

REPORT TO EXECUTIVE

Date of Meeting: 15 July 2014

Report of: Assistant Director Housing

Title: Redesign of the Council's Private Rented EXtraLet Scheme

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Executive

1. What is the report about?

- 1.1 The redesign of the Council's private rented EXtraLet scheme in pursuit of the authority's corporate objectives of improving access to affordable private sector tenancies and driving up standards in private rental properties.

2. Recommendations:

- 2.1 The Executive approves the changes to the current direct lettings and in-house management scheme outlined in this report in order to;
- reduce the financial pressures associated with providing an in-house property procurement and management service
 - increase the number of properties brought onto the scheme in a more efficient manner to meet the increasing demand for private rented accommodation for homeless households

3. Reasons for the recommendation:

- 3.1 EXtraLet was set up in 2006 to enable the Council to increase the availability of private sector lettings and reduce the use of temporary accommodation. The scheme assists families who are homeless, or at risk of homelessness, access accommodation in the Private Rented Sector (PRS). The scheme offers a full management service including property maintenance, direct rental payments, and property inspections for a 10% (+ VAT) management fee. A number of incentives are available to encourage enrolment on to the scheme. These include access to Private Sector Renewal Grant (PSRG) to bring property up to a lettable standard, rental payments in void periods, free annual gas safety checks, rent in advance and a rent and damage deposit to the value of six months rent. Landlords are also offered an in-house procurement service to undertake the works required to bring the property up to the required standard.
- 3.2 The current procurement procedure for EXtraLet properties is a costly and resource intensive process which delays property coming on to the scheme. In 2012/13 procurement of EXtraLet properties cost the authority £4,810.38 per property, including staff costs and PSRG. The in-house management function is undertaken by the Sustainable Lettings Team (SLT) who manage repairs, tenant and landlord disputes and collection of rent. SLT address both landlord and tenant matters and

there has been conflict between tenant and landlord issues being managed by the same team and sometimes the same officer. Furthermore, in 2012/13 the cost to the council of the management and responsive maintenance of a family unit was £2,611.95 per property and a HMO unit was £4,542.81. These costs would not apply under the revised scheme.

- 3.3 Increasingly PRS accommodation is being offered to households approaching the Council as homeless and to households who are unlikely to be offered social housing through the Housing Register. The current scheme is not able to adapt to the increase in demand for PRS property due to the constraints of its original design including the considerable time taken to bring property on to the scheme and inflexible nature of the terms of the scheme.
- 3.4 There is an opportunity to realise considerable cost efficiencies in relation to the procurement and management of private sector properties via development and expansion of the scheme. Landlords can access a scheme that will offer both landlord and tenant support services to promote long term housing solutions. It will offer landlords a very competitive product compared to the private market with no additional fees for production of references, credit checks etc offering a scheme which can be tailored to their individual needs. The scheme offers a menu of property services e.g. management inspections, tenancy agreements and safety checks which the landlord can select to suit their property requirements.

4. What are the resource implications including non financial resources.

- 4.1 The revised scheme would offer significant cost savings with the authority offering landlords no in-house property management. There will be no repair responsibilities for the Council with these properties as landlords would be responsible for the management and maintenance of their own properties. Reducing the management requirement for properties will reduce the authority's financial burden associated with these properties.
- 4.2 The incentives and grant package currently offered to landlords would be cut completely and would yield significant cost savings. Landlords will be signposted to low interest loans available through Wessex, where applicable, in order to complete the required works to bring their properties up to a lettable standard.
- 4.3 The authority would no longer receive the 10% EXtraLet management fee or the 10% service fee charged by the Housing Development Team (HDT) for instructing contractors and overseeing works to bring a property up to standard. However, the longer term cost savings offered by savings in repairs and management costs and PSRG of a new scheme would offset this loss of income.
- 4.5 Landlords will pay an initial joining fee to access the new scheme and any additional services accessed (e.g. annual gas safety certificates or management inspections) would be fully recharged to the property owner. The joining fee would cover the cost of the HDT and Private Sector Housing Team (PSHT) completing property inspections and compiling a schedule of work for the landlord. Landlords will be instructing their own contractors to complete works and there will be no additional work in the procurement of properties on to the scheme. This means property can be brought on to the scheme faster and landlords will realise a rental income quicker than under the current procurement process. The modified scheme has been

recently trialled on two landlords who approached the HDT wishing to utilise the EXtraLet scheme. Under the old scheme it took the HDT an average of 118.3 days from the point at which an owner agreed to proceed with a scheme to the property being ready to let. Both trial properties were inspected and ready to let in less than 20 days with landlords completing all works themselves.

