



## CABINET REPORT

<b>Report Title</b>	<b>Establishing a Social Lettings Agency</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	21 October 2015
<b>Key Decision:</b>	No
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Chief Executive's
<b>Accountable Cabinet Member:</b>	Councillor Stephen Hibbert
<b>Ward(s)</b>	Not applicable

### 1. Purpose

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- 1.1 The purpose of this report is to seek Cabinet's agreement to the principle of the Council establishing an in-house, not-for-profit social lettings agency that will let and manage private rented accommodation in Northampton, on behalf of owners, in return for a management fee.
- 1.2 The social lettings agency will help the Council to improve standards in the borough's private rented sector and make it easier for people who are living and working in the borough to access affordable private rented housing that is of a good standard and is well managed.

### 2. Recommendations

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- 2.1 That Cabinet approves the principle of establishing a social lettings agency.
- 2.2 That Cabinet delegates to the Chief Executive the authority, in consultation with the Cabinet Member for Housing, to establish a social lettings agency that will operate as part of the Housing and Wellbeing Service, subject to due diligence and the production of a detailed business case that has been signed-off by the Section 151 Officer.

### **3. Issues and Choices**

#### **3.1 Report Background**

- 3.1.1 In Northampton, the private rented sector has doubled in size during the past ten years and now amounts to almost 16,000 (18%) of the homes in the borough. For the first time in decades, there are now more people living in Northampton's private rented sector than are living in social rented housing.
- 3.1.2 As well as having a growing university population, the town is attracting more people through the creation of extra jobs by the Northampton Alive projects and Enterprise Zone. Together with the difficulty that many people are experiencing in buying a home of their own, this is leading to more people wanting to rent accommodation in Northampton.
- 3.1.3 Unfortunately, the high demand for private rented accommodation has led to a sharp increase in rents, putting all but the poorest quality housing beyond the reach of many households (especially families with children) that are living on a low income and reliant on Housing Benefit.
- 3.1.4 With so many prospective tenants to choose from – and charging rents that are much higher than the Local Housing Allowance rates used to calculate Housing Benefit – none of the town's rental agents will now let to people who are reliant on Housing Benefit even if the Council offers a financial incentive.
- 3.1.5 Compared to a couple of years ago, it is now a lot more difficult for people to access the private rented sector in Northampton, and this is having a significant impact on the Council's ability to prevent homelessness. This has resulted in an increase in homelessness acceptances and the Council's growing reliance on expensive Bed and Breakfast accommodation.
- 3.1.6 Although the private rented sector plays a vital role in helping to meet the demand for housing in Northampton, the Council is committed to improving housing standards in the private rented sector and to making it easier for people to access good quality, well managed housing at rents they can afford.
- 3.1.7 In November 2014, the Council introduced an Additional HMO Licensing Scheme and Article 4 Directive to help regulate and manage the growing number of Houses in Multiple Occupation in parts of the town. Next year, it will consult with landlords, residents and other stakeholders on the proposed introduction of a star rating system that will enable prospective tenants to make an informed choice when they are looking for private rented housing.
- 3.1.8 One of the ways in which the Council can improve housing standards, support its enforcement activity, bring more empty homes back into use, reduce homelessness and make it easier for people to access good quality, well managed housing at rents they can afford is by establishing a not-for-profit social lettings agency that will let and manage private rented accommodation, on behalf of owners, in return for a management fee.
- 3.1.9 The social lettings agency would invite landlords to hand over responsibility for their properties to the Council, which will then rent them out. In return, the Council will guarantee the rent (even if the property is empty) and ensure that the property is well-managed throughout the tenancy.

