

Appendix 2

LLA Business Case

Overview

It is proposed that Durham County Council establish a Local Lettings Agency (LLA) to meet housing needs of vulnerable County residents.

Durham's Local Lettings Agency would trade to provide private rented housing to households in need. This would initially, for the first 2 years, be via a leasehold scheme, taking properties from private landlords on 5 years leases then renting then directly to local authority applicants. In time, the LLA could develop other streams, such as property management and direct purchase.

An LLA is a not for profit organisation and it is expected that the LLA will cover its running costs. Any surpluses generated would be reinvested into the LLA to improve housing quality and choice for tenants.

Durham County Council received funding under the Rapid Rehousing Pathway (RRP) bid from the Ministry of Housing and Local Communities (MHCLG). The RRP brings together four policy interventions (Somewhere Safe to Stay, Supported Lettings, Navigators and Local Lettings Agencies) that will help rough sleepers, and those at risk of rough sleeping, access the support and settled housing they need to leave the streets for good.

Summary

The council's Strategic Housing Market Assessment 2016 (SHMA) provides an overview of the housing market context in County Durham. As context, County Durham has a total of 239,685 dwellings and a total of 226,322 households. Of this stock:

- 65.86% of properties are owner-occupied
- 20.20% are in the social sector
- 13.94% are private rented.

Strategic Overview

The Local Lettings Agency meets a number of aims within the Housing Strategy:

1. Develop a Housing Market Position Statement to consider the specific needs of the following groups and the geographical locations where services / specialist facilities are required:
 - a) older persons;
 - b) people with physical disabilities mental health issues and people with

learning difficulties; and
c) single person homelessness

The Local Lettings Agency aims to meet the needs of the single person homelessness. Under the Homeless Reduction Act 2017, this cohort are often only entitled to tailored advice and assistance and struggle to access housing due to factors below.

2. Prevention of homelessness in County Durham.

The LLA will also assist with providing housing during early intervention stages by working closely with Housing Solutions Homeless team to provide specific properties for individuals.

Increase access to and supply of accommodation for those who are homeless or at threat of homelessness. The LLA will assist by providing additional and accessible housing.

3. Increase housing offers and options available in County Durham;
Provide a range of alternative rental accommodation/ housing solutions, such as the Local Letting Agency.

The Housing Strategy aims to provide additional rental housing through a Local Lettings Agency

4. Address empty homes to support communities

The Local Lettings Agency will target owners with empty homes to lease properties. These owners are receiving no income for their properties whilst paying maintenance costs and council tax. This will also assist in bringing more empty properties back into use.

The Homeless and Rough Sleeping Strategy aims to:

1. Increase existing supply by working with organisations and landlords to utilise empty properties for example: the ongoing models with NACRO and County Durham Housing Group

The LLA would fit into this as a landlord bringing empty homes back into use.

2. Develop a proposal for a buy to lease model involving the Council working in partnership with a range of providers

The LLA would manage and allocate the buy to lease properties.

Private rented housing was relatively easy to access in Durham until recently due to several changes in the housing market. These have included the rising

demand for social rented housing and the introduction of the Welfare Reform Act 2011.

The Welfare Reform Act brought about major changes to welfare benefits reducing income for many households. The introduction of the Local Housing allowance (LHA) and Universal Credit (UC) have further impacted on the ability to access housing.

The Housing Act 1996 made it possible for Local Authorities to discharge homeless duties into private rented sector properties. Durham County Council procedures allows this only to those landlords on its accreditation scheme to ensure property standards.

The Local Government Act 1972 allows Local Authorities to acquire housing stock to discharge its homeless duties. However, these properties would be let on a secure tenancy and open to the right to buy. If the Local Authority exceeded 200 properties it would need to reopen its Housing Revenue Account.

The Homeless Reduction Act 2017 opens the private rented sector further for homeless households stating that homeless duties can be discharged to a private landlord if they are a fit and proper person. The checks associated with deeming a landlord 'fit and proper' for each property would be time consuming.

The Homeless Reduction Act 2017 requires Local Authorities to prevent and relive homelessness, intervening at earlier stages than processing a full homeless application and accepting homeless duties.

At present Durham County Council rely on social housing providers and accredited private landlords accepting a tenant to either prevent, relive or discharge homeless duties. These providers are becoming more risk adverse and business savvy in their approach to housing; quite often not accepting anyone with risks, support or complex needs.

Exclusions from Durham Key Options Housing Register are around 1600 each year, although not every one of these households would need housing by or be suitable for an LLA property. Exclusion from the Housing Register re for previous rent arrears, anti-social behaviour or no tenancy experience.

