



**Community and Wellbeing
Scrutiny Committee
20 July 2016**

**Report from the Strategic Director
Community Wellbeing**

For information

Wards affected: ALL

Ethical Lettings Agency

1.0 Summary

- 1.1 This report provides an update on the proposed Ethical Lettings Agency and a summary of other areas of work in progress or planned to improve access to private rented housing.

2.0 Recommendations

- 2.1 Scrutiny committee is asked to note the contents of this report.

3.0 Background

- 3.1 The private rented sector now provides around one third of all housing in Brent. While it therefore represents a vital resource for Brent residents and those moving into the borough, its growth raises a range of concerns, in particular about quality, cost and accessibility. Alongside this, the welfare reform agenda has added to the pressures facing low-income households and those claiming benefits, for whom affordable access to the sector is difficult or, in some cases, impossible. In addition, the council has relied on the sector for many years to provide temporary accommodation for homeless households and, increasingly since the implementation of the Localism Act, to provide permanent solutions through which the council can discharge its homelessness duties.
- 3.2 There are several strands to the council's approach to working with and seeking to regulate and improve the sector. For the purposes of this report, the most significant are the introduction of Additional and Selective Licensing and the use of the private rented sector to discharge homelessness duties.
- 3.3 Following extensive research and consultation, the existing Mandatory Licensing scheme, covering larger Houses in Multiple Occupation (HMOs)
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was extended through the implementation of an Additional Licensing scheme covering all HMOs across the borough and Selective Licensing, covering all rented property on the wards of Harlesden, Wembley Central and Willesden Green with effect from 1st January 2015. Over the same period, the council extended its use of the private rented sector to discharge its homelessness duties, using the freedoms put in place by the Localism Act 2011. Prior to the Act, the council had used the private rented sector where households voluntarily accepted an offer.

3.4 During consultation on licensing and prompted by the increasing difficulties faced in securing private rented sector accommodation at rents consistent with Local Housing Allowance rates, particularly for households impacted by benefit caps, it was recognised that a reliable and ethically run lettings agency could be a very helpful adjunct to work in these areas. There are over 250 letting agency businesses operating in Brent and, while many of these are reputable firms belonging to established trade bodies, the picture is mixed and there is evidence of very poor service in some quarters. Among other matters, there are concerns about unreasonable charges, failure to properly manage tenancy deposits and collusion with rogue landlords in evicting tenants. More widely, even reputable agents showed increasing reluctance to let to tenants claiming Housing Benefit, mainly due to concerns about the low Local Housing Allowance rate in comparison to market rents and the perceived risk of rent arrears, especially for households subject to caps. It was agreed that, in this context, an agency run on strictly ethical lines, compliant with all legal and regulatory requirements and charging reasonable rates would benefit tenants and landlords. It should be stressed that, while one aim was to provide a service to households to whom the council owed homelessness duties, the intention was that an agency would also operate on a commercial basis and be accessible to any Brent resident or landlord.

3.5 In late 2013, the council asked Brent Housing Partnership to lead on the establishment of an ethical letting agency and this was included as a target in the Housing Strategy 2014-19. Brent Housing Partnership undertook a period of research and planning, including workshops and reports to its Board. Board members were advised at their meeting on 27th November 2014 that the Chairs Group had given approval on 25th November 2014 to progress the initiative subject to some clarifications required from the council. Outstanding issues were addressed and Cabinet agreed to support Brent Housing Partnership in taking the project forward at its meeting in July 2015.

4. Detail

4.1 Following the Cabinet decision, Brent Housing Partnership implemented a mobilisation plan with the intention of a launch in January 2016. However, due to changes in staffing arrangements and the need for cost savings, a closed Board meeting on 5th January decided to review whether the lettings agency should be launched. Following further reports and consideration of the potential risks and benefits, the Board decided subsequently that the project should not proceed. In summary, the Board took the view that a range of risk factors militated against continuing, including:

- The financial risk of entering a highly competitive market. Although the agency was not necessarily expected to accrue a significant surplus, at least in its early stages, the risk of losses was considered too great. In particular, the identified risks were:
 - Securing enough properties to generate income to cover and exceed costs, especially given the need to secure a proportion of these properties at Local Housing Allowance rents for council nominations.
 - The impact of Universal Credit on the guaranteed rent aspect of the business.
- The wider financial pressures arising from government policy that have required savings and will continue to drive efficiencies, including the 1% rent reduction and the council's requirement for Brent Housing Partnership to achieve 10% savings in 2015/16 and beyond.
- The added risk of entering into an untested project at a time when the organisation is in a recovery phase due to recent performance issues, on which energies and resources will need to be focused.

