



NORTHAMPTON BOROUGH COUNCIL

SCRUTINY PANEL 3 – HOMELESSNESS (PRE DECISION SCRUTINY)

26 JANUARY 2017

BRIEFING NOTE: PUBLISHED PAPERS - SOCIAL LETTINGS AGENCY

1 INTRODUCTION

- 1.1 At its meeting in November 2016, Scrutiny Panel 3 (Homelessness) agreed that it would receive details of the social lettings agency that Northampton Borough Council is setting up in 2017.
- 1.2 Details of the social lettings agency are set out below.

2 ESTABLISHMENT OF A SOCIAL LETTINGS AGENCY

Background

- 2.1 On 11 January 2017, Cabinet approved the establishment of Guildhall Residential Lettings, an in-house social lettings agency.
- 2.2 The social lettings agency 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.
- 2.3 Operating as part of the Private Sector Housing Team in the Guildhall, the social lettings agency will employ 5 staff. Although it will not have a shopfront, it will have its own interactive website which will have the look and feel of a contemporary residential lettings agent.
- 2.4 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 to access good quality, well managed, affordable private rented accommodation.
- 2.5 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

- 2.6 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 Housing & Planning Act 2016.
- 2.7 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 for bad and irresponsible behaviour.
- 2.8 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 within the vicinity, this is not a course of action that the Council has had to take to date.
- 2.9 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. 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.
- 2.10 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 behaviour problem) when a landlord is failing to take action to address a problem in private rented accommodation.
- 2.11 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.
- 2.12 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 2.11, 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.

- 2.13 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.
- 2.14 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.
- 2.15 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

- 2.16 At present, around 1,200 privately owned homes are empty in the borough and, of these, a quarter have been empty for at least 2 years.
- 2.17 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.
- 2.18 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.
- 2.19 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 left empty for more than 6 months.
- 2.20 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.
- 2.21 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.

- 2.22 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.
- 2.23 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.
- 2.24 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.
- 2.25 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.
- 2.26 Although it is expected 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 expected 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

- 2.27 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.
- 2.28 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.
- 2.29 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.

- 2.30 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.
- 2.31 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.
- 2.32 Although the Government has recently announced that it will prohibit letting agents from imposing fees and charges on tenants, it has not yet published details of its proposals or, indeed, its plans for consultation. Until tenants' fees and charges are outlawed, they will continue to be a significant barrier to people's access to decent, well managed private rented accommodation.

Preventing homelessness

- 2.33 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.
- 2.34 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).
- 2.35 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.
- 2.36 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 3.2.27, above) to secure suitable alternative private rented accommodation that they can afford.
- 2.37 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.
- 2.38 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.
- 2.39 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.

- 2.40 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

- 2.41 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.
- 2.42 At the end of May 2016, there were 82 homeless households living in temporary accommodation, including 32 in B&B accommodation.
- 2.43 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%).
- 2.44 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 reduce its use of B&B is reliant on the existence of a successful private sector leasing scheme.
- 2.45 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

- 2.46 Although the private sector leasing scheme will substantially reduce the amount of money that the Council spends on B&B, it is hoped the social lettings agency will also help the Council prevent homelessness and, in doing so, further reduce expenditure on temporary accommodation.
- 2.47 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.
- 2.48 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.
- 2.49 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.

Social lettings agency operating model

- 2.50 The social lettings agency 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.
- 2.51 Operating as a distinct business unit within the Private Sector Housing Team on the Second Floor of the Guildhall, the social lettings agency will employ 5 staff. Although the social lettings agency will not have a shopfront, it will have its own interactive website which will have the look and feel of a contemporary residential lettings agent.
- 2.52 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.
- 2.53 Northampton's social lettings agency will be 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 with the primary objective of improving standards in the private rented sector.
- 2.54 Furthermore, unlike other letting 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.
- 2.55 To minimise staffing costs and compete successfully with other agents, the social lettings agency will encourage self-service and make optimum use of information technology and the industry's leading software.
- 2.56 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.

3 RECOMMENDATIONS

- 3.1 That the information provided informs the evidence base of this Scrutiny Review.

Phil Harris, Head of Housing & Wellbeing, on behalf of Councillor Zoe Smith

, Chair, Scrutiny Panel 3 – Homelessness