

**NORTHAMPTON'S  
SOCIAL LETTINGS AGENCY  
BUSINESS CASE**

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## **1. INTRODUCTION**

- 1.1 In Northampton, the private rented sector has doubled in size during the past ten years and now amounts to around 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.
- 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 still having in buying a home of their own, this is leading to more people wanting to rent accommodation in Northampton.
- 1.3 Although the private rented sector plays a vital role in helping to meet the demand for housing in Northampton, the high demand has encouraged landlords and rental agents to ask for as much rent as tenants can afford.
- 1.4 In November 2014, the Council introduced an Additional HMO Licensing Scheme and issued an Article 4 Direction (removing permitted development rights) in parts of the town. Intelligence suggests that, 2 years on, a large number of licensable HMOs are operating without an HMO licence.
- 1.5 Northampton's intelligence-led, risk-based approach to tackling criminal, rogue and irresponsible landlords – underpinned by new Private Sector Housing policies in February 2016 – is helping the Council, Police and Trading Standards to identify offenders. However, the Council is currently not equipped to take over the management of unsafe or badly managed housing.
- 1.6 With so many tenants to choose from – and charging rents that are a lot 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.
- 1.7 During the past year, there has been a sharp rise in the number of households applying to the Council for assistance under the homelessness legislation. The loss of private rented accommodation – and the difficulty of accessing the private rented sector – is the main cause of homelessness in Northampton.
- 1.8 Of particular concern is the growing number of people in full-time employment who become homeless because they are unable to meet their needs in the private rented sector due to the high rents and the amount of competition from other homeseekers. This has not happened very much in the past.

- 1.9 The increase in homelessness applications, together with a corresponding fall in the number of social rented homes available for letting, has resulted in a sharp rise in the number of homeless households living in temporary accommodation, especially in expensive B&B accommodation.
- 1.10 At a time when the demand for housing is so high, it is known (from council tax records) that more than 1,200 privately owned homes are currently empty in Northampton and that a quarter of these have been empty for at least 2 years.
- 1.11 Although the Private Sector Housing Team regularly receives reports about empty homes, it only has the capacity to deal with the most problematic.
- 1.12 Northampton Partnership Homes is currently managing 28 flats and apartments that were created by converting surplus or redundant office space and commercial premises into affordable housing. The scheme – involving government funding and the Council leasing the homes for 6 years – was set up by the Homes & Communities Agency and the Regeneration Team.
- 1.13 On 21 October 2015, Cabinet approved the principle of the Council establishing an in-house social lettings agency that will let and manage private rented accommodation, on behalf of owners, in return for a management fee.
- 1.14 At the same meeting, Cabinet delegated to the Chief Executive the authority, in consultation with the Cabinet Member for Housing & Wellbeing, to establish a social lettings agency, subject to due diligence and the production of a detailed business case that has been signed off by the Section 151 Officer.

## **2. PURPOSE OF THE BUSINESS CASE**

- 2.1 The main purpose of the social lettings agency is to help the Council to improve standards in Northampton's private rented sector, bring empty homes back into use and make it easier for people who are living and working in the borough to access good quality, well managed, affordable private rented accommodation.
- 2.2 It is intended, also, that the social lettings agency will prevent homelessness, reduce the Council's reliance on B&B accommodation and, in doing so, substantially reduce the Council's expenditure on temporary accommodation.

### **Improving standards in the private rented sector**

- 2.3 The Council is committed to dealing robustly with criminal, rogue and irresponsible landlords – including the owners and managers of unlicensed HMOs – and to making full and effective use of its enforcement powers and the provisions of the Housing & Planning Act 2016.

- 2.4 Northampton's intelligence-led, risk-based, 'offender pays' approach is set out in its Private Sector Housing Enforcement Policy and Fees & Charges Policy which encourage and reward good and responsible behaviour and impose penalties and sanctions for bad and irresponsible behaviour.
- 2.5 Although the Council has a duty (under Part 4 of the Housing Act 2004) to make an Interim Management Order to take over the control and management of property for a period of up to 12 months in relation to licensable HMOs, and a power to take such action for non-licensable HMOs, in order to protect the health, safety or welfare of the occupants and people living in the vicinity, this is not a course of action that the Council has had to take to date.
- 2.6 The duty to take over the control and management of an HMO presents a number of challenges for the Council because, in common with many other local authorities, it is currently not equipped to deal with such a situation.
- 2.7 As the Private Sector Housing Team's intelligence-led approach has identified a significant number of HMOs that are operating without a licence, there is a strong likelihood that the Council will need to take over the control and management of some HMOs in the future.
- 2.8 If a social lettings agency is established in Northampton, the Private Sector Housing Team will be in a much better position to make an Interim Management Order (lasting up to 12 months) and then a Final Management Order. A Special Interim Management Order may be applied for (to remove or significantly reduce an anti-social behavior problem) where a landlord is failing to take action to address a problem in private rented housing.
- 2.9 The Housing & Planning Act 2016 strengthens local authority powers to tackle criminal, rogue and irresponsible landlords with the introduction of Banning Orders, a tougher 'fit and proper person' test and Civil Penalties of up to £30,000, together with changes to Rent Repayment Orders.
- 2.10 Although many of the provisions in the Housing & Planning Act 2016 have yet to come into force and will not do so until the various dates determined by the Regulations, the social lettings agency will help the Council to make best use of the new powers that it is given by the new Act.
- 2.11 As the introduction of Banning Orders and a tougher 'fit and proper person' test is likely to increase the number of licensable HMOs that are not licensed and are unlikely to be licensed in the near future (see Paragraph 2.7, above), the social lettings agency will play a vital role in helping the Council to meet its statutory obligations in relation to Interim and Final Management Orders.
- 2.12 The introduction of Civil Penalties (which can be imposed as an alternative to prosecution) and the extension of Rent Repayment Orders (to cover a range of offences, not just licensing) is extremely important to the Council because all of the monies due to the Council will remain with the Council (to spend on housing related activity) rather than, as at present, being passed on to the Treasury.

- 2.13 Where a landlord is unable to manage their property themselves, the social lettings agency will offer them a solution. Better outcomes will be achieved, of course, if the social lettings agency takes on the management of such properties, especially if there are tenants in occupation.
- 2.14 It is hoped that the social lettings agency's ethical practice - including the transparency, fairness and simplicity of its system of fees and charges – will set a new benchmark for rental agents and encourage good practice.

