

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

24th SEPTEMBER 2020

ESTABLISHING A SOCIAL LETTING AGENCY

**REPORT OF DIRECTOR - PUBLIC HEALTH, PROTECTION AND
COMMUNITY SERVICES IN DISCUSSIONS WITH THE RELEVANT
PORTFOLIO HOLDER, CLLR RHYS LEWIS**

Author: Louise Davies, Service Director, Public Protection Services

1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to inform Cabinet of the proposal to establish a Social Letting Agency to manage private rented properties on behalf of private landlords and ensure suitable housing allocations to clients in housing need. The report seeks to make Members aware of the potential financial implications of operating such an Agency should external grant funding secured for this purpose come to an end.

2. RECOMMENDATIONS

It is recommended that the Cabinet:

- 2.1 Note the Business case set out in Appendix 1 of the report and endorse the establishment of the Social Letting Agency for RCTCBC using Welsh Government grant funding secured for this purpose in 2020/21.
- 2.2 Note the costs associated with operating a Social Letting Agency and note that funding for the agency is not guaranteed from 2021/22 onwards.

3. REASONS FOR RECOMMENDATIONS

- 3.1 On 4th February 2020, a discussion paper (Improving Service for Homeless People in Rhondda Cynon Taff) was presented to a private meeting of Cabinet to provide a position statement on services for homeless people; highlight steps taken to improve service provision and identify service pressures requiring additional resources. That report re-affirmed the strategic direction for future temporary and permanent housing options for homeless people in RCT, as set out in

the RCT Homeless Strategy 2018-22 and sought Cabinet support to progress specific key actions to reduce reliance on bed and breakfast accommodation and improve housing options for clients with complex needs.

- 3.2 Further to that meeting, the Director of Public Health, Protection and Community Services has sought to identify alternative proposals for medium to long term housing options for homeless people utilising the private rented sector. This report outlines a proposal to establish a Social Letting Agency, operated by the Council to facilitate improved access to the private rented sector by adopting a managed tenancy model for which a fee from private landlords would be payable.

4. **BACKGROUND**

- 4.1 One of the key actions of the RCT's Homelessness Strategy 2018 – 2022 is to **'continue to develop links with the private rented sector through the development of our own in-house lettings service'**.

- 4.2 The pressures on homelessness services arising from the pandemic have been significant. In the period March to June 2020, the service saw a 76% increase in homelessness applications. There was also a significant increase in people placed in emergency temporary accommodation. This level of demand has further highlighted that the social rented sector alone cannot meet the demands of our clients. The need to work together with the private rented sector remains a key strategic priority.

- 4.3 Appendix 1 of this report sets out the rationale for establishing in-house social lettings agency (SLA). This report was prepared by Housing Strategy and outlines that:

- Many landlords and owners of vacant properties have expressed a desire for their property to be let and managed by the Council;
- The rents levels in the private rented sector, particularly in the Taff area are prohibitively high for clients on benefits;
- Many clients require additional support to enable them to sustain a tenancy in the private sector, for example through help to budget or low level mental health support;
- Landlords will be required to sign a 5 year agreement with the Council and rent their property at local housing allowance rates for the duration. The Council will cover any rent for void periods as part of the agreement;
- The Council will be responsible for identifying and managing tenancies and a fee of 8% of the monthly rent will be charged.

- 4.4 The report draws on the learned experience from other Local Authorities in Wales and outlines that a social letting agency can play a

significant role in bridging the gap between private landlord requirements and vulnerable tenant needs. There is a cost to providing the Agency service, however, and while part of the ongoing costs will be offset by income from a management fee, it is not likely that the model will become self-financing. Further financial detail is set out in Section 7 of this report.

- 4.5. Funding for the initial costs of establishing and running the Agency have been secured from Welsh Government through the Phase 2 Homelessness Recovery Grant Programme. Further to this, the Council has also agreed to be one of the Pilot Authorities working closely with Welsh Government to ensure consistency of practice across Wales, share documentation and legal agreements and ensure effective evaluation of the operation of the agencies going forward. This will also ensure the RCTCBC agency can become operational more quickly.

5. EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 An Equality Impact Assessment Screening Assessment has been completed and a full impact assessment is not required as there are no equality or diversity implications from this report.

6. CONSULTATION

- 6.1 None is required.

7. FINANCIAL IMPLICATION(S)

- 7.1 The initial costs to establish the Agency are set out in Appendix 2 and equate to approximately £148,000 a year. On a pro rata basis, the WG Grant for 2020/21 is up to £129,000.
- 7.2 The Appendix also identifies the costs that will be ongoing should the Agency grow as required over a three year period and beyond. Currently, grant funding is only in place up to March 2021. Prior to establishing the Agency, it is therefore necessary for Members to note a potential for ongoing financial liability for the operation of the Agency.

8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 8.1 Legal advice has confirmed that there are no legal impediments to the Council establishing and operating a Social Letting Agency as set out in the Proposal.

9. LINKS TO THE CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

- 9.1 This proposal links directly to the People priority on the Council's Improvement Plan as it will enable and support individuals and families to secure a sustainable housing option and promote their independence. It will also support the Place priority by ensuring equity of access to housing in all areas of the County by offering a more cost effective option for the private rented sector in areas of the County that are currently prohibitively expensive to people in receipt of benefits.

10. CONCLUSION

- 10.1 The private rented sector should be supported to ensure it is a sustainable and affordable housing option for people in housing need. The establishment of a Social Letting Agency by the Council will help ensure this and will also support a key objective of the Homelessness Strategy 2018-2022.

Other Information:-

Relevant Scrutiny Committee: Health and Well-being Scrutiny Committee

Contact Officer: Louise Davies, Service Director- Public Protection Services



LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

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Background Papers

None.

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Appendix 1

Proposal to Establish Rhondda Cynon Taf's Social Lettings Agency

1. Background

Rhondda Cynon Taf County Borough Council's Homelessness Strategy 2018 – 2022 sets out the Council's approach to preventing and tackling homelessness and is shaped by the findings of a review of homelessness in the County Borough. The Strategy is based on the principle of prevention and early intervention through multi agency working, which includes sharing resources and looking for creative and innovative solutions.

In response to the current Pandemic, Welsh Government (WG) has issued additional guidance in relation to 'priority need' and 'vulnerability' to exercise power under Section 98 of the Housing (Wales) Act 2014. This has resulted in a significant increase in the number of homelessness clients that the Council has a duty to assist by placing into emergency temporary accommodation. These new presentations are placing additional pressures on the service in terms of further reducing the availability of emergency temporary accommodation and the move on options in to more permanent accommodation.

Current figures indicate that there has been 220 homeless applications between 23/03/2020 and 22/06/2020, of which there are 101 priority need cases.

An exercise has been carried out to compare annual trends and shows that there is a 76.6% increase in Section 73 Homeless applications for the same period in 2020/21 compared to 2019/20:

01/01/2019 – 03/06/2019 249 applications

01/01/2020 – 03/06/2020 440 applications

The increase in numbers mean that the Council is not able to prevent homelessness at an early stage, Section 66, particularly in cases of helping people to return home.

In terms of the number of Section 73 Homeless applications being accepted there has been a 61.16% increase for the same period in 2020/21 compared to 2019/20:

01/04/2019 – 03/06/2019 103

01/04/2020 – 03/06/2020 166

The private rented sector offers a competitive rental market in RCT, with many properties available at a high standard and at a competitive price. The demand for private rented properties has increased over recent years and landlords are able to pick and choose who they want to rent to. This often means that those people in housing need are often pushed out of the market.

One of the key actions of the RCT's Homelessness Strategy 2018 – 2022 is to **'continue to develop links with the private rented sector through the development of our own in-house lettings service'**. The pressures outlined above have sped up the need to establish an in-house social lettings agency (SLA).

2. Landlord Feedback

The Council has developed a strong relationship with many of its private landlords and works hard with landlords to establish their trust and assurances when accommodating homeless clients. Many landlords in RCT have been left a property by a relative, or have purchased a property as an investment but have very little experience of managing and renting out their properties. A number of these landlords have approached the Council in the hope that it will manage and let the properties on their behalf. An in-house lettings service would give landlords the assurance of a long term rental income.

