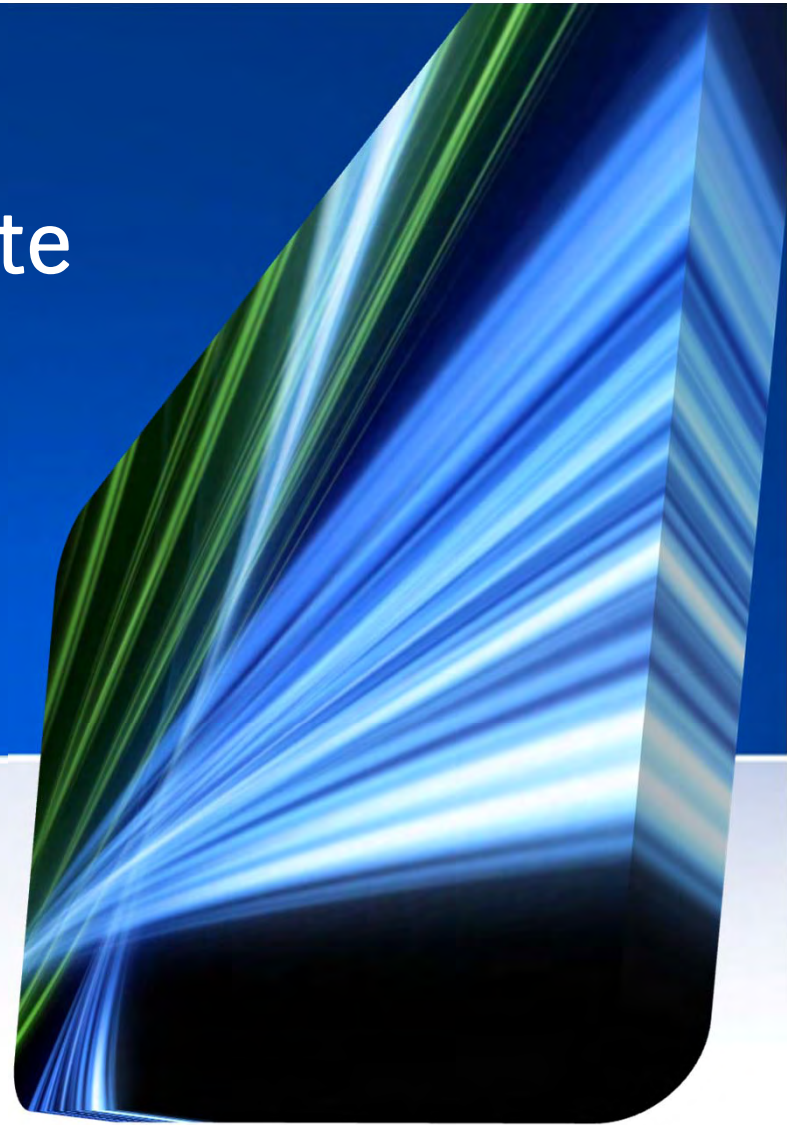



Operating council-run Private Sector Leasing schemes to meet housing need and make a profit

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What do you know
about Social Lettings
Agencies
and what do you
want to know?

What could you achieve?



- Use opportunities of the Private Rented
- Sector by:
 - taking advantage of the growing sector
 - help people over-come barriers to it
- Tackle increasing Housing Waiting Lists and homelessness
- Deal with the impact of the Welfare Reforms
- Improve property conditions and management standards
- Generate income surplus
- 'Get serious' about shifting reliance on the social sector to meet the need for affordable housing

Other factors that need to be considered



- The need to achieve local Member support of a Social Lettings Agency
- The impact on local 'high-street' letting agencies
- Whether it could be subsidised by the Council
Would it create unrealistic expectations for people in the borough?
- Financial risks
- Will your private rental market allow it?

