

DECISION-MAKER:	CABINET
SUBJECT:	PRIVATE SECTOR LEASING SCHEME
DATE OF DECISION:	26 NOVEMBER 2024
REPORT OF:	COUNCILLOR FRAMPTON CABINET MEMBER FOR HOUSING OPERATIONS

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director of Resident Services	
	Name:	Debbie Ward	Tel: 023 80833351
	E-mail	debbie.ward@southampton.gov.uk	
Author:	Title	Service Lead Housing Needs & Welfare Support	
	Name:	Maria Byrne	Tel:
	E-mail	Maria.byrne@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY
None

BRIEF SUMMARY
<p>Southampton City Council's Homelessness and Rough Sleeping Strategy 2024-2029 sets out a vision to be a city where everyone has a safe place to call home. One of the key objectives in this strategy is to explore new and innovative ways to diversify our accommodation and support options in the city.</p> <p>This report sets out the proposal for the Council to set up a Private Sector Leasing Scheme (PSL) which will involve the Council leasing properties directly from property owners or letting agents and using them as temporary accommodation for individuals or households who are currently placed in nightly paid accommodation which is funded by the Council.</p> <p>The PSL scheme supports a change in how we deliver services, aligning with the Council's Adapt, Grow, Thrive programme and will support the council move towards delivering services within the confines of cash limited budgets.</p>

RECOMMENDATIONS FOR CABINET:		
	(i)	To approve the Private Sector Leasing Scheme proposal. The scheme will aim to meet some of our current demand for additional temporary accommodation which will assist in reducing our use of costly emergency accommodation. This scheme is one of the interventions that will form part of our homelessness transformation programme.
	(ii)	To grant delegated powers to the Director of Housing following consultation with and the Executive Director of Enabling Services, Executive Director of Growth and Prosperity, the Director of Legal and Governance and the Cabinet Member for Housing, to do

		anything required to support the implementation of the proposal and to make minor amendments as required.
--	--	---

REASONS FOR REPORT RECOMMENDATIONS

- | | |
|----|---|
| 1. | <p>The number of households approaching the Council who are homeless or at risk of homelessness and the number of people sleeping rough is increasing. By implementing the PSL scheme we will:</p> <ol style="list-style-type: none"> 1. Increase the council's housing solutions as a tool to prevent homelessness and rough sleeping. 2. Mobilise housing solutions that contribute towards the councils cost efficiencies. 3. Modernise the council's delivery model/ toolkit to tackle homelessness. 4. Improve the quality of accommodation solutions we use to intervene in instances whereby we owe households a homeless duty. 5. Reduce the risks of people sleeping rough and living in unsuitable accommodation which impacts adversely on the life chances of those we serve. 6. Help harness partnership working with private sector stakeholders. |
|----|---|

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- | | |
|----|---|
| 2. | <p>The Council could decide not to proceed with a PSL scheme, but it is in the Council's interests to consider all alternative options of temporary accommodation.</p> <p>Given that the Council has an extensive housing waiting list and unprecedented demand for temporary accommodation, this would be a missed opportunity to meet a small proportion of that need.</p> <p>Several local authorities already operate Private Sector Leasing Schemes and use the scheme as an established model to help increase temporary accommodation options.</p> |
|----|---|

DETAIL (Including consultation carried out)

- | | |
|----|--|
| 3. | <p>Since 2019-2020, the number of homeless households approaching the council as homeless has surged by 64%, with a further 14% rise in the past 12 months. This escalation, compounded by economic disruptions, has resulted in a 61% increase in households requiring emergency accommodation. The current demand for housing in the city far exceeds the available supply. This heightened demand, shows no sign of slowing, is significantly impacting the council's ability to prevent homelessness, and, where it cannot be prevented, making it a rare, brief, and non-recurrent experience. This has led to the current operating model at the Council becoming financially unsustainable.</p> |
|----|--|

4. **Housing Need in Southampton**

The housing register in Southampton as at 10 September 2024 stands at 8,186, made up as follows:

1 bed – 4,617 (this includes approx. 1,500 eligible for age designated accommodation)

2 bed – 1,675

3 bed – 1,587

4+ bed – 307

The increasing demand placed requires the Council to modify the existing delivery model, which includes maximising financial resources and strategic investments to expand the availability of emergency accommodation to address the growing demand effectively. This is one of 3 work programmes set out in the homelessness prevention transformation programme.

