

# Right Time Right Place

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Engaging with the Private Rented Sector



### Why should ALMOs engage with private rented housing?

ALMOs currently manage more than 650,000 council homes across England, so it could be asked ‘why the need to engage with the private rented sector?’ However, for those ALMOs already working with the private rented sector (PRS) it makes good sense. It helps to address housing needs, supports business growth and can generate additional income.

This Briefing is intended to help you understand the context for work in the private rented sector, ensure you are up to date with recent developments and government policy, and provide ideas and examples of how you might engage, or extend your involvement with the sector. It also provides useful links to further sources of information.

### Private renting – the current picture?

Today, twice as many people are renting privately than were a decade ago. With more than four million homes, the private rented sector is bigger than the social rented sector across England as a whole, and in seven out of nine English regions.

Projections also show that the private rented sector is expected to continue to grow even further over the next five years; with a predicted increase of at least one million more households.

The private rented sector is heavily used by young households, with half of young people under the age of 35 currently residing in the private rented sector – this is predicted to increase by a further 1.5m young people (under the age of 30) by 2020. The number of families with children residing in the private rented sector has also doubled over the last decade.

The condition and quality of accommodation within the private rented sector varies significantly, with up to one third of households living in homes that are poor quality old, or non-decent. Increasingly vulnerable households are being housed in the sector, along with some ethnic groups, in particular most recent migrants. Current statistics indicate nearly one million vulnerable households are living in non-decent homes, and recent Shelter [research](#) has evidenced that poorer tenants are less likely to get their complaints addressed by landlords.

All these factors point to a pressing need for ALMOs and local authorities to drive improvement of properties and tenancy conditions in the private rented sector, and offer services that can support its tenants.

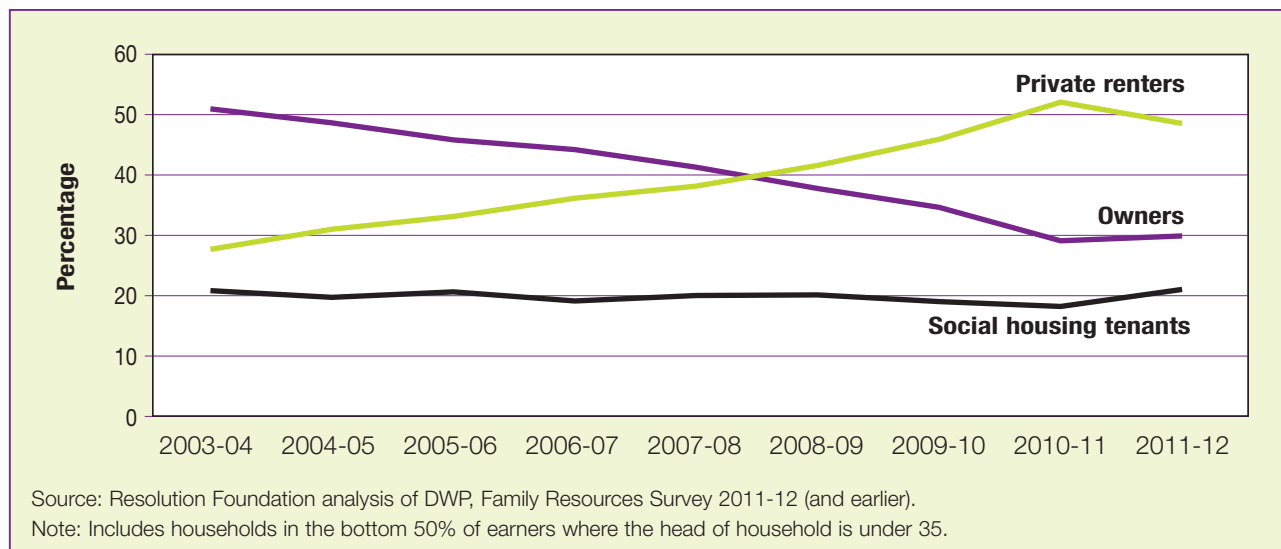
#### Key facts about the private rented sector

