

Homes On Offa Tamworth



Scheme Plan

Property Management Service

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Executive Summary

A social lettings agency is a hybrid of private and social rented housing taking the best aspects of each traditional tenure type and combining them for the benefit of the residents of the Borough. It aims to bridge the gap between a traditional high street lettings agent and a social housing tenancy and it allows residents access to affordable privately rented accommodation without the need to pay for credit checks or fund a deposit, but providing limited security of tenure with a known managing agent in the Council.

It provides property owners with a fixed cost management service for their property with the security of a known managing agent in the Council and it achieves this by taking on the management of the properties on behalf of the property owner for a fixed period of time. The property owner is paid rent on the property by the Council at a rate that is significantly lower than a normal commercial rent level and 7% below the Local Housing Allowance level. The Council, as managing agent, will find tenants for the property for a fixed period of time equal to the length of the agreement with the owner. The Council charges the tenant a rent that is the equivalent of local housing allowance for the property size and will collect the rent from the tenant. The surplus between the rent charged to the tenant and the sum paid to the property owner is utilised to cover ongoing repairs and maintenance of the property. The Council does not make a profit from the scheme.

The demand for affordable homes that are in good condition and well managed is increasing and it is widely anticipated that as the impact of welfare benefit reforms are felt this demand is very likely to increase. Currently Tamworth Borough Council is experiencing an increase in homeless presentations, and although this is entirely in line with national trends, does place some significant strain on our responsibilities with regard to the use of Bed & Breakfast accommodation as temporary accommodation.

If Tamworth Borough Council is to meet the needs and aspirations of its residents we need to look wider than traditional providers of social housing and the private rented sector is a resource that is not well utilised currently by

households who seek social housing to resolve their housing issues. For many tenants who approach TBC for assistance to resolve their housing needs accessing private sector rented accommodation is unattainable as they are not considered to be 'suitable' tenants by the traditional commercial lettings agencies.

In addition, The Localism Act 2011 will enable local authorities to end the main homelessness duty by arranging an offer of suitable accommodation in the private sector. The set up of a social lettings agency will enable Tamworth Borough Council to do this and comply with the anticipated requirements from central government that will be put in place to offer some protection to homeless households.

For many property owners and potential tenants a commercial lettings agency fails to provide an adequate service to meet their needs. This is largely because a traditional commercial lettings agency needs to make a profit. It does this at the expense of both the tenant and the property owner. In many cases rent levels are above the levels of local housing allowance, a figure widely used to determine affordability, and will require a tenant to pay for credit check, administration and /or legal charges and a deposit in order to access accommodation.

Many local lettings agents are unwilling to consider tenants who are on benefits and require the assistance of housing benefit to meet the contractual rental payment. A commercial agent will also charge property owners for a range of services provided, anything from a letter to the tenant, or a visit to the property through to the issuing of a Notice is charged back to the property owner. These factors, in combination, result in property owners being unwilling to allow a commercial agent to rent their property because of the costs involved to the owner and a prospective tenant also facing unaffordable costs to access the accommodation in addition to higher rent levels to maintain the tenancy. It is against this background that the development of a social lettings agency is based, and we are confident that the agency will be

able to work alongside existing, established commercial agents as our respective tenants and landlords are not mutually exclusive.

The strategic housing team are planning a phased build to a full social lettings agency. Initially the proposals will be to try and attract owners of a small number of properties onto the scheme to run a limited pilot. Initially efforts will be focused on owners of empty homes who have indicated a willingness to bring the empty property back into use via the provision of an empty property grant but an unwillingness to be a landlord or engage a commercial agent.

Background

Tamworth Borough Council's (TBC) Strategic Housing Service aims to provide access to housing for the most vulnerable households in Tamworth and those that are facing homelessness. However, the Council faces a number of challenges in achieving this aim relating to the increase in identified need and a shortage in supply of decent, affordable housing to meet this need. There are few areas within Tamworth administrative boundaries where new housing can be developed. The number of homes to rent in the private sector is small, despite a 4% growth between 2001 and 2010. As it is increasingly difficult to access social housing and very challenging to access a mortgage to own a home, there are more people competing to live in the private rented sector. It is therefore the intention of the Strategic Housing service to develop a social lettings agency for the purpose of finding and securing homes for households struggling to access a home or who face a long waiting time when applying for social housing.

