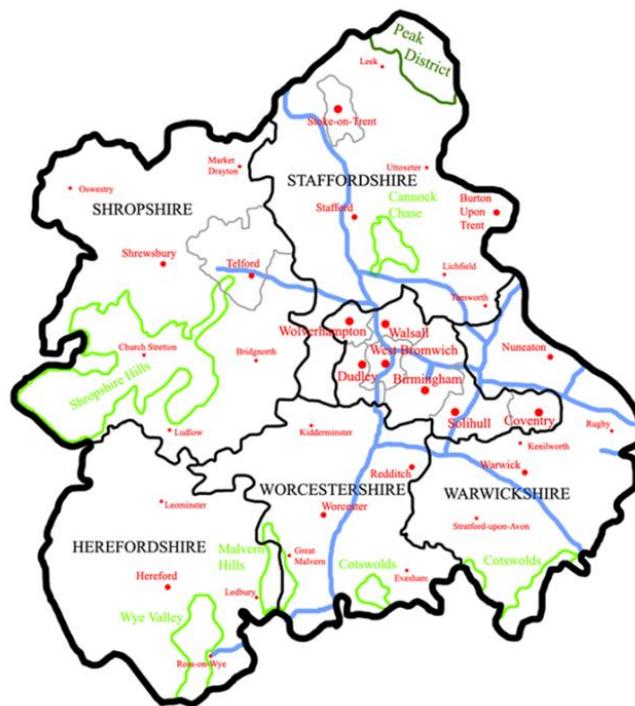


# SOCIAL LETTINGS AGENCIES IN THE WEST MIDLANDS



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**with Ben Pattison**  
**March 2017**

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## PEER LEARNING EVENTS, CASE STUDIES, REGIONAL CONTEXT & POLICY RECOMMENDATIONS

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## Glossary

This research explores a number of little known aspects of housing and welfare support provision related to Private Rented Housing. Readers may find this short summary of some of the more technical terms useful to have to hand when reading the report. Some of the most obscure of these turned out to be significant in understanding the scope for and limits to Social Lettings Agencies.

- AST** Assured Shorthold Tenancy – standard 12 month tenancy term for new PRS tenancies used by most SLAs. Shorter introductory tenancies of 6 months may also be used and accounted for one in five of Let to Birmingham lettings in 2016.
- HALD** Housing Association Leasing Direct scheme. This covers properties leased from private landlords by registered providers (RPs) and allows a level of housing benefit subsidy above LHA to be claimed (currently 90% of LHA plus £60 a week outside London). Under HALD the RP is responsible for all costs relating to the procurement, management and maintenance of the property including repairs and dilapidations, lettings and voids. 80% of the properties let by Let to Birmingham in the first three years were under the HALD scheme.
- DHP** Discretionary Housing Payments. Small fund available to local authorities that can be used to help tenants with deposits or to prevent loss of tenancies .
- HCA** Homes and Communities Agency – funding and regulatory body for social and affordable housing in England at the time of this study. Registers and regulates housing providers. Now Known as Homes England but HCA used throughout report.
- LHA** Local Housing Allowance sets the maximum amount of housing benefit that may be claimed by tenants within a Broad Rental Market Area. While LHA levels are theoretically set to include the bottom three deciles of rents in an area, they do not map against actual market rent levels and have not been updated since 2011. In Birmingham an analysis by the local authority found that only 8% of local market rents would be accessible to clients depending on LHA alone to cover their rent.
- LtB** Let to Birmingham – the social lettings agency established by Birmingham City Council with a private company, Omega Lettings, from January 2014. Omega and LtB are now subsidiaries of Mears.
- PRS** Private rented sector. Major and growing tenure of particular importance for younger households, including those unable to access home ownership or social housing. ‘Generation rent’ refers to the growing proportion of all under 35s living in the PRS in England (up from 28% in 2001 to 43% in 2011 and continues to grow).
- RP** Registered Provider. Housing body registered with HCA. These include non-profit housing associations and for profit providers such as Omega Lettings who won the SLA contract in Birmingham. Being an RP enables eligibility for HALD.
- SEA** Supported Exempt Accommodation (SEA). SEA providers are eligible for housing benefit at above LHA level. SEA providers may include Upper-tier County Council, housing association, registered charity or voluntary organisations *‘where the body*

*providing the accommodation, or a person acting on its behalf, also provides the claimant with care, support or supervision'. Supervision 'must not be a trifling amount and must be made use of by the claimant'. Under the Housing Benefit and Universal Credit (Supported Housing) (Amendment) Regulations 2014 'SEA' sits outside of UC and is exempt from bedroom tax and benefit caps, The future of supported exempt accommodation one of the main issues to be addressed by the 2017 Green Paper on transfer of exempt accommodation and supported housing funding to local authorities 2019. SEA was the main form of subsidy used by the two third sector SLAs in our case studies that provided shared accommodation for single homeless. SEA rents of up to £200 a week compared to the median shared accommodation LHA claim of £258.41 a month in Birmingham (see Appendix B.1).*

**SLA** Social Lettings Agency. The focus of this research. Defined by Evans (2105) as agencies that *'help people access the PRS who are homeless or on low-incomes'*.

**SP** Supporting People. Funding available through local authorities for housing related support costs. 'Floating support' can sometimes cover support for households placed in private rented accommodation. However, availability has declined dramatically in recent years as the budget is no longer ring fenced.

**WMHOG** West Midlands Housing Officers Group represents West Midlands local authorities with a strategic housing function and shares information and best practice. Oversees a forward looking housing research and part funded this project.

## Acknowledgements

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## 1. Introduction and Purpose

Social Lettings Agencies (SLAs) have been described succinctly by Shelter Scotland (Evans, 2015) as agencies that *'help people access the PRS who are homeless or on low-incomes'*. SLA is a general term applied to schemes that secure access to decent, affordable private rental accommodation for households in need and on low incomes who would previously have been likely to access social housing. The growth of SLAs has been a consequence of the falling supply of social housing, growth in the private rented sector, expansion of 'housing options' approaches since the Homelessness Act 2002 and discharge of homeless duties in the private rented sector since the Localism Act 2011.

The West Midlands Housing Officers Group has supported this project by the Housing and Communities Research Group at the University of Birmingham to explore the current and potential future role of SLAs in the region. Its relevance to current policy has increased considerably since the time of its commissioning.

Changing market conditions and in particular the growing gap between social housing supply and demand and rising homelessness have led to increasing policy support for SLAs in England. In 2015 the right leaning Centre for Social Justice (CSJ) recommended the Government to *'greatly expand the role of social lettings agencies across the country'* (Winterburn, 2015 p.3). Key aims of SLAs were considered by CSJ as being *'to minimise risk to landlords so they are willing to let to benefit claimants'* (ibid p.61) and to provide a measure of support for tenancy sustainability *'typically SLAs will have support workers who regularly check in on the vulnerable'* (ibid p.62).

By 2017 Theresa May's Conservative Government as part of its plan to *'fix our broken housing market'* wanted to *'consider whether SLAs can be an effective tool for securing more housing for people who would otherwise struggle – providing security for landlords and support for tenants to help strengthen and sustain tenancies'* (DCLG 2017, p.66). This parallels developments in other countries with an insufficient supply of social housing such as Belgium, Ireland and Hungary where the idea of SLAs has been more prevalent than in England to date (De Decker, 2002, Laylor, 2014, Hegedus et al 2014).

The project brief set out the purpose of the project to explore the scope for SLAs to address the needs of low income households seeking decent, secure and affordable rented homes in the Midlands. This would include an in-depth study of Let to Birmingham SLA, case studies of other SLAs in the region and peer learning events to share experience and ideas about properties, people and process and in what respects PRS could become the 'new social housing' (in terms of security, affordability and quality issues).

### 1.1 Other Project Reports

The project began with a national scoping study to review existing published evidence on SLAs and the gaps which this study could be expected to fill and a typology on which future work in the project builds. Early versions of this scoping review and typology were first presented to our Advisory Group in July 2016 and later at three peer learning events (see below). **A final version of the evidence review and typology will be published in March 2017 alongside this wider report.**

By providing a depth analysis of the organisation and impact of a significant SLA, Let to Birmingham, established in Birmingham since 2014, the project was expected to generate practical learning based on recent implementation experience to guide other authorities. The study builds on a two stage evaluation of the operation of Let to Birmingham, a public private partnership that established a Social Lettings Agency for Birmingham City Council, which has now been in operation for three years (2014-2017) and from which other authorities in the West Midlands wished to learn. **The second stage of the Let to Birmingham evaluation is published in March 2017 alongside this wider regional report.**

## **1.2 This Report**

The primary purpose of the study as a whole and the case study of Let to Birmingham was to promote and share learning across the West Midlands Region. **It is to this purpose that this draft report is addressed.**

The three peer learning events were held in Telford in November 2016 and Birmingham and Stafford in January 2017. Based on information shared at these learning events, four further mini-case studies were undertaken of other SLAs in the region using a common presentation template based on the scoping study and typology. These are presented as Appendix A with an analysis of findings presented in chapter 3 of the report. A key issue emerging from the peer learning events was the financial context for SLAs provided by variations in Local Housing Allowance rates across the region in relation to market rents. It was therefore decided to undertake a bespoke analysis of LHA levels across the region and how these relate to lower quartile rents and thereby define the need for and operational possibilities of SLA schemes in different parts of the region. This report also provides draft conclusions and recommendations drawing on learning from the entire project.

**The report sets out the issues emerging from the three peer learning events. Next it presents mini-case studies of four of the other SLAs found to be operating in the region and identifies key learning points from the different models and contexts exhibited by these case studies. It then explores the wider regional context through a bespoke analysis of LHA levels and lower quartile market rents across the region. Finally it presents some conclusions and recommendations to be discussed and developed with the West Midlands Housing Officers Group and presented at the Regional Research Event in March 2017 to maximise the impact of the project.**

### **MARCH 2017 – PROJECT FINAL REPORTS**

**REPORT 1 – SOCIAL LETTINGS AGENCIES IN THE WEST MIDLANDS: PEER LEARNING EVENTS, CASE STUDIES, REGIONAL CONTEXT & POLICY RECOMMENDATIONS (This report)**

**REPORT 2 - LET TO BIRMINGHAM 2016 CASE STUDY REPORT**

**REPORT 3 - WEST MIDLANDS SOCIAL LETTING AGENCIES RESEARCH PROJECT:  
LITERATURE REVIEW AND TYPOLOGY**

**PUBLISHED IN 2015 – LET TO BIRMINGHAM 2015 CASE STUDY**

## 2. Peer learning Events

As part of the WMSLA research project programme, 3 Regional Stakeholder and Peer Learning Events were held in Telford, Stafford and Birmingham to provide an opportunity for us to share some of the research findings and also to facilitate peer learning between participants. The main purpose of these events was to encourage colleagues across the West Midlands to share their knowledge and experience of the strategic and operational issues around setting up and running SLAs. The following table provides a summary of when and where these events took place, and which organisations or regional stakeholders were represented at the events respectively.

**Table 2.1 Peer Learning Events - Participants**

EVENT	DATE	VENUE	PARTICIPANTS
Telford/Marches	25 November 2016	Telford & Wrekin Council, Civic Centre, Wellington, Telford	<b>17 people including:</b> Telford Home Finder Telford & Wrekin Council Herefordshire Housing Limited Marches LEP Shropshire Council Sandwell Council Worcester CAB University of Birmingham
Birmingham	26 January 2017	Library of Birmingham, Centenary Square, Birmingham	<b>29 people including:</b> LtB and Mears Group Crisis Birmingham City Council Officers Birmingham City Councillors - Acocks Green, Sparkbrook & Balsall Heath Dudley Metropolitan Borough Council Sandwell Metropolitan Borough Council Sandwell Homes Solihull Community Housing Solihull Council City of Wolverhampton Council Wolverhampton Homes Coventry City Council University of Birmingham
Stafford	27 January 2017	Stafford Civic Centre, Riverside, Stafford	<b>11 people including:</b> Sandwell Council Stafford Borough Council Councillor - Stafford Borough Council Stafford and Rural Homes South Staffordshire Council Staffordshire Moorlands District Council and High Peak Borough Council Wychavon District Councils Rugby Wyre Forest District Council East Staffordshire Borough Council University of Birmingham

The programme for each of these events involved an introduction to the WMSLA Research project including an overview of the current policy context, aims of the research and an explanation of the topic guide framework that was developed for the peer learning workshops. The emerging findings from the case study of Let to Birmingham were also presented, and the host organisations for each event also shared their experience of local SLA models.

The structured peer learning workshop involved using a topic guide of questions (see Appendix A – same format as used of the case studies) to explore themes with participants that were derived from the literature review and typology of SLAs. Section 2 below reflects on the key themes that emerged from the peer learning workshops at each of these regional stakeholder events.<sup>1</sup> Underlying questions from the research typology relating broadly to ‘who’ and ‘why’ are summarised in the sections on Aims and Rationale, while those questions relating to ‘what’ and ‘how’ are included in the Business Models section for each event.

## 2.1 The Marches – Hosted by Telford & Wrekin Council with Telford Home Finder

Telford Home Finder shared their experience of setting up and running their SLA with participants, who were also asked questions about the aims of an SLA, the business model and what challenges and barriers they have encountered.

### 2.1.1. Aims and Rationale:

**Housing supply and improving standard of private rental sector (PRS stock):** It was agreed that a key purpose around setting up an SLA would be to improve affordable housing supply generally and improve the PRS stock for both Telford and other stakeholders looking to set up an SLA.

**Provide affordable rental options in expensive PRS regions:** SLAs could be an important factor in parts of the region where rental accommodation is expensive and there is a shortage of social housing but the economic growth potential for those areas also requires local labour. Hereford, for example, has a growth agenda but expensive accommodation will make it difficult to attract a labour force.

**Income- generation in context of LA cuts:** Telford Home Finder is being run as commercial businesses to generate income for the General Fund. This would be a motivating factor for many LAs in light of significant cuts.

**Health and wellbeing:** Other broad aims of SLAs include positive impacts on employment, health and well-being and providing housing solutions which include social care and mental health signposting.

It was good to see support and interest from wider employment and economic development bodies such as the Marches LEP for these goals.

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<sup>1</sup> Thank you to Vicki Popplewell from Sandwell Borough Council and Donna Nock at Birmingham City Council for their help with note-taking during the peer learning workshops.

### 2.1.2. Business Model:

**External facing brand:** Telford Home Finder is run operationally as an in-house council service but has a strong, independent and outward-facing brand.

**Tenant deposits and fees:** Telford has sometimes used Discretionary Housing Payments to provide tenants' deposits for private tenancies. A menu of services with a scale of fees to landlords can build in surpluses, but an underlying constraint is that these must come from rents that are largely constrained by LHA levels.

**Potential for exploring other funding options:** Participants considered the potential of linking SLAs with a Health and Wellbeing agenda to determine if provision for people with supported housing needs could be accommodated and also if Health and Wellbeing funds could be accessed.

**More staff resources needed:** Telford Council requires more staff resources if it hopes to grow Telford Home Finder and the number of properties it manages, but this would be difficult to make a case for with respect to budget cuts that the Council have to deal with.

*"You're always having a trade off with the amount of staff you have and the level of service you aim to provide...operationally if you have more properties and not enough staff it starts to affect your reputation"* (Telford Home Finder participant)

Housing associations (HAs) are seen as having relevant skills in-house such as with checking applicants and their referencing, tenant support and marketing the benefits of the properties. However, there was limited existing engagement with SLAs by HAs.

#### **Having a Commercial Focus to attract more reluctant landlords:**

Telford Home Finder had initially adopted a social perspective for their Landlord Accreditation Scheme. With experience, if developing an accreditation scheme again, it would be designed to have a commercial appeal to "the bottom line" for landlords. In this way, they would have a "bigger carrot" to attract more reluctant landlords. They would still be able to work with more socially orientated landlords who don't need the same level of incentives to work with the council.

*"Yes, you do have those landlords out there who have got that social conscience...but they're probably 10%, the other 90% are not interested in working with us on the basis that it doesn't pay to do so...so if we can offer them something that's more than the sum of its parts...offering them that value for money...rather than relying on their goodwill."*

(Telford Home Finder participant)

**Set up and delivery risks:** Participants agreed that set up costs, lack of required skill sets and staff resources were a major barrier to establishing SLAs and could lead to slow growth and challenges around delivery. There was also the danger of reputational damage.

**HA rather than LA lead:** A consortium of HAs could potentially set up an SLA and this could be a solution in some of the rural/districts areas and also help share costs and minimise risks, for example in Herefordshire and Shropshire.

It was noted that the Shropshire Housing Alliance (who had not been able to attend the meeting) are now part of Wrekin Housing Trust and have been operating a private sector access scheme for their housing advice clients. While not formally an SLA, this kind of service probably exists below the radar in many parts of the region and could provide a foundation for future SLA initiatives<sup>2</sup>.

## 2.2 The Met Authorities – Hosted by Birmingham City Council with Let to Birmingham

At the Birmingham Stakeholder event, metropolitan councils from the region, SLAs, charities and councillors were keen to explore what lessons could be learnt from the Let to Birmingham (LtB) experience and other local SLA models. Participants from LtB answered questions from the regional stakeholders, and the topic guide was used to further uncover perspectives around the aims, rationale and processes behind SLAs.

### 2.2.1. Aims and Rationale:

**Intermediate market or sub-market niche:** Participants from LtB suggested that the point of social letting agencies is to provide support and sit between social housing and commercial letting agencies.

**Increasing rental housing supply for Homelessness prevention:** Social letting management can help provide easier access to the PRS. LtB does not provide short tenancies or temporary accommodation and the properties provided are used for homelessness prevention and housing options.



**Figure 2.1 -Regional Stakeholder and Peer Learning Event, Birmingham:**

26 January 2017, in the Heritage Learning Room at the Library of Birmingham

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<sup>2</sup> This chimes with a report commissioned by the Warwickshire local authorities in 2013 which recommended against setting up a new SLA but advised Improving partnerships with advice agencies and third sector bodies and existing accommodation finder services. (see Leng, 2013)

### 2.2.2. Business Model:

**Climate no longer as positive:** Participants discussed whether the climate for setting up an SLA is now different to when Birmingham first set up LtB. Rents have been rising faster than incomes and the LHA has not risen in tandem and there have been cuts in support service provision funded under Supporting People (SP) across the region.

**LHAs:** There is a single Local Housing Allowance (LHA) rate across the city of Birmingham but rents are highly variable. Overall under 10% of properties are available at or below LHA allowances (compared to the bottom 30% assumption when LHA caps were established). Sandwell Council, among others, highlighted the struggle with LHA caps as private landlords' rents are rising, which would make it difficult for tenants to afford their properties after 2 years.

**HALD:** There was a lot of interest in the Housing Association Leasing Direct (HALD) model at the heart of the LtB scheme. This has allowed LtB, as a registered provider (RP), to claim benefit at up to 90% of LHA plus £60 a week. This has helped to secure more attractive properties but has created a benefit trap for tenants, making it hard to move into jobs of over 16 hours a week without moving home. This discussion led to a further piece of research on the gap between LHA levels and lower quartile rents across the region that provides considerable barriers to SLAs that do not have the RP status and cannot therefore qualify for HALD rates. This research is presented in Chapter 4 of this report.