- **It is commonly used by young households**
  - **Half of those under 35 live in the PRS**
- **Families with children – numbers have doubled in the last decade**
- **New households – almost two-thirds of new households move initially into a private tenancy**
- **On average, rents are twice those in council housing**
- **Private renting is growing fast among young households on low incomes – see following chart**
- **A quarter of tenants living in the PRS need housing benefit support to pay rents, but only one-fifth of landlords say they are willing to take benefit recipients**
- **Conditions can be poor: one third of houses are old (pre-1919), non-decent or have low energy efficiency ratings (graded E-G)**
- **A further 1.5m more young people (aged 18-30) are forecast to live in private lettings by 2020**
- **Tenancies are insecure for many:**
  - **The ending of shorthold tenancies is now the biggest cause of homelessness**
  - **Landlord repossessions in the courts are at the highest recorded levels.**

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#### Proportion of under-35 low to middle income households in different tenures



#### What has been the government's response to date?

The government has recently [reviewed conditions](#) in the private rented sector and is expected to announce further plans shortly. Last October (2013) it announced a [package of measures](#) to improve conditions, including new rules on fees charged by lettings agents. These measures build on previous schemes to tackle [rogue landlords](#) and people living in [beds in sheds](#).

However, recent cuts mean many local authorities have had to reduce their delivery of services for the private rented sector, and while government schemes will lead to new initiatives for some areas; it's unlikely they will fill the gaps caused by wider cuts in local government finance. These reductions have also impacted on voluntary bodies that offer local support to private tenants – at a time when use of the sector is rapidly growing.

#### How can ALMOs help?

All ALMOs exist in order to respond to housing need in their communities, and poor conditions in the private rented sector are likely to be a contributing factor to that need. There are a number of reasons to support ALMOs' engagement with the private rented sector, these include:

- ALMOs may wish to widen their housing offer and help more people
- Tackling empty private properties or other neighbourhood issues may be an important priority for ALMOs and/or their councils
- Councils may use private lettings for homeless families, or to widen housing choice for waiting list cases and transferees
- ALMOs already operate within, and manage, mixed-tenure neighbourhoods – they can do this more effectively and sustainably if they also manage private lettings located within their areas
- Councils may appreciate support in addressing the government's agenda for the private sector
- Councils have duties towards the PRS that may be difficult to fulfil, for example their duty to monitor standards and conditions might best be served by setting up a licensing or accreditation scheme.

Clearly there is a strong social case for ALMOs to respond to housing need, however, there can also be a viable business case for developing services and working with the private rented sector. The potential business case for each ALMO will vary depending on local circumstances, but factors for consideration include:

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- Private sector work as a potential source of income, independent of the HRA
- Making more extensive use of your staff skills and resources (including housing management, asset management, and repairs and maintenance teams)
- A different image of the ALMO's work can be created by offering a more rounded range of housing options to tenants and communities.

Importantly though, each ALMO will need to undertake its own assessment of the potential costs and benefits of working in the PRS, that reflects local and regional circumstances.

### What concerns private landlords and why might they need help from ALMOs?

More than three-quarters of private sector landlords have only one property to let, with most now looking to rent long term. With the majority of private landlords, owning just a single property, they may be unsure of tenancy legislation, and unfamiliar with finding tenants and entering into tenancy contracts. Currently half of all private landlords use a letting agent, to support these processes.

ALMOs are established experts in all of these areas, albeit under different legal systems, with most already managing leasehold properties within their own stock. ALMOs can potentially offer landlords:

- Guaranteed levels of service at reasonable fees
- Compliance with legal requirements, including standards of safety and repair
- Efficient letting support including:
  - lettings from the waiting list
  - fast relet times
  - reliable vetting of tenants
- Ability to deal effectively with tenancy breaches such as; anti-social behaviour
- Effective arrears management and benefit advice/support
- Recognised good reputation and low risks.

### What types of service might ALMOs offer?

The NFA Annual Survey 2013 [Todays ALMO world](#) shows nearly half of ALMOs already offer PRS services in one form or another, and a further quarter of ALMOs are considering developing services during 2014.

Current services delivered by ALMOs to the PRS commonly include:

- Housing management
- Repairs and improvements (including energy efficiency measures)
- Gas servicing
- Allocations and lettings
- Tenancy support
- Community alarms and lifeline services.

Essentially any scheme entered into needs to address both landlords' and tenants' needs:

- Providing landlords with an assured income, at low risk and with low fees
- Providing tenants access to good quality lettings, and well managed homes at a reasonable rent.

