

Report to: Communities Committee, 8th November 2023

Report of: Corporate Director - Operations, Homes and Communities

Subject: REVIEW OF THE WORCESTER CITY LETTINGS SCHEME

1. Recommendation

That the Committee:

- 1.1 Approves the discontinuation of the Worcester City Lettings Scheme; and**
- 1.2 Notes the arrangements set out within the report that will ensure tenants of remaining Worcester City Lettings property are fully supported.**

2. Background

- 2.1 For many years, Worcester City Council's Strategic Housing Team, like most other local authorities, has prioritised homelessness prevention activity. Prevention, where appropriate, is always a much better outcome for households facing homelessness, as it avoids the upheaval, expense and stress of having to move home, potentially multiple times, and it avoids the need for households to be placed in temporary accommodation, often in B&B accommodation and, for non-family households, often for many months.
- 2.2 The Homelessness Code of Guidance for Local Authorities states that '*B&B accommodation is not suitable for families and should be avoided for other households wherever possible*'. Studies have shown that moving home many times in early life affects child behaviour and mental health. In addition to the social, physical, educational and emotional impacts of living in temporary accommodation, it is also very expensive for the local authority to provide.
- 2.3 Reducing the number of households having to be placed in temporary accommodation by preventing homelessness has the additional benefit of reducing the number of applicants on the housing register in the highest band (Band 1). This in turn reduces the length of time it takes to successfully bid on housing register properties, thereby reducing the length of stay in temporary accommodation. Again, this reduces the local authority's expenditure and is a much better outcome for homeless households. Currently, there is significant pressure on the housing register, with growing numbers in the highest band and households having to wait several months to be offered a property.
- 2.4 Due to the shortage of social housing relative to demand, local authorities must make use of alternative tenures to meet housing need, including the Private Rented Sector (PRS). However, it can often be very challenging to utilise the PRS to prevent or relieve homelessness due to higher rents, shorter tenancies, less security of tenure and barriers to access for low income and/or benefit dependent households.

For example, the need for a deposit and rent in advance - and in some cases a guarantor – can act as a significant barrier. Many landlords are also reluctant to rent properties to households dependent on benefits, due to concerns over the reliability of income.

- 2.5 Most local authorities therefore operate some form of PRS access scheme to better enable those in housing need to access this tenure. This assistance can be more passive, such as provision of a rent deposit, deposit bond and assistance with rent in advance, or it can be more active, such as the operation of a Social Lettings Agency (SLAs), which have been cited as best practice in government guidance.
- 2.6 Worcester City Council launched its own SLA in 2012, called City Life Lettings. Since then, there have been a number of changes to the service offer, with the most recent scheme being introduced in 2019, and rebranded Worcester City Lettings (WCL). WCL offers two service options; Let Only and Managed Let. Full details of these options are shown in the table below.

Option	Services Provided	Cost to Landlord
Let Only	<ul style="list-style-type: none"> • Property safety checks and gathering of necessary documentation • Tenant checks and referencing • Property advertising • Accompanied property viewings • Tenancy agreement prepared • Detailed inventory and check out • Written bond agreement • Tenant support • Bi-annual property inspections with photographic reports 	One-off payment of £250 for duration of tenancy
Managed Let	<p>All of the above plus:</p> <ul style="list-style-type: none"> • Quarterly property inspections with photographic reports • Repair reporting/arranging service • Ongoing rent collection and rent statements • Day to day tenancy management 	£250 payment at start of each new tenancy plus 8% of rent paid monthly

Private Sector Leasing

- 2.7 In May 2020, Communities Committee approved the introduction of an additional service option for WCL in the form of a leasing scheme. This model was proposed to include full management of the leased property, including tenancy management, income management, arranging repairs etc. with a management fee of 12% of monthly rent charged to the landlord.
- 2.8 Financial modelling of this option indicated that the Council would make a loss on each property (of between £1,606 and £2,011 annually depending on property size)

but that this loss would be significantly lower than the cost of providing temporary accommodation.

