

Appendix A

Findings from exploration of a Housing Association private sector leased scheme (PSL)

This is a scheme whereby private sector properties are leased for a set period of time, and used as temporary accommodation or direct lets into the private sector. Procurement and management services can be carried out for us by a partner housing association for a management fee.

They offer varying services which include

- Full procurement and leasing service
- Full tenancy and housing management service
- Partial Housing Management Service, tenancy is with the local authority including rent collection, they maintain and repair
- Support through a Local Dynamic Purchasing Scheme

Staff entered into negotiations with two registered providers who offered this service:

- [Housing Association A](#)

Their main supply of private sector Housing is in Hemel Hempstead, with a small selection in other parts of the County, but they did undertake to secure accommodation in our area to meet our needs.

Although they said they could commit to a leasing scheme for use as temporary accommodation, their scheme was aimed at the private rented discharge offer. This involved a one off payment of £4,700.00 for a two year let. This is competitive against the cost of a family in B&B, so was under consideration.

Further investigation confirmed they weren't structured to manage properties as temporary accommodation, there were no management fees, no penalty charges, no void loss penalties, but provided a full management service and were currently running at a loss to themselves. No other organisation runs the scheme at a loss and there is concern as to how long that could be sustained.

- [Housing Association B](#)

This organisation has been running PSL schemes for many years, our staff have worked with them in the past in other boroughs and they have a very good reputation in this area of work. They are well organised, have good private sector contacts and currently work for a number of neighbouring boroughs.

Their schemes are also now geared towards providing a private sector discharge offer rather than for use as temporary accommodation, as this is what most boroughs require.

They provided us with costings for a scheme in our area, which are set out below:

1. Procurement and Management - No Rent Collection

Weekly management fee per property:

- 1 bed £50 plus lease rent
- 2 Bed £55 plus lease rent
- 3 bed £60 plus lease rent
- 4 Bed £65 plus lease rent

Costs reflect repair costs, tenant damage and standard re-let assumptions. Procurement fee £125.00 per property – at least 2 property visits and compliance checks. Any tenancy less than 6 months in duration - £750 re-let fee per tenancy. Management fee and lease rent to be payable from nomination date.

1st year cost for standard 2 bed

£ 125
£3,120
£ 750 (assuming 1 re-let in a year)
£3,995

Plus the hourly cost of an income generation officer to collect rent and possible risk of rental cost liability if it's void for any period over 7days.

2. Procurement, Rent collection and Management

Weekly management fee per property:

- 1 Bed £98.23
- 2 Bed £116.62
- 3 Bed £123.10
- 4 bed £128.75

Costs reflect paying landlord rent above local housing allowance, repair costs, tenant damage, standard re-let assumptions and bad debt. Procurement fee £125.00 per property at least two property visits and compliance checks. Any tenancy less than 6 months in duration a £750 re-let fee will apply. Management fee payable from the nomination date per tenancy. If borough fail to nominate /provide successful nomination within seven days, lease rent is also payable until property is let.

First year cost for standard 2 bed with rent collection

£ 125

£6,064

£ 750 (assuming 1 re-let in a year)

£6,939.24

Plus possible risk of rental costs if it's void for any period over 7days.

Conclusion

The cost of this type of scheme has risen significantly since its popularity in the 1990's, mainly due to the changes in housing benefit subsidy and the rising cost of private rented sector rents.

A one year standard let is no-longer cost effective against the current rates of B&B in our area, and there is the added potential that a change in market conditions could lead to a reduction in demand and added costs of void periods. This would be a big financial risk to the council.