### **Bringing empty homes back into use**

- 2.15 At present, around 1,200 privately owned homes are empty in Northampton and, of these, one in four has been empty for at least 2 years.
- 2.16 Although many of these homes will not stay empty – because they are on the market, are in the process of being re-let or are being renovated – empty homes can blight neighbourhoods and attract squatters, crime, anti-social behaviour and vermin. They also add to the pressure on housing supply.
- 2.17 Dealing with these problems (including flytipping, vandalism and arson), and boarding up empty homes to make them secure, places a significant burden on public services. Bringing these homes back into use, therefore, will help meet housing need, improve the look and feel of local neighbourhoods, reduce crime and anti-social behaviour, and relieve some of the pressure on public services.
- 2.18 Experience in other parts of the country has shown that the employment of an innovative, persuasive and tenacious Empty Homes Officer can make a huge difference in bringing empty homes back into use and reducing the number of homes that are left empty for more than 6 months.
- 2.19 Section 85 of the Local Government Act 2003 authorises the sharing of council tax data for the purpose of helping to bring empty homes back into use. Arrangements are now in place for the Private Sector Housing Team to receive automated monthly reports of all listed empty homes in the borough. As the empty homes situation is constantly changing, this arrangement will ensure that Officers can access the most up-to-date data when tackling empty homes.
- 2.20 In order to achieve its objective of bringing empty homes back into use – and to encourage the owners of empty homes to either lease their properties to the Council (for use as temporary accommodation) or employ the social lettings agency to let and manage them on their behalf – it is proposed that an Empty Homes Officer is appointed and embedded within the social lettings agency.

- 2.21 The Empty Homes Officer will contact the owners of all privately owned empty homes in the borough to inform them of their full range of options (including letting and leasing) and explain what help is available from the Council and the social lettings agency to enable them to bring their empty homes back into use.
- 2.22 Often, it will take just a letter or conversation to prompt an owner to sell or let their empty home. Sometimes, it will require an inspection, a schedule of works, advice on how to secure the services of reliable contractors and/or the offer of a property management service, a leasing arrangement or help with repairs. Occasionally, it will require an enforced sale or compulsory purchase.
- 2.23 Some of the empty homes – including those that have been empty for a long time or are especially problematic – may require repairs and improvements to bring them up to the agreed lettable standard. It is proposed that, where an owner is willing to lease their empty property to the Council for 5 - 7 years, the Council will offer them an interest-free loan of up to £10,000 to pay for essential works and then recover this loan through deductions from the lease payments.
- 2.24 If the works are organised by the Council, a charge of 15% will be made. The rate at which the loan is repaid will depend on the amount borrowed, the length of the lease, the size of the lease payments and the owner's circumstances.
- 2.25 Although it is anticipated that the Council's private sector leasing scheme will be of interest to many of the owners of empty homes – because the Council is hoping to lease 40 family homes, as quickly as possible, to provide temporary accommodation for homeless households that would otherwise be living in expensive B&B – it is also likely that the owners will be interested in the whole range of letting and management services offered by the social lettings agency.

### **Improving access to private rented accommodation**

- 2.26 In common with many other parts of the country, the high demand for private rented accommodation in Northampton exceeds supply, is pushing up rents and making it extremely difficult for people to access the private rented sector.
- 2.27 With so many tenants to choose from, none of the town's rental agents will now let to people who are reliant on Housing Benefit and, even though the Council's rental deposit scheme is still in operation, take-up is extremely low and landlords are no longer interested in the financial incentives offered.
- 2.28 During the past year, there has been a sharp rise in the number of households applying to the Council for assistance under the homelessness legislation. The loss of private rented accommodation – and the difficulty of accessing the private rented sector – is the main cause of homelessness in Northampton.

- 2.29 What is especially worrying is the growing number of people in full-time employment who are unable to access private rented accommodation due to the intense competition from other homeseekers, their inability to provide a guarantor and/or a difficulty in meeting agents' fees and charges.
- 2.30 Although the social lettings agency will need to be satisfied that prospective tenants are able to afford the rent and are capable of sustaining the tenancy, it will not normally require a guarantor, it will consider people who are reliant on Housing Benefit and it will accept the Council's rental deposit scheme.
- 2.31 As tenants' fees and charges will be comparatively low, the social lettings agency will help to improve people's access to private rented accommodation.

### **Preventing homelessness**

- 2.32 The social lettings agency will manage a mixed portfolio of homes and let them to a broad range of tenants, including key workers, people with disabilities and people who are homeless or at risk of becoming homeless.
- 2.33 In 2014/15, the loss of private rented accommodation accounted for 123 (42%) of the homeless households for whom the Council accepted a housing duty. In 2015/16, it accounted for 149 (46%) of the acceptances and, during the first six months of 2016/17, the figure had already reached 135 (57% of acceptances).
- 2.34 Although the Council's Housing Options & Advice Team works hard to prevent homelessness wherever possible, it is especially difficult to negotiate with landlords or rental agents who are intent on obtaining vacant possession in order to sell the property or let it to someone else at a much higher rent.
- 2.35 The problem is compounded by the fact that, even when they have been an exemplary tenant, tenants often find it extremely difficult (for the reasons described in Paragraph 2.26, above) to secure suitable alternative private rented accommodation that they can afford.
- 2.36 The social lettings agency will play an active role in shaping the attitudes of the owners of the homes it is managing and, by putting in appropriate safeguards, it will encourage them to accept people who are reliant on Housing Benefit.
- 2.37 If tenants are unable to raise the two months' deposit, assistance may be given by the Council's rental deposit scheme on the condition that any deposit that is subsequently returned to the tenant (by their former landlord) will be paid to the Council to offset the rental deposit it has paid.

- 2.38 Although its capacity to prevent homelessness will be limited by the number of homes it is managing and the number of properties available to let, the social lettings agency will do everything it can to prevent private tenants from becoming homeless by offering them alternative private rented accommodation.
- 2.39 Depending on the number of properties available, it will also prevent other households from becoming homeless, wherever practicable.

### **Reducing the Council's reliance on B&B**

- 2.40 Although the number of homeless households living in Bed & Breakfast accommodation – and, indeed, the overall number of homeless households living in temporary accommodation – increased gradually in 2015/16, the number has risen sharply since May 2016.
- 2.41 At the end of May 2016, there were 82 homeless households living in temporary accommodation, including 32 in B&B accommodation.
- 2.42 Between the end of May 2016 and the end of October 2016, the number of homelessness applications increased. As a result, the number of households living in temporary accommodation increased to 140 (a 71% increase) and the number of households living in B&B increased to 74 (an increase of 131%).
- 2.43 Although it is important that the social lettings agency does not become too reliant on private sector leasing to secure the properties it manages – because it needs to prove that it can successfully compete in the mainstream residential lettings market – its success in bringing empty homes back into use and helping the Council to reduce its reliance on B&B accommodation is dependent on the existence of a successful private sector leasing scheme.
- 2.44 It is proposed, therefore, that the social lettings agency will lease a total of 40 family homes (as a replacement for B&B) as soon as practicable. Although other action will also be taken to reduce the Council's use of B&B, the private sector leasing scheme will help to reduce the Council's financial exposure.

