

Cambridge City Council

PART A: Project Brief – Town Hall Lettings

Project Title	Town Hall Lettings – Service Area Development
Estimated Start Date	April 2016
Target Completion Date	Set-up project completed March 2016 for formal start of expanded THL in April 2016
Project Manager	David Greening
Project Sponsor	Liz Bisset
Commissioning Body	

A1. Project Brief - Purpose

The purpose of this project is to help meet Annual Statement commitments, in particular commitments to:

- invest in new intermediate homes at affordable sub-market rents for those with low priority for social rent homes;
- improve conditions for private sector tenants;
- explore the feasibility of a social letting agency;
- tackle the problem of empty homes in the City; and
- support vulnerable people to sustain independent lifestyles in their own homes and local communities.

As detailed below, Town Hall lettings (THL) and the single homelessness service (SHS) have each assisted the achievement of some of these commitments. But if THL and the SHS are to continue to deliver existing successful work after April 2016, and also help further deliver annual statement commitments, the Council will need to commit to their continued funding. The amount and duration of this funding is detailed in Part B1 of this document.

A2. Project Background

THL is the Council's in-house social lettings agency. It was established in January 2014 with a primary brief to procure and manage properties to support the SHS. (The SHS is a sub-regional initiative established in October 2013 to assist single homeless people at a very early stage in their homelessness, so preventing them developing the range of negative behaviours which usually accompanies long term homelessness).

As of November 2015 the SHS and THL between them have:

- engaged with 479 single homeless people (of which 327 were Cambridge people);
- directly placed in permanent accommodation 184 people (of which 132 were Cambridge people);
- assisted 52 people to find their own accommodation (of which 33 were Cambridge people); and
- procured nine properties for single people sharing (providing at its peak 29 bed spaces).

Funding: The SHS has been wholly funded by a grant made to the sub-region by central government. This money runs out in April 2016. THL, although largely funded by the Council, has also depended on the government grant in part as supplementary funding but largely because the SHS and THL are operationally co-dependent.

A recent successful application to the sharing prosperity fund (SPF) will ensure that much of the single homelessness work done by THL and the SHS can continue until April 2017. However, THL is in line to take on two additional strands of work in the final quarter of this financial year. The first of these is the management of 23 properties purchased on the open market by the Council's newly-established housing company and let on assured tenancies to middle-income households. The second strand is the management of properties realised through the Council's revived empty property strategy.

Taking on these further duties will require funding for an additional part-time member of staff from 2016-17. Taking the service (as a whole) forward after April 2017 will also require funding to substitute for the SPF money when this comes to an end.

This proposal requests a commitment to funding from the general fund for two years from April 2017, as set out in Tables 1 and 2, allowing a full three-year pilot. Should this funding be refused a further bid to the SPF is contemplated, but an annual grant is far less desirable. Stable funding will allow a proper evaluation of the new strands of work and of THL's contribution. (N.B. Tables 1 and 2 set out a five year plan in order to better illustrate the progressive reduction of subsidy required under different expansion assumptions).

A3. Objectives

The project has the following shorter-term objectives:

- To ensure that the successful work of THL and the SHS can continue beyond April 2017.
- To establish THL as the management arm of choice for PRS homes acquired under the development programme and the empty homes strategy.

The project has the following longer-term objectives:

- To develop THL as a fully-functioning social letting agency dedicated to providing accommodation for Cambridge households the market is not able to provide for.
- To reduce costs to tenants by charging lower and fewer management fees.
- To offer private tenants enhanced security of tenure.
- To provide good-quality accommodation and influence standards of accommodation in the wider market.

If the project does not go ahead the consequences will be:

1. There will be a significant reduction in accommodation outcomes described in A2 above

for the single homeless of Cambridge.

2. From 2017 Town Hall Lettings will end existing management contracts with landlords as contracts expire. This would likely result in the loss of up to 29 local low-cost units of accommodation.
3. The social lettings agency objective in the annual statement will need to be reconsidered in the light of the effective termination of THL.
4. Options will need to be reconsidered for managing any PRS homes delivered through the development programme or the empty property strategy.