2.9 In addition, operating a leasing scheme would enable the Council to more easily discharge its main homelessness duty to a family by offering a suitable PRS property with a minimum 12 month tenancy in place (statutory requirement), whereas the majority of PRS landlords prefer to offer a standard 6 month tenancy at first let. This has therefore been a significant barrier to WCC being able to discharge its homelessness duties in this way, meaning the only realistic avenue to do so is through an allocation of social housing from the housing register. As stated above, the housing register is under significant pressure and making greater use of PRS offers would have a positive impact on numbers and waiting times. However, to date, there are no leased properties being managed through the scheme.

2.10 At its height, there were over 50 properties let and managed through the scheme. These properties were all allocated to households who had approached the Council as homeless or threatened with homelessness, contributing to positive rates of prevention and a reduction in the number of households having to be accommodated in temporary accommodation, along with the time spent in temporary accommodation. However, in recent years there has been a significant decline in the number of properties let through the scheme, with only 22 now remaining, all of which are under the lowest cost 'Let Only' option.

3. Reasons for decline

3.1 As stated above, there has been a significant reduction in the number of properties available through the scheme in recent years. The following table shows the number of new properties entering the scheme for each of the last 4 years:

Year	No. New Properties
2019/20	9
2020/21	6
2021/22	5
2022/23	2

3.2 The private rental market has changed considerably since the scheme was first launched, which has had a significant impact on the attractiveness of the scheme to private landlords. The main issues can be summarised as follows:

- Economic changes and affordability
- Demand outstripping supply
- Repair costs
- Impact of student accommodation
- Welfare benefit changes
- Renters Reform Bill

Economic changes and affordability

- 3.3 The economic fallout from Covid 19, combined with the war in Ukraine has led to a cost-of-living crisis, increasing not only the cost of food and energy, but also housing costs.
- 3.4 In order for PRS properties to be let through the WCL scheme, the rent must be set at or close to Local Housing Allowance (LHA) levels in order for it to be affordable for households who are dependent on benefits. This has always been lower than average market rent levels in the PRS, but the gap is now substantially larger, meaning households who rely on welfare assistance to cover all or some of their housing costs would potentially have to find hundreds of pounds each month to make up the shortfall between LHA and the rent charged.
- 3.5 The table below shows the average and median rents for properties advertised on the open market for rent in Worcester during October 2023, along with the LHA levels and the shortfall between LHA and the median rent.

Property Size	Average Rent	Median Rent	LHA	Shortfall
1 bed	£ 816.00	£ 725.00	£ 498.64	£ 226.36
2 bed	£ 918.00	£ 895.00	£ 623.31	£ 271.69
3 bed	£ 1,350.00	£1,200.00	£ 747.93	£ 452.07
4 bed	£ 1,171.00	£1,348.00	£ 947.40	£ 400.60

- 3.6 These figures show the significant difference between LHA and median rent levels, meaning landlords are unlikely to choose to let their property through WCL when they can generate a significantly higher income charging market rent through a traditional letting agent.
- 3.7 This issue also affects the leasing option of the WCL scheme. The benefit of the leasing scheme is that the landlord is guaranteed an income because the Council will pay them 88% of the rent over the term of the agreement regardless of whether the property is occupied. However, in the current housing market, this is less of a selling point because properties are in high demand and therefore far less likely to remain unoccupied. In addition, the WCL scheme will pay them 88% of a rent set at or close to LHA level, whereas a market letting agent may charge a slightly higher percentage, but this is against a higher value market rent and so will generate a higher income for the landlord than using the WCL scheme.

Demand outstripping supply

- 3.8 Anecdotal evidence from local letting agents indicates that the PRS is a very buoyant market currently, with up to 50 applications for each property advertised. Landlords are therefore able to be more selective about the tenants they take on, which can mean they choose not to select households the Council are working with, who are often vulnerable and may need support to set up and maintain a tenancy.

Repair costs

- 3.9 Another issue with the WCL scheme is the cost of repairs. The management fee covers repairs up to the value of £250 per year. Any additional repairs required are recharged to the landlord. However, due to the procurement rules which govern the selection of Council approved contractors, repairs facilitated by WCL are usually charged at a higher cost than the landlord could source on the open market. This therefore means that the £250 worth of repairs included in the managed let and leased offer is not a sufficiently valuable incentive.
- 3.10 WCL has explored the feasibility of employing a handyman to undertake repairs at a much lower cost, but there are insufficient properties in the scheme to make this a cost-effective solution.

