

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet Member Safe and Attractive Neighbourhoods
2.	Date:	3rd March 2014
3.	Title:	Key Choices Property Management (KCPM)
4.	Programme Area:	Neighbourhoods and Adult Services

5. Summary

Key Choices Property Management (KCPM) has been established since 2006. The KCPM Gold Service currently manages 80 properties which are owned by 66 different landlords and the KCPM Bronze and Silver Service has an additional 10 landlords in its portfolio.

The core business of KCPM is to manage private rented sector (prs) properties, and to increase the access to prs properties for people who approach KCPM. In the current economic climate, it is not appropriate that the Council provides a subsidised housing management service for private landlords. But it is critical that the support elements of the service currently available to assist those people who may otherwise struggle to access the prs are enhanced.

Since its inception in 2006 the KCPM service has been subsidised, currently this amounts to £44K p.a., and despite repeated attempts to make the KCPM self-financing through increasing the portfolio, the total number of managed properties has not increased.

The report recommends that we disestablish the KCPM housing management service but retain certain functions that contribute to the Deprived Neighbourhood Plan and the Homelessness Prevention Strategy.

6. Recommendations:

That Cabinet Member:

- **AGREES TO DISESTABLISH THE KCPM SERVICE BUT RETAIN AND ENHANCE CRITICAL SUPPORT FUNCTIONS AS DETAILED IN SECTION 7.2.**
- **AGREES THAT SUPPORT IS PROVIDED TO EXISTING KCPM LANDLORDS TO IDENTIFY AND TRANSFER TO A SUITABLE LETTING AGENCY OF THEIR CHOICE AND IF APPROPRIATE TO OFFER ONGOING SUPPORT TO CURRENT TENANTS.**

7. Background and Proposals

7.1 KCPM - the current provision

Although it is recognised that the current KCPM service brings lots of added value and positive outcomes for both tenants and landlords the scheme is only currently helping 68 households from a portfolio of 80 (with 14 void). As demand for private rented homes increases the KCPM service urgently needs to be redesigned so that the team are able to offer a housing option and resettlement service to help more vulnerable people in housing need have more capacity to work with more landlords and be.

This report considers how the KCPM can re-focus resources to ensure private rented tenants are supported to set up their home. This will give the landlord some reassurance that the letting will be sustainable. To do this we will need to disestablish the KCPM housing management service and retain functions that support vulnerable people.

The service is based in the Housing Options Service and is delivered by 1 FTE Housing Co-ordinator, Band H, 2 FTE Housing Officers, Band G and 1 Part time Tenancy Support Worker Band F.

The main functions are tenancy management, which include rent collection, processing housing benefit claims, processing rent payments from tenants to landlords, arrears monitoring, taking action against any tenancy breaches, including court action, processing repairs for tenants and landlords, advertising properties, undertaking credit checks prior to lettings and offers a "home start up" tenancy support service.

The 5 main reasons why the KCPM service should be reviewed are:

- Past trends clearly show that although the team have had a 5 year business plan to increase their portfolio and have tried to achieve this, the number of managed properties has consistently remained less than 100 units. Currently there are only 68 properties let.
- The KCPM service is expensive to run as the income from management fees has not covered all costs. Since 2006, when KCPM was established, the vision was that the KCPM scheme would be self-financing by 2013, but year on year, the scheme has continued to be subsidised with £44,112 (grant funding of £30K and £14,112 from other services.) This is largely subsidising private landlords in organising the maintenance of their stock and collecting rent. There is also a risk that KCPM will overspend, adding extra pressure to the general fund by £15,221.
- The current software used by KCPM has a number of issues and is unusable in its current state. Poor stability and performance along with outstanding updates and patches are the main issues. If the scheme were to remain a new ICT system needs to be procured which will manage rent payments for the private rented sector. This will result in a requirement for additional expenditure
- The housing management element of the service is very time consuming, costly and this part of the business could be delivered by an external provider.
- The processing of rent payments on behalf of landlord's means that there is less time available to carry out functions that have real added value, such as assisting vulnerable customers who are struggling to find their ideal home and also supported the new tenant to set up housing benefits and utilities.

