

Scrutiny Review

Stockport Homes Private Rented Service

Final report of the

Adult Care Services & Housing Scrutiny Committee

April 2015

Foreword



Councillor Stuart Bodsworth
Chair of the Scrutiny Review Panel

Introduction

- 1.1 The private rented sector can play many roles exceptionally well, but will generally fall back on providing housing within a market context. Within that market, some landlords will actively choose to let to tenants on low income and who are in receipt of local housing allowance, and so may not be able to afford a full market rent.
- 1.2 In such cases, landlords may be satisfied that having longer term tenants, who regard the property as their home, offsets the lower rent receipts. However, strong demand for rental property at market rates and perceived problems with Local Housing Allowance has meant that some landlords have been unwilling to enter this part of the market.
- 1.3 This issue was discussed in 'The Private Rented Sector: its contribution and potential' (*Centre For Housing Policy University Of York, 2008*) which recommended that that the supply of property to tenants on lower incomes might be improved by the introduction of social lettings agencies. The proposal was that this might overcome a number of issues that had emerged in the private sector around:-
 - landlords and tenants being poorly served by lettings agents;
 - competition between access schemes that had created unreasonable expectations of rents that could be charged to local authorities seeking temporary accommodation; and
 - the need for mediating agencies to offset some of the perceived risks at the lower end of the market.
- 1.4 These factors are exacerbated by landlords' fears that low-income tenants would fall into rent arrears and be more likely to be 'bad' tenants; and tenants' fears that they would be subject to illegal eviction or sudden rent increases.
- 1.5 Social lettings agencies were conceived to be the very best in lettings agencies, but with a remit to produce sustainable, affordable tenancies. Landlords would actively seek to use the agencies because they would offer probity, reliability and great value for money. Tenants would also be happy to use the agencies because their objective would be to create long-term tenancies that were free from the incentive to maximise profits through high tenancy turnover.

The Local Context

- 2.1 At one time, substantial Council house building programmes helped to narrow the gap between housing need and housing demand as did a larger private rented sector in pre-rent control days.
- 2.2 Both sources of rented housing have now decreased considerably in scale; indeed Stockport has one of the lowest proportions of local authority/ registered social landlord

rented accommodation in the country in particular in comparison with urban local authorities. The latest data from the 2011 census demonstrates that only 13.7% of households in Stockport live in local authority or social rented housing and 10.4% in private rented housing compared to 17.6% and 18% nationally.¹

- 2.3 In addition, the advent of registered social landlords has not been enough to keep up with the growing problem. Residents in Stockport have much higher housing costs than most parts of the North West Region whilst earnings of people looking for housing at the lower part of the market do not reflect higher housing costs. The provision of affordable housing is by definition difficult to achieve in the market led sector of the economy.
- 2.4 Stockport has historically been a borough of high home ownership and in the climate of rising repossessions and difficulties for first time buyers raising large deposits, private renting is becoming an option, if not always of choice, but of necessity. Stockport has been found to have a “buoyant” housing market in the recent past and is now being affected by the current economic climate and the uncertainties the future holds. Affordability in the private rented sector will also be paramount with the coming welfare reforms.
- 2.5 Stockport Homes has run a successful Deposit Scheme for some years. However, the Scheme’s criteria have been very much narrowed due to the large volume of applications to the Scheme by those applicants who simply could not afford a deposit coupled with paying the first month’s rent and administration fees to local private landlords. Consequently, the criteria has been developed to ensure successful targeting of limited resources to those households most in need and therefore applicants to the Scheme must be homeless or threatened with homelessness. The Scheme as it stands targets those in most need and has proved very useful in providing a further housing option to temporary accommodation and social housing.
- 2.6 Where residents have been able to secure a tenancy with a private landlord, satisfaction with housing remains comparatively low. While 90.7% of households in Stockport indicated that their accommodation was adequate for their needs, this fell to 72.6% in the private rented sector.²
- 2.7 Consequently, and in the light of these factors, in 2012 Stockport Homes gave consideration to the establishment of a social lettings service in Stockport as a means of further widening access to the private rented sector. In doing so, the following factors were given particular consideration:-
- 1) Current and likely future homelessness trends and their likely impact on the demand for social housing. Homeless presentations had been steadily increasing (from 273 in 2008-09 to 331 in 2010/11, and foot fall predicted to increase by 250% nationally with the impact of welfare reform in the future).
 - 2) Legislative changes which allow the full homeless duty to be satisfied via the award of a 12 month tenancy in the private rented sector.

