

17<sup>th</sup> October 2012**REPORT OF THE PORTFOLIO HOLDER FOR HOUSING****A Social Lettings Agency for Tamworth****EXEMPT INFORMATION**

None

**PURPOSE**

To seek approval for the implementation of a pilot project to introduce a social lettings agency for Tamworth.

**RECOMMENDATION**

**Cabinet approve a 12 month pilot of the social lettings agency involving no more than 10 properties.**

**EXECUTIVE SUMMARY**

Following the approval in principle for the development of a social lettings agency given by Cabinet in May 2012, this report aims to expand on the principle and provide details of what a social lettings agency is and describe the contribution that such a scheme can make in helping to meet housing need. Approval is sought for a 12 month pilot scheme with the number of properties included limited to 10. An evaluation of the scheme will be undertaken during the 12 month period with a report submitted to Cabinet to consider the future of the scheme.

The scheme is intended to enable the Council to maximise the role of the Private rented sector in meeting housing need. The number of households requiring support with re-housing from the Council is growing while the number of social housing lettings is decreasing. Over the past twelve months the Council has seen a 38% increase in the number of households placed in Bed and Breakfast Accommodation.

Making better use of the private rented sector through a social lettings agency helps to deliver better outcomes for applicants and value for money. For example, a typical household presenting as homeless is likely to comprise of a single parent plus 1 child. To accommodate this household in B&B for the average 12 nights will cost £540. To accommodate the same household in a property secured via the social lettings agency will incur costs of £182 which represents a saving of £358 on this household. Clearly the larger the household or the longer the stay in B&B the greater the saving by utilising a social lettings agency tenancy.

Although there are a number of private lettings agencies within the town the evidence indicates that such agencies are rarely willing to let properties to households who are either in receipt of housing benefit or who have had financial difficulties in the recent past. Such households are therefore unable to access private rented accommodation despite the

provision of other schemes such as the Bond Scheme. Their only recourse therefore is to seek a social housing tenancy placing a greater burden on the availability of a scarce resource and contributing to a dependency culture.

The scheme will also be important in relation to expected changes to the rules governing the discharge of homelessness duty by the Council. At present although the Council can make an offer of a private sector tenancy to a homeless household this offer does not have to be accepted. Changes to regulations will mean that the Council will be able to re-house homeless households into the private rented sector. This will only be a benefit if private rented tenancies exist into which such households can be housed. The Social Lettings Agency will support this.

## RESOURCE IMPLICATIONS

An allowance of £20k has been made from DCLG homelessness grant allocation to encompass the scheme set up and running costs for a period of 3 years, with the expectation this will adequately resource the scheme. The estimated cost of delivering a 12 month pilot is £984.38. A financial breakdown of the scheme is shown at within the scheme plan at Annex One.

The scheme will be resourced from Department of Communities and Local Government homelessness prevention grant, as per Cabinet approval of the spend plan in May 2012. The pilot stage of the scheme will be delivered within the existing staffing resources of the strategic housing teams.

## LEGAL/RISK IMPLICATIONS BACKGROUND

### Legal Framework

A social lettings agency can be established by a local authority using its powers under the **Local Government Act 2000** Part 2 section 1(b) "to promote the improvement of social wellbeing" in the local authority area.

The power to charge landlords for services on a none profit basis is contained within the **Local Government Act 2003**

**The Homelessness Act 2002** introduced the requirement for housing authorities to take a preventative approach to homelessness and confirms the power to make payment to achieve the prevention of homelessness

**The Localism Act 2011** contains the provision for a housing authority to discharge its homeless duty into private sector accommodation. Whilst this provision is not currently in force, it is widely anticipated to be so by April 2013.

The scheme plan, Management agreement and Assured Shorthold Tenancy agreement have been subject to review by legal advisors.

### Risks

For Tamworth Borough Council there is a significant risk in the event that the scheme is not approved. Currently work is underway to assess the impact of welfare benefit reforms both across the Borough and nationally. It is generally accepted that as household incomes decrease, in line with the proposals for universal credit, and changes to both housing and council tax benefit are felt, rent arrears and then homelessness will increase. Within the Scheme Plan, the average cost of providing B&B for 10 households (ten being the number of dwellings we anticipate being able to attract to the scheme upon approval or shortly

thereafter) for last years average length of stay of 12 nights has been calculated at £7524.00. Should Tamworth experience a significant increase in homelessness the cost to the Council in B&B expenditure will far outstrip the anticipated costs of this scheme. Failure to approve the scheme may also incur additional costs to TBC to defend any legal challenge in the event that TBC is unable to comply with the DCLG requirement to use B&B accommodation for families with children for no more than 6 weeks. In addition to the costs to the Council, there are also the well documented costs to those households who experience protracted stays in temporary accommodation, including poor academic achievement and poorer health outcomes than the general population.

The scheme proposals are such that the property owner and the prospective tenant will enter into a legally binding tenancy agreement. The property owner will also enter into a management agreement with Tamworth Borough Council, which will allow for a full management service to be provided. Any legal action required to end the tenancy will be undertaken by Tamworth Borough Council as the management agent for the landlord. Any legal action required to end a tenancy, or failure to manage the tenancy will result in a risk to the Council and these risks have been included in the scheme plan.

Learning from both the existing Private Sector Leasing scheme, and the Bond Scheme has been used to calculate the anticipated level of risk and inform the actions required to mitigate this risk.

### Mitigation of Risk

During the pilot phase of the project the tenants will be carefully selected to include households for whom the housing need has arisen through circumstances beyond the tenant's control. Households who have no known history of anti social behaviour, have good landlord references and are able to afford a rent at local housing allowance level, either with or without the support of housing benefit.