It is proposed that the Strategic Housing Service work together to utilise and enhance existing schemes, roles and skills to increase access to a range of affordable housing options for those people struggling to access appropriate housing due to financial restraints, insufficient knowledge of the options available to them or other factors that inhibit their ability to meet their need for accommodation.

The social lettings agency will contribute to several housing and health outcomes for local people in line with priorities identified by the Tamworth Strategic Partnership and within the Council's Healthier Housing Strategy. The aim of the agency is to provide, promote, and manage good quality affordable private housing for Tamworth residents currently waiting on the housing register. This will reduce housing waiting times, preserve the use of council owned stock for those in the highest need, minimise the regular use of bed and breakfast accommodation and assist families in widening their choice within the private rented sector.

Tamworth Borough Council's Strategic Housing Service

The Strategic Housing Service consists of Housing Strategy and Enabling, Private Sector Housing and Homelessness Advice / Prevention.

The 3 elements that make up the Strategic Housing Service are managed and linked in such a way that they work as a whole to meet identified housing need and deliver effective services to the residents of Tamworth.

The Strategic Housing Service is responsible for preparing and implementing the housing strategy in order to provide sufficient housing of the right quality and cost to meet the housing needs of the residents of Tamworth.

The Service is also responsible for providing assistance to homeless households, providing advice to help people make informed choices about their housing options, working with Registered Social Landlords (Housing Associations) to provide new affordable homes to rent or buy and improving

The Service is also responsible for providing assistance to homeless households, providing advice to help people make informed choices about their housing options, working with Registered Social Landlords (Housing Associations) to provide new affordable homes to rent or buy and improving housing conditions and increasing the supply of available housing in the private sector.

The Council is committed to the further development of Strategic Housing Services in Tamworth in order to provide the required vision and leadership that will enable the planning and delivery of services that:

- Are evidence based and incorporate an assessment of the current and future housing needs of local people
- Make the best use of the existing housing stock
- Enable the delivery of new affordable housing
- Ensure housing support services link homes to support and promote independent living
- Are delivered in partnership to secure effective and value for money outcomes for local people

Working in partnership, Strategic Housing activity will help to deliver improved services to residents (including health, education and social services), a safer environment, a strong sense of community and a decent home for all at a price local people can afford.

Strategic Context

The vision for Tamworth is '*One Tamworth, Perfectly Placed*'. In more detail the Council and its partners want:

- A safe environment in which local people can reach their full potential and live longer, healthier lives.
- A sustainable and thriving local economy, a more aspirational and competitive place to do business

The Healthier Housing Strategy describes how the Council, public health colleagues and other partners will contribute to achieving the vision and priorities. In particular partners will work together to ensure:

1. There are suitable homes for everyone (Access)

- There is a greater choice of homes
- Households are able to move to a quality, affordable, home
- People are able to afford a wider range of housing options

2. Homes are healthy, warm and safe (Aspects)

- Homes in all tenures will be safe, warm and well-maintained
- People take responsibility for improvements in the quality of their home environment

3. People are able to maintain an independent and healthy lifestyle (Individual Behaviour)

- There is a reduction in all forms of homelessness
- Vulnerable people are supported to live independently
- People are able to make informed decisions to improve their housing circumstances

4. Neighbourhood environments enable safer and healthier communities (Neighbourhoods)

- Homes of all tenures are in well-designed and managed neighbourhoods
- People and communities are able to take control and responsibility for their neighbourhoods

The proposed social lettings agency approach will directly contribute to the above strategic outcomes, priorities and objectives and is consistent with a number of actions incorporated within the Healthier Housing Strategy Year 1 action plan as follows:

- Make better use of the private sector to meet housing need and demand

- Improve mechanisms by which households are able to access accommodation
- To assist residents to find appropriate housing solutions to meet their needs
- Enable people to afford a wider range of housing options
- Improve housing conditions in the private sector
- Homelessness prevention activities are further developed

A range of information and evidence has been used to both formulate the above strategic approach and inform the development of the proposed project.

Housing Legislation

A plethora of Housing legislation has been passed onto the statute books over the years with the overarching principle to protect and preserve the health and welfare of all persons occupying housing and all those without the use of suitable accommodation.

The following housing legislation highlights where the implementation of a social letting agency assists Tamworth Borough council to meet its duties in respect of providing homes for homeless households and providing an additional tool for the reduction of poor housing in line with the TBC Enforcement Policy.

