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| SUBJECT: | <i>Proposal to Deliver A Private Sector Leasing Scheme</i> |
| REPORT OF: | <i>Councillor Liz Walsh</i> |
| RESPONSIBLE OFFICER | <i>Martin Holt – Head of Healthy Communities</i> |
| REPORT AUTHOR | <i>Michael Veryard – Housing Manager (01494) 732200 mveryard@chiltern.gov.uk</i> |
| WARD/S AFFECTED | <i>All</i> |

1. Purpose of Report

To seek approval to enter into an Agreement with Paradigm Housing to deliver a Private Sector Leasing Scheme

RECOMMENDATIONS

- 1. That the Council agrees to the implementation of a Private Sector Leasing Scheme by Paradigm Housing to deliver temporary accommodation to meet the Council's statutory homelessness duties.**
- 2. That delegated authority is given to the Head of Healthy Communities in consultation with the Portfolio Holder to enter into an Agreement with Paradigm Housing for the delivery of the Private Sector Leasing Scheme.**
- 3. Note that Management Team has agreed an exemption from the Chiltern District Council and South Bucks District Council Contract Procedure Rules for the Agreement between the Council and Paradigm Housing for the delivery of the Private Sector Leasing Scheme.**
- 4. That a further report is brought to Members in 12 months to update them on the progress of the scheme and its impact on the delivery of the Council's statutory homelessness duties.**

2. Executive Summary

Over the last three years, Chiltern District Council has faced rising demand for homelessness assistance and temporary accommodation. Although the Council uses Tom Scott House in Chesham to secure temporary accommodation when required, the rising demand means that this is often full. As a result, recent months the Council has increasingly relies on using costly B&B and Nightly-Booked accommodation to meet the Council's legal responsibilities. In addition to the high costs involved, the Council also faces the risk of legal challenge if homeless families are placed in B&B for over 6 weeks. It is proposed that the Council enters into a Service Level Agreement with Paradigm Housing to deliver a Private Sector Leasehold Scheme that will provide an alternative supply of temporary accommodation that will be directly let and managed by Paradigm.

3. Reasons for Recommendations

To provide an alternative source of temporary accommodation for Chiltern District Council to meet demands from homeless households

4. Content of Report

4.1 Part 7 (Homelessness) of the Housing Act 1996 places a legal duty on Chiltern District Council to secure emergency interim and temporary accommodation for homeless households in a range of circumstances. The Council currently meets this duty by using a range of accommodation options. As at 31st October 2017, the breakdown of temporary accommodation placements secured by the Council was as follows:

| | | |
|---------------------------------------|---|----|
| Tom Scott House | = | 20 |
| Bed and Breakfast (Shared Facilities) | = | 18 |
| Nightly booked (Self-contained) | = | 1 |
| Other | = | 2 |

4.2 The Council primarily relies on Tom Scott House in Chesham as its primate source of temporary accommodation. This is a block of 20 flats and bedsits that is owned and managed by Paradigm Housing. However, the rising demand for homelessness assistance has meant that Tom Scott House is normally fully occupied at all times and any vacancies are filled immediately. Consequently, the Council is increasingly relying on B&B (Bed and Breakfast) and other Nightly-Booked accommodation to provide additional temporary accommodation to meet its legal homelessness duties. This has had a significant impact on the Council's budget. The cost to the Council over recent years has been as follows:

| Cost of Temporary Accommodation (CDC) | | | |
|--|----------------|----------------|---------------------|
| 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| £60,857 | £108,000 | £173,000 | £200,000 (Estimate) |

This represents the net cost to the Housing budget after the receipt of any Housing Benefit contributions in respect of the household concerned.

4.3 Alongside the financial costs, B&B and other nightly booked accommodation can have a detrimental impact on the welfare of the household concerned, especially when the household is sharing facilities with others or having to relocate away from family, support, schools and employment. In particular, there is clear statutory guidance that B&B is not deemed suitable temporary accommodation for families with or expecting children. Councils who accommodate families in B&B for longer than 6 weeks face censure and fines from the Local Government Ombudsman.

4.4 The Chiltern District Council and South Bucks District Council Temporary Accommodation Framework document includes a commitment to explore alternative options to secure temporary accommodation. This aims to reduce the need for the Council to use B&B and other nightly booked accommodation and therefore reduce the impact on the Council's budget.