The average waiting times for people on the Housing Register by property sizes are as follows (correct as at June 2024):-

Property size	Waiting time (with no priority)	Waiting time (with priority)
1 bed	4.3 years	2.8 years
2 bed	4.9 years	2.4 years
3 bed	11.5 years	9 years
4 bed +	12.6 years	10.1 years

5. Bed and Breakfast (B&B) accommodation is used by the Council out of necessity when it has no other accommodation available to accommodate families to whom it owes a legal duty to house. B&B is acknowledged to be an unsuitable form of temporary accommodation for families. Legally B&B is only allowed to be used for homeless families in an emergency, and even then, for no longer than 6 weeks. Apart from being very expensive in itself, with an average cost of £27,375 per annum per property, there is an ongoing risk of the Council being required by the Housing Ombudsman to compensate families in B&B over 6 weeks financially, which would further add to costs.

6. Homelessness has a profound human cost, particularly for families living temporarily in B&B accommodation. These environments often lack the space, privacy, and stability needed for children to thrive. The uncertainty and disruption can lead to emotional distress, affecting their mental health, education and development. Frequent moves and cramped conditions can leave children feeling isolated, struggling to form friendships, and falling behind in school. This instability can also strain family relationships, exacerbating the stress already felt by parents trying to navigate an uncertain future.

7.	<p>If approved, the proposals in this paper would help to alleviate housing need from the Housing Register, and provide better quality emergency facilities for homeless households, assist the Council in meeting its legal duties, and reduce the costs of using B&Bs and nightly paid accommodation.</p>
8.	<p>A PSL scheme, where the local authority acts as intermediaries between landlords and tenants, can offer a valuable solution which benefit both the local authority and landlord. The benefits to a landlord of choosing to let their property through a PSL scheme include a guaranteed monthly rent for the terms of the lease, even if the property is empty. The Local Authority carries out regular inspections and undertakes the tenancy management of the property. At the end of the lease the property will be returned in a similar condition as at the start of the lease (less fair wear and tear).</p> <p>The council will sublet the properties to homeless households. The Homelessness team will manage all aspects of tenancy management, including rent accounts, housing management, and regular property inspections. This will reduce the council's risk as we will work closely with the households to maintain their tenancies and help them transition to permanent housing.</p> <p>Implementing the PSL scheme is an additional housing solution that is expanding our housing options by bringing into use accommodation that is currently unavailable to us. None of our current initiatives offer a comprehensive housing management service, and this scheme will complement wider service transformation activities and help alleviate homelessness pressures in terms of both demand and cost.</p>
8.	<p>The PSL model:</p> <p>We will lease properties directly from the property owners for a fixed period ranging between two and five years. We will effectively become landlords for the duration of the lease, pay the property owner guaranteed monthly rent and use these properties as a temporary accommodation to house households who have come through our Homelessness pathway.</p> <p>During the term of the lease the Council will have exclusive rights to place tenants of its choosing in these properties. Property owners will have an option to end Leases ahead of expiry by giving 3 months' notice.</p> <p>Households which will include families, single people and couples will be given Non-Secure Tenancies, and we will work with them throughout their occupancy to find a secure and permanent accommodation either in Private Rented Sector or Social Housing through our Homebid system to discharge our Homelessness Duty.</p> <p>We want to offer property owners long term, flexible, lettings options that have no charges for managing the property. We are proposing two Leasing options which will give landlords a choice of the way they want to work with us.</p>

