

**Cabinet**

**10 July 2019**

**Local Lettings Agency**

**Ordinary Decision**



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**Report of Corporate Management Team**

**Ian Thompson, Corporate Director of Regeneration and Local Services**

**Councillor Kevin Shaw, Cabinet Portfolio Holder for Strategic Housing and Assets**

**Electoral division(s) affected:**

Countywide

**Purpose of the Report**

- 1 The purpose of this report is to seek approval in principle to establish a Local Lettings Agency (LLA) within County Durham.

**Executive summary**

- 2 A Local Lettings Agency (LLA) 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 unlikely to access housing.
- 3 Durham County Council has been successful in obtaining £252 538 funding from the Ministry of Housing and Local Communities (MHCLG) under the Rapid Rehousing Pathway (RRP) programme first launched in August 2018. This funding is to support the setup or extension of local lettings agencies, to help make the most efficient use of rental accommodation and foster the development of strong relationships between landlords and tenants. Where possible a property portfolio will be developed, focused on meeting the needs of rough sleepers and former rough sleepers and provide help for individuals who are not owed a housing duty by the council and need additional support to access the private rented sector or other suitable housing.
- 4 The Council's housing strategy includes clear priorities for County Durham. This includes the following key messages:

- (a) Improving the quality of the county's housing stock and wider housing environment;
  - (b) raising standards across the private rented sector;
  - (c) working with property owners and landlords with the aim of bringing empty properties back into use wherever possible;
  - (d) increasing the supply of accommodation for those who are homeless or threatened with homelessness and working in partnership with other stakeholders to provide support to those with complex needs.
- 5 Furthermore, the council's homelessness strategy contains three specific aims to tackle homelessness in County Durham over the coming years:
- (a) Aim one: To prevent homelessness through early intervention
  - (b) Aim Two: To increase access to and the supply of accommodation for those who are homeless or threatened with homelessness
  - (c) Aim Three: To provide a range of support services to reduce the risk of households becoming homeless
- 6 The Government are encouraging Local Authorities to open LLAs in their areas to provide alternate housing options; making funds available to establish LLAs.
- 7 The establishment of a LLA in Durham will therefore serve as a useful tool in helping to deliver the clear priorities outlined in the council's housing strategy and homelessness strategy. Importantly, the scheme should help improve access to housing for groups currently disadvantaged or unable to access social or private housing.

## **Recommendations**

- 8 Cabinet is recommended to:
- (a) agree in principle to the establishment of a Local Letting Agency and to receive a further report in Autumn 2019 with firm proposals on the specific delivery model to be used which might include delivery through a company structure;
  - (b) delegate authority to Corporate Director for Regeneration and Local Services to lease properties from landlords on an individual basis for use in discharging the Council's duties under the Homelessness Reduction Act.

## Background

### *Strategy*

- 9 Social and private landlords within County Durham are becoming more risk averse, refusing housing to those with complex needs, certain offending histories, first time tenancies and previous failed tenancies. This reflects national trends and patterns as landlords become more business orientated.
- 10 Durham County Council's Homelessness Strategy 2019 identifies the need for more housing in County Durham for this particular need group. The LLA intends to meet the needs of those identified in the Homelessness Strategy; and those who cannot for varying reasons access the Housing Register or other housing provision.
- 11 Private rented sector accommodation in Durham is becoming increasingly difficult to access for local people in housing need. Many low-income households report problems securing accommodation due to the level of fees, deposits and rent in advance charged by letting agents and landlords. There is a reluctance by some social and private landlords to let to those in receipt of universal credit. National research indicates that due to delays in UC payments and sanctions landlords are stating no UC applicants on lettings information.
- 12 The Ministry of Housing, Communities and Local Government (MHCLG) is aware of the various barriers to housing and have recently made funding streams available to assist Local Authorities in establishing Local Lettings Agencies and to acquire housing via purchase or lease agreements. This is part of the Government's aim to end homelessness and rough sleeping by 2027.
- 13 Durham County Council successfully bid for £252 538 from MHCLGs Rapid Rehousing Pathway. There is now an urgency to take the report forward and establish the LLA as MHCLG have set KPIs, linking these to future funding payments. KPIs state the LLA will provide housing to excluded groups and must be providing this to receive the second payment in six months' time. Failure to be providing this service would result in non-payment of the second part of funding.
- 14 Durham County Council have signed a Memorandum of Understanding (MoU) with MHCLG and provided a delivery template in order to draw down funding. All RRP projects need to be running as soon as possible and are funded for 12 months from the start date. Failure to adhere to the MoU and delivery template will result in a loss of funding.