For some households the stress of finding rental accommodation is doubly complicated for people who are ex-offenders; single people aged under 25 years old, people not in work, people fleeing domestic violence and people living in temporary homeless hostels who are ready to move on to live independently.

The main reason why they struggle to access private rented homes is that some letting agents and landlords are reluctant to let their properties to customers who are claiming benefits or have perceived problems. However we have found that landlords are willing to offer their properties to these households if they are supported by the KCPM service. This is the element of the service that we propose to retain. This will help plug a gap for many vulnerable households who seem to be excluded from accessing private rented homes.

With support from the KCPM service the customer will have a better opportunity of being accepted for a private property even with poor credit history, the team can ensure the customer has the opportunity to access rent in advance or a bond. The team can also help to fast track the processing of their housing allowance so that the Landlord is more willing to take on a vulnerable customer knowing that they have the support of an officer. The provision of support has shown positive results, out of the 68 current lettings, 41 properties have been let continuously to the same tenant for a period over 6 months and 31 properties have remained let to the same tenant for a period over 12 months.

7.2 An alternative approach focussing on the needs of tenants not the management of private property.

The recommendation is that Key Choices Property Management (KCPM) removes the property management service, reduces the size of the team, and develops a more central role within the Council's private rented sector agenda with more emphasis on engagement to improve standards, increasing access and tenancy sustainment.

Housing Management Functions - It is proposed that KCPM Service stop undertaking housing management functions including; processing rent payments from tenants to landlords, arrears monitoring, taking action against any tenancy breaches, including court action and processing responsive repairs for tenants and landlords. These housing management services take up 75% of 2 x officer's time and could be provided by an alternative letting agent. We are currently in dialogue with a number of letting agents to find out what the costs are to both prospective landlords and tenants and as part of the exit plan, we propose to pass this information onto the current KCPM landlords so that they can either choose to manage their property themselves or utilise another letting agent. It will ultimately be the Landlords decision; the Council will not be recommending a preferred letting agent. This will mean that the current portfolio could end up being managed by a range of different letting agents.

The attached spreadsheet details the cost to the customer and landlord from a range of letting agents. We have also met with 2 letting agents; Crucible Homes and Mulberry Homes who have both shown an interest in managing KCPM properties, and the tenant would remain in situ. A comparison of the services and costs are:

- **KCPM** – Portfolio of 80 properties of these 68 properties are let, these are situated in Rotherham, managed by 2 officers. The charges to the landlord are 11% commission including VAT, which covers the cost of rent collection, tenancy management and organising repairs. Properties are inspected to the Housing Health and Safety Rated Standard (HHSRS) and there are no administration or up front charges to the tenant.

- **Crucible Homes** – Portfolio of 650 properties, managed by 4 members of staff (of these 400 properties are situated in Rotherham.) The charges to the landlord are 10 % commission plus VAT, which covers the cost of rent collection, tenancy management and organising repairs. Properties are visually inspected but this is not to the Housing Health and Safety Rated Standard (HHSRS). However, Crucible Homes have now advised that they will arrange for 1 officer to attend the HHSRS training course so that their portfolio of properties are inspected to the HHSRS as a matter of course. The charges to the tenants are up front cost of an admin fee of £120 plus VAT for a single applicant and £150 plus VAT per couple; this also covers the cost of credit searches. If the customer fails the credit search the admin fee isn't refunded, however Crucible state that if the prospective tenant was honest and had advised them that it would be likely that they would fail the credit check, in some instances the admin fee would be refunded.
- **Mulberry Homes** – Portfolio of 100 properties situated in Rotherham managed by 2 members of staff. The charges to the landlord are 10 % commission, there is no VAT as they are not registered, and the charge covers the cost of rent collection, tenancy management and organising repairs. Properties are visually inspected but this is not to the Housing Health and Safety Rated Standard (HHSRS). The charges to the tenants are up front cost of admin fees of £100 for a single applicant and £150 per couple; this covers the cost of credit searches.