	<p>Model of delivery 1: We will offer to negotiate monthly rent and up to the amount of current market rent and property owners retain full responsibility of all day-to-day repairs and property maintenance, including when the property is void.</p> <p>Model of delivery 2: We will offer landlords rent based on the LHA Rate 2024, services such as minor day-to-day repairs, gas and electrical safety checks and void works when the property is unoccupied during the lease.</p>	
	(Leasing Option 1)	(Leasing Option 2)
	<ul style="list-style-type: none"> ➤ No fees or administration charges ➤ Guaranteed monthly rent ➤ Tenancy document preparation ➤ Accompanied viewing ➤ Tenancy management ➤ Regular property checks ➤ Guaranteed vacant possession of the property in a good state of repair, excluding fair wear and tear <p>NOTE: Property Provider will be responsible for all day-to-day repairs and void works if the property becomes unoccupied during the Lease term to make it ready for our next incoming tenant. We will only cover the cost of damages if it is caused by our tenants.</p>	<ul style="list-style-type: none"> ➤ No fees or administration charges ➤ Guaranteed monthly rent based on Local Housing Allowance (LHA) rate ➤ Tenancy document preparation ➤ Accompanied viewings ➤ Tenancy management ➤ Regular property checks ➤ Annual Gas Servicing ➤ Electrical Safety Checks ➤ Day-to-Day repairs & emergency calls excluding major works ➤ All void works when property is unoccupied during the Lease ➤ Guaranteed vacant possession in a good state of repair, excluding fair wear and tear
10.	<p>Property Standards</p> <p>We want to be certain that the properties we accept on our PSL scheme meets the Decent Homes Standard. To achieve this, we will be using the Housing Health and Safety Rating System (HHSRS) as a tool and a guidance to determine the suitability of the properties HHSRS Operating Guidance</p> <p>HHSRS is a point-based system which reveals how suitable the property is by assessing and evaluating the state, condition of the property and potential risks to health and safety from any deficiencies identified, what improvements the property needs and how this can be achieved.</p> <p>Landlord Liaison Officer (LLO) has had an awareness training in HHSRS and will be able to use this knowledge to do an initial inspection of the properties and determine its suitability or give the landlord feedback on what improvements</p>	

	<p>need to be made before we return to carry out a full inspection and consider taking the property on a lease. The minimum standard we would accept from landlords are the following:</p> <ul style="list-style-type: none"> • Structurally stable dwelling with clear exterior guttering • Windows and doors in decent standard, able to open and close easy and securely • Adequate kitchen layout with appropriate units and plumbing • Working Smoke Alarms and Carbon Monoxide Detectors • Adequate heating • Adequate lighting and ventilation • Hot and cold-water supply and all taps in good working order • Effective drainage system inside and outside of the property • Good standard of decoration
11.	<p>Property and Tenancy Management</p> <p>LLO will approach property owners to source properties to secure on a lease and will find suitable individuals and households who have come through to us via the homeless pathway to be housed in these properties. Once they are housed, LLO will be responsible for managing the properties and the tenancies of these occupiers for the duration of the lease as well as finding a secure and permanent accommodation to move them onto.</p> <p>Properties will be on a standard lease agreement and the landlord will receive regular monthly rental payments from the Council. Tenants rent accounts will be managed by the LLO to ensure that maximum income is achieved.</p> <p>The tenants will pay rent directly to the council, if they are eligible for Housing Benefit where possible this will be paid direct to their rent account. The day-to-day management of the rent accounts will be carried out by the LLO.</p>
12.	<p><u>Project Programme</u></p> <p>If approved, the aim would be to allow the launch of the scheme in December 2024</p>

OUTLINE TIMETABLE FOR PROPOSALS TO LAUNCH PSL SCHEME				
	Date Start	Date Finish	Task	Detail
1	As soon as possible after the Council's decision on this paper	Ongoing	Launch a comms plan to advertise the scheme	<ul style="list-style-type: none"> • This will include a press release • Comms plan involving social media. • Information on website updated
2	As soon as possible after the Council's decision on this paper		Instruct legal to draft a lease agreement for use for both schemes	
3	As soon as possible after the Council's decision on this paper		Organise a Landlord's Forum for December 2024 to launch the scheme.	