A4. Benefits

The project will:

- deliver annual statement objectives;
- make a strong contribution toward the Council vision of tackling the housing crisis and sharing the City's prosperity; and
- make a strong contribution to the Council's housing vision.

A5. Deliverables

Please see Part B.

A6. Scope

The scope of the work is described in Section A3 'Objectives'.

A7. Out of Scope

An arrangement has been agreed with South Cambridgeshire District Council where THL will continue to assist during 2016-17 in return for a fee. (See Table 1). This aside, THL will not procure or manage accommodation for another local authority except by special arrangement. Any such special arrangement will be at no cost the Council and fees may be charged the client authority in suitable cases.

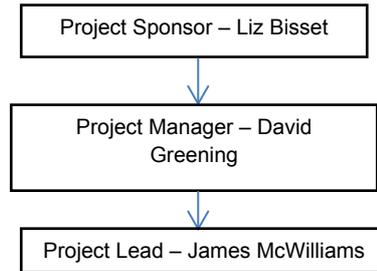
A8. Constraints

Potential constraints are considered at Part B9: Risk.

A9. Resources Requirements

If the project is approved, funding will be required from April 2016. This is detailed in Part B1.

A10. Proposed Project Organisation



A11. Project Brief Sign Off	Date Agreed
Project Manager	
Project Sponsor	

PART B: Project Appraisal

B1 Estimate the Project Costs

THL's business model anticipates four strands of income:

1. Fee income from the housing company. (Fees from this source are expected to come on stream from Quarter 1 2016-17 as THL takes over management of 23 PRS homes presently under development in Aylesborough Close and Water Lane).
2. Fee income for managing PRS homes realised under the empty property strategy and other environmental health initiatives.
3. Fee income from South Cambridgeshire DC (2016-17 only).
4. Fee income from private landlords.

The tables below summarise the anticipated 5 year plan for THL, with Table 1 assuming that the GF Housing Company does not expand its housing assets beyond the 23 dwellings initially acquired. Table 2 assumes an increase in stock holding by the company of 5 units per annum.

The assumption made in both tables, is that the THL Team (the Council), provide a full management service to the company for a fixed fee of £750 per property per annum initially. This assumes that the Council incurs all day to day expenditure, and recharges the company by invoice. The costs involved with management of the properties will need to be reviewed at the end of year 1, to determine whether the fee structure needs revision. The company will only pay fixed overheads (audit, accountancy, insurance, etc) directly.

An alternative option would be for the Council to incur and pass on only the staffing and associated costs of the THL Team, and for the company to make payment for all other costs directly. This option, however, is considered more complex whilst the company is in a pilot phase.

Table 1: 5 year plan for THL with initial GF management responsibilities

Town Hall Lettings - Income / Expenditure / Subsidy 2016/17 - 2020/21					
Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Single Homelessness Service Coordinator / Letting Officer (Band 5)	£37,138	£37,881	£38,638	£39,411	£40,199
Letting Agency Coordinator / Finance Officer (Band 4 - 25 hours)	£20,168	£20,571	£20,983	£21,402	£21,830
Direct operating costs, office running costs, overheads	£8,625	£8,798	£8,973	£9,153	£9,336
Total expenditure	£65,931	£67,250	£68,595	£69,967	£71,366
Income					
Management Fee Income (Cambridge Property Company)	£17,250	£17,595	£17,947	£18,306	£18,672
Set-Up Fee (Tenants)	£4,600	£1,000	£1,000	£2,300	£1,000
Management Fee Income (Empty Homes Initiative and Private Landlords)	£0	£4,224	£8,617	£13,184	£17,930
South Cambridgeshire DC	£12,434	£0	£0	£0	£0
APS Fund	£36,360	£0	£0	£0	£0
Total income	£70,644	£22,819	£27,564	£33,790	£37,602
Total estimated subsidy requirement	-£4,713	£44,431	£41,031	£36,177	£33,764