Housing Act 1996

Under the Housing Act 1996, local authorities have a duty to provide accommodation to people who are judged to be 'homeless' and have a 'priority need' for accommodation (if they have children living with them, or elderly or disabled people).

A person is threatened with homelessness if it is likely that he will become homeless within 28 days.

Housing Act 2004

Part 1 of the Housing Act 2004 places a duty on local authorities to assess residential premises in their area using the Housing Health and Safety Rating System (HHSRS). The system identifies hazards during an assessment by authorized officers that may affect the health and safety of the occupants and their visitors. A serious hazard would be classified as a 'Category 1 hazard' and local authorities have a duty to remove any category 1 hazards found to be present in a home. The Act provides the powers of enforcement available to local authorities to tackle poor housing conditions and remove hazards identified.

Part 2 of the Act subjects landlords of 3 or more storey Houses in Multiple Occupation (HMO) with 5 or more occupants to apply for a licence from the

Council (For the purpose of this scheme all types of HMOs will not be accepted unless they are subject to a management order)

Part 3 of the Act allows local authorities to extend licensing for other types of premises, in particular where there are significant social problems or areas of low demand.

Part 4 of the Act provides powers to force the owners of empty residential premises to bring them back into use.

For parts 2 – 4 of the Act TBC may be confronted with the possibility of having to seek a management order and in some instances it could be their legal duty to do so. Where the duty to make management orders is not implemented an LHA may be at risk of a complaint to the Local Government Ombudsman.

A management order is an enforcement tool that can be used where a private sector landlord is failing in his duty as landlord. The council takes over the full management of the property and carries out all duties in place of the landlord. Part of the rent collected is kept by the council as a charge for taking this action.

It is important that the variety of duties and powers associated with management orders is clearly understood and that an LHA's housing and enforcement strategies cover these instances and satisfactory protocols are in place. It is advisable for Local Authorities to ensure that they have processes in place for the management of properties before seeking management orders.

The aim of this scheme will ensure that TBC is fully compliant with The Housing Act 2004 should it become necessary to take out a management order.

The Localism Act 2011

The Localism Act 2011 has made significant changes to the homelessness duty. The local authority will be able to fully discharge its duty by offering a private rented sector (PRS) tenancy of 12 months, without the consent of the tenant. Previously the local authority had to offer a property in the social sector unless the tenant opted for a private tenancy.

Homelessness (Suitability of Accommodation) (England) Order 2012.

At the end of May 2012 DCLG published a consultation paper on the *Homelessness (Suitability of Accommodation) (England) Order 2012*. This paper proposes that private rented accommodation offered to a homeless household by way of an authority discharging (ending) its duty to that household will be regarded as unsuitable where it/the landlord fails to meet a variety of standards.

The Homelessness (Suitability of Accommodation) (England) Order 2012 consultation states:

'We propose that accommodation used for the purposes of a private rented sector offer to end the main homelessness duty is **not** to be regarded as suitable when:

- the local housing authority are of the view the accommodation is not in a reasonable physical condition
- the local housing authority are of the view that any electrical equipment provided does not meet with the identified Electrical Equipment (Safety) Regulations
- the local housing authority are of the view that the landlord has not taken reasonable fire safety precautions with the accommodation and any furnishings supplied.
- the local housing authority are of the view the landlord has not taken reasonable precautions to prevent the possibility of carbon monoxide poisoning.
- the local housing authority are of the view the landlord is not a fit and proper person to act in the capacity of landlord.
- a House of Multiple Occupation is subject to mandatory or discretionary licensing and it is not licensed.
- the property does not have a valid Energy Performance Certificate
- the property does not have a current gas safety record

- the landlord has not provided the local housing authority with a written tenancy agreement which the local housing authority considers to be adequate.

To date this element of the Localism Act 2011 has not been enacted, however it is widely anticipated to be so, and the Guidance consulted on earlier in the Summer to have Statutory guidance status by April 2013.

The Regulatory Reform (Housing Assistance) (England And Wales) Order 2002

It is a condition for receipt of an empty property grant from TBC that the property is provided as a home for a housing applicant for a total of 3 years on completion of the grant. This scheme will allow for TBC to manage the properties on behalf of the property owner, many claimants prefer this option to becoming a landlord themselves.