### *Definition/Function*

- 15 A Local Lettings Agency (LLA) 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 unlikely to access social housing.
- 16 The growth of LLAs 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.
- 17 For the purpose of this report a Local Lettings Agency is defined as a 'standalone' service that can offer a range of housing management solutions to private landlords.
- 18 Durham County Council are currently researching Countywide selective licencing measures. Selective licensing may help the LLA identify landlords who have properties they may consider leasing or selling to the local authority, providing the necessary accommodation. This would be in addition to the empty homes work identifying properties, some landlords are more likely to leave the property empty rather than apply and pay for a licence.
- 19 The LLA would assist Selective Licensing in terms of "other measures" the Council can use to address the problems in an area. If we are trying to improve management and property conditions, by having the LLA provide intense, targeted support to our most challenging or vulnerable clients this can only help improve conditions in the community overall.

### *Demand/Issues*

- 20 The Council has identified a gap in the housing market for individuals without a history of proving to be a good tenant; with 1,600 households currently excluded from the Housing Register. Being excluded from the Housing Register prevents an individual or family from bidding for properties through Choice Based Lettings (CBL). Reasons for exclusions include previous rent arrears, anti-social behaviour, no previous tenancy experience. The Housing Register is used by Durham Key Options partners to advertise and find tenants for properties.
- 21 Based on council tax data, County Durham has 6,500 long term empty homes, with some properties empty as owners do not want the responsibility of tenancy management. A number of these were highlighted recently through the Empty Homes survey. Housing

Solutions carry out these surveys to identify owners of empty properties in order to work with them to bring them back into use. Owners are asked five questions on what would help to bring their property back into use:

- An interest free loan
- Assistance in selling
- Assistance in renovation
- Assistance in letting the property
- Leasing to a registered provider

22 In 2018 5976 surveys were sent out with 2,106 surveys returned. Of these, 261 owners advised they would be interested in leasing their property to a registered provider.

23 At the same time the Council continues to receive reports concerning the poor quality of accommodation or the standard of housing management offered to some of those who have managed to find housing via non-accredited landlords.

24 Durham County Council has legal duties to secure housing to those who are eligible under part 7 of the 1996 Housing Act. The Council does not have to provide this housing itself but can struggle to source suitable accommodation. This can result in Durham County Council having to provide temporary accommodation in the form of B&Bs and hotels.

25 It can therefore be more difficult for the Council to comply with its duty if it does not have access to properties itself. The table below shows the number of full duty decisions since 2013/14. There is a dramatic decrease in decisions in 2018/19 due to the implementation of the Homeless Reduction Act; where local authorities are expected to prevent or relive homelessness, resulting in not as many cases reaching a full decision.