**Collaborative or partnership approaches:** The idea of working as combined authorities to spread risk was seen as attractive. This could be done through LtB or Omega (originally a South-East, and now a significant Birmingham organisation) expanding if there was a desire from West Midlands Councils. Participants were interested to hear what services LtB could provide and what support would be available. This would have the advantage of minimising risks to councils and avoiding set up costs but could in future limit influence unless similar structures to LtB's current public:private governance structure were extended.

**Working with both landlords and tenants:** LtB described providing a service to both tenants and landlords. Some participants expressed the view that landlords may have had bad experiences or bad perceptions of SLAs. Landlords who form part of the Landlord Forum are classed as good landlords and invest in the SLAs by providing multiple properties for letting.

It was seen to be critical to change the hearts and mind of landlords, to maintain contact with tenants to provide feedback, and to ensure a good balance between tenants and landlord needs.

*"We do sit in the middle, we really do... because we have the pressures from landlords like any lettings agent...if we get a call at 8 in the morning, they expect a call back by 1pm ...they are business people... they want to ensure their investment runs smoothly. And then with the tenants, very often they find we have very good relationship with them, we are responsive and proactive, going out, trying find the issue before it starts...so the management service has to be spot on!" (Let to Birmingham participant)*

**Marketing to landlords:** In order for SLA schemes to grow a team of skilled people with a commercial sales background may be needed to market and sell the service to landlords. LtB still has

a low visibility despite the initial advertising campaign on busses. Landlords are often recruited through word of mouth and personal networks.

**Tenant Criteria and Landlord Guarantees:** LtB has adopted the process of assessing whether applicants are tenancy ready before properties are offered to them. In particular, they outlined the process of managing tenant risk in the context of benefit deductions and the need to provide housing options for people in low wage employment. These include considering the affordability, long term aims and negotiations with landlords to discuss appropriate rents for different tenant circumstances. Landlords also worry about welfare reform and LtB has therefore put forward proposals for guaranteed rents, usually at a lower level. They feel they are moving forward to help landlords to manage these risks as this is increasingly what landlords require.

A further incentive for landlords is that LtB are pro-active with arrears and will first guarantee the rent and then work towards reclaiming the money owed from the tenant. Tools are used to encourage and enable a tenant to pay.

The criteria for high risk tenants are those who have arrears with no payment plan, ASB cases where support is not available and clients who have no tenancy history. These clients will now be placed on a 6 month AST, rather than the blanket 12 months offered in the first two years of operations. This change was made due to the previous abandonment of properties and issues around sustaining a tenancy. If a landlord requires their property back and the tenants have been good tenants, they will be moved on and a replacement property provided.

**The Service Offer:** LtB let properties at a good standard. The maximum lease period for LtB is currently 12 months although they suggest a 2-3 year lease would be more desirable. Properties are rented with a cooker (because of the gas certificate) and a fridge. Landlords often gift furniture to the properties while LtB offer flooring and blinds. The quality of the properties furnishing inside will increase the rent level. Landlords are asked to furnish the property before a tenancy and LtB will maintain any minor repairs to the property, while severe repairs are negotiated with the landlord. LtB feel that they are achieving the right balance between cost, value and quality.

**Other schemes:** Wolverhampton Council currently has a let-to-lease scheme which it could develop into a social letting agency. Landlords would like to be in an accreditation scheme for income protection and to be provided with tenant support. Wolverhampton agreed this is a project that could be developed.

Coventry Council previously had a renting scheme which they felt was unsuccessful due to the way it was set up and also in that it wasn't given sufficient time to succeed. Coventry has two universities which distorts PRS numbers due to the population of students within the city and the associated opportunities for landlords to set up high rent HMOs, making the LHA niche less attractive. Coventry is not a stockholding authority, having previously transferred all their social housing stock to Whitefriars housing association. However, Coventry Council are also interested in engaging with private landlords to develop new supply options.

## 2.3 The Rural Districts – Hosted by Stafford District Council

At this peer event Stafford Borough Council presented an overview of their mixed rural and urban housing profile, some of the drivers impacting on the social housing sector and their interest in exploring social lettings models. One authority shared their experience of managing a small SLA, while Rugby Council outlined a feasibility study they had recently undertaken around setting up an SLA. Other participants contributed to the discussion around some of the topic guide questions which were put to the group.



**Figure 2.2 - Regional Stakeholder and Peer Learning Event, Stafford:**

27 January 2017, in the Craddock Room, Stafford Civic Centre

### 2.3.1. Aims and Rationale:

**Affordable Housing supply and Homelessness:** Stafford has a growing PRS but this has been affected by the departure of a local university. This could provide an opportunity for the council as landlords consider their options for switching from the student niche. There is also an increasing number of homeless acceptances & rough sleepers, and the Council is finding it difficult to find them social housing options. In Stafford, the PRS has exceeded social housing in last 10 years, with a 62 percent increase from 2001-11. Homelessness numbers were steady till 2014/15 and then up to 50-60 a year. While Stafford Council consider the housing stock in the District to be generally good there are pockets of disrepair. The Homelessness Reduction Bill can be regarded as key driver for councils to establish an SLA or other types of accommodation access schemes.

Rugby have undertaken a SLA feasibility study because of strong need to increase housing supply, having the highest homelessness figures in Warwickshire. Because of the thriving PRS in Rugby, landlords continue to raise rents, which have become unaffordable for many and this has led to more tenant evictions. In Rugby, 41% of all homeless applications are from tenants evicted from the private rental sector. The social housing stock is very limited where only the very urgent can “get a sniff” at social housing. There is a significant gap between LHA levels and bottom quartile rents, leading to most tenants having to top up their rents and limiting the scope for SLA management costs to be funded from within LHA rents.

*“We need to do something to be able to increase supply – we are looking at it from the point of view of Private Sector Discharge but we can’t access the market...Rugby is a very prosperous town, at least the top 4/5ths of society is, and we have runaway rents in the private sector.... We have such poor accommodation at the bottom end and it’s so sparse. The booming market is making landlords put up their rents. Landlords are selling off their properties and we can’t get them (the properties) back in, and that’s another motivation for setting up a Social Lettings Agency...but we are finding it difficult to make it stack up financially.” (Rugby Council participant)*

In East Staffordshire the costs of temporary accommodation are much higher than social lettings so significant savings may be possible. HAs are also less likely to take on high risk tenants without support packages therefore setting up SLAs could be a solution for housing these tenants.

### **2.3.2. Business Models:**

**Upfront Funding:** Finance was seen as an ongoing issue in addition to councils being under-resourced and lacking capacity. SLAs need upfront funding and no significant external funding seems to be available at the present time. The costs of failed tenancies also need to be taken into consideration which increases the risks of SLAs. Some participants suggested using the DCLG Homelessness Prevention Grant to establish small leasing schemes as Birmingham had done when setting up LtB. But there was uncertainty about future availability for this purpose, highlighting the importance of the Centre for Social Justice (2016) recommendation for a £40 million capital fund for SLA start-ups. Other sources of set up funding in the region had included charitable funding through Crisis.

**LHA and PRS rate gap:** The financial gap between LHA and PRS rents was a recurring theme among participants and the need for a further subsidy over and above LHA to address this gap. Welfare reform in general and Universal Credit in particular were also identified as financial barriers.

In Rugby LHA rates are £585 for a 3 bedroom property but private rents for decent properties are on average £800+. At the bottom end of the market, housing stock housing conditions are poor and properties are sparse. Similar gaps between LHA and market rents of between £100 and £300 were cited by other participants. The need for further research on this gap was identified.

**Partnership working:** Collaborative approaches were seen as necessary by participants, as LAs can't work in isolation to drive up housing standards. Participants would also consider signing up to already established SLAs in the West Midlands if it were possible to extend services to their area in a way that met local objectives.

**Licensing:** The role of licensing was discussed by participants whose approaches varied from selective licensing, such as in Stafford, to considering compulsory licensing across a whole authority where it would be mandatory for landlords to join a scheme. Participants from East Staffordshire preferred selective licensing options.

**USPs/ Appealing to landlords:** Participants felt they needed to incentivise good landlords to sign up, to lower risks for landlords and show the added value that SLAs can offer over commercial lettings agents or self-management options. Some felt they had a limited offer to good landlords and needed more of a commercial focus, while others felt that some landlords would be willing to accept lower

but guaranteed rents and income if this meant reduced risks. There needs to be a clear understanding of what the incentive would be for landlords to sign up – this could include a differentiated service offer to meet the needs and concerns of different types of landlord. SLAs can have good relations and develop trust with both landlord and tenants; they have a “social conscience.”

**Bond guarantees:** One authority use bond guarantees which cover rent deposits and this appeals to most clients. In Stafford, the expiry of bonds is seen as a huge potential liability for the Council. Participants did agree that passing responsibility onto tenants for deposits would reduce access and could increase homelessness.

**Marketing to landlords:** Some have done this mainly through a website with promotion via Landlord Forums (which some SLA agents attend) and Landlord newsletters. However, there was a feeling that not enough advertising was done and that is challenging to compete with commercial agents. Other participants suggested that SLAs do not need to compete with commercial agents as they are generally working in a different market niche. Too strong a link with the council identity was seen as a barrier to the brand of the SLA.

**Tenant Support:** It was regarded as a challenge to get tenants ready for tenancy. Some tenants may have complex needs and therefore the SLA needs links to provide support services and support workers. Cuts in Supporting People budgets across the region and their complete disappearance in some authorities has posed challenges for this. Given staffing, it is possible for SLAs to provide low level support and pre-tenancy training. This could take the form of ASB support and quarterly inspections as lettings agents.

## 2.4 Conclusions

1. The need for schemes to improve access of low income groups to decent and affordable homes in the PRS has never been greater. The Homelessness Reduction Bill is the latest in a series of policies that challenge local authorities to find new housing supply as social housing dries up.
2. However, budget cuts and pressures on existing staff resources in local authorities are seen as significant challenges to taking new initiatives such as setting up SLAs.
3. Revenue costs for management and service provision are also seen as challenging within the current market and welfare reform environment.
4. In the current context SLAs are therefore viewed as a risky undertaking for individual local authorities to contemplate.
5. There is appetite to share risk and costs by collaborating regionally, whether with other LAs, HAS or setting up a consortium or by buying in to the services of existing agencies.
6. There is a need for upfront funding/ grant/ subsidy to make SLAs feasible but there is a prospect of sustainability through management fee income once a critical mass is reached.
7. The gap between LHA and market rents is a critical barrier to a viable business model and requires further exploration across the region.
8. SLAs need to balance landlord and tenant needs.
9. A range of guarantees and incentives can be used to attract landlords, including tenant selection/ vetting criteria and tenant support. But this can be difficult to resource in the context of Supporting People budget cuts.
10. Bond schemes do attract landlords, but can be a high liability risk for SLAs/ councils and there can be issues at the end of the bond period. This was not seen as a significant problem in LtB where tenants were expected to save a one month deposit over the two years of the bond and some landlords were confident to extend tenancies without a further bond.
11. Accreditation can be used as an incentive for landlords and landlords' membership of Landlord Forums is seen as a positive in partnering with 'good landlords'.
12. There is a need for a more commercial focus to attract less socially minded landlords, and also to professionally market/ promote the added value and "differentiated service offer" of SLAs compared to commercial lettings agents.
13. There is more going on in the region than we thought! Three SLAs emerged from the process of convening these events and have been followed up and included as case studies in chapter 3 of this report alongside the two existing SLAs. Other accommodation access schemes managed by agencies such as Shropshire Housing Alliance are likely to exist 'below the radar' across the region and could form a good basis from which SLA type services could be developed.

## 3. Case Studies

### 3.0 Introduction

Four mini-case studies were undertaken of other SLAs that have developed in different parts of the region at the same time as Let to Birmingham which is the main focus of our study. All case studies were analysed using a common template developed from our literature review and typology (see separate report).

Appendix A provides a full analysis of the five case studies using this common template. Short summaries of the case studies are presented here (3.1) followed by an analysis of their key features (3.2) and a conclusion to inform future developments in the region (3.3).

### 3.1 The Case Studies

Three of the five cases were initiated by local authorities, with LtB developing into a public: private partnership. The other two were developed by third sector agencies. For comparability we include our analysis of Let to Birmingham as a different model of public: private partnership in summary form in Appendix A. Readers can find a fuller evaluation of Let to Birmingham in our parallel full case study report.

#### 3.1.1 Let to Birmingham

Let to Birmingham is a public: private partnership between Birmingham City Council and Mears (formerly Omega Lettings). It was established in January 2014 by the City Council as a homelessness prevention tool using grant from Communities and Local Government. Operationally it is now part of a division of Mears serving the Midlands and some other parts of the country. A crucial factor to Let to Birmingham's success was the status of Omega Lettings (now part of Mears) as a registered housing provider with the Homes and Communities Agency (HCA) able to claim HALD (housing associations leasing direct) rates of housing benefit. Over 600 lettings have been made over three years. The majority of the 400 current tenants are homeless prevention or housing options referrals. A few clients are self-referrals to LtB and some are council tenants seeking transfers, who opt instead for a new PRS letting through LtB. So far there have been no statutory homeless or moves from temporary homeless accommodation.

#### 3.1.2 Worcester CAB and WHABAC Smartlets

SmartLets is a trading social enterprise and is part of the charity WHABAC which merged with Worcester CAB. The project received grant funding from Crisis for a number of years and has very positive relations with Worcester Municipal Charities who lease the CAB & WHABAC premises at a favourable rent and support the agency in a number of ways. It is also able to take risks, for example with guaranteed rents, and is investing surpluses in purchasing properties. The scheme provides another option for the 7600 individuals who accessed gateway services in 2015/16. 490 of these applied to SmartMove and 162 were helped to secure accommodation. There are 97 units of Smartlets accommodation. It is considered as medium term accommodation for clients who are 'tenancy ready', 87% of tenants sustained their accommodation for 6 months or more.

### 3.1.3 Spring Housing

Spring Housing is a young third sector organisation started up in October 2014 by a group of housing association professionals in Birmingham ‘to return to the basic principles of the housing association movement- to provide quality accommodation for people in housing need’. They are a registered charity and are considering whether to complete the registration process to become a registered provider. The key organisational strengths that have facilitated a rapid growth to 375 tenancies in 6 local authority areas, 35 staff and a turnover of £2million in two and a half years are: wide range of professional skills from and contacts with the HA sector, expertise and well managed relationships with private landlords and property developers and distinctive social purpose and values.

### 3.1.4 Telford Home Finder

Telford Home Finder is a local authority initiative initially established as part of the housing options service, but later became part of the council’s commercial arm. It is run operationally as an in-house council service but has a strong, independent and outward-facing brand. It is being run as a commercial businesses to generate income for the General Fund. Telford Council requires more staff resources to grow Telford Home Finder and the number of properties it manages. The core clients are still housing options and homelessness prevention, and the scheme is sometimes used to discharge homelessness duty, but there is an ambition to move into the commercial lettings market.

### 3.1.5 Local Authority led Scheme in rural area

This fifth case is led by a stock transfer local authority in a rural part of the region. The SLA has a separate brand but it is run as part of the Housing Service and the website shows clearly that the SLA is local authority led. The SLA is supported by the council and one core post is funded to run the SLA. Recruitment to this post secured a candidate with private lettings agency experience. The core clients are homeless prevention and housing options. The scheme is occasionally used for priority homeless, sometimes where there is intentionality. It is also used for groups who find it hard to access social housing including higher income groups with poor credit records.

**Figure 3.1 Telford Home Finder advert outside Council Offices, Wellington**



## 3.2 Analysis

Table 3.1 provides an overview of a number of key points of comparison between the five cases that are discussed in the following paragraphs (3.2.1-3.2.6). It considers some basic descriptors including date of establishment, scale of operations, lead agency client groups, core and subsidiary purposes, business model and sources of properties. The comparison ends with a consideration of the main barriers and enablers of each SLA to inform our wider research on prospects for SLAs in the region.

### 3.2.1 Date of establishment, Properties let and managed and Geography

The case studies provide a picture of how much has been achieved by the 5 agencies operating across the region, all of which have been in operation since 2014, with the earliest start up being in 2012, the remainder in 2014. All told these agencies have generated in excess of 1400 lettings across the region over the last few years, with a fully managed stock of around 800 at the end of 2016.

Interestingly the three LA initiated case studies had sourced most of their stock within the home LA area, although Case 1 had subsequently acquired stock from a charity in one neighbouring county. Meanwhile Case 3 had stock in five LA areas, mainly through two regional contracts, while the other third sector case (2) mainly operated in one LA but now had stock in two other LAs.

Within LA areas stock tended to be in the lowest rent locations, however Case 1 had been particularly successful in acquiring stock in 38 of 40 wards.

### 3.2.2 Lead Agency

Three of the five cases were initiated by local authorities, with Case 1 developing into a public:private partnership. The other two were developed by third sector agencies. This diversity enabled us to explore some of the advantages and disadvantages faced by the agencies related to their sector identity and to consider the main and subsidiary purposes for setting up an SLA

### 3.2.3 People – Client Groups

The main client groups for the local authority initiated schemes were housing options and homeless prevention clients. Whilst for the third sector schemes the main focus was on ‘non-priority’ homeless singles and couples. In Case 3 there was a special focus in under 35s and in refugees.

More detailed analysis of Case 1 clients has identified a strong representation of younger people, especially young mums and an unexpectedly high representation of people with disabilities. A high proportion of Case 1 clients are out of work. Some clients had transferred from council tenancies.

**TABLE 3.1 WEST MIDLANDS CASE STUDIES – POINTS OF COMPARISON**

<b>CASE STUDY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Lead Agency</b>	<b>Local Authority/Private Sector partnership</b>	<b>Third Sector</b>	<b>Third Sector</b>	<b>Local Authority</b>	<b>Local Authority</b>
<b>Year Established</b>	Jan 2014	2012	Oct 2014	July 2014	2014
<b>Numbers of Properties let</b>	<b>Total 630</b> 225 year 1, 237 year 2 168 year 3	<b>162 in 2015/16</b>	<b>375 in just over 2 years</b>	<b>200 let first 2 years</b>	<b>Numbers lower than anticipated.</b>
<b>Stock of properties in management</b>	<b>400 (Nov 2016)</b>	<b>93</b> guaranteed Smartlets (April 2016); <b>122</b> Smart Move PRS deposit scheme (April 2016)	<b>375 tenancies by Jan 2017</b>	<b>190 or so tenancies with PRS, small % in full management</b>	<b>Most lets are managed by private landlords. Very few directly managed</b>
<b>Client Group</b>	Housing Options	Single/ Couples homeless	Singles/ couples under 35s (60%) and refugees (40%).	Diversifying from Housing Options to Wider market to house 'absolutely anybody'	Housing Options
<b>Main Purpose</b>	Secure accommodation to prevent homelessness and provide housing options	Improve access for 'non-priority' client group including through shared housing options.	Provide quality accommodation for people in housing need, especially through shared housing options.	Generate income and support housing options across PRS Sometimes used to discharge homelessness duties	Secure accommodation to prevent homelessness. Occasionally used for priority homeless cases, sometimes in cases where there is intentionality.
<b>Other important purposes</b>	Improve PRS conditions To provide a range of property sizes across the authority including areas that may not be achievable with traditional housing options.	Develop as viable social enterprise 'help those who struggle to find PRS accommodation through commercial agents'. Have begun to use surpluses to purchase properties.	Return to the principles of the HA movement Aim to purchase and build new properties from surpluses and external investment.	Improve PRS conditions Provide a letting service for the Council's private rental build programme.	Improve PRS conditions Access additional housing supply Provide options for those who find in hard to access social housing including higher income groups with poor credit records.