Due to the disparity between the Local Housing Allowance (LHA) rates and market rents in RCT, particularly in the South of the Borough, this limits access to the PRS for many households. The widening gap between market rents and the LHA rates means that there is an increase in the monthly shortfall that tenants have to find to pay the rent, making the already limited PRS properties unaffordable for many tenants.

The introduction of Universal Credit has seen an increase in the number of landlords who are apprehensive about letting their properties to people in receipt of benefits. This is because benefit payments are sometimes inconsistent and problematic and unless set up properly at the start of the tenancy can lead to rent arrears immediately. Some landlords experience difficulty in setting up direct payments where Housing Benefit is paid directly to the landlord and payment is guaranteed.

Landlords have said that they want more support, not only for the tenant but also for them to be better equipped to assist tenants with their support needs. There is an evidenced increase of tenants with mental health issues and tenants who are unable to carry out day to day functions such as managing rent and organising finances. This further exacerbates the decline of landlords who are willing to let their properties to the authority to assist in homelessness prevention.

An analysis of the breakdown of priority need categories for applications received between 23/03/2020 and 22/06/2020 shows that there were 23 confirmed mental health cases:

Priority Need Category	Number of Applications
Dependent Children	19
Physical Health	21
Pregnant	1
Mental Health	23
Other special reason	1
Care Leaver	3
16/17	4
Domestic Violence/Abuse	26
Emergency	3

3. Proposed Model

The model for the service in RCT is based on the principles and criteria set out by WG's trial for local authorities to set up their own in-house social lettings agency, one of which is a commitment to lease and manage a property for a period of up to five years. Landlords will still be required to register with Rent Smart Wales and Houses in Multiple Occupation will need to be licensed with the Council.

The landlord will receive guaranteed monthly rent, set at the relevant LHA rate, for the period of the lease regardless of any voids. At the end of the lease period and subject to fair wear and tear, the property will be returned in the same condition.

A monthly management fee of 8% will be charged to the landlord and this will be paid when the guaranteed rent is paid to the landlord. Therefore the monthly fee to the landlord will be the relevant LHA rate less 8%.

It is highly likely that all tenants will be in receipt of Housing Benefit and this will be paid directly into the SLA account. The SLA will monitor rent accounts weekly and will maintain regular contact with tenants. The SLA will be responsible for referring cases to Supporting People who will provide additional assistance to tenants by supporting them with any mental health issues and helping to reduce worries around rent arrears and losing their homes.

The tenant will report any repairs and maintenance issues to the SLA who will then contact the landlord to obtain approval for repairs to be carried out. The SLA will arrange for the repairs to be carried out by a contractor and upon completion of the repairs, the contractor will invoice the SLA who will arrange for payment to be made from the relevant budget. The cost of repairs will be recharged to the landlord by deducting costs from their monthly rent

payments. The SLA will carry out regular property inspections which will identify any repairs and maintenance issues at an early stage.

In accordance with the Housing (Wales) Act 2014, each property will be inspected prior to being offered to a tenant and then re-inspected every time it is offered to a new tenant. Landlords will be eligible for a 0% interest free loan to bring properties up to the required standard should a property be assessed and failing to meet required standards. Properties will require up to date safety certificates which will be arranged by the landlord in the first instance but will then be arranged by the SLA on an annual basis going forward and recharged to the landlord. Each property will need up to date carbon monoxide alarms and smoke alarms to be eligible for the scheme.

At the end of the 5 years it is anticipated that there will be some negotiating with the landlord regarding the tenant remaining in the property. If the landlord wants the property returned free of a tenant, then in advance of ending the tenancy, the Council will consider what ongoing homelessness duties may be owed to the tenant and how best to meet them.

