



SPECIAL HOUSING AND REGENERATION SCRUTINY COMMITTEE – 10TH FEBRUARY 2022

SUBJECT: WELSH GOVERNMENT LEASE SCHEME PROPOSAL

**REPORT BY: CORPORATE DIRECTOR SOCIAL SERVICES AND
HOUSING**

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1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform members of the current request from Welsh Government for Local Authorities to express an interest in the Leasing Scheme Wales (LSW) in meeting their duties under Part 2 of the Housing Wales Act 2014.
- 1.2 The report is seeking the views of Scrutiny Committee of whether CCBC should express an interest in the Leasing Scheme Wales or to decline the expression of interest and remain with its current Private Sector Scheme - Caerphilly Keys. A report will be taken to Cabinet for decision on 23rd February 2022, which will outline the views of Scrutiny Committee.

2. SUMMARY

- 2.1 Members will be aware that in August 2018 the Housing Solution Team Launched its own private sector leasing scheme Caerphilly Keys.
- 2.2 In 2019 Welsh Government asked Local Authorities to express an interest in adopting a pilot of the WG lease scheme to ensure that Local Authorities have access to Private Sector Accommodation to discharge their Statutory Duty.
- 2.3 CCBC at that time made the decision not to express an interest in the pilot as a result of the local authority having its own Private Sector Scheme under the umbrella of Caerphilly Keys.
- 2.4 Welsh Government have now produced a LSW offer for Local Authorities and asked all whether they wish to express an interest in adopting this scheme.
- 2.5 Should CCBC wish to adopt the LSW scheme then it would need to disband the current private sector model Caerphilly Keys. This model currently supports the Housing Solutions Team in meeting its statutory obligations in discharging Homelessness duties in the private rental sector.
- 2.6 The report outlines the current proposal from WG regarding the LSW offer to Local

Authorities.

3. RECOMMENDATIONS

3.1 Members are requested to consider the report and agree on which of the two pathways the Housing Solution team should adopt to take forward its private rented sector scheme.

Option 1

- To express an interest in Leasing Scheme Wales (LSW) and take this forward as the Council's private sector pathway and disband Caerphilly Keys

Option 2

- Decline to express an interest in the LSW on the grounds that CCBC has a successful PRS scheme in place with Caerphilly Keys.

3.2 Option 2 is the preferred option as detailed below in the report.

4. REASONS FOR THE RECOMMENDATIONS

4.1 Having considered the Welsh Government proposal and undertaken a comparison with Caerphilly Keys, there is no opportunity for both models to operate at the same time. They would be in direct competition, in an already highly saturated private rental market. Therefore, the preference of officers is to choose to continue with Caerphilly Keys and not express an interest in the LSW.

4.2 The key reasons for this are:

- Well established trusted model, running for the last 3.5 years
- A good portfolio of private landlords already on board with the scheme
- A variation of lease lengths and ability to charge varying rents above and at, the LHA rate is working
- There are no contractual maintenance obligations for CCBC
- Tenancy support is available via the scheme to promote tenancy sustainability
- Further offers to secure additional properties by some landlords already on the scheme have been made to Caerphilly Keys
- Partnership working with DWP is in place for Caerphilly Keys tenants which allows issue with DWP benefits to be swiftly addressed to prevent homelessness and financial difficulties.
- Survey feedback from the current Caerphilly Keys landlords is that the LSW incentives aren't attractive and they would not switch to the LSW scheme putting at risk vulnerable residents
- Any areas of LSW which we believe will improve Caerphilly Keys can be considered going forward such as minimum tenancy lengths for additional tenant security

5. THE REPORT: LEASING SCHEME WALES – THE PROPSAL / OFFER

5.1 The Leasing Scheme Wales (LSW) is designed to increase access to affordable and good quality private rented accommodation