<b>Business Model</b>	Start-up DCLG grant HALD rents majority LHA rents remainder Net rent to landlords after service Tenant finder and full management options Breaks even	Start-up Crisis grant Support from local charity Leases/Guaranteed rents and full management Exempt accommodation rents for shared housing Surpluses after 5 years	Small initial investment by founders Exempt accommodation rents for shared housing Contracts for procuring housing (refugees, care leavers). Leases/Guaranteed rents and full management Surpluses have enabled expansion	Council budget for core posts. Scale of charges to landlords for menu of services from tenant finder (most) to full management (increasing) Targets for surpluses from Year 2	Council 'spend to save' decision funded one core post with other duties Fees to landlords for management but free tenant finder service Aims to break even within two years through fees from landlords for Assisted lets and Management services.
<b>Main Sources of property (private landlords)</b>	Portfolio and individual landlords Some commercial lettings agencies Some socially motivated Some properties are leased on guaranteed rents but the majority are paid for only when occupied.	Core pool of landlords identified in feasibility study and retained 30% are HMOs  All Smart lets properties are leased on guaranteed rents. Smart move is a rental guarantee scheme with a lettings agent fee.	Some large portfolio landlords and property developers Some socially motivated  There is a mix of leases and rentals at the exempt accommodation rate	Commercial lettings agencies Buy to let investor landlords  Properties are rented rather than leased. In most cases THF gets a lettings fee rather than a management fee.	Word of mouth recommendations – some socially motivated others seeking financial return  Properties are rented, tenant finder service does not generate fees.
<b>Property Management and Lettings Services for other landlords</b>	Full management of properties acquired by parent company from a charity in rural county after HCA intervention	Full Management service for local charity	Full management service provided under contracts for Syrian refugees and care leavers	Lettings service for council market rent initiative	–
	Wide spread across single large urban local authority area.	Mainly in single urban authority but also in 2 nearby rural districts.	Across 5 local authorities in the West Midlands.	Mainly in lower rent/former social housing areas within single local authority. Aim for wider spread.	Mainly in two of the three larger urban centres within a rural district.

<b>Key Barriers</b>	Competition from other statutory agencies seeking same types of accommodation	Limited staff capacity and grant volatility makes scaling up difficult	Needed to recruit HA partner to qualify as exempt accommodation provider Considering RP registration	Social Image and links to enforcement can be a barrier for landlords. In retrospect a more commercial identity may have helped early expansion LHA gap with market rents	Gap between LHA/ market rents (£100 for 2 beds). Local Authority association can be barrier for landlords – especially with HB claimants Limited marketing spend constrains landlord sign ups No fees for basic tenant finder service – few full management fees.
<b>Key Enablers</b>	RP status and HALD  DCLG Grant Good relationships with Council and landlords  Financial strength of major company to manage risks	Exempt Accommodation Rate Crisis Grant Feasibility study very successful in building up core of long term landlord partners Charity status attracts resources	Exempt Accommodation Rate Voluntary spirit (enabled staff appointments as income stream developed) Reputation and wide network of contacts Charity status attracts resources	Council support for posts as part of a commercial offer  Accredited landlord scheme has SLA access as a benefit  Good links to other council services (HB, enforcement)	Council support for post as 'spend to save' and commitment to further staff. Property inspection expertise within the team. Good relations with core pool of landlords who worked with bond scheme and now willing to pay for SLA service Good links to other council services (HB, enforcement)

Source: Analysis of case study reports in Appendix A based on study visits and interviews by the research team

### 3.2.4 Purposes

An important reason for local authority involvement was in order to carry out statutory homelessness duties and in particular homelessness prevention and housing options work. Indeed in all three cases we see that homelessness prevention is a more important purpose than discharge of homelessness duties. This is likely to become more important with the current Homelessness Reduction Bill which will increase pressure to find alternative sources of supply.

Looking across the three local authority cases we can see some other important purposes that led them to initiate SLAs. All three saw SLAs as a way of improving PRS conditions in their area, sometimes in association with a landlord accreditation scheme. Then there was an additional supply for specific types of client who may not be helped by more traditional housing options. Examples included sourcing bungalows for older or disabled people unable to manage the stairs and providing options for higher income groups with poor credit records unable to secure mortgages but also ineligible for social housing. More commercial considerations were apparent in one local authority led scheme where the SLA was located within the commercial arm of the council along with an operation building market rent housing and was seeking to broaden its client base from the housing options origins.

**Table 3.2 Local Authority led SLAs – Advantages and Disadvantages**

<ul style="list-style-type: none"><li>● <b>Some Key advantages of local authority led models are:</b></li></ul>
<ul style="list-style-type: none"><li>○ The ability to source clients in housing need to maintain a high level of occupancy</li><li>○ Direct links to housing benefits</li><li>○ Trusted and socially responsible agency with a local remit</li></ul>
<ul style="list-style-type: none"><li>● <b>Disadvantages faced by local authority models include:</b></li></ul>
<ul style="list-style-type: none"><li>○ Difficulties in securing dedicated staffing to develop the scheme</li><li>○ Potential conflicts between roles (e.g. with licencing and Environmental Health interventions)</li><li>○ Landlords being put off by association with social housing and see SLAs as too orientated to the interests of tenants</li></ul>

The two third sector agencies had similar reasons for getting involved in SLAs, to find decent, affordable accommodation for their clients. However, their main differentiator was a focus on ‘non-priority homeless’ people, namely single people and couples who were unlikely to qualify for social housing and who would face difficulties in accessing PRS accommodation due to the need for deposits, references etc. Both of these agencies made significant use of shared houses

The experience of two successful third sector led models in different parts of the region introduced a number of new factors that were not apparent from the Let to Birmingham study. Third sector agencies can mobilise sources of funding that would not be available to local authority or private sector agencies including set up funding from charitable sources such as Crisis and help with accommodation and running costs from local charities.

**Table 3.3 Third Sector led SLAs – Advantages and Disadvantages**

<b>Advantages of Third Sector Models</b>	
	<ul style="list-style-type: none"> <li>• Able to harness sources of funding that would not be available to local authorities of commercial organisations</li> <li>• In close touch with low income households needing to access accommodation</li> <li>• Trusted and socially responsible agency with a clear social purpose</li> </ul>
<b>Disadvantages faced by third sector models include:</b>	
	<ul style="list-style-type: none"> <li>• Staffing and resources may fluctuate based on grant income and ability to replace grants when projects end</li> <li>• May face conflict between advice and advocacy role with clients and services to landlord especially in relation to rent arrears evictions</li> <li>• Landlords may see third sector SLAs as too orientated to the interests of tenants</li> </ul>

### 3.2.5 Business Models

Two of the cases benefited from significant externally funded start up grants; one a local authority using Homelessness Prevention Grant, the other a third sector organisation receiving a Crisis grant as part of the Sustain project. The latter had been particularly advantageous in funding a feasibility study that identified landlords who several years later were still the core participants in the scheme. The two other local authority schemes were started through internal budget allocations, one on a spend to save basis. Meanwhile the second third sector scheme started by £25,000 investment by the founders and voluntary time input.

Two core business models emerged from the case studies that have enabled some SLAs to square the circle of trying to procure good quality homes and cover management costs when static LHA rates are falling further and further behind landlord expectations.

- The first is the HALD scheme which allows RPs to access HB at above LHA rates and which has been used successfully by LtB to procure good quality properties and cover its management costs from the difference between LHA and HALD.
- The second is the exempt accommodation rate for shared housing where an element of support is claimed. This has enabled the two third sector schemes to cover full management costs of shared housing and use surpluses to cross subsidise their self-contained housing offer.

Both models are vulnerable to policy change and it is important to identify further ways in which SLAs can achieve viability in the absence of a more long term funding model. Some possibilities include differentiated charging for services, and cross subsidy.

Another relevant feature of business models is the scale of charges to landlords for use of the SLA services. Here we saw a variety of approaches with menus of services and charge out rates from tenant finding, which was sometimes free, to full management which could be similar to commercial lettings agents at 10-12% of rents. Using HALD, LtB was able to offer landlords net rents at around LHA level while covering their costs from the difference between LHA and HALD.

Similar possibilities were provided by the exempt accommodation rents secured by the two third sector agencies. Case 2 was able to use surpluses on its exempt accommodation shared stock to

cross-subsidise its self-contained portfolio (about 30% of the total) enabling it to be more affordable to households in work. Case 3 had set up a Rent Relief Fund and started to provide accommodation that is affordable to clients moving in to work. These examples are important because they show how the business models of these social enterprises can involve trade-offs between social and commercial purposes. Case 4 had a different strategy for cross subsidy, seeking to broaden its focus to include a wider range of PRS properties outside of the LHA market niche.

This research evidence suggests there are several ways in which SLAs can overcome the apparent straitjacket of LHA levels that are below bottom quartile market rents (as demonstrated in section 4) by devising additional income streams.

### 3.2.6 Property sources and management

The diversification strategy in Case 4 was facilitated by a further approach to spreading costs by providing letting services for a council project to build market rent accommodation. A similar strategy was adopted in three other cases; to increase income and spread overheads by providing letting or management services for other landlords (in case 1 this was full management of a portfolio acquired from a charity by the parent body following regulatory intervention by the HCA, in case 2 this was management of rental properties on behalf of a partner charity and in case 3 it was through tendering for contracts to manage PRS accommodation to house Syrian refugees and care leavers. (see row on Property Management and Lettings Services for other landlords in Table 3.1).

Turning to the core lettings and management services provided to landlords by SLAs, the case studies provide a picture of the different types of landlords who can be attracted into SLAs and different motivations for engagement. At least three of the agencies had succeeded in attracting larger portfolio landlords and even commercial lettings agents to place part of their portfolio with the SLA. Evidence from depth landlord interviews in case 1 indicated that these landlords were quite strategic in placing different properties in different market niches and were willing to draw on (and pay for) different kinds of support to do this. Where Case 1 came into its own was in managing the 'people' rather than 'property' aspects, and they were perceived to have particular expertise in vetting tenants, managing anti-social behaviour and ensuring housing benefits were paid.

This suggests that a good growth strategy for SLAs is to strengthen 'people management capacity' by employing or partnering with tenancy support and sustainment services and to market this as clear area of added value compared to a commercial lettings agent. Case 2 follows this approach by help with access, pre-tenancy training, housing benefit advice and tenant support workers. Case 3 also has a strong reputation for its tenancy support services that build landlord confidence as well as delivering its social mission.

In each case there appears to be a small number of socially motivated landlords for whom letting to low income groups referred by local authorities and charities has an intrinsic attraction. However, in most cases there is a balance to be struck between short and medium term financial returns and risks. Approaches such as leasing and guaranteed rents were used to varying degrees by cases 1, 2 and 3 to attract landlords willing to accept a lower return for reduced risks of rent non-payment and

voids. Individual landlords are also important providers of property and Case 4 found that its accredited landlord scheme and provision of tenancy relations advice to landlords as well as tenants was a key selling point with landlords with less professional grounding in the field.

### 3.2.7 Barriers and Enablers

To sum up the case study evidence it is possible to highlight several different factors that have been important in holding back and promoting the growth of SLAs in the region. Some of these appear to be quite closely related to the sector identities of lead agencies discussed earlier.

A major barrier for SLAs generally across the region is the unfavourable trend in LHA rates and lower quartile market rents (as discussed more fully on section 4). With LHAs static since 2011 and market rents growing rapidly there is a growing gap between the rents landlords expect and the amount that is covered by LHA. For SLAs this means that there is little margin that could be used to cover letting and management fees. Case 5 reported that there can be a gap of £100 a month for two bedroom properties leading to pressure for tenant top ups and a free basic tenant finder service. In Case 1 where there is a larger supply of PRS, but little of it now falling within the LHA rate, and where the SLA could pay higher rents through the HALD scheme, the barrier was seen more as competition from other statutory users of the lower part of the market, including London boroughs willing to pay one off fees as well as rents above LHA.

Both of the LA led cases found that some landlords were put off by the statutory sector image, both in relation to target group and in relation to regulatory roles. Case 4 would in retrospect have adopted a more commercial identity in order to build landlord confidence. Other barriers faced by several of the cases related to resource limitations; in particular staffing capacity was limited by grant income volatility in Case 2 and local authority budgets in case 5 where they had also constrained marketing expenditure.

We end positively by considering the enabling factors, Case 3 had harnessed a voluntary ethos to build up staffing gradually as income allowed. Both cases 2 and 3 had found that charitable status could be used to attract resources such as low cost office premises and grants. Cases 4 and 5 had found their local authority parents supportive; particularly where investment could be presented as 'spend to save' with positive returns anticipated within a few years. Meanwhile reputation, networks and trust were key enablers for cases 1 and 3 in building support from local authorities, landlords and property developers.

While there were few examples of non-profit housing association RPs leading SLAs, two of the case studies illustrate the advantages that RPs have in entering this field. Case 1 is a private company with RP status enabling it to operate under HALD. Case 3 had to form a partnership with an RP so that it could qualify for exempt accommodation rates.

Undoubtedly the key enablers found in the case studies were direct financial inputs to tackle the two main problems of start-up costs (DCLG grant in Case 1 and Crisis grant in Case 2) and ongoing viability (underpinned by HALD in Case 1 and exempt accommodation rate in Cases 2 and 3).

### 3.3 Conclusions

The full case study reports in Appendix A provide a rich picture of the different models of SLAs in the region and the value of the typology developed for this project in the analysis of the different models. Several key dimensions have been analysed in section 3.2 with potential policy and practice relevance for the region.

The case studies highlight the different qualities and resources that local authorities and third sector organisations can bring to procuring good quality affordable homes for people in housing need and provide some interesting contrasts to the LtB public:private partnership case study.

We have learned more about the reasons for LAs being the most common sponsors of SLAs but seen some of the downsides of too close an identification with LAs and responses in terms of separate branding, ability to justify staff recruitment and marketing expenditure, the case for a more commercial focus and image with landlords and tenants

We have seen the potential advantages of third sector led models both in terms of relevance to local needs and ability to harness resources such as grants that may not be available to LAs or the private sector. However, the perils of dependence on short term grants and limited organisational capacity can be a limitation.

We have seen the advantage of corporate sector backing in terms of ability to harness commercial and property market skills and knowledge and to manage risks, for example in offering rent guarantees to landlords but some downsides where services are not provided locally and are seen by landlords as remote, depersonalised and too system driven.

More specifically we have drawn from these case studies a number of potentially transferrable good practice ideas.

#### 3.3.1 Good Practice Ideas

##### **a) Building viability through spreading overheads.**

Cases 1-4 all found a way to work towards viability by adding on other clients for their lettings and management services to their core group of PRS landlords.

Interestingly in all cases except Case 3 this was done through partnership rather than competition for contracts:

Case 1 did this by acquiring housing stock for management through the parent company as a result of HCA regulatory intervention with a charity.

Case 2 did it by providing a full management service for properties owned by a local charity which was also a key partner of the SLA.

Case 3 did it by winning contracts for refugee housing and care leavers housing.

Case 4 did it by acting as letting agent for the council's private rent building programme.

## **b) Cross subsidy potential of higher rent properties**

The idea of cross-subsidy is often attractive where resources for viability of core services are precarious. In this context organisations search for higher value/surplus activities that can be used to subsidise core social purposes

The most conventional example of this is provided by Case 4 where diversification from LHA and housing options lettings into the wider market, partly by acting as letting agent for the council's market rent scheme. This was assumed to be a way of cross subsidising lower return LHA rentals.

Less conventional was the use in Cases 2 and 3 of shared housing, often occupied by more vulnerable and out of work households to cross-subsidise self-contained accommodation and to enable people in work to be housed.

## **c) Rent relief fund**

The outstanding example of potentially transferrable innovation found in the case studies was the Rent Relief Fund operated by Case 3.

This fund, built up by bettering business plan assumptions on voids and bad debts, aims to ease problems for tenants moving into work and to enable of mix of tenants in work and out of work in its shared houses.

Case 3 note the growing importance of 'the gig economy' with low paid and insecure employment leading to people moving in and out of work on a regular basis, with constant adjustments to housing benefit and resulting vulnerability to homelessness. Schemes such as the Rent Relief fund have developed alongside supportive tenancy management and the development of new housing options for people in low paid work.

Over £140,000 has been allocated since November 2014 and this has been used to reduce rents for 45 existing tenants who have found work and 76 new employed tenants. There are currently 80 people in work amongst 429 tenancies.

Rent relief can be given on up to 50% of the rent for an initial 2-4 month period with an option to renew. This enables tenants to save up for a deposit and furnishings for their next home.

Further details of this policy and its impact are set out in Appendix A.3 Figure 3.1 on page 60-61.

## 4.0 Wider Regional Context

### 4.1 Introduction

For SLAs to be successful they need to find a way to access accommodation that can be afforded by low income clients and a mechanism to cover the costs of providing an agency service to landlords and tenants.

Two of the most important determinants of the scope to achieve these goals are Local Housing Allowance levels and market rent levels within the bottom quartile of the market<sup>3</sup>. Other factors may include the ability to fund rents at above LHA level, for example through the HALD and exempt accommodation regulations for households needing support, and the availability of subsidies such as the use of Homelessness Prevention Grant for start-ups and charitable funding to cover start-ups and an element of overhead costs.

To provide a regional overview of the scope for SLAs a bespoke analysis of Local Housing Allowances and bottom quartile market rents was provided for the project by Dr Ben Pattison of Sheffield Hallam University.

### 4.2 Method

Two different comparisons of rental costs in the West Midlands are presented here:

- Local Housing Allowance (LHA) claims<sup>4</sup> and private rents at local authority level<sup>5</sup>
- Local Housing Allowance rates<sup>6</sup> and the proportion of claimants estimated to have a shortfall<sup>7</sup>

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<sup>3</sup> While LHA levels are theoretically set to include the bottom three deciles of rents in an area, they do not map against actual market rent levels and have not been updated since 2011. In Birmingham an analysis by the local authority found that only 8% of local market rents would be accessible to clients depending on LHA alone to cover their rent. It was decided to use the bottom quartile rent data for the special analysis undertaken here. This bespoke analysis has been provided for this project by Dr Ben Pattison of Sheffield Hallam University.

<sup>4</sup> Local Housing Allowance claims: This is the median claim amount for all residents within a local authority area in August 2016. Authors calculations based on data from DWP STAT-Xplore

<sup>5</sup> Private rents: Lower quartile rents for each local authority area, October 2015 to September 2016 from VOA Private Rental Market Statistics

<sup>6</sup> Local Housing Allowance rates: LHA rates for Broad Rental Market Areas from 1<sup>st</sup> April 2016. Estimated LHA rate for local authorities calculated by author based on size of private rented sector from 2011 census.