- 3.1.10 Operating as a distinct business unit within the Council's Private Sector Housing Team, the social lettings agency will afford members of the Private Sector Housing Team the opportunity to offer an immediate solution to private landlords and the owners of empty homes who are unwilling or unable to manage the property themselves. It will also make it easier for the Council to meet its statutory obligations in relation to the management of any properties that are the subject of a Management Order.
- 3.1.11 It is envisaged that the social lettings agency will manage a mixed portfolio of homes (including properties that have been converted from offices or commercial premises, empty homes and properties that are the subject of a Management Order) which will then be let to a broad spectrum of tenants ranging from people who are homeless or at risk of becoming homeless to key workers, people with disabilities and working households without children.
- 3.1.12 In some instances, landlords will only be seeking the nomination of suitable tenants and the provision of a rental deposit; in other instances, the social lettings agency will provide a full housing management service and/or lease the property from the owner for a period of 3-5 years.
- 3.1.13 In order to encourage owners to bring empty homes back into use, the social lettings agency will offer to lease the property from them and, if necessary, to pay for essential repairs on the understanding that the cost of these will be recovered from the owner by deductions from future lease payments.
- 3.1.14 As one of the primary objectives of the social lettings agency is to improve housing standards in the private rented sector, a concerted effort will be made to access external grant funding to pay for improvements to the homes that are being managed by the social lettings agency, as this will benefit the tenants and the owners. Such funding may be available, for example, to enhance home security, improve energy efficiency and install new gas boilers.
- 3.1.15 Unlike local rental agents, the social lettings agency will not charge tenants any agency fees and, by entering into long-term management agreements with landlords, it will be able to offer longer-term lets of 2 years or more. Longer tenancies, fairer pricing and better management will improve tenants' confidence in private rented housing

## **3.2 Issues**

- 3.2.1 The Private Sector Housing Team is planning to deal more robustly with the owners and managers of unlicensed HMOs, criminal and rogue landlords and the owners of problematic empty homes. Better outcomes will be achieved if a social lettings agency is available to take over the management of these properties, especially where tenants are already in occupation.
- 3.2.2 In Northampton, the shortfall between the average market rent and the Local Housing Allowance rate is between £20 and £40 per week. Although some low income households are able and willing to meet the shortfall – and can get help from the Council to pay the deposit / rent-in-advance – there has been a marked shift in the attitude of the town's rental agents (and many landlords) who are now refusing to let to people in receipt of Housing Benefit.

- 3.2.3 Working closely with the Council's Regeneration Team, the Homes and Communities Agency (HCA) is providing financial support to assist the conversion of surplus or redundant office space / commercial premises into affordable housing. Although there are more conversion schemes in the pipeline, the Council is leasing 30 of these homes for a six year term and is currently paying Northampton Partnership Homes (in the absence of the social lettings agency) to let and manage them on the Council's behalf.
- 3.2.4 Many of the households that approach the Council for assistance when they are homeless or are at risk of becoming homeless want to move into the private rented sector, but are unable to do so because the rent charged is more than they can afford, they are living on a low income and are unable to provide the rental agent with a rent guarantor and/or they are in receipt of Housing Benefit. Some are also put off by the lack of security of tenure.
- 3.2.5 Unless the Council acts decisively to overcome the barriers that are currently preventing people from accessing the private rented sector, homelessness will continue to increase and the only realistic housing option available to most low income households will be social rented housing.
- 3.2.6 Despite all of these challenges, now is an excellent time for the Council to establish a social lettings agency because significant progress is being made (through the NBC-led, Northampton Wellbeing Partnership) to develop collaborative, joined-up, wrap-around services that meet people's housing and support needs and improve their physical and mental wellbeing.
- 3.2.7 The Northampton Wellbeing Partnership comprises 50 organisations that are delivering advice, information and support services in the borough. Many of these organisations – especially those providing money advice, tenancy support and help in accessing employment, training and family support – will play a vital role in sustaining tenancies and supporting independence. Early next year, delivery of these wellbeing services will be co-ordinated by a new computer system, shared by all members of the Wellbeing Partnership.
- 3.2.8 Although the Senior Management Team of the Housing and Wellbeing Service has considerable experience of managing successful private sector lettings and leasing schemes in other parts of the country, it wants the social lettings agency to provide first class customer service and to replicate the efficiency, agility and resourcefulness of the best managing agents in the private sector.
- 3.2.9 In order to achieve this, it is envisaged that at least half of the staff that the Council appoints to run its social lettings agency (including the manager) will have extensive private sector experience of delivering a successful, profitable and customer focused housing management and lettings service.