### **Reducing expenditure on temporary accommodation**

- 2.45 Although the private sector leasing scheme will substantially reduce the amount of money that the Council spends on B&B, it is hoped that the social lettings agency will also help the Council to prevent homelessness and, in doing so, further reduce the Council's expenditure on temporary accommodation.
- 2.46 By showing landlords that people who are receiving Housing Benefit are reliable and do comply with their tenancy conditions – and that there is a more ethical way of managing and letting properties – the social lettings agency will attract more business, manage a growing portfolio of properties and enable an increasing number of people to meet their needs in the private rented sector.



- 2.47 Increased landlord confidence in the social lettings agency and the Council's rental deposit scheme will help to maximise the number of tenants who are able to secure suitable, good quality accommodation through the social lettings agency's 'Tenant Finder' service.
- 2.48 It is hoped that, once established, the social lettings agency will be able to play an active role in helping the Council to successfully discharge its homelessness duty to homeless households with offers of suitable private rented housing.

### **3 PROJECT DESCRIPTION**

#### **Business Need**

- 3.1 Northampton's private rented sector is thriving and, more than ever before, the demand for private rented accommodation is outstripping supply.
- 3.2 High rents, excessive fees and charges and rental agents' refusal to let properties to people who are reliant on Housing Benefit are making it difficult for a large number of households to access Northampton's private rented sector.
- 3.3 Although the Council continues to offer assistance with rent-in-advance and damage deposits – in order to prevent homelessness and meet the housing needs of people who are already homeless – this is often not enough to persuade a landlord or rental agent to provide them with accommodation.
- 3.4 Unable to access alternative private rented accommodation, a growing number of private tenants are approaching the Council for assistance under the homelessness legislation, saying that their landlord is ending their tenancy in order to let the property to someone else at a higher rent.
- 3.5 A sharp rise in the number of homelessness applications has resulted in a substantial increase in the number of homeless households living in temporary accommodation and, in particular, expensive B&B accommodation. As this is placing a huge strain on the Council's finances, there is an urgent need to procure a supply of alternative, less expensive temporary accommodation.
- 3.6 Although it is hoped that the social lettings agency will improve people's access to private rented accommodation and reduce homelessness, the most effective way of reducing the Council's use of B&B accommodation is to set up a private sector leasing scheme that will be managed as part of the social lettings agency and support the Council's efforts to bring empty homes back into use.
- 3.7 As well as offering the owners of empty homes a range of letting and leasing options, the social lettings agency will offer a cost-effective property management service to landlords who are failing to manage and maintain their properties to the required standard and are at risk of formal enforcement action. It will also provide the Council with the capacity and expertise to manage properties that are the subject of Interim / Final Management Orders.

3.8 The establishment of a social lettings agency will complement the work that the Council is already undertaking to tackle criminal, rogue and irresponsible landlords. It is hoped that at least some of the extra income that the Private Sector Housing Team generates from Civil Penalties and Rent Repayment Orders (as a result of the Housing & Planning Act 2016) will be invested in the operating costs of the social lettings agency.

### **Goals / Scope**

3.9 Cabinet approved the principle of establishing an in-house, not-for-profit social lettings agency at its meeting on 21 October 2015.

3.10 It is proposed that the new agency is called **Guildhall Residential Lettings**.

3.11 Although it has taken much longer than originally envisaged to develop this Business Case, it has been necessary to think imaginatively and carefully about what an efficient, ethical, sustainable social lettings agency will look like, how it will operate and what difference it will make.

3.12 As an ethical social lettings agency, Guildhall Residential Lettings will never overcharge its customers for the services it provides, and it will ensure that its terms of business (including its fees and charges) are straightforward, clear and easy to understand and compare.

3.13 In order to minimise staffing costs and compete successfully with other rental agents, the social lettings agency will encourage self-service and make optimum use of information technology and the industry's leading software.

3.14 It is hoped that, over the next 3 years, the social lettings agency will achieve steady, year-on-year growth from a portfolio of 100 homes in 2017/18 to a portfolio of at least 250 homes by the end of 2019/20.

### **Social Lettings Agency Operating Model**

3.15 Guildhall Residential Lettings will manage and let properties that are leased by the Council or owned by individuals and businesses. If landlords want to manage the property themselves, it will help them find suitable tenants.

3.16 During the first year, the social lettings agency will manage 100 homes:

- 40 family-sized homes that will be leased by the Council (under its private sector leasing scheme) for use as temporary accommodation;
- 28 flats and apartments that are already being leased by the Council (under an empty property / affordable housing scheme) but are currently being managed by Northampton Partnership Homes; and
- 32 flats and houses that will be let and managed by the social lettings agency, on behalf of owners, in return for a management fee.

3.17 Guildhall Residential Lettings will operate as a distinct business unit within the Private Sector Housing Team on the Second Floor of the Guildhall. Although it will not have a shopfront, it will have its own, interactive website.

3.18 The social lettings agency will employ a team of 5 full-time staff:

- Social Lettings Agency Manager
- Empty Homes Officer
- Residential Lettings Negotiator
- 2 Housing Management & Lettings Officers

3.19 The **Social Lettings Agency Manager** will have overall responsibility for the management of the team and the day-to-day operation of the social lettings agency, ensuring that accurate records are maintained and that any issues or problems are dealt with swiftly and effectively. S/he will also be responsible for promoting the work of the social lettings agency, gaining instructions from landlords, setting targets, monitoring performance and managing budgets.

3.20 The **Empty Homes Officer** will maintain an up-to-date record of empty homes in the borough, undertake property inspections and provide the owners with comprehensive advice on all of the options and incentives available to help them bring their homes back into use. S/he will promote the work of the social lettings agency, actively encourage owners to lease their properties to the Council for it to use as temporary accommodation and, where necessary, work proactively with the Housing Standards Team to take enforcement action.

3.21 The **Residential Lettings Negotiator** will provide advice on rental values, organise and conduct accompanied viewings, negotiate offers between tenants and landlords, and maintain accurate and comprehensive file notes. S/he will also gain instructions from landlords, respond to all enquiries in a timely manner and achieve the targets set by the Social Lettings Agency Manager.

3.22 The **Housing Management & Lettings Officers** will ensure that all routine property inspections are organised and carried out within the required timeframe, deal with any maintenance issues that arise, establish who is liable for any repairs and ensure that all repairs and maintenance is carried out on time and to the required standard. S/he will also arrange the renewal of tenancies, organise the repairs and cleaning at the end of the tenancy, mediate between the parties in relation to the deposit, and ensure that void periods are kept to a minimum between tenancies.

3.23 The second Housing Management & Lettings Officer will be appointed six months after the social lettings agency is up and running. This will ensure that all of the properties are professionally managed and let in a timely manner.

3.24 As well as having its own interactive website – which will have the look and feel of a contemporary residential lettings agent – the social lettings agency will make optimum use of information technology and some of the best and most popular residential lettings software in the UK.

3.25 In order to ensure that the social lettings agency is efficient, effective and sustainable, specialist software will be purchased for the following:

- Property management
- Property inspections
- Repair reporting

3.26 The **property management software** will provide an all-in-one platform of data management, property marketing and property management, avoiding the need to keep switching from one system to another.