Table 2: 5 year plan for expanded THL

Town Hall Lettings - Income / Expenditure / Subsidy 2016/17 - 2020/21					
Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Single Homelessness Service Coordinator / Letting Officer (Band 5)	£37,138	£37,881	£38,638	£39,411	£40,199
Letting Agency Coordinator / Finance Officer (Band 4 - 25 hours)	£20,168	£20,571	£20,983	£21,402	£21,830
Direct operating costs, office running costs, overheads	£8,625	£8,798	£8,973	£9,153	£9,336
Total expenditure	£65,931	£67,250	£68,595	£69,967	£71,366
Income					
Management Fee Income (Cambridge Property Company)	£17,250	£21,345	£25,522	£29,782	£34,128
Set-Up Fee (Tenants)	£4,600	£1,000	£1,000	£3,300	£1,000
Management Fee Income (Empty Homes Initiative and Private Landlords)	£0	£4,224	£8,617	£13,184	£17,930
South Cambridgeshire DC	£12,434	£0	£0	£0	£0
APS Fund	£36,360	£0	£0	£0	£0
Total income	£70,644	£26,569	£35,139	£46,266	£53,058
Total estimated subsidy requirement	-£4,713	£40,681	£33,456	£23,700	£18,308

Tables 1 and 2 make the following assumptions:

1. In Year 1 (2016-17) THL takes on the management of 23 housing company properties attracting a management fee per property of £750 per annum.
2. That THL charges a tenant set-up fee of £150 for a first tenant and £50 for a second tenant and that all properties are let to two-tenant households.
3. That half the properties have a change of tenant in the first three years, attracting further set-up fees (shown here in nominal terms as all accruing in Year 4).
4. From Year 2 THL acquires 4 properties per year to manage for private landlords either directly or through the empty property initiative resulting in 16 such properties by Year 5.
5. That management fee income per private property is £1,056 per property per annum based on 8 percent of a £1,200 rental and an allowance of one-twelfth voids.
6. That all fees and salaries, except the tenant set up fee, increase at a rate of 2 percent gross per annum.

Table 2 makes the following additional assumption:

7. THL takes on the management of a further 5 properties a year from the property company from Year 2, resulting in a housing portfolio of 43 units from this source by Year 5.

If the assumptions informing Table 1 hold, THL will manage 39 fee-earning units by Year 5, achieving break-even in Year 13. If the assumptions informing Table 2 hold, THL will manage 59 fee-earning properties by Year 5, achieving break-even at the end of Year 7.

B2. Procurement Strategy

We are advised there are no procurement issues arising from this project.

B3. Estimate the staffing resources required to deliver the project

Please see B1 above

B4. Wider Staff Implications

The existing landlord liaison officer will continue in his role as de facto manager of THL.

In addition to the officers mentioned at B3 (above), the housing advice service manager (the project manager) and the housing advice partnerships manager (the project lead) will need to spend time to do the following:

- Consult with officers and members;
- Shape the project in response to such consultation;
- Prepare a report for housing scrutiny committee seeking consent to the project;
- If consent is given, integrate the project into the wider work of the housing advice service and other Council activities connected with the project;
- Work with existing officers to develop a comprehensive suite of policies and procedures; and
- Recruit suitable staff.

The housing advice partnerships manager will work with environmental health colleagues to develop a working agreement to manage empty properties and properties which may be acquired through housing management orders. Work is ongoing with legal services to establish a sound legal framework for THL and the housing management operation.

B5. Outline Your Approach to Consultation

As has been noted, several key elements of this project have been determined by elected members.

Internally, we have consulted with legal services and environmental health, business transformation and finance.

Externally, we have sought independent legal advice.

B6. Equalities Impact

The project represents an expansion of existing services supporting those in housing need so an equalities impact assessment has not been deemed to be necessary at this point.

B7. Environmental Impact

The environmental impact assessment has identified a minor environmental gain from the project and no adverse environmental effects.

B8. Further Impact

No additional impacts have been identified.

B9. Risk Assessment

1. State aid rules.

Risk: That the letting activities of THL will run counter to state aid rules.

Mitigation: As a part of the Council, THL is advancing the Council's legitimate housing objectives. With regard to competing with letting agencies for private landlord business, the Council will be working within recognised industry fee percentages. State aid rules will not apply to this work as the sums involved are below the trigger level.

2. THL as managing agent for housing company properties.

Risk: Is THL the best agency to manage property realised through the development programme?