¹ Census Data 2011, ONS

² Housing Market & Needs Assessment - 2011

- 3) More choice would be offered for vulnerable and low income households, and there were implied benefits for tenants with these private rented sector properties being more closely regulated and housing standards being checked.
- 4) An opportunity ensure right to buy properties, particularly those let on council estates, are brought up to decency standard.

Background to the Review

- 3.1 On 5 March 2012, the Adult Care Services & Housing Scrutiny Committee considered the Stockport Homes Delivery Plan for 2012/13 and welcomed a proposal within the Plan for Stockport Homes to develop a **Social Lettings Scheme**.
- 3.2 Stockport Homes had identified that the lettings market in Stockport was primarily dominated by a number of estate agents who operated lettings agencies as a secondary component of their business. This was partially as a consequence of the size of the private rented sector in Stockport which was relatively small and therefore did not provide the level of available properties for a viable specialised operator to emerge.
- 3.3 At that stage, it was proposed to develop a Social Lettings Scheme as means of:-
 - providing an alternative option to high street letting agencies; and
 - to offer an alternative housing option to vulnerable and /or low income households including those who were experiencing or threatened with homelessness;
 - raising standards within the private sector; and
 - providing another means by which the Council could discharge its homelessness duty in the light of legislative changes which allowed the full homelessness duty to be satisfied via the award of a 12 month tenancy in a private rented property.
- 3.4 The “Stockport Homes Lettings Service” was subsequently established in June 2012.
- 3.5 The Scrutiny Committee considered that after three years of operation, now was an opportune time to re-examine the social lettings service.

Methodology

- 4.1 The Adult Care Services & Housing Scrutiny Committee appointed a Panel to carry out the Review comprised of the following members:-

Councillor Stuart Bodsworth (Lead Councillor)
Councillor Sheila Bailey
Councillor Oliver Johnstone
- 4.2 As part of the Review, the Panel had the support and assistance of:-

- Andy Kippax – Head of Strategic Housing (Stockport Council)
- Anne-Marie Heil – Head of Independent Living (Stockport Homes)
- Arun Parmur – Private Sector Manager (Stockport Homes)
- Damian Eaton – CSS Manager, Legal & Democratic Services (Stockport Council)

4.3 The Panel met on three occasions between February and April 2015 and followed the timetable set out below:-

Meeting One – Setting the Scene (22 February 2015)

- Baseline information and terms of reference agreed
- Determine focus for the review and agree project plan

Meeting Two – Evidence Gathering (22 March 2015)

- Consideration of:-
 - The offer of other Social Lettings Agencies.
 - What was the private sector was able to offer?
 - Complaints data from customers of the social lettings service.
- Interviews with existing landlord customers of the Lettings Service

Meeting Three – Draft Final Report and Recommendations (22 April 2015)

Terms of Reference for the Review

5.1 At its first meeting, the Panel considered the original business plan for the Stockport Homes Lettings Service alongside a report providing an analysis of progress to date towards meeting the aims of that Plan. In considering this information, the Panel agreed that the aim of the Review should be to determine:-

- whether the Stockport Homes Private Rented Service was targeting the right range of properties.
- whether there was scope to improve the criteria around targeting of empty properties.
- whether there was scope for the service to grow beyond its current property base and how that might best be achieved including both areas inside and outside the borough and types of housing.

The Stockport Homes Lettings Service

The Concept

- 6.1 The Stockport Homes Lettings Services aims to provide a viable alternative to traditional high street letting agencies by offering a competitively priced, high quality lettings and management service with a view to driving up standards in the private rented sector.
- 6.2 The idea involves the use of the well-established Stockport Homes brand, which has a local reputation for the efficient management of the Council's housing stock, and applying

that to the delivery of a high quality lettings and management service. Landlords would have the confidence that Stockport Homes would ensure that their legal obligations were being met; that unparalleled access would be provided to prospective tenants ensuring a quick turnaround when properties were empty which minimises rental loss; and the comfort that Stockport Homes would deal with any problems or breaches with regards to the tenancy.

Vision and Aims

6.3 The Stockport Homes Lettings Service was established with the vision that it would:

“become [the] market leader in the social lettings field and...be seen as the agent of choice by landlords”.

