

CABINET

Date of Meeting	Tuesday, 23 rd October 2018
Report Subject	Withdrawal of Managed Lettings and Over 55's Schemes by North East Wales (NEW) Homes
Cabinet Member	Deputy Leader of the Council and Cabinet Member for Housing
Report Author	Chief Officer (Housing and Assets)
Type of Report	Strategic

EXECUTIVE SUMMARY

This report seeks approval for North East Wales Homes (NEW Homes), to commence the planned withdrawal of 'managed lettings' and 'over 55's' properties and to remove the corporate objective *"To provide a competitive offer to landlords to encourage growth of the private rented sector"* from the NEW Homes business plan.

The report sets out the proposal for the withdrawal of these properties and how the Council aims to develop the offer through alternative delivery mechanism.

RECOMMENDATIONS

1.	Cabinet to approve NEW Homes withdrawing from these schemes and approve removing the following corporate objective <i>"To provide a competitive offer to landlords to encourage growth of the private rented sector"</i> from the business plan.
2.	Cabinet to approve the exploration of alternative delivery mechanism for the managed lettings as part of the wider development of the Private Rented Sector (PRS) provision.

REPORT DETAILS

1.00	BACKGROUND
1.01	<p>North East Wales Homes (NEW Homes), was established in 2014, and is a Housing company based in Flintshire and owned by Flintshire County Council. NEW Homes owns, leases and manages properties across Flintshire. The aim, as set out in the business plan, is to increase the quantity and quality of affordable housing to those in housing need, and providing a professional service to landlords as one of the means of supplying additional capacity. NEW Homes offers tenants' quality, affordable homes in the private sector and a sustainable managed tenancy, as well as offering a range of services for landlords and the individual package will be dependent on the property and the requirements of the landlord.</p> <p>The Company currently has 124 properties, of which 25 are managed on behalf of private landlords.</p>
	Considerations
1.02	<p>At the NEW Homes Board meeting on the 10th September 2018, the board agreed that NEW Homes would not continue with the Managed Lettings and Over 55's schemes, and work with the Council to find an alternative delivery mechanism.</p> <p>The main challenges associated with both of the schemes for the company are detailed below:</p> <ul style="list-style-type: none">• The management service for landlords involves NEW Homes managing properties for landlords. The challenge for this scheme is that properties are not let at market prices so the rental income is lower. In order to be competitive and attract landlords, the management fee must be lower than high street agents. Therefore, the council is taking a lower % management fee from a lower rent income and is unable to maximize fees and charges to either tenant or landlord. This makes available much needed affordable and well managed properties in the County, but presents considerable challenges financially. The introduction of Rent Smart Wales by the Welsh Government, whilst welcome to raise standards in the sector, has served to further reduce the number of new landlords wishing to work with NEW Homes. NEW Homes has consulted with local lettings agents in Flintshire who have also experienced a reduction in the number of landlords on their books. Currently NEW Homes has 25 Managed Lettings.• Since April 2017, the way in which landlords are required to declare their rental income has started to change, and by April 2020 landlords will not be able to deduct all mortgage expenses from rental income to reduce their tax bill. In addition, the buy-to-let market has been impacted by the introduction of stamp duty in 2016, for new purchases with a 3% surcharge, making outlays for new investors considerably more expensive.

	<ul style="list-style-type: none"> The Over 55 Scheme, in 2016 involves leasing properties from elderly homeowners so that they can access more suitable sheltered properties which meets their needs. Their properties are then made available at an affordable rent for local households. The Over 55 Scheme has had a low take up but appears to have taken a disproportionate level of staff time. Currently NEW Homes has 2 Over 55s properties. <p>In the business plan for 2018/19 (approved in May 2018), the costs attributable to the managed units were £73.6k. The income generated by the managed unit fees was £19.8k (net of voids and bad debts). The net costs were £1.7k per unit. NEW Homes pays for a number of goods and services each year. Several of these costs are fixed and shouldn't decrease as Managed Lettings unit numbers reduce. All fixed costs are included in the existing business plan and are absorbed by the number of existing properties. In the short term, management costs per unit will rise following withdrawal of its Managed lettings scheme. However, the total cost per unit is expected to decrease by 44% by year 5 of the Business Plan. This is because unit numbers are projected to increase to 166 properties by year 5 and one position (currently vacant) will be deleted from the staffing structure.</p>
1.03	More recently, NEW Homes has undertaken negotiations with the Council to enable a sensitive withdrawal from these schemes, which does not place unnecessary hardship upon either the landlord or the tenants of these properties. NEW Homes will still work with all of its existing landlords and continue to provide the current level of service, until alternative landlord arrangements are confirmed.
1.04	The Council is undertaking early discussions with our partner Registered Social Landlords (RSLs), who have private sector delivery arms, to see if they will take on the NEW Homes managed lettings on the same terms and where the Landlord approves. As part of this process, the Council will consider how to develop the PRS offer across the County in partnership with a strategic partner, providing additional affordable housing options for our clients.
1.05	In terms of the 2 'over 55' properties, due to the vulnerability of the tenants, it is proposed that these will be retained with in the Council and managed through our Housing Options team as part of the temporary accommodation service.

2.00	RESOURCE IMPLICATIONS
2.01	It is anticipated that there will be no cost implications to the Council once the managed lettings are taken over by our strategic RSL partner, and until that is agreed they will be retained as part of NEW Homes.
2.02	There will be a minimal resource implication for the 2 over 55s properties to the Council, as it will have to continue to manage the properties until the end of the lease (maximum 5 years).

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	NEW Homes Board have been consulted and have agreed as part of their formal Board decision process, to cease delivering the managed lettings and over 55s scheme and relinquish their involvement in the existing properties.
3.02	It is proposed the consultation process with landlord and tenants is as follows: <ul style="list-style-type: none"> • Report recommending withdrawal from Managed Lettings and Over 55s scheme – Informal Cabinet – October 2018 • Appointments arranged with landlords to communicate withdrawal from Managed Lettings and Over 55s scheme – w/c 22th October 2018 • NEW Homes stop actively promoting either of the Managed Lettings or Over 55's schemes and remove all reference to both schemes from the NEW Homes website and marketing information – beginning of November 2018

4.00	RISK MANAGEMENT
4.01	The risk to the Council and NEW Homes would be if the RSLs are not prepared to take on the managed lettings. In this instance there would need to be a gradual withdrawal of the management, ending the management arrangements as soon as legally feasible.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Office: Melville Evans Job Title: Housing Programmes Manager Telephone: 01352 701436 E-mail: melville.evans@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	NEW Homes - North East Wales Homes, (NEW Homes) is a Housing company based in Flintshire and owned by Flintshire County Council. NEW Homes owns, leases and manages properties across Flintshire. The company was established to increase the quantity and quality of affordable. Housing available across the County; increasing housing choice for those who

	may not qualify for social housing but for whom market housing is unaffordable or difficult to access. In addition NEW Homes provides a professional service to landlords as a managing agent as a means to increase the supply of quality affordable housing.
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