

TELFORD & WREKIN COUNCIL

CABINET - 29 JANUARY 2015

TELFORD HOMEFINDER – PROPERTY MANAGEMENT SERVICE

REPORT OF ASSISTANT DIRECTOR: DEVELOPMENT, BUSINESS & EMPLOYMENT

LEAD CABINET MEMBER: CLLR CHARLES SMITH

1 SUMMARY OF MAIN PROPOSALS

Telford & Wrekin Council launched Telford HomeFinder, an in house, on-line letting agency on 7 July 2014 in part to respond to changes to the allocation of social housing in the Borough. The intention of the agency is to offer high quality, accredited landlord accommodation to anyone looking for a property in the Borough including offering, viable, housing options for those in housing need. Telford HomeFinder was launched in conjunction with the Telford & Wrekin Landlord Accreditation Scheme which requires all landlords and each individual property registered with the scheme to meet the Council's accreditation standard.

Since the launch of the accreditation scheme;

- 51 local landlords have been accredited
- More than 45 accredited properties have been advertised through the Telford HomeFinder website
- Over 25 properties have been leased to Telford HomeFinder clients
- Over 50 people requested have requested viewings on properties.

Since the launch, landlords have been consulted on the operation and potential development of the scheme. This has identified a range of additional services that landlords have said would increase take up and revenue, including the provision of a property management service.

This report sets out how the Council proposes to develop the services provided by Telford HomeFinder to provide a property management service for landlords that will help us to meet housing need, tackle rogue landlords and raise the standards in the private rented sector.

2 RECOMMENDATIONS

2.1 That Cabinet approve the Phase 2 development of Telford HomeFinder and associated Business Case for the provision of a commercial letting agency service for private rented properties, as set out in this report;

2.2 That Cabinet grant delegated authority to the Assistant Director for Development, Business & Employment, in consultation with the Cabinet Member for Housing Development & Borough Towns, to implement the proposals contained within this report and thereafter refine the Business Case and implement any acceptable proposed service developments that may be recommended by Officers from time to time to be carried out on a cost recovery traded basis only in respect of the Telford HomeFinders Service and, in particular, the development of a lettings agency service.

3 SUMMARY IMPACT ASSESSMENT

| | | |
|--|--|---|
| COMMUNITY IMPACT | Do these proposals contribute to specific Priority Plan objective(s)? | |
| | Yes | <ul style="list-style-type: none"> • Regenerating those neighbourhoods in need and working to ensure that local people have access to suitable housing • Ensuring neighbourhoods are safe, clean and well maintained through improving the private rented accommodation in the borough and promoting good landlords |
| | Will the proposals impact on specific groups of people? | |
| | Yes | Residents in the borough in need of housing and communities affected by poor housing |
| TARGET COMPLETION/ DELIVERY DATE | Development of Telford Homefinder will commence in February 2015, subject to Cabinet approval. | |
| FINANCIAL/ VALUE FOR MONEY IMPACT | Yes | <p>The proposal to expand the Telford Homefinder service is detailed within the Business Case attached as Appendix B to this report. The business case has been developed with finance officer support and details the projected cost and income of the service based upon assumed take up. The business case demonstrates that the service will cover its costs by the third year of trading. It is important to note that all of the costs associated with the Phase 2 development of the HomeFinder Service will be met from spare capacity within existing Home Improvement Agency resources and base budgets. Therefore, based upon the assumed take up within the business case, the proposals will generate a net budget saving to the Council as demonstrated in the table at paragraph 8.1</p> <p>The actual performance of the service against the business case will be monitored and variances against budgets reported as necessary via Service and Financial Planning reports.</p> <p>JAC221214</p> |
| LEGAL ISSUES | Yes | <p>The provision of Letting Agency services is not a function for which the Council has any powers to provide. However the Council can rely on subsidiary powers under section 111 of the Local Government Act 1972, supported by the freedoms and flexibilities afforded by the General Power of Competency under the Localism Act 2011, to authorise the provision of the proposed services as they facilitate the discharge of specific functions, namely homelessness and homelessness prevention, along with providing access to good quality, affordable accommodation within the private rented sector to people in housing need or on low incomes.</p> <p>The provision of Letting Agency Services will be seen as the provision of commercial services within the 'private sector'. The intention is to charge for the services provided on a cost recovery only basis, i.e. not for profit. The statutory provisions relating to local authorities charging for services require the calculation of any charges to include all expenditure attributable to the service. A corporate charging model has been developed for this purpose and has been followed in the calculation of the proposed charges.</p> <p>Prior to a local authority exercising charging and trading powers a Business Case should be produced and approved by Cabinet.</p> |