6.4 It was envisaged that the lettings scheme would take a major role in using private rented properties as a real alternative when looking to house vulnerable and/ or low income households and would target those landlords, amongst others, who:

- Were smaller, less experienced landlords who would welcome professional, inexpensive advice and assistance on tenant finding, tenancy agreements, rent issues, property conditions and repairs, benefits, evictions
- “Accidental” landlords who may be unable to sell a property, perhaps bequeathed to them and in a poor state of repair, and have been left with letting as the only alternative
- Landlords with a single property who do not wish to have the inconvenience of managing a property.

The Service

6.5 Two levels of service are currently provided by Stockport Homes Lettings Service:

Tenant Find Service – For a one-off fee of £200 + VAT the service will identify a suitable tenant, undertake credit and reference checks, set up the tenancy and collect the first month’s rent and deposit.

Full Management Service – Includes the Tenant Find service outlined above and an on-going comprehensive management service to include rent collection, repairs and maintenance services, regular property inspections and tenancy management. The fee for this service is 10% of the rental income plus VAT with no up-front fees.

6.6 The full management service has proved to be the most popular option with landlords as it provides a comprehensive service with competitive fees in comparison to high street agents.

6.7 The Stockport Homes Lettings Service particularly provides a focus on ensuring a quick turnaround on the lettings of properties with turnover times of between 5-10 days being

achievable which compares favourably with the private lettings agencies where this timeframe can often extend into several weeks or longer.

Key Findings

- 7.1 The Panel heard that from April 2014 to January 2015 the Service had secured 40 properties in receipt of the **Full Management Service** taking the total number of properties managed by Stockport Homes to 71. In addition a further five properties are void, three of which were due to be signed up during the course of the Review period, and a further two were in the process of being advertised.
- 7.2 From April 2014 to January 2015 the Service had provided a Tenant Find Service for 10 properties, taking the total number to 29. In addition one property was in the process of being advertised during the Review period.
- 7.3 The Social Lettings Business Plan had assumed 80 properties would be secured for the full management service by the end of March 2015 and was on course to meet that target as at the conclusion of the Review.

Range of Properties

- 7.4 The Panel heard that the most common type of property being let have been three bedroom houses (43%), followed by two bedroom houses (19%) and one bedroom flats (19%).
- 7.5 A significant minority of the remaining property types were two bedroom flats (15%) with the remainder being made up of a studio flat and a two bedroom bungalow. This breakdown is shown in Table 1 below.