Year	Homeless applications	Decisions made	% of applications where decision made	Full duty decisions	% with full duty
2013-14	866	385	44.5%	201	52.2%
2014-15	646	309	47.8%	185	59.9%
2015-16	458	186	40.6%	129	69.4%
2016-17	528	264	50.0%	171	64.8%

2017-18	488	252	51.6%	129	51.2%
2018-19	840	64	7.6%	13	20.3%

### *Solution*

- 26 Durham's Local Lettings Agency would look to initially develop a leasehold scheme, whereby it leases properties from private landlords and acts as the management agent for the properties. The LLA would then be responsible for all housing management functions for these properties, including non-structural repairs, voids, lettings.
- 27 This will enable Durham County Council to house individuals who are refused access to housing by other landlords; providing they are willing to accept support and move on with their lives. Tenancy help via Housing Management Officers will be given to ensure tenancy sustainment.
- 28 LLAs generate income to cover operational costs, through a proportion of rental income and enhanced housing benefit; applicable for those who need support in managing their tenancy. The rent element of Universal Credit will apply if no tenancy support is required by the tenant. The introduction of prevention and relief duties under the Homelessness Reduction Act 2017 has been a further growth factor for LLAs. A planned move under prevention duties can ultimately save the cost of a homeless assessment, estimated at £2,500; as well as the possible provision of temporary accommodation. Figures are based on national statistics.
- 29 The LLA will increase the supply of properties for homeless prevention, a new duty brought in under the Homelessness Reduction Act 2017.
- 30 Durham's LLA will provide housing for excluded groups, those not able to access housing via the Housing Register or cannot afford the initial set up costs of a private tenancy; provided they are willing to accept necessary support. Support will be provided by Housing Management Officers within the LLA to help manage and sustain a tenancy. These individuals may not be owed homeless duties but require housing. There will be an application process and assessment of needs to identify suitable applicants. Through these principles the LLA will not be in competition with social or private providers in the County.

## *Process/Function*

- 31 An existing Housing Manager and Team Leader will spend 50% working time on development of the Local Lettings Agency, costs are covered for the first year via the Rapid Rehousing Pathway (RRP) bid. It is envisaged that as the scheme develops a full time Housing Manger and Team Leader will be needed for the LLA.
- 32 Financial assistance is available to support local people into accommodation, such as that provided through the Rent Deposit Guarantee Scheme (RDGS) and Prevention Fund but does not fully solve the problem. Landlords must be part of Durham’s Landlords Accreditation Scheme to be eligible for a deposit via the RDGS. This restricts the numbers of properties eligible for deposits.
- 33 RRP funding will also fund a Landlord Liaison Officer who will work directly with other DCC departments and landlords to build a portfolio of houses through a leasehold scheme. The LLA has a target of working to house 70 rough sleepers or those at risk of homelessness each year. This does not mean the LLA needs to acquire 70 properties each year.
- 34 Funding also allows the recruitment of two Housing Management Officers, to help tenants manage their tenancies through support in setting up utilities, managing bills and accessing necessary benefits. These posts will be future funded through enhanced housing benefit.
- 35 Staffing is funded from August 2019 – August 2020.
- 36 Funding also gives set up costs, extension of the current Abrisas IT system, website development, marketing, company registration and accountancy costs. Full breakdown of funding is available in Appendix 5.
- 37 It is possible MHCLG will fund staffing for a further 12 – 24 months, from July 2020 but this will be announced after the governments comprehensive spending review.

## **Research and learning from other LLAs**

The table below outlines different LLAs and their functions.

Guildhall Residential Lettings Internal company	Northampton Borough Council	Lease properties for temporary accommodation and people in need of housing or on the housing register  Lease can be for 3,5,7 years
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		<p>Pay agreed amount of rent (3 months in advance) even during void periods</p> <p>Six months before end of lease – contact landlords about renewal of lease</p> <p>Responsible for tenancy management, including lettings, inspections, rent collection and arranging repairs</p>
<p>Central Housing Group - (CIG)</p> <p>External company – social lettings agency</p>	<p>Work with a number of LA's:</p> <p>London Borough of Redbridge</p> <p>Newham, London</p> <p>Enfield Council</p> <p>London Borough of Hounslow</p> <p>Kensington &amp; Chelsea</p> <p>Waltham Forest</p> <p>Hammersmith &amp; Fulham</p> <p>City of London</p>	<p>Guaranteed rental service</p> <p>Lease for 1 – 5 years</p> <p>Guaranteed rent – paid during void periods</p> <p>Property inspection</p> <p>Can let to anyone against allocations policy</p>
<p>Southwark Council</p> <p>Social Lettings Agency</p>		<p>3-5-year agreement – landlord has the head lease, they have a non-secured agreement with the client</p> <p>Carry out minor repairs</p> <p>Scheme is to provide temporary accommodation to people in need of housing</p> <p>Also operate a scheme to find tenants for landlords – assured shorthold tenancies given as this is permanent accommodation</p> <p>No fee or charge for service</p>