| | | |
|---|-----|---|
| | | <p>The business case for the proposed project is attached to this report at Appendix B and has been produced in accordance with Government guidance.</p> <p>The Letting Agency will be handling client and third party monies, this being the case appropriate policies and procedures should be drawn up in conjunction with Finance Officers to ensure the safe handling and keeping of such monies.</p> <p>The provision of Letting Agency Services may at various times give rise to Conflict of Interest in respect of other statutory and enforcement services provided by the Council and other public authorities/agencies, namely benefits, environmental health, trading standards, DWP. The Council will have to be alive to this potential conflict and make this conflict known to all landlords and tenants entering into and using the services of the Letting Agency.</p> |
| OTHER IMPACTS, RISKS & OPPORTUNITIES | Yes | The proposals offer the opportunity to raise the quality of private rented accommodation and landlord practices through incentivising accreditation. |
| IMPACT ON SPECIFIC WARDS | No | |

4 INFORMATION

4.1 Background

The Council launched Telford HomeFinders on the 7 July 2014. Telford HomeFinders is a web based Lettings Agency managed by T&W Council advertising private rented accommodation to anyone looking for accommodation in the Borough. Telford HomeFinders has a standalone lettings agency website www.telfordhomefinder.co.uk and is also accessible via a link from the Housing Options online assessment tool offering a viable, private sector accommodation option to those in housing need. All landlords and their associated properties advertised through Telford HomeFinders must be accredited through the T&W Landlord Accreditation Scheme to ensure they achieve an appropriate standard as set out in the landlord accreditation (see www.telfordhomefinder.co.uk/landlords).

The Landlord Accreditation Scheme has a £50 annual fee and as part of achieving accreditation, landlords must either attend a training course covering their legal responsibilities as a landlord or must complete a questionnaire following which training materials are provided ensuring all landlords have all relevant documentation to operate legally and within their landlord responsibilities. The first training session was held in October 2014 and 22 landlords/letting agency staff were trained. Each session covers:

- Tenancy Regulations
- Landlord Accreditation
- Trading Standards: Landlord and Letting Agents responsibilities
- Environmental Health: Repairs and Housing in Multiple Occupation regulations
- Green Deal
- Fire Service
- Empty Properties
- Housing Benefits

Positive feedback was received from landlords on the diverse training delivered by various agencies, comments included: “very informative”, “filled in gaps in knowledge”, “clear and concise information”, “lots of useful information”.

To incentivise landlords to join Telford HomeFinder, landlords have been able to advertise their properties free of charge for the first six months until January 2015. At this point a fee of £100 to find a tenant is proposed to include advertisement on the Telford HomeFinder website, a draft tenancy agreement and, if required, a credit check. In addition the landlord will be able to access advice from the Council’s Tenancy Relations Officers including support where difficulties with tenants arise. The tenant finder fee was based on market testing of existing letting agencies in the borough. While fees differ between letting agencies, these figures are competitive with other agencies including those providing accommodation to clients in receipt of housing benefit.

Telford HomeFinder is also a key element of the Council’s new approach to meeting locally arising housing need through the private rented sector. Where landlords have properties that would enable us to meet housing need stemming from the discharge of the Council’s housing duty, and they are willing to hold properties vacant for a homeless client the Council may waive up to two weeks council tax. In addition, Telford HomeFinder and the associated landlord accreditation scheme will raise the standard of private sector housing within the Borough through the criteria of becoming an accredited landlord and accrediting properties.

4.2 Achievements to Date

Since the launch of Telford HomeFinder and the landlord accreditation scheme:

- 51 landlords/letting agencies have been accredited
- 22 landlords/letting agencies representatives have attended training
- 50 viewings have been arranged for accredited properties
- 25 tenants have found tenancies because of Telford HomeFinder.

Currently an average of five new properties is being advertised each week on Telford HomeFinder. We have prevented 25 clients from accessing temporary accommodation by finding properties through accredited landlords. Telford HomeFinder has also assisted in bringing empty properties back into use with the owner of a long term empty property in Sutton Hill accessing the empty homes loan to bring the property into a good condition and back into use. The owner of the property then became an accredited landlord with the property being advertised and then leased through Telford HomeFinder.

4.3 Landlord Feedback

As part of developing the concept of Telford HomeFinder the Wrekin Landlords Association and a number of landlords who have previously worked with the Council were consulted. This engagement has continued since the launch with officers attending Association meetings and the recent Annual Wrekin Landlord’s Conference. The feedback from landlords and lettings agencies joining the scheme has been overwhelmingly positive with a number of landlords commenting on the value of the training and the ongoing support available through the Tenant Relations Officers.

In terms of the development of the scheme a number of landlords have suggested that if Telford HomeFinders offered a full property management service they would be encouraged to join the accreditation scheme and advertise through HomeFinders.