<sup>7</sup> Shortfall: Authors calculations of difference between estimated LHA rate at local authority level and LHA claim for all residents within a local authority area in August 2016. Authors calculations based on data from DWP STAT-Xplore

LHA rates are based on the 30<sup>th</sup> percentile of private rents across an area known as a 'Broad Rental Market Area' (BRMA). This analysis has used data on the size of the private rented sector to estimate the LHA rate at local authority level.

### 4.3 LHA claims and Lower Quartile private rents

Appendix B (Tables B.1 to B.4) show for each size of accommodation the difference between actual LHA claims and private rents at a local authority level. This measure provides an indication of local authority areas where there is likely to be pressure on the availability and affordability of particular types of accommodation. It also highlights the authorities where there is likely to be the greatest difficulty in establishing SLA models that require a margin within LHA allowances to cover the management costs of the SLA.

Table 4.1 highlights five local authority areas where there is a small gap between median LHA claims and Lower Quartile private rents. The gap between lower quartile rents and median LHA claims for shared accommodation is smaller in Stoke than in any other authority, yet still almost half of LHA claims were higher than the Lower Quartile private rents. Whilst this is partly a function of the number of LHA claims within the area it also provides an indication of pressures on this type of stock. It suggests that LHA claimants are still likely to be struggling to access accommodation that would be affordable to them in this area.

*Table 4.1: Shared accommodation - Difference between median LHA claims and Lower Quartile private rents: Five local authorities with smallest gap, West Midlands*

<b>Local Authority</b>	<b>Shared - Median LHA claim</b>	<b>Shared - Lower Quartile Private rents</b>	<b>Shared - Gap between LHA claims &amp; Lower Quartile rents</b>
<b>Stoke-on-Trent UA</b>	240.99	244.33	-3.35
<b>Wyre Forest</b>	255.73	280.00	-24.27
<b>Dudley</b>	261.07	292.50	-31.43
<b>Newcastle-under-Lyme</b>	245.92	282.00	-36.08
<b>Nuneaton and Bedworth</b>	260.79	298.77	-37.98

Table 4.2 highlights the ten local authority areas in the West Midlands where there is the smallest gap between median LHA claims and lower quartile private rents for each bedroom entitlement. Stoke-on-Trent, Wolverhampton and Dudley appeared within the top ten for each bedroom type suggesting there were particular pressures in those areas.

*Table 4.2: Difference between median LHA claims and Lower Quartile private rents: Ten local authorities with smallest gap, Bedroom entitlement, West Midlands*

	<b>Shared</b>	<b>1 Bed</b>	<b>2 Bed</b>	<b>3 Bed</b>
<b>1</b>	Stoke-on-Trent UA	Staffordshire Moorlands	Walsall	Shropshire UA
<b>2</b>	Wyre Forest	Stoke-on-Trent UA	Dudley	Walsall
<b>3</b>	Dudley	Dudley	Sandwell	Newcastle-under-Lyme
<b>4</b>	Newcastle-under-Lyme	Sandwell	Wolverhampton	Stoke-on-Trent UA
<b>5</b>	Nuneaton and Bedworth	Walsall	Stoke-on-Trent UA	Wolverhampton
<b>6</b>	Bromsgrove	Cannock Chase	Nuneaton and Bedworth	Nuneaton and Bedworth
<b>7</b>	Herefordshire, County	Shropshire UA	Telford & Wrekin UA	Staffordshire Moorlands
<b>8</b>	Wolverhampton	Newcastle-under-Lyme	Cannock Chase	Dudley
<b>9</b>	Telford and Wrekin UA	Wolverhampton	Wyre Forest	Coventry
<b>10</b>	South Staffordshire	Wyre Forest	North Warwickshire	Wyre Forest

#### 4.4 LHA rates and shortfalls

This section considers the proportion of claimants estimated to have a shortfall between their LHA claim and the estimated LHA rate at local authority level. Table 3 focuses in shared accommodation and Table 4 shows the top ten authorities by size of shortfall for each size of accommodation.

Table 4.3 indicates that more than half of claimants in shared accommodation had a shortfall in eight local authority areas across the West Midlands.

*Table 4.3: Proportion of claimants estimated to have a shortfall between claims and LHA rates: shared accommodation, Top eight local authorities*

<b>Local Authority</b>	<b>Estimated proportion of claimants with shortfall</b>
Stoke-on-Trent UA	60%
Birmingham	60%
Sandwell	57%
Walsall	56%
Dudley	53%
Staffordshire Moorlands	53%
East Staffordshire	52%
Wolverhampton	52%

Table 4.4 demonstrates that several local authorities had high levels of claimants with a shortfall across all sizes of accommodation. Shropshire, Dudley and Wolverhampton were in the top ten authorities with the highest levels of shortfalls across all four sizes of accommodation.

Table 4.4: Proportion of claimants estimated to have a shortfall between claims and LHA rates: Ten local authorities with the highest shortfalls proportionately.

	Shared	1 Bed	2 Bed	3 Bed
1	Stoke-on-Trent UA	Stoke-on-Trent UA	Dudley	Shropshire UA
2	Birmingham	Newcastle-under-Lyme	Wolverhampton	Wolverhampton
3	Sandwell	East Staffordshire	East Staffordshire	Walsall
4	Walsall	Wolverhampton	Telford & Wrekin UA	Newcastle-under-Lyme
5	Dudley	Dudley	Shropshire UA	South Staffordshire
6	Staffordshire Moorlands	Warwick	Sandwell	Nuneaton and Bedworth
7	East Staffordshire	Staffordshire Moorlands	Wychavon	Coventry
8	Wolverhampton	Stratford-on-Avon	Stafford	Stafford
9	Newcastle-under-Lyme	Stafford	Walsall	Dudley
10	Shropshire UA	Shropshire UA	Malvern Hills	Sandwell

A synthesis of information on the proportion of clients with shortfalls for all sizes of accommodation for all local authorities in the region is presented in Table 4.5.

Table 4.5: Proportion of claimants estimated to have a shortfall between claims and LHA rates, by size of accommodation, West Midlands

Local Authority	Shared		1 Bed		2 Bed		3 Bed	
	Estimated LHA rate	Proportion with shortfall						
Birmingham	249.16	60%	429.61	5%	522.69	11%	573.57	29%
Bromsgrove	279.65	36%	449.00	2%	567.08	4%	648.46	1%
Cannock Chase	289.83	27%	394.98	27%	495.01	21%	562.58	0%
Coventry	285.26	32%	399.98	25%	484.41	27%	557.02	42%
Dudley	260.71	53%	374.99	43%	455.77	45%	522.69	39%
East Staffordshire	255.65	52%	363.90	46%	434.71	41%	515.20	15%
Herefordshire, County of UA	267.22	44%	391.74	27%	507.69	15%	593.02	21%
Lichfield	277.80	32%	405.22	19%	503.20	17%	565.83	0%
Malvern Hills	288.83	28%	425.88	6%	551.25	30%	652.72	0%
Newcastle-under-Lyme	255.11	46%	361.89	46%	426.87	5%	509.91	45%
North Warwickshire	289.83	26%	458.33	2%	578.39	0%	661.76	0%
Nuneaton and Bedworth	285.26	33%	399.98	24%	484.41	27%	557.02	43%
Redditch	284.77	32%	414.01	14%	532.43	4%	618.74	13%
Rugby	278.61	38%	400.00	23%	493.91	16%	568.01	26%
Sandwell	257.01	57%	392.47	30%	477.19	33%	538.97	34%
Shropshire UA	266.48	45%	377.63	37%	463.07	34%	538.40	59%
Solihull	292.37	24%	495.60	18%	630.24	6%	727.12	30%
South Staffordshire	282.54	39%	382.90	34%	474.52	28%	548.46	43%
Stafford	277.20	36%	377.82	38%	462.09	32%	540.44	40%
Staffordshire Moorlands	253.96	53%	366.96	39%	429.76	2%	508.13	21%
Stoke-on-Trent UA	226.04	60%	350.01	60%	394.98	25%	475.02	10%
Stratford-on-Avon	290.94	25%	459.23	38%	585.86	21%	689.83	19%
Tamworth	289.83	28%	394.98	27%	495.01	20%	562.58	1%
Telford and Wrekin UA	299.00	23%	379.82	36%	475.02	36%	562.58	0%
Walsall	257.01	56%	392.47	29%	477.19	31%	538.97	47%
Warwick	295.11	25%	467.77	42%	586.15	21%	685.39	14%
Wolverhampton	260.71	52%	374.99	45%	455.77	43%	522.69	49%
Worcester	305.56	18%	430.44	3%	557.02	29%	664.91	20%
Wychavon	286.60	31%	433.64	6%	557.11	33%	656.73	19%
Wyre Forest	267.01	44%	399.98	22%	511.43	15%	579.31	22%

## 4.5 Conclusion

This brief analysis highlights the relationship between private rents in the lower cost end of the market and Local Housing Allowance rates. It highlights three key points which will affect the functioning of SLAs in different areas. This suggests that:

- The relationship between private rental costs and Local Housing Allowance rates varies substantially across the region. SLAs will need to carefully consider this relationship in the areas in which they operate to ensure that they are financially viable and meeting the needs of potential tenants.
- There are some areas where private rents are closer to LHA rates. In these areas the private rented sector may be more affordable for LHA claimants, and it may be easier to cover some of the management costs of an SLA from LHA funded rents alone.
- However, these same areas tend to have the highest proportion of tenants with a shortfall between their LHA claim and private rents.

In summary, this suggests that there is a tension in lower cost private rental markets between accessibility and affordability. Low cost areas have a smaller affordability gap for LHA claimants but a larger number of private tenants seeking to access the tenure. It is likely that SLA models in different areas will have to consider different issues depending on the characteristics of their housing market areas.

## 5.0 Conclusions and Recommendations

Our recommendations take account of the conclusions of our research summarised here (5.0) and the changing policy environment (5.1). From this we identify a way forward for the SLAs in the region (5.2), which we have consulted on with our advisory group and the West Midlands Housing Officers Group and at a Regional Research Presentation (5.3). From this process we make recommendations for incremental and step changes in the region and identify some national policy changes that would be required to enable progress to be made on SLAs (5.4).

This report has used a variety of methods to paint a picture of the experience of and scope for further SLAs in the West Midlands. The introduction highlighted the increasing policy focus on the potential role of SLAs in England including in the recent Housing White Paper. This may bring England into a similar position to other countries where the shortage of social housing has forced agencies concerned with meeting housing need to consider how private lettings can best be harnessed to provide something approaching a 'new social housing' in terms of quality, cost and security (Mullins 2016).

Peer learning events have shown an increasing level of interest in SLAs in the region but confirmed the relatively low level of activity to date. The barriers to establishing an SLA are substantial and the need for both set up funding and a viable business model to cover ongoing running costs were highlighted by an earlier study for the Warwickshire authorities (Leng, 2013).

Differences in demand and availability of social housing are also considerable across the region. The difficulties in covering the cost of SLAs through LHA based rental income alone emerged as a significant limitation for further SLAs to develop at a time of static SLAs and rising rents. Participants were struck by the importance of HALD rates to the viability of Let to Birmingham, as well as the very substantial grant funding from DCLG that underpinned its set up in 2014.

The case studies of the relatively small number of SLAs that have emerged in the region during the same period as our main Let to Birmingham case have shown substantial differences in the lead sector, business model, client groups, sources of funding, procedures and policies. Analysis of these models has identified a number of barriers and enablers that are relevant to future SLA activity in the region.

The experience of two successful third sector led models in different parts of the region introduced a number of new factors that were not apparent from the Let to Birmingham study. The most important of these is the exempt accommodation rate for shared housing where clients have support needs and landlords can demonstrate to housing benefit departments that these needs are being addressed. Like the HALD scheme, the exempt accommodation rate can allow agencies to cover the costs of management services through a significant premium over LHA rates.

However, both of these models have the downside of making accommodation unaffordable for tenants moving into work. One of the third sector projects, Spring Housing, had developed a response to this problem, a 'rent relief fund' to enable tenants in work to pay lower rents with reductions of up to 50% for two to four months. It had financed this fund by good performance on voids and bad debts thereby creating savings on business plan assumptions. We believe this kind of

cross subsidy mechanism could be more widely applied in other SLAs and have included this in our recommendations to Let to Birmingham in our accompanying report, as well as in this report.

Third sector agencies can also mobilise sources of funding that would not be available to local authority or private sector agencies including set up funding from charitable sources such as Crisis and help with accommodation and running costs from local charities.

The two other local authority led models in the region had both started from within the housing options teams with a primary aim of sourcing accommodation for homeless prevention purposes. However, one of them had subsequently sought to diversify into the wider rental market as a means to generate commercial income for the council. It has been assisted in this aim by becoming the lettings agent for the council's NuPlace market rent initiative; with 500 new lettings planned over several phases over the next few years.

Bespoke analysis of LHA and lower quartile rents across the Midlands in Chapter 4 highlights substantial variations in the need for and potential sustainability of SLAs. In summary, this analysis suggests that there is a tension in lower cost private rental markets between accessibility and affordability. Low cost areas have a smaller affordability gap for LHA claimants but a larger number of private tenants seeking to access the tenure.

Another factor that cannot be answered from this statistical data is whether landlords are more likely to forgo part of their rental income in low cost or high cost areas in order to pay for professional management services that may reduce the risks of non-payment. This is an important factor to consider if management fees need to be funded from rental income. From our interviews with landlords in our Let to Birmingham case study, we believe that 'people' services focused on pre-tenancy training, tenant vetting and support and accessing housing benefit are the services that landlords feel least confident about when letting in the LHA market.

SLAs have a clear competitive advantage over most commercial lettings agents with regard to these services and we therefore believe that they should build capacity further in these areas and market it. One issue here is that with the dramatic reductions in Supporting People budgets it will be much harder for SLAs to build this service by externally funded support. There is therefore a strong case for developing support packages that landlords are prepared to pay for and either building internal capacity or buying into partnerships with bodies such as Crisis Skylight who provide pre-tenancy courses and other support for tenancy sustainment.

It is likely that SLA models in different areas will have to consider different issues depending on the characteristics of their housing market areas and the motivations and risk appetite of landlords.

## 5.1 Future Policy Scenarios

One of the key findings of the project is the sensitivity of SLAs to changes in the policy environment. In the literature review and typology we showed how the case for SLAs had developed largely as a result of changes in policy towards social housing and the rapid growth of the private rented sector over a 20 year period, but particularly since 2010 when the need of a 'next-best' alternative to social housing had become very apparent.

*"There is no political will to revive the social housing sector. Local lettings agencies offer a 'next- best' alternative."* (Rugg, 2011, p.5)

Looking forward, we need to anticipate the features of the current and near future policy environment that changes the balance of opportunities and threats associated with SLAs. Following an expert pooling of ideas with our project advisory group we identified the following key drivers of change.

### Potential Opportunities: Direct

- **2017 Housing White Paper to 'fix our broken housing market'**
  - *'consider whether SLAs can be an effective tool for securing more housing for people who would otherwise struggle – providing security for landlords and support for tenants to help strengthen and sustain tenancies'* (DCLG 2017, p.66)
  - *'I want people to have the security they need to plan for the future'* (PM Foreword p.5)
- **2016 Centre for Social Justice report 'Home Improvements'**
  - *'We are calling for a capital fund of at least £40million to...greatly expand the role of social lettings agencies across the country'* (Baroness Stroud in Winterburn, 2015 p.3).
  - *'to minimise risk to landlords so they are willing to let to benefit claimants'* (ibid p.61)
  - *'and to provide a measure of support for tenancy sustainability 'typically SLAs will have support workers who regularly check in on the vulnerable'* (ibid p.62).

### Potential Opportunities: Indirect

- **2016 Homelessness Reduction Bill**
  - Will increase pressure for local authorities to source decent PRS accommodation in order to prevent homelessness within 56 days and reduce rates of repeat homelessness
- **Forthcoming Green Paper 2017 on transfer of exempt accommodation and supported housing funding to local authorities 2019**
  - Could create incentive for LAs to regulate exempt accommodation providers and secure better outcomes for clients from LHA expenditure
  - Scope to shape this part of PRS and housing support sectors is based on proposed changes to the funding model about to be set out in the Government's Green Paper on how supported housing will be funded post 2019.

- **Student Accommodation Market volatility (campus closures and more purpose built accommodation, more students living with parents)**
  - Scope for supply switches to LHA market niche and need for expertise of SLAs in working with this client group
- **More reductions in social and affordable rented housing**
  - Flow of low wage and unemployed households into bottom end of PRS continues
- **Growing perceived risks but continued expansion of LHA niche**
  - More landlords willing to pay for expertise in people management and tenancy sustainment
- **2017 Combined Authority devolution arrangements**
  - Potential for collaboration/franchising SLAs models for authorities attracted by SLAs but not wanting to take the risk of setting up new agencies
  - Scope to manage market better - Many local authorities sourcing accommodation often do so already outside of their administrative boundaries a regional approach could, help provide consistency in the procurement in property standards and commissioning of support services.
  - Potential for new regional initiative – Real Lettings Fund to purchase PRS properties collectively and lease to LAs for TA and or discharge/prevention

## Threats

- **Continued failure to uprate LHA**
  - Growing gap between LHA and lower quartile rents, undermining SLA viability
- **Potential for HALD and exempt accommodation rents to reduced**
  - An early indication is that HALD rates may fall across the country to the 90% LHA plus £40 a week currently operating in London.
- **Benefit caps**
  - Impact of overall welfare cap on rent payments for larger households
  - Reduce willingness of landlords to let to LHA market niche
- **Universal credit and direct payments to landlords**
  - Less direct possibilities for SLA links with DWP than with HB departments
  - Reduce willingness of landlords to let to LHA market niche
- **Landlords affected by phasing out of MIRAS, stamp duty increases, growth in regulatory burden and additional duties such as Right to Rent (immigration control)**
  - Could reduce investment in PRS
- **Supporting People further cuts**
  - undermining ability of SLAs to deliver perceived ‘people management’ unique selling point (USP) unless they provide support & tenancy sustainment as core service or can otherwise access this through external contracts.

## 5.2 The Way Forward

One clear conclusion from this analysis is that the opportunities and threats for establishing SLAs in the region now are very different from those at the time when Let to Birmingham and the other four case study SLAs were being established over three years ago. In many ways the need for SLAs is now much greater but the challenges of setting them up are now greater still.

Taking these opportunities and threats together it could be argued that now is an excellent time to use these reports to promote future initiatives to source affordable, secure and good quality PRS properties in the region. This could enable authorities to respond better to the Homelessness Reduction Bill and contribute to the more balanced measures to 'fix our broken housing market' set out in the White Paper. This research could be used to highlight the need for a capital fund for SLA set up costs similar to that advocated by the Centre for Social Justice last year. It could also point to the challenges posed by a static LHA rate in the face of soaring private rents in financing the management and running costs of SLAs from management fees taken out of landlord's rental income.