- The database of applicants, tenants, landlords and contractors means that you can find all the information you need at your fingertips, in one location. You can then link these through the property record and log any conversations on each property file or tenant file.
- Cloud-based software can be accessed anywhere with an internet connection. This means that you are not restricted to one location.
- A live dashboard means you can easily identify any safety certificates that are due, and upload the renewed certificates for your records. The software will not only store and populate the documents needed but you can also send out emails and text messages direct from the software.
- The use of mass e-mailing and SMS means that when a property becomes available you can match it to your applicant database for suitable candidates and e-mail / SMS them with details on the property.
- Integrating with Microsoft Word means that you can pre-load documents that will automatically populate and pull through the relevant data. This ensures that you are being the most efficient with time and are not having to duplicate / reproduce documents already in existence.
- It will automatically identify if a tenancy is due for renewal, and flag inspections that are both due and overdue. If there are any rent arrears, this will also be flagged on the dashboard, meaning that you can chase any rent that maybe outstanding all from one place.

- Receipting monies from tenants is simple and the system automatically allocates it to the relevant property. This means that, with a few clicks, you can produce annual income and expenditure reports for landlords.
- The ability to log comments on landlord, tenant and property files means that, in the event of a dispute, a timed dated stamped report can be produced. This cannot be altered and is recognised by the Courts.

3.27 The **property inspection software** provides an electronic inspection tool that can be used via a tablet or mobile phone.

- The ability to create paperless reports on site gives users the advantage of carrying out multiple inspections without the hassle of all the paperwork.
- The user can produce live reports that are date stamped and incorporate photos. You can create bespoke, tailored property reports including inventories, check-ins, mid-term reports, and checkout reports. You can even tailor a report to incorporate houses in multiple occupation.
- The use of such inspection software gives you the opportunity to keep a live record of the condition of each managed property. You then have the online hub that stores each previous inspection linking it to each new inspection. This means you can view previous reports whilst on inspections.
- The online hub lets you email the finished reports to landlords and tenants, giving you the opportunity to highlight any potential concerns and to notify of them the next inspection time and date.
- There are no guarantees as how a tenant will treat a property during their tenancy but the software provides a live, up-to-date photographic log of the condition. You can highlight any issues or concerns to the tenant and landlord and keep a record of this, which is vital in the event of a dispute.

3.28 The **repair reporting software** makes it easy for letting agents and tenants to report repairs.

- A live, online reporting portal giving tenants the ability to report issues 24 hours a day, 365 days of the year. Accessed via the agency's own website, a simple tab that can be clicked takes you through to the system. This is where tenants can communicate the issue that they have identified and whether it is just a case of resetting the fuse board or changing a light bulb.
- The website's use of modern diagrams means that issues can be easily identified. The step by step process gives tenants the ability to interact via the website which is offered in more than 40 languages.

- With guidance and advice, tenants are made aware of their responsibilities and given all the information necessary to solve those frequent 'easy-to-fix' problems that they might come across. In the case of a bigger issue, in-built guided advice ensures that the tenant can take all the right steps to prevent costly damage to the landlord's property.
- Clear, concise repair reports contain all the information needed, including details such as the make and model of appliances, the specific location of the issue, and photos of the problem. The reports are then sent direct to the contractor or property manager, making it easier for the issues to be resolved during the first contractor visit.
- The software supplier has published figures showing that, of more than 25,000 repair reports logged in one month, 16% were resolved using the interactive website and 61% of the reports logged contained photographs.

### **Issues / Risks / Opportunities**

- 3.29 Although a large number of local authorities have expressed an interest in setting up a social lettings agency, most have only talked about it.
- 3.30 Of the social lettings agencies established to date, most have been set up to prevent homelessness, enable the local authority to discharge its homelessness duty in the private rented sector and/or reduce the cost of housing homeless households in expensive temporary accommodation.
- 3.31 Except in areas where there is a lot of private sector leasing, most social lettings agencies are relatively small and, where there is a large differential between market rents and Local Housing Allowance (LHA) rates, the social lettings agency is not expecting to grow significantly in the foreseeable future.
- 3.32 Northampton's social lettings agency is fundamentally different from other social lettings agencies because it is based on a private sector residential lettings model (rather than a local authority model), it is planning to use the software that the private sector uses (rather than the software that local authorities use) and it is being set up to improve standards in Northampton's private rented sector, bring empty homes back into use and make it easier for people who are living and working in the borough to access good quality, well managed, affordable private rented accommodation.
- 3.33 Until the social lettings agency is able to generate enough income to cover all of its running costs, the Council will need to offset the operating deficit against the savings that the social lettings agency achieves in preventing homelessness and reducing the Council's use of B&B. Eventually, it may be able to use the income from Civil Penalties and Rent Repayment Orders.

- 3.34 One of the biggest challenges facing the social lettings agency is the differential between the market rents being charged in Northampton and the Local Housing Allowance (LHA) rates that are used in the calculation of Housing Benefit.
- 3.35 Based on a sample of more than 100 privately rented homes on the Rightmove website at the end of October 2016 (and excluding the most expensive homes), the rents charged by rental agents fell broadly within the following ranges:
- 1-bedroom homes: £500 - £700 per calendar month
  - 2-bedroom homes: £600 - £800 per calendar month
  - 3-bedroom homes: £725 - £1000 per calendar month
  - 4-bedroom homes: £800 - £1200 per calendar month
- 3.36 With the exception of some of the 4-bedroom homes, these market rents are significantly higher than the LHA rates:
- 1-bedroom homes: £434.74 per calendar month
  - 2-bedroom homes: £548.85 per calendar month
  - 3-bedroom homes: £607.64 per calendar month
  - 4-bedroom homes: £813.17 per calendar month
- 3.37 If the social lettings agency only offers landlords rents at LHA rates, most landlords are likely to use other rental agents who are able to offer them the full market rent. If the social lettings agency cannot attract landlords, it will fail.
- 3.38 If, on the other hand, the social lettings agency offers landlords the full market rent, it will make the homes less affordable to tenants and, by encouraging landlords to charge as much as they can, it will be complicit in inflating rents.
- 3.39 In order to strike the right balance between landlords' expectations and tenants' needs, it is proposed that the social lettings agency will offer landlords a rent equivalent to 95% of the market rent. This is the amount that the tenant will be charged and it will be called the '**Social Lettings Agency Rate**' (SLA rate).
- 3.40 Although many of the tenants accommodated through the social lettings agency will be able to meet their rent (or 'top up' their Housing Benefit) from their own resources, checks will always be made to ensure that the rent is affordable.
- 3.41 For more information about rents, fees and charges (and the assistance the Council is able to offer households through its 'sponsored tenant' arrangements), please refer to Section 6 of this Business Case (Page 18).