The types of property management services on offer



- Long-term leasing of self-contained accommodation
- Long-term leasing of Houses in Multiple Occupation, HMOs
- Direct lettings without ongoing property management services
- A commercial 'high-street' style property management service of Assured Short-hold Tenancies

Your local private rented market



- The critical factor – does your local market offer the opportunity to operate a Social Lettings Agency?
- How does your LHA compare to private sector market rates
- Will local landlords accept PSL Fees at LHA or less
- Will landlords expect market rates for the AST option

What is your offer to landlords?



- Private Sector Leasing – self contained accommodation:
 - 3 – 5 year leases
 - guaranteed monthly fee
 - free property management service
 - some free repairs
- Leasing Houses in Multiple Occupation
 - higher gross income from the leased HMO
 - free management service
 - all utilities paid by the Council

The offer to AST landlords



- 'High-street' style property management service can offer:
 - rents set at maximum Local Housing Allowance or market rate
 - guaranteed monthly fees
 - negotiable management charges of between 8 – 12%
 - One-off incentive payment
 - a deposit bond guarantee paid by the Council
 - 3 x free repairs up to the value of £100 for each repair
 - a free pre-tenancy gas safety check
 - a team of experienced Housing Officers
 - Local Housing Allowance paid directly to landlords
 - resettlement support for the tenant

How has our
offer
changed?



What groups do you want to target?



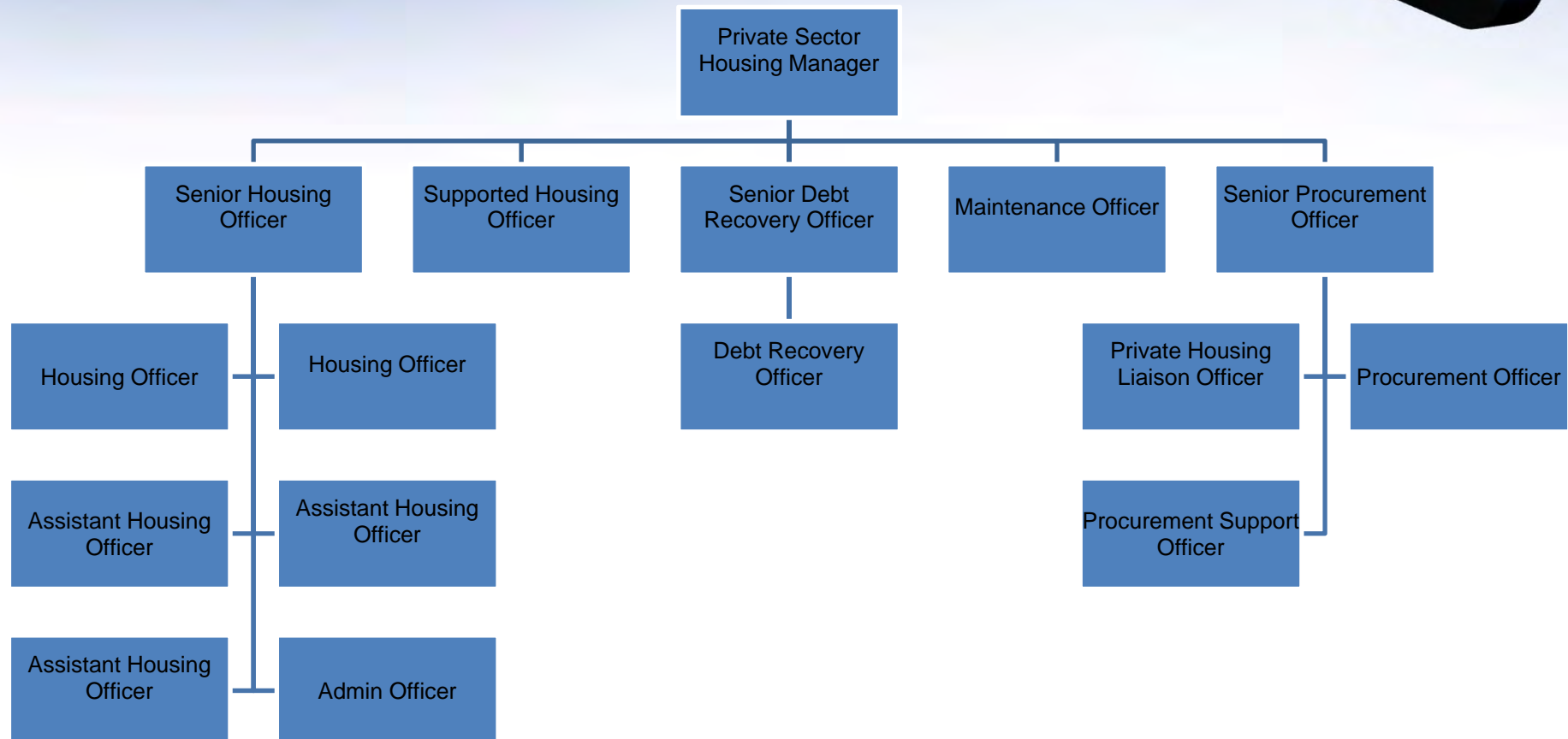
- Until recently, all households have been referred to all products
- But this is set to change
- Consider having target groups with indicative numbers for each product
- Havering's model changes depending on demand

