

Review of the Internal Lettings Agency (Homefinder)

Introduction

On 1 November 2011 the Cabinet approved the setting up of an in-house lettings agency, subject to review after 18 months. Commuted sums money not to exceed £105,000 over three years was set aside for the purpose to be used if the level of bad debt exceeded the projected amount.

On 8 October 2013 Cabinet considered a review and resolved that the internal lettings agency be continued subject to a further review after it had been running for three years. Cabinet also resolved that the £105,000 unspent commuted sums money allocated to the Homefinder Scheme be transferred to fund the Rural Enabling Officer post on a fixed term contract for up to three years as detailed in the Affordable Housing Delivery report (minute 483).

The agency was set up to assist the Council in dealing with the issues arising from the Localism Act 2011 and the welfare reforms. It was anticipated that welfare reforms would lead to an increase in homelessness because homes in the private rented sector would become unaffordable for some households. The initiative would also allow the Council to discharge its homelessness duty into the private rented sector in an attempt to break the link between homelessness and access to social housing.

The proposal was to manage dwellings on behalf of private landlords and to let to them to homeless households or those threatened with homelessness at the Local Housing Allowance Rate. The scheme was based on the model used in successful established schemes elsewhere, such as Exeter and South Hams.

The internal lettings agency commenced on 1 April 2012 and was called Homefinder. The various participation levels and benefits are set out in table 1 below.

Table 1: Homefinder benefits

	Service Provided	Cost
Homefinder Bronze	One month's rent in advance and a deposit bond.	Free
Homefinder Silver	As Bronze plus tenant find service, accompanied viewings, referencing, drawing up of tenancy agreements and free energy performance certificate	£150
Homefinder Gold	As Silver plus full management service and rent guarantee whilst property is occupied.	8% of rental income plus £150 for each new tenancy.

The outcomes to be achieved were as follows:

1. An increase in the supply of private rented dwellings sufficient to meet both the current demand, as well as the additional properties that will be required to enable us to discharge our homelessness duty into the private rented sector.
2. Outcomes to be measure by comparing the current level of access to the private rented sector with the levels of access achieved via this initiative. Tenancy sustainment (the length of time a tenant remains in the property as a tenant) will also be measured.

It is accepted that outcome 1 was rather ambitious as the scheme was unlikely to meet the demand in full.

Outcomes

The number of dwellings being managed by the Homefinder initiative is set out in Table 2 below. The number under full management is lower than the number projected in the Cabinet Report dated 1 November 2011.

Table 2: Number of dwelling under full management

	Number of dwellings under full management (Homefinder Gold) at year end.	
	Projected	Actual
Year 1	27	22
Year 2	54	34
Year 3	81	38

It has been difficult to attract landlords to join the scheme and let their properties at the Local Housing Allowance rate because the rental market in the district is buoyant and consequently landlords can let properties at substantially higher rents. Many households have been unable to buy homes due to the cost of housing in the district and the need to provide a substantial deposit. Consequently the demand for private sector rented dwellings has continued to increase.

Officers have conducted advertising campaigns in the local press, extolled the virtues of the service at three landlord forums and have written to all known landlords explaining the benefits of the service in order to attract more landlords to join the initiative at Homefinder Gold level.

The managed portfolio ranges from studio flats in Selsey to a three bedroom house in Chichester. The majority of the dwellings are in the Selsey area where the rent tends to be lower than the rest of the district but Homefinder does manage homes in Hambrook, Fernhurst and Tangmere.

Landlords appear to be satisfied with the service provided because only three properties have been withdrawn from the Homefinder Gold scheme. Two were withdrawn because the owners wished to sell the dwellings and the third because the unusual layout of the property made it difficult to let to households with young children and we were unable to find a suitable tenant.

Table 3, below, identifies the number of households that have been placed in the private rented sector since the initiative commenced along with the number of tenancies provided via the previous scheme known as the Private Sector Housing Access Scheme.

