

Cheltenham Borough Council
Cabinet – 16 July 2013
Social Lettings Service

Accountable member	Councillor Peter Jeffries, Cabinet Member Housing and Safety
Accountable officer	Martin Stacy, Housing & Communities Manager
Ward(s) affected	All
Key Decision	No
Executive summary	<p>One of the priorities identified within the Housing & Homelessness Strategy 2012-17 is for the Housing Options Service to consider the development of a Social Lettings Service for landlords and tenants in the private rented sector.</p> <p>The main impetus behind the development of this service is in response to the government's welfare reform. Already, the result of these reforms is that some low-income households who are homeless or threatened with homelessness have experienced greater challenges in accessing the private rented sector.</p> <p>The development of this Social Lettings Service will help to improve access into the private rented sector for households who might otherwise become homeless. We will seek to do this by vetting potential tenants and by providing private landlords with financial guarantees to mitigate against any perceived risks associated with accommodating low-income households who are threatened with homelessness.</p> <p>Housing Options will aim to have this service implemented by 1st October 2013.</p>
Recommendations	<ol style="list-style-type: none"> 1. To approve the implementation and continued development of a Social Lettings Scheme called 'Spa Lettings' by the Housing Options Service. 2. To agree to the Social Lettings Scheme being transferred to Cheltenham Borough Homes as part of the transfer of the Housing Options Service as approved by Cabinet on 18 June 2013.

<p>Financial implications</p>	<p>The costs for this service will be covered in part by a one-off fee of £75 + VAT, with the remainder being subsidised by the Communities & Local Government's (CLG) Homelessness Prevention Fund.</p> <p>More detailed information on the costs is at Section 4 of the Business Case (Appendix 2).</p> <p>Contact officer: Des Knight, Des.Knight@cheltenham.gov.uk, 01242 264124</p>
<p>Legal implications</p>	<p>This service is a discretionary service for the purposes of preventing homelessness. As there is no specific power to provide this service, the Council can provide the service relying on the general power of competence under Section 1 of the Localism Act 2011. This power enables local authorities to do, subject to certain conditions, what individuals may do.</p> <p>Section 3 of the Act enables local authorities to charge where the council is providing a service relying on general power of competence. A charge can be made where the local authority is not under a duty to provide the service, the service is not being carried out for a commercial purpose and the person has agreed to the service being provided. There is also a duty to ensure that taking one financial year with another, the income from charges does not exceed the costs of provision of the service, in other words the Council cannot make a profit from charging for the service.</p> <p>The Council will need to enter into a contract with each landlord.</p> <p>Contact officer: Donna Ruck, Solicitor Donna.Ruck@tewkesbury.gov.uk, 01242 774929 / 01684 272696</p>
<p>HR implications (including learning and organisational development)</p>	<p>The Homelessness Prevention post may be asked to increase her hours (by up to 6 hours per week) should this be required in the future to manage additional properties.</p> <p>The current postholder is a part-time officer (20 hours/week) and is currently agreeable to increasing her hours if required. (The funding of any additional hours would be covered by the CLG's Homelessness Prevention Fund and would therefore not result in a financial burden to the Council or Cheltenham Borough Homes).</p> <p>Should, in the future, the option to increase the postholder's working hours not be possible, then the Housing & Communities Manager will look to review the target for the number of private rented properties being managed by the service at any given time (in consultation with Cheltenham Borough Homes).</p> <p>Contact officer: Richard Hall, Richard.Hall@cheltenham.gov.uk, 01594 812634</p>
<p>Key risks</p>	<p>Please see appendix 1</p>

<p>Corporate and community plan Implications</p>	<p>This supports the Council's corporate objective: to improve access into decent and affordable accommodation. It also supports a number of key outcomes identified within the Council's Housing & Homelessness Strategy 2012-17.</p> <p>Consideration of the development of a Social Lettings Service was an action within the Housing & Homelessness Strategy.</p>
<p>Environmental and climate change implications</p>	<p>None.</p>
<p>Property/Asset Implications</p>	<p>None</p> <p>Contact officer: David Roberts@cheltenham.gov.uk</p>