How to pay for a Social Lettings Agency

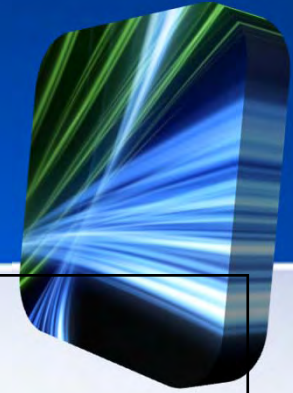


- Havering's Social Letting Agency has been financially modelled on the basis that:
 - it is supported in the first two years by Homelessness Prevention Grant
 - it is also under-pinned by 'tried and tested' income surplus from the leased products
 - the AST element will be heavily incentivised in the first two years
 - build up the 'brand' and the reputation during this period
 - by the end of year 2 – March 2014, there will be a portfolio of 450 units:
 - the AST management element will operate at a surplus from this point
 - gross profit margins for each product are:

Team structure



Basic rental modelling



Product	Amount Charged to the tenant (based on maximum LHA)	Amount paid to the Landlord	Gross profit	% Margin
Private Sector Leasing	£180	£144	£36	20%
Leasing of HMOs	£180	£72	£108	60%
AST property management	£150	£132	£18	12%

All weekly amounts based on one bedroom accommodation

Legal considerations



- Section 179 of the 1996 Housing Act - the duties and discretion to provide housing advice and assistance
- Section 2 (2) (b), Local Government Act 2000 - where every local authority are to have power to do anything which they consider is likely to achieve improvements of the social well-being of their area

Legal considerations



- Section 93 Local Government Act 2003 – Councils' power to charge for discretionary service
 - to act within this power, the Council will need to ensure that it does not make a profit
- The Localism Act – gives greater discretion to Councils but:
 - where, a local authority does things for a 'commercial purpose', the authority must do them through a company

A review of the main risks



- The lack of clarity around the legal implication arising from the Localism Act
- The uncertainty on the Housing Benefit rules relating to temporary accommodation including the PSL and HMOs products
- Unfair positioning in the commercial lettings market leading potential market in-balance, political intervention or legal challenge
- On the other hand, can you attract the sufficient 'slice' of the market to make the scheme self-sustaining
- A number of other financial risks including:
 - income management and rent arrears, particularly the AST product
 - the impact of the Welfare Reforms

The impact of the Welfare Reforms



- Universal Credit and the AST management :
 - guaranteed rents puts the Council at risk and will depend on:
 - timing of how cases will be phased across to UC
 - the ongoing arrangement to pay landlords directly for 'vulnerable' tenants
 - the definition of 'vulnerable'
- Universal Credit for leased accommodation
 - from April 2013 Housing Benefit subsidy for all leased accommodation cases will continue to be based on the current arrangements
 - then, Universal Credit claimants housed in leased accommodation will receive their housing support as part of their Universal Credit
 - the management element for UC households in leased accommodation will be separated out and paid directly to local authorities

Final thoughts