### A quick guide to more ambitious schemes and options

<b>Deposit schemes</b>	Involve a written guarantee, bond or other arrangement to replace deposits for low-income tenants
<b>Access schemes or lettings agencies</b>	Schemes to facilitate access to private lettings, possibly for homeless or other vulnerable tenants, often with support to sustain the tenancy
<b>Licensing</b>	<p>Mandatory for certain types of houses in multiple occupation (HMO)</p> <p>Principle can be extended to other parts of the private rented sector, requiring landlords to be 'fit and proper' to obtain a licence, without which the landlord cannot operate</p> <p>Fees can be charged for licencing schemes</p>
<b>Accreditation</b>	<p>Schemes to 'badge' landlords who operate to minimum standards, which are defined and enforced by the council</p> <p>A fee can be charged for accreditation</p> <p>Schemes can include training and other incentives such as standardised lettings agreements</p>
<b>Leasing</b>	Properties are leased from landlords for a fixed period and managed as ALMO or council stock
<b>Acquisition</b>	Selective purchase of homes for improvement and letting, such as Empty Homes, or recovery of ex-right to buy stock

## Practice examples

The rest of this Briefing highlights examples of schemes already in operation, and is followed by a final section which provides a list of useful sources of further help and guidance.

### Kirklees Neighbourhood Housing: Private Lettings Scheme

Kirklees Neighbourhood Housing has developed a lettings and management service for private sector properties. Its objectives are to:

- Help improve the quality of PRS homes
- Provide alternative housing options, especially to those under the age of 35
- Generate income
- Help landlords obtain a steady flow of income
- Support more effective housing management of mixed-tenure blocks.

Kirklees Neighbourhood Housing provides two levels of service:

- **Tenant Finder Service:** This includes advertising and letting the property, undertaking relevant tenancy checks, and completion of tenancy sign up.
- **Full Management Service:** Kirklees Neighbourhood Housing works with a partner support agency to set up a bond guarantee, collects rent and recovers arrears, accept repair reports, and arranges access for repairs to be completed. At time of publication Kirklees Neighbourhood Housing manage nine properties at this level of service.

**Contact:** Linda Spencer [Linda.spencer@knh.org.uk](mailto:Linda.spencer@knh.org.uk)

### Berneslai Homes: Empty Properties Schemes

In Barnsley, some 1800 properties have stood empty for more than six months, most of which are privately owned. Berneslai Homes have helped address this through the following initiatives:

- A private sector leasing scheme offers loans to landlords to bring empty properties up to the Decent Homes Standard, in return for the property being leased to the council for five years. The tenancies are then managed by Berneslai Homes. At the time of publication 24 properties have been managed through this scheme.
- A property management service was established in 2005 to tackle poor-quality private rented sector properties, some of which had been empty long term. The property management service currently manages a portfolio of 80 properties.
- Acquisition programme funded by ALMO surpluses (£4m) and HRA (£1m). To date 19 properties have been acquired and 14 are in the process of being acquired.
- Empty Homes Community Grant Scheme is a purchase and repair scheme with renovation work undertaken by Barnsley College. Following renovation Barnsley Metropolitan Borough Council lease the property for five years from the landlord and Berneslai Homes manage the properties.
- HCA Empty Homes Grant Scheme was formally a lease and repair scheme but changed to a purchase and repair scheme for properties empty for more than six months. The scheme is managed through the Berneslai Homes Acquisition Programme. The HCA grant is paid to the HRA for reinvestment in the acquisitions programme. To date 12 properties have been purchased (included in figures above).
- A Joint working group on PRS has recently been established to consider ways to reduce empty homes and help sustain viable private landlords, including looking at opportunities presented by DCLG Rogue Landlord scheme and selective licensing.

**Contact:** Lee Dickinson [leedickinson@berneslaihomes.co.uk](mailto:leedickinson@berneslaihomes.co.uk)

#### St. Leger Homes: Private Landlord Service

St. Leger Homes offer a full property management service to the private rented sector, offering a range of services from finding tenants and managing rent, to dealing with tenancy issues and delivering repairs and maintenance services. Landlords can choose from two service packages offering competitive management fees.

The service packages offer the following services:

##### **Silver service:**

- Access to a 24-hour, 365 days-a-year repairs service (fees are charged)
- Tenant finder service, includes support to tenants and landlords with council tax and benefit forms
- Tenancy management (including pre-court procedures for breaches of tenancy conditions)
- Property management during empty periods
- Detailed tenant referencing and background checks
- Accompanied viewings for prospective tenants
- Provision of new tenant sign up pack
- Inventory checks
- Property inspections
- Pre-termination inspection, including energy meter readings.

##### **Gold Service:**

- Offers all of the above services, plus gas servicing and heating system checks

At the time of publication around 60 properties are managed by the property management service.