- 3.42 The unique selling point of the social lettings agency is that it is owned by the Council, everything it does will be ethical and transparent, and it is accountable.
- 3.43 Although some landlords are only interested in maximising their return, experience has shown that many of them are happy to accept a slightly lower rent if their property is well managed, the rent is paid in full and on time, the turnover of tenants is low, and the letting arrangements serve a social purpose.
- 3.44 In order to be effective at letting properties quickly, the social lettings agency will be establishing and maintaining a register of pre-approved tenants who are in a position to move in with the minimum of delay. They will be alerted to properties, via e-mail and text messages, when properties become available.
- 3.45 Rental agents' reluctance to let the accommodation they manage to people on Housing Benefit is blamed on the unreliability of 'the system' and the people who depend on it, rather than on the extra time they might spend managing such a tenancy compared to a tenancy where the rent is paid by direct debit.
- 3.46 As the social lettings agency is being set up for a social purpose, its primary motivation will be to find innovative and cost-effective ways of managing tenancies, rather than to maximise the financial return with the least amount of effort. If special arrangements are needed to sustain someone's tenancy, these arrangements will be put in place by the social lettings agency and its partners.
- 3.47 Although special arrangements will be put in place to deal with out-of-hours emergency repairs – using Northampton Partnership Homes – it is proposed that all repairs, including void works, will be organised and managed by the social lettings agency (using the repair reporting system) and undertaken by local contractors, using a schedule of rates.
- 3.48 Unlike other rental agents, the social lettings agency will be actively looking for opportunities to attract funding to improve the homes it is managing, for the benefit of tenants and landlords. An example of this might be where new boilers are being provided, free of charge, to improve the warmth and energy efficiency of homes occupied by people in receipt of a qualifying benefit.
- 3.49 Although the social lettings agency has a clear social purpose – which is described, in detail, in this Business Case – the strength of its operating model lies in the diversity of its property portfolio, its ability to switch the PSL properties from temporary accommodation to private rented accommodation (and vice versa) in light of changing demand for temporary accommodation, and the fact that it is designed to meet the housing needs of a wide range of people and not just those who are homeless and/or reliant on Housing Benefit.



3.50 Whilst the savings achieved from the establishment of a private sector leasing scheme will more than offset the deficit in the social lettings agency's budget in 2017/18 and 2018/19, it is envisaged that the social lettings agency will be able to deliver a balanced budget within the next 2 or 3 years if it is able to grow its property portfolio quickly and secure Civil Penalties / Rent Repayment Orders.

3.51 One of the challenges will be to procure 40 private sector leases, on good terms, as quickly as possible. Although this will not generate any income for the social lettings agency, it will help minimise the Council's expenditure on B&B.

3.52 A priority will be to recruit the social lettings agency staff. It is hoped that the roles can be advertised in January 2017 and that the interviews can take place during January and February 2017. This will enable all or most of the members of the team to be in place by the beginning of April 2017.

#### 4. HIGH LEVEL IMPACT

4.1 The social lettings agency will help meet 3 priorities in the Corporate Plan:

- **Safer Communities:** The social lettings agency will improve the condition and management of private sector housing and, by providing healthier, safer homes, it will have a positive impact on people's lives.
- **Housing for Everyone:** The social lettings agency will increase the supply of, and access to, well managed affordable homes, and provide opportunity and choice to those whose housing choices are normally limited.
- **Working Hard and Spending your Money Wisely:** The social lettings agency will be developed, delivered and grown in the most cost-effective way to prevent homelessness, reduce the cost of temporary accommodation, improve access to the private rented sector and bring empty homes back into use.

4.2 The social lettings agency will also make a positive contribution to 2 of the 3 Business Development Priorities that support the Corporate Plan and help manage the Council's future financial challenges:

- **Empowering Communities:** The social lettings agency will encourage communities to become actively involved in mentoring tenants and helping to bring empty homes back into use in order to make everywhere in Northampton a great place to live, visit, work, study and invest.

- **Partnership Working:** The social lettings agency will actively promote collaborative multi agency working and, in doing so, it will help the Council to get the best from the resources available. As well as increasing efficiency and effectiveness, this will reduce duplication, deliver better outcomes and improve residents' housing, health and wellbeing.

## 5. ALTERNATIVE OPTIONS

- 5.1 Cabinet has already approved the principle of establishing a social lettings agency and, subject to due diligence and this Business Case being signed-off by the Section 151 Officer, the Chief Executive (in consultation with the Cabinet Member for Housing & Wellbeing) is authorised to set one up.
- 5.2 Although consideration was given to amending Northampton Partnership Homes' Management Agreement and extending the range of housing services that are delivered by NPH to include the procurement, management and letting of private rented accommodation, it was decided that the social lettings agency requires a different approach to customer service and housing management.
- 5.3 Consideration was given to the merits of establishing the social lettings agency as a social enterprise, joint venture or wholly owned subsidiary. However, this option was rejected on the grounds that the agency needs to be up and running and sustainable before alternative delivery vehicles are considered. As the primary objective is to improve housing conditions, prevent homelessness, bring empty homes back into use and minimise the cost of temporary accommodation, the Council will also need to ensure that this objective will still be met if the service is no longer delivered in-house.
- 5.4 Throughout the development of the social lettings agency's operating model, careful consideration has been given to a whole raft of options in relation to the size and composition of the team, the mix of property types and management arrangements, the amount of rent that will be charged, the size of the management fee and set-up fees, and how low income households will be able to benefit from the social lettings agency.

## 6. RENTS, FEES AND CHARGES

### Rents

- 6.1 Although the social lettings agency does not want to contribute to the inflation of rents, it will only be able to prevent homelessness, set up a successful private sector leasing scheme and improve people's access to the private rented sector if it offers landlords an amount of rent that they will accept.

- 6.2 It is proposed, therefore, that the social lettings agency will offer landlords a rent equivalent to 95% of the property's market rental value. This will be called the '**Social Lettings Agency Rate**' (SLA rate) and is what the tenant will pay.
- 6.3 It is also proposed that, where a property is leased for a period of up to 7 years, the rent that is paid to the owner will be equivalent to 80% of the SLA rate. This will be called the '**Private Sector Leasing Rate**' (PSL rate).

### **Fees and charges**

- 6.4 As an ethical social lettings agency, Guildhall Residential Lettings will never overcharge for the services it provides, and it will ensure that its terms of business (including its fees and charges) are straightforward, clear, and easy to understand and compare.
- 6.5 Although the social lettings agency will need to generate enough income to cover its operating costs, the amount of money that it charges will be reasonable, justified and offer good value for money.