Our research has uncovered two existing mechanisms (HALD and exempt accommodation rate) which currently allow this conundrum to be addressed in parts of the market by SLAs that have the Registered Provider status to qualify to receive subsidy on rents above LHA level. However, these solutions are partial and fragile, with adjustments to HALD currently under discussion and the future of exempt accommodation one of the main issues to be addressed by the 2017 Green Paper on transfer of exempt accommodation and supported housing funding to local authorities 2019. The latter could provide a real opportunity to link locally allocated subsidy much more closely to standards of accommodation and support enjoyed by tenants and a follow up project on this area is recommended as a key priority for Birmingham and the wider region.

More micro-level findings from the study provide some other parts of the way forward. From the landlord motivation evidence it is not just the finding that there are services that SLAs can provide that are valued by landlords but also that for landlords who have a limited choice on what market niche they operate in (e.g. those forced to switch from student housing with campus closures or those who bought many years ago in areas that have undergone decline and reputational damage). This means that unless they invest in management services of the sort SLAs claim to provide their profitability is likely to be harmed by bad debts, voids and damage to property (as experienced by several Birmingham landlords before they switched to Let to Birmingham). There is therefore a strong case for landlords to finance tenancy support services from gross rental income and thereby maximise their net rents. For them to do this will require a solid and credible offer and proven delivery; this is reinforced by another key enabler identified in the research namely the building of trust, personal networks and reputation by SLAs.

From our analysis of case study business models we have identified further mechanisms that have underpinned growth and which still appear relevant for the future. The first of these is the development of internal cross-subsidy models within the SLAs. As reported in 3.2.6 most of the case studies had developed activities beyond their core letting and management service to PRS landlords to increase income and spread overheads. One strategy was to provide letting or management

services for other parties. In case 1 this was full management of a portfolio acquired from a charity by the parent body following regulatory intervention by the HCA. In case 2 this was management of rental properties on behalf of a partner charity. In case 3 it was through tendering for contracts to manage PRS accommodation to house Syrian refugees and care leavers. In Case 4 it was spreading costs by providing letting services for a council project to build market rent accommodation housed in the same commercial division. Furthermore both third sector cases were using surpluses on exempt rate accommodation to enable provision of self-contained accommodation and housing affordable to people in work. This could also allow longer stay move-on accommodation to be brought into the portfolio thereby avoiding the 'revolving door' syndrome.

Finally, it is worth reflected back to the peer learning events finding that while there is a growing appetite for schemes to access PRS accommodation, there is an acute awareness of the risks and limited capacity for individual authorities or TSOs to establish new SLAs. Some of our recommendations therefore highlight the value of continued networking and peer learning to connect isolated activity and transfer knowledge (such as the rent relied scheme) to overcome common problems. We also make some tentative recommendations for possible initiatives at regional level, to enable existing SLA initiatives to spread, for example through local franchising supported by a shared back office ('Let to Sandwell'?) or through a pan-authority model similar to that being explored for London.

One approach which might best be adopted at scale is the 'Real Lettings Fund' developed by social investors with St Mungos, Croydon Council and others to purchase property for letting to homeless households or other groups; see discussion of (Tanner, 2017) in our parallel Literature Review and Typology report. By investing in this way alongside social investors, authorities could get leverage and a return on the enormous sums spent each year on TA costs while procuring better quality accommodation to meet client needs. One use of such a fund could be to purchase and refurbish some of properties housing associations are currently selling at auction into the PRS and thereby restore the social stewardship of these assets. This would parallel the existing trend of SLAs taking on former Right to Buy properties and thereby make a further small step to 're-socialising' the private rented sector and partially counteracting privatisation of social housing. In discussion at WMHOG it emerged that there may be further scope to move hard to let council stock into an SLA. While critics might regard this as further privatisation, the transfer of assets into social stewardship to address unmet needs and to prevent homelessness could provide a rationale for this.

The final stage of the project was a regional research presentation at which findings and recommendations were presented and discussed 5.3 discusses the event while 5.4 summarises our regional level recommendations.

### 5.3 Regional Research Presentation

The final and largest stakeholder event held as part of the WMSLA project programme was a Regional Research Presentation which took place on the 10<sup>th</sup> of March 2017 at the Library of Birmingham.

This aim of this event was to share our WMSLA research findings with regional stakeholders and for our research case study participants to both respond to these findings and to share their knowledge and experience of the strategic and operational issues around SLAs with a wider audience.<sup>8</sup>

Places were reserved for those who had attended the 3 regional peer learning events (outlined in Section 2) as well as offered to a wider network of regional housing officers, councillors, charities, homelessness agencies, support and advice agencies, consultants and academics. There were over 50 delegates at the event representing a variety of bodies and organisations, as listed in Table 5.1



**Figure 5.1 Audience at Regional Research Event, Library of Birmingham, March 10<sup>th</sup> 2017**

The event began with our introduction to Social Lettings Agencies and overview of WMSLA Research in the current policy context, followed by a presentation of the Let to Birmingham Case Study. Thereafter, the audience heard positive initial responses from speakers from Let to Birmingham, Birmingham City Council Homelessness Hub and Birmingham City Council Commissioning Centre. Fuller responses are expected in the medium term.

Responses to our recommendations from Birmingham City Council Commissioning Centre included:

- Continued appetite to engage with contractors who can provide access to the private rented sector
- PRS accommodation recognised as a vital part of housing supply and essential to helping to meet need
- New financial models are needed – policy environment has changed and models need to adapt
- Supported Housing Strategy to be developed to determine approach to exempt accommodation payments

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<sup>8</sup> Thank you to Donna Nock at Birmingham City Council for her help again with note-taking at this event

**Table 5.1 Regional Research Presentation - Organisations attending included:**

- University of Birmingham
- Birmingham City Council
- LTB – Mears Group
- LTB – Let to Birmingham
- Crisis
- Sandwell Metropolitan Borough Council
- Solihull Community Housing
- City of Wolverhampton Council
- Dudley Metropolitan Borough Council
- Nuneaton & Bedworth Council
- Lichfield District Council
- Bromsgrove & Redditch Council
- BVSC
- Birmingham & Solihull Women’s Aid
- Wyre Forest District Council
- Money line BVSC
- Spring Housing
- Aspire supported Living CIC
- Homeless Link
- Grace & Favour
- West Midlands Police
- Trident Housing Association
- Telford Council
- Venn Group
- Stuart Palmer Associates Ltd
- Wolverhampton Homes
- CHHARRISONS
- St Basils
- Birmingham City Council – PSS Core Services
- Worcester CAB
- Sifa Fireside
- Black Country HA
- Coventry City Council



**Figure 5.2: Let to Birmingham responding to recommendations**

**Figure 5.3: Birmingham City Council reflecting on the SLA partnership**

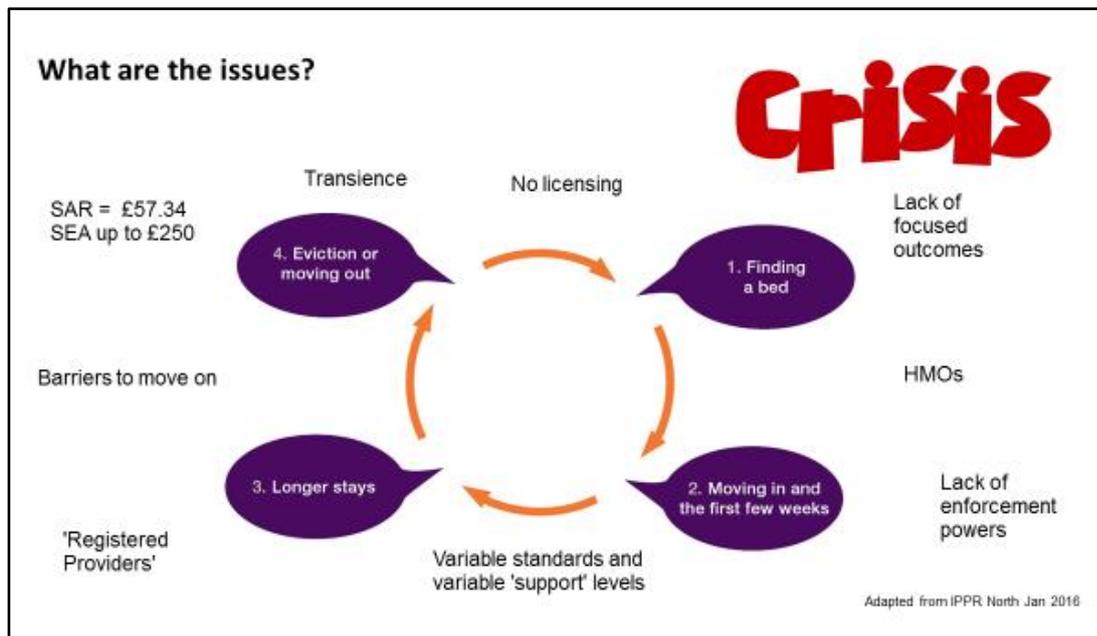


Moving on from Birmingham City Council and LtB we then explored approaches to SLAs and access schemes across the region, reflecting on the key themes that had emerged from the three stakeholder peer learning events and the regional research case studies.

Crisis Birmingham and the Spring Housing Association Exempt Accommodation project both presented some of the issues around social lettings and single homeless access in Birmingham and the Region.

For Crisis their focus was on the section of the homeless/vulnerably housed population that were seen to be under the radar as such, and therefore it was critical for Crisis to identify providers, and also share good practice and intelligence around third sector bodies, referring agencies, local authorities and tenants, and to prepare for the anticipated changes to supported housing funding from 2019.

Figure 5.4: Crisis captures key issues and barriers around Supported Exempt Accommodation



Spring Housing outlined the West Midlands landscape and Birmingham context in which they operate, and also described their offer to tenants which includes a 'rent relief' scheme to enable people in low paid and irregular employment to live in their properties which are high quality, fully furnished with tenancy sustainment support. Incentives to landlords include a guaranteed monthly income, management of voids and income collection, maintenance and servicing.

The final part of the event programme was a panel discussion with all the speakers responding to questions from the audience.



Figure 5.5: Panel Discussion around enabling SLAs

The panel were also asked to individually identify one thing they would like to see happen to enable SLAs and PRS access schemes to succeed in the West Midlands, and their responses included:

- The opportunity to explore to involve LtB in Homelessness Trailblazer funded work on preventing homelessness within Birmingham.
- For organisations within Birmingham to harness knowledge to improve the exempt accommodation sector by Crisis and work together with Local Authorities and others in the city and region.
- To see a review of the level of Local Housing Allowance which has resulted in difficulties accessing properties.
- To see investment by local authorities and social investors in a fund to buy a stock of housing in the region to let to those in housing need. This could be a way to redirect funding, create a financial return and a means to raise standards.
- To work with Local Authorities to provide more opportunities within the housing market.

A number of questions were raised by the audience including how existing SLAS dealt with concerns around social inclusion, and what the options would be for potential clients with a debt history who may be excluded by lettings and nominations criteria. LtB described their tenancy criteria, which did not exclude people with a history of rent arrears, and also tried to uncover the reason behind debt issues, any evidence to support that reason and what support could thereafter be provided.

A discussion was provoked around whether SLAs could constitute a viable option to meeting general housing in the context of welfare caps and universal credit. Birmingham City Council conceded that benefit caps, which made the market unaffordable, were a challenging issue and that the flexibility of organisations in adapting the welfare cap for larger households in particular was very limited. LtB were working with a consultant to plan for the impact of these benefit caps which would adversely affect many of their tenants.

Spring Housing suggested that new build would also be affected by the benefit cap as fewer properties will be built that can house larger families on low incomes. They discussed their affordability assessment, rent relief fund and furnishing properties to address some of these issues.

Another issue raised was about the impact of the Homelessness Reduction Bill. LtB confirmed they were working with providers and with individuals to prevent homelessness as part of their strategy. Crisis suggested that people have complex lives and therefore working with them to gain an understanding of realistic tenancy expectations before placing a them in properties would help prevent a cycle of homelessness.

There was a discussion about the phrase 'culture of waiting'. The research team clarified that the term had been used by City Council interviewees to capture the barriers they were finding in marketing LtB to housing applicants who often preferred to wait for a council offer of a secure lower rent property with the Right to Buy than to consider a good quality higher rent speedy offer from LtB. The team will consider carefully how this issue is presented in the report where they discuss how LtB compares to social housing from the tenant's perspective

After this engaging panel discussion Vicki Popplewell, on behalf of West Midlands Housing Officer Group (WMHOG), thanked members for coming and hoped they found the meeting useful. She said that WMHOG will be using the report over the next few months at regional and national level. A link to the reports and project webpage will be circulated to all participants. Vicki encouraged everyone to share information with each other.

## 5.4 Recommendations

Our recommendations follow and are divided between incremental changes designed to build on the success of existing SLAs in the region, policy influencing recommendations designed to use the research in the report to influence central government and others, and tentative recommendations for future initiatives at regional level to be taken forward as part of the Combined Authority agenda.

### A. INCREMENTAL RECOMMENDATIONS

1. Support existing SLAs where they are succeeding in procuring decent homes that tenants can afford with a degree of confidence about the future.
2. Explore the potential to expand existing schemes to cover more parts of the region, for example by contracts with an existing agency or franchising to give local service while saving on central overheads.
3. Continue to promote learning exchange across the region through WMHOG and emerging bodies such as the Combined Authority and Engage WM Housing.
4. Support the spread of policies such as Spring Housing's Rent Relief Fund (see Appendix A.3 cases study) to enable more people in work to live in SLA accommodation where rents are above LHA levels

### B. USING THE REPORT TO INFLUENCE CENTRAL GOVERNMENT

5. Make the case to Government for a more viable financial regime that can build on the HALD and exempt accommodation models to support interventions that bring PRS closer to a 'new social housing'. Build on CSJ 2016 recommendations for a **£40 million SLA capital fund** as a way to strengthen the 2017 Housing White Paper's proposal to '*consider whether SLAs could be an effective tool*'.  
*consider whether SLAs could be an effective tool*'.
6. Make the case to Government based on the evidence of LHA/lower quartile rents gap in most parts of the region that we will never create a real alternative to social housing without a more supportive financial regime.
7. Address Key Policy Threats (Universal Credit, welfare benefit caps, Supporting People reductions) and Opportunities (White Paper, CSJ Report, Homelessness Reduction Bill, 2017 Green Paper on transfer of exempt accommodation funding in 2019) with positive alternatives to provide good quality secure homes in the region for people on low incomes.

### C. POSSIBLE NEW REGIONAL INITIATIVES

8. Support the proposed Crisis Birmingham project on future policy and practice around the exempt accommodation sector in Birmingham and the West Midlands in preparation for the 2019 changes; potentially through a regional partnership e.g. with Engage WM Housing.
9. Manage the market – improve coordination with other statutory users of PRS (Social Services, Probation, Refugee programmes) across the region.
10. Consider promoting a regional initiative along the lines of the Trust for London's discussion of a pan-London or a sub-regional SLA for London to overcome some of the limitations encountered by individual borough SLAs.
11. Consider developing a more ambitious investment fund model like the Real Lettings Fund in Croydon to purchase and lease accommodation to meet homeless and other housing needs funded by social investors, LA investors and recycled LA user charges.

## Appendix A – Case Studies

### A.1 Let to Birmingham – A Public: Private Partnership Model

UNIVERSITY OF  
BIRMINGHAM

Housing and Communities Research Group



#### West Midlands Social Letting Agency Research

#### Midlands Case Studies

#### Let to Birmingham (LtB)

### PART 1- UNDERLYING QUESTIONS

1. **Who** are the lead organisations and other key agencies in your SLA? Are they local authority, public, third sector, charitable, social enterprise, commercial or public/ private partnerships?

Let to Birmingham is a public: private partnership between Birmingham City Council and Mears (formerly Omega Lettings). It was established in January 2014 by the City Council as a homelessness prevention tool using grant from Communities and Local Government. Operationally it is now part of a division of Mears serving the Midlands and some other parts of the country. A crucial factor to Let to Birmingham's success was the status of Omega Lettings (now part of Mears) as a registered housing provider with the Homes and Communities Agency (HCA) able to claim HALD (housing associations leasing direct) rates of housing benefit (see 4 below).

2. **Are there particular organisational advantages or disadvantages associated with the lead organisation in this SLA (institutional/ structural/ management)?**

Initially the council decided to outsource the SLA because it believed that it did not have the skills to work successfully in the private sector market, following an earlier unsuccessful accommodation access scheme. Outsourcing was also an advantage in being able to employ new staff at a time of significant staffing reductions within the council. Ironically the first appointment made to lead Let to Birmingham was of a very experienced council housing officer and her

knowledge of council procedures and personnel was a major operational advantage for Let to Birmingham's start up. Other staff and the parent company have added extensive experience of working with private sector landlords and this has helped to create a 'blended offer'.

3. **Why** is this SLA a good idea? What are the aims, motivations and rationale behind it?

The main driver was the concern of members of the council about implementing the discharge of homelessness duty provisions of the Localism Act 2011 without assurances about the quality of private rental stock. Let to Birmingham has therefore sought to access a supply of high quality lettings for referrals from the council. To date these referrals have been confined to homeless prevention and housing options clients since the council has not made a decision to implement the Localism Act provisions. Let to Birmingham is seen as an important tool by housing officers in managing the severe mismatch between council housing supply and demand and in responding to and managing applicant expectations.

4. **How** do you establish and manage this SLA? Which processes and business/funding models are adopted and what impact do they have on the outcome?

The initial business model was based on a performance agreement with Birmingham City Council linked to 18 month subsidy. While the total grant was around £1.5million, some of this covered costs on the council side and there were quite heavy performance penalties for not meeting the initial ambitious lettings target of 1,000 p.a. Over time Let to Birmingham was expected to become self-sufficient through management fees and the difference between rents paid to landlords and rental income sourced mainly from housing benefit. An important assistance to this strategy was the ability of Let to Birmingham, as an HCA registered housing provider, to claim the HALD rate (of 90% of LHA plus £60 a week) for around 80% of the tenancies managed. This enabled it to source higher quality properties than would have been possible using LHAs rates (with 92% of all private rents in Birmingham now exceeding LHA rates).

5. **What** is your service offer? Is it predetermined/ a set menu or evolve according to types of service users and their needs? Are services provided in-house or contracted out?

The service offer to landlords includes finding a suitable tenant and completing housing benefit and other relevant documentation, property management and repairs ordering options and tenancy management (including response to non-payment of rent and anti-social behaviour). There is a 2 year bond scheme to cover non-payment of up to one month's rent, tenants are expected to save up to cover this themselves after two years. Other risks associated with voids and arrears were passed to the landlord, but a new option of guaranteed rent (similar

to a leasing model) is now being trialled to respond to growing landlord concerns about Universal credit. Guaranteed rents will be lower but secure enabling landlords to plan their finances.

The offer to tenants is of speedy access to good quality accommodation, generally on 12 month ASTs<sup>9</sup> at locations throughout Birmingham without the need for a deposit. Where rent is paid and tenancy conditions are observed tenants can expect their terms to be extended or equivalent accommodation to be provided at the end of tenancies. Rents tend to be high and this can create problems moving into paid work. Quality is at least equivalent to council housing but legal security is much lower and there is no right to buy. While clients should be registered with the council, access is discretionary and limited by available supply at any point in time.

