

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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## CABINET

**5 SEPTEMBER 2017**

### REPORT OF THE HOUSING PORTFOLIO HOLDER

#### **A.6 HOUSING MANAGEMENT ON BEHALF OF THE LAWFORD HOUSING ENTERPRISE TRUST**

(Report prepared by Tim Clarke)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To seek approval of Cabinet, in principle, to enter into a management agreement with Lawford Housing Enterprise Trust (LHET) to manage houses on their behalf. The LHET is to be gifted 8 houses on a new development to be let at social rent levels to persons with a connection to the Lawford area.

##### **EXECUTIVE SUMMARY**

- A s106 affordable housing contribution for a site in Lawford has been made by way of gifting 8 units of accommodation to a specially formed housing enterprise trust (planning application reference 13/00452/OUT);
- LHET proposes to offer up the dwellings as affordable accommodation on fixed term tenancies. The properties will be owned by the LHET and let to tenants drawn from the Council's Housing Register who have a local connection to Lawford;
- Given the intended use of the 8 houses as affordable dwellings and the proposal to allocate tenants from the Housing Register, LHET approached the Council to consider this option as it makes sense for the Council to managing the properties on behalf of LHET, who do not have any experience in this area, providing terms could be agreed;
- Whilst management agreements exist elsewhere in the country the circumstances surrounding the creation of the arrangement with the LHET are thought to be unique and arose as a consequence of the affordable housing market situation at that point in time;
- Following financial and resource analysis officers believe that it would be viable to enter into a management arrangement with LHET and have calculated a management fee. The fee would include costs associated with allocation and identification of potential tenants, all aspects of tenancy management, rent collection and management of the maintenance of the dwellings.

##### **RECOMMENDATION(S)**

**It is recommended that Cabinet:**

**Agrees in principle to the Corporate Director (Operational Services) and Corporate Director (Corporate services) to undertake negotiations and agree the terms of a management arrangement with LHET, the final details of which to be further reported and approved by Cabinet.**

**PART 2 – IMPLICATIONS OF THE DECISION**

**DELIVERING PRIORITIES**

The decision will contribute to the following priorities:

- Engagement with the local community
- Support rural communities
- Effective partnership working
- Local regeneration
- Deliver a quality living environment

It will also support the vision to put community leadership at the heart of everything we do.

**FINANCE, OTHER RESOURCES AND RISK**

**Finance and other resources**

An analysis of the costs associated with the management and maintenance of the Council’s housing stock has been undertaken in order to determine the likely cost to LHET of a management arrangement with the Council. The service would be charged at cost so that the Council does not generate a surplus whilst keeping the fees as low as possible so as support the provision of affordable housing.

Based on the housing management costs associated with Housing Revenue Account properties along with associated budget recharges a fee of £691 per year, per property has been calculated to cover all of the likely costs that will be incurred in managing the houses.

Given that the number of units involved is small it is anticipated that the additional level of work will be fairly de minimis for the officers involved. This will continue to be the case should the trust be gifted or build further properties in the future.

Actual costs will be subject to further discussion and negotiation with LHET as part of the process of drawing up the management agreement, although upon initial discussion the Board of Directors appeared comfortable with the level of fee proposed.

**Risk**

There are few risks associated with the proposed arrangements. Full costs will be recovered in the same way that they are for Council owned dwellings and the arrangement will be formalised by a management agreement entered into by both the Council and LHET setting out very clearly what the responsibilities and liabilities of each party will be. The arrangements will be subject to at least an annual review and there will be regular contact with members of the LHET Board.

It is possible that other trusts or housing providers could approach the Council in the future about providing a similar service to them. Any such request would be considered on its own merits and be subject to a separate decision.

Management of private sector residential tenancies is a new area of work for the Council but with the appropriate training officers will be able to apply existing skills in tenancy management to the private sector legislative requirements. In addition the LEHT is keen to ensure that the tenancy terms offered are broadly similar to those within the Council’s own stock.

## **LEGAL**

The proposals are within the Council's legal powers and General Power of Competence under the Localism Act 2011. The power to recover costs for a discretionary service are allowed through the Local Government Act 2003.

The Management Agreement that is proposed will form a legal agreement between the Council and the LHET and will set out the obligations of both organisations.

## **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

### **Area or Ward**

The following are wards where the dwellings will either be located or where tenants are most likely to be drawn from.

Lawford

Manningtree, Mistley, Little Bentley and Tendring

Ardleigh and Little Bromley

## **PART 3 – SUPPORTING INFORMATION**

### **BACKGROUND**

The Lawford Housing Enterprise Trust (LHET) was set up in response to a section 106 agreement under the Town and Country Planning Act 1990 making provision for affordable housing within a development. It was proposed that 8 2-bedroomed properties would be gifted to the Trust. Rather than the traditional method of houses being sold or gifted directly to the Council or a housing association an alternative method was to form a trust to ensure the houses were retained for occupation by persons with a local connection. This was a unique arrangement and was driven by the market conditions at that time. The uncertainty over the future of rent policy and the suggestion of cuts in rents for the social housing sector, coupled with the almost total removal of capital support for Registered Providers meant that there was little, if no, interest in the acquisition by Registered Providers of large numbers of s106 units across Tendring, which was replicated elsewhere in the country.

LHET does not have any housing management expertise as such and the intention of the Trust has been to look for the management to be undertaken by third parties. Due to the Council's expertise in this area the Housing Service has been approached to provide this service for a fee. The houses are expected to be ready for occupation in the Spring of 2018. Further proposed developments in the area are expected to add 9 and then 14 additional units to LHET over the next few years, bringing the total to 31 units.

Whilst the Council has not managed any private sector homes previously the principles and requirements in respect of the tenancies are largely the same and it is proposed that the additional duties be absorbed into the Housing Service.

LHET is fully set up with a board of 6 directors and initial discussions have been held with officers over management arrangements. The Board of Directors will decide who will be

offered tenancies and tenants will be required to meet the requirements of a dedicated allocations policy that the Council will advise upon and manage. Tenants may be proactively seeking accommodation via LHET or be selected from the Council's Housing Register. It is proposed that the processes of allocation, sign up and then tenancy management will be undertaken by the Council. Maintenance of the dwellings will be arranged and managed by the Council using the existing arrangement as for the general Council housing stock but the cost of the maintenance will be charged at cost to the Trust. This will be of benefit to LHET due to the economies of scale created and support their ambition to provide affordable local housing.

Officers have undertaken an analysis of the costs associated with housing management and have come up with a fee for discussion and agreement with LHET as set out under the Finance heading above. All fees will be charged at cost so the Council will not be generating a surplus. There will be scope to review fees as the arrangement matures and lessons are learned.

It is proposed that a management arrangement be drawn up between the Council and LHET to clearly set out the obligations of each party.

#### **CURRENT POSITION**

The current position is that financial analysis has been undertaken in order to determine the management fees, a local lettings policy is being drafted and terms are being drawn together for the proposed management arrangement. All of these will be for consideration by LHET and a decision about whether they wish to proceed with the Council managing the dwellings on their behalf.

#### **Other considerations**

None

#### **BACKGROUND PAPERS FOR THE DECISION**

None

#### **APPENDICES**

None