Town Hall Lettings  Social Lettings Agency	Cambridge City	Have management agreements  Guaranteed payment during void periods  Tenancy – assured shorthold for 6 months or 12 months  House under statutory discharge  No definite timescales for length of agreement with landlords. Will negotiate on a property by property basis ranging from 12 months upwards
North East Wales Home & Property  A limited company within the council	Flintshire Council	Own and manage properties, new build properties funded by section 106 monies  Currently have around 100 properties  Waiting list is managed by TIA – TEG

### **Options relating to the structure of the LLA**

- 38 As a Council we are restricted in the types of tenancy we can provide to either secured or fixed term, both are deemed not appropriate to the scheme as they are medium to long term propositions and subject to right to buy as well as other conditions. The creation of a Local Lettings Agency (“LLA”) to deliver this project would mean that an assured shorthold tenancy can be entered into as the outcome is to move tenants into main stream housing opportunities widening choice and therefore quality of homes available. Two possible alternatives are currently being advanced including setting up a new company or using one of the Council’s existing companies. The analysis of the options is underway and will be reported to Cabinet in the Autumn.

### **Proposed main activities of the LLA**

- 39 The priority of the LLA is to deliver a Service breaking even on costs wherever possible. If any surpluses are generated the company would be encouraged to invest them into the main objectives of the LLA rather than distribute a profit to the Council as shareholder.

- 40 The LLA will be able to provide housing for individuals:
- 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 as a result 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;
  - 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.
- 41 Durham County Council has various housing products the LLA could lease and manage. The asset would then remain with Durham County Council, with the local authority receiving a guaranteed income for these properties. These include:
- Asset properties used by Housing Solutions;
  - Buy to Lease properties (capital development);
  - Support tender developments;
  - Move On properties (bid to be submitted May/June 2019 to HOMES England).
- 42 Pending further consideration of appropriate company structures, it is proposed that the Council seeks to discharge its homelessness duties under the Homelessness Reduction Act by leasing property from private landlords, which the Council can sub-let to families and individuals that the Council owes a duty to.

## How will the LLA acquire housing?

### *Leasehold scheme*

- 43 LLAs can acquire properties through leasehold schemes, where private landlords will be given guaranteed rent for the duration of the lease. Benefits of a leasehold scheme to private landlords are:
- guaranteed rent for the duration of the lease; regardless of voids;
  - no tenant finding;
  - no void periods;
  - no housing or property management responsibilities.
- 44 Through a leasehold scheme landlords give the LLA full responsibility for their property. The LLA becomes responsible for property management and must carry out any statutory duties, such as annual gas safety checks. Owners would be responsible for structural repairs and boilers, with the LLA taking on internal maintenance. Building insurance would be owner responsibility and contents the tenants.
- 45 The lease allows the LLA to sub-let the property to people in need of housing. The LLA would be the landlord and responsible for paying a leasing fee to the owner. The fee to the owner would be guaranteed regardless of whether the unit is void and responsibility for managing the property would be with the LLA. There is no contractual arrangement between the owner and a tenant.
- 46 Tenants will be provided with an assured shorthold tenancy which would be the only tenancy applicable given the circumstances. This type of tenancy would permit the council to gain possession in the event that either party wanted to terminate the lease or if the LLA wanted to recover the property on grounds of non-payment of rent or continued antisocial behaviour. It should be noted that the LLA would still require a court order in the event that a tenant refused to vacate. The full costs of leasing are met through rental income, Enhanced Housing Benefit and Universal Credit.
- 47 Landlords will be expected to bring properties up to at least decent homes standard prior to the LLA entering a lease agreement. Properties will be inspected by either Housing Solutions Empty Homes Officers or Private Landlord Officers, ensuring standards are met. Where applicable Empty Homes Officers will assist and advise landlords of empty homes grants available.
- 48 Durham County Council has carried out soft market testing through annual empty homes surveys, providing the Council with knowledge of the number of owners who would want to lease.