## PART 2 - THE 4 PS RESEARCH FRAMEWORK

### 6. People:

- Who is the scheme intended for (homeless accepted, homeless TA, housing options, other LA nominations, other)?

The majority of the 400 current tenants are homeless prevention or housing options referrals. A few clients are self-referrals to LtB and some are council tenants seeking transfers, who opt instead for a new PRS letting through LtB. So far there have been no statutory homeless or moves from temporary homeless accommodation.

Clients tend to be younger than private tenants as whole and more likely to have a household member with a disability. A high proportion are not in work with single parents and older people with long term disabilities being well represented in our interview sample. Depth interviews suggest that these different demographic groups tend to have different levels of satisfaction with LtB with older people and those with disabilities being more satisfied than young mums.

- **How do tenants compare it with social housing or other private rent options?**

Our interviews found that most LtB tenants do not make direct comparisons with social housing but that when they do LtB lettings tend to compare favourably on property quality and location and particularly on waiting time.

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<sup>9</sup> (6 months for higher risk tenants and properties)

Comparisons with other private rent options were generally favourable. LtB was seen to have a positive effect on landlords with regard to repairs and the higher HALD rates generally allowed tenants to enjoy better quality properties than they could have accessed individually at LHA rates. A downside of this higher rent regime was that when moving into work tenants were likely to consider HALD level rents unaffordable and be looking to move. Some younger mums saw their LtB accommodation as temporary and not a 'real home' (especially the restrictions on decorations) and were looking to move on once relationships and work allowed.

- **Does it provide comparable benefits to them to social housing?**

One interviewee who had been a council tenant was very positive on the improved social interaction with neighbours in a mixed tenure terraced street compared to a council tower block. However, we were told by the Homeless Hub manager that the main reason for the limited number of referrals was that most BCC applicants want a council property (because of the security, rent levels and RTB) and prepared to wait for it. This was confirmed by LtB who comment that because of the traditionally high council stock in Birmingham, applicants would be as likely to turn down a RP offer, or a PRS open market as a LtB property.

## **7. Properties:**

- **How many properties has the case study SLA secured so far?**

630 new lettings over 3 years (225 in year 1, 237 in year 2, 168 in year 3) with a current stock of 400.

- **What are the property standards?**

A high standard specification is set out in the 'Birmingham standard' against which LtB's performance is monitored. Initially properties were inspected by Environmental Health offices from BCC, but after year 1 by Let to Birmingham's two acquisition officers. Property standards are taken into account in setting rents with landlords; the highest standards are required for properties in the HALD scheme.

- **What are the rent/service charges?**

Rents are set by negotiation with landlords. There is a margin to cover management fees. In the case of HALD properties, LtB management costs are generally covered by the difference between LHA rates on which landlords are paid and HALD rates that are recouped through housing benefit.

- **What motivates landlords to sign up?**

Landlords are generally signed up on the basis of personal negotiation with the acquisition officers. They are therefore partly influenced by relationships built up with these officers. LTB's management performance and ability to fill vacancies quickly and resolve any landlord problems with tenants and with payments is a key factor in retaining their custom. There are examples where LtB has helped landlords resolve problems with existing tenants or has provided reassurance to landlords whose properties were damaged by previous tenants under a different management arrangement. The fact that LtB was set up by the council provides reassurance to some landlords who may have had bad experiences with commercial lettings agents.

There is a mix of motivations between the over 100 individual and portfolio landlords who let through LtB. Financial returns are generally the most important motive, but there are differences between landlords in the balance between the level of rents and the certainty of income. The new guaranteed rent option is intended to retain landlords concerned about risk and willing to trade a lower rent for certainty of income. The social purpose of the SLA is an attraction to some landlords who like the fact that their property is meeting a social need and who sometimes form close relationships with tenants.

- **Do SLAs provide comparable benefits to landlords compared to commercial lettings agents?**

Yes at a basic level in finding tenants and managing properties for a fee. But LtB is seen as working in only one part of the market for tenants on housing benefit with applicants in social need. It is seen as having advantages for landlords wanting to work in that market.

Some saw LtB as more responsive than private letting agents: *'it was easier to let them do it'* for example in converting properties from the student market to the LHA market after a campus closure. One of the interviewees ran a commercial lettings agent as well as being a landlord and identified the importance of specialisation of different agents in different parts of the market. A key advantage for him had been arranging direct payments through LtB, but this would disappear with the full implementation of Universal Credit.

## **8. Process:**

- **The basics...Why, when, how and by whom was the SLA set up?**

January 2014 by BCC using DCLG grant funding following feasibility study and commissioning process. Stimulated by the 2011 Localism Act discharge of duty but not so far deployed for homeless discharge.

- **How is it funded/ what is the current business model?**

Set up grant was important but there was some claw back of this when initial ambitious latest were not met. The move towards viability was greatly assisted by eligibility for the HALD scheme and use for over 80% of the managed stock. The biggest threat is increasing risk to landlord income from Universal Credit, with guaranteed rent option offered as a response. LtB has started to spread its costs by growing integration into Mears as a regional offices, for example managing a PRS portfolio in Warwickshire for a local charity.

- **Was an external subsidy needed initially?**

Yes DCLG Homeless Prevention Grant of approx. £1.5million was used to set up the scheme. Some of this covered costs on the council side and payments to LtB were reduced due to penalties for not meeting the ambitious lettings target of 1.000 pa...

- **Do landlord fees cover costs and is there scope for cross-subsidy?**

Yes in general they do. It is hard to identify which properties cross-subsidise others, but in general the small LHA part of the portfolio is less likely to cover costs since there is less potential for a gap between rents from tenants and payments to landlords.

- **How is it organised operationally?**

LtB has a stand-alone office in the Jewellery Quarter in the centre of Birmingham. There are currently five staff working with the LtB manager there; two acquisitions officers, a lettings officer a housing manager and a handyman, small repairs tradesman. The operation is also partly supported by Omega lettings London office (repairs reporting and monitoring and finance). LtB staff have begun to manage other services for Mears who acquired part of Chapter 1's PRS stock in Warwickshire in April 2016, this portfolio is currently managed by the LtB office. Although Omega and LtB became part of Mears in October 2014, integration into the company has been quite gradual; but interviews in November 2016 indicated a speeding up of integration of business processes, KPIs and performance.

- **What is the scope for growth and challenges of expansion?**

Mears are currently looking at 're branding' all of the operational portfolios that sit within Mears Housing Management, however it has already been decided that LtB will remain as a distinct brand under the Mears Housing Management. The Mears stock portfolio nationally has grown from 6,000-12,000. There are a number of possible new activities with BCC including remodelling a council sheltered housing scheme as single persons housing.

- **What is the ideal scale and extent of niche specialism for future schemes?**

LtB has stabilised at around 400 properties after 3 years after initial ambitious targets of 1000 and then around 500 a year. There is some evidence from landlord interviews that a key strength of LtB has been the relatively small scale and local office base. For example landlords differentiated between the LtB service which they liked and the Omega service (generally by phone from London) which they saw as remote and unresponsive.

## **9. Policy:**

- **What are the criteria for property procurement and client nomination/referrals?**

The client referral process is rather informal based on on-the-spot interviews at the Newtown Homeless Hub office. Nominations are not monitored by the council, but quarterly returns are provided by Let to Birmingham and all lettings are included in the Council's homeless prevention statistics. There are some self-referrals and some council transfer applicants have been referred to LtB and taken new tenancies in the PRS rather than waiting for a council transfer.

- **What interaction is there with homelessness applications/CBL, interaction with LHA rates (avoiding poverty traps)?**

None of the clients have been accepted as priority homeless with a duty to discharge and there have been no moves from council temporary accommodation for statutory homeless clients. Many are registered on CBL but most have low points bandings and prospects of very long waits for social housing. Once in a LtB property their CBL application is suspended.

- **What are the targets for growth and achievements so far?**

Target lettings modified down from the original 500 properties a year. Actual new lettings achieved were 225 in year 1, 237 in year 2 and 168 in year 3. LtB is currently bringing on more new stock than losing through handbacks.

- **Is there interaction with placements by other agencies (e.g. London Boroughs)**

Quite limited interaction although they are competing for the same stock. Mears does not use the Birmingham stock for its London Borough contract work.

- **Is there scope to coordinate users of PRS to avoid competition and 'culture of incentive inflation'?** This has not been a priority for LtB, but some LtB landlords work with several different statutory agencies sourcing PRS accommodation including Birmingham City Council Social Services.

## West Midlands Social Letting Agency Research

### Midlands Case Studies

#### Worcester & WHABAC Smartlets Scheme

### PART 1- UNDERLYING QUESTIONS

1. **Who** are the lead organisations and other key agencies in your SLA? Are they local authority, public, third sector, charitable, social enterprise, commercial or public/ private partnerships?

In 2011 Worcester CAB and WHABAC commissioned a feasibility study funded by Crisis and the local authority/county council to develop existing PRS access schemes run in Worcester since 1998. It was decided to set up SMARTLETS as a SLA to add to its existing SmartMove

SmartLets is a trading social enterprise and is part of the charity WHABAC which merged with Worcester CAB.

2. Are there particular organisational advantages or disadvantages associated with the lead organisation in this SLA (institutional/ structural/ management)?

There are significant advantages in being part of a charity. The project received grant funding from Crisis for a number of years and has very positive relations with Worcester Municipal Charities who lease the CAB & WHABAC premises at a favourable rent and support the agency in a number of ways. It is also able to take risks, for example with guaranteed rents, and is investing surpluses in purchasing properties.

3. **Why** is this SLA a good idea? What are the aims, motivations and rationale behind it?

***'to help those who struggle to find PRS accommodation through commercial lettings agents'***. The scheme provides another option for the 7600 individuals who accessed gateway services in 2015/16. 490 of these applied to SmartMove and 162 were helped to secure accommodation. There are 97 units of Smartlets accommodation. It is considered as medium term accommodation for clients who are 'tenancy ready', 87% of tenants sustained their accommodation for 6 months or more.

4. **How** do you establish and manage this SLA? Which processes and business/funding models are adopted and what impact do they have on the outcome?

There was significant external funding (around £60k in total from Crisis, Worcester City Council and others) for feasibility and set up in 2011. This has proved invaluable in securing a core pool of landlords who have remained with the scheme.

The scheme uses a leasing model, guaranteeing landlords an income for the length of the lease. On this basis they will accept rents below LHA levels (£450 for properties where LHA is £525). Furthermore around a third of the portfolio consists of shared accommodation in HMOs on which Smartlets is able to claim exempt accommodation HB rates (a premium of around £15-20 above the LHA single room rate of £70 in Worcester City).

Using this model Smartlets has gradually been able to increase surpluses to £100k in 2015/16 (from £60k the previous year and £30k the year before) and the service has remained viable after the end of the Crisis grants in 2015.

5. **What** is your service offer? Is it predetermined/ a set menu or evolve according to types of service users and their needs? Are services provided in-house or contracted out?

**For landlords:** Full letting and management service including rent collection and repairs. Guaranteed rents.. Insurance bond scheme.

**For tenants:** Help with access, pre-tenancy training, and access to housing benefit advice and tenant support workers. Access to grants for furniture.

Support is possible through a partner – but has become much more difficult to secure as SP has been cut.

### 6. People:

- Who is the scheme intended for (homeless accepted, homeless TA, housing options, other LA nominations, other)?

Single people and couples in housing need and having difficulty accessing decent accommodation, but able to live independently. Clients come through the CAB gateway or are referred from other housing advice and support agencies, including homeless emergency services.

However, Smartlets will only house people who are tenancy ready and considers management issues when placing clients, especially in HMOs. There is a referencing system and some pre-tenancy training to ensure that clients are 'tenancy ready'. Careful selection maintains harmony in shared housing. This can lead to conflict with referral agencies, but Smartlets must have regard to the 'bigger picture' and maintain landlord confidence.

- How do tenants compare it with social housing or other private rent options?

Generally not compared. But Smartlets tenants who have lived there for at least 6 months are eligible for higher banding priority with Worcester's CBL scheme and can often secure move-on into social housing (5-6 lettings a year).

- Does it provide comparable benefits to them to social housing?

Quality is good and there is a degree of security, with tenants generally to stay on after 6 month ASTs and HMO licences expire. The self-contained stock is regarded as long term and there are opportunities for transfers within the stock as circumstances change – most commonly from HMOs to self-contained. Rent levels are not a barrier to moves into employment and around 40% of tenants are in work.

### 7. Properties:

- How many properties has the case study SLA secured so far?

Total of 220 tenancies at end of 2015/16 under SmartMove and Smartlet combined.

44 Smartlets properties provide 97 units of accommodation on leasing/guaranteed rent basis (just under a third of the units – 30 - are in HMOs)

123 Smartmove deposit guarantees provide access to PRS stock on a rental basis, with risk transferred to the landlord.

Worcester Municipal Charities has a small stock (2 blocks of 5 flats and a 4 bed HMO) which can be accessed through and is managed by Smartlets (15% management fee).

CAB & WHABAC is using surpluses from Smartlets to purchase accommodation to let to the same client group (3 studios bought for £190k, plan to buy an HMO in next few years)

- What are the property standards?  
Middle range PRS. All properties inspected
- What are the rent/service charges?  
Vary across portfolio. HMOs more profitable because of exempt accommodation HB. Landlords will accept below LHA for guaranteed rent. Some tenants pay small top ups (generally under £15 a month)
- What motivates landlords to sign up?  
The Inside Housing Solutions feasibility study was very effective in identifying a core pool of landlords who have stayed loyal. Some landlords had run into problems with HMOs and appreciated the client management input that Smartlets can provide.
- Do SLAs provide comparable benefits to landlords compared to commercial lettings agents?

All properties are regularly inspected

## **8. Process:**

- The basics...Why, when, how and by whom was the SLA set up?

Inspired by a presentation from Derby at a Crisis event in 2010/11. An additional tool in CAB & WHABAC kit of PRS access schemes. Grant funded feasibility study in 2011. Scheme part of Crisis programme for several years. Natural fit within housing and benefits advice charity.

- How is it funded/ what is the current business model?

Leasing model with guaranteed rent to landlords at below LHA and cross-subsidy from 30% HMO portfolio on exempt accommodation rates has generated a growing surplus.

Charitable income and grant support from Worcester Municipal Charities, John Martins Charity, Worcester City Council, Worcestershire County Council and Crisis were important in set up and partially underpinned early year's viability.

Social enterprise model developing further now with investment of surpluses in property asset purchase to provide balance sheet strength and full rental income stream rather than management fee margin.

- Was an external subsidy needed initially?

Yes for feasibility and set up – around 60k from grants and charitable funds.

- Do landlord fees cover costs and is there scope for cross-subsidy?

Yes there is a margin between guaranteed rents and LHA. Yes the HMOs cross subsidise the self-contained stock.

- How is it organised operationally?

As part of CAB & WHABAC Smartmove operate from modern purpose built leased premises in Worcester City centre. Team currently comprises a manager, 4 part time and 2 full time project workers (housing advice and some input to property management eg, inspections), a full time administrator and (current vacancy) a property manager (housing management and repairs orders). Some outreach services in Wyre Forest and Wychavon.

- What is the scope for growth and challenges of expansion?

Generally successful in scaling up, but staffing capacity is a limit. Currently without a Property Officer and number of project workers (housing advisers) has reduced with loss of Crisis grant. One of the project workers has qualification on property standard inspections (EH). Do not plan significant further expansion.

Most of stock is in Worcester city where there are good partnerships and reliable repairs contractors. Some stock taken on in Wyre Forest and Wychavon but there landlords make own repair arrangements. Local advice and support can be provided at CABs, but there is a charge for use of space.

What is the ideal scale and extent of niche specialism for future schemes?

There can be problems with working cross-authority. Exempt accommodation and HB fast tracking only operate in Worcester City. This shows importance of building local partnerships and relationships – hard to replicate with geographical expansion.

## **9. Policy:**

- What are the criteria for property procurement and client nomination/referrals?

All properties inspected. All clients referenced.

Property standards are at middle of PRS. Clients are ready to manage a tenancy. Will take clients with debt and crime records but not with persistent tenancy failures.

- What interaction is there with homelessness applications/CBL, interaction with LHA rates (avoiding poverty traps)?

Clients generally non-priority homeless and not from emergency situations. Longer term accommodation rather than direct access.

- What are the targets for growth and achievements so far?

Steady growth so far. Expect further managed expansion.

- Is there interaction with placements by other agencies (e.g. London Boroughs)

No

- Is there scope to coordinate users of PRS to avoid competition and 'culture of incentive inflation'?

Not discussed.

## West Midlands Social Letting Agency Research

### Midlands Case Studies Spring Housing Case Study – Jan 31 2017- Rachel Chiu and Dominic Bradley

#### PART 1- UNDERLYING QUESTIONS

1. **Who** are the lead organisations and other key agencies in your SLA? Are they local authority, public, third sector, charitable, social enterprise, commercial or public/ private partnerships? –

Spring Housing is a young third sector organisation started up in October 2014 by a group of housing association professionals in Birmingham ‘*to return to the basic principles of the housing association movement- to provide quality accommodation for people in housing need*’. They are a registered charity and are considering whether to complete the registration process to become a registered provider.

2. Are there particular organisational advantages or disadvantages associated with the lead organisation in this SLA (institutional/ structural/ management)?

The key organisational strengths that have facilitated a rapid growth to 375 tenancies in 6 local authority areas, 35 staff and a turnover of £2million in two and a half years are: wide range of professional skills from and contacts with the HA sector, expertise and well managed relationships with private landlords and property developers and distinctive social purpose and values.

3. **Why** is this SLA a good idea? What are the aims, motivations and rationale behind it?

Spring housing procures PRS properties through leases and provides a full management and maintenance service for low income households in two main

needs niches: under 35s (60%) and refugees (40%). It provides a mix of supported housing under contract (but not SP) and general needs housing.

It does not use the SLA label because it aims to meet a wider range of needs, it uses a rent relief fund to enable tenants in low paid work to remain in tenancies.

**4. How** do you establish and manage this SLA? Which processes and business/funding models are adopted and what impact do they have on the outcome?

The core business model is based in 'exempt accommodation provider rates' for LHA which can uplift eligible rents for shared accommodation from £55 (shared room rate) a week to just over £200 for a direct access hostel with 24 hour service. 80% of tenancies are currently on exempt accommodation rates. This requires agency agreements with registered providers (costing around £10,000 a month now) and satisfying the LHA administering authority that higher level support services are being provided (enabling them in turn to claim 100% back from DWP). Landlords can be paid above LHA rates – up to around £95 a week from the exempt rent while the remainder will cover support costs. This incentivises landlords to invest in high property standards (e.g. en-suites and individual kitchens in HMOs).

Spring Housing is very aware of the risks of this model and is seeking to diversify to include more general needs and LHA level rentals and a mix of tenants in work through a rent relief fund. It also seeks to re-risk the business by maintaining high quality standards to enable moves into other markets should the LHA market dry up. Since December 2015 Spring Housing has won contracts to house Syrian refugees and care leavers across the region. These contracts came about as a result of existing expertise with the client groups. The biggest risk to the business is policy on supported housing – in 2019 the DWP will transfer responsibility for exempt accommodation to local authorities.