- 5.2 The Scheme will support those who are at risk of Homelessness or homeless as defined under the Housing Wales Act 2014
- 5.3 The Scheme will provide tenants with longer term security of accommodation in the PRS sector at a local housing allowance (LHA) level.
- 5.4 The scheme is intended to complement and act as a resource for Local Authority Homelessness Teams seeking to move households on from temporary accommodation.
- 5.5 Those tenants who are housed under the scheme will be provided with a High Level of support to help maintain their tenancies and reduce the risk of repeat / future homelessness by addressing their support needs quickly and responsibly.
- 5.6 Through LSW, local authorities will acquire quality properties for a period between 5 – 20 years, providing regular rental income to property owners at the local housing allowance rate, less a management fee equivalent.
- 5.7 All properties will be assessed for their suitability by the Local Authority to ensure they meet the required standard as outlined in the Scheme Requirement.
- 5.8 Under the Lease Agreement Local Authorities will take on specific obligations in relation to the maintenance of the property and the rent which it pays the owner.
- 5.9 The rent under the lease agreement will be less than that which the local authority will receive from sub-letting the property.
- 5.10 The Local Authority will receive rent at the LHA rate and under the terms of the lease it will pay at a rate which is an agreed percentage less than LHA rates.
- 5.11 The Financial difference in rent values charged to tenants and paid to property owners will be retained by the Local Authority and used to help fund maintenance obligations.
- 5.12 At the end of the lease term the property will be returned to the owner in its original condition subject to reasonable wear and tear over time and as per the lease agreement.
- 5.13 Local Authorities are expected to market the scheme and to be in line with Welsh Government's communication and marketing guidelines.
- 5.14 Local Authorities are required to identify and secure properties for the scheme which Meet the requirements of the scheme.
- 5.15 Model Lease Agreements will be provided by Welsh Government to local authorities
- 5.16 Local authorities will need to ensure landlords have the required insurance and mortgage arrangements in place to enable them to participate in the scheme
- 5.17 The property owner would usually be liable for building insurance and that cover is in place for the term of the lease to mitigate against any risk
- 5.18 Properties accepted onto the scheme must meet required minimum standards
- 5.19 A renovation incentive can be offered to landlords where their property does not meet

the minimum standard or to improve the property's EPC rating

- 5.20 The renovation incentive will be no more than £5,000
- 5.21 Renovation incentives will only be offered to landlords who sign up to LSW.
- 5.22 The Local Authority will be responsible for drawing up and agreeing specification / scope of works required and costings.
- 5.23 If a grant is approved then local authorities can claim the amount of grant from Welsh Government.
- 5.24 Should the property owner activate a break clause within their lease contract then the property owner will be expected to repay the grant amount in full.
- 5.25 The Local Authority will take responsibility to administer this process.
- 5.26 Empty properties can be brought into the scheme.
- 5.27 Empty properties will be eligible for higher grant values in relation to the renovation incentive and properties would be eligible for a grant up to a maximum of £25,000.
- 5.28 Grants for over £10,000 will require Welsh Government approval.

Model and Lease Agreements

- 5.29 Model Lease / Bare Contractual and Incentive agreements will be provided to use by the Local Authority.
- 5.30 The Local Authority will have no discretion as to the amount of rent payable to the owner and is the equivalent of the LHA rate less a percentage equivalent to a management fee.
- 5.31 Local Authorities will not be able to supplement the LHA rent to owners as an added incentive.
- 5.32 The Management fee retained by the Local Authority can be used to help fund maintenance or other running costs.
- 5.33 Local Authorities will be required to let properties at the LHA rate and this will be paid either weekly or monthly by the tenant to the local authority.
- 5.34 Welsh Government have agreed to subsidise certain losses that the local authority may accrue through the operation of the scheme.
- 5.35 The exact elements of funding available would be confirmed in any rent offer letter issued to the Local Authority.
- 5.36 Eligible losses could include staffing costs, tenancy support costs, capital and revenue losses.

Caerphilly Keys – Caerphilly County Borough Council Scheme

- 5.37 Caerphilly County Borough Council Housing Solutions Team launched Caerphilly Keys Private Rented Scheme in 2018 to meet its statutory requirements in

discharging its duties into the PRS sector in line with the Housing Wales Act 2014.