- 49 Through Durham County Councils Private Landlord Accreditation Scheme, landlords have already indicated they would like to take part in a leasehold scheme. No formal records are kept of number, but staff indicate there is a consistent number of calls.
- 50 Recently, Housing Solutions have been approached by private investors wishing to purchase properties leasing these to the LLA for housing need. Talks will commence with investors to ascertain numbers if the recommendations in this report are approved.

### *Purchase*

- 51 LLAs can directly own properties, this will be investigated as a future area of work.
- 52 There are various grants available to allow LLAs to purchase properties; these will be applied for as needed.
- 53 The Council may also choose to fund through capital and this will be the subject of further reports.

### **Management and Staffing**

- 54 All staff will be employed by Durham County Council and the majority seconded full time into the LLA. This is apart from the Housing Manager and Team Leader who will spend 50% time on the project, this will be apportioned each week.
- 55 An existing Housing Manager and Team Leader will spend 50% working time on development of the Local Lettings Agency against the Project Action Plan in Appendix 4; costs are covered for the first year via the RRP bid. It is envisaged that as the scheme develops a full time Housing Manager and Team Leader will be needed for the LLA.
- 56 Two Housing Management Officers will be recruited, in the long term funded via enhanced housing benefit charges to provide support to help tenants manage their tenancies and learn necessary independent living skills. This will be a newly created post at a Grade 7, £33,153. This will be initially funded via the successful RRP bid, then via enhanced housing benefit. Financial projections are included in Appendix 3 business case.
- 57 Additional Housing Management Officers will need to be recruited in time but this will be based on the number of properties, needs of clients

and the finance being available. These posts will be funded via enhanced housing benefit and rental income.

- 58 The LLA will link with other agencies to provide holistic support as we understand multi agency working is needed to help solve issues. Through Outreach Worker assessments, necessary support will be identified, DCC has strong partnerships with Managing Money Better, ensuring tenants have the correct energy plans, Welfare Rights, CAB, employability; as well as drug, alcohol and health that can be utilised by LLA staff. We work closely with our local credit union and will establish rent accounts for tenants

## **Branding**

- 59 The LLA will target a specific audience and is largely identified through support and benefit channels. Nevertheless an exercise is underway to establish the branding which is appropriate to the proposed new organisation supporting the work and the outcome that it is focused on delivering and the role and links with the Council. Members will very much be part of this exercise going forward.

## **Financial implications**

- 60 Durham's LLA will charge landlords a minimum 20% of rental income to cover the costs of housing management functions as part of the leasehold scheme. This will be a main source of income to the LLA, as set out in the business case.
- 61 Enhanced Housing Benefit charges will cover the costs of the Housing Management Officer (s). Costings used in Appendix 3 are an average of other enhanced housing benefit payments within County Durham.
- 62 The LLA will receive all rental income and pay landlords on a monthly basis for their agreed leasing fee, based on local housing allowance.
- 63 Durham County Council's existing IT system, Abritas, can be utilised for tenancy management. This is already used for Gypsy Roma Traveller sites and Chapter Homes market rents. There is a cost to add an additional page to Abritas to fully handle LLA property management. £8 000 of funding for this was received under the RRP bid.
- 64 Non-payment of rent is a risk but high staffing levels and intensive support coupled with partner working with Housing Benefits and DWP will reduce this risk.
- 65 The LLA would seek to partner with DCC trainee scheme and probations community work scheme to decorate and carry out minor repairs. This would reduce the cost of repairs and maintenance.