Table 3: Households Housed per Year via Homefinder or the Private Sector Housing Access Scheme

	Private Sector Housing Access Scheme				Homefinder		
	2008	2009	2010	2011	2012/13	2013/14	2014/15
Number Housed	32	36	38	37	77	61	39

The data demonstrates that during the first two years of operation Homefinder significantly increased the number of households placed in the private rented sector and by that measure alone the initiative must be considered to be making substantial progress.

However, in the third year the number of placements reduced for a number of reasons, mentioned below. Landlords have been increasingly reluctant to let to tenants in receipt of Housing Benefit because they are concerned that when Universal Credit is implemented they will no longer be able to receive direct payment of Housing Benefit.

The Local Housing Allowance Rate was changed from 1 April 2011 from the 50th percentile of the market rent to the 30th percentile of the market rent. This meant that from that date it became increasingly difficult to access properties at a rent affordable to low income households.

The other issue is that to an extent we have become a victim of our success because there has been very little tenant movement in the homes we manage through the Homefinder Gold scheme or that are accessed via the Homefinder Bronze scheme. Tenants and landlords appreciate the fact that the team can be relied upon to deal with issues that arise relating to the tenancies and this encourages stability. This is demonstrated by the fact that we have only created 44 tenancies in the Homefinder Gold properties in the three years that the scheme has been running.

Tenants are assured that the property they rent via the scheme is free from hazards that can affect their health and safety because all of the properties are inspected by a member of the Environmental Health to ensure that they meet the minimum housing standard before they are accepted as suitable for inclusion. This is an important factor because dwellings in the private rented sector are more likely to have a category 1 housing health and safety hazard than other types of housing. The housing stock modelling project 2015 identified that 19% of private rented sector properties have a category 1 hazard for excess cold.

Tenancy Sustainment Outcomes

Tenancy sustainment work is carried to assist tenants, of properties that are not included in the Homefinder scheme, in order to prevent them becoming homelessness. The Homefinder Officer has successfully sustained 40 tenancies that without his intervention would have led to the tenant being evicted. In almost every case the tenant was in rent arrears and eviction would have led to the tenant becoming potentially intentionally homeless and this would have had a devastating impact upon the tenant's family.

An example of a sustainment case was a household with five children who had rent arrears in excess of £6,000. The Homefinder Officer negotiated with the landlord and

tenant and they agreed to a repayment plan of £120 per month to pay off the arrears, which allowed the tenant to retain the tenancy.

Income and Costs

The projected income from management fees has proved to be optimistic and was based on the agency taking on three new gold level properties a month for the first three years with a drop-out rate of 25% per annum. The fee income is set out in Table 4 below:

Table 4: Homefinder Fee Income

	2012/13	2013/14	2014/15
Projected Fee Income	£18,504	£36,648	£50,256
Actual Fee Income	£6,359	£15,459	£22,068
Actual Income as a Percentage of the Projected Income	34.4%	42.2%	43.9%

The report to Cabinet in November 2011 projected the cost of the scheme based on marginal costs with no account taken of staff costs. The Homefinder Manager costs were in the base budget and the Homefinder Officer was on a three year temporary contract funded by the homelessness prevention grant. It was envisaged that from year four onwards the income generated by Homefinder would be used as base budget growth to fund the Homefinder Officer post but this has not been achieved.

Savings made elsewhere have allowed the Housing Service to fund the Homefinder Officer post from the base budget so any future surplus income is available for re-investment or as a saving towards the budget deficit.

The cost of running the Homefinder Scheme from 1 April 2012 to 31 March 2015 is set out in Table 5 below.

Table 5: Cost of the Homefinder Initiative

	2012/13	2013/14	2014/15	Total
Net Cost of Service in £s	-775	72,349	52,825	124,399

The costs for 2012/13 are lower than projected because there was an allowance of £20,000 made for bad debt, very little of which was used.