- 5.38 Caerphilly Keys helps landlords find long term tenants for their properties promoting tenancy sustainability and to assist with reducing repeat homelessness.
- 5.39 Through Caerphilly Keys the team provide a service that matches tenants to a property and then continue to support both landlord and tenant throughout the lifetime of the tenancy to address any tenancy or welfare support needs that may arise to ensure the tenancy is sustainable.
- 5.40 The Caerphilly Keys Scheme formulates part of the Housing Solutions Team and has its own dedicated officers to manage and work with the scheme.
- 5.41 Caerphilly Keys currently does not enter into any formal contract with a landlord and the success of the scheme has been built on hard work and building excellent and trusting relationships between dedicated officers and landlords.
- 5.42 There are no financial costs attached to Caerphilly Keys that the Local Authority currently has to consider apart from its staff salary costs which are already set within the service areas budget.
- 5.43 Caerphilly Keys tenants are initially offered a six-month assured shorthold tenancy and following this the tenancy can either run as a periodic tenancy or landlords will issue further assured shorthold tenancies for an agreed length of time with the tenant.
- 5.44 Whilst Caerphilly Keys does not enter into any formal lease agreement for the property with the landlord there is an understanding between the landlord and Caerphilly Keys that we are looking for properties for longer term letting rather than short term Our current property portfolio highlights this as we have had tenants in a property under the scheme since the scheme was launched in 2018.
- 5.45 Whilst rent levels for properties are not always set at the LHA rate, all properties taken onto the scheme have to be considered to be a reasonable and affordable rent so we can ensure we can tenant match and promote access to affordable accommodation
- We have 33 properties on scheme which are set at LHA rate
 - We negotiate with landlords to let the property at 10-15% under the market level rent
 - Rents vary from £360pcm for a 1-bedroom flat – £700pcm for a 4-bedroom property in Penpedariheol.
- 5.46 All properties /landlords that are taken onto the Caerphilly Keys scheme are Rent Smart Wales registered and inspections of properties are undertaken to ensure they are fit for purpose and suitable for the scheme.
- 5.47 The portfolio has grown in its capacity year on year. Since its original launch in 2018 and now there are 103 properties operating under Caerphilly Keys that range from 1-4 bed properties.
- 5.48 All 103 properties will have tenants that have either been prevented from being homeless or their homeless situation relieved in accordance with the duties under the Housing Wales Act 2014.

- 5.49 The Scheme has supported nearly 95 households into properties via this private rented scheme to date, 61 of these households were single person households.
- 5.50 All property/ tenancies, apart from 5 properties, still have the original tenant in situ at the property, of which the longest standing tenant has been in their tenancy since August 2018.
- 5.51 The Scheme currently has 7 properties pending tenant matching for January 2022 and 6 x 1 bed that will be in the portfolio by March 22. (these are included in the 103 total portfolio figure).
- 5.52 Financial assistance has been secured through Welsh Government Covid 19 Phase 2 Homelessness funding for remedial works to be carried out at 6 x 1 bed properties to assist the local authority in its discharge of duty into the private rented sector for households homeless who are in temporary accommodation.
- 5.53 Caerphilly Keys has its own dedicated tenancy support officers who visit and address any tenancy or support related issues to prevent any tenancy breakdown.
- 5.54 Caerphilly Keys expanded its service in February 2020 and employed a support worker to assist with any tenancy and welfare support need issues that may arise and to assist in the prevention of any breakdown of tenancy and to help promote tenancy sustainability.
- 5.55 In December 2020 the DWP awarded a grant to CCBC which provided Caerphilly Keys with its own dedicated DWP officer who works in partnership with tenants of Caerphilly Keys / Landlords and Caerphilly Keys Officers to tackle DWP benefit issue and to promote access to training and employment opportunities to assist in the prevention of Homelessness and to maximise access to employment.
- 5.56 In October 2021 Caerphilly Keys launched its own Website and from this we have received 12 landlord contact details and the team are currently in the process of following these contacts up and seeing what property options may be available to bring onto the scheme.
- 5.57 The website has had 381 hits since it was launched in October 2021.
- 5.58 In December 2021, in partnership with funding from the DWP, a digital Van was placed in the Borough for five days and to date this has resulted in one landlord contacting Caerphilly keys to discuss the potential of bringing on line 9 single person accommodation units.
- 5.59 Partnership arrangements are in place between Caerphilly Keys and the Local Authority Empty Properties team to maximise bringing empty properties within the borough back into use and to enhance the property portfolio.
- 5.60 A survey has been undertaken with the landlords registered with Caerphilly Keys regarding the LSW proposal and all landlords have advised that if CCBC move across to the LSW scheme then based on current proposal they would not wish to transfer across.
- 5.61 This would mean that we would lose the current portfolio built by Caerphilly Keys since 2018 and that tenants could possibly be served Notice at a later date as Caerphilly Keys would no longer be supporting the tenants.

Conclusion

- 5.62 The report outlines for members the current proposal from Welsh Government on the Leasing Scheme Wales and how the LSW will be managed and run by local authorities.
- 5.63 The report outlines for members the current Private Rented Sector Scheme via Caerphilly keys and the property portfolio that is currently being managed by the Housing Solutions Team to meet its statutory obligations and further highlights the success of this scheme to date.
- 5.64 The report highlights for members the feedback received from current landlords who are working with Caerphilly Keys with regards to any possible transfer across to the LSW scheme.
- 5.65 The comparison review of both schemes has led officers to recommend to cabinet that CCBC continue with the Caerphilly Keys model and declines to express an interest in LSW.