Impact of student accommodation

- 3.11 The PRS market in Worcester City is also impacted by the University of Worcester and the demand for student accommodation, much of which is provided in the form of Houses in Multiple Occupation (HMOs) in the PRS. Again, landlords can make a significantly higher income by letting a property as a HMO rather than to a single household. This therefore further reduces the pool of available properties in the PRS which can be accessed by homeless households.

Welfare benefit changes

- 3.12 Prior to the full roll-out of Universal Credit in Worcester, a unique selling point of the WCL scheme was the ability for WCL Officers to access the Housing Benefit records of tenants in the scheme and prevent or overcome any issues with benefit payments. This gave landlords confidence that they would receive a stable income. This is no longer a benefit the scheme can offer because Universal Credit is managed by the Department of Work & Pensions.

Renters Reform Bill

- 3.13 In addition to the issues already discussed, the Renters Reform Bill is currently going through Parliament and is proposing substantial changes to the way in which the private rented sector operates. Whilst there are still opportunities for changes to be made to the proposals before it is enacted, the Government has strongly signalled that it intends to tighten regulations on this sector. This is likely to be of concern to landlords with a small number of properties (who are most likely to use the WCL scheme), many of whom may decide to leave the sector altogether in order to avoid additional regulatory burden and costs. The uncertainty around this Bill is another factor making it difficult to attract landlords into the WCL scheme.

4. Financial

- 4.1 The cost of delivering the WCL scheme is £ 38,700 annually. This is the staffing cost for 1 FTE post, which is responsible for managing the existing properties in the scheme and marketing the scheme to recruit new landlords.
- 4.2 There are currently 22 properties let through the scheme, all of which are under the Let Only option. This option charges a one-off fee of £250 which, after the initial tenant finder and sign-up services, covers bi-annual property inspections and reports. The average length of stay in WCL tenancies is just under 4 years, with the

majority ending due to the tenant giving notice rather than tenancy failure. This is positive in terms of tenancy sustainment, but with no annual fee charged, Officers are undertaking a significant amount of work for a relatively small amount of income.

- 4.3 The table below shows the average time involved in activities for each Let Only property and the cost to the Council in terms of staff resource.

Activity	No. Hours	No. Occasions	Cost
Tenant Finder	12	1	£241
Establish Tenancy	8	1	£161
6 Monthly Inspections & Report	8	2 per year Average tenancy = 8 total	£1,288
Total			£1,690

- 4.4 This therefore represents a total of £1,440 worth of activity being undertaken per property at nil cost to the landlord.
- 4.5 It should also be noted that the lettings agency's income target has never been achieved in its history, with a particularly steep decline in the proportion of income achieved against target over the last 4 years. This is an indication that, even in more favourable market conditions when it had a much larger portfolio of properties, the scheme was still operating at a loss.

5. Service Resource Pressures

- 5.1 In order to reduce the Housing Benefit Subsidy loss incurred by expensive private temporary accommodation provision, the Strategic Housing Service has taken on the management of 1 x 8 bed shared house and 4 x 3 bed houses for use as temporary accommodation. These schemes have operated successfully for nearly 3 years and have significantly reduced the Housing Benefit subsidy loss incurred by the Council due to temporary accommodation. The annual reduction in subsidy loss achieved by using Council operated temporary accommodation rather than private provision is over £11,000 per unit. Management of these units has been undertaken through existing staff resource within the Outreach Team and has been achieved by re-configuring the way in which the team operates, at no additional cost.
- 5.2 Strategically, Communities Committee has previously approved the requirement to increase and improve the supply of temporary accommodation available to homeless households and an options appraisal has been undertaken to assess the best and most cost-effective models to achieve this. The most cost-effective model for the Council is that already in place with Bromyard Road and Oldbury Road, whereby the Council manages the accommodation and charges rent at LHA levels.

