



## **HOUSING AND ENVIRONMENT SCRUTINY COMMITTEE – 18<sup>TH</sup> JUNE 2024**

**SUBJECT: WELSH GOVERNMENT LEASING SCHEME WALES**

**REPORT BY: DEPUTY CHIEF EXECUTIVE**

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### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to inform members of a change of approach with regards to Leasing Scheme Wales. Following a request from Welsh Government for those Local Authorities who have not yet opted in to deliver Leasing Scheme Wales (LSW), it outlines how it can now help support CCBC in meeting the homeless duty under Part 2 of the Housing Wales Act 2014.
- 1.2 If CCBC were to agree to adopt and deliver the scheme then it would be the intension of the Housing Solutions Service to run the LSW scheme alongside the existing Private Rented Scheme that the service provides via Caerphilly Keys.
- 1.3 Members are asked to consider and take a view on the adoption and delivery of the LSW. This report will be presented to Cabinet Members on the 24<sup>th</sup> July 2024 and will include any comments or recommendations from this Committee.

### **2. SUMMARY**

- 2.1 Members will be aware that in August 2018 the Housing Solutions Team launched its own private sector scheme Caerphilly Keys. Caerphilly Keys provides a landlord / tenant matching service, with access to support workers to sustain tenancies without any financial commitment.
- 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 subsequently then contacted all Local Authorities who had not previously signed up to the scheme at the end of 2021 to discuss if views had

- changed and whether any more were looking to adopt the scheme.
- 2.5 In February 2022 a report was taken to Cabinet regarding LSW and members were asked to consider the recommendation to decline the interest at that time given that there was no appetite from private rental sector (PRS) landlords at that juncture and the Caerphilly Keys Scheme was attracting landlords and providing a similar model without any contractual / financial obligations.
- 2.6 Since that report in 2022 several factors having changed. There is now an appetite from some private landlords within the borough for a leased arrangement that LSW will provide and would allow CCBC to expand its access to the PRS market. The launch of the Empty Homes Strategy and team would mean that the grant aspect of the LSW model may assist and support bringing some empty properties back into use. The implementation of Renting Homes (Wales) Act in December 2022 has caused smaller landlords to look at other options for lease/management functions but not necessarily wanting to pay Estate Agent fees. Given these changes the LSW model would allow CCBC to provide PRS landlords another route to let their properties, whilst providing the Housing Solutions team greater access to affordable housing to support discharging of the homeless duty.
- 2.7 The report outlines the current proposal from WG regarding the LSW offer to Local Authorities and how CCBC would deliver the LSW model.

### **3. RECOMMENDATIONS**

- 3.1 Members are requested to consider and give a view on the following recommendations, which will be presented to Cabinet on the 24<sup>th</sup> July 2024.
- 3.2 Members are requested to consider the report and agree to adopt the Leasing Scheme Wales as part of our overall offer to the private rented sector, under the Caerphilly Keys brand, to support the Local Authority in the discharge of Homelessness duties. Cabinet members will be asked to:-
- 3.2.1 Adopt the Leasing Scheme Wales (LSW) and take this forward in accordance with WG LSW guidance.
- 3.2.2 Endorse that the LSW scheme would run alongside the existing Caerphilly Keys Scheme which offers a landlord/tenant matching service with tenant/landlord support.
- 3.2.3 Adopt the LSW model under the following terms:
- 5-year lease arrangement
  - £5,000 renovation grant (funded by WG) to bring a property up to standard or EPC rating "C".
  - A grant of up to £9,999 for Empty Homes being bought onto the scheme.
  - Financial support for staffing costs of £36,000 per year of the 5 year leasing scheme period to help deliver the scheme.
  - 10% of the LHA rate will be used as a Management fee per property to support with costs toward the maintenance of the property.
  - Plus, an additional revenue of £58 per property claimed from Welsh

Government.