6. ASSUMPTIONS

- 6.1 The Report has had to assume based on the LSW proposal and guidance that any financial losses the Local Authority could incur linked to staffing costs, capital costs, revenue costs and tenancy support costs would be eligible for refund from Welsh Government.
- 6.2 Feedback from Caerphilly Keys landlords detailed in the report, leads us to assume that if the decision is to take forward the LSW scheme, then the Housing Solutions team will be working with a blank property portfolio and would not be able to transfer the properties currently attached to the Scheme.
- 6.3 That there will be landlords within the borough who are willing to work with the scheme.
- 6.4 It is difficult at this time to conclude what financial impact the scheme could have on the authority for repairs and maintenance.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 Please see attached Integrated Impact Assessment and key highlights below.
[Link to Integrated Impact Assessment](#)
- 7.2 Linked to the Well-being of Future Generations Act the proposal will have a positive long-term impact in sustaining communities and will allow households who have experienced homelessness to have access to longer term stable accommodation that is affordable to them and meets their longer-term housing need.
- 7.3 Housing Wales Act 2014 -Part 2, allows for the statutory discharge into suitable private sector accommodation to alleviate and prevent homelessness. By providing such stable accommodation this will have a positive impact on any households wellbeing and should prevent any re occurrence of Homelessness.

- 7.4 The proposal allows the Housing Solution Team to discharge its statutory duty into the private rented sector thus preventing homelessness and any recurrence of Homelessness.
- 7.5 Housing Wales Act 2014- Part 2, confirms the duty on statutory and non-statutory services to co-operate and assist the local authority in preventing homelessness. The Caerphilly Keys scheme has its own dedicated support workers and this allows the service to address any tenancy or wellbeing issues before they escalate and in addition the workers are able to sign post to any other key agencies like that of specialist debt advice / mental health services via referral pathways set up by the local authority supporting people team.
- 7.6 The Caerphilly Keys scheme consults with its landlords, tenants and staff in its development and information is used from the Housing Solution Team to inform decision making around housing need and demand when considering working with landlords and taking on properties.

8. FINANCIAL IMPLICATIONS

- 8.1 At this time it is difficult to gage any financial impact on the local authority should the LSW scheme be adopted where maintenance of properties / rent loss etc is concerned.
- 8.2 Resources and Finances will need to be available for the local authority to be able to carry its obligations as set out under the LSW and whilst salary and other costs can be claimed via WG it is not clear to what value or percentage.

9. PERSONNEL IMPLICATIONS

- 9.1 There will need to be a range of personnel available to manage the WG Lease Scheme which will vary from property surveyors, officers to inspect properties, maintenance officers, finance / administration staff, in conjunction with the current team who manage the day-to-day tenancy management of the scheme.
- 9.2 Currently there are no personnel implications for Caerphilly Keys as there are already dedicated officers recruited.

10. CONSULTATIONS

- 10.1 There are no consultation responses that have not been reflected in the report.

11. STATUTORY POWER

- 11.1 There is no Statutory Power placed on a local authority to provide a private rented landlord/ tenant scheme
- 11.2 Housing Wales Act 2014 Part 1 Outlines the regulation of private rented accommodation
- 11.3 Housing Wales Act 2014 -Part 2, allows for the statutory discharge into suitable private sector accommodation to alleviate and prevent homelessness.

11.4 Housing Wales Act 2014- Part 2, confirms the duty on statutory and non-statutory services to co-operate and assist the local authority in preventing homelessness.

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Consultees:

- Cllr John Ridgewell - Chair Housing & Regeneration Scrutiny Committee
- Cllr Mike Adams - Vice Chair Housing & Regeneration Scrutiny Committee
- Cllr Shayne Cook - Cabinet Member for Social Care and Housing
- Dave Street - Corporate- Director for Social Services and Housing
- Nick Taylor-Williams - Head of Housing
- Robert Tranter - Head of Legal Services & Monitoring Officer
- Stephen Harris - Head of Financial Services & Section 151 Officer
- Fiona Wilkins - Housing Services Manager
- Jane Roberts -Waite - Strategy & Co -ordination Manager
- Lesley Allen - Principal Group Accountant (Housing)
- Shelly Jones - Supporting People Manager
- Sadie O'Connor - Senior Housing Advice Officer
- David Francis - Senior Allocations Officer
- Lee Clapham - Emergency Housing Manager
- Byron Jones - Caerphilly Keys Officer
- Claire Davies - Private Sector Housing Manager
- Rhian Evans-Maclean - Principal Housing Officer

Background Papers: Housing Wales Act 2014
Welsh Government Leasing Scheme Wales Guidance