2012**

Portfolio(s)	<b>COUNCILLOR P BILSON/ ECONOMIC REGENERATION &amp; PROSPERITY</b>		
Originating Service Group(s)	<b>EDUCATION &amp; ENTERPRISE</b>		
Contact Officer(s)/ Telephone Number(s)	<b>LESLEY WILLIAMS EXT 0553</b>	KEY DECISION:	<b>YES</b>
Title	<b><u>PRIVATE SECTOR LEASING SCHEME</u></b>	IN FORWARD PLAN:	<b>YES</b>

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**RECOMMENDATION**

That:

1. Cabinet notes the outcomes achieved through the existing private sector leasing framework and the issues which have impacted on successful sign up to the scheme by the private rented sector
2. Cabinet authorises officers to develop further a menu of options with respect to launching a revised Scheme in April 2013 which presents better outcomes for the City housing offer having regard to the housing and economic climates affecting the City, and that the Cabinet Member for Economic Regeneration and Prosperity in consultation with the Interim Strategic Director for Education & Enterprise be authorised to approve the details of the new scheme.
3. The report be referred to Sustainable Communities Scrutiny Panel for information and comment.

## 1. **PURPOSE**

- 1.1 The purpose of this report is to review the current Private Sector Leasing (PSL) scheme, and make recommendations for the future operation of the scheme.

## 2. **BACKGROUND**

- 2.1 A PSL scheme operates by leasing private property off owners/landlords for a lease (of typically three to five years) to offer to people in housing need. The leased property is then managed in a similar way to that of a social housing property, usually by a social housing provider.
- 2.2 In April 2009 Cabinet (Resources) Panel approved the appointment of two Managing Agents to run the Council's Private Sector Leasing scheme; Wolverhampton Homes and Birmingham Co-operative Housing Services (who are now part of and referred to as the Accord Housing Group).
- 2.3 The Council's strategic objectives that led to the framework in 2009 were:
- Reducing the number of private sector empty properties in the City
  - Providing a much needed source of accommodation to meet an identified growing shortfall of affordable housing
  - Improving the management and physical standards in private sector housing
  - Sustaining and improving neighbourhoods

It is clear from the Council's current housing objectives, as outlined in the Cabinet report Improving the City's Housing Offer (11 April 2011) that these still remain a very high priority.

- 2.4 It was envisaged that the framework should run for three years with an option to extend to a fourth year, following advice from Procurement Services.
- 2.5 Quarterly monitoring of performance has been undertaken by the Housing Performance Team (now within Housing Strategy & Development), and both Managing Agents have completed a detailed review of the scheme and approached the Council with suggestions for change.

## 3. **REVIEW OF THE CURRENT PSL SCHEME**

### (i) **Wolverhampton Homes**

- 3.1 Wolverhampton Homes currently have 38 properties which they manage under the PSL scheme. This is considerably short of the 200 target the Council and Wolverhampton Homes envisaged at the start of the scheme in 2009.
- 3.2 Small surpluses have been realised on all but two of those properties. Wolverhampton Homes maintain that interest in PSL remains high from private sector landlords.
- 3.3 Wolverhampton Homes have raised a number of issues following their most recent review (August 2012) including the standard of property being offered by private landlords is below that set for the scheme (and very poor on occasions), and an unwillingness on the part of the landlord to repair to the agreed standard.

3.4 A considerable amount of employee time and effort is taken negotiating on property conditions, only for a significant majority to fall through. Performance statistics provided in May 2011 show:

Reason	Numbers	% of total
Poor standard with estimated repairs between £3.5 and £18K	44	22.7
Properties in low demand areas	38	19.5
Owners relet property themselves	19	9.8
Rental income too low	12	6.2
Specialist accommodation/design of property	9	4.6
Permission denied by mortgage lender	7	3.6
Decided not to proceed/awaiting further contact	45	23.2
Leases secured and properties let	20	10.4
<b>Total</b>	<b>194</b>	<b>100</b>

This information shows that only 1 in every 10 enquiries has resulted in a leasing arrangement.

3.5 Other issues raised include:

- Lengthy and protracted negotiations to reach agreements
- The non-standard nature of fixtures and fittings can result in repair and replacement difficulties
- Wolverhampton Homes do not have a dedicated resource to manage the scheme

**(ii) Accord Housing Group (formerly bchs)**

3.6 Accord has recently advised the Council that they wish to continue with the PSL scheme in its current format, having made some modifications to the leases and financial models over the past 9 months, and have requested to meet with Officers and further develop their PSL offer.

3.7 Accord currently has 41 properties on the scheme, having reviewed the position they inherited from bchs. They did hold as many as 60 properties on the scheme and have advised the Council that a number of landlords declined new lease terms and the reasons for this were mainly financial.