The private sector housing enforcement team, assisted by the housing advice team can provide sufficient staffing resource to manage these tenancies and thereby minimise loss through either arrears of rent or tenant damage.

A full report will be provided at the end of the pilot scheme to detail all income and expenditure for the scheme prior to any approval for extension to the scheme being sought.

## **SUSTAINABILITY IMPLICATIONS**

In May 2012 Cabinet gave approval for the use of Homelessness Prevention Grant provided by the Department of Communities and Local Government. Part of this approval related to spend for a social lettings agency for the life of the then known grant allocation. This provides sufficient funding for the pilot stage and the first two years of the full lettings agency, subject to a successful pilot and further member approval.

The current predictions are such that it is possible to fund the agency from homelessness prevention grant for a total period of 3 years. The position beyond that is, at this stage, dependent upon the success of the scheme and further grant allocation and / or member approval.

A full financial plan is included within the scheme plan at Appendix A

## **BACKGROUND INFORMATION**

A social lettings agency is a hybrid of private and social rented housing taking the best aspects of each traditional tenure type and combining them for the benefit of the residents of the Borough. It aims to bridge the gap between a traditional high street lettings agent and a

social housing tenancy and it allows residents access to affordable privately rented accommodation without the need to pay for credit checks or fund a deposit, but providing limited security of tenure with a known managing agent in the Council.

It provides property owners with a fixed cost management service for their property with the security of a known managing agent in the Council and it achieves this by taking on the management of the properties on behalf of the property owner for a fixed period of time. The property owner is paid rent on the property by the Council at a rate that is significantly lower than a normal commercial rent level and 7% below the Local Housing Allowance level. The Council, as managing agent, will find tenants for the property for a fixed period of time equal to the length of the agreement with the owner. The Council charges the tenant a rent that is the equivalent of local housing allowance for the property size and will collect the rent from the tenant. The surplus between the rent charged to the tenant and the sum paid to the property owner is utilised to cover ongoing repairs and maintenance of the property. The Council does not make a profit from the scheme.

Members will be aware that the number of social lettings is declining. The demand for affordable homes that are in good condition and well managed is increasing and it is widely anticipated that as the impact of welfare benefit reforms are felt this demand is very likely to increase. Currently Tamworth Borough Council is experiencing an increase in homeless presentations, and although this is entirely in line with national trends, does place some significant strain on our responsibilities with regard to the use of Bed & Breakfast accommodation as temporary accommodation.

If Tamworth Borough Council is to meet the needs and aspirations of its residents we need to look wider than traditional providers of social housing and the private rented sector is a resource that is not well utilised currently by households who seek social housing to resolve their housing issues. For many tenants who approach TBC for assistance to resolve their housing needs accessing private sector rented accommodation is unattainable as they are not considered to be 'suitable' tenants by the traditional commercial lettings agencies.

In addition, The Localism Act 2011 will enable local authorities to end the main homelessness duty by arranging an offer of suitable accommodation in the private sector. The set up of a social lettings agency will enable Tamworth Borough Council to do this and comply with the anticipated requirements from central government that will be put in place to offer some protection to homeless households.

For many property owners and potential tenants a commercial lettings agency fails to provide an adequate service to meet their needs. This is largely because a traditional commercial lettings agency needs to make a profit. It does this at the expense of both the tenant and the property owner. In many cases rent levels are above the levels of local housing allowance, a figure widely used to determine affordability, and will require a tenant to pay for credit check, administration and /or legal charges and a deposit in order to access accommodation. Many local lettings agents are unwilling to consider tenants who are on benefits and require the assistance of housing benefit to meet the contractual rental payment. A commercial agent will also charge property owners for a range of services provided, anything from a letter to the tenant, or a visit to the property through to the issuing of a Notice is charged back to the property owner. These factors in combination result in property owners being unwilling to allow a commercial agent to rent their property because of the costs involved to the owner and a prospective tenant also facing unaffordable costs to access the accommodation in addition to higher rent levels to maintain the tenancy. It is against this background that the proposed development of a social lettings agency is based, and we are confident that the agency will be able to work alongside existing, established commercial agents as our respective tenants and landlords are not mutually exclusive.

The strategic housing team are planning a phased build to a full social lettings agency. Initially the proposals will be to try and attract owners of a small number of properties onto the scheme to run a limited pilot. Initially efforts will be focused on owners of empty homes who have indicated a willingness to bring the empty property back into use via the provision of an empty property grant but an unwillingness to be a landlord or engage a commercial

agent. An initial target of ten properties will be sought to run a pilot of no more than twelve months duration to test the scheme. Tenants will be found from within the pool of applicants known to the housing advice team either because of an imminent concern of homelessness or because of some other urgent housing need.

Whilst this scheme bears some initial similarity to the scheme with Waterloo approved by members in April 2012 in terms of its ambition to bring empty homes back into use, it has significant differences, most notably are the provision of a TBC empty homes grant and the period of the agreement the property owner will enter into. This scheme gives a third option to the owners of empty homes and further reduces the opportunity for homes to remain empty at a time of increasing demand.

If the pilot is successful the scheme will be extended to allow for all properties signed up to the scheme to be advertised via the Council's Finding a Home website. At this stage it will be important that the scheme has a definite identity so that potential tenants are fully aware that they are choosing a social lettings agency home and not one that is owned by the Council or other Registered Provider.

During the development of the scheme a working name of Homes on Offa (Tamworth) has been used for the social lettings agency. It is easy to design a brand around this name to reflect the town's Saxon heritage and is also sufficiently different from that of any of the other registered providers for applicants to be aware that they are looking at a social lettings agency home.

## **REPORT AUTHOR**

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## **LIST OF BACKGROUND PAPERS**

## **APPENDICES**

Appendix A : Scheme Plan

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