



To: Executive Councillor for Housing
Report by: Director of Customer and Community Services
Relevant scrutiny committee: Community Services Scrutiny Committee 14th October 2010
Wards affected: All Wards

Private Sector Leasing (PSL) Scheme Key Decision

1. Executive summary

1.1 The Council has been commissioning a private sector leasing scheme via a Registered Social Landlord (RSL) partner since the early 1990s. The primary function of the PSL scheme has been to help the Council discharge its duty to provide homeless households with temporary accommodation under part 7 of the Housing Act 1996 (sections 188 and 193). The Council is now required by its Contract Procedure Rules to put this service out to tender. If a contract is subsequently entered into, the Council wishes to switch the primary focus of the service to provide accommodation to prevent, rather than respond to homelessness. Members are asked to support the proposal in this report and accept the officer recommendation that it offers the best value-for-money option for the Council.

2. Recommendations

The Executive Councillor is recommended:

2.1 To authorise officers to enter into a contract with a PSL provider in 2011, subject to a tender process, for a period of five years with an option to extend the contract for a further two years

3. Background

3.1 Since the early 1990s the Council has formed a partnership with King Street Housing Society (KSHS) to provide leased properties in the private rented sector.

3.2 The properties provided under this PSL scheme have enabled private landlords in Cambridge and its surrounds to lease properties to KSHS for an agreed period of time (usually several years) for an agreed fee

based on KSHS taking on the management and maintenance of the property, depending on the lease agreement.

- 3.3 The Council then has the opportunity to nominate households to occupy the property in order to discharge its duty to provide homeless households with temporary accommodation under part 7 of the Housing Act 1996 (sections 188 and 193).
- 3.4 The Council has used the PSL scheme to augment its own temporary housing stock.
- 3.5 In recent years the Government Department now known as Communities and Local Government (CLG) has set a target of a 50% reduction in the use of temporary accommodation for homeless households, to be achieved by December 2010.
- 3.6 When the target was set in January 2005 the baseline figure for households in temporary accommodation in Cambridge was 140.
- 3.7 While the figures do fluctuate, at 30th June 2010 the Council had exactly 70 households in temporary accommodation and much of this reduction has been delivered by increased efficiency in turnover of households into permanent accommodation.
- 3.8 Over the last few years the Council has significantly reduced its PSL portfolio with KSHS. This is partly due to the need to meet the temporary accommodation target, but also in preparation for the requirement to re-tender the service. The Council now only has 4 PSL properties with KSHS.
- 3.9 In preparation for a PSL procurement a small piece of research on local authority approaches to PSL schemes was completed and the results of the findings have influenced this report and are cited as a background paper
- 3.10 From this piece of work officers have concluded that we should aim to procure a PSL scheme, or similar, at zero cost to the local authority – it is clear that schemes of this nature do exist elsewhere and that providers can recover costs through the rents alone without seeking additional funds from the local authority.
- 3.11 Given the ongoing need to meet and potentially exceed the temporary accommodation target, the Council is primarily looking to use PSL properties to prevent homelessness and reduce the pressure on the Council in terms of homeless applications and demand for temporary accommodation.

- 3.12 The development of an Assessment Centre for rough sleepers in Cambridge with a limited stay means that the Council is also looking to assist voluntary agencies providing homelessness accommodation services in the City to extend the range of move on options for service users – the PSL scheme may also provide additional options here.
- 3.13 The Council's Strategic Procurement Adviser has assessed this venture as a 'relevant contract' under clause 3.1 of the Council's Contract Procedure Rules because, although it is being sought at zero cost to the local authority, it has a 'money's worth' value to the provider and, therefore, should be exposed to a competitive process.

4. Implications

- 4.1 In recommending a long-term contract for the PSL scheme officers would ask Members to consider the following:
- a) If a successful tender process takes place the service will be contracted at zero cost to the local authority
 - b) There are practical difficulties in building up a large portfolio of properties in a short period of time – the Council is looking for a minimum portfolio of at least 100 properties and this could take up to 3 years to deliver. Therefore, there will be a requirement for contracts to overlap to allow for a sufficient supply of properties and to allow providers to wind down existing leasing arrangements with landlords in the event of a change of contractor.
- 4.2 In assessing the 'money's worth' value of a seven year contract a calculation has been made based on the number of properties that may be provided per annum, the range of sizes of property required by the Council and the rent the provider would charge the tenant.
- 4.3 On the basis of the above the annual turnover (not profit) for a provider is calculated to be in the region of £232,750, which translates to a total contract value of £1,629,250.
- 4.4 There are no discernable risks to the Council in entering into a contract of this nature but the supply of properties may be at risk if the Government chose to introduce a formal link between RSL rents and the Local Housing Allowance (LHA) rates in Cambridge. The contract will provide for some flexibility on property locations to mitigate against this risk.

5. Background papers

These background papers were used in the preparation of this report:

Private Sector Leasing – Evaluating the way forward for Cambridge

6. Appendices

None

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name:	David Greening
Author's Phone Number:	01223 457997
Author's Email:	david.greening@cambridge.gov.uk