To summarise the services that the SLA will offer landlords are:

- Finding a tenant via the Housing Advice Centre or marketing the property where a tenant cannot be sourced,
- Preparing tenancy agreements and carry out tenancy sign ups,
- Manage rent arrears and refer for support, ensuring ongoing support provided where necessary,
- Guaranteed rental income by setting up direct monthly payments to the landlord which will be the equivalent of the relevant LHA rate, less 8% management fee,
- Collection of rent from tenants via Housing Benefit and any relevant shortfall between HB and rent,
- Review and renew tenancies,
- Manage the property by:
 - carrying out inspections,
 - preparing inventories,
 - contacting utility providers to lodge meter readings and tenancy details,
 - making regular visits to the property,
 - deal with maintenance issues and repairs,

- carrying out end of tenancy inspections and update inventories when tenant leaves.

4. Costs

The SLA will aim to procure **170** properties in the first three years; year 1 - 25 properties, year 2 - 50 properties and year 3 - 170 properties. This will enable the move on of clients from emergency temporary accommodation into permanent properties and reduce the increased pressures on the current service.

Based on an average number of voids in the social rented sector in RCT over the last 3 years, it is prudent to estimate a contingency for 5% of voids per annum.

The estimated cost of rent arrears has been calculated by using the 2018 – 2019 social rented sector rent arrears data for RCT. As at 31st March 2019 a total of 28% of households in the social rented sector in RCT had rent arrears under 13 weeks. Therefore, using the same % of tenancies, this would mean that within the first year of the SLA, a total of 7 tenancies would have rent arrears of 13 weeks and under.

The SLA will consist of 3 full time equivalent (FTE) members of staff and will be managed by the Supporting People and Housing Options Manager.

Summary of Cost Analysis

Cost of Delivery	Annual Cost (Year 1)
Procurement	
Staffing (3 x FTE and % management costs)	112,900
Marketing	1,000
Travel Expenses	3,000
Property Costs	
Rent Arrears	4,186
Voids	5,980
Dilapidations (initial fund)	17,000
Back Office	
IT Equipment	4,000
Annual cost of delivering the service	148,066
Pro Rata cost 20-21 (8 months)	109,432

5. Aims and Outcomes of the Service

The SLA will increase the availability of affordable and decent accommodation for people on low incomes and who have been identified by the Housing Advice Centre. In turn this will reduce the numbers of people placed in emergency temporary accommodation such as Bed and Breakfasts and reduce the time spent in Bed and Breakfasts.

Support is paramount to the success of the SLA and a client focussed service will be pinned on enhancing life skills and developing tenancy sustainability. The support provided will improve opportunities for tenants with a hope that they will be equipped with the skills to secure jobs, manage finances and develop budgeting skills.

A lower management fee will offer a competitive package to landlords and will provide guarantees and assurances to assist the Council in discharging its homeless duty. The SLA will set a local standard for quality and affordability within the private rented sector for people at risk of homelessness.



Appendix 2

Review of Social Lettings Agency Proposal

	Year 1	Year 2	Year 3	Notes
Number of units	25	50	170	
Average rent per unit	£92	£92	£92	Average LHA rate used i.e. £400/ month. Actuals will vary
Cost of team	£112,900	£112,900	£145,900	Staff projection based on 170 units. Years 1 and 2 capacity will be used for marketing and sign up of landlords. Additional capacity built in as precaution for year three to inform worst case modelling of financial risk. .
Staff travel	£3,000	£3,000	£3,000	
ICT equipment	£4,000	£1,000	£1,000	£4k in year one includes purchase of ICT kit
Rent arrears / bad debt	£4,186	£8,372	£28,465	Assumes 28% of tenancies would have rent arrears of 13 weeks. Likely would be less due to wrap around support given to tenants. For worst case modelling, assumed 50% for this illustration.



Voids @ 5%	£5,980	£11,960	£40,664	Experience of other LAs is 3% voids, so 5% is cautious.
R&M costs above day to day	?	?	?	Level of liability to LA is not clear at this stage- over and above what would be consider normal wear and tear
Sinking fund for dilapidations	£17,000	£17,000	£17,000	Assumes average of £500 per property at end of 5 year lease.
Total	£147,066	£154,232	£236,029	
Income from commission (assumed at 8% of LHA)	(£9,568)	(£19,136)	(£65,062)	
Ongoing subsidy required	£137,498	£135,096	£170,966	