Mitigation: There are three possible alternatives to THL: an existing letting agent, City Homes or a registered provider. Looking at these in turn:

1. Letting agent.

From a risk perspective there would be considerable difficulties in seeking to use a private letting agent, as follows:

- There is uncertainty whether a private letting agency would be interested in the business.
- If commercial letting agents were to take on management it is likely that they would require higher management fees relative to an in-house alternative. The proposed management fee for tenancies created from the development programme is £750 per property per annum, equating to around 3 percent gross on a typical rental.
- Private letting agencies normally charge between 10 and 12 percent.
- Commercial agents make money from tenants as well as landlords. Assuming the Council would wish its PRS homes to be let to tenants free of all charges except

rent and set-up fee, it would need to compensate the management agent for this loss of income, resulting in even higher percentage fees.

- It is not clear how the Council would fund this difference between commercial and in-house fees.
 - It is likely the Council or the housing company would need to run a procurement exercise to select the commercial agent.
 - Relative to an in-house provider, there would need to be a much more comprehensive and intensively-managed service level agreement between client and contractor.
- 2. City Homes.** City Homes is a good alternative contender for the work. It has highly-trained staff, a strong public-service ethic and long housing management experience. However, it is uncertain whether City Homes can take on the work within its current staffing capacity. Additionally, City Homes does not have experience of managing PRS homes let on assured tenancies.
- 3. Registered provider.** A registered provider would offer the same advantages as City Homes but also some of the disadvantages associated with a private letting agent in terms of needing to set up a procurement exercise, the likely level of management fees required, and the need to more closely monitor the service level agreement.

THL offers the following advantages over other providers:

- Good and growing experience in the management of assured tenancies, including enforcement action through the courts.
- Experience of dealing directly with private owners.
- Economies of scale and opportunities for the development of further expertise to be realised from bringing together within one team and under one brand all the Council's private letting activities.
- These economies of scale will include THL being able to continue its successful contribution to the single homelessness service.
- As an in-house social letting agency, THL fulfils an outcome members have committed to give consideration to in the Annual Strategy.

A further mitigation is that this project is proposed as a pilot with annual reviews.

3. THL's business plan assumptions may prove to be over-ambitious.

Risk: Tables 1 and 2 (above) model the most likely of a number of financial and staffing options for THL. This model shows the level of Council subsidy progressively declining as the number of fee-paying properties in THL's portfolio increases. These assumptions may not be realised, requiring a higher level of subsidy from the Authority than is predicted here.

Mitigation: THL's business plan is based on stretching, but realistic objectives. Staffing is overwhelmingly the main item of expenditure. A cautious approach to expansion will be taken. Additionally, the project will proceed as a pilot, subject to annual review.

B10. Anticipated Approach and Timetable

The following approach and timetable is anticipated:

Stage	Outcome / Deliverable	Date of Completion
Consideration by Programme Board	Scrutiny of proposal	27 October 2015
Consideration by SLT	Scrutiny of proposal	16 November 2015
Consideration by Housing Scrutiny Committee	Scrutiny of proposal / Approval	2016
Work with housing company on developing allocation policy and management agreement for Water Lane properties.	Letting policy and procedure and service level requirements agreed	January – February 2016
Take charge of Water Lane properties		January – March 2016
Work with EH to develop acquisition and letting strategy for properties acquired under empty homes strategy.	Letting policy and procedure and service level requirements agreed	January – March 2016
Revivify THL marketing in anticipation of expanded structure from April 2016		January – March 2016
Recruit additional staff member		January – March 2016

B11. Outline the scope of any pilot study required

The project is envisaged as a three-year pilot beginning April 2016. Annual reviews by officers will be presented to the Executive Councillor. A full review will be brought to Housing Scrutiny Committee at the end of the three-year term.

B12. Financial Case Summary

Please see costing projection at Table 1. A key point to emerge from the costing analysis and the attached risk assessment is that in the medium term (8+ years) the cost of not entering into this project may be greater than the cost of expanding.