Aims of the Scheme

The aims of the scheme are to support the delivery of strategic objectives and actions as highlighted previously. Specifically, the development of the proposed approach will seek to:

- Increase the supply to TBC of homes in the private rented sector that are affordable, safe and healthy.
- Introduce an attractive management package to landlords as an incentive to participate in the scheme.
- Provide a quality professional service to landlords and tenants
- Provide an additional housing options to Tamworth residents
- Provide more choice of housing types and locations to housing applicants.
- Encourage empty property owners to enter the private rented sector and make good use of their empty homes.
- Enable TBC to manage houses that are subject to a management order.
- Enable TBC to discharge homeless duty in to the private rented sector.
- Reduce occurrences of homelessness and high expenditure on bed and breakfast costs.

Social purpose

By widening the choices of homes available to families within the borough there are many advantages which will have a positive outcome for many people. These advantages are highlighted in this chapter and also an explanation of why this scheme is a good solution to meeting housing demand in Tamworth by avoiding over regulation of the private sector.

The current state of the waiting list for social housing in the borough and the allocation of housing to priority need families results in non priority families remaining static on the waiting list for a long period of time. With so few properties in the social sector becoming available for tenants and TBC's duty to house homeless households within this sector the reality is non priority families miss out time and again. Homeless families with a priority need overtake non priority families on the allocation list. By discharging homeless duty into the private rented sector more non priority families will have a better chance of accessing property in the social sector.

The area of Tamworth houses a population of 74,500 (2001 census) Tamworth Borough Council currently has a limited number of housing to supply its residents with a total of 4257 properties within the area. These properties consist of houses, flats, bungalows, maisonettes and sheltered housing. This can be further broken down into the following:

Total number of:

1 bedroom – 866

2 bedroom – 1229

3 bedroom – 1998

4 bedroom – 154

5 bedroom – 9

7 bedroom – 1

Two bedroom properties are in greatest demand within the area however this is not reflected in the current stock owned by the authority with the greatest

number of properties owned being 3 bedroom. There are approximately 2100 people applying to be re-housed by the Council with demand for properties vastly outstripping supply. On average only 5-6 properties become available per week (or 300 per year with approximately 200 housing association nominations) for the 2100 applicants to bid for. The Council currently have 1000 active bidders and properties are allocated based on a priority banding with persons in the lower bands often having an extended waiting time.

The priority banding (Bands 1-4) have varying average wait times however an approximate time is given below (NB: these should not be viewed as strict guidelines):

- Band 1(1+): 3 month maximum
- Band 2: 6 to 12 months
- Band 3: 3 to 4 yrs
- Band 4: 3 to 4 yrs

The cost of securing housing in the private rented sector in Tamworth is unattainable to most families waiting on the housing register. Following research carried out at six local letting agents the average cost of moving into one of their managed properties ranged from £1300 pounds up to £2108. All either wanted a guarantor for the properties or would not take families on benefits. These costs are based on a one bed property so would increase significantly for a 3 bed family home.

Many families living in a private rented house struggle to meet the high costs of rents in this sector. For a working family this reduces the money available for other expenditure such as food and fuel. Families with high housing costs and low incomes are more likely to breakdown¹. For families claiming state benefits the high cost of private renting may lead to them not being able to afford to go back to work as the benefits claimed could either meet the level of income they would earn or surpass it. By ensuring an affordable rent in the private rented sector the burden of rent payments is much less and more in

line with the social sector which would allow for families to have more freedom to make positive life choices.

Debt management is a major problem with low income families high living costs has seen an increase in loan applications ² and credit card use. Debt has a very negative impact on a family and is quite often the cause stress and anxiety that result in a lessened ability to cope with every day life. This stress is often transferred to children and the family as a unit begin to suffer effects such as poverty, lack of self worth and homelessness. Education achievement can suffer as a result of a poor home and a strained family life.

Health and wellbeing can be dramatically affected by homelessness and poverty. Time spent in temporary accommodation has been widely recognised as leaving a long term damaging effect on normal family life. By providing more decent and affordable homes TBC can contribute in reducing these negative outcomes for families.

Most families with few choices due to the availability and cost of private rented houses often end up living in sub-standard housing conditions. Disrepair, lack of heating, the most poor quality housing is in the lower end private housing sector. This type of housing often includes unscrupulous or inexperienced landlords. Combined these two elements have a long reaching impact on the health and welfare of the families that range from increase risk of illness, increase risk of accidents and injury, poor physical and mental development to a poor academic achievement. Higher risk of eviction is prevalent in this sector and on many occasions in contravention of the Protection from Eviction Act 1977. This causes problems for families to settle down in to routine family life and schooling is affected by constant moving.