4.5 The Council has been working with Paradigm Housing to develop and implement a PSLS (Private Sector Leasing scheme) to deliver a supply of temporary accommodation. Paradigm Housing is an established PSLS provider that has been delivering schemes for a number of years in partnership with a range of Councils across North and West London and the Home Counties and currently works with over 600 landlords. PSLS works as follows:

- (i) Paradigm will lease the property from the owner (typically on a lease of 3 to 5 years) and pay the owner a regular leasehold fee
- (ii) The Council will nominate a household which requires temporary accommodation
- (iii) Paradigm will let the property to the Council nominee and this will meet the Council's legal temporary accommodation duty
- (iv) Paradigm will enter into a tenancy agreement with the nominee and charge a rent that is no higher than the relevant LHA (Local Housing Allowance) rate (LHA sets the maximum level of Housing Benefit that is payable on a tenancy)
- (v) The Council will pay a weekly management fee to Paradigm while the property is occupied by the nominee
- (vi) Every time a nominee moves on, steps (ii) to (v) are repeated.

4.6 A PSLS will provide supply of temporary accommodation that the Council can use instead of having to utilise B&B and nightly booked housing. The structure of charges that will be made to the Council by Paradigm for delivering a scheme are summarised in **Appendix 1**. These charges reflect that Paradigm:

- will have to pay a regular leasehold fee to the property owner regardless of void periods or rental income,
- is charging rents that are below market value (no higher than LHA rates),
- is taking on all the risks associated with rent arrears and tenancy management and
- has to meet its own costs for delivering tenancy management etc..

4.7 A PSLS will not of itself directly reduce or resolve the demand for homelessness assistance or temporary accommodation. However, it will mean that the Council is better placed to manage the cost and quality of the temporary accommodation that it procures to meet its statutory homelessness duties.

5. Consultation

Not applicable

6. Options

6.1 Do not proceed with Private Sector Leasing Scheme

6.1.1 If the Council chooses not to proceed, then it will continue to have to rely significantly on B&B and Nightly –Booked accommodation to help meet its statutory homelessness duties for the immediate future. This will mean that the Council continues to incur significant costs

in securing temporary accommodation and will also continue to face the risk of legal challenge due to utilising B&B accommodation for families with children.

6.1.2 The Council is continuing to explore other options to secure alternative temporary accommodation and minimise costs. However, as PSLS involves working with existing properties and owners, it provides the opportunity to implement a scheme in a short space of time that have an immediate impact in reducing the use of B&B and Nightly-Booked Accommodation.

6.2 **Enter into Agreement with Paradigm to deliver Private Sector Leasing Scheme**

6.2.1 There are a range of Private Sector Leasing Schemes operated across the country by different providers. Paradigm Housing has the benefit of being an experienced PSLS provider with a strong local housing management presence and established links with the Council. This means that Paradigm is in a position to implement a PSLS within a short timescale if the Council agrees to proceed. As soon as Paradigm starts to procure properties for the scheme and to secure leases, the Council will immediately be able to start moving on existing clients from B&B and Nightly-Booked accommodation.

7. **Corporate Implications**

7.1 **Financial**

7.1.1 Although the Council would pay charges to Paradigm to deliver a PSLS, the costs involved should be significantly lower than those associated with using B&B and Nightly-Booked accommodation. **Appendix 2** sets down a comparison of the current costs being incurred by CDC and the potential costs associated with the PSLS by looking at:

- (i) a general cost comparison breakdown based on the size of temporary accommodation required by the household and
- (ii) an example of the potential cost reduction that would arise if the households in B&B and Nightly-Booked accommodation as at 31/10/17 were instead being accommodated by the PSLS.

7.1.2 The tables in **Appendix 2** are intended to give an indication of how cost reductions could potentially be made if CDC was support Paradigm in establishing a Private Sector Leasing Scheme. It is difficult to give a definitive figure for the estimated level of cost reduction as the number and type of households in temporary accommodation is continually changing. Many of the households in the example who were in accommodation as at 31/10/17 will move on before 6 months. However, it is likely that they will be replaced immediately by similar homeless households in need of temporary accommodation. Therefore, it is reasonable to use the position at 31/10/17 to provide an example of potential cost reduction which is £3,222.63 per household over a 6 month period.