**5. What** is your service offer? Is it predetermined/ a set menu or evolve according to types of service users and their needs? Are services provided in-house or contracted out?

The service offer to landlords is full lettings, management and maintenance service at rents above LHA. This means that rents are guaranteed for the term of the lease and property owners can 'walk away' and come back to a good condition asset at the end of the lease. The offer to tenants is a good quality property, accessible without a deposit and with a local patch based housing management and repairs service and encouragement to move into employment through the rent relief fund (see section below).

**PART 2 - THE 4 PS RESEARCH FRAMEWORK**

**6. People:**

- Who is the scheme intended for (homeless accepted, homeless TA, housing options, other LA nominations, other)?

People who are homeless, at risk of homelessness or on low incomes. Non-statutory homeless are finding it hard to secure good quality affordable housing following welfare changes (especially the shared accommodation rate) and changing social housing access policies.

- How do tenants compare it with social housing or other private rent options? No deposit required. Higher quality for an affordable rent. Active policies to avoid work disincentives. Tenancy sustainment support. Move-on within Spring or to other providers (current average tenancy 5 months but aim to have significant number of long term general needs tenancies). But living in a Spring property not good for building up points to bid for social housing

- Does it provide comparable benefits to them to social housing?

Most clients unlikely to qualify for or have any priority for social housing- refugee housing generally provided in PRS to avoid scapegoating of refugees as taking social housing from locals.

- What are the rent/service charges?

Rents are inclusive of furnishings and white goods. Rents are above LHA levels for 80% of stock. However, Spring Housing is very aware of the risks of this model and is seeking to diversify to include more general needs and LHA level rentals and a mix of tenants in work through a Rent Relief Fund. described below:

- Spring Housing Rent Relief Fund

This fund aims to ease problems for tenants moving into work and to enable of mix of tenants in work and out of work in its shared houses. Details of how this fund operates and an independent case study of its benefits to an individual tenant is included below.

Spring Housing note the growing importance of ‘the gig economy’ with low paid and insecure employment leading to people moving in and out of work on a regular basis, with constant adjustments to housing benefit and resulting vulnerability to homelessness. Schemes such as the Rent Relief fund have developed alongside supportive tenancy management and the development of new housing options for people in low paid work.

## Figure A.1 SPRING HOUSING RENT RELIEF FUND: CASE STUDY OF IMPACT

**Spring's Business plan allows for 1.5-2 % bad debts. By bettering these assumptions the organisation has been able to build up a Rent Relief Fund. Over £140,000 has been allocated since November 2014 and this has been used to reduce rents for 45 existing tenants who have found work and 76 new employed tenants. There are currently 80 people in work amongst Spring's 429 tenancies.**

**Rent relief can be given on up to 50% of the rent for an initial 2-4 month period with an option to renew. This enables tenants to save up for a deposit and furnishings for their next home. Spring has also developed a new shared housing scheme with 7 units of accommodation specifically for people in work but at risk of homelessness. This accommodation is fully furnished with all household bills covered and no maximum length of stay.**

Independent evidence of the benefits of this model was provided by the following case study written up by Crisis, Birmingham.

A young man of 23 was referred to Crisis for tenancy support by the vicar of his local church. He was then living in a high rise and had been in this accommodation for almost 12 months. This difficult to let flat was secured as move on accommodation from a young persons' hostel but almost 12 months later he only had a mattress on the floor and a small bedside table; no carpets, curtains or other furniture. He was struggling to heat the flat and, due to working on a zero hours contract for a hospitality chain, often went for long periods of time with little or no income. He has no washing machine and was spending around £40 per week on laundry costs as he had to wear chef's whites for work. As a consequence, his physical and mental health were suffering and he had substantial rent and council tax arrears.

The nature of his employment contract and the associated fluctuations in income were proving too much for this young person to deal with and the administrative burden of regularly submitting wage slips to housing benefit and trying to manage his rental commitments and living costs had led him to feel suicidal. He was also malnourished and very isolated.

After working with this young person around his mental health and housing options, he decided he could not and did not want to live independently. He surrendered his tenancy and was referred to Spring Housing. He moved into a 3 bedroom fully furnished shared house (with a washing machine!). He was able to access Spring's Rent Relief Scheme and the housing officer at Spring helps him to manage the fluctuations in his income and ensure his benefit claims and rent payments are up to date.

The impact of moving into Spring accommodation on this young person has been enormous. 12 months later he is still in his accommodation; his mental and physical health have vastly improved, his social networks have increased and he is still in employment. Without Spring's Rent Relief Scheme; their attention to detail around managing income fluctuation and instability and their general level of support this young person would have been in a very different - and possibly quite desperate - position.

**Thea Raisbeck, Crisis Project Worker**

## **7. Properties:**

- How many properties has the case study SLA secured so far?

375 by Jan 2017, growing to 450 by July 2017. Mix of shared accommodation, small hostels, 1 and 2 bed flats in exempt accommodation stock. Some larger properties being acquired and developed for general needs and refugee families in five LAs (39 family homes being leased under this programme).

- What are the property standards?

High standards demanded from landlords and developers before properties are taken on. Owners refurbish or develop accommodation to Spring's bespoke standards.

This has positive effect on tenant attitudes, self-esteem and behaviour and on relationship management with landlords and potential landlord partners.

- What motivates landlords to sign up?

Viability and return on investment are the first consideration. Landlords receive a guaranteed income each month. But once this is satisfied they are motivated by the social purpose of Spring. A substantial minority have a strong social motivation – individuals in Herefordshire buying houses to let to Syrian refugees. Homeless Foundation in Worcester. New Leaf partnership in Birmingham. There are some large portfolio landlords and property developers building new to let through Spring, A significant minority are individuals – inherited property and want retirement income and happy with the social aims of Spring.

- Do SLAs provide comparable benefits to landlords compared to commercial lettings agents?

Yes. have done the modelling and individual business plans with landlords and returns can be at least as good as in student market (that many landlords are moving out of) and LHA niche. Guaranteed rent is a major advantage.

## 8. Process:

- The basics...Why, when, how and by whom was the SLA set up?

2014 by HA professionals wanting to explore an alternative to 'mega mergers' and to restore social purposes and fill gaps in the market for younger non-statutory homeless.

- How is it funded/ what is the current business model?

Largely through individual leases and rentals at the exempt accommodation rate. 30% through contracts (Syrian refugees and care leavers). No major borrowing so far, but looking into attracting investors in year 3 to purchase assets.

- Was an external subsidy needed initially?

No, start-up capital of £25,000 was raised by the founders to pay for the first leases. The first employee was taken on to manage the first tenancies just three months after start up. Growth, to 375 rentals and 35 staff by Jan 2017 has been through surpluses achieved by prudent voids and arrears management.

- Do landlord fees cover costs and is there scope for cross-subsidy?

There are no landlord fees. Lease payments to landlords reflect transfer of risk to Spring. Exempt accommodation rates allow Spring to cover the lease, support and admin costs and a small surplus. Business model allows for 1.5-2 % bad debts. By bettering these assumptions the rent relief fund was built up to £80,000 in one year.

- How is it organised operationally?

Patch based system for housing management. Central specialists to negotiate new leases and screen new tenants. Lots of business acumen across the organisation. Thinking about succession and replicating skills. Board delegates business decisions to allow flexibility and agile response to new opportunities.

- What is the scope for growth and challenges of expansion?

There have been constant opportunities to grow because of the gap in market for good quality accessible rentals for non-statutory homeless, especially under 35s.

The collapse of student housing market with campus closures and more purpose built student housing has provided ready-made opportunity to lease HMOs. Can afford to turn down those that don't meet standards.

Aim was sustainability without LA grants and to avoid over dependence on public contracts. Contracts have grown to 30% of income since Dec 2015 – this is seen as the limit for independence.

3 potential growth steps in year 3 are:

- a. Attract investors, probably through a social investment property fund, to enable step change to acquire assets
- b. Consider registration with HCA. Climate has changed for this since first considered it. One key advantage would be saving £10,000 on partnership agreements to qualify for exempt accommodation status. Grant is now a more remote possibility.
- c. Have current acquisition opportunity of organisation that already has an RP subsidiary – this could be a short cut to HCA registration.

- What is the ideal scale and extent of niche specialism for future schemes?

Spring seem to want to stay small and patch based and avoid recreating the monster of large HAs. However, the growth implied above will inevitably bring significant changes.

## 9. Policy:

- What are the criteria for property procurement and client nomination/referrals?

Good quality demanded. Deals are made flexibly but landlords refurbish and develop accommodation to Spring specifications.

Tenants are referred from homeless agencies, SP agencies, refugee agencies and self-referrals. They are screened by experienced assessment officer with good network among homeless projects. There are no blanket exclusion criteria but recognition that Spring does not have the high level support that some other providers offer and it is important that tenants within a property are compatible, especially in shared accommodation. There are no credit checks, but arrears will be considered and agreements to pay of former landlord arrears. Levels of arrears and ASB are low.

- What are the targets for growth and achievements so far?

375 Jan 2017 – 450 July 2017 (related to care leavers contract £317k?)

- Is there interaction with placements by other agencies (e.g. London Boroughs)  
Not discussed
- Is there scope to coordinate users of PRS to avoid competition and ‘culture of incentive inflation’? Spring Housing contracts now cover two of the public sector users of PRS – Care leavers and refugees. This will allow a degree of coordination. There is loose networking with other exempt providers through Crisis Birmingham project.

## West Midlands Social Letting Agency Research

### Midlands Case Studies

#### Telford HomeFinder (THF)

## PART 1- UNDERLYING QUESTIONS

1. **Who** are the lead organisations and other key agencies in your SLA? Are they local authority, public, third sector, charitable, social enterprise, commercial or public/ private partnerships?

Telford Home Finder (THF) is a local authority initiative initially established as part of the Housing Options service, but later became part of the council's Commercial Services arm. It is run operationally as an in-house council service but has a strong, independent and outward-facing brand. It is being run as commercial businesses to generate income to cover the costs of running the service. The main internal partners are Housing Options, Environmental Health and Housing Benefits. Key external partners are commercial lettings agents and a support services consortium funded through SP.

2. Are there particular organisational advantages or disadvantages associated with the lead organisation in this SLA (institutional/ structural/ management)?

The main advantage of being part of the Council is stability and recognition – the Council is '*not here today and gone tomorrow*'. The core clients are still housing options and homelessness prevention, but there is an ambition to move into the wider commercial lettings market. The Council will require more staff resources to grow Telford Home Finder and the number of properties it manages over the long term. Some landlords see association with council as a disadvantage because of

enforcement actions and past experience of being dumped with problem tenants. THF do not want to become a registered provider, but were not aware of the HALD scheme; and wonder whether it will survive the introduction of Universal Credit.

**3. Why** is this SLA a good idea? What are the aims, motivations and rationale behind it?

The rationale has been shifting from social origins to more of a hybrid. The core clients are still housing options and homelessness prevention, but there is an ambition to move into the commercial lettings market. A key stepping stone for this has been acting as a lettings agent for Nu Place, the Council's new market rent development arm which is building 500 new homes for market rent over the next few years.

**4. How** did you establish and manage this SLA? Which processes and business/funding models are adopted and what impact do they have on the outcome?

THF was started in July 2014 when the choice based lettings scheme ended and a new housing options web tool was created and brought together with landlord accreditation as a resource for the Housing Options Team. THF was funded by the council through staffing budget provision, it has a small dedicated core team who are part of a wider group including two tenancy relations officers and an empty homes officer. Existing staff were trained under HHSRS<sup>10</sup> to carry out inspections and to provide the service. It aims to generate income from landlord fees and a scale of fees has been developed for services ranging from tenant finding and inspections to a full management service. It aims to increase value added by dealing with more landlords direct rather than through commercial lettings agents and by providing full management services to a higher proportion of clients.

**5. What** is your service offer? Is it predetermined/ a set menu or evolve according to types of service users and their needs? Are services provided in-house or contracted out?

**Tenants:** Good quality accommodation at or just above LHA rates on ASTs with no agent fees. Open to all in the Borough, but main initial niche was for Housing Options referrals within the LHA market. Bond scheme was offered but is quite small scale (just 10 of 200 properties let). Customer satisfaction surveys planned for the future.

**Landlords:** Lettings and management services are available to any landlord in the Borough. Started with LHA niche, but expanding to wider market rent and actively seeking landlords operating in the professional niche outside of

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<sup>10</sup> HHSRS – This is the Housing Health and Safety Rating System which provides guidance to local authority Environmental Health Officers for property inspections to identify potential risks and hazards.

traditional LHA areas. This is something THF is still struggling to achieve. See it as important to '*look after the landlord*' to build trust that the council is '*not using scheme to dump problem tenants on them*'.

**NuPlace** sits alongside Telford Home Finder. It is a wholly owned company to increase market rent housing supply; a proportion of which will be affordable. 131 in phase 1, 140 in phase 2 and 3 more phases planned over next five years– total 450-500. All of these properties will be let through THF – but this is a different market. NuPlace is separately branded and would not market THF properties through NuPlace.

#### **“4 Ps Research Framework”: People, Properties, Process and Policy**

### **PART 2 - THE 4 PS RESEARCH FRAMEWORK**

#### **6. People:**

- Who is the scheme intended for (homeless accepted, homeless TA, housing options, other LA nominations, other)?
- How do tenants compare it with social housing or other private rent options?
- Does it provide comparable benefits to them to social housing?

Anyone can use THF as a lettings agency service; apply on line and register an interest in accommodation – '*absolutely anybody!*'

They may be referred by Housing Options – there and then after an advice session. Housing Options actively promote THF.

Housing Options one offer policy and PRS discharge have been used on occasions. Housing Options was in a different service area and the one offer policy was not used regularly, however since carrying out this project, Housing Options are now in the same service area as THF and the one offer is being put into practice more efficiently. The THF is now being used on occasions to discharge homelessness duties.

Prevention is a much more dominant theme for THF. Prevention Advice is provided to anyone in Telford not just those immediately threatened with homeless.

75% of lettings are housing options – discharge of duty may be as low as 10-15%.

Discretionary Housing Payments (DHP) funding has been used for deposits which makes THF attractive.

Many tenants will also make top ups for rents over LHA rates (Maximum top up allowed is £25).

#### **7. Properties:**

- How many properties has the case study SLA secured so far?

THF has built up gradually – just over 200 tenancies created from July 2014. All over borough but more in south – the ex-social housing stock, former RTB, lower price area. But the only area within LHA limit. A small proportion of these have full management service.

Around 90% of tenancies last longer than 6 months. Only a dozen or so properties handed back to landlords over the two years of the scheme.

*‘2 bed properties are gold dust’*, especially in north Telford

Have been trying to penetrate other parts of the market beyond LHA. Have a number of properties *‘sitting in an area just above LHA. The landlords come to us and say this property is in this area, this is how much I want for it and we do allow a small top up above LHA’* (paid for by tenants out of other benefits).

Never been instructed on any executive four bed detached properties but would *‘definitely not turn it down’* as would help Home Finder to spread its reach across the market.

- What are the property standards?

All properties are inspected before letting. There are lists of essential and recommended improvements. The latter can be done after the letting, the former are compulsory before. By and large all recommendations are followed.

Generally good, some may be *‘a bit rough around edges’* but all are safe and secure.

Tenants get in touch with specific problems like repairs but there have been no complaints from tenants about the overall condition of the property.

HMOs were part of the council’s initial concerns that led to THF, but it was not clear how many shared house lettings have been made through THF.

- What are the rent/service charges?

Rents are generally at LHA or slightly above (based in tenant top ups).

Fees to landlords are comparable to lower end commercial lettings agents  
Landlord accreditation.

Over the month prior to the interview a menu and scale of charges had evolved

- Tenant finder £100
- Inventory
- Exit Inspection
- Referencing
- Credit checks
- Viewings
- Right to Rent checks
- Guarantor checks £60
- Full management 10% plus VAT

It was expected that this information would go on website

- What motivates landlords to sign up?

Some landlords like the association with the council and landlord accreditation gives them free advice from tenancy liaison officers (who in Telford act for landlords and tenants). Access to services – THF will share tenant histories where have it!

We discussed the different types of landlords in the Borough and their variable engagement with TFH.

**Large Portfolio landlords and Lettings agents** – THF another route for them to find tenants

**Longstanding accredited landlords** – have dealt with council for a long time and this carried through into new ways of working. They often feel they are doing council a favour ! but it's their main business.

**Core landlord clients are commercial, buying up properties in cheaper areas.**

**One off landlords outside of those areas** are more likely to go to commercial lettings agents in the better areas, thinking that they will attract a *'better class of tenant'*.

THF is increasingly seeking to penetrate professional market niches outside traditional LHA and former council stock areas. The NuPlace initiative will be an important and controlled way to penetrate this market using council developed stock.

Landlords need to be convinced that the service is competitive. Moves towards a scale of charges have been a response to this.

TRO work has also highlighted landlords where there are complaints about illegal evictions and tenant harassment. Council sees SLA as part of its toolkit to *'educate the market'*. There is a core of around 30-40 landlords who are not compliant but do not see the council as legitimate in telling them what to do. *'they've been here for years and think they know best'*. THF will only work with them if they are prepared to meet standards. *'This is holding us back'*

THF will deal directly with HB team for landlords. This can be an attraction. Can help arrange direct payments to landlords for tenants who have proven vulnerabilities.

**There are not too many socially motivated landlords** – this is more the domain of voluntary sector projects In Telford.

- Do SLAs provide comparable benefits to landlords compared to commercial lettings agents?

THF aims to provide a comparable and competitive service for landlords.

This theme was returned to in the peer workshops:

THF had initially adopted a social perspective for their Landlord Accreditation Scheme. With experience, if developing an accreditation scheme again, it would be designed to have a commercial appeal to “the bottom line” for landlords. In this way, they would have a “bigger carrot” to attract more reluctant landlords. They would still be able to work with more socially orientated landlords who don't need the same level of incentives to work with the council.

*“Yes, you do have those landlords out there who have got that social conscience...but they're probably 10%, the other 90% are not interested in working with us on the basis that it doesn't pay to do so...so if we can offer them something that's more than the sum of its parts...offering them that value for money...rather than relying on their goodwill.”*

Some commercial lettings agents do make properties available through THF as well, They like the advice and guidance side. There are 16 approved lettings agencies in Telford, half of these regularly provide THF with properties.

No fees to tenants so more successful in referring tenants to landlords than commercial lettings agents where fees were a barrier (now being outlawed?)

#### **8. Process:**

- The basics...Why, when, how and by whom was the SLA set up?

Although it started from housing options,

*‘we never pushed Telford Homefinder as a social lettings agency or as confining itself to housing benefit clients’.*

The council had a number of aims, one was to take the landlord relationship off the hands of Housing Options and provide a more specialised point of contact with landlords. Then there was an aim to improve standards in the PRS and especially HMOs. There was a two pronged attack of the Accredited Landlord Scheme and the lettings agency.

- How is it funded/ what is the current business model?

THF is funded by the council covering direct employment costs and aims to recoup these costs and achieve surpluses from management fees paid by landlords. 8k surplus achieved in year 2, aim for 20k in year 3

- Was an external subsidy needed initially?

