Social Lettings Agencies

Stakeholder Event: Telford/ Marches

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Programme

• Introduction to Social Lettings Agencies and Overview of WM SLA Research
• WM SLA Case Study – Let to Birmingham
• Local SLA Models – Telford experience
• Peer Exchange Discussion
• Summary and Looking Ahead
Introduction and Overview

• Current Policy Context
• Purpose of the Research and Key messages
• Typologies
• Topic Guide Framework (for Peer Group Discussion)
The End of Social Housing?

Security
- Secure homes and succession rights
- Fixed term tenancies

Cost
- Affordability (housing for poor accessible to employment)
- 80% market rents
- Benefit cutbacks, bedroom tax

Need
- Need to Desert
- Welfare conditionality

Quality
- Property Conditions earliest driver for council housing
- Agency: PRS as discharge of duty
- Removal of link between subsidy and quality

Undermining the Four Goals of Social Housing
From Social Rent to Private Rent

- **Steering**
  - Discharge of duty
  - Housing options
  - Social Lettings Agencies

- **Funding**
  - Capital subsidy to personal subsidy
  - Tax relief (£5bil to BTL on mortgage interest) cut 2015

- **Choice?**
  - Eroding advantages of social housing tenure v PRS
  - 1 million low income households into PRS in 10 years
  - LHA caps limit to bottom 1/3 market
  - **Emergence of sub-PRS** - Beds in sheds – subdivision and letting – non-converted industrial buildings

Source: Department for Communities and Local Government (DCLG) & Census
PRS: The New Social Housing?

“There is no political will to revive the social housing sector. Local lettings agencies offer a ‘next-best’ alternative.” (Rugg, 2011)

But how will this meet core social aims, associated with social housing?:

– Security
– Cost
– Need
– Quality

Is it feasible for PRS access through SLAs to become the new social housing?
Changing Policy Context

• Housing and Planning Act – focus on ‘rogue landlords’
• Migration Policy – ‘Right to Rent’ – private landlords as Border Agency agents!
• Budget announcements – Mortgage Tax relief withdrawal from landlords, additional stamp duty, reduced capital gains tax on other investments, Lettings agency fee to tenants
• Welfare Changes – LHA freeze, caps and end of landlord direct payments – risk increases for private landlords
Impact in Region – Testing the Mood

• How are these policy changes affecting motivation to operate in the HB niche market
• Mood of West Midlands Landlord Conference in October quite gloomy – landlords under siege?
• How might SLAs engage with this mood – incentivise good landlords to give access to decent properties?
• Manage risk – bonds to cover deposits, guaranteed payments, leasing rather than agency models?
Social Lettings Agencies – origins and core aims

“Social lettings agencies could be established to deal with all the private renting procurement required by statutory agencies in a given area. These agencies should charge a standard management fee, and move the housing benefit market away from a culture of ‘incentive inflation.’”

(Rugg and Rhodes 2008)

“social lettings agencies help people access the PRS who are homeless or on low-incomes”

(Shelter Scotland 2015)
“a particular model of housing-led innovation in the area of homelessness developed in Flanders”
“part of a movement to ensure adequate and affordable housing for vulnerable tenants through socialising the private rented sector.”

Wider and Divergent?

• **SOCIAL** “this cannot be achieved through merely providing them with a roof over their head.” – advocates wide range of services such as child care, employability advice to “assist people to take control, be motivated and move forward”. (Crisis, 2015)

• **OR COMMERCIAL** “the terminology has come to be applied specifically to those schemes that operate on a commercial basis and so generate income through their activities.” (Shelter Scotland 2015) ‘they operate along the lines of a high street lettings agency’ (CSJ 2015)

• “a broad umbrella term. It encompasses a large range of different approaches and types of organisations, with different motivations, structures, operations, funding and governance arrangements.” (Shelter Scotland 2015)
Ambitious & Ambiguous aims

- Tenant empowerment and choice
- Lower than market rents for economically disadvantaged
- Improving local PRS market standards
- More affordable to authorities than alternatives such as B&B and leasing
- Business/Commercial/social enterprise approach to generate income and cover costs
- To socialise the private rented sector (FEANTSA 2012)
- Wider support to assist people to move forward e.g. childcare and employability support
- ‘to minimise risk to landlords so they are willing to let to benefit claimants’ (CSJ 2015)
- More than housing? ‘typically SLAs will have support workers who regularly check in on the vulnerable’ (CSJ 2015)

So how do we make sense of these competing (cl)aims?
Typology Elements

• **Who?** – are the lead organisations – does sector and ethos make a difference?

• **Why?** – motivation and rationale clearly mixed and variable – how does the mix affect the model?

• **How?** – guides focus on processes and business models – Do these determine the outcome?

• **What?** – range of services offered determines the scope and who the SLA is for
Who?

Who is the lead and other organisations in the SLA?

- Local Authorities (e.g. Telford Home Finder, Kirklees Housing Solutions, Exeter, Leeds)
- Charities (e.g. Methodist Action, Preston)
- Housing Associations (e.g. Framework, Nottingham. HAs growing role in PRS but not particularly in LHA niche)
- Social Enterprises/CICs (e.g. Ethical Lettings Agency, Stockton)
- Commercial (? Some commercial lettings agents have more social orientation)
- Public: Private Partnerships (e.g. Let to Birmingham (BCC/ Mears)

Still more examples of LA led than any other type?
Who? – differences between sectors

LTB scoping exercise - LA lacking skills
Exeter - difficulties in using LA software and services for a different market niche
Commentators such as Lawrenson (LettingFocus) critical of LAs
Yet LA start ups continue – supply security motivation?