1. Background

- 1.1** One of the priorities identified within the Housing & Homelessness Strategy 2012-17 is for the Housing Options Service to consider the development of a Social Lettings Service for landlords and tenants in the private rented sector.
- 1.2** The development of this Social Lettings Service will help to improve access into the private rented sector for households who might otherwise become homeless. We will seek to do this by vetting potential tenants and by providing private landlords with financial guarantees to mitigate against any perceived risks associated with accommodating low-income households who are threatened with homelessness.
- 1.3** It is therefore proposed that in order to support low-income households who are threatened with homelessness to access the private rented sector, the Housing Options Service will offer private landlords the following range of services for a one-off fee of £75 plus VAT:
- 2 months rent guarantee
 - Deposit guarantee to the value of 1 month's rent
 - Accompanied viewings with prospective tenants
 - Full reference and financial checks on prospective tenants
 - Affordability and financial capability assessments on new tenants
 - Regular property inspections
 - Photographic inventory
 - Provision of standard tenancy agreements and Notices, where required
 - A dedicated named Officer for the landlord to contact when needed
 - Ongoing advice and assistance to the tenant throughout the period of the tenancy, regarding managing their financial affairs; referring into relevant support services where appropriate.

2. Reasons for recommendations

2.1 The Social Lettings Service will support the following outcomes identified within the Housing and Homelessness Strategy:

2.1.1 Improving access into the private rented sector for low-income households

A key rationale for developing this Social Lettings Service is to increase access into the private rented sector for low-income households, with a particular focus on households who are at risk of becoming homeless. These households are generally perceived to be a higher risk for private landlords, and this perception is likely to increase as the welfare reforms continue to be implemented, with the result being that access into the private rented sector will become even more difficult. This is likely to increase in the use of temporary accommodation for homeless households and lead to an increase in pressure on our social housing stock generally.

2.1.2 Reducing homelessness and unmanageable debt

One of the most cost effective mechanisms by which the council can prevent homelessness is by assisting these households in accessing the private rented sector.

Our priority under the proposed Social Lettings Service will therefore be to focus on accommodating households who are homeless or threatened with homelessness.

2.1.3 Improving standards of accommodation in the private rented sector

Before a household is placed in the private rented sector, the Social Lettings Service will ensure it has received up-to-date gas and electricity certificates. The Service will also ensure that all properties have been inspected by the council's Private Sector Housing Enforcement Team.

The Enforcement team will carry out assessments under the Housing Health and Safety Ratings System, and will where appropriate advise private landlords on how they can remove any identified hazards, thereby improving the quality of the accommodation. If necessary, the team will take enforcement action to ensure any identified Category 1 Hazards are removed.

The Housing Options Team will only place households in properties that are **free** of all Category 1 Hazards.

- 2.2** For a fuller analysis of the reasons for developing the Social Lettings Service, including cost analysis, the setting of the fee and of how risks will be mitigated, please refer to the Business Case (Appendix 2 of this report).

3. Alternative options considered

3.1 Option 1 – The development of a Social Lettings Service, with a guaranteed rent for the period of the whole tenancy rather than for a period of 2 months)

- 3.1.1** The key difference between the preferred option and this option is the provision of a rent guarantee for the period of the whole tenancy. This would have been in return for a monthly fee from landlords. Such an arrangement would have involved a more intensive management of the service. We consider for the Service to be effectively managed, it would have required the recruitment of a full-time Officer. This post would have had to be self-financing from the monthly income being charged to landlords. We estimated that the Housing Options Service would have required a 98% success rate in collecting the full rent from tenants in order for the service to break even by year 4. It is unclear whether this level of success would be achievable in the private sector once Universal Credit is implemented. We therefore consider this option is too high a financial risk for the council, given the current uncertainties around these benefit changes.

3.2 Option 2 – The Development of a Private Leasing Scheme

- 3.2.1** This Scheme would have involved leasing properties from private landlords for a number of years, guaranteeing the landlord a rent for the period of the lease, regardless of void times between the letting of properties; and returning the properties back to the landlord at the end of the lease in the same condition as it was taken on.

- 3.2.2** Whilst this type of Scheme would have an appeal to private landlords, it can be very expensive to run, and the Housing Options Service does not currently have sufficient resources to run such a scheme as this – unless the monthly rent offered to landlords under the terms of the lease were significantly below Local Housing Allowance levels. The private rented sector is a highly competitive market in Cheltenham and it is unlikely that the Housing Options Service would be able to take on sufficient number of properties if rents were set at levels which were uncompetitive.

- 3.2.3** If the council were to set up a Private Leasing Scheme in Cheltenham, this would also be in direct competition with Chapter One, a Charity which offers a private leasing scheme across the county. Such an approach would be counter-productive in that both organisations are seeking to support similar clients.