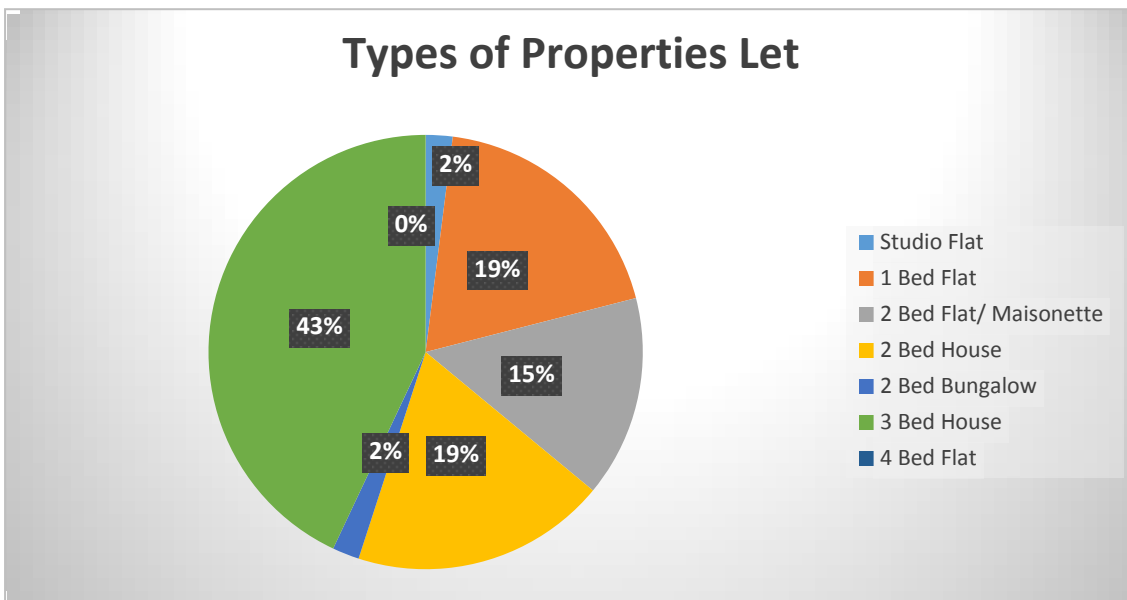


Table 1: Types of Property Let by the Stockport Homes Lettings Service

- 7.6 This breakdown in property sizes sits midway between the corresponding property size profile in the market and social housing sector where 77.3% and 23.4% of homes respectively had three bedrooms or more.³
- 7.7 The Panel considered this range of properties in the light of the household type that had secured tenancies through the Lettings Service as a means of establishing whether the service was appropriately meeting demand for housing. Although it was acknowledged that the household type may to a degree be led by the availability of properties at any given time, such information would provide context to the current housing market and whether the Lettings Service was appropriately meeting the demands of its client tenants.

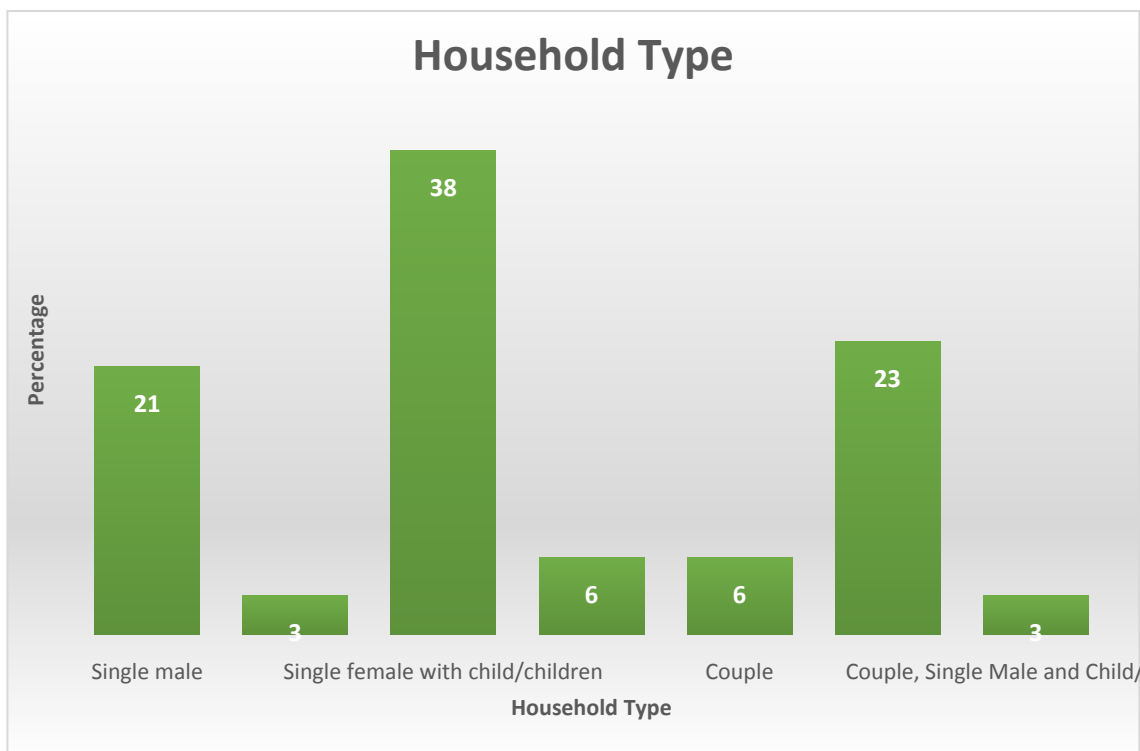


Table 2: Tenants of the Stockport Homes Lettings Service by Household Type

- 7.8 The Panel observed that the largest demand on its service was from families with children (representing 70% of the overall client base). This corresponded to a supply of suitable family housing of 77% (made up of 2 and 3 bedroom houses and two bedroom flats). While to a large extent, the supply of accommodation to the Lettings Service would be driven by factors beyond the control of Stockport Homes, the Panel noted that the available capacity in the various housing type categories indicated that tenants appeared to be being suitably housed.