#### **The amount that landlords will be charged**

- 6.6 A small handful of Northampton's rental agents charge landlords a relatively low monthly management fee, equivalent to up to 10% of the monthly rent. Most, however, charge landlords a higher monthly management fee, equivalent to between 11% and 16% of the monthly rent.
- 6.7 Comparing rental agents is extremely difficult, due to the wide range of fees and charges that landlords are asked to pay (in addition to their monthly management fee) for such things as setting up and renewing tenancies, producing inventories, organising repairs and renewing gas safety certificates.
- 6.8 Often, these additional fees and charges are much higher than what it actually costs the agent. When assessing the suitability of a prospective tenant, for example, some rental agents will charge the person at least 10 times more for a reference than the amount they are being charged by the referencing company.
- 6.9 Where the social lettings agency has a formal management agreement with a landlord and incurs expenditure that relates to its management of the tenancy (such as repairs and maintenance, the renewal of gas safety certificates, and possession action) the landlord will be recharged this expenditure. Apart from such recharges, however, the social lettings agency will only charge the landlord a **monthly management fee of 12%** and a **set-up fee of £500**.
- 6.10 The one-off set-up fee of £500 per property will cover some of the work that the social lettings agency undertakes before the property is first let: inspecting the property, drawing up the inventory and producing the tenancy agreement.

- 6.11 The monthly management fee of 12% and the set-up fee of £500 will not apply to the homes that are leased through the private sector leasing scheme and, although the monthly management fee of 12% will apply to the properties in the HCA's Empty Homes Scheme, the set-up fee of £500 will not apply because all of the landlords are already leasing their properties to the Council.
- 6.12 Where the social lettings agency is asked to find a suitable tenant for a landlord (under its 'Tenant Finder' scheme), it will charge the landlord a fee that is equivalent to **50% of the first month's rent** and, if an inventory is required, it will charge the landlord a fee equivalent to **the first month's rent**.
- 6.13 Where a landlord is seeking a 'guaranteed rent' arrangement in relation to a property that is being let through the social lettings agency, the social lettings agency will seek to procure this (on the landlord's behalf) from an appropriate insurance scheme and pass on the **full cost of the cover** to the landlord.

#### The amount that tenants will be charged

- 6.14 The Government has recently announced (in the Chancellor's Autumn Statement) that it is planning to prohibit letting agents from charging fees to tenants. This will have only a limited impact on the social lettings agency.
- 6.15 It is important to note, however, that this is a proposed change and that the Government will need to consult and assess the impact. If it involves primary legislation, the change may not come into effect until late 2017 at the earliest.
- 6.16 One of the issues that the Government will need to consider is whether or not letting agents should be allowed to recover their reasonable costs in determining a tenant's suitability to rent a property. As the social lettings agency is planning to establish and maintain a register of approved homeseekers and employ a referencing agency to help it determine each tenant's suitability, its ability to recover the costs will need to be established.

#### Interim arrangements for charging tenants

- 6.17 Although the social lettings agency wants to improve, rather than reduce, people's access to private rented accommodation, its financial viability and its success in attracting instructions from landlords are dependent on it always being in a position to let its homes quickly and efficiently to suitable tenants.
- 6.18 To support the lettings process, the social lettings agency is proposing to set up a **register of approved homeseekers** who have already been assessed and approved by the social lettings agency and a referencing company.

- 6.19 The register of approved homeseekers will not only make it easier for the social lettings agency to find suitable tenants for the properties it is letting, but it will also demonstrate to landlords why they should use the social lettings agency (under its 'Tenant Finder' scheme) to help them find suitable tenants.
- 6.20 It is proposed, therefore, that everyone who wants to be considered for properties that are being let through the social lettings agency – except, of course, homeless households that are moving into the temporary accommodation that is managed by the social lettings agency – must first apply to join the social lettings agency's register of approved homeseekers.
- 6.21 It is also proposed that, until the Government has published its plans for prohibiting letting agents from charging tenants – including the timescales – the social lettings agency will seek to recover its reasonable costs in determining a tenant's suitability and carrying out a compulsory on-site inventory check.
- 6.22 As the assessment process will involve the use of a referencing company (which will charge up to £25 for each reference) and a lot of administration (before and after the assessment) on the part of the social lettings agency, it is proposed that homeseekers are charged an **application fee of £125**.
- 6.23 If a homeseeker's application is turned down or their circumstances remain the same and they are not offered a suitable property within 6 months of their application being approved, the social lettings agency will refund the 'administration' element of the application fee.
- 6.24 Given the importance of the inventory – as a record of the condition and contents of the property – and the disputes that can arise at a later date if the tenant has not checked and amended the inventory at the start of the tenancy, the social lettings agency will carry out a compulsory, on-site inventory check, jointly with the tenant, and charge the tenant an **inventory fee of £75**.
- 6.25 All of the social lettings agency's tenants – except homeless households that move into the temporary accommodation that is managed by the social lettings agency – will need to pay a **rental deposit** (equivalent to two months' rent) and the **inventory fee of £75** when they sign the tenancy agreement.
- 6.26 Tenants will no longer be charged an application fee and/or inventory fee (or the fees will be reduced) if the law is changed and such charges are prohibited.

## **7. ENSURING THAT HOMES ARE AFFORDABLE**

- 7.1 Although it is hoped that many of the people who are helped by the social lettings agency will be in a position to pay the application fee, the inventory fee and the two months' rental deposit from their own resources, there will be occasions when someone who is well-suited to private rented accommodation needs help in meeting all or part of these costs.
- 7.2 In some instances, the person will be living in private rented accommodation and will be expecting their landlord to return their rental deposit when they move out. If this can be verified with the landlord, the social lettings agency will accept a smaller deposit from the tenant on the understanding that, when the original deposit is released, it will be paid to the social lettings agency.
- 7.3 There will be other instances, of course, when someone has been assessed (by the social lettings agency and the referencing agency) as being suitable for private rented accommodation, but is not in a position to pay the full rental deposit and inventory fee and will become homeless if they are not able to move into the accommodation they are offered by the social lettings agency.
- 7.4 Although the social lettings agency will always need to be satisfied that tenants can afford the full rent – taking into account the amount of Housing Benefit they will receive and any prospect of this amount being reduced because of the bedroom size criteria or the Benefit Cap – financial assistance may sometimes be available to help with the fees and rental deposit.
- 7.5 Tenants who are in receipt of Housing Benefit can apply to the Council's Revenues & Benefits Team for a Discretionary Housing Payment (DHP) to help them with the fees, the rental deposit and/or the shortfall between the rent charged and the amount of Housing Benefit they are receiving. However, as the demand for DHPs is very high, there is no guarantee of success.

### Help for 'sponsored tenants'

- 7.6 The Council's Housing Options & Advice Team already operates a rental deposit scheme that is designed to help people who are homeless or threatened with homelessness to access private rented accommodation. However, for the reasons explained earlier in this Business Case, most landlords and rental agents are not interested in the scheme.
- 7.7 Although it is hoped that the social lettings agency will eventually be able to operate without the need for much financial support from the Housing Options & Advice Team – because, in future, it might benefit from the income generated from Civil Penalties and Rent Repayment Orders – the rental deposit scheme can play an important role in helping the social lettings agency to ensure that, at the end of the tenancy, the rent account is not in arrears, any damage has been put right and the landlord is not left out of pocket.