RESOURCE IMPLICATIONS

Revenue

13. The scheme will be funded through two distinct grants the council receives:

1. Homelessness Prevention Grant

This grant is allocated annually by the MHCLG to local authorities to help prevent homelessness. The grant is used to fund various initiatives which can include financial assistance, offering advice and support, funding temporary accommodation and supporting initiatives aimed at early intervention and housing advice.

2. Rough Sleeper Initiative Grant.

As part of the government's efforts to end the rough sleeping, The Council was previously successful in bidding for Rough Sleeper Initiative (RSI) Funding and

was awarded £30,000 for 2024/25 with the intention that it would be used to address key pressures in the Rough Sleeper Pathway. Through this funding we have a target to sign 4 leases per financial year.

The proposed scheme will deliver an estimated saving of £0.03M in 2024/25, based on 6 properties being implemented into the scheme from 1 January 2025 and £0.20M in 2025/26 based on 12 properties in the scheme for the full financial year. ¹

Full detail of the financial implications of the scheme, including detailed breakdowns of costs and income, are set out in Appendix 1.

Property/Other

14. To ensure the successful delivery of the scheme, we will require collaborative work with other Council departments. Although we will have the main duty to source properties, find suitable tenants and manage them for the duration of the lease, we will require resources from other departments to continue delivering good service to property providers and provide secure and safe temporary homes for households that we are supporting.

COUNCIL DEPARTMENTS	RESPONSIBILITIES & SERVICES THEY PROVIDE
<p>Legal Team <i>(Legal & Governance)</i></p>	<p>Possession Orders / Legal Advice</p> <p>Team will draft Lease Agreement and a Non-Secure Agreement once the PSL scheme is approved. Legal Services have confirmed that it may be necessary to seek external support for the drafting of a lease document if there is not capacity for this internally.</p> <p>We will need legal advice and representation in court when there is a breach in either Lease Agreement or a Non-Secure Agreement.</p>
<p>Stock Condition & Data <i>(Corporate Estates & Assets)</i></p>	<p>Stock Condition Surveys</p> <p>When the property is first offered to us, and after the initial visit by the LLO, we will request a Stock Condition Survey (SCS) to be carried out to inspect all elements of the property. This will also be an opportunity for the surveyor to notice</p>

¹ based on the option 1 leasing option and this will alter subject to the size of the properties and the options that property owners opt for.

		any defects and advise the property owner on improvements.
	NEC Housing Management System <i>(IT Services)</i>	<p>Registering Property Elements</p> <p>This platform is used by Resident Services to manage housing applications, tenancies, rent account, repairs, etc.</p> <p>Once the SCS is completed and Lease agreed, we will instruct the IT Services to register the Leased property on NEC Housing System.</p>
	Housing Repairs <i>(Housing Operations)</i>	<p>Day-to-Day Repairs</p> <p>Any minor repairs reported to us by the occupier, or any disrepair issues seen and noted by us, will be reported to Housing Repairs team. They will arrange our in-house tradespeople to carry out the repairs. This will also include any emergency callouts during office and out of hours. For e.g. loss of heating or hot water.</p>
	Voids <i>(Housing Operations)</i>	<p>Void Inspection & Schedule of Condition</p> <p>Team will arrange Property Inspectors to carry out Schedule of Condition each time the property is void including arranging gas and electrical safety checks.</p>

15. The properties will be held within the Housing Revenue Account and will be managed by Housing Management. Compliance will be dealt with by the Councils Asset Management Team.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

16. The Council has the power to acquire land, houses and buildings for Housing purposes pursuant to S17 Housing Act 1985

Other Legal Implications:

17. The Council has a duty under the Housing Act 1996 (Part VII), as amended, to ensure that accommodation is made available for homeless applicants who are owed a full housing duty by the Council.

Where the Council determines under the provisions of the Housing Act 1996 Part VII (as amended) that a person/household is eligible for assistance, homeless, in priority need and not homeless intentionally, it has a duty to secure suitable accommodation (unless it refers the applicant to another authority under the local connection provisions): s193(2), s206(1).