St Leger Homes acknowledge that their existing relationship with the local authority benefits and private sectors teams is a significant contributing factor to the success of the programme.

**Contact:** Rebecca Street [privatelandlordservice@stlegerhomes.co.uk](mailto:privatelandlordservice@stlegerhomes.co.uk)

#### CityWest Homes: Residential Letting Agency

In 2009 CityWest Homes launched its professional lettings and property management subsidiary to offer additional services to leaseholders across Westminster – the first business of its type to provide professional lettings and property management to leaseholders across Westminster. Having started in 2009 with a single member of staff, CityWest Homes Residential has since expanded into sales and continues to grow with a team of ten staff currently.

With 61% of leaseholders having bought on the open market, and 40% of all leasehold flats being registered as sublet, delivering a commercial service not only provides buy to let landlords with the best in local market knowledge, but supports CityWest Homes own housing managers in managing their neighbourhoods by placing only properly referenced tenants in tenancies, supported by a bespoke 24/7 management service.

In addition to providing the same services as other quality high street estate agents, CityWest Homes Residential has an agreement with Westminster Council to find and manage property within the private sector which can be used as temporary accommodation for people who have become homeless.

Over the last five years CityWest Homes Residential has established a respected reputation and prides itself on its customer service and its investment in property marketing. CityWest Homes Residential distributes a weekly property newsletter to 15,000 recipients.

CityWest Homes Residential is a member of industry-recognised trade bodies the Association of Residential Letting Agents (ARLA) and the Property Ombudsman.

**Contact:** Randall Bevis [rbevis@cwh.org.uk](mailto:rbevis@cwh.org.uk)

#### Kirklees Neighbourhood Housing: Management Contract

Kirklees Neighbourhood Housing provides lettings and housing management services for 15 properties owned by an investment company called Quality Social Housing (QSH)

Quality Social Housing buys houses on new developments and passes them to Kirklees Neighbourhood Housing to manage. With 'rent to buy' properties, the tenants may purchase the property outright after three years with a discount on the purchase price. The 'social housing' properties are let through the Kirklees Neighbourhood Housing allocations policy and tenants are offered an annual rolling assured shorthold tenancy.

The council has an option to buy the properties from Quality Social Housing for its mainstream stock.

##### Success factors:

- A positive working relationship with the housing benefit service means rent is paid directly to Kirklees Neighbourhood Housing. This helps minimise the occurrence of rent arrears.
- Positive working relationships with partners
  - Kirklees Neighbourhood Housing work with Fusion Housing, a local housing support agency, to help find and carrying out background checks on tenants. Fusion Housing also provide bond guarantees for eligible single tenants.
  - The council's private housing team make tenant nominations and provide bond guarantees, and complete property inspections to check standards.

##### Challenges and pot holes:

- Managing both the landlords' and the tenants' expectations can be a challenge
- During the pilot phase liaison around housing benefit presented challenges in relation to passing on rent payments to landlords.

**Contact:** Linda Spencer [Linda.spencer@knh.org.uk](mailto:Linda.spencer@knh.org.uk)

#### Wolverhampton Homes: Private Sector Leasing

Wolverhampton Homes has run a private sector leasing scheme (PSL) since 2009, and currently manages 48 properties.

- The properties typically have a 5-7 year lease agreement, with a six-month notice period
- Rents are linked to LHA rates and annually reviewed
- Landlords' benefits include a guaranteed rent, access to £500 worth of repairs per year, and a full management service in return for a 20% management fee.
- Homes are let to applicants on the housing registers, using shorthold tenancies.

The overall aim of the scheme is make better use of the overall stock within the city, and be able to offer a wider range of options to applicants. In addition the scheme supports the improvement of quality standards in the private rented sector and the sustainability of communities.

The scheme has been successful in delivering an attractive, low-risk, competitive service, however challenges to be overcome include:

- The general poor standard of properties in the private rented sector
- Time-consuming leasing process
- LHA rents being below market levels, and
- Letting agent fees appearing (on face value) to be lower than the ALMO's fees.

**Contact:** Andy Hughes [Andy.Hughes@WolverhamptonHomes.org.uk](mailto:Andy.Hughes@WolverhamptonHomes.org.uk)



#### Stockport Homes: Lettings service

Stockport Homes established its lettings service in 2012. It offers two different service levels to landlords:

- Full service scheme, or
- Tenant find scheme.