- 5.3 In pursuance of this requirement, the service intends to bring forward the following units of temporary accommodation in the coming months:
- Park Street - this is a Council owned property which offers self-contained accommodation comprising 7 x 1 bed flats and 1 x 2 bed house. The accommodation is currently leased to CCP, but this lease expires on 21st November and, following the lease expiry, the units will be managed by the Housing team as temporary accommodation.
 - Sheffield Close – this is a 2 bedroom house which was previously a shared ownership property in the part-ownership of WCC and a private individual. WCC acquired 100% ownership during 2022/23 and, following refurbishment works which are currently underway, it will be managed by the Housing team as temporary accommodation.
 - Safe Houses - the Council has entered into a contract with Platform Housing to lease 10 x 1, 2 and 3 bedroom properties for use as safe houses for households who are homeless due to fleeing domestic abuse. This will ensure that the Council can comply with the provisions of the Domestic Abuse Act 2021, which requires local authorities to ensure that all victims and their children across England can access the right support in safe accommodation when they need it. These 10 properties will be managed by the Housing Team.
- 5.4 In order to successfully manage the additional 19 units of temporary accommodation at Park Street, Sheffield Close and the safe houses, sufficient staff resource will be required. In addition to the day-to-day management of the accommodation and support provision to residents, there are also a number of compliance tasks which must be regularly undertaken in accordance with legal requirements, such as fire alarm testing, legionella checks, fire drill practise etc.
- 5.5 The existing staff resource currently managing Bromyard Road and Oldbury Road has capacity to take on some additional responsibilities but would not be able to absorb an additional 19 units. The Housing team employs specialist domestic abuse Officers to work with households who are homeless as a result of domestic abuse and to assess their housing and support needs, but, again, they do not have the capacity to take on the full range of property management tasks required.
- 5.6 The skills, knowledge and experience required by the 1xFTE post currently operating within the Worcester City Lettings scheme are very similar to the Outreach posts currently managing Council operated temporary accommodation. Due to the significant decline in the WCL scheme and the considerable issues faced in attracting new landlords and properties into the scheme, this resource could be more effectively utilised elsewhere in the service in assisting with the management of the additional units of temporary accommodation and provision of support to the residents.
- 5.7 This would enable the service to take on the management of these units at no additional cost and with no delays due to the recruitment or training of new staff.
- 6. Option 1 – Discontinue the WCL scheme and re-focus staff resource in other areas of the service (Preferred Option)**
- 6.1 This option would enable staff resources to be used more effectively across the service by re-focussing the 1 x FTE WCL post where there are more acute pressures

in terms of accommodation management and homelessness prevention, in particular from the private rented sector. This would support the service to achieve higher rates of prevention and thus lower expenditure on temporary accommodation. Furthermore, the use of this staffing resource to manage the additional units of temporary accommodation would contribute to significantly reducing the Council's HB subsidy loss, as well as improving the Council's temporary accommodation provision for homeless households.

- 6.2 This would be a far more effective use of this staffing resource than continuing to market what is effectively a non-competitive scheme, with little prospect of it becoming competitive in the current housing market.
- 6.3 This option would mean that no further proactive work would be undertaken to expand the scheme and, where tenancies are being managed well and there are no concerns about sustainability, the agreements between WCL, the landlord and tenant would come to an end. Since all WCL properties are Let Only, the only actions undertaken by WCL staff for established tenancies are bi-annual property inspections and exit arrangements should the tenancy end. However, the needs of all tenants and landlords would be carefully assessed and some tenancies may continue to be monitored by the service if there is a risk of tenancy failure; homelessness prevention would still be a key priority for the service and support would continue to be provided in order to avoid any risk of homelessness.
- 6.4 In addition, the service would continue to promote PRS tenancies as a housing solution and homelessness prevention tool for those who are better able to access this sector and would continue to assist households to access PRS properties wherever possible, through the provision of cash deposits, deposit bonds, rent in advance, advice to landlords, tenancy set-up support etc. This would be a flexible offer dependent on the needs of the individual household and, with the WCL post becoming part of a wider Accommodation & Support Team, there would be greater capacity and resilience to assist more households.
- 6.5 Loss of a PRS tenancy is the main reason for households approaching Worcester City Council as homeless and accounts for approximately one third of all homeless applications. The existing Outreach Officers in the Housing service already offer proactive early intervention support to social tenants at risk of losing their tenancies and the additional capacity created by this option would enable this support to be expanded to preventing the loss of PRS tenancies also. This would have the dual benefits of avoiding the upheaval, expense and trauma of homelessness for vulnerable households and reducing the numbers and length of stay in expensive temporary accommodation.
- 6.6 The greater focus on preventing homelessness from the private rented sector would of course also apply to former WCL tenancies, with timely, tailored support available from the service to help overcome any issues threatening the tenancy in the future.