3.8 Accords Review, in January 2012, cited a number of issues with the initial scheme, including an underperformance against the numbers anticipated and suggested that around 285 properties would be a financial break-even point. However they have worked through a new model and made changes to the risk management structures and now appear to have a formula which will provide them with a small operating surplus.

3.9 Accord considered that the framework they had inherited from bchs was not so much a PSL one but a Housing Association Leasing (HAL) scheme; the purpose of which is to provide temporary/short term accommodation to local authorities to help accommodate those who are homeless or at risk of homelessness. Subsequently Accord has approached the Housing Options service (which sits within the Communities Directorate) with a view to providing a different type of Housing Association Leasing Direct (HALD) service which could attract homelessness prevention subsidy.

#### **4. PROPOSALS FOR A NEW PSL SCHEME(S)**

- 4.1 It is recommended the Council continue to operate a form of PSL scheme with both Managing Agents, taking account of the reviews that have been undertaken and of new Government initiatives for bringing empty homes back into use as part of the wider strategic response to providing more affordable homes.
- 4.2 A number of Councils with Arm's Length Management Companies (ALMO's), like Wolverhampton, have set up PSL schemes as part of their management agreement. Wolverhampton Homes have indicated this is something they wish to develop and have put forward a number of options for further consideration:

Option 1	Find A Tenant' Scheme which includes an initial inspection of property; advice to landlord on any issues; inventory; find a tenant including taking references then handed back to landlord (£150.00 plus VAT).
Option 2	Housing Management Service' as above but providing a full management service including repairs (£150.00 plus VAT then 10% of the monthly rental collected (plus VAT)
Option 3	Private sector leasing scheme as it operates at present.
Options 1 & 2	Options 1 & 2 are open to landlords whose properties meet the required safety standards. Landlords taking up Option 2 will be offered assistance in becoming accredited through Wolverhampton City Council's accredited landlord scheme (if not already signed up to this).

- 4.3 It is recommended employees from the Council and Wolverhampton Homes develop a menu of options for a new PSL scheme as suggested above, which will form part of the Council's existing Management Agreement with Wolverhampton Homes and negate the need for a separate procurement framework.
- 4.4 Working with Accord we can continue to develop and modify the existing PSL framework and in discussions with employees in Communities consider options for a HALD solution to the pressures of finding suitable move on accommodation for those residents who are leaving supported housing accommodation.
- 4.5 Employees are also looking at solutions for properties identified by both Managing Agents as falling short of the required property standards. Consideration is being given to seeking Capital provision to introduce low cost loans for owners of empty properties where such works may be required.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 There are no direct financial implications on the Council for PSL. Employee's time has been taken on liaising with and monitoring the performance of the Managing Agents, and this has been met from existing service plan resources. The PSL framework was structured so that any financial risks were entirely with the Managing Agents.

- 5.2 Proposals with any financial implications will be brought back to Cabinet (Resources) as appropriate

[JR/09102012/Z]

## **6. LEGAL IMPLICATIONS**

- 6.1 There are currently no direct legal implications on the Council as all lease agreements are between property owners and the Managing Agents, and all tenancy agreements are between the Managing Agents and the individual tenants. Both Managing Agents procured their own legal services in all aspects of the PSL framework which was agreed by our own Legal Services prior to their appointment in April 2009.
- 6.2 Any new arrangements would be subject to Legal Services advice.
- 6.3 The PSL scheme supports the Council in reviewing the needs of the local housing area in terms of housing accommodation and physical property conditions. This is a duty the Council has under the Housing Act 1985. In addition the PSL scheme continues to provide a means of obtaining more accommodations across the City for those in housing need.

[JH/111012/J]

## **7. EQUAL OPPORTUNITIES IMPLICATIONS**

- 7.1 Equality implications have been considered throughout the development, implementation and operation of the PSL scheme, and there are a number of set Performance Indicators within the current framework which has allowed the Council to continue to monitor equalities information. Officers will continue to ensure equality implications are considered and then monitored as part of any new framework or method of delivery.

## **8. ENVIRONMENTAL IMPLICATIONS**

- 8.1 Empty properties can have a detrimental impact on neighbourhood sustainability. They can be a magnet for anti-social behaviour, and can act as a disincentive for investors/future home owners. Council officers as well as those in other statutory authorities and agencies are continuing to work with local residents to improve the local environment and regenerate neighbourhoods to become places where people choose to live. In addition the Housing Needs Survey (2007) highlighted the demand for housing across all tenures, and the PSL scheme directly contributes towards providing much needed accommodation.

## **9. SCHEDULE OF BACKGROUND PAPERS**

Reports to:

- Sustainable Communities Scrutiny Panel 29/07/08, 11/09/08, 13/04/10
- Cabinet Resources Panel 14/10/08, 21/04/09