Other options are available that may be used to increase decent affordable homes in the borough but they have limitations. These include, but are not limited to the landlords Accreditation scheme which was introduced to drive up private rented accommodation standards. However this scheme along

with other such local authority schemes of its kind fails to attract members in sufficient numbers to have significant impact. To include further stipulations such as a fit and proper person check, as proposed by the consultation on the Homelessness (Suitability of Accommodation) (England) Order 2012 and to seek to set rent levels, would make the accreditation scheme even less attractive to local landlords.

The disadvantages of using available enforcement powers, such as licensing all private sector landlords, may deter new landlords to the area, create a large extra workload to the housing department and its partners to approve and set up the scheme and would require significant ¹resources which would be very expensive.

A social letting agency is the most appropriate and manageable option.

¹ ² the state of the nation report
SECTION D – CAUSES OF FAMILY BREAKDOWN
Social Policy Justice Group
2006

Legal Framework

A Social Letting Agency can be established by a local authority using its powers under the Local Government Act 2000 2(1)(b) to “promote the improvement of social well-being” in the local authority area. The Act allows TBC to act as an agent. The power to charge landlords for services on a non-profit basis is granted by the Local Government Act 2003 93 (1).

To act within its powers under the Local Government Act 2003 the Council will need to ensure that it does not make a profit. The intention is that the social lettings agency will be grant funded from the DCLG homeless prevention grant. The benefits will be in the prevention of homelessness and the reduction in the costs of bed and breakfast.

The Homelessness Act 2002 introduced a requirement for local authorities to adopt preventative measures for Homelessness and confirms that a local authority has the power to make payments which would enable the prevention of homelessness.

Products and Services

The scheme will operate as a social letting agency where by TBC manages properties on behalf of the owner.

Alongside the collection of the monthly rent, landlords have several responsibilities that include satisfying maintenance and repair issues, enforcing and adhering to terms of lease agreements and ensuring the security of tenants. These responsibilities provide landlords with a number of problems and challenges that can result in financial loss. This scheme has been designed to provide landlords with protection from these losses and provide quality homes to tenants.

The Management service provided by TBC will include:

- Tenant finder Service
- Rent collection
- Maintenance checks
- Repairs service
- Tenancy support service

Benefits to members of the scheme will be:

- Guaranteed Rent paid directly to the owner
- Free advertising
- No void periods
- Protection from costs of tenant damage
- Completed Inventories
- Empty property Grants (where applicable)
- Loans for minor works
- Help and advice on tenancy and housing law

Property standards

The properties must meet the following standards prior to signing the management agreement. This standard has been set as the minimum standard that a property should meet before it can be let. This standard also meets the criteria for the The Homelessness (Suitability of Accommodation) (England) Order 2012 as it was detailed in the consultation, to enable TBC to discharge its homeless duty into the private rented sector.

1. Housing Health and Safety Rating System

All properties must be free from Category 1 hazards.

2. Gas Safety

All gas appliances, alterations and repairs to gas installations must comply with current Gas Safety (Installation and Use) Regulations 1998. In particular all gas appliances and gas supply must be checked on an annual basis by a Gas Safe registered gas installer. A copy of the gas safety certificate must be provided to the scheme officer prior to signing the management agreement.

3. Electrical Safety

All electrical installations (including wiring, switches and sockets) provided by the landlord must be certified as safe by a competent electrician (i.e. a member of a recognised body) in accordance with current legislation, at least every 5 years e.g. NICEIC,

All electrical equipment must be safe, adequate and in good working order. It is a requirement of the part P of the building regulations and a copy of the Periodic Inspection Report must be provided to the scheme officer prior to signing the management agreement.

4. Portable Appliance Testing

Portable electrical appliances where provided by the landlord (e.g. fridges, microwave ovens, tumble dryers etc) must be kept in a functional and safe working order and be visually inspected on a regular basis for defects and repaired or replaced as necessary. It is recommended that a Portable Appliance Test (PAT) be carried out on earthed equipment (class 1) not more than every 2 years by a competent electrician. Appropriate certificates must be made available when joining the scheme.