- Existing Caerphilly Keys team will run the scheme in the initial phases and this will be reviewed as and when the scheme develops with additional staffing being considered when required . Funding for this would be drawn from the staffing costs allocation under the scheme and additional support can be drawn from Housing Support Grant contributions.
- Caerphilly Homes Private Sector Housing team and the Assets, Maintenance and Repairs team will support with initial surveys/schedule of works and confirmation of satisfactory completion of grant aided work.
- The maintenance and any out of hours maintenance of the properties will be undertaken by Caerphilly Homes with a view of then billing the Housing Solutions team for said works/maintenance, and this will be paid from the management fees claimed.
- It is considered that the level of repairs and property maintenance within the first year or so should be minimal given the properties will be new to scheme and would have to been bought up to relevant standard.
- Therefore, the management fee claimed will be held and used across the property portfolio as and when associated costs accrue over the term of the leasing scheme cycle of five years.

#### **4. REASONS FOR THE RECOMMENDATIONS**

4.1 Having considered the Welsh Government proposal and undertaken a review of the current market it is felt there is an opportunity to extend the solutions available to those households who are experiencing homelessness, and reduce the pressures currently placed on Temporary Accommodation.

4.2 The key reasons for this are:

- LSW is now an established model in many authorities in Wales, with some authorities having a property portfolio of over 30+properties since adopting the scheme in the latter part of 2021.
- Since Renting Homes (Wales) Act introduction, more smaller landlords are looking to either exit the market or explore leased/managed arrangements and the LSW scheme would provide this for those landlords.
- Previously the rent permissible under LSW at LHA levels was a deterrent but now given other pressures in the PRS along with the grants on offer it is an increasingly attractive offer.
- The Caerphilly Keys team are receiving contact from landlords looking for this model and to date have had to decline but are recording landlord details to develop a pipeline of interest.
- Following the creation of the Empty Properties Team and the launch of the Empty Properties Strategy there is now scope to increase the number of empty

homes bought back into use in conjunction with LSW. The scheme will also offer another option to empty homeowners who will be affected by the recently approved introduction of council tax premiums for long term empty homes. It can offer landlords grants to support works on properties to bring them back into use and support positive discharge of statutory duties for households experiencing homelessness and alleviate pressures on temporary accommodation.

## **5. THE REPORT: LEASING SCHEME WALES – THE PROPOSAL/OFFER**

- 5.1.1 Leasing Scheme Wales (LSW) is designed to increase access to affordable and good quality private rented accommodation.
- 5.1.2 The Scheme will support those who are at risk of homelessness or homeless as defined under the Housing Wales Act 2014
- 5.1.3 The Scheme will provide tenants with longer term security of accommodation in the PRS sector at a local housing allowance (LHA) level.
- 5.1.4 The scheme is intended to complement and act as a resource for Local Authority Homelessness Teams seeking to move households on from temporary accommodation.
- 5.1.5 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.
- 5.1.6 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.
- 5.1.7 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.
- 5.1.8 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.
- 5.1.9 The rent under the lease agreement will be less than that which the local authority will receive from sub-letting the property.
- 5.1.10 The financial difference in the rent values charged to tenants and paid to property owners will be retained by the local authority to be used to help fund its maintenance functions.
- 5.1.11 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.
- 5.1.12 Local Authorities are expected to market the scheme and to be in line with Welsh Government's communication and marketing guidelines.

## **5.2 Selection of Properties**

- 5.2.1 Local Authorities are required to identify and secure properties for the scheme which meet the required standards. Local Authorities must also keep voids to a minimum

and be mindful that the purpose is to provide longer term accommodation for tenants between 5-20 years.

- 5.2.2 A formal Grant offer letter will provide the target number of properties to be bought on scheme year on year. WG can review these targets with CCBC, and there is no stringent obligation for the LA to achieve the targets set if the appetite is not prevalent within the local authority area.
- 5.2.3 WG will provide Model lease agreements that CCBC must use. CCBC with agreement from WG can amend these to suit internal requirements.
- 5.2.4 CCBC will work with property owners to ensure that they have the requisite insurance and mortgage arrangements in place to enable them to participate in the scheme. The property owner will be responsible for building insurance and to ensure that this is for the period of the lease arrangement.
- 5.2.5 CCBC will work with property owners to ensure they have sufficient insurance in place during the lease to mitigate against structural defect/environmental risks e.g. walls, roof, foundations, prior to their inclusion on the scheme.
- 5.2.6 CCBC will verify the suitability of gas/electricity/fire certificates that are provided by the property owner.
- 5.2.7 CCBC will undertake local searches and surveys on properties prior to taking on any property under the scheme to mitigate any financial risk.
- 5.2.8 There are mandatory minimum standards that properties will have to meet or they will not be accepted onto the scheme.
- 5.2.9 A renovation incentive of up to £5,000 can be offered to property owners where their property does not meet the minimum mandatory standards, or to improve a property's EPC rating to that of a "C".
- 5.2.10 Property inspections will be undertaken by qualified staff already employed via Caerphilly Homes and a schedule of works will be drawn up that the landlord will need to complete prior to CCBC agreeing to enter into any Head Lease. This mitigates possible additional financial risk and ensures CCBC are satisfied with works completed.
- 5.2.11 The head Lease will be signed on final inspection of the property and after all works have been completed with no financial outlay to CCBC prior to agreeing and signing the Head Lease.