Some landlords have also expressed caution over accepting tenants who have been referred, due to homelessness, through the Council’s Housing Options service. However were Homefinder to manage the property and support were provided to the tenant through Family Cohesion they would be more inclined to accept homeless clients or those threatened with homelessness. We have already developed positive relationships with partners including

Maninplace and KIP to assist us in discharging our duties around homelessness but by linking into the private sector we will be able to identify more accommodation and also successfully move clients on from temporary accommodation.

4.4 Telford HomeFinders - Phase 2 Development

On the basis of feedback from landlords and assessment of the competitive service offered by other letting agencies, it is proposed that Telford HomeFinders use spare capacity within their existing resources to carry out market testing and develop a property management service to landlords that will help us to meet housing need, tackle rogue landlords and raise the standards in the private rented sector. This could include:

- To Let sign boards for advertising accredited properties,
- Carrying out tenant viewings,
- Tenancy sign ups,
- Receipt of deposits and lodging them through the Tenancy Deposit Scheme,
- Receipt of rent,
- Managing the properties over the tenancy period including acting as contact for the tenant, arranging for any repairs and where necessary assisting the landlord with any evictions.

In addition to these landlord services we propose to offer some tenant services. The majority of letting agencies currently charge prospective fees to tenants to cover costs such as credit checks and the administration work involved in obtaining references. However the national housing charity, Shelter, are lobbying to stop letting agencies charging such fees and Telford HomeFinders do not propose to charge tenant fees, minimising the costs for tenants before they have moved into a property. Telford HomeFinder will provide a different service to other agencies by only advertising accredited landlords and accredited inspected properties. The schemes aim is to raise the standard of the private rented sector and to effectively publicise the good landlords and their properties within the Borough.

To help manage these services, the Telford HomeFinders website is being developed to offer both a landlord and tenant logging in section which will allow them to monitor and manage their tenancies thus bringing their practicing methods to a higher standard. A draft business case and associated business case is included at Appendix B of this report.

5 CHARGES

Local letting agents charge landlords a fee varying from 7% up to 12% of the monthly rent fees. Tenant finding fees vary from £100 to £250 between agencies. On this basis and to ensure that Telford HomeFinders offers a competitive service – it is proposed to levy the following charges:

- Monthly Management Fee (tenant finding fee £100 applies) 10% of monthly rent + vat

These charges will be kept under review as the service develops to ensure that the service is covering its costs and remains financially viable.

6 MARKETING OF TELFORD HOMEFINDERS

To date, marketing of Telford HomeFinders has been through direct contact with landlords, through the Housing Options on line webtool: www.telfordhousingoptions.co.uk and through the Telford HomeFinders Twitter page. Future marketing development of Telford HomeFinders will be via an on line blog site which promotes properties and landlords and has video links within the blog. Direct marketing to landlords through the Landlord Accreditation Scheme, on TWC web pages and the Telford HomeFinders website will promote the additional services on offer. Promotion through the landlord newsletter that is sent out twice yearly from housing benefits and

through the Wrekin Landlord Association will also be carried out. The marketing and promotional material will be clear that this is a letting agency managing private landlord properties through Telford Homefinder.

Planned marketing activities are as follows:

| | Feb-15 | | | March-15 | | | |
|--|---------|---------------------|------|---------------------|----------|------------------------|----------|
| | w/c 2nd | w/c 9 th | wc16 | w/c 2 nd | w/c 19th | w/c 16 ² th | w/c 23rd |
| Internal channels | | | | | | | |
| Intranet pop up | | | | | | | |
| Staff News item | | | | | | | |
| Copy to Members, Parish & Town Councils. | | | | | | | |
| External channels | | | | | | | |
| Press release to media | | | | | | | |
| Slider on T&W web site | | | | | | | |
| Video story on blog | | | | | | | |
| Social media messages | | | | | | | |
| GovDelivery email | | | | | | | |
| Landlords newsletter | | | | | | | |
| Window decals | | | | | | | |

Appendix A shows the branding that has been put in place for Telford HomeFinders and is now being used throughout the scheme. The first “To Let” boards, similarly branded have recently been produced.

7 Housing Investment Programme

The development of Telford HomeFinders could be used as a platform to market and provide the tenancy and property management for the properties to be delivered as part of the Housing Investment Programme including; tenant finding, credit checks, budget planning, tenancy viewing, property inventories, registering deposits, tenancy sign up and tenancy agreements, tenancy management, arrangement of repairs, preparation of notices to quit tenancies, tenancy exit inspections and links within the benefits team. The development of Telford HomeFinders now, to include a property management function, will act as a valuable pilot project prior to the completion of the first suite of Housing Investment Programme properties.