Work is ongoing with social providers and private landlords to accept those with support needs but there are no assurances this will fully meet Durham County Councils needs.

Front line staff state that finding a property for someone in housing need is difficult and time consuming.

A proportion of those waiting for housing or excluded from the Housing Register are not in priority need or require housing as an early intervention to homelessness (this is prior to prevention duties.) Intervening at this early stage can prevent homeless applications.

Durham County Council operates accommodation finding and support schemes for ex-offenders, for them to secure accommodation with support and through this reduce the risk of reoffending. These include Project Beta, Prison Accommodation Officer, MAPPA and IOM Checkpoint. Staff in these projects are finding it increasingly difficult to house clients due to a lack of available properties or landlords willing to accept.

Opening an LLA will allow Durham County Council to provide housing for:

- Excluded from Durham Key Options Housing Register due to rent arrears, anti-social behaviour and substance misuse issues (Durham currently has 1 600 excluded from the Housing Register). Allocations will be made to those ready to move on and accept necessary support;
- Require housing under Homeless Reduction Act duties, either prevention or relief, to prevent rough sleeping. LLA Housing will be offered if it is the most appropriate option available;
- Not owed a homeless duty by Durham County Council but would rough sleep or be inadequately housed if not provided with housing; if the LLA is seen to be the most suitable housing option available;
- Require housing because of rough sleeping;
- Identified as in need of housing through assessment centre received under RRP bid; this will apply if other alternatives and options are not available;
- Require housing as part of Durham County Council's continued care through Adult and Children's Services and Public Health services
- Fall under the North East Reconnections Procedure, client cannot return to their home local authority and requires housing by another local authority. This forms part of the North East funded work that Durham County Council has led on

The number of properties needed for the LLA is uncertain and will be developed on a need led basis, allowing the LLA to grow organically.

Options Appraisal

Do nothing – this is not an option as it is becoming more and more difficult to house certain clients. Local Authorities are expected to prevent and relieve

homelessness under the Homeless Reduction Act and provide housing at earlier stages.

Do minimal – Durham County Council could take up to 200 properties to discharge homeless duties. However, there is a need to house those excluded from the Housing Register and prevent/relieve homelessness, so this is not a viable option.

Stay as is – Housing Solutions staff are finding it increasingly difficult to house excludes, those with complex needs and ex-offenders. If these individuals are not housed there is a risk they will become rough sleepers.

Tenancy finder service – this is similar to Durham County Council's Private Landlord Accreditation Scheme. With this option Durham County Council still do not have control over who is housed and can only make recommendations

Use a private provider – Durham County Council met with Mears Group in 2017 and NACRO run a small lettings scheme in the County. Private providers introduce their own allocations procedures so there is no guarantee who would be housed. NACRO will only offer a 3-year lease to owners but the majority have fed back to the Private Landlord Team a 5-year lease would be a bigger incentive.

Open a Local Lettings Agency – this is the preferred option as Durham County Council would have full control over properties, allocations procedures and could allocate to a broader range of individuals other than those owed a homeless duty.

Benefits of an LLA

- The benefits to opening an LLA would be a further prevention tools for Housing Officers to use and a reduction in the spend on temporary accommodation, as cases could be housed at an earlier stage. Temporary accommodation cost Durham County Council £111 044 in 2017/18 on temporary accommodation and £209 918 in 2018/19. These costs are for B&Bs, hotels and crash pads.

Durham County Council run a Rent Deposit Guarantee Scheme (RDGS) giving deposits of £1 910 in 2017/18 and £8383 in 2018/19. This money is not recovered by DCC and could be diverted to other use.

The LLA could help to reduce these operating costs by housing quickly and not taking a rent deposit. Tenants would be encouraged to save via Credit Unions for future rent deposits.

- Rough sleeping and begging is increasing in Durham in line with national trends.

There is a cost to the public purse with rough sleepers, often needing medical interventions, policing and costs to businesses.

Rough sleeper numbers have increased in Durham City Centre from 3 individuals in 2015 rough sleeper estimate to 12 in 2018. Housing Solutions gather daily data on rough sleepers and have employed an Outreach Worker via Changing Lives to work with rough sleepers.

Data shows that a number of people are helped into accommodation each month. June 2018 – April 2019 rough sleeper outreach worker identified 89 individuals, 41 of which were moved on into accommodation either assessment centre, supported accommodation, private rented or social. Of the other 48 some have moved to family/friends, returned to hospital or just lost contact. However, 14 of these are entrenched rough sleepers.

Several rough sleepers do not want to be housed in supported accommodation or it is not suitable for them.

The LLA would provide housing for rough sleepers. Early evidence from initial Rapid Rehousing Schemes in Scotland and Preston, has shown that entrenched rough sleepers are more likely to engage if there is a negatable housing offer.