- 4.6 Procurement of properties would remain the responsibility of the HDT, working in partnership with the PSH team to complete property inspections. The teams would require no additional staff resources to administer the new scheme.
- 4.7 The tenant and landlord matching service will be administered within the Housing Options team. Prospective tenants will be fully assessed by the Housing Options team to ensure that private rented accommodation is suitable and affordable. Access to financial and support services will be delivered by the agency or charity appointed as part of the tendering process currently being undertaken by the Housing Options Manager. This service will assist with any issues that may arise during a tenancy such as rent arrears, housing benefit problems, legal difficulties and other matters relating to the tenancy.
- 4.8 Implementing a new scheme would require fewer staff resources compared to the current EXtraLet scheme. Staff will be freed up to secure additional landlords on to the scheme and engage with the PRS on a wider scale. The priorities and activities of the Housing Development Team will change and the team will be restructured towards the end of 2014 to reflect this change of emphasis.
- 4.9 Once the revised scheme has been established existing EXtraLet landlords will be requested to transfer to the new scheme. Ideally, the tenant will remain in the property with the landlord taking over the management function. Tenancy agreements under the EXtraLet scheme are already between the landlord and the tenant direct. If landlords do not wish to join the new scheme then there may be potential financial implications for the authority as the EXtraLet Sole Agency Agreement states that properties are to be handed back to landlords in their original condition, in consideration of fair wear and tear. If a property has been damaged by a tenant the authority has to make good the damage and reclaim monies from the tenant. Therefore, there is a potential for short term costs to the authority in the hand back process however this would be significantly outweighed by the long term cost savings offered to the authority by discontinuing the current costly and inefficient EXtraLet scheme. However, this process will be managed appropriately and a phased approach will be taken to ensure that hand backs of properties are kept to a minimum.
- 4.10 The budget for 2014-15 in respect of the Extralet scheme and the cost of proposed new scheme is as follows:

Current Scheme		Proposed Scheme
Expenditure	674,300	The proposed initial joining fee of £150 is intended to cover the costs of the scheme completely. Therefore the intention is for a net nil cost scheme.
Income	<u>611,280</u>	
Net Cost	63,020	

5. Section 151 Officer comments:

- 5.1 The proposed new scheme, will deliver a saving to the Council. However it will be important to monitor the impact of the change on the availability of properties to the City Council as any significant reduction in properties will have an adverse impact on the costs of housing homeless families, as temporary accommodation and bed and breakfast are more expensive options.

6. What are the legal aspects?

- 6.1 The 2011 Localism Act amended the Housing Act 1996 to enable Local Authorities to discharge their homelessness duty to secure accommodation by way of an offer of “suitable” accommodation from the private rented sector. However any such offers of private rented accommodation must be on the condition that;

- The tenancy is for a minimum 12 months.
- The accommodation offered is “suitable” in terms of affordability, size, accessibility and location.
- The applicant is advised of their right to review such an offer. The right to appeal the Council’s decision to the County Court remains.

The authority will have to ensure that there is adequate consideration of the requirements of this legislation.

7. Monitoring Officer’s comments:

- 7.1 This report raises no issues of concern

8. Report details:

- 8.1 The current EXtraLet scheme demonstrates too many constraints which don’t allow for the development and expansion necessary to meet current demand for private sector accommodation. These constraints include;

- the time taken to procure EXtraLet property on to the scheme
- no flexibility in the level of property management landlords require to meet their individual needs
- the conflict in the management of landlord and tenant issues by one team
- the financial cost of the incentive and grant package offered to landlords that is no longer sustainable to the authority
- staff and financial resources required in the procurement and management of EXtraLet property which isn’t offset by procurement and management fees.

A revised scheme would enable the authority to access and engage with the sector more efficiently and offer a more cost effective solution in terms of procurement and ongoing management of property.

- 8.2 The scheme will provide landlords with tenant referrals, tenancy agreements, tenant affordability and suitability assessments, support services, inventories, check-out services and deposit guarantees. Landlords will be required to set rents at the Local Housing Allowance level which is set at the 30th percentile of market rents in order to ensure affordability for tenants and making it competitive to market rents.