8 Resources

The development of Phase 2 of Telford HomeFinders will be managed within existing capacity in current staff resources. It is difficult to accurately project the take up of the management service and growth in the agencies landlords/properties but as part of this development and market testing it will allow us to gather information and monitor the interest from landlords in their requirements and uptake. This will allow the continued development of a robust business case for this proposal. If demand should start to outweigh available staff resources, consideration will be given to using income to increase capacity on the basis of a financially viable business case. The business case will be continually reviewed to identify capacity and growth, specifically planning for the Housing Investment Properties to be developed.

9 Risks and Issues

9.1 Financial

The proposal to expand and develop Phase 2 of the Telford HomeFinders service is detailed within the Business Case attached as Appendix B to this report.

The business case has been prepared with input from finance officers and demonstrates that the Phase 2 services will recovery its costs by the third year of trading. It is important to note that the total costs of the Phase 2 services will be met from spare capacity within the existing Home Improvement Agency team which are funded from base budgets. Therefore, any income generated by Phase 2 development will represent a net budget saving to the Council. This is demonstrated in Table 8.1 below which summarises the figures shown in the business case, and shows the impact of the costs and income on the budgeted position of the Council.

| Table 9.1 Phase 2 Development only | Year 1 (35 properties) | Year 2 (50 properties) | Year 3 70 properties) |
|---|---------------------------|---------------------------|--------------------------|
| Expenditure | | | |
| Total costs of Phase 2 | 34,515 | 35,121 | 35,855 |
| Budget available (note 1) | 34,515 | 35,121 | 35,855 |
| Increased costs to TWC | 0 | 0 | 0 |
| Income | | | |
| Total income Phase 2 | (21,000) | (30,000) | (42,000) |
| Net budget savings | (21,000) | (30,000) | (42,000) |

Note 1: The costs of the Phase 2 development will be met from spare capacity within the existing Phase 1 resources and base budgets. Hence there will no additional (non budgeted) costs of the Phase 2 development.

The proposal is to run the extended Phase 2 service as a pilot in the first instance with the intention of growing the service in order to meet the property management requirements of the planned Housing Investment Programme.

Finance support will be provided to monitor the performance of the Homefinder service against the business case model and to support the further development of the service as appropriate.

JAC 221214

9.2 Legal

Statutory powers exist, as identified in this report, to allow the Council to implement the above proposals in relation to the Telford HomeFinders Service.

Income generated from charging for the costs of supplying discretionary services can help the council's financial position. By entering into the market with the delivery of discretionary services, charged for on a cost-recovery basis, a local authority can also moderate prices for essential services that would otherwise be too expensive for local people to afford.

Income generated through trading activities can be used to off-set budgets and therefore help hold down council tax and/or can be directed into frontline services.

The Letting Agency Service will be considered to be the provision of commercial services within the 'private sector'. The statutory powers under section 93 of the Local Government Act 2003 which allow a local authority to charge for the provision of discretionary services provide for a general duty to secure that, from one financial year to the next, the income from charges for each separate services does not exceed the costs of provision. This approach allows a local authority greater flexibility to balance their accounts over a period of time and recognises the practical difficulties for a local authority in estimating the charges for a discretionary service at the outset.

A local authority must however offset any surplus or deficit in income as a result of any over or under recovery of charges when setting future charges for the discretionary service. This ensures that over time the income generated by the discretionary service equates to the cost of providing the service.

However in providing the Service the Council should not provide a subsidised service which would lead to potential legal challenge for breach of anti-competition laws and/or State Aid Rules. These issues have been identified and steps have been taken to address them, along with other identified risks, during development of the Business Case.

In the initial years (years 1 & 2) of charging there will be a small and reducing subsidy to the lettings agency with a projected 'break even' by year 3. This is in line with any business 'start-up' and the local authority rules for the recovery of charges in terms of balancing its accounts over a [reasonable] period of time.

Following a recent Government consultation on the regulation of private sector letting and managing agents it was decided not to introduce direct regulation but to expand and rely upon existing consumer protection legislation. In addition the industry and Government have come together to develop good practice guidance and as such the following should be applied and/or followed as far as possible:

- The Royal Institution of Chartered Surveyors Private Rented Sector Code of Practice (likely to be made statutory)
- The Department for Communities and Local Government Model Agreement for an Assured Shorthold Tenancy
- The Department for Communities and Local Government Code for Local Authorities: Dealing With Rogue Landlords

In order to continue to minimise any risks into the future the Telford HomeFinders Service should develop an annual Business Case which will assist in defining long-term objectives, set goals and measure progress, along with ensuring continued compliance with the various trading and state aid restrictions placed upon the Council.