The Full Service offers:

- Finding a new tenant, tenancy sign up, inventory completion, and support with housing benefit and liaison with utilities
- Tenant deposit bond scheme
- Rent collection and arrears recovery
- Full housing management and repairs service
- Gas safety checks and energy performance certificates
- Links into the council's landlord accreditation scheme.

The Full Service landlords are charged a 10% fee. For the 'tenant find' service there is a one-off fee of £200.

To date, 44 landlords use the full service and 19 have used the 'tenant find' scheme.

A detailed information leaflet can be downloaded directly from Stockport Homes [here](#).

**Contact:** Arun Parmar [arun.parmar@stockporthomes.org](mailto:arun.parmar@stockporthomes.org)

#### Newham Council: Licensing scheme

Newham Council introduced a borough-wide licensing scheme in January 2013. At that time Newham estimated that over 4,000 landlords operate in the borough, but only a tiny minority of them were 'accredited'. At the same time Newham spends in the region of £17m annually on managing tenancy enforcement and anti-social behaviour issues.

This work often involves working across disciplines to solve problems caused by the poor or absentee management of private rented sector tenancies. It is anticipated that investment in the licensing scheme will support more robust tenancy management and enforcement of tenancy conditions and anti-social behaviour in private rented sector tenancies and mixed-tenure neighbourhoods.

Since the scheme started, more than 33,000 applications for council housing have been received and nearly 1,500 unlicensed properties have been visited.

The licensing scheme requires all landlords to:

- Apply for a licence for each property they wish to let (fee payable £150)
- Demonstrate the property is safe and properly managed
- Show they are 'fit and proper' landlords.

The council can impose fines on landlords who do not hold a licence and/or for breach of conditions, at date of publication action is being taken against 134 landlords for breach of conditions.

**Contact:** Russell Moffatt [russell.moffatt@newham.gov.uk](mailto:russell.moffatt@newham.gov.uk)

#### London Borough of Havering: Social Letting Agency

The London Borough of Havering operates a social letting agency in their area. For a fee of between 8-12%, they undertake all of the key housing management functions for the private landlord, including: finding suitable tenants, collecting rent and carrying out repairs and annual gas safety checks.

Properties are not advertised on the open market; instead lettings are targeted specifically at groups who would have difficulty accessing the traditional private rented sector. This includes households who have been accepted as statutorily homeless and households who are unable to provide a deposit or guarantor.

Rents are currently set at local housing allowance rates, although the Council are considering taking on some properties at a slightly higher rent. To ensure the scheme is attractive to landlords the London Borough of Havering guarantees to pay rent in advance, even when the tenant is in arrears or during periods when the property is not let, and offer a one-off incentive payment to compensate for lower rent levels.

**Contact:** Martin Pereira [martin.pereira@haverling.gov.uk](mailto:martin.pereira@haverling.gov.uk)

Example extracted from *New Approaches to Market Rented Housing* (2013) CIH

#### Gloucestershire: Fit to Rent – Accreditation Scheme

Six district councils in Gloucestershire work together to provide a successful accreditation scheme, which has a clearly recognisable brand 'Fit to Rent'.

The scheme recognises and rewards landlords who provide good standard homes and well managed lettings. Rental properties are required to meet a defined standard, and management code of practice, and as part of the application process at least one property owned by each landlord will be inspected.

The scheme is free for landlords to join, and aims to support private landlords get improved access to information and services from a range of council departments.

More information can be found [here](#).

**Contact:** David Griffiths [david.griffiths@stroud.gov.uk](mailto:david.griffiths@stroud.gov.uk)

### Sources of further information:

A range of organisations offer advice or support related to the types of schemes described above, including:

#### Accreditation Network UK

Promotes and shares information on accreditation schemes

[Further information](#)

#### Crisis

Crisis has developed a wide range of tools to help agencies develop and improve access to the private rented sector. Resources include a private renting toolkit, guidance on developing a private renting access scheme, minimum standards, and best practice. Full details can be found [here](#)

#### CIH

Recent CIH publications include:

- [New approaches to market rented housing](#)
- [How to work with the private rented sector to prevent homelessness](#)

#### DCLG

Recent government announcements and measures include:

- [Review of property conditions in the private rented sector](#)
- [A brighter future for hardworking tenants](#)
- [Beds in sheds](#)

#### JRF Housing and Migration Network

Background and [guidance](#) to assist migrants' access the private rented sector.

#### Shelter

Shelter's policy [library](#) offers a landlord accreditation guide and other resources

Author: John Perry CIH

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[www.almos.org.uk](http://www.almos.org.uk)

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