7. Alternative Options

7.1 Option 2: Continue WCL Scheme in its current form

This option would see the WCL scheme continue to operate in the same way, with the same service offers to landlords (i.e. Let Only, Managed Lets and Full Lease). As stated above, despite best efforts, the current service offer has not been sufficiently

attractive to recruit new landlords and properties into the scheme and there is no reason to believe that market conditions are likely to change to such an extent that this would no longer be the case, particularly in light of the upcoming Renters Reform Bill.

7.2 Option 3: Continue WCL with a different offer

Despite best endeavours, feedback from landlords and an analysis of previous trends and the current market all indicate that the current scheme offer is not sufficiently attractive to landlords to overcome the inherent disadvantages of the scheme. In order to compete with management and lease offers by letting agents, the WCL scheme would need to offer more attractive incentives than these schemes, such as reducing the management fee charged to landlords, employing a handyman service to reduce the repair costs and providing more intensive tenancy support to overcome sustainment concerns.

- 7.3 Implementing these changes would require a significant investment by the Council in both financial and staffing terms, which would negate the savings made on temporary accommodation expenditure. Adopting this option would therefore result in an overall financial loss and, given the range of issues outlined in section 3 of this report, there is no guarantee that the scheme would be successful in attracting larger numbers of landlords even with the offer of additional incentives.

8. Implications

Financial and Budgetary Implications

- 8.1 There would be minimal financial risk associated with the preferred option. It would mean a loss of income generated through the scheme but, since the scheme only has 'Let Only' properties, this would be a loss of only £250 per property, which, as stated above, does not cover the work undertaken by Officers for this type of let.
- 8.2 Although it is not proposed to achieve a budget saving by reducing staff numbers, utilising the current WCL staff resource elsewhere would enable the service to take on the management of additional units of temporary accommodation. This in turn will contribute to achieving the requirement to improve the Council's temporary accommodation offer (as previously approved by Communities Committee), as well as reducing the Council's temporary accommodation budget and HB subsidy loss.
- 8.3 The current scheme operates at a significant financial loss due to the reduction in the number of properties being let through the scheme versus the cost of the staffing resource to operate it.

Legal and Governance Implications

- 8.4 The Council has a contractual relationship with the current landlords in the scheme and the contract provisions around giving notice would be followed.

Corporate/Policy Implications

- 8.5 Implementing the preferred option would contribute to achieving one of the themes in the Worcester City Plan 2022-27:

Stronger and Connected Communities

- Having a wide mixture of good quality housing provision to suit the full range of needs
- Appropriate support for homeless people and other vulnerable adults and children

8.6 Increasing and improving the quality of temporary accommodation is a key priority in the draft Worcestershire Homelessness & Rough Sleeping Strategy 2023-25. In addition, the Council has a corporate project to improve and increase the supply of cost-effective temporary accommodation.

Equality Implications

8.7 No equality implications are anticipated for any option.

Human Resources Implications

8.8 There are no human resource implications associated with this report.

Health and Safety Implications

8.9 The preferred option within this report would involve staff undertaking property management responsibilities, including compliance with all relevant legal obligations to ensure the health and safety of residents, staff and contractors. Sufficient staff resource is necessary to undertake these tasks.

Social, Environmental and Economic Implications

8.10 There is a potential risk that if the WCL agreements are brought to an end, some landlords may choose to end the tenancies of current tenants, putting them at risk of homelessness. However, as previously stated, all current tenancies will be assessed and, where a risk of homelessness is identified, tenancy support will continue to be provided.

8.11 The preferred option will facilitate the provision of better quality, more suitable, self-contained temporary accommodation for homeless families, which will have a significant positive impact, not only for the Council, but for the homeless families themselves. There is a wealth of research showing that living in temporary accommodation can have a significant detrimental effect in terms of health, mental health, education, employment, financial management etc. Placing homeless families in self-contained homes, as opposed to rooms where they share facilities with other households, means that they will be able to maintain family life, cook affordable meals, maintain education and employment, and continue to access existing support networks, all of which have positive social and economic implications.

Ward(s): All Wards
Contact Officer: Rosey Badham – Housing & Homelessness Service Manager
Tel: 01905 722272/ 07590 453912
Email: rosey.badham@worcester.gov.uk
Background Papers: N/A