10 Previous Minutes

A New Approach in Supporting Housing Options – June 2014

11 Background Papers

None

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Appendix A - Telford Homefinder Brand



TELFORD
HOMEFINDER



Appendix B

Business Case Telford & Wrekin Council Commercial Development Expansion of Telford HomeFinder – Phase 2

1.0 The Proposition

1.1 Vision

To expand the services of Telford HomeFinder to provide a full letting agency management service to accredited landlords. This responds to feedback from local landlords that this would encourage them to sign up to the scheme and to house clients coming through the Council's Housing Options Team. This will also enable us to create, maintain and develop an in-house letting agency that will be:

1. Accessible to all accredited landlords and prospective tenants
2. Professional and based on best practice principles
3. Legally compliant
4. Customer focused
5. Fostering an ethos of continuous training/development and up to date practice
6. Targeted to meet demand, whilst remaining attractive to the wider market
7. A business operating efficiently and adopting market focussed approaches
8. Drawing upon the benefits of being Telford & Wrekin council whilst continuing to meet the needs of the wider market.

1.2 Outline Business Proposition

- To extend the existing services provided by Telford HomeFinder to offer:
 - Tenant finding only,
 - Tenant finding and rent collection,
 - Full property management service.
- To encourage landlords to become accredited through offering an attractive service.
- To improve private rented sector property standards through landlord accreditation
- To discharge our housing duty through the private rented sector
- To advertise accredited landlords and accredited properties through the Telford Homefinder website
- To increase the length of tenancies as well as reduce property turnover by improving housing condition

1.3 Market

Since 2001, the proportion of privately rented households in Telford & Wrekin has doubled from 7.1% to 14.9%, with the proportion in social rented properties falling slightly to 11.6%. Recent Welfare Benefit reforms mean that 2,613 residents will lose a proportion of their benefits where they are considered to be occupying a social housing property with more bedrooms than they are considered under the reforms to need. There is not enough existing or planned social housing stock to provide one or two bedroom properties so many residents have to rent through private landlords. The majority of landlords are able to rent their properties, however to raise the standards of the private rented sector, we want to encourage landlords to become accredited landlords and to join the Telford HomeFinder letting agency. Feedback from landlords has shown that to do this effectively we need to offer additional services.

The Landlord Accreditation Scheme and Telford Home Finder not only accredits the landlord but also inspects any property that is advertised on the website.

By promoting and only using landlords from an accreditation scheme we are sending a message to local landlords and tenants that the Authority will only support good quality landlords and properties. A central database of accredited landlords will ensure that no internal services rent properties from rogue or unaccredited landlords. A landlord's accreditation will be reviewed in response to concerns raised by tenants or other parties as outlined in the accreditation documents.

1.4 Operation

The service will be provided through the existing Telford HomeFinder letting agency which also accredits the landlord and provides tenancy relations advice.

1.5 Operational

This would be managed by existing staff in the Telford HomeFinder team and would link in with the landlord accreditation scheme.

1.6 Marketing

The marketing will be through the Telford HomeFinder scheme and this service is being promoted directly to landlords, through events and social media. There is also a marketing plan which is being managed with corporate communications:

| | Feb 2015 | | | March 2015 | | | |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | w/c 2 nd | w/c 9 th | w/c 16 th | w/c 2 nd | w/c 9 th | w/c 16 th | w/c 23 rd |
| Internal channels | | | | | | | |
| Intranet pop up | | | | | | | |
| Staff News item | | | | | | | |
| Copy to Members, Parish & Town Councils | | | | | | | |
| External channels | | | | | | | |
| Press release to media | | | | | | | |
| Slider on T&W web site | | | | | | | |
| Video story on blog | | | | | | | |
| Social media messages | | | | | | | |
| GovDelivery email | | | | | | | |
| Landlords letter | | | | | | | |
| Window decals | | | | | | | |

2.0 Costs and Revenue

| Telford Homefinder – Phase 2 | | | |
|---|---------------|---------------|---------------|
| | Year 1 | Year 2 | Year 3 |
| Staff Cost | 14,804 | 14,952 | 15,101 |
| Management Cost | 2,826 | 2,855 | 2,883 |
| Direct Cost | 11,382 | 11,757 | 12,257 |
| Overheads (including Central Admin Costs) | 5,503 | 5,558 | 5,613 |
| Total Cost | <u>34,515</u> | <u>35,121</u> | <u>35,855</u> |

Income

| | Year 1 | Year 2 | Year 3 |
|-------------------------------|---------------|---------------|---------------|
| Management Fee | | | |
| No.of properties | 35 | 50 | 70 |
| Average Monthly Rent | 500 | 500 | 500 |
| Total Annual Income | 210,000 | 300,000 | 420,000 |
| Management Fee Retained (10%) | 21,000 | 30,000 | 42,000 |
| Total Income | <u>21,000</u> | <u>30,000</u> | <u>42,000</u> |
| (Surplus)/Loss Generated | 13,515 | 5,121 | (6,145) |

Expenditure costs are built in to existing staffing and revenue budgets as it is proposed the service will be run using spare capacity within the existing Homefinder Team and base budgets

Any costs relating to repairs would be paid by the landlord either directly or from the rental income received by Telford Homefinder. All costs relating to the property would be the responsibility of the landlords including any loss in rent.