- The LLA would target owners of empty homes for its leasehold scheme, helping to reduce the number of empty homes in the County. Empty homes owners receive no income from their properties and have associated costs of council tax, repairs and maintenance. Bringing these properties into a leasehold scheme would result in income for the owners and reduced outgoings as the tenant would pay for council tax.

Empty homes may need to be brought up to standard and owners could access Empty Homes Grants. Durham County Councils Empty Homes Officers target properties each year to bring back into use and the LLA could be a further tool to assist.

- Children's and Adult Services have identified demand for move on properties, as have Public Health through the RAD project. These properties need to be within a short distance of a centre and support would be provided via Adults, Children's or Public Health. The LLA would work with these departments to identify and lease suitable properties for use.

- There is a need for move on accommodation from Durham County Councils commissioned services. A number of these clients are

excluded from the Housing Register due to previous behaviours. This creates bed blocking. A snap shot of this is provided in the figures below from commissioned services, this shows the number of people waiting to move on and for what length of time. These clients may need tenancy support which can be provided via the LLA.

2017/18	Q1	Q2	Q3	Q4
<2 weeks	4	14	11	9
2-4 weeks	8	9	10	14
4-6 weeks	5	3	6	12
6+ weeks	20	12	10	5

2018/19	Q1	Q2	Q3
<2 weeks	12	14	10
2-4 weeks	3	17	8
4-6 weeks	5	2	10
6+ weeks	13	6	6

Risks of an LLA

- The main risk to Durham County Council is reputational if the scheme fails. Durham County Council has good relationships and reputation with landlords in the County. Break clauses will be included in all leases for both owners and the LLA. Highly detailed property inspections will be carried out prior to lease agreements to protect the landlord, tenant and lettings agency.

- The client group to be housed pose a risk as they may have had failed tenancies in the past or be housed with complex needs. This can lead to non-payment of rents, poor living and property standards and anti-social behaviour. Housing Management Officers will support tenants in maintaining their tenancy and a Tenancy Skills Course is being developed with Adult Learning, to teach necessary tenancy skills. It will be a requirement of LLA housing that all tenants attend this.

- The LLA needs to grow organically, sourcing properties as needed, to meet demand. This makes it difficult to predict growth and outcomes until the LLA is established.

- The LLA could own properties however if the company ceased to trade these assets could be lost. In order to prevent this, it is recommended that Durham County Council retain ownership of any properties, leasing these to the LLA.

A full table of risks is provided in Appendix 4.

Management & Staffing

Initially all staff will be employed by Durham County Council and seconded to the Local Lettings Agency. Funding has been secured for staffing for the first year via the governments Rapid Rehousing Program (RRP). Staffing will consist of:

Housing Manager – 50% secondment for the first year. This will be Marion Rucker, an experienced Housing Manager with experience local authority, social and voluntary sector; as well as vast expertise in working with rough sleepers/homeless.

Team Leader – 50% secondment for the first year. This will be Susan Cousins who has vast experience in the private rented sector.

Landlord Liaison Officer – this will be a full time post for the first year. This position will work directly with landlords to bring properties into the LLA, negotiate lease terms and build relationships with landlords to help identify future properties.

Housing Management Officer – 2 full time posts are funded for the first year under RRP. The positions will intensively manage properties ensuring rents are paid, properties maintained to a good standard, utility services are established correctly. Future funding of these posts will be via enhanced housing benefit. It must be noted that not all tenants will require this level of intense management at which point a lower rate of Universal Credit will apply.

As the scheme grows and develops additional staffing may be needed, with a case for changes/additional staff put to the board of directors.

There will be implications for legal services to assist in drawing up leases and tenancy documents, as well as registering the company. Implications also exist for finance who will be responsible for the LLAs accounting. Funding was secured under the RRP initiative for legal and finance fees for the first year.

Products & services

There are a variety of ways that a Local Lettings Agency can operate, from a tenant finding service to property management. However, soft marketing by Durham County Council has shown that a leasehold scheme would be the best option initially. A successful LLA should cover its own costs while providing housing that is needed.

The leasehold scheme involves the LLA leasing properties from landlords for up to 5 years at an agreed rental rate. The LLA will then take on full management of the properties; which will include paying the rent to the landlord regardless of voids. 5% void costs are included in housing benefit charges. The rental rate will be agreed on a property by property basis with empty homes a primary target.

The LLA will be responsible for repairs and will enter into a Service Level Agreement with Direct Service for this. Similar contracts already exist for council owned Gypsy Roma Traveller (GRT) sites.