³ Housing Market & Needs Assessment - 2011

- 7.9 Moreover, a high proportion of properties (77%) were let at Local Housing Allowance rate, thereby meeting the aim of the service to make the sector accessible for those on low incomes. The remaining 23% of properties were let at rates above LHA due to the market rental and demand within that particular area. These properties were let to applicants either in full-time employment or those in receipt of partial LHA who had an additional source of income.

Recommendation One

That the Stockport Homes Lettings Service continue to maintain a balance of accommodation types to satisfactorily accommodate demand on housing from its tenants and prospective tenants.

Empty Homes

- 7.10 Working in partnership with Stockport Council, the Social Lettings Service has been promoted to owners of empty properties as an option available to them to bring their property back into use. To date this has resulted in eight empty homes being brought back into use.
- 7.11 As many of these properties have been in poor condition, provision has been made, in certain circumstances, for repairs and maintenance works to be completed and for the owners to pay the monies back via their rental income.
- 7.12 This option is only offered provided the following circumstances are met:
- Where the owner does not have the means to pay for works themselves
 - Monies will be paid back via rental income within 12 months or less
 - The owner signs a legally binding document placing a charge on the property
 - The owner signs to agree the property will be let by the service for a minimum of 12 months after the monies are recouped
 - The property is in demand in terms of both type and area
- 7.13 To date only one property has been granted this provision with £4,116 of works being provided, of which only £483 remains to be recovered. At the time of the Review, a further two properties were being considered for works which would equate to approximately £13,000 if approved.
- 7.14 The Panel was mindful that that there remained excessive levels of housing demand and need within the borough. The Council's Empty Property Strategy continues to highlight the importance of making the best use of the existing housing stock including exploiting any opportunities to bring empty homes back into use in order to increase the overall supply of housing.
- 7.15 To this end, the Panel welcomed the aim of the scheme offered by the Lettings Service to bring additional empty properties back into use by undertaking remediation works secured against future rental income on the property.

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7.16 However, the Panel considered that there was scope to significantly extend this offer to further encourage the bringing of empty properties back into use by encouraging landlords to avail themselves of this service. In particular, the Panel was of the view that the targeted promotion of this service would service to increase enquiries from potential landlord clients.

Recommendation Two

That the Stockport Homes Lettings Service give consideration to the targeted promotion of the existing offer whereby repairs and maintenance works could be completed and whereby the owners pay back the cost of those repairs their rental income.

Distribution of Accommodation

7.17 The Panel considered evidence submitted by Stockport Homes which showed the distribution of the properties that they held within their portfolio. It was noted that properties had been let throughout the borough but that there were somewhat higher concentrations of properties in Offerton (19%), Hazel Grove (13%) and Heaton Norris (10%).