3.0 Co-operative Council

This venture fits in with the co-operative council values

Ownership

- The service will be accountable for the actions it carries out and we will be empowering clients to take action and responsibility for themselves and to help them maintain good relationship with their landlords and to maintain their tenancies for as long as necessary.

Openness and Honesty

- The service has clear pricing structures and the scheme will have clear processes that both the landlord and tenants understand. The service will outline any charges on the website that is relevant to both the landlord and tenant. It will be simple and transparent so that customers feel confident that there will be no hidden and extra costs

Fairness and Respect

- The service is responding to residents needs by developing Telford HomeFinder to provide a full management service. This is evident where any properties let by Telford HomeFinder will not charge any administration fees to tenants in line with tenant feedback and the campaign linked with Shelter.

Involvement

- Through ongoing communication with landlords they have raised requests regarding Telford HomeFinder providing a full management service. This dialogue will continue and support the development of the Homefinder agency model

4.0 Stakeholder Impacts

These proposals have a range of stakeholder impacts:-

- Residents: positive impact as these proposals will raise the standard of the private rented sector
- Businesses: Positive impacts as landlords (who are businesses) have requested that we offer this service and in providing it, it shows we have listened to their views. It could however have an adverse business impact on some landlords/letting agents if they are not willing to become an accredited landlord or letting agent balanced by the positive impact on the resident community of being able to access reputable landlords/accommodation.
- Our existing service provision: positive as this will add a valued incentive to encourage landlords to join the accreditation scheme which will enable us to monitor private landlords and their property conditions. This will also increase our access to the private rented stock and help us discharge our homeless duty.
- Other Local Authorities: none, our neighbouring local authorities do not provide any similar services.
- Council employees in the area of operation: There will be additional work to manage the properties; however the initial monitoring of this scheme will allow us to manage the clients and property effectively within current resources and to identify if we need to expand.

5.0 Risks & Mitigation

| | |
|---|--|
| <p>1. Challenge from private sector providers/industry association</p> | <p>1. We will be transparent in the provision of our service providing a clear vision, objectives and operating arrangements to all other private sectors operators. The service will be calculated on a cost basis and will require a Council subsidy in the first three years. If the service does begin to make surplus income the service would develop into a commercial model.</p> |
| <p>2. Conflict</p> <p>a. Property conditions fall below minimum standards after initial rental agreement</p> <p>b. Other 'enforcement/breach of law' information comes to the attention of the Lettings Agency</p> <p>c. Legal dispute in relation to tenancy agreement</p> | <p>2a. As all the properties will be inspected to ensure they meet the standards as set out in the accreditation scheme, this will ensure no properties fall below the standard. For any properties that fall into disrepair whilst in the tenancy, Telford HomeFinder will be the point of contact for the tenant and will liaise with the landlord to ensure repairs are carried out. Contracts will be set up between the landlord and Telford HomeFinder to ensure that they carry out their responsibilities. Links will be made with environmental health to ensure that standards are adhered to.</p> |

| | |
|--|--|
| | <p>2b. We would manage all complaints and ensure that we link with other regulatory services and legal to ensure that all details are handled appropriately and in line with Council powers. Contracts will be in place to ensure that liability is handled correctly.</p> <p>2c. The tenancy agreement we will be using is the Government recommended agreement so this will ensure the tenancies are correct. Also the Tenancy Relations officers offer support on any tenancy issues.</p> |
| <p>3. Council drawn into actions in respects to eviction if the tenant does not adhere to tenancy agreement even after support which could lead to homelessness.</p> | <p>3. If the tenant does not adhere to the tenancy agreement and the last option is eviction, we would liaise with Family and Cohesion to ensure they offer a housing options interview and provide the relevant support.</p> |

6.0 Initiation

Subject to Cabinet approval of the cabinet report and associated Business Case

Appendix 1 - Telford HomeFinder Business Plan

1. Background/Introduction

Due to a lack of affordable private rented accommodation and limited turnover of social housing along with an increasing number of clients presenting as homeless, there is a need for a co-ordinated approach in sourcing decent accommodation through reputable and accredited landlords in the Borough. The private rented sector has doubled in Telford and Wrekin over the last few years and now makes up 14% (approx 9,600 properties) of the housing stock in the Borough. As such it provides the housing of choice as well as the only available option, for many households, including those who have previously lived in the social sector.

The Government freed councils, through the Localism Act, to look differently at how it can solve problems it faces. The Localism Act 2011 provides a new power that allows suitable 'Private Sector Offers' to be used to end the main homeless duty, without requiring the applicant's agreement. This applies to new homeless applicants applying as homeless from the 9th November 2012. These changes are part of the Government's wider social housing reforms. They seek to give greater freedoms to local authorities to make better use of good quality private sector accommodation that can provide suitable accommodation for households accepted as homeless.