- 8.3 The new scheme allows landlords to tailor the scheme to suit their personal needs by offering a basic package with the option to add additional services from a menu of management extras (Appendix 1). Landlords are charged for additional services that they require. The scheme should therefore be cost neutral and be modified to suit all landlords from the first time landlord to the professional. If landlords require a full management service there is the Council's Private Sector Leasing scheme that can be accessed when there is a council need.
- 8.4 The amended scheme will facilitate the Council's ability to discharge its main homelessness duty under the Housing Act 1996, the Homelessness Act 2002 and Localism Act 2011. Sections 148 and 149 of the Localism Act give the Council the ability to discharge homeless duty to the PRS. This legislation allows the local authority to end their main homelessness duty with a PRS offer. We are unable to take advantage of such powers if we do not have the properties available to us. Without a sufficient supply of private rented accommodation the authority cannot operate to the full extent of this legislation.
- 8.5 Alongside the financial benefits to the Council, the welfare benefits to the clients assisted should not be understated. The new scheme offers households a speedier resolution to the uncertainty of homelessness and is preferable to staying in a self-catering room whilst a homelessness application is being considered.

9. How does the decision contribute to the Council's Corporate Plan?

- 9.1 The implementation of a revised scheme will contribute towards the Corporate Plan priorities of;
- 9.1.1 Meeting housing needs – the revisions to the schemes will mean that more PRS property will be available for our customers to access. A tenant matching scheme will improve the process of identifying suitable and affordable private rented accommodation in the City.
 - 9.1.2 Supporting Exeter's communities and neighbourhoods – PRS properties under the authority's schemes will meet the Decent Homes Standards, will be assessed under the Housing Health & Safety Rating Scheme (HHSRS) and will meet the Devon-wide minimum property standard. Engaging with more PRS landlords will assist in driving standards up across the sector.
- 9.2 The amendments to the current property management scheme will contribute towards the Corporate Plan Purposes of;
- 9.2.1 Help me find somewhere suitable to live – tenants will have access to a larger selection of decent PRS accommodation across the City. Tenants and landlords will be matched and assessed on suitability of the accommodation for both parties.
 - 9.2.2 Maintain the assets of our city – the revised scheme will act with landlords in order to bring PRS accommodation up to standard. Landlords will have their properties inspected and a minimum standard will be required before a tenant will be referred.

10. What risks are there and how can they be reduced?

- 10.1 The main risk to the authority lies in keeping EXtraLet in its current format. More private rented properties are needed to be delivered to meet existing demand and the scheme is too slow to respond due to the lengthy and costly procurement process. The time taken to bring properties on to the scheme means that tenants are not able to access properties in a timely manner. If our customers are unable to successfully access the PRS the authority may have to purchase alternative provision including costly B&B accommodation. Improving the procurement process will allow more tenants to access private rented properties that are of a good standard. These changes are designed to improve the access to private rented accommodation and should not increase the use of temporary or B&B accommodation.
- 10.2 There is a risk that the revised scheme will not attract the volume of landlords that are required due to the removal of the generous terms of the existing scheme e.g. management service, private sector renewal grant, guaranteed and advanced rental payments and other landlord incentives. The new scheme may not be as attractive to existing EXtraLet landlords however, they would receive a 12% increase to their rental income as they would not be subject to a management fee. For new landlords approaching the Council it offers a competitive product compared to the private market. The rental payments made to landlords would be based on Local Housing Allowance which is set at the 30th percentile of market rents. Rental payments through local housing allowance can also be paid direct to landlords which is an additional incentive.
- 10.3 Many of the landlords who approach the council for a property management service oversee a portfolio of property and the Private Sector Leasing scheme will remain available for inexperienced landlords with no management experience. The Housing Development team have in the past month successfully trialed the new scheme on two landlords who approached the team looking to access the EXtraLet scheme.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

- 11.1 Poor housing conditions have been evidenced as precipitating a range of negative physical and mental health conditions. The revised scheme can help minimise the adverse effects of poor housing across the city and the stress of identifying suitable PRS accommodation. The new scheme will increase the availability and standard of PRS accommodation and reduce the use of temporary accommodation. The scheme will assist families who are homeless, or at risk of homelessness, access accommodation in the PRS and offer support during the term of the tenancy.
- 11.2 Landlords will be assessed on their ability to be fit and proper people in the management of private rented accommodation. Any concerns will be investigated further and landlords not deemed to be fit and proper will not be included under the scheme. This process allows the authority to take reasonable steps to safeguard tenants and their families.

12. Are there any other options?

- 12.1 The scheme could remain as it is but EXtraLet is not cost neutral (as originally envisaged) and is not sustainable to the authority in its current format. The revised scheme addresses all the negatives of the current scheme whilst offering a more flexible scheme for landlords and in turn increases the supply of private rented accommodation.
- 12.2 The authority could discontinue EXtraLet and not offer a private rented access scheme. However, private rented properties are increasingly required to meet the housing needs of homeless people and can provide an effective housing solution for those that are unlikely to gain access to social housing. Working with landlords is essential in obtaining decent and sustainable tenancies for homeless people. It provides an opportunity to build stronger links with local landlords and raise standards of private rented accommodation in the City.

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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Appendix 1