In stopping the housing management service for landlords the process would be to:

- Communicate with landlords, providing information about a range of letting agents, and their respective charges and services. The Letting Agent contact details will also be provided so that landlords can personally contact providers to make informed choices and decide either to manage the tenancy themselves or transfer the housing management of their property to an alternative letting agent. (See Appendix 1)
- Liaise with the Council's legal services to terminate the current KCPM contracts with 46 landlords, which requires 1 months' notice
- Re - register the deposits that are lodged in the National Deposit Protection Scheme. There will be no cost to transfer the deposits into the landlord or letting agents name.
- Communicate with 68 KCPM tenants advising them that their home will be no longer managed by KCPM, that from a certain date they will need to liaise directly with the Landlord or new management agent if known at that time.
- The tenancy agreement doesn't need to change as this is already set up directly between the tenant and the landlord

In ending the housing management functions there is opportunity to refocus resources so that customers get a better offer in the private rented sector, **improving standards, increasing access and tenancy sustainment**. The team would reduce from 3.6 to 2 officers. The new service would cost £55,406 for 2 x Band G officers. There are currently 3.6 staff in the team, the Coordinator has recently found alternative employment; it is proposed that this post will not be back filled. This means that the 2.6 staff will be affected; however some may apply for other posts that become available in the wider housing options structure. There are no TUPE implications to consider.

It is strongly advisable that we retain the functions that help bring long term empty homes back into use and support tenants to remain in their tenancies. That we continue to give

some reassurance to landlords through tenancy intervention so that landlords are willing to offer tenancies to homeless non-working households, in doing so the team would carry out the following functions:

a. Offer a home start and a short term tenancy intensive intervention service for up to 4 weeks to support vulnerable people to start up their tenancy or intervene where there is a risk of losing a tenancy, thereby preventing homelessness. This service could also be requested by the Homeless team with the landlord's permission or by the Council's Housing Management and Income team. The functions will include helping Private rented and Council tenants to help:

- apply for and fast track Housing Benefit claims
- set up payment plans to repay arrears
- set up direct debits for tenants
- apply for furniture provision
- negotiate agreements/arrangements with Landlords to prevent evictions
- seek help to manage their budget by referring to Money or debt advice
- set up utilities for tenants
- identify support needs and refer onto the appropriate services
- access and refer to employment advice
- access to furnished homes

A short term intensive intervention service would also help to increase Private Rented Sector Offers to discharge the Council's homeless duty as landlords may be more willing to offer up their tenancies knowing there is a package of support from the start of the tenancy. There are currently 16 KCPM properties where landlords of the KCPM service have only been willing to offer tenancies to vulnerable non-working households where an intensive support package is in place. All homelessness preventions where customers have been relocated into private rented properties will be offered this service. Last year between 1/4/12 and 31/3/13 this equated to 847 households.

Once the tenancy has been set up a referral will be made to an appropriate Floating Support Services. E.g. action housing, mental health services, substance misuse services. Supporting People Contracts could be amended so that automatic referrals were accepted from the KCPM team. This intervention service will enable existing floating support providers to support more people as they would find it difficult to cope with such a high case load but by undertaking the home start service by KCPM in house would increase the case load of people supported by floating support services, as all the utilities and benefits would be in place from the onset of the tenancy, leaving the provider to concentrate on providing their specialist support to more households.

b. Undertake HHSRS inspections to help to bring long term empty private rented properties back into use. By working alongside Community Protection Unit to offer free property inspections that comply with Health and Safety Rating Standard (HHSRS), offer advice to landlords in respect of any necessary improvements, where landlords agree to let the property to a homelessness referral applicant. We currently undertake property HHSRS inspections prior to rent in advance loans being issued on private rented homes, and these are currently completed by a private company and are paid for from the general fund out of the homelessness prevention grant at a cost of £12,600, bringing the service in-house will produce a saving to the General fund of at least £12,600 per annum

c. Increase awareness of Housing Options and contribute to the Customer Access strategy. - The Housing Allocation Policy is currently under review, the proposed changes in the Allocation Policy (if agreed) will mean that some households will not be eligible for Council housing, as such we need to strengthen self-service information about alternative

housing options in the private rented sector. New products could also be developed for private landlords such as furnished homes and we are proposing to undertake an option appraisal of the current paper bond service currently delivered by Robond at a cost of £25K per annum. This paper bond scheme could be delivered in house but will be subject to an equalities impact assessment and a separate report.