### **5.3 Renovation Incentives**

- 5.3.1 All properties being accepted onto the scheme will be required to meet the mandatory quality standard prior to being accepted onto scheme. Bringing a property up to standard will automatically entitle a property owner access to the renovation incentive.
- 5.3.2 The renovation incentive is up to a maximum of £5,000 and will be payable as a grant (except where empty properties are concerned).
- 5.3.3 A property survey will be undertaken prior to any agreement to accept onto the

scheme to ascertain its condition and the likely works and cost of any renovation to bring the property up to minimum standards.

- 5.3.4 CCBC will expect any property owner to undertake all works identified to bring the property up to standard before the Head Lease has been signed. The Grant will then be claimed retrospectively from WG should CCBC be satisfied with works completed and confirm that the property is in the scheme.
- 5.3.5 Any grants approved will be claimed back from WG as part of the quarterly claim and criteria outlined by WG.
- 5.3.6 If a property owner is VAT registered, when claiming a grant, the claim will be minus the VAT, as the property owner will be expected to claim VAT through their own return.

#### **5.4 Adaptations for Disabled People**

- 5.4.1 Under the LSW Criteria any Grants offered under the scheme cannot be used to fund adaptations for disabled people.
- 5.4.2 CCBC will be expected to use any funding available for any necessary adaptations once a property has been leased and tenant identified.
- 5.4.3 WG provides capital to Local Authorities to provide Disabled Facilities Grants (DFG), a DFG can be applied for once a household is living at the property and following an assessment by Social Services Occupational Therapists. This is a legal process and will involve means testing the person who requires the adaptations and seeking the property owners consent for any adaptations. Subject to the outcome of the means test and the property owners consent if eligible then financial support would be available via Private Sector Housing budgets.
- 5.4.4 Enable funding would only be considered to assist with property adaptations in situations where the disabled person is unable to be assisted by the DFG process for example usually in circumstances where adaptations need to be delivered on land outside of the curtilage of the home/ communal land leading to their home for example the installation of handrails etc.

#### **5.5 Empty Properties**

- 5.5.1 Empty properties (a property that has been unoccupied for 6 months or more) can be bought onto scheme according to the same terms and conditions as any other property.
- 5.5.2 Empty properties will be eligible for higher grant funding in relation to renovation incentives. Instead of being eligible for up to £5,000 in grant funding to bring property up to standard or meet EPC rating C, empty properties will be eligible for up to £25,000 as set out below.

### 5.5.3 Empty Properties Incentive

| Renovation Incentive | Minimum length of lease | Repayment of Grant on default   |
|----------------------|-------------------------|---|
| £0-£9,999            | 5 year lease            | 100% to be repaid   |
| £10,000-£14,999      | 10 year lease           | Defaults between year 6-25 repayment amount to proportion above £10k reducing by £1k per annum. |
| £15,000-£19,999      | 15 year lease           |   |
| £20,000-£25,000      | 20 year lease           |   |

5.5.4 Empty properties will then be managed like any other property bought onto scheme.

5.5.5 Permission would need to be sought from WG for all renovation incentives above £10,000.

5.5.6 We would like to remind members that CCBC are looking at agreeing an initial 5 year lease term with landlords and therefore grants available for empty properties would be between £0- £9,999 under the LSW scheme.