5. Energy Performance Certificates

Landlords must obtain an Energy Performance Certificate and produce a copy for each prospective tenant during the initial property viewing. An Energy Performance Certificate is valid for ten years. A copy of the Energy Performance Certificate must be made available when joining the Scheme.

6. Fire Safety

Landlords must include fire safety precautions in the property in accordance with the Lacors Fire Safety guidance. An officer will assess the property during an initial inspection to ensure appropriate smoke detectors and fire safety measures are provided dependant upon the size and layout of each property.

If properties do not meet the above standard then officers will provide free help and advice to the property owner in order to ensure that all works and safety checks are correctly carried out to correctly and to be assured that the property is of an acceptable standard to be a part of the scheme.

Property Management

All properties on the scheme will be managed by experienced and authorised housing officers. In order to ensure the smooth running of the scheme the following procedures will be undertaken:

Tenant Checks

Each tenant would be subject to a financial assessment and reference check before being accepted for housing on this scheme.

Rent payments

Rent will be paid to the owners directly into their bank account each month.

Inspections

Qualified Housing Officers from the TBC Private Housing Enforcement Team will regularly inspect properties. They will ensure that the property is free from hazards and continues to meet the required property standards. Officers will also respond to all reported repairs, service requests and queries from tenants.

Tenancy support

Even with the most thorough of credit and reference checking quite often landlords experience problems with tenant behaviour or rent arrears. This scheme will offer a range of support options for tenants that are facing difficulty in adhering to the terms of their agreement. It is important to ensure that families maintain their tenancy for as long as possible. It is the aim of the scheme and Tamworth Borough Council is that families are adequately supported in their home as sustaining a long term let will provide stability and therefore improve the health, welfare and educational needs within the family which also benefits the wider community.

Anti social behaviour (ASB)

Any incidents of ASB will be promptly dealt with. This will be achieved by working with our colleagues based at Tamworth Police Station. Policies and procedures are already in place to deal with such occurrences.

Financial Summary

The financial elements of the scheme regarding rent accounts and income are set by national legislation by way of the acts listed in the legal chapter of this report. Precise accounting will be accomplished by the use of existing computer systems, Orchard and Efinancials which are currently used by TBC. This scheme is not for profit so any surplus funds will be invested back into the scheme. Monthly rent account checks and regular property inspections will be carried out to minimise any losses of income. An annual accounting report will also be required to ensure the scheme is not mismanaged.

Finance forecast shows that the scheme is unlikely to be cost neutral, however it is possible for the scheme to generate a small surplus. The benefit to Tamworth Borough Council comes from predicted reduction in the use of Bed & Breakfast.

Table 1 shows an example of the cost of providing temporary bed and breakfast accommodation for homeless families:

Bed and Breakfast		Per Night		Average Stay	Cost
Single Person	x1	£35		12 Days	£420
Single Person 1 Child	x2	£39		12 Days	£936
Couple 1 Child	x2	£45		12 Days	£1,080
Single person with 2 children	x2	£65		12 Days	£1,560
Couple with 2 children	x1	£89		12 Days	£1,068
Single person with 3 children	x1	£95		12 Days	£1,140
Couple or single person with 4 children	x1	£110.00		12 Days	£1,320
				Total	£7,524

Table 1

The ten households that have been selected are representative of the ten properties that will be sought during year 1 of the scheme. Twelve days is the **average stay** (average length of stay during 2011/12) for a household in bed and breakfast so is the number of days that have been used in this example. This total has been included in this report to demonstrate the cost of providing temporary

bed and breakfast accommodation and to provide a comparison between these costs and that of the operation of the scheme to show where savings can be made. This is discussed further in the summary section of this chapter.

Table 2 shows the Local Housing Allowance for Tamworth between April 2012 and March 2013:

	Weekly	4 Weekly	Monthly
Shared accommodation rate	£63.50	£254.00	£275.17
1 bedroom rate	£90.00	£360.00	£390.00
2 bedroom rate	£114.23	£456.92	£495.00
3 bedroom rate	£126.92	£507.68	£549.99
4 bedroom rate	£167.31	£669.24	£725.01

Table 2

The rent charged for each property is to be set in accordance with the above Local Housing Allowance rates. This will ensure that the tenants are paying an affordable rent.

TBC will keep 7% of the rent from each property as a charge for managing the property. This money will then be used towards the running costs of the scheme. The remaining 93% will be passed to the property owner.