8. Finance

8.1 As mentioned earlier in the report the service is costing £44,112 (grant funding of £30K and £14,112 from other services.) The KCPM Coordinator has now left the service on 29/11/13, and savings have been made by not back filling the post. This has reduced the risk that KCPM will overspend, which would have added extra pressure to the general fund by £15,221. Income from management fees and repairs will also bring back the account to a balanced budget by year end.

Expenditure Year	13/14	14/15	15/16	16/17
Salaries	£95,355	£96,308 (1% increase)	£97,271 (1% increase)	£98,243
Operational Costs	£3,978	£4,017 (1% increase)	£4,057 (1% increase)	£4,097 (1% increase)
Total	£99,333	£100,325	£101,328	£102,340
Income				
Contribution funding 40% from furnished homes	£14,112	£14,253	£14,395	£14,538
80 fully managed properties	£30,000	£58,860 (100 fully managed properties)	£70,632 (120 fully managed properties)	£82,404 (140 fully managed properties)
Repairs admin fee income	£10,000	£12,500 (100 fully managed properties)	£15,000 (120 fully managed properties)	£17,500 (140 fully managed properties)
Homelessness Prevention Contribution	£30,000	£20,000	£10,000	NIL
Total Income	£84,112	£105,613	£110,027	£114,442
Total Expenditure	£99,333	£100,325	£101,328	£102,340
	- 15,221	+ £5,288	+ £8,699	+ £12,102

The table above shows 3 year projections. If no contribution from fees, furnished homes or the prevention grant, the service would cost £99,333 which is paid via the general fund. If the service was to end savings would be made to the HRA by £14,112 (furnished homes), and £30,000 savings to the homelessness prevention grant. We would lose the income from management fees and repairs admin charge.

It is proposed that the general fund savings of £30K (prevention grant) and HRA (furnished) savings of £14,112 contribute to 2 new Band G Officers based in the Homelessness service. The total cost of these 2 posts is £55,406. It is proposed that this is proportioned with 20% General fund (£11,460) using the prevention grant and 80% (£43,946) from the furnished homes budget. This would generate prevention grant savings of £18,540, e.g. Prevention grant is now used £30,000, new lower costs are

£11,460 giving a savings of £18,540 to the prevention fund. This could be utilised for alternative homelessness prevention activity.

8.3 Currently the homelessness prevention grant contributes £12,600 to the cost of HHRSR inspections undertaken by a private contractor. HHRSR inspections could be delivered in house as a relatively small part of the 2 officer's duties, thereby releasing funding for alternative homelessness prevention activity.

9. Risks & uncertainties

9.1 Over the years KCPM have developed good relations with landlords and tenants. Therefore, careful consideration for the housing management exit strategy needs to be undertaken, with information regarding services and costs of alternative letting agents provided to KCPM landlords.

9.2 If the properties are not managed by KCPM, this could have an impact on each individual tenancy thus having an impact on people presenting as homeless. Therefore it is imperative that tenancy support remains in place for vulnerable customers until an alternative support provider is commissioned.

9.3 One of the main risks, if the KCPM's management function ends, is that people who don't work will have less opportunity to access private rented accommodation. The tenancy support service would minimise the risk for these non-working households

10. Policy and Performance Agenda Implications

Ensuring access to housing is as fair as possible will contribute to two of the priorities of Rotherham Partnership's Community Strategy: Ensure the best start in life for children and families, and Support those that are vulnerable within our communities.

It also contributes to four of the ten commitments within our new Housing Strategy:

- Commitment 1: We will deliver Council housing that meets people's needs
- Commitment 2: We will increase and improve the supply of affordable rented housing
- Commitment 6: We will help people to access the support they need
- Commitment 7: We will help people in Rotherham's most disadvantaged communities

11. Background papers and consultation

Background papers

- RMBC's Housing Allocations Policy,
- Localism Act 2011
- Discharge of Homelessness Statutory Duty, Cabinet, 18 July 2012

Consultation

Consultation has been carried out with senior managers, finance and legal services. Once agreed we will begin a robust communication process with staff, landlords and tenants

12. Contact details

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