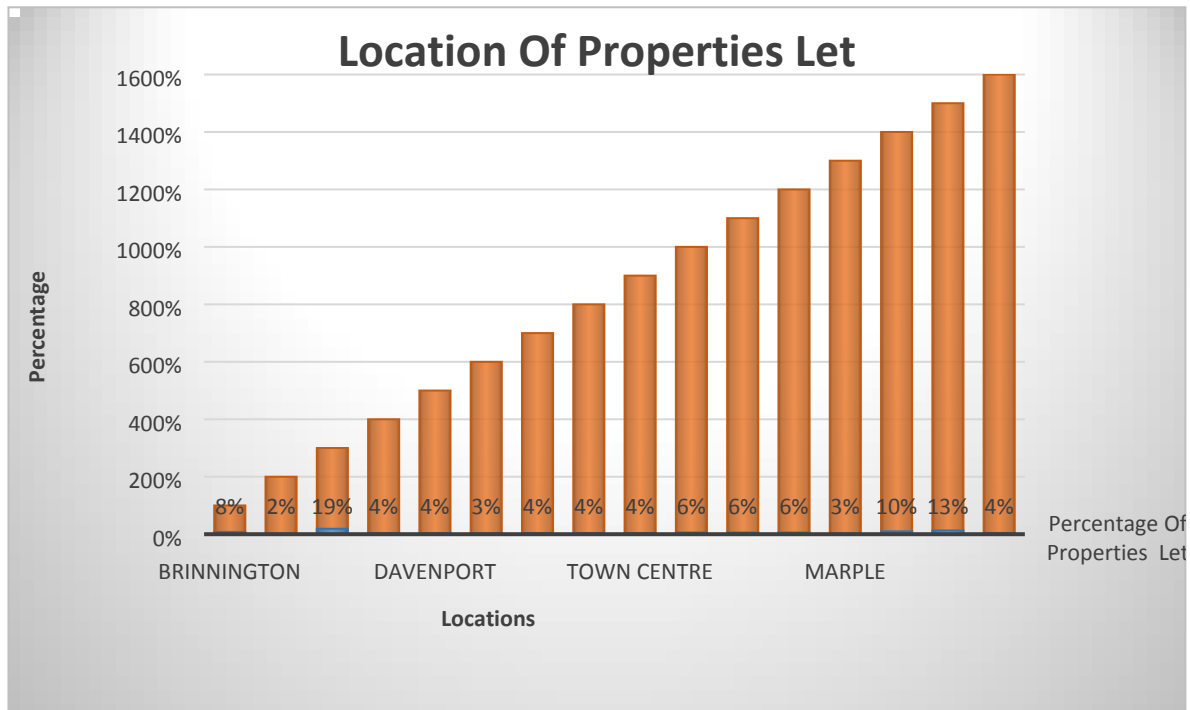


Table 3: Locations of Properties Let by the Stockport Homes Lettings Service

7.18 The Panel heard evidence that while it was important for the Lettings Service to maintain a concentration of properties in those areas in which there was a demonstrable demand for homes which met the aim of offering choice for vulnerable and low income households, it was also crucial for the service to be able to assure itself against risk within the sector by developing a proportion of properties and tenants that extended into areas that may not be traditionally associated with social lettings.

- 7.19 Additionally, the Panel noted that some properties had also been secured from outside the borough in Manchester which were managed by the service.
- 7.20 However, the weighting of properties in those areas where Stockport Homes already maintained a properties through the management of the Council's housing stock may inhibit the future growth of the service and there was a need to further diversify the spread of its lettings portfolio to attract a wider applicant base.

Recommendation Three

That the Stockport Homes Lettings Service work to raise the profile of the service though improved marketing and publicity as a means of increasing the both the number and geographical spread of properties managed by the service.

Other Issues

- 7.21 In developing the scope for the Review, the Panel purposefully determined a narrow remit to focus on three core issues, namely the range of properties; the criteria around targeting of empty properties; and the potential for the growth of the service.
- 7.22 However, in undertaking the Review, the Panel's attention was frequently drawn to the 2012 Business Plan and the original aims of the service. As the service had evolved in the three years since it had been established, the Panel considered that it would be useful for the Lettings Service to take stock and evaluate its success in meeting those original aims, and/ or whether or not they were still appropriate. Although such an analysis was outside the narrow scope of this Review, the Panel was of the view that it was a matter that could be usefully considered as part of the 2015/16 Work Programme of the Adult Care Services & Housing Scrutiny Committee.

Recommendation Four

That a report be submitted to a future meeting of the Adult Care Services & Housing Scrutiny Committee providing an assessment of the success of the Stockport Homes Lettings Service in meeting the original aims for the service as specified in the Business Plan and whether these aims were still appropriate.

Conclusion

- 8.1 The Panel was keen to express its view that that it considered that the Stockport Homes Lettings Service constituted an extremely valuable addition to the housing market in Stockport – providing choice to prospective tenants and an example of the very best practice within the private rented sector.
- 8.2 The Panel particularly found invaluable the evidence provided by the existing landlord clients of the Stockport Homes Lettings Service who provided open and candid statements on their experience of the service which greatly assisted the Panel in its

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deliberations and wished to extend its thanks and gratitude to them for the participation in the Review.

- 8.3 The Review Panel also wished to extend its thanks and gratitude to those representatives of the Stockport Homes Lettings Service, and the Council's Strategic Housing service and Democratic Services who attended and supported meetings of the Panel for their help, support and knowledge which assisted the Panel in the conduct of the Review.
- 8.4 The Panel observed that the Service was expected either to meet or exceed the original projections within the Business Plan in terms of the number of properties secured by the Service; staffing costs having been lower than anticipated; and the Service being forecast to make an operating profit by the end of 2015/16.
- 8.5 The ongoing success of the Service has meant that demand for housing from the service far outstripped supply and accordingly the measures proposed by the Panel seek to encourage and grow the Stockport Homes Letting Service so as to continue to meet the needs and expectations of the residents of Stockport.