The suitability of accommodation is governed by s210 of the 1996 Act, a number of statutory instruments made under that provision (SIs 1996/3204, 2003/3326 and 2012/2601) and by the Homelessness Code of Guidance for Local Authorities. When discharging its housing duties under Part VII, the Council must, so far as reasonably practicable, secure that accommodation is available for the applicant's occupation in their own district: s208(1) of the 1996 Act.

The Homelessness Reduction Act 2017 places a duty on Local Authorities to intervene at an early stage to help prevent homelessness and take reasonable steps to relieve homelessness for all eligible applicants, not just those in priority need.

In order to grant a non-secure tenancy agreement for a PSL scheme the lease has to specifically mention that the use of the property is for the purpose of being used for temporary accommodation pursuant to paragraph 4 or 6 of Schedule 1 of the Housing Act 1985

Whenever a Local Authority is carrying out any function it must have regard to its public sector equality duty under the Equality Act 2010 and duties under the Human Rights Act 1998.

RISK MANAGEMENT IMPLICATIONS

18.	Risk	Probability	Impact	Identifying controls
	The Council does not receive the rent from the Occupier but still liable to pay the Property owner their guaranteed rent	Possible (3)	Major (4)	<p>As a first step, LLO will go through the assessment process where all applicant's income and outgoings are considered before deciding to grant a Non-Secure Tenancy to occupy our Leased properties.</p> <p>If the applicant is in employment, LLO will obtain proofs for this as well as going through their financials to have a clear indication of what their income and outgoings are to determine their affordability to pay rent and utility bills.</p> <p>If the applicant is not in employment, LLO will make sure that the applicant is receiving all benefits they are</p>

				<p>entitled to and obtain proofs to show this. We have set aside bad debt at 30% in cases where there are rent arrears that we may not be able to recover.</p> <p>Our tenants will have an ongoing support, regular contact, and home visits by the LLO. However, it will be made clear to our tenants that they need to inform the LLO of any changes to their income or benefits, and if there is any risk of them not being able to pay rent or any other bills so that we can explore all support options and could even assist with adjusting their household budget.</p> <p>Non-Secure Tenancy Agreement between us and the tenant will clearly lay out it is conditions and tenants' responsibilities, and this will be discussed in detail during the sign-up process.</p>
	Capacity of the voids/repairs team to undertake works	Possible (3)	Major (4)	<p>Given the relatively small number of properties we are planning to acquire , Housing Operations will be able to manage the necessary repairs using its existing workforce. Furthermore, at this stage, it is challenging to accurately predict which of the two PSL options will be more appealing to property owners. If the project is successful a further appraisal will be undertaken to ensure we have sufficient capacity / services to manage the requirements associated to this project.</p>
	The Council is unable to secure enough properties on a Lease	Possible (2)	Significant (3)	<p>We already offer a Private Rented Service where landlords can sign up and we find them a suitable tenant. Through this service we developed a portfolio of property providers, however, we also turn away a lot of property owners because we are unable to provide a service they require.</p> <p>We want to improve, build better relationships, and work smarter with private landlords and lettings agencies in our city and the PSL scheme will help us to do just that.</p>

				<p>Following a successful Landlords Forum hosted in May 2024, we asked how we can improve what we offer, what else we can offer and proposed a PSL scheme. We surveyed all our attendees, and their feedback was positive with all agreeing that PSL would be beneficial for the Council and for property owners and will give us a fantastic opportunity to work together long-term.</p> <p>Our engagements with other Councils about their PSL scheme also confirmed that property providers are very forthcoming to work with them because they offer long-term lettings options with benefits such as guaranteed rent and tenancy management.</p> <p>If we are unable to secure our target number of properties on a Lease, the RSI funding will not be spent, and we will fail to reduce the number of people sleeping rough. The Council will also have a financial “loss” because we will not be able to reduce the number of emergency accommodation placements currently in use for homeless households and continue to pay expensive nightly rates in Hotels or B&Bs.</p> <p>However, based on what the property providers have said to us, our engagements with other Councils and our structured PSL scheme, we have enough evidence to believe that we will be able to attract many property providers and secure our target number of properties on a Lease to reduce number of rough sleepers and the spending on emergency accommodations.</p>
	<p>Poor property conditions and damages caused by the Occupier</p>	<p>Possible (3)</p>	<p>Major (4)</p>	<p>When properties are taken on a Lease, they are surveyed and inspected to make sure they are in a good standard before signing the Lease with the property provider. One of the guarantees we are proposing to our providers is that we</p>