Rugg (2011) lists advantages/disadvantages by sector

<table>
<thead>
<tr>
<th>Local authority</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td></td>
<td>• Established organisation with management structure and administrative capacity</td>
<td>• Conflict of interest between local authority enforcement role and local lettings agency</td>
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<tr>
<td></td>
<td>• Could move service to social enterprise model over time as it becomes self-funding</td>
<td>• Conflict of interest between housing advice role and local lettings agency</td>
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<td></td>
<td>• Could potentially provide in-house maintenance services if own housing stock exists</td>
<td>• Landlords may therefore be unwilling to engage</td>
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<td></td>
<td>• Housing benefits department “in-house”</td>
<td>• Difficult to source external funding</td>
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<td>• Good awareness of client history</td>
<td>• May find sourcing additional resources/staffing for the local lettings agency project difficult in the current environment of budget cuts</td>
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<td>• Access to clients looking for accommodation</td>
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Who? difference between sectors

- Charities and advice agencies have similar supply security and quality motive for their clients
- Social purpose can add value with socially motivated landlords and with tenants
- Links to empty homes work can create synergies on supply side
- HAs have capacity and strength but large scale may be disadvantage and PRS expertise may be lacking
- CICs may be a good vehicle but few examples
Why?

Response to Homelessness crisis and resource gap
• Response to other statutory needs
• More cost effective/better quality than alternatives (B&B, leasing?)

Response to gap in commercial lettings market?
• Reducing risks for landlords to increase properties available to LHA claimants
• Providing more support than lettings agents

Better use of private sector stock
• More choice and flexibility for clients
• Attempts to shape and manage the market
Potential for trade-offs between commercial and social purposes

- Viability benefits of larger pool of properties and management fee income
- Potential for cross-subsidy (based on costs/fees for different market niches?)
- Premium services at added cost (menu approach)
- But is service mix different for different parts of the market?
- Dangers of ‘creaming off’ lower risk tenants to enhance viability and reputation?
- HALD (above LHA rents) may attract better properties at rents that exclude those in low wage work
How?

Funding Models - Commercial? Not-for-profit?
- Is there grant or subsidy or is service funded from trading surpluses?

Menu and scale of charges to suit landlord needs
- Competing with commercial letting agents? Or clear product differentiation?

Viability issues
- Limited by Housing Benefit and eligible allowances that LAs can reclaim from DWP
- Are LHA limits high enough to support rent and management fees?

Client Target Groups
- Focus on local authority clients importance of IT and referral processes
- Wider niche beyond the LA? – implications for service design and marketing
- Managing different access routes and expectations

Delivery/Staffing models
- Essential in-house skills and staffing resources
- Partnerships and contracting out
- Core services and add-ons
What?

The Service Offer e.g:

- Full management services
- Managing agents
- Tenant finder and rent collection
- Leasing arrangements
- Admin
- Repairs and Maintenance
- Tenancy support, ASB etc. related to housing management
- Wider social support
The Whole Typology

Who?
– Lead Agency

Why?
- Niche Groups

How?
- Business model & viability

What?
- services menu for landlords & tenants

Models
Where are the Gaps in knowledge?

• Most existing guides are concerned with process, start ups and viability
• Less concerned with outcomes and experience of tenants and landlords
• Very little exploration of trade-offs between competing aims (e.g. social v commercial)
• Limited coverage of West Midlands (apart from LTB and Worcester CAB SmartLets in Shelter Scotland guide)

‘4 Ps’ Research Framework focuses on these gaps and being applied to Let to Birmingham case study
The Four Ps

- People
- Policy
- Properties
- Process
PEER EXCHANGE FRAMEWORK

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?

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

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

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?
1. 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?
2. PROPERTIES:

• How many properties has the case study SLA secured so far?
• What are the property standards?
• What are the rent/service charges?
• What motivates landlords to sign up?
• Do SLAs provide comparable benefits to landlords compared to commercial lettings agents?
3. PROCESS:

- The basics...Why, when, how and by whom was the SLA set up?
- How is it funded/what is the current business model?
- Was an external subsidy needed initially?
- Do landlord fees cover costs and is there scope for cross-subsidy?
- How is it organised operationally?
- What is the scope for growth and challenges of expansion?
- What is the ideal scale and extent of niche specialism for future schemes?
4. POLICY

• What are the criteria for property procurement and client nomination/referrals?
• What interaction is there with homelessness applications, interaction with LHA rates (avoiding poverty traps)?
• What are the targets for growth and achievements so far?
• Is there interaction with placements by other agencies (e.g. London Boroughs)
• Is there scope to coordinate users of PRS to avoid competition and ‘culture of incentive inflation’?
• Scope for Protocols and Shared Guidance?
Sources

Inside Housing Solutions and Crisis UK (2015) *Social lettings agencies: How to plan, develop, launch and sustain an income generating SLA*. Crisis


Anna Evans (2015) *Social Models of Letting Agencies Scoping study*. Shelter Scotland


West Midlands Specific Issues?

- Diverse housing markets
- Out of Borough placements – London Boroughs and smaller intra-regional transfers
- Some HA involvement in intermediate rental market
- Some specialist supported housing landlords – private sector RPs
- Reshaping student housing markets with more purpose built may be creating new opportunities
- Migration and minority ethnic supply and demand side impacts
- Low level of SLA start ups?