### **3.3 Choices (Options)**

- 3.3.1 Cabinet can choose to establish an in-house social lettings agency.
- 3.3.2 Cabinet can choose to amend Northampton Partnership Homes' Management Agreement and extend the range of housing services that are delivered by NPH (on behalf of the Council) to include the procurement, management and letting of private rented accommodation.

3.3.3 Cabinet can choose to establish a social lettings agency in a different way, such as a social enterprise, joint venture or wholly owned subsidiary, etc.

3.3.4 Cabinet can choose to do nothing.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The establishment of the proposed social lettings agency is in line with Council policy and is contained within its key corporate priorities.

### **4.2 Resources and Risk**

4.2.1 As the social lettings agency is likely to reduce the cost of homelessness, it is expected that its overall financial impact on the Council's budget will be negligible,

4.2.2 Although there will be some initial set-up costs, these are likely to be under £50k. The business case and financial implications will be fully costed.

4.2.3 The Council recognises that there may be financial implications arising from the social lettings agency business case and that these will require approval through the Council's appropriate financial process. If these total more than £250,000, they will need to be brought through Cabinet.

4.2.4 A summary of the key risks, and how they will be mitigated, is attached to this report as Appendix 1.

### **4.3 Legal**

4.3.1 The Council has wide and extensive powers to implement the proposals contained in this report through the General Power of Competence in the Localism Act 2011.

4.3.2 The Homelessness Act 2002 introduced the requirement for housing authorities to take a preventative approach to homelessness.

4.3.3 The Localism Act 2011 Part 7, Chapter 1 contains the provision for a housing authority to discharge its homelessness duty into suitable private sector accommodation.

4.3.4 Although the Council must normally allocate housing accommodation in accordance with its housing allocations scheme, this only applies when it selects a person to be its own secure or introductory tenant, nominates a person to be a secure or introductory tenant elsewhere, or nominates a person to be an assured tenant of a registered provider. As the social lettings agency will only be granting non-secure tenancies (which are not affected by the housing allocations requirements), it may grant such tenancies to people outside of its allocations scheme.

4.3.5 Where the Council enters into a lease to provide temporary accommodation, it is permitted to grant a non-secure tenancy where the situation falls within one or more of the exemptions under schedule 1 of the Housing Act 1985. Paragraph 6 of schedule 1 is applicable, provided that:

- (i) the properties are to be leased to the council with vacant possession for use as temporary accommodation;
- (ii) the terms on which they are to be leased include provision for the lessor to obtain vacant possession from the Council on expiry of a specified period or when required by the lessor;
- (iii) the lessor is not a body which is capable of granting secure tenancies; and
- (iv) the Council will have no interest in the properties other than under the lease in question or as a mortgagee.

4.3.6 When drafting the lease, the Council must ensure that the requirements of Paragraph 6, schedule 1 applies and that the tenancy agreements the Council enters into with the occupiers make it clear they are subject to Paragraph 6, schedule 1 and are therefore excluded from secure tenancy status.

4.3.7 Although the social lettings agency will need to comply with all of the legislation and regulations that apply to the management and letting of private rented accommodation – including the Consumer Rights Act 2015 and, in due course, the landlord obligations proposed in the Immigration Bill 2015 – the Housing and Wellbeing Service is working closely with Legal Services and Trading Standards to ensure the social lettings agency complies with the law.

#### **4.4 Equality**

4.4.1 The establishment of a social lettings agency will contribute towards improving housing conditions and life chances of people with protected characteristics including homeless people, people with disabilities and families with children and will therefore, have a positive impact on Equality and Diversity.