4.2 While it is disappointing that the proposal has not proved to be viable, a number of other projects are in place or planned that will mitigate any adverse impacts. These are summarised in the following paragraphs.

4.3 A team is in place in Housing Needs that is dedicated to procuring private rented sector properties for homeless households. The team is one of the most successful in the country and in 2014/15 secured access to over 250 affordable properties of which a third were in Brent as shown in the table below:

Area	Number of Properties
Brent	75
Other London boroughs	111
Midlands	42
Other outside of London	24
Total	252

4.4 Alongside this and as part of the Temporary Accommodation Reform Plan, the Find Your Home project has been implemented to assist households in securing private rented sector housing. This relies on empowering people to find a solution to their housing problem at an earlier stage through use of staff support coupled with an innovative IT system which makes it easy to search for affordable properties, reducing the amount of officer time spent on assessing individual households circumstances in order to make a homelessness determination, and increasing time spent on helping households to find accommodation. During a pilot phase that has run since September 2015, 430 households have engaged with the project, of whom 55% are still seeking a home and 31% have had their homelessness

prevented by securing rented accommodation. 14% of cases have not progressed, although in 4% of cases this is because officers have assessed them as not able to sustain a PRS tenancy.

- 4.5 The front-line homelessness service has very recently been restructured to shift the emphasis from statutory assessment and gatekeeping to a service model based on prevention by assisting households wherever possible to maintain their current accommodation, by working with landlords and through the use of incentive payments where necessary, and by making the Find Your Home service available to all households where it is not practical to secure their current accommodation.
 - 4.6 Housing Needs are working closely with the Private Housing Services team to accommodate homeless families in empty homes. In 2015/16, 100 empty homes were brought back into use in this way. The licensing schemes have established contact with landlords of over 7,000 private rented properties to date and these relationships are also being used to increase access to the sector. In addition, the council is working with the West London Housing Partnership boroughs to collectively procure private sector properties in different areas outside of London where there is a good supply of affordable private rented properties.
 - 4.7 Although the initiatives are assisting in securing private rented sector housing, market conditions will make this increasingly challenging. In recognition of this, as part of the Temporary Accommodation Reform Plan it has been agreed that the council will establish a limited company owned by the council, which will acquire its own private rented portfolio which will be let as long-term private rented sector properties at Local Housing Allowance levels to prevent homelessness or end a homelessness duty. The company will be able to let properties outside of the Housing Revenue Account and offer assured shorthold tenancies to tenants, who will benefit from long-term Local Housing Allowance level rents and professional housing management. Acquisition, refurbishment, management and maintenance will be performed under contract to the company by private sector organisations, Registered Providers or the council itself. The Temporary Accommodation Reform Plan proposed acquisition of 300 properties over the period 2016-18 and this programme has recently commenced.
 - 4.8 In addition to acquisition the Temporary Accommodation Reform Plan provides for the council to build new private rented homes for long-term letting at Local Housing Allowance rates on council-owned land. The first such schemes are in the pipeline but the timeline of development means that these units will not come on stream for some time.
 - 4.9 In addition to the council's own efforts there is potential for private developers to bring forward discounted market rent accommodation. Within the Wembley Housing Zone two planned private new-build schemes could bring forward over 500 such units.
 - 4.10 Finally, the Mayor of London made a manifesto commitment to develop a London-wide letting agency. Although details are yet to emerge, it appears that this may not be an entity of the kind envisaged in Brent's proposed agency but proposals are awaited and these may offer some of the benefits
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planned to be realised through a local lettings agency but with the advantage of greater economies of scale. Officers will review any firm proposals as soon as they are published.

5.0 Financial Implications

5.1 There are no immediate financial implications arising from this report.

6.0 Legal Implications

6.1 There are no legal implications arising from this report.

7.0 Diversity Implications

7.1 There are no diversity implications immediately arising from this report.

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