Table 3 shows the potential expenditure that may be required to set up the scheme. These figures are based on realistic occurrences such as delays in benefit claims that are possible during the first few months of operating the scheme. These occurrences have been taken into consideration as it is vital to the reputation of the scheme that all costs imposed on TBC are covered. It is intended that any financial losses made in the initial stages of the scheme are promptly recovered. It will also be necessary to ensure during the operation of the scheme funds are available should they be required for any unforeseen purposes. Annual reviews of finance and cash flow will be carried out as standard during the entire continuation of the scheme.

	EXPENDITURE
Set up costs inc legal costs	£1000.00
Rent in advance **	£9644.00
Training	£1,000.00
Damage claims***	£5,000.00
Marketing/PR	£100.00
Stationery	£50.00
TOTAL EXPENDITURE	£16,794.00

Table 3

** This amount is based on the total amount of rent required to be paid to owners in the first two months of the scheme. The rent will be paid a month in arrears in accordance with the management agreement to the owners, this amount is set to allow for housing benefit claims to be processed taking consideration of possible delays.

*** This amount is set at a cost of £500 per property for the first year.

The initial set up costs will be funded by the DCLG homeless prevention grant in accordance with the Homelessness Act 2002 as approved in principle by cabinet in May 2012.

Table 4 shows the amount of monthly income that will be generated from the proposed scheme based on a 7% management fee.

Lettings	LHA Rate wkly	LHA Rate Monthly	Mgmt fee 7% monthly		Total
1 Bed	£90.00	£390.00	£27.30	x1	£27.30
2 Bed	£114.23	£495.00	£34.65	x6	£207.90
3 Bed	£126.92	£549.99	£38.49	x2	£76.98
4 Bed	£167.31	£725.01	£50.75	x1	£50.75
					£362.93

Table 4

Taking account of the total monthly management fee to be charged of £362.93 the figures will generate an annual income of £4355.16 in year 1 from the management fee charged.

Income & Expenditure

Table 5 shows a forecast of the income and operating costs over a period of three years:

Table 5

INCOME & EXPENDITURE FORECAST	YEAR 1	YEAR 2	YEAR 3
N° of properties	10	20	30
TURNOVER			
Income from managed lettings	£62219.88	£124439.76	£186659.64
Income from fixed fees	£1000.00	2000.00	3000.00
TOTAL INCOME	£63219.88	£126439.76	£189659.64
OPERATING COSTS			
Rent	£57864.49	£115728.98	£173593.47
Repairs & tenant damage (2% of the rent due)**	£1244.39	£2488.78	£3733.19
Rent arrears (5% of rental due)	£ 3110.99	£6221.98	£9332.82
Void allowance (2% of rental due)	£1244.39	£2488.78	£3733.19
Scheme administration & routine maintenance costs	£740	£1480	£2220
TOTAL OPERATING COSTS	64204.26	£128408.52	£192612.67
SCHEMES COSTS FOR YEAR	-984.38	-1968.76	-2953.03

** includes Insurance excess

Income will be generated from a management fee and a fixed annual fee and any additional costs will be met from homelessness grant money. The current income rate for the management is 7% of the rental income. An annual fee of £100 will be charged for administration costs of joining the scheme and for carrying out annual routine gas safety inspections.

The operating costs show a potential loss of income from rent arrears and tenant damage. This has been set at a rate of approx 7% as this is in comparison with costs on the current PSL scheme. It is the intention that any losses are kept to a minimum by applying a careful management regime. If any losses are made they will be recovered using the recharge procedures adopted for the operation of the scheme.

Void periods will also have a negative impact on the income of the scheme. This will be kept to a minimum by closely monitoring tenancies and effective working between the schemes operational staff and the Homeless Prevention Officers.

The above figures are based on a total of 10 properties managed on the scheme by the end of year 1, 20 properties by the end of year 2 and 30 properties by the end of year 3.

A total of 30 properties have been identified as the maximum that it would be feasible to manage on the scheme with existing staff and resources. It is possible that this total may be revised following review of the scheme once it is fully operational and as more information becomes available.

Summary

The information provided within this section of the plan indicates that the scheme could potentially incur costs over the first 3 years of £5,906.17. When this is compared to the total cost of providing bed and breakfast to homeless households as demonstrated in table 1, this represents better value for money for TBC. These figures, along with the social benefits and advantages of assisting homeless households into privately rented accommodation as outlined in Chapter 7 of this plan, demonstrate that this scheme is a viable and necessary addition to the provision of housing in Tamworth.

