

To: Housing Panel (Panel of the Scrutiny Committee)

Date: 15th January 2014

Report of: Head of Housing and Property

Title of Report: Improving quality in the private rent sector – A City Council Letting Agency

Summary and Recommendations

Purpose of report: To provide the Housing Panel with further information on the benefits and disadvantages of a City Council Lettings Agency.

Scrutiny Lead Member: Councillor Mark Mills

Executive Lead Member: Councillor Scott Seamons

Recommendation(s):

- (1) That it would not be appropriate for the Council to establish a Local Letting Agency approach with the purpose of driving up housing standards in the private rented sector in the City.
- (2) That the Council should further consider alternative approaches to this, that would seek to achieve the same policy objective through different means.

Introduction

At the Housing Panel on 4th Nov 2013, Councillor Hollick asked the Panel to explore the possibilities of the City Council setting a letting agency in an effort to improve quality in the private rented sector. The Panel was told that this had been considered by the Housing service with the intention of increasing affordable supply but had eventually been dropped because of the affordability restrictions of the Local Housing Allowance, amongst other considerations.

The Panel is aware that the Council has a focus on improving quality in the private rented sector through the extended licencing scheme but did want to explore Councillor Hollick's suggestion in outline in the first instance.

The Panel have therefore requested that officers produce a briefing paper on the pros, cons and risks