## 5.6 Lease and Tenancy Agreements

5.6.1 WG will provide CCBC with the below which must be used for the scheme.

- Model lease agreement for whole properties and flats (including rolling leases)
- Bare Contractual tenancy agreement
- Incentive Agreement (for use only with the renovation incentive)

5.6.2 CCBC will have no discretion as to the amount of rent payable to a property owner.

5.6.3 Rent payable will be equivalent of the Local Housing Allowance (LHA) rate. It will be paid monthly, in advance and CCBC will not be able to supplement the LHA rate as an added incentive to property owners.

5.6.4 CCBC will use the existing rent account management system set up for our Caerphilly Homes tenants to ensure that effective management of rent accounts under this scheme is in place. This will be managed by the coordinator of the scheme and will be reviewed regularly.

5.6.5 A management fee of 10% of the LHA rate per property will be claimed from WG and this will be used to help fund maintenance costs or other running costs for the scheme. The management fees claimed against the number of properties on scheme can be combined and used as holistic income to cover maintenance / running costs for the entire scheme.

5.6.6 Responsibility for any service charge/maintenance charge imposed by a building company or Section 20 notice for major works will remain with the property owner and will not be assumed by CCBC.

5.6.7 Any property bought onto scheme will need to meet the minimum mandatory standards, meaning any significant repairs/maintenance would need to be undertaken prior to the property being accepted onto scheme and therefore

minimising any risk of repair work that CCBC would need to undertake on the property.

5.6.8 CCBC will ensure that a property inspection/survey is undertaken and schedule of works drawn up and agreed before any head lease is entered into.

5.6.9 CCBC will require landlords to complete all works identified as part of the property inspection/survey before any agreement and head lease is signed, mitigating possible financial risk to the local authority.

5.6.10 The head lease provides a mutual break clause option; this break clause can only be activated 2 years after the commencement of the lease and must be subject to 12 months' notice.

## **5.7 Bare Contractual Agreements**

5.7.1 The Housing Solutions team will select prospective tenants via the Caerphilly Keys Coordinator and Housing Solutions Team Leader. Any person selected to access properties will be owed a duty under Part 2 of the Housing Wales Act 2014 where homelessness duties are owed. This will support the successful discharge of duty and the move on into suitable PRS accommodation.

5.7.2 The Bare Contractual Tenancy will ensure that anyone who occupies a property under the scheme will be subject to many of the rights and obligations to agreements used in the social housing sector.

5.7.3 Rent (equivalent to LHA rate for respective property) will be paid to the local authority by the occupant weekly/monthly.

5.7.4 Occupants will be required to provide their own contents insurance.

5.7.5 A schedule of condition from the Head Lease will be used to support any inventory section of the Bare Contractual tenancy.

5.7.6 Support will be available to all those placed into properties that are bought under the scheme.

5.7.7 Deposits will not be required by those offered the properties as under the scheme and lease arrangement with the property owner, CCBC will have already accepted rental liability and void loss liability.

5.7.8 Anyone placed into a property will not be able to take on a lodger or sub-lease the property.

## **5.8 Recovering Losses**

5.8.1 WG have agreed to subsidise certain losses that CCBC may accrue. The total subsidy is dependent on several factors that include number of properties on scheme and associated tenancies.

5.8.2 The formal Grant offer letter issued by WG will outline the full list of losses that CCBC can claim against however some costs that can be claimed for are:

- Staffing Costs to be claimed as part of Quarterly claim form.



- Tenancy support costs as above
- Capital losses, including all grant payments as part of the renovation incentive, malicious or deliberate damage (if not reclaimed via tenant) this can include any costs to the LA at the end of the lease term to put the property back to its original condition (excluding wear and tear). Repairs to interior and exterior can be claimed for if the repairs are not as a result of breach of terms of tenancy.
- Revenue losses, rent arrears can be claimed if not reclaimable from the tenant. Void periods can be claimed for.
- 10% of the LHA rate per property can be claimed as a Management fee from WG.