- 66 The LLA must be considered on a cost to save basis. These costs include:
- Costs of homeless applications to Durham County Council based on £2,500 per application (this figure is based on national statistics);
  - Costs for temporary accommodation whilst homeless investigations are ongoing for some households. Durham County Council spent £111,044 in 2017/18 on temporary accommodation and £209,918 in 2018/19. These costs are for B&Bs, hotels and crash pads.
  - Costs of supported accommodation for those that could live independently with some tenancy support. Placing those who do not need supported accommodation in schemes creates bed blocking in supported accommodation, reducing places for those in need.
  - Cost to the Rent Deposit Guarantee Scheme (RDGS) and Homeless Prevention Fund to pay fees, deposits and rent in advance for those in need of a private tenancy. 2017/18 RDGS spend was £1,910 with 2018/19 spend being £8383. This money is not recouped by Durham County Council and could be rediverted to other prevention tools.
  - Wider costs to the public purse, as the police, neighbourhood wardens, hospitals intervene at different stages to help those in housing need.

## **Main implications**

### *Project Plan*

- 67 The project plan is available in Appendix 3. Work will continue to assess the options for establishing a company. Officers will also progress discussion with landlords to identify suitable properties to be leased in the interim and included in the future.

### *Risk/mitigations*

- 68 The table in Appendix 4 sets out risks and mitigations for the LLA.
- 69 The client group the LLA will house are individuals/families who may have previous failed tenancies, with arrears and damage to the property. There is a possibility that this may happen again. To alleviate this risk, only tenants who have demonstrated a commitment to work with the provided support will be accepted and close monitoring will be provided to ensure that tenants comply with their agreements.

70 Income generation is a further risk, with Housing Management Officers intensively managing housing benefits to ensure full payment.

### **Conclusion**

71 Further housing provision is needed to meet the demands of low-income households and those without a tenancy history or with a failed tenancy history that want to turn their lives around.

72 It is clear that an LLA could meet the needs of this client group in Durham as evidenced in other local authority areas.

73 That the initial funding by central government goes some way to providing a solid platform in establishing an environment whereby homelessness can be prevented and issues relating to poor housing through people having no choices alleviated.

### **Background papers**

- None

### **Other useful documents**

- None

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## **Appendix 1: Implications**

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### **Legal Implications**

The Council has the power under section 1 of the Localism Act 2011 to establish a company which will assist it to discharge its duties under the Housing Act 1996 and the Homelessness Reduction Act 2017. The company will be required to pay for any Council resources, accommodation and staff who devote time to its work. Consideration will need to be given to any State Aid implications of council support if it is possible that the Agency could be operating in a competitive market. It is noted that the intention is to provide for individuals who have been unable to access housing elsewhere.

### **Finance**

There are financial implications to Durham County Council but these need to be measured against the unseen financial implications of those who do not have access to housing. This includes crime, hospital visits, neighbourhood teams who are all impacted by rough sleepers.

### **Consultation**

None.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Human Rights**

None.

### **Crime and Disorder**

There are issues associated with rough sleeping in Durham which does contribute on low level crime. Providing housing and support to rough sleepers should decrease the level of crime associated with this client group.

### **Staffing**

The LLA will require staffing to manage the service. This can initially be provided through time release and secondments. The project needs to be intensively managed to recruit and employ staff once financial thresholds are reached.

### **Accommodation**

The LLA will provide accommodation for those in housing need.

**Risk**

Risks and mitigations are set out in Appendix 4.

**Procurement**

None.