The LLA will be responsible for returning the property in the same condition as it was leased to the landlord, minus fair wear and tear. Any tenant damage will be recharged to the tenant where possible and a proportion is built into housing benefit charges.

The LLA will expect properties to be at a decent standard prior to signing the lease; a minimum property standard will be adopted by the LLA. The Landlord Liaison Officer will be responsible for ensuring decent property standards and working with other departments within Durham County Council to access support, grants and loans applicable to each landlord.

To reduce void rates the LLA will have a small bank of properties ready but its Allocations Board will attempt to match supply and demand. This will be achieved by working closely with partner agencies such as prison release schemes, hospitals, adult and children's services and commissioned services to plan moves effectively.

Tenants will then be provided with non-secure tenancies, permitting the LLA to gain possession if either party wanted to terminate the lease or eviction proceedings against the tenant were necessary.

It is recommended the LLA take 60 leases as a minimum in the first year for financial stability.

Market & Marketing

Soft marketing has shown there is a demand from owners and private landlords for a leasehold scheme. Durham County Council gathers data annually from private landlord forums and empty homes surveys. This

indicates landlords would be willing to lease properties to the Local Authority or Lettings Agency.

Demand for the scheme is shown via 1600 excluded from the Durham Key Options Housing Register. Further demand will arise from a new Somewhere Safe to Stay hub that is to be based in Durham under the RRP initiative; where clients will receive a 72-hour assessment and housing offer following this.

The LLA will be marketed to partner agencies to attract clients to the scheme. Referrals will come:

- Directly from Housing Solutions Duty Officers and Housing Officers if they feel this would be a suitable option under prevention and relief duties
- Project Beta staff
- Durham County Council's Accommodation Officer based in HMP Durham and Low Newton
- Somewhere Safe to Stay hub
- Adult & Children's services
- Commissioned services as part of planned move on
- Voluntary sector partners that engage with rough sleepers/homeless
- Regional Reconnections Procedure

Future developments for the LLA could include:

- A tenant matching service, matching tenants with properties.
- The LLA could also manage properties for landlords similar to a high street lettings agency.
- There is also the potential for the LLA to develop its own range of specific housing stock.

An allocations procedure specific to the LLA will set who can access accommodation and the type and level of support needed. A term of reference will be established for the Allocations Board.

The Landlord Liaison Officer and Housing Management Officers will work closely with tenants to ensure benefits are paid directly to the LLA to reduce bad debts.

Operational Resources

Staff will be based at Durham County Council buildings for the first two years while the LLA grows and an informed decision on future location made after

this time. This will allow joint working between various departments and the LLA whilst it develops. The LLA will need to cover and premises costs owed to DCC.

Within Durham County Council there will be implications for:

Housing Solutions Private Sector Housing and Empty Homes Officers – already work with owners to bring properties back into use; the LLA will give an additional service for the officers to use

Housing Solutions Homeless Team – referrals will be made via Housing and Duty Officers; the LLA will be an additional tool to prevent and relive homelessness

Legal – to draw up leases, tenancy agreements and process evictions if needed; as well as registering the company. A standard lease and tenancy agreement will be developed for general use but specific conditions may be needed on occasion.

Finance - any corrections on system, preparing and auditing accounts.

Abritas, the IT system, currently used by Housing Solutions can have an additional page added to operate the leasehold system. Funding was received for this via the RRP bid.

Funding was also received under the RRP bid to provide marketing materials and an LLA specific webpage.

Finance

Financial projections are attached in the spreadsheet for the first 3 years of the LLA. Intensive housing management aims to reduce bad debt and tenant damage costs, while allowing the LLA to grow organically will reduce void costs.

Rental income and financial recording will be on Abritas with Durham County Council's finance team being responsible for preparing and auditing accounts. This is using the same principles as Chapter Homes.

Any further areas of work for the LLA will be subject to board approval which will include budget projections.

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Recommendations

It is recommended that an LLA is established to meet the increasing need of certain County residents.

The LLA can meet identified housing need by providing to those excluded and unable to secure tenancies. The establishment of an LLA is included in the Housing Strategy to centralise housing products within the County.

The LLA will help to meet the needs of the Housing Strategy by providing housing for vulnerable residents and the Homeless and Rough Sleeping Strategy through meeting identified supply issues for homeless clients.

The LLA will work alongside Housing Solutions, Adult and Children's Services, Commissioned Services and Public Health, as well as commissioned services to meet specific housing need.

The LLA will allow Housing Solutions further options to discharge homeless duties, empty homes and selective licencing staff further options when working with landlords. It also gives owners within the county further options in managing their properties.

RRP funding allows a year for the LLA to develop and be in a position to cover its running costs.