The budget for 2012/13 did not include any provision for staff cost because, as mentioned above, both members of staff working on the initiative were funded from other areas within the Housing Services budget. For 2013/14 onwards staff costs have been allocated to reflect the overall cost of the service, there have been commensurate savings in other areas within the Housing Service.

Value for Money

In order to consider the value for money that Homefinder has provided in the first three years operation it is appropriate to add the staff costs for year one into the equation. If

staff costs of £60,080 (taken from the 2013/14 closing balance) was added to the net cost of running Homefinder during 2012/13 (-£775) it would provide an overall cost of £59,305 for 2012/13 and a three year cost of £184,479.

Homefinder has housed 177 households threatened with homelessness from 1 April 2012 to 31 March 2015 and sustained an additional 40 tenancies. The unit cost for each of these homelessness preventions was thus £850 (£184,479 divided by 217). For comparison the average cost of placing a household in bed and breakfast accommodation for 10 weeks is £3,150. Whilst these costs could be met by Housing Benefit many households in such accommodation fail to complete or claim form or fail to provide sufficient evidence for the claim to be processed.

If we had not prevented homelessness in the 217 cases there could have been significant impacts upon not only our budgets, but partners such as the Police, West Sussex County Council, Stonepillow and the National Health Service. It is likely that a number of applicants housed via the Homefinder scheme would have become street homeless. Some street homeless people have a tendency to engage in criminal activity and often have drug and or alcohol issues. These behaviours impact upon the local Police force, mental health services, community services and Stonepillow. They also have an adverse impact upon the community in general and make the city centre less attractive to residents and visitors.

Research carried out in 2007 by Herriot-Watt University indicated that preventing homelessness can save money when compared to the cost of helping someone who is already homeless. It was estimated that the cost to the public purse of providing temporary accommodation and re-housing afterwards amount to £5,300 per case per year.

The Future

Homefinder is an integral part of the Council's work to prevent homelessness and in its absence we would have to deal with a significantly higher number of homeless applications. This would lead to our temporary accommodation at Westward House being at full capacity and would result in the Council having to utilise expensive bed and breakfast accommodation.

Homefinder should strengthen its links with landlords and local lettings agents in order to increase the supply of private rented sector dwellings at the Local Housing Allowance Rate. To that end we are running a joint landlords forum with the National Landlords Association so that we can promote the scheme.

It also should be considered whether it may be advantageous to offer a full management service at no charge to the landlord in order to entice landlords to provide accommodation at an affordable rent. At the present time landlords are expected to provide accommodation at the Local Housing Allowance Rate and then pay a management fee of 8% plus VAT. This means that their income will be considerably less than if they let it at a market rent through a commercial letting agency. Officers will explore this option when undertaking a review of the Council's Housing Strategy.

Conclusions

Whilst the Homefinder scheme has not achieved level of income that was projected it has met the key objective of the initiative to improve access to the private rented sector for households who are homeless or threatened with homelessness.

The evidence demonstrates that Homefinder has increased the number of properties that the Council has been able to access in the private rented sector at the Local Housing Allowance rate. This is particularly impressive given that the local private rented sector market is very buoyant with a high level of demand with commensurate high rental levels.

The Homefinder scheme has reduced the burden on the Housing Options Team, which is experiencing an increasing demand for housing advice as a result of the welfare reforms and the demand is likely to continue to increase when Universal Credit is fully implemented and benefit expenditure is reduced.

Homefinder provides excellent value for money at net cost of £850 per homelessness case prevented. In the absence of Homefinder the Council's costs in discharging its duties to the 217 applicants assisted through the scheme the costs would have far exceeded the cost of running Homefinder.

Tenants obtaining a home through the scheme have the security of knowing that the home meets the minimum housing standards and will be free from hazards that could impact upon their health and safety.

Lastly, Homefinder has a positive impact upon vulnerable households that are threatened with homelessness. Without the scheme there would be an increase in homelessness, which may result in an increase in rough sleeping or placements into temporary accommodation including bed and breakfast.