4.4.2 The new scheme is part of the Borough Council's commitment to improving communities and our town as a place to live. During all stages of this project, the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and contribute to developing a fairer society.

#### **4.5 Consultees (Internal and External)**

4.5.1 Council Officers, the National Landlords Association, private landlords, rental agents and members of the Northampton Wellbeing Partnership.

4.5.2 Although some landlords have said they are unlikely to use the social lettings agency because they prefer to manage their properties themselves, most consultees have been very positive about the Council's plans to establish a social lettings agency.

#### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 As well as contributing to the delivery of a number of the borough's key strategies and policies (including the Housing Strategy, the Homelessness Strategy, the Empty Homes Strategy and the Housing Allocations Policy), the social lettings agency will help meet four of the priorities in the Corporate Plan:

- **Priority 4 – Making Every £ Go Further:** The social lettings agency will be developed and expanded in the most efficient and cost effective way, working in partnership with a wide range of organisations.
- **Priority 5 – Better Homes for the Future:** The social lettings agency will increase the supply of well managed affordable homes, giving opportunity and variety to those whose choices are normally limited. As well as supporting the Council's efforts to improve standards in the private rented sector, it will set a good example for local landlords.
- **Priority 6 – Creating Empowered Communities:** The social lettings agency will work proactively with partners, especially those in the voluntary and community sector, to empower local communities.
- **Priority 7 – Promoting Health and Well-being:** The social lettings agency will improve the condition and management of private rented housing and, by providing healthier, safer homes, have a positive impact on people's lives.

## **Background Papers**

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5.1 None

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## Appendix 1

Risk	Likelihood of risk	Impact of risk	Actions to mitigate risk
Not enough landlords willing to offer their properties to the social lettings agency	Medium	High	<p>Increase publicity</p> <p>Keep payment to landlords as close to Local Housing Allowance as possible</p> <p>Review the size of the management fee</p>
Higher than anticipated level of voids	Low	High	<p>Ensure that re-let times are kept to a minimum by:</p> <ol style="list-style-type: none"> <li>1) comprehensive register of prospective tenants and 'matching' tenants to suitable properties as quickly as possible</li> <li>2) prompt repairs and void turnaround</li> <li>3) effective housing management</li> </ol>
Higher than anticipated level of repairs	Medium	High	<p>Ensure that enough support is in place to minimise the risk of damage.</p> <p>Ensure that leases limit the Council's repairing obligations to just tenant damage, voids and handback costs</p>
Lower than anticipated rent income	Low	High	<p>Ensure that there is sufficient focus on rent collection and income maximisation.</p>
Rental income reduces due to the implementation of further benefit reforms or changes in statutory guidance.	Medium	High	<p>If the reduction in rental income puts the social lettings agency at risk, break clauses in the lease agreements will allow the Council to renegotiate or terminate existing agreements in a planned way.</p>
Reputational risk to the Council	Low	Medium	<p>Ensure the development and delivery of an effective project plan and communication plan prior to the launch. Operational activity and performance will be closely monitored to identify potential issues early</p>



Resourcing the scheme	Low	Low	Officers and management support have already been identified for project planning. A detailed business case will be fully costed, ensuring that the social lettings agency is adequately resourced and is sufficiently flexible to deal with any reductions in income. A full complement of staff will be recruited, in a timely manner, in readiness for the lettings agency going 'live'.
Recruitment to the new posts	Low	High	A comprehensive recruitment campaign will be undertaken to ensure that we recruit staff with the skills and experience required.
Accommodation becomes unaffordable for tenant	Low	Low	Ensure that robust move-on plans are in place to help tenants who are no longer able to afford their rent
Change in housing benefit subsidy	Medium	Medium	Maintain close links with DWP to ensure that we understand what changes, if any, will be made and when. Ensure break clauses are in the lease. Understand how the subsidy arrangements will be dealt with following the rollout of Universal Credit
Unmanageable demand on legal services with evictions or legal disputes	Medium	Medium	Additional staffing resources will be brought in if Legal Services is unable to meet the demand.