The changes to Local Housing Allowance (LHA) and housing benefits has reduced the benefits received by almost all LHA claimants by using a measure based on the 30th percentile of rents rather than the median and capping LHA payments. These changes and further predicted changes of Welfare Reform are having a severe impact on private renting families' ability to find decent affordable homes.

2. Current Position

People who experience homelessness need somewhere suitable to live. Councils have a duty to house people that are eligible, in priority need and unintentionally homeless.

Prior to the Localism Act, people who became homeless were able to refuse offers of accommodation in the private rented sector, and insist that they should be housed in temporary accommodation, at significant cost to the LA, until a long term social home became available. This meant that in some circumstances people in acute, but short-term housing need, acquired a social home for life, although they may not need one, while other people who do need a social home in the longer term are left waiting.

The Localism Act has addressed this so that local authorities can meet their homelessness duties by providing good quality private rented properties homes.

Telford & Wrekin Council currently use and access the private rented sector in a number of different ways including the Landlord Accreditation Scheme, Prevention Scheme and Temporary Accommodation.

Accredited landlords/letting agencies properties are advertised on the Telford Homefinder website. These properties have been inspected and meet the minimum standard as set out in the landlord accreditation scheme. These properties are advertised to anyone looking for good quality private rented property.

3. Vision

To expand the services of Telford HomeFinder to provide a full letting agency management service to accredited landlords. This will enable us to create, maintain and develop an in-house letting agency that will be:

1. Accessible to all accredited landlords and prospective tenants
2. Professionally adopting best practice principles
3. Legally compliant

4. Customer/people focused
5. Engaging in an ethos of training and up to date practice
6. Targeted to meet demand, whilst remaining attractive to the wider market
7. A business operating efficiently and adopting market focussed approaches
8. Drawing upon the benefits of being Telford & Wrekin council whilst continuing to meet the needs of the wider market.
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4. Purpose

To help people that are in need of housing to find affordable, decent homes by providing a professional letting and management service to landlords and maintaining effective working links with other agencies supporting those in housing need. Telford homefinder will all help address many of the obstacles locally in moving into the private rented sector by linking it with the landlord accreditation scheme that promotes good landlord and letting practices.

5. Expanding Telford HomeFinder

Telford & Wrekin Council propose to expand the Telford HomeFinder Letting Agency function to operate as a full management service and to build on its current success in the housing market by providing a professional, accessible letting and property management business. With the Council's support and expertise, the agency will provide an excellent customer focused service. It will be staffed by the existing team of housing and business professionals who know the market locally and have many years experience working with both tenants and landlords. The business will operate like a regular letting agency but will also link closely with the homelessness team to target individuals and groups who may not normally consider the private rented sector.

The development of Telford HomeFinder will also be the platform to market and provide tenancy and property management for the properties to be delivered as part of the Housing Investment Programme. We will review the business plan throughout the first year and will encompass the properties that are being built within the Housing Investment Programme to project the number of properties to be managed and the expected income and resources.

6. Products and Services

Overview

The business will offer a menu of services that will be attractive to its potential customers across Telford & Wrekin. It will be simple and transparent so that customers feel confident that there will be no hidden or extra costs. The list of services below follows a template and this is necessary in the start up months. As the business becomes more established the services will be reviewed to reflect demand. Prices and charges will also be reviewed on the basis of the learning in the start up period.

Services

The business will provide a comprehensive letting and management service for residential properties primarily in Telford & Wrekin but other surrounding areas will also be considered for those clients who have a need to move out of the Borough. This will include a range of options including tenant finding service only, a tenant finding and rent collection service and a comprehensive property management service. Associated services such as a property inventory, tenancy agreements and To Let boards and credit checks will also be provided.

7. Additional Services supporting Telford HomeFinder priorities

The landlord accreditation scheme will provide advice and support to landlords to ensure their properties meet minimum standards and their practices as a landlord are ethical. This will also include any incentives or schemes that are available to accredited landlords. Where relevant, housing benefit safeguarding forms will be filled in to ensure that landlords receive direct

payment on any vulnerable. Support provided through Family and Cohesion services where homeless clients are housed within a property.

Innovative marketing of properties will be provided and linked into various social media sites. Telford HomeFinders will also work in co-operation with Family Cohesion to ensure any support needs are provided to those clients which may be required, thus providing reassurance to landlords.

The business will use the Telford HomeFinder website to register interest from clients on the individual properties and this website will be stand alone but links are made through the interactive housing options web tool: www.telfordhousingoptions.co.uk.

The approach of the business will be client focused and the service will offer an advice service to tenants and accredited landlords. The intention is to help more people find a longer term home through good landlords and decent properties in the private rented sector.