B13. Project Approval Sign Off	Date Agreed
Project Manager	
Project Sponsor	
Summarise comments from Commissioning Body to be incorporated in the project plan and implementation	

PART C: Project Management Plan

C1. Project Tasks	
Task	Success criteria
Consideration by SLT	Approval
Consideration by Housing Scrutiny Committee	Approval
Work with housing company on developing allocation policy and management agreement for Water Lane properties.	Allocation policy agreed Management agreement with housing company in place (to include details of reporting, accountability, governance and performance standards).
Take charge of Water Lane properties to include: <ul style="list-style-type: none"> interview and select tenants prepare all documentation arrange rent collection processes arrange internal accountancy processes agree independent audit processes. complete internal procedure documents 	Documentation agreed and completed
Work with EH to develop acquisition and letting strategy for properties acquired under empty homes strategy.	Arrangements agreed to maximise rented accommodation solutions from empty property strategy.
Revivify THL marketing in anticipation of expanded structure from April 2016	Marketing strategy agreed and implemented. Increased interest from private landlords of THL as fee-earning letting agent.

Recruitment of one additional THL staff member	Staff recruited.
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C2. Project Plan

For the project timetable, please see B.10 (above).

Management of Water Lane properties – a major element of this project - will depend critically on the following:

- The timely creation of the Council's arm's length property company.
- The purchase by the property company of the Water Lane properties.
- The (already indicated) willingness of the property company to choose THL as its property management partner.

C3. Risk Management

The risks identified at B9 (above) will form part of the annual review and will form part of the cycle of monthly reporting detailed at C6 below.

C4. Communications Plan

Internal communication through targeted staff briefings, website, bulletin board, Management Matters and Insight.

External communication by press release, Open Door and Cambridge Matters.

Target private landlords through landlord forums, mail-shots to known landlords and attendance at the Cambridge Business and Enterprise Forum.

C5. Project Governance

Operational Governance:

James McWilliams (Housing Advice Partnerships Manager)

David Greening (Housing Advice Service (HAS) Manager)

These officers will manage the day-to-day operation of THL in its expanded role. They will

ensure that officers delivering the service have clear operational guidelines, policies and procedures. They will set and monitor performance indicators for the service and advise on any operational issues. They will advance any issues that involve questions of strategy to the strategic governance panel.

Strategic Governance:

As above plus the HAS Manager's line manager.

These officers will be responsible for the strategic governance of the project, in particular matters arising from the management of properties created from the development programme and managed by THL. This governance group will consider whether THL is providing a value-for-money service relative to alternative delivery models. It will also decide on matters like the further expansion of THL and other questions which might arise from local and national political developments. It will consult with the executive governance group on key decisions.

Housing Company / THL Governance

Housing Company lead officer and James McWilliams

This governance group will be responsible for monitoring the service level agreement between THL as managing agent and the housing company set up to purchase properties for private let.

Executive Governance

Cllr Kevin Price (Executive Councillor for Housing)

Liz Bisset (Director of Customer and Community Services)

This governance group will control the broad direction of the project. Its consent will be required should there be any need to change key aspects of the project, in particular any change to the objectives the project was set up to achieve or changes affecting the financial plan. Significant changes to the project will be brought to Housing Scrutiny Committee.

C6. Monitoring Arrangements

The project lead (Housing Advice Partnerships Manager) will report monthly to the HAS manager.

The HAS manager will report monthly to the Head of Strategic Housing.

The strategic and executive governance groups will meet as required.

The HAS manager will present a report to members in January 2015.

THL officers will present a monthly report to the project lead detailing, among other matters:

- rent collection rates by accommodation type;
- tenancy changes and voids by accommodation type;
- new property acquisitions relative to the project plan.

From the inception of the proposed expanded THL service (in April 2016) the project lead

will prepare a quarterly report contrasting progress against the financial and business plans and proposing the action which should be taken in the event of significant variation.

The project is envisaged as a three-year pilot renewed annually. An annual report will be presented to the Executive Councillor and a full report presented to the Housing Scrutiny Committee at the end of the three-year term.

C7. Document Control

Should the project plan be approved by the project board, the HAS manager will present a report to the Housing Scrutiny Committee meeting on 13 January. This report will be accompanied by a document setting out in full the project plan.

This document will then become the basis for further reviews at annual intervals.

Document Control

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Authorised by	David Greening