## **5.9 Conclusion**

- 5.9.1 The report highlights the main aspects of the LSW model offered via WG.
- 5.9.2 The report highlights the intention to run the scheme concurrently with the existing Caerphilly Keys model therefore offering two different options to landlords in the borough to maximise access into PRS under one brand/banner. The LSW scheme will sit within the Housing Solutions Team to support its discharge of statutory duties for homeless households into the PRS sector.
- 5.9.3 The report highlights the grants available to landlords if they wish to express their interest in the scheme to bring properties up to standard or EPC rating "C".
- 5.9.4 The report highlights how adopting LSW will support the Local Authorities ambitions in tackling Empty Properties within the borough by offering Empty Property Landlords an additional grant of up to £9,999 to bring an Empty Property back into use and placed onto the scheme under a 5-year lease.
- 5.9.5 The report highlights that the scheme will remain in-house with the existing Caerphilly Keys team managing and supporting the properties so no additional staff costs at the initial outlay. That utilising existing staff across the Caerphilly Homes team with the necessary resources to survey/inspect and maintain the properties are already in place to support delivery of the LSW model. This will be reviewed regularly by us as a service area.
- 5.9.6 The report outlines what CCBC are eligible to claim from WG under the scheme and under Section 8 some indicative financial costings have been drawn up based on number of properties on scheme.

## **6. ASSUMPTIONS**

- 6.1 Based on the LSW proposal and guidance, 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 via relevant grant claims.
- 6.2 Staff resources within the existing Caerphilly Keys team and across Caerphilly Homes will be able to manage the LSW model and any associated works required. Should additional resources be required then CCBC would look at the staffing costs element of the grant to support this and also look at HSG funding where any

additional support to maintain tenancies is required. The local authority will maximise the staff costings funding for the scheme of £36,000 to help deliver the scheme.

6.3 It is difficult at this time to conclude what financial impact the scheme could have where the cost of repairs and maintenance is concerned . However, in order to mitigate this the report sets out the following :

- To ensure robust survey/property inspections are undertaken with detailed schedule of works being drawn up to ensure properties are of standard.
- To be selective and not afraid to say NO to a property if it does not meet expectations.
- To ensure that when selecting tenants for the properties they have the capability to manage a tenancy with support and do not have significant antisocial behaviour or property damage in past tenancies.
- To ensure that the team are undertaking regular property inspections to mitigate and escalation in minor wear and tear/ damages at a property to ensure costs are kept to a minimal .
- To draw on other agencies who may also be attending the property and ensure that they know who to contact if a property issue is identified.
- To ensure we act upon any reports of property issue as a priority to mitigate any financial costs to the scheme.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 An IIA has been prepared and can be viewed here:- [LINK TO IIA](#)

No negative impacts have been identified. The Welsh Government Leasing Scheme Wales will help the Council to increase the provision of good quality affordable housing for households who are homeless , which will contribute positively to the health, wellbeing and prosperity of residents.

## **8. FINANCIAL IMPLICATIONS**

8.1 The list below provides indicative figures but is unlikely to change. The overall target of properties is based on 1% of the overall number of private rented properties in Caerphilly.

8.2 Revenue funding will continue for five years, including the staff and administration costs to support the management of properties taken on board.

8.3 The finances each year are based on the following assumptions:

- Capital repairs and damages - £1,225 per property per year.
- Revenue Rent Loss (Voids) - £685 per property per year
- Tenancy support - £1,650 per property per year
- Capital Grant based on an average £7,500 for each new property (max grant £5,000 unless the property is empty)

- 10% of the LHA rate per property can be claimed as management costs in addition to the £58 per month per property.
- Prevention Monies allocated to Homelessness services from Welsh Government under the Homeless Prevention agenda can also be utilised to support the scheme when looking at rent arrears/ damages etc.

## **9. PERSONNEL IMPLICATIONS**

- 9.1 The intention is to deliver the scheme with existing staffing structures already employed within the Caerphilly Homes team to reduce staff/personnel costs.
- 9.2 The LSW does provide £36,000 per year for staff resource to deliver the scheme and CCBC will ensure that this funding is drawn down and utilised to deliver the scheme.
- 9.3 Should the scheme receive significant expression of interest from landlords and should CCBC be in a position to significantly expand the number of properties on scheme then the ongoing staff resourcing for the team would need to be reviewed as a result of existing service delivery pressures across Caerphilly Homes and considering the financial pressures already placed on the General Fund.

## **10. CONSULTATIONS**

- 10.1 All comments received from the consultees listed below have been noted and, where appropriate, incorporated within 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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