3.3 Option 3 – To continue to deliver the council's existing service, which is limited to offering a Deposit Bond Scheme with 2 months rent guarantee.

- 3.3.1 This service does not currently attract sufficient private landlords for it to be an effective tool in preventing homelessness (only 14 households have been assisted in this way in the last 18 months). We believe this is because it does not offer a wide enough range of services for landlords and their tenants. We therefore do not consider the current service is sufficiently effective in meeting our homeless prevention outcomes.
- 3.3.2 We do not currently charge private landlords for this service, and we believe that by offering landlords this 'free' service, it has the potential to undermine the perceived levels of professionalism of our service.
- 3.3.3 Despite the relatively low take-up, the current Scheme has experienced no claims to date from landlords on the 2 months rent guarantee, and approximately a 10% claim on the guaranteed deposits, which is significantly better than national expectations of between 15-20% for Bond Schemes. Our current Service has therefore been helpful in assessing our financial risks when developing Option 1, given that our preferred option will still include these guarantees.

4. Consultation and feedback

- 4.1 A number of private landlords were involved in the initial scoping of the service through Cheltenham's Private Landlord Forum in 2011. This was then followed up by a Focus Group, consisting of private landlords who wished to help shape how a future service might look. Further consultation took place with private landlords in 2012 at the National Landlords' Association's county-wide Landlords' Forum. Landlords confirmed that they would be willing to pay for services provided by the Housing Options Service. They also indicated a preference for a rent that would be guaranteed for the period of the tenancy. As a result, this was the main option which the Housing Options Service intended to pursue. However, following a financial analysis it was found that this was not a viable option for the council to take at this present time in view of the uncertainties around the implementation of Universal Credit (see Section 3.1.1 above).
- 4.2 On 18th June 2013 Cabinet approved the commissioning of the Housing Options Service to Cheltenham Borough Homes (CBH). CBH have therefore been consulted on our business case and are supportive of the development of a social lettings approach.

5. The Future of Service under Cheltenham Borough Homes

- 5.1 If Cabinet agrees to the recommendation of this report, the service will be transferred to Cheltenham Borough Homes as part of the transfer of the Housing Options Service as approved by Cabinet on 18 June 2013.
- 5.2 Any future development of the Social Lettings Service by CBH will be carried out with the agreement of the Council to ensure that proposals continue to support key outcomes detailed within the council's Housing & Homelessness Strategy

6. Performance management –monitoring and review

- 6.1 Performance will be overseen by the Housing & Communities Manager through the setting of Personal Indicators and Targets and the budget required for the effective delivery of this Service. (The Service will continue to be financed from the Community and Local Government's Homelessness Prevention Fund). Operational management of the service will be carried out by the Housing Options Team Leader.
- 6.2 Performance monitoring will be undertaken prior to the transfer of the Housing Options Service to Cheltenham Borough Homes. Thereafter, Performance Indicators and Targets will be written into the Contract Specification with Cheltenham Borough Homes, with performance being monitored on a quarterly basis by the Council's Housing & Communities Manager. (The Housing Options Team Leader will transfer to Cheltenham Borough Homes).

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Business Case
Background information	

Risk Assessment

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If claims against the Deposit Bond Scheme and 2 month Rent Guarantee Scheme are significant, then the Council's ability to invest in other homeless prevention initiatives will be compromised, resulting in increased homelessness	Jane Griffiths	5.4.13	2	4	8	Reduce	The Council will embed a range of services as part of the overall lettings 'Offer', to mitigate against this risk, including: reference checks, affordability assessments, ongoing checks on the condition of the property etc, as referred to within Section 1.3 of this Report.	October 2013	Martin Stacy	
	If local Lettings Agents perceive that the Council is in direct competition with them as a result of providing services to landlords and tenants, then the Council may be subject to adverse publicity.	Jane Griffiths	5.4.13	2	4	8	Reduce	The Council will not support the continued running of the scheme if it fails to provide sufficient value for money, compared with other homelessness prevention initiatives.	Periodic reviews	Martin Stacy	
		Jane Griffiths	5.4.13	2	4	8	Reduce	The Council will be assisting a niche market (low-income households who are homeless or threatened with homelessness). It has also set a relatively modest target for the number of households (20-25 per year) who we	October 2013	Martin Stacy	

								will seek to assist under the Scheme. The Council will also seek to develop stronger relationships with local Lettings Agents by raising more awareness of the free services Housing Options can offer to their tenants if they are struggling to manage their homes as a result of the welfare reforms.	October 2013	Martin Stacy	

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close