- 7.8 Where a tenant is homeless or at risk of becoming homeless and the Housing Options & Advice Team determine that the Council owes them a housing duty under the homelessness legislation, the Housing Options & Advice Team will 'sponsor' the tenant in all of their dealings with the social lettings agency.
- 7.9 Under its 'sponsorship' arrangements, the Housing Options & Advice Team will provide the tenant with the financial assistance s/he needs to access suitable private rented accommodation through the social lettings agency. This may include help in paying the application fee, the inventory fee and/or the deposit.
- 7.10 Where the tenant is able to raise the 2 months' rental deposit and meet the social lettings agency's fees but requires all or part of that money to meet a shortfall between the monthly rent and the amount of Housing Benefit they are receiving, the Housing Options Team may decide to fund the fees and deposit.
- 7.11 'Sponsorship' of tenants is entirely at the discretion of the Council.

## 8. FINANCIAL CONSIDERATIONS

- 8.1 Assuming that the social lettings agency is fully staffed\* and up and running from 1 April 2017, the operating costs (excluding the private sector leasing scheme) during the next three years are expected to be as follows:

<b>ANNUAL EXPENDITURE (OPERATING COSTS)</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Employee costs	£165,200 *	£181,800	£183,600
Equipment (phones, computers and tablets)	£ 5,000	£ 1,000	£ 1,000
Software (inspections, repair reporting and property management)	£ 6,500	£ 4,600	£ 4,900
Interactive website	£ 5,000	£ 2,000	£ 2,000
Leaflets and marketing	£ 11,400	£ 11,400	£ 11,400
Referencing (tenants)	£ 2,500	£ 2,500	£ 2,500
ARLA membership	£ 1,500	£ 500	£ 500
Legal costs	£ 1,500	£ 1,500	£ 1,500
Stationery / supplies	£ 1,000	£ 1,000	£ 1,000
<b>TOTAL</b>	<b>£199,600</b>	<b>£206,300</b>	<b>£208,400</b>

\* It is assumed that, during the first six months of 2017/18, only one of the two Housing Management & Lettings Officer will be needed. The second will start in October 2017

- 8.2 As explained in Section 6, the social lettings agency will earn a management fee (equivalent to 12% of the rent due) in relation to the 28 flats and apartments that the Council is already leasing from owners under the Homes & Communities Agency's Empty Homes Scheme and the dozens of other properties for which it receives instructions to manage on behalf of the owners.
- 8.3 Although the social lettings agency will not charge any set-up fees in relation to the private sector leasing scheme and HCA's Empty Homes Scheme, it is proposing to charge landlords £500 for all other residential lettings in order to cover the cost of setting up the tenancy.
- 8.4 The table below provides an illustration of how much income the social lettings agency might generate in fees and charges over the next three years. It assumes that, including the 40 homes in the private sector leasing scheme, the social lettings agency will be managing, on average, 100 properties in 2017/18, 150 properties in 2018/19 and 200 properties in 2019/20.

<b>ANNUAL INCOME (FEES &amp; CHARGES)</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
12% management fee (HCA Empty Homes Scheme)	(£13,900) (28 homes)	(£13,900) (28 homes)	(£13,900) (28 homes)
12% management fee (Residential Lettings)	(£34,000) (32 homes) <sup>1</sup>	(£85,400) (82 homes) <sup>2</sup>	(£136,100) (132 homes) <sup>3</sup>
Set-up fees (Landlords) (Residential Lettings)	(£16,000) (32 homes)	(£25,000) (50 homes)	(£25,000) (50 homes)
Set-up fees (Tenants) (Residential Lettings)	£ NIL <sup>4</sup> (32 homes)	£ NIL <sup>4</sup> (50 homes)	£ NIL <sup>4</sup> (50 homes)
<b>TOTAL</b>	<b>(£63,900)</b>	<b>(£124,300)</b>	<b>(£175,000)</b>

Note <sup>1</sup> Portfolio of 19 x 2-beds, 11 x 3-beds and 2 x 4-beds

Note <sup>2</sup> Portfolio of 10 x 1-beds, 41 x 2-beds, 25 x 3-beds & 6 x 4-beds

Note <sup>3</sup> Portfolio of 20 x 1-beds, 66 x 2-beds, 36 x 3-beds and 10 x 4-bed homes

Note <sup>4</sup> This assumes that the Government bans all tenants' fees and charges. For the purpose of illustration, if the social lettings agency is allowed to charge the application fee and inventory fee described in Paragraphs 6.22 and 6.24 of this Business Case, this would generate annual fee income of £6,400 in 2017/18 and £10,000 in 2018/19 & 2019/20.



8.5 No allowance has been made for the cost of managing the private sector leasing scheme because, while it is being used as temporary accommodation, the rent that the Council can charge the tenants will be lower than what it is paying the owner. Excluding the private sector leasing scheme, the shortfall between the social lettings agency's operating costs and the amount of income it is able to generate in fees and charges might be as follows:

<b>SOCIAL LETTINGS AGENCY</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Annual operating costs (excluding the private sector leasing scheme)	£199,600	£206,300	£208,400
Annual income (set-up fees and management fees)	(£63,900)	(£124,300)	(£175,000)
<b>TOTAL</b>	<b>£135,700</b>	<b>£82,000</b>	<b>£33,400</b>

8.6 Although the private sector leasing scheme is needed to reduce the Council's use of expensive B&B accommodation – and to help bring empty homes back into use – it will not generate any surpluses while it is being used as temporary accommodation. This is because the rents will be based on the Local Housing Allowance rates that have been frozen until 2019/20.

8.7 The following table illustrates how much rent the Council might receive from a private sector leasing scheme of 40 homes and how much of this income it might need to set aside for voids, repairs and bad debts:

<b>PRIVATE SECTOR LEASING SCHEME</b>	<b>2-bed homes</b>	<b>3-bed homes</b>	<b>4-bed homes</b>	<b>Total</b>
Annual rent collected from tenants (based on Local Housing Allowance rate)	(£131,720) (20 homes @ £6,586) <sup>1</sup>	(£109,365) (15 homes @ £7,291) <sup>2</sup>	(£48,785) (5 homes @ £9,757) <sup>3</sup>	<b>(£289,870)</b> (40 homes)
Annual amount for voids (rent loss and cleaning), repairs and bad debts (based on 3 lettings a year)	£40,800 (20 homes @ £2,040)	£34,950 (15 homes @ £2,330)	£13,075 (5 homes @ £2,615)	<b>£88,825</b> (40 homes)
<b>TOTAL NET ANNUAL RENTAL INCOME</b>	<b>(£90,920)</b> (20 homes @ £4,486)	<b>(£74,415)</b> (15 homes @ £4,891)	<b>(£35,710)</b> (5 homes @ £7,057)	<b>(£201,045)</b> (40 homes)