7.1.3 Based on paragraph 7.1.2 above, if Paradigm was to procure 10 to 20 properties via the PSLS to provide temporary accommodation for the Council, then this would deliver potential cost reductions to the Council ranging from £32,226.30 (10 x £3,222.63) to £64,452.60 (20 x £3,222.63) over a 6 month period.

7.1.4 The actual level of cost reduction may be affected by a number of factors including:

- (i) The Council may be subject to additional fees (see Appendix 1) due to re-lets, voids or the Benefits Cap. However, measures will be in place to minimise the risk of this (see below).
- (ii) The cost comparison is also based on the current Housing Benefit regulations whereby the Council directly administers and makes HB payments and is subsidised in turn by DWP (Department of Works and Pensions) for the payments made. HB payments made on a PSLS tenancy are not fully subsidised by the DWP. Currently, the HB subsidy on a tenancy let via a PSLS is capped at 90% of the Local Housing Allowance rate. In effect, this means that if the Council is paying full HB then it will have to meet a cost that is equivalent to the unsubsidised 10% of Local Housing Allowance rate. However, as Universal Credit is rolled out from 2018 this impact will start to reduce as a higher proportion of clients will receive their housing benefit costs direct from DWP within their Universal Credit payments.
- (iii) In addition to the direct cost savings on temporary accommodation, there will also be associated reductions in officer time and costs. Officers across the Housing, Finance and Revenues and Benefits services currently undertake a range of tasks in making temporary accommodation placements, monitoring placements, setting and managing charges and chasing up outstanding payments. Under PSLS, much of this work will be taken on by Paradigm instead (e.g. Council Officers will no longer have to set up collect charges)

7.1.5 A key element of the PSLS is that the Council will have no responsibility for administering payments from tenants and for managing and pursuing debts. Paradigm will be responsible for managing the tenancy, administering the rent payments and dealing with (and bearing the cost of) any debts that arise. No debts will fall to the Council. The cost to the Council will be the charges payable to Paradigm as summarised in Appendix 1.

7.1.6 It is proposed that the Council's costs to Paradigm for operating the PSLS will be met from the existing temporary accommodation budget as the scheme is securing alternative provision to Bed and Breakfast and Nightly-Booked accommodation.

7.2 **Legal**

7.2.1 The proposed PSLS will directly support the Council to fulfil its statutory homelessness duties. It will also reduce the risk of the Council facing legal or Ombudsman challenge due to using inappropriate Bed and Breakfast accommodation.

7.2.2 The Council will have no direct legal interest in the ownership or letting of the properties. The leasehold agreement will be between Paradigm and the owner of the property. The tenancy agreement will be between Paradigm and the household. A Service Level Agreement will be in place between the Council and Paradigm setting down the terms of the PSLS and the respective duties and responsibilities of the two parties.

7.2.3 Section A6 of the Chiltern District Council and South Bucks District Council Contract Procedure Rules makes provision for exemptions to be made to one or more of the rules within the procedure. The rules require that any exemption must be approved by

Management Team and shall be reported to the next appropriate Cabinet meeting for information. Paragraph 17 summarises possible reasons for an exemption including:

- **Urgency** – Do not have sufficient time to comply with all of the rules
- **No genuine competition** – Only one organisation or individual can reasonably supply
- **Advantageous Terms** – An organisation offers terms that are significantly better than the industry norm and is unlikely to repeat these terms.

7.2.4 Management Team has approved an exemption being made to the Contract Procedure Rules in the event that the Council proceeds with entering into an Agreement with Paradigm Housing for the delivery of a Private Sector Leasing Scheme. It is considered that an exemption to the Contract Procedure Rules can be made in respect of this proposal because:

- (i) Paradigm Housing is an established PSLS provider with a significant stock and housing management presence across the Chiltern and South Bucks districts (including offices in Chesham and Wooburn Green). This means that Paradigm is better placed than other providers to deliver a local and responsive service that works effectively with the Council and local property owners.
- (ii) Currently, there are no other registered providers operating a PSLS locally in Chiltern and South Bucks or across Buckinghamshire as a whole.
- (iii) The pool of Registered Providers who operate PSLS is limited. Further afield, there are other Registered Providers who are delivering PSLS in and round London. However, none of these have any existing housing stock and PSLS in Buckinghamshire. Officers have reviewed other PSLS models whereby the Council might notionally be charged a lower management fee than that proposed by Paradigm. However, in these models, the benefit of a lower fee is outweighed by the fact that the Council retains responsibility for charging the tenant, collecting rent payments and taking on the risk of rent arrears etc. Overall, it is considered that the Paradigm PSLS provides better value because Paradigm takes on all the risks associated with managing the tenancies and rent accounts and dealing with arrears.
- (iv) In view of the current pressures on temporary accommodation and the associated costs there is an urgent need to establish a PSLS as soon as possible in order to provide a practical alternative to Bed and Breakfast and nightly booked accommodation.

7.3 Risks

7.3.1 Although the weekly Management Fee is a set amount, there is the risk that the Council will face additional costs if any of the other payments listed in **Appendix 1** are triggered. However, the Council will seek to avoid incurring **void costs** by ensuring that measures are in place for the early identification of a new tenant prior to the existing occupier leaving. In addition, the current joint Temporary Accommodation Framework Agreement makes provision for temporary accommodation in Chiltern DC to be made available to South Bucks DC (and vice versa) if the host Council is unable to nominate an applicant, which further reduces the risk of the Council incurring long term void costs.

7.3.2 For the other potential trigger payments:

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- **Re-let fees** – Although the Council may incur a re-let fee, this will be offset by the benefit of being able to accommodate another homeless household in the property concerned (with the associated cost saving etc.)
 - **Benefit Cap** – The Council will have to pay the Housing Benefit shortfall associated with any household subject to the Benefits Cap. However, although there is a risk that some larger households in PSLS will be subject to the Cap, a placement in the PSLS is still likely to be cheaper to the Council compared to placing the household in B&B or in Nightly-Booked accommodation. Officers will monitor the impact of the Benefits Cap on the PSLS scheme.

- 7.3.3 Ongoing welfare reforms and the phased introduction of Universal Credit may impact on the ability of applicants to meet rent payments. However, this will apply to any temporary accommodation provision and charges. As landlord, Paradigm will have direct responsibility for rent collection and for tackling rent arrears. The Council will not be responsible for this. It will work with Paradigm to monitor welfare reforms and ensure that tenants receive the appropriate advice and support to minimise the risk of arrears. If there are any major welfare reforms that directly impact on the viability of the scheme, the Council will review these with Paradigm and agree the way forward. The Service Level Agreement will make provision for ongoing joint reviews of the scheme.
- 7.3.4 It is possible that Paradigm will not be able to locate a sufficient number of local property owners who want to participate in the scheme. We will monitor implementation with Paradigm and review progress. As the Council will only incur costs once a property is procured or let, a failure to secure sufficient properties will not result in the Council incurring a direct cost, but will mean that a larger number of households remain in B&B or nightly booked accommodation.
- 7.3.5 The Council's commitment to pay charges to Paradigm will only come into effect for each property as and when it is procured and let by Paradigm. This commitment will apply for the period of the lease that Paradigm holds with the property owner which will typically be 3 to 5 years. The Agreement between the Council and Paradigm will include trigger points for the Council to review the scheme with Paradigm after a certain number of properties have been procured. At each trigger point, the Council will decide whether or not to instruct Paradigm to procure additional PSLS properties. This will ensure that the Council can ensure that no further properties are procured as and when it feels that the scheme has reached the maximum level of units required for the Council's needs.. The Agreement will also include a general break clause that will give both parties the option of terminating the Agreement if they wish to do so.
- 7.3.6 The forthcoming Homelessness Reduction Act (being implemented from April 2018) may impact on demand for the PSLS. However, in the short to medium term the Council is likely to face a continuing demand for temporary accommodation. There may be scope to work with Paradigm to utilise the PSLS to help the Council to meet some of its new homelessness prevention and relief duties.

8. Links to Council Policy Objectives

1. Delivering cost- effective, customer- focused services
2. Working towards safe and healthier local communities

9. Next Step

The Council will enter into a Service Level Agreement with Paradigm Housing to implement a Private Sector Leasing Scheme in Chiltern.

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| Background Papers: | It is a legal requirement that we make available any background papers relied on to prepare the report and should be listed at the end of the report (copies of Part 1 background papers for executive decisions must be provided to Democratic Services) |
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