Risk Analysis

This chapter will explain identified financial, operational, compliance and strategic risks that could affect the scheme. Each risk highlighted has been assessed on the likelihood and severity and a mitigation strategy decided.

Risks	Issue	Reasons	Outcome	Mitigation
Financial	Rent arrears	Housing benefit processing times	Insufficient funds for operation of scheme, loss of reputation	Close working arrangements between HAT and Benefits Team
	Rent arrears	Tenants not claiming/or completing benefits forms on time	Insufficient funds for operation of scheme, loss of reputation	Assisting tenants to complete forms and check for submitted application
	Rent arrears	None payment of rent where no LHA is in payment or LHA is paid directly to tenant	Insufficient funds for operation of scheme, loss of reputation	Regular contact with the tenant to establish reasons for none payment and Notice if unable to resolve
Financial	Tenant Damage	Costs up to £500 to be covered by TBC	Insufficient funds for operation of scheme, loss of reputation	Vetting of tenants prior to sign up. Regular property checks. Recharge procedure to collect money from tenants. Eviction procedure.
Financial	Void properties	Long void periods will cost the scheme in lost rent	Insufficient funds for operation of scheme, loss of reputation	Waiting list for tenants and close working between HAT officers and PSE officers

Financial	Low demand from tenants	Difficulty finding tenants for houses, prolonged void periods	Loss of income.	No deposit required from tenants. Good quality houses only accepted, TBC managed and legislation changes to allow discharge of homeless duty into PRS. Gradual increase in number of properties to establish sufficient demand
Financial	Cash flow	Rent due to owners and money to carry out repairs must always be available	Loss of reputation. Tenant safety issues.	Close financial monitoring of income and expenditure for early identification and intervention.
Financial	Insurance cover	Public liability, Employee, and landlord cover.	Insufficient cover for tenants, employees and public	Council fully insured to act on behalf of property owners. Scheme condition for owners to provide policy details for each property managed.
Property Management	Health and Safety Regulations	Liable to ensure safety of tenants and visitors. Risk of illness or injury to tenants.	Injury to tenants or failure to comply with legislation.	Regular routine inspections. Repairs service to ensure properties are repaired promptly to a good standard. Properties to meet standards prior to sign up.
Property Management	Anti social behaviour of tenants.	Impact on neighbouring properties	Complaints from neighbours and disputes.	Tenant support service, close working with

				ASB team and eviction/ re-housing procedures
External	Conflict with Local Letting Agents	Local letting agents may feel threatened by service being provided by TBC	Bad publicity for scheme and disputes with agents.	Reassurance that scheme is designed for households not in their market therefore not competition.
External	Housing Legislation	Changes to legislation regarding letting of properties	Failure to comply with legislation	Constant review of law to ensure fully compliant at all times.
External	Low demand from owners	Owners not putting properties forward for scheme or properties not suitable	Scheme will fail if owners unwilling to sign up. Properties may not meet standards required.	Officers will work with owners to ensure properties meet the required standards prior to sign up. Scheme design to attract owners using guaranteed rents and repairs service. Low management fees and no hidden costs.
Internal	IT systems	System is insufficiently flexible to allow for accurate scheme reports	Financial risk to scheme and further development of the scheme	IT system currently in use for similar PSL scheme without issue. Additional record keeping by staff as appropriate

Internal	Staffing	Loss of expertise due to staff illness, absence or leaving TBC employment	Failure of property management, rent collection and record keeping.	Training additional staff members from the team on procedures and identification of back up staff resources. Written set procedures and instructions.
Internal	PSL scheme	Existing PSL may lose demand due to new scheme offering better deal to owners	Lack of properties for PSL scheme.	Set number of properties for both schemes so demand should be met on both schemes.
Internal	Other TBC Departments	Future homelessness grant allocation is not available, jeopardising the scheme. The scheme is mis- understood by staff internally	Financial risk to the scheme Reputation risk to the scheme & the Authority	Colleagues aware of risks to homelessness prevention schemes Full information available to all staff via the website

Future development and review

This scheme will be constantly monitored and reviewed. This will allow staff to identify options for the improvement of the scheme and also to identify how it can be extended to provide additional housing services to residents of Tamworth in the future.

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