There was an initial contribution from the council to the costs of THF as part of the commercial team. 95% of costs were base budgeted by council but the service

generated a surplus of around 8k in the second year. The aim over time is to recover an increasing proportion of the cost of services such as inspections from fees.

- Do landlord fees cover costs and is there scope for cross-subsidy?

Nu Place is a separate budget centre but by letting its properties through THF there is the prospect of both increasing fee income and broadening the base of THF to include more lettings at market rates.

- How is it organised operationally?

The THF team is part of the Commercial Services Division. It has one full time admin post, one part time accreditation admin post, two PT tenancy relations officers who are part of THF but also do a wider role. There is also an Empty Homes Officer within the team who does some work for the team. Property finding is not a separate role. Admin and Manager liaise with agents and landlords. Accredited Landlord team have close links. Housing Management done by team lead. Support needs referred externally to team funded by SP that provides floating support

**Overall staffing input is around 2.5 FTEs in total. Need more!**

There are close links with Housing Options, EH and HB, smaller volume referrals from Social Services care teams. UC will be a disruptive change.

Letting agents are the most important external links. Aim to substitute more direct links with individual landlords.

At the core is a website where properties can be advertised by accredited landlords. There is a small team who do the lettings and management work and inspect the properties, There is quite a limited marketing budget.

Budget is reviewed annually – target for surplus increased to 20k for next year

- What is the scope for growth and challenges of expansion?

Need larger marketing budget. Currently negotiating for a desk in new town centre council offices as the 'shop front' for the scheme.

Hope to increase new lettings to 350 over next year. In part this will be facilitated by letting Nu Place stock. Also aim for 100 new private lettings, of which may be 20 full management service.

- What is the ideal scale and extent of niche specialism for future schemes?

Not fully discussed but clearly see potential for significant expansion. This was discussed further in peer workshop.

*“You’re always having a trade off with the amount of staff you have and the level of service you aim to provide...operationally if you have more properties and not enough staff it starts to affect your reputation”*

So scaling-up needs to be a stepped process as staff expands to enable capacity to expand and within a LA context it can be very hard to make the case for more resources on the promise of future surpluses. This has partly been done by borrowing staff from other service areas which has led to multiple accountabilities. However the restructure will help with this.

*‘In an ideal world we could get to point where we make a regular surplus that can be fed back in to other council services but it’s not easy to bring off’.*

## **9. Policy:**

- What are the criteria for property procurement and client nomination/referrals?

All landlords must be accredited and all properties are inspected. They must meet EH safety standards and there are also more subjective assessments of decorations etc. on the ‘*would I like to live here*’ principle. Inspection reports specify required actions before the property will be accepted and recommended actions for the landlord to consider which can be done after occupancy. On the whole landlords do both.

Used to do 100% inspections at take on stage, now do it only when tenant has been found by council as this is a better use of resources.

- What interaction is there with homelessness applications/CBL, interaction with LHA rates (avoiding poverty traps)?

Most tenants come from Housing Options but few are statutory homeless. Offers do not necessarily count as homelessness offer but there is pressure from Housing options for this and maybe 10% of lettings are accounted for by homeless duty discharge. They are allowed to remain on housing register after obtaining a THF tenancy. The majority of rents are at or just above LHA.

- What are the targets for growth and achievements so far?

200 lettings years 1 and 2 total. Aim to achieve 350 in year 3.

Aim also to broaden the mix of property types, locations and market niches and to take a higher proportion of full management service fee income rather than just tenant finder and lettings. Aim to increase number of direct lets from landlords rather than going through commercial agents.

- Is there interaction with placements by other agencies (e.g. London Boroughs)

Not discussed

- Is there scope to coordinate users of PRS to avoid competition and ‘culture of incentive inflation’?

Not discussed

## West Midlands Social Letting Agency Research

### Midlands Case Studies

#### Case Study 5 – Local Authority led scheme in rural area

### PART 1- UNDERLYING QUESTIONS

1. **Who** are the lead organisations and other key agencies in your SLA? Are they local authority, public, third sector, charitable, social enterprise, commercial or public/ private partnerships?

This scheme is led by the Housing Service of a stock transfer local authority in a rural part of the region. The SLA has a separate brand but it is run as part of the Housing Service and the website shows clearly that the SLA is local authority led.

2. Are there particular organisational advantages or disadvantages associated with the lead organisation in this SLA (institutional/ structural/ management)?

The SLA is supported by the council and one core post is funded to run the SLA with support from the Housing Team. Recruitment to this post secured a candidate with private lettings agency experience. However, the post holder has some other duties. A Housing Officer within wider the team is going to trial

providing marketing support to increase take up. A Property Standards Officer has recently been added to the team.

The council-led identity can be a barrier for those landlords who do not want to engage with applicants in receipt of Housing Benefit. Another disadvantage has been that while the council was attracted by a self funding model for the SLA it is also risk averse for example in relation to rent guarantees and this may be inhibiting landlord demand.

**3. Why** is this SLA a good idea? What are the aims, motivations and rationale behind it?

The principal aim is to access additional housing supply accessible to housing applicants to prevent homelessness or to meet housing needs. After stock transfer there has been a continued good relationship with housing associations that provide housing to meet the need of the district. But for many homeless prevention cases waiting times can be too long and the aim of a pool of good quality PRS lettings is an important tool for homelessness prevention. An additional aim is to make the service self-funded through fees from landlords. In practice there are trade-offs between these aims and a matching service is provided free to landlords and this currently covers the majority of customers.

**4. How** do you establish and manage this SLA? Which processes and business/funding models are adopted and what impact do they have on the outcome?

The council took a 'spend to save' decision to fund the core post as part of the Housing Services team. Running costs are expected to be covered by fees from landlords for Assisted lets and a Managed service provision. There is no external subsidy, although the council has a small discretionary housing payment (DHP) budget to help on an interim basis to support customers. An increase in managed properties would be required to make the service self-funded. It is hoped that more intensive marketing will boost landlord demand.

**5. What** is your service offer? Is it predetermined/ a set menu or evolve according to types of service users and their needs? Are services provided in-house or contracted out?

**There are three main products on offer to landlords:**

- Matching a tenant to a vacant property (no charge)
- 'Assisted letting' service, acting as a facilitator doing all necessary paperwork, checks on tenants on application and property condition at end of tenancy.
- Full Management service.

Website also offers tailored services to meet landlord needs.

**The main service to tenants** is in accessing decent and suitable accommodation for housing applicants. There are quality checks on properties, a bond scheme and a Discretionary Housing Payment fund for rent top ups (usually limited to the early months of the tenancy). Staff also provide informal support to tenants, but it is harder to access externally provided tenancy support services since the Supporting People programme was re - directed by the County Council to their other priorities.

## **PART 2 - THE 4 PS RESEARCH FRAMEWORK**

### **6. People**

- Who is the scheme intended for (homeless accepted, homeless TA, housing options, other LA nominations, other)?

The core workload is homeless prevention and promoting housing options. The scheme is occasionally used for priority homeless; sometimes where there is intentionality. It is also used for groups who find it hard to access social housing including higher income groups with poor credit records.

- How do tenants compare it with social housing or other private rent options?

This is not a question that customers have been consulted about and it is therefore impossible to know.

- Does it provide comparable benefits to them to social housing?

No. Rents are higher, security is usually lower and there is no right to buy but standards are generally good within the district.

### **7. Properties:**

- How many properties has the case study SLA secured so far?

Numbers have been lower than anticipated. It is proposed to undertake more intensive marketing and an additional staff resource from within the Housing Service may increase landlord interest.

It is hard to secure properties across the district. Properties currently advertised on the website include two in each of the principal towns in the district. All look modern and attractive from website photos.

- What are the property standards?

Properties are inspected to ensure that standards are met. There is no standard expectation on furnishings and white goods but there is access to furniture grants which can often be arranged for new tenants.

- What are the rent/service charges?

Most local rents are around £100 higher than the LHA for a 2 bedroom property. Landlords expect their rental income to exceed LHA rents.

- What motivates landlords to sign up?

Some are socially motivated, most are interested in financial return. Many are put off by the housing benefit market. The scheme is able to offer bonds but cannot offer rent guarantees.

- Do SLAs provide comparable benefits to landlords compared to commercial lettings agents?

Higher benefits (than with commercial agents) as acknowledged by the core group of repeat landlords. Some had worked with the Council bond scheme and are now willing to pay in recognition of the benefits provided by the SLA. However these benefits can be hard to demonstrate in scheme publicity (knowledge of client group, provision of informal support to tenants, fast tracking housing benefit) and it is felt that more intensive marketing is needed.

## **8. Process:**

- The basics...Why, when, how and by whom was the SLA set up?

2014 by local authority

- How is it funded/ what is the current business model?

As above

- Was an external subsidy needed initially?

No

- Do landlord fees cover costs and is there scope for cross-subsidy?

Some of the services are charged for. With a larger managed portfolio the management fee could make a larger contribution to running costs.

- How is it organised operationally?

As a project within Housing Services Team but with a separate external brand. There is currently one full time staff member.

- What is the scope for growth and challenges of expansion?

The first two years have seen gradual progress. The main challenges have been operating within LA constraints and landlord perceptions. Word of mouth recommendations have highlighted the importance of building trust and reputation. Marketing and additional staff resource within the team is anticipated to enable further growth.

- What is the ideal scale and extent of niche specialism for future schemes?

Aim to grow over time and not averse to widening the scope of the service to include new service elements such as private sector leasing.

## 9. Policy:

- What are the criteria for property procurement and client nomination/referrals?

Inspection of all properties by Property Standards Officer. Tenants are interviewed and previous tenancy history and suitability for lettings assessed.

- What interaction is there with homelessness applications/CBL, interaction with LHA rates (avoiding poverty traps)?

Some interaction with homeless applicants and some properties advertised on CBL.

LHA rates are well below market, there is no use of enhanced rates (HALD or exempt accommodation). Thus it is hard to compete for suitable / affordable properties. It is necessary to find landlords who would value the management service sufficiently to pay a fee.

What are the targets for growth and achievements so far?

The SLA is being regularly monitored with the ambition of becoming self-funded in year 2 of a 3 year term. The SLA is growing albeit at a slower rate than initially envisaged.

- Is there interaction with placements by other agencies (e.g. London Boroughs)

No.

Is there scope to coordinate users of PRS to avoid competition and 'culture of incentive inflation'?

N/A

## Appendix B - Full Tables from Regional Analysis of LHA and lower quartile rents

**Table B1 Difference between median LHA claims and Lower Quartile private rents: Shared Accommodation, West Midlands**

<b>Local Authority</b>	<b>Shared - Median LHA claim (£pcm)</b>	<b>Shared - Lower Quartile Private rents (£pcm)</b>	<b>Shared - Gap between LHA claims &amp; Lower Quartile private rents (£pcm)</b>
<b>Birmingham</b>	258.41	336.23	-77.82
<b>Bromsgrove</b>	258.13	298.33	-40.20
<b>Cannock Chase</b>	256.54	433.00	-176.46
<b>Coventry</b>	257.45	332.71	-75.26
<b>Dudley</b>	261.07	292.50	-31.43
<b>East Staffordshire</b>	255.47	327.86	-72.39
<b>Herefordshire, County of UA</b>	255.04	301.67	-46.62
<b>Lichfield</b>	249.10	420.33	-171.23
<b>Malvern Hills</b>	256.80	350.00	-93.20
<b>Newcastle-under-Lyme</b>	245.92	282.00	-36.08
<b>North Warwickshire</b>	254.17	325.00	-70.83
<b>Nuneaton and Bedworth</b>	260.79	298.77	-37.98
<b>Redditch</b>	257.88	326.25	-68.37
<b>Rugby</b>	259.60	404.33	-144.73
<b>Sandwell</b>	261.62	343.00	-81.38
<b>Shropshire UA</b>	256.00	319.29	-63.29
<b>Solihull</b>	253.71	383.75	-130.04
<b>South Staffordshire</b>	266.67	328.53	-61.86
<b>Stafford</b>	255.13	327.78	-72.65
<b>Staffordshire Moorlands</b>	254.85	328.53	-73.68
<b>Stoke-on-Trent UA</b>	240.99	244.33	-3.35
<b>Stratford-on-Avon</b>	254.81	425.00	-170.19
<b>Tamworth</b>	257.95	390.00	-132.05
<b>Telford and Wrekin UA</b>	263.68	324.58	-60.90
<b>Walsall</b>	260.50	325.00	-64.50
<b>Warwick</b>	261.31	363.46	-102.15
<b>Wolverhampton</b>	259.68	309.00	-49.32
<b>Worcester</b>	262.17	364.50	-102.33
<b>Wychavon</b>	258.61	379.33	-120.73
<b>Wyre Forest</b>	255.73	280.00	-24.27

**Table B.2: Difference between median LHA claims and Lower Quartile private rents:1 Bed, West Midlands**

<b>Local Authority</b>	<b>1 Bed - Median LHA claim (£pcm)</b>	<b>1 Bed - LQ Private rents Lower Quartile Private rents (£pcm)</b>	<b>1 Bed - Gap between LHA claims &amp; Lower Quartile private rents (£pcm)</b>
<b>Birmingham</b>	366.05	475	-108.95
<b>Bromsgrove</b>	360.14	425	-64.86
<b>Cannock Chase</b>	359.82	375	-15.18
<b>Coventry</b>	362.80	450	-87.20
<b>Dudley</b>	362.15	375	-12.85
<b>East Staffordshire</b>	355.81	395	-39.19
<b>Herefordshire, County of UA</b>	354.20	400	-45.80
<b>Lichfield</b>	357.21	450	-92.79
<b>Malvern Hills</b>	357.55	450	-92.45
<b>Newcastle-under-Lyme</b>	353.99	375	-21.01
<b>North Warwickshire</b>	356.31	395	-38.69
<b>Nuneaton and Bedworth</b>	360.13	395	-34.87
<b>Redditch</b>	359.97	465	-105.03
<b>Rugby</b>	358.00	455	-97.00
<b>Sandwell</b>	362.04	375	-12.96
<b>Shropshire UA</b>	354.48	375	-20.52
<b>Solihull</b>	406.51	500	-93.49
<b>South Staffordshire</b>	356.42	410	-53.58
<b>Stafford</b>	357.70	395	-37.30
<b>Staffordshire Moorlands</b>	345.74	328	17.74
<b>Stoke-on-Trent UA</b>	360.68	350	10.68
<b>Stratford-on-Avon</b>	423.44	550	-126.56
<b>Tamworth</b>	359.38	450	-90.63
<b>Telford and Wrekin UA</b>	356.42	400	-43.58
<b>Walsall</b>	360.82	375	-14.18
<b>Warwick</b>	452.61	595	-142.39
<b>Wolverhampton</b>	364.83	395	-30.17
<b>Worcester</b>	366.45	470	-103.55
<b>Wychavon</b>	359.00	450	-91.00
<b>Wyre Forest</b>	356.43	390	-33.57

**Table B.3: Difference between median LHA claims and Lower Quartile private rents: 2 Bed, West Midlands**

<b>Local Authority</b>	<b>2 Bed - Median LHA claim (£pcm)</b>	<b>2 Bed - LQ Private rents Lower Quartile Private rents (£pcm)</b>	<b>2 Bed - Gap between LHA claims &amp; Lower Quartile private rents (£pcm)</b>
<b>Birmingham</b>	452.31	575	-122.69
<b>Bromsgrove</b>	434.62	585	-150.38
<b>Cannock Chase</b>	418.75	475	-56.25
<b>Coventry</b>	435.72	525	-89.28
<b>Dudley</b>	446.07	475	-28.93
<b>East Staffordshire</b>	383.28	475	-91.72
<b>Herefordshire, County of UA</b>	400.98	515	-114.02
<b>Lichfield</b>	416.67	550	-133.33
<b>Malvern Hills</b>	463.84	535	-71.16
<b>Newcastle-under-Lyme</b>	344.26	450	-105.74
<b>North Warwickshire</b>	436.64	495	-58.36
<b>Nuneaton and Bedworth</b>	437.20	480	-42.80
<b>Redditch</b>	410.61	575	-164.39
<b>Rugby</b>	340.48	585	-244.52
<b>Sandwell</b>	443.97	475	-31.03
<b>Shropshire UA</b>	407.29	475	-67.71
<b>Solihull</b>	483.11	650	-166.89
<b>South Staffordshire</b>	394.57	540	-145.43
<b>Stafford</b>	393.00	525	-132.00
<b>Staffordshire Moorlands</b>	342.28	420	-77.72
<b>Stoke-on-Trent UA</b>	353.10	390	-36.90
<b>Stratford-on-Avon</b>	462.50	675	-212.50
<b>Tamworth</b>	408.06	550	-141.94
<b>Telford and Wrekin UA</b>	447.81	500	-52.19
<b>Walsall</b>	438.56	450	-11.44
<b>Warwick</b>	453.19	750	-296.81
<b>Wolverhampton</b>	440.35	475	-34.65
<b>Worcester</b>	441.35	580	-138.65
<b>Wychavon</b>	456.66	550	-93.34
<b>Wyre Forest</b>	442.08	500	-57.92

**Table B.4: Difference between median LHA claims and Lower Quartile private rents: 3 Bed, West Midlands**

<b>Local Authority</b>	<b>3 Bed - Median LHA claim (£pcm)</b>	<b>3 Bed - LQ Private rents Lower Quartile Private rents (£pcm)</b>	<b>3 Bed - Gap between LHA claims &amp; Lower Quartile private rents (£pcm)</b>
<b>Birmingham</b>	492.30	600	-107.70
<b>Bromsgrove</b>	480.55	695	-214.45
<b>Cannock Chase</b>	435.02	550	-114.98
<b>Coventry</b>	528.07	600	-71.93
<b>Dudley</b>	483.33	550	-66.67
<b>East Staffordshire</b>	451.05	550	-98.95
<b>Herefordshire, County of UA</b>	462.74	625	-162.26
<b>Lichfield</b>	413.89	625	-211.11
<b>Malvern Hills</b>	452.56	695	-242.44
<b>Newcastle-under-Lyme</b>	481.86	495	-13.14
<b>North Warwickshire</b>	412.50	575	-162.50
<b>Nuneaton and Bedworth</b>	535.25	550	-14.75
<b>Redditch</b>	508.33	650	-141.67
<b>Rugby</b>	482.11	675	-192.89
<b>Sandwell</b>	414.06	550	-135.94
<b>Shropshire UA</b>	610.25	575	35.25
<b>Solihull</b>	575.83	700	-124.17
<b>South Staffordshire</b>	520.36	625	-104.64
<b>Stafford</b>	496.50	595	-98.50
<b>Staffordshire Moorlands</b>	460.82	500	-39.18
<b>Stoke-on-Trent UA</b>	460.71	475	-14.29
<b>Stratford-on-Avon</b>	652.87	825	-172.13
<b>Tamworth</b>	457.88	600	-142.12
<b>Telford and Wrekin UA</b>	458.50	575	-116.50
<b>Walsall</b>	514.58	525	-10.42
<b>Warwick</b>	528.07	850	-321.93
<b>Wolverhampton</b>	510.47	525	-14.53
<b>Worcester</b>	569.33	675	-105.67
<b>Wychavon</b>	525.44	700	-174.56
<b>Wyre Forest</b>	476.75	550	-73.25

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