8. Target Market

Landlord/Letting Agents

The service will be targeted, in the following priority:

1. Existing landlords with whom Telford & Wrekin Council already has a good track record and relationship and are already accredited landlords/letting agents.
2. Individual landlords and letting agents within Telford & Wrekin who are becoming accredited.
3. Individual landlords and letting agents within the surrounding areas that are becoming accredited.

Tenants

The service will be targeted to the following clients:

1. People who are facing homelessness
2. Those who cannot afford to buy a home in the Borough
3. The general market who are looking to rent a good quality, private property from an accredited landlord.

9. Competitors

Telford has a range of traditional letting agencies; these consist of smaller propriety led businesses, branches of national companies and multi disciplinary practices, some of which are part of older established firms. Most offer private lets in the general market and a few specialise in high end value properties. Some agencies offer properties to tenants on benefits, but few advertise that fact and few have a fee free offer to tenants.

There is a sizable portion of landlords who let and manage their own properties and who may to some extent rely on local agents to find tenants. Telford & Wrekin Council has worked proactively with many private landlords over the last few years and has successfully housed many clients. There is a gap in the market that this business plan provides which is advertising accredited landlords and accredited properties to ensure housing needs are met with the reassurance of the property management to protect and support both the tenant and landlord maximising the chances of a sustained, long term tenancy.

10. Pricing

The suggested fee structure below sits competitively with the local market currently. It will need review and adjustment as the expansion of the business occurs in later months/years.

Property Management Fee 10% + vat

11. Opportunities

- Build on established relationships with landlords
- Government policy is shifting tenants towards the private sector

- Security of tenure in social housing is reducing thus making it more attractive to tenants
- To expand into the wider geographical area if it can be demonstrated that the model works
- Strong partnerships give the business a strong platform.
- To be the platform for the Housing Investment Programme

12. Challenges

- Landlords may be reluctant to engage for fear of any enforcement role
- Competitors may react by stigmatising the business as only housing homeless clients
- Some landlords have a negative experience of housing clients through the local authority
- Competition with other letting agents

13. Responding to Market Needs

1. Landlord Fees: fears around hidden charges and expensive property maintenance are a disincentive for some landlords in choosing an agency to manage a property. This business will have a transparent fee structure and will have clear parameters established with landlords e.g. around what can be spent on maintenance before additional agreement is sought.
2. Tenant Fees: There will be transparency with prospective tenants about application fees. Any properties managed by Telford HomeFinder will not incur any fees to the tenants to apply for a property. The tenancy agreement will clearly specify default charges that may be applied and expectations of tenants.
3. Financial: Security for landlords around income is crucial. This business will offer a fast turnaround working proactively to minimise void periods.
4. The Law: The private rented sector is increasingly complex and this business will demonstrate that it is adopting latest practice and working to the highest professional standards. This is crucial in an industry that has bad press around poor property management practices.
5. Accessibility: This business will be sensitive to the needs of landlords and tenants; it will comply with best practice around equal opportunities.
6. Property Standards: The business will work proactively with landlords to raise the standard of housing to make it attractive and safe for the market.

14. Financial

Expenditure costs are built in to existing staffing and revenue budgets as it is proposed the service will be run by the existing Homefinder Team.

The following is the expected expenditure and income in the first 3 years; however the business plan will be reviewed over the first year and amendments to encompass additional properties that will be managed as part of the Housing Investment Programme.

| Telford Homefinder | Year 1 | Year 2 | Year 3 |
|--------------------|--------|--------|--------|
| Staff Cost | 14,804 | 14,952 | 15,101 |
| Management Cost | 2,826 | 2,855 | 2,883 |
| Direct Cost | 11,382 | 11,757 | 12,257 |

| | | | |
|---|-------|-------|-------|
| Overheads (including Central Admin Costs) | 5,503 | 5,558 | 5,613 |
|---|-------|-------|-------|

| | | | |
|------------|--------|--------|--------|
| Total Cost | 34,515 | 35,121 | 35,855 |
|------------|--------|--------|--------|

Income

| Management Fee | Year 1 | Year 2 | Year 3 |
|-------------------------------|---------|---------|---------|
| No.of properties | 35 | 50 | 70 |
| Average Monthly Rent | 500 | 500 | 500 |
| Total Annual Income | 210,000 | 300,000 | 420,000 |
| Management Fee Retained (10%) | 21,000 | 30,000 | 42,000 |
| Total Income | 21,000 | 30,000 | 42,000 |
| (Surplus)/Loss Generated | 13,515 | 5,121 | (6,145) |

Any costs relating to repairs would be paid by the landlord directly from the rental income. All costs relating to the property would be the responsibility of the landlords including any loss in rent. If we start to make a profit we would look at making Telford Homefinder into a commercial operation.