Note <sup>1</sup> The Local Housing Allowance Rate is £548.85 pcm

Note <sup>2</sup> The Local Housing Allowance Rate is £607.64 pcm

Note <sup>3</sup> The Local Housing Allowance Rate is £813.17 pcm

- 8.8 Unfortunately, as the table below illustrates, it is likely that a private sector leasing scheme of 40 homes will operate at a substantial financial deficit and contribute nothing to the social lettings agency's staff / running costs:

<b>PRIVATE SECTOR LEASING SCHEME</b>	<b>2-bed homes</b>	<b>3-bed homes</b>	<b>4-bed homes</b>	<b>Total</b>
Annual rent paid to owner (based on 80% of the Social Lettings Agency Rate)	£127,680 (20 homes @ £6,384)	£117,990 (15 homes @ £7,866)	£46,740 (5 homes @ £9,348)	<b>£292,410</b> (40 homes)
Net annual rental income (after making deductions for voids, repairs and bad debts)	(£90,920) (20 homes @ £4,546)	(£74,415) (15 homes @ £4,961)	(£35,710) (5 homes @ £7,142)	<b>(£201,045)</b> (40 homes)
<b>NET ANNUAL COST (EXCLUDING STAFF)</b>	<b>£36,760</b> (20 homes @ £1,838)	<b>£43,575</b> (15 homes @ £2,905)	<b>£11,030</b> (5 homes @ £2,206)	<b>£91,365</b> (40 homes)

Note <sup>1</sup> The Social Lettings Agency Rate is £665.00 pcm; the PSL Rate is £532.00 pcm.

Note <sup>2</sup> The Social Lettings Agency Rate is £819.38 pcm; the PSL Rate is £655.50 pcm

Note <sup>3</sup> The Social Lettings Agency Rate is £973.75 pcm; the PSL Rate is £779.00 pcm

- 8.9 When the estimated annual deficit in the operating costs of the private sector leasing scheme and the social lettings agency are combined, the deficit for the next three years is likely to be as follows:

<b>SOCIAL LETTINGS AGENCY (including the PSL Scheme)</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Social Lettings Agency operating deficit (excluding Private Sector Leasing) <sup>1</sup>	<b>£135,700</b> (60 homes)	<b>£82,000</b> (110 homes)	<b>£33,400</b> (160 homes)
Private Sector Leasing operating deficit <sup>2</sup>	<b>£91,365</b> (40 homes @ £2,284)	<b>£91,365</b> (40 homes @ £2,284)	<b>£91,365</b> (40 homes @ £2,284)
<b>TOTAL</b>	<b>£227,065</b>	<b>£173,365</b>	<b>£124,765</b>

Note <sup>1</sup> See table in Paragraph 8.5.

Note <sup>2</sup> See table in Paragraph 8.8.

8.10 Given the extremely high cost of B&B accommodation, however, a private sector leasing scheme will offer a substantially more cost-effective form of temporary accommodation. Using the same mix of households as the tables in Paragraphs 8.7 and 8.8, the following table illustrates – for the purpose of comparison – how much the Council might spend accommodating the 40 families in B&B rather through the private sector leasing scheme:

<b>BED &amp; BREAKFAST ACCOMMODATION</b>	<b>2-bed families</b>	<b>3-bed families</b>	<b>4-bed families</b>	<b>Total</b>
Annual equivalent of the weekly B&B charge	<b>£327,600</b> (20 families @ £16,380) <sup>1</sup>	<b>£327,600</b> (15 families @ £21,840) <sup>2</sup>	£145,600 (5 families @ £29,120) <sup>3</sup>	<b>£800,800</b> (40 homes)
Net annual rental income (based on Housing Benefit of £103.85 per week)	<b>(£108,000)</b> (20 families @ £5,400)	<b>(£81,000)</b> (15 families @ £5,400)	(£27,000) (5 families @ £5,400)	<b>(£216,000)</b> (40 families)
<b>NET ANNUAL COST (EXCLUDING STAFF)</b>	<b>£219,600</b> (20 homes @ £10,980)	<b>£246,600</b> (15 homes @ £16,440)	<b>£118,600</b> (5 homes @ £23,720)	<b>£584,800</b> (40 homes)

Note <sup>1</sup> Based on a weekly charge of £315 (£45 per night)

Note <sup>2</sup> Based on a weekly charge of £420 (£60 per night)

Note <sup>3</sup> Based on a weekly charge of £560 (£80 per night)

8.11 Based on the illustrations provided in the tables in Paragraphs 8.8, 8.9 and 8.10, private sector leasing offers a more cost effective option than B&B and the financial savings could be better utilised to support the social lettings agency.

## 9. RISKS AND MITIGATION

Risk	Mitigation	Residual Risk
Resourcing the social lettings agency	Comprehensive business case produced, setting out how the agency will operate, the likely mix of properties it will manage, the nature and size of the team, and a projection of its income and expenditure over the next three years. Cabinet will consider it on 11/01/2016.	
Recruitment of suitably experienced lettings team	Job descriptions will emphasise the need for private sector experience. Recruitment to take place in January & February 2017.	
Insufficient interest from owners / landlords who are willing to lease or let their homes to the council	Thorough research has been done on local market conditions and agents' fees and charges. The social lettings agency's offer to landlords is competitive. A detailed marketing and communications plan is being developed to promote and raise awareness of the social lettings agency.	
Social lettings agency is unable to cope with the number of landlords who are willing to lease or let their homes to the council.	The social lettings agency will only take on properties that are in good condition and meet the published lettable standard. A register of approved tenants will ensure that all homes are let as quickly as possible.	
Higher than anticipated level of void losses	Re-let times to be minimised by ensuring that homes are made ready for letting as quickly as possible and by maintaining an up-to-date, register of approved tenants and managing the voids and letting processes well.	

Risk	Mitigation	Residual Risk
Impact of welfare reform (Benefit Cap, LHA Rates and Universal Credit) on rent collection rates	Close links maintained with DWP to ensure that impact of welfare reform on tenants and prospective tenants is fully understood and that this is reflected in the way in which the social lettings agency lets and manages its properties. Emphasis on rent collection, income maximisation and budgeting	
Accommodation becomes unaffordable for the tenant	Robust move-on plans to help tenants move to somewhere affordable.	
Demand for temporary accommodation reduces	If any homes in the private sector leasing scheme are not needed for temporary accommodation, they will be offered (temporarily or long-term) to other tenants who are not homeless.	
Unmanageable demand on Legal Services in setting up the private sector leasing scheme and/or dealing with a higher than expected number of evictions	Additional staffing resources will be brought in if Legal Services is unable to meet the demand.	
Risk to the Council's reputation	The social lettings agency has clear objectives and its operating model is flexible and designed to spread the risk and be sustainable. Operational activity and performance will be closely monitored in order to identify potential issues early.	