			<p>will return their property in the same condition as it was when it was secured on a Lease, minus any general wear and tear.</p> <p>Once these properties are occupied by our chosen tenants, there is a risk that, without proper tenancy management, standards might fall, and this will be costly for the Council.</p> <p>Keeping the property in a good condition and free of hazards, will be the tenant's responsibility as per their Non-Secure Tenancy agreement and this will be discussed with them in detail at the point of a sign up. Should they breach these conditions, we will have the right to take a tenancy action which could lead instruction our Legal Team start the eviction proceedings.</p> <p>We have put aside and included the "occupier damage" in our expenditure and income up to £2000 per property when we Lease properties offering market rent and no repair services and up to £1500 "Void" costs on a Lease offering day-to-day repairs and void works. We have also put aside bad debt at 30% and although this is to also cover any rent arrears, it can also be used towards the occupier damage.</p> <p>Our aim is to have a robust tenancy management in place by having regular checks with the tenant, arranging regular planned and unplanned home visits which will give us an opportunity to inspect the property and be aware of any disrepair issues. If any are noted, prompt action will be taken by arranging relevant repairs and discussing with the tenants about what improvements they need make to bring the property back to standard. By our ongoing contact with our tenants, regular visits, prompt actions once the issues are identified and regular follow ups, we are certain that we will reduce the likelihood of property falling into</p>
--	--	--	--

				disrepair and cut the Councils spending to turn it around.
	Void periods during the Lease	Possible (3)	Moderate (3)	<p>We expect that during the term of the Lease property will not be unoccupied but there will be small void periods when one tenant vacates, and new tenant moves in.</p> <p>When the property is void, we are still liable to pay the property provider their guaranteed monthly rent. For this reason, we will aim to keep the void period to a minimum and operate to a 95% occupancy so that the incoming tenant can move in, and we continue to receive our income either from them or through Housing Benefit, if they are not in employment.</p> <p>When we move tenants into our leased properties, we will work with to find permanent residency either in private rented sector or in social housing via our Homebid system. We will be the first to know when they are offered a secure tenancy elsewhere and will already have other potential tenants assessed to move in.</p> <p>We aim to have a quick turnaround so that there is minimal void loss. To do this, we will require resources from Housing Operations team to carry out the void works. This will be tradespeople to complete the gas and electric safety checks and carry out any repairs that are needed before it is deemed ready to be let again.</p> <p>We have consulted with Housing Operations and they support our scheme. Resources will be made available through internal resources and or secured through external delivery partners to ensure voids are brought back into use within agreed targets. A budget has been set aside and assumes a 95% occupancy.</p>

POLICY FRAMEWORK IMPLICATIONS				
19.	Southampton City Council Corporate Plan (2022-2030 updated 2024) sets out a commitment to deliver safe and stable home environments recognising a safe place to call home should be a fundamental right for everyone. The acquisition programme will support this objective by providing residents of Southampton who have no place to call home a safe, good quality interim offer of accommodation which will provide the foundation from which they can begin to rebuild their lives.			
20.	The Council's Homelessness and Rough Sleeping Strategy (2024-2029) sets out a vision- "A city where everyone has a safe place to call home" Where homelessness cannot be prevented it is imperative that the council can intervene with a suitable good quality and affordable accommodation solutions.			

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	ALL
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Financial
2.	Equality and Safety Impact Assessment (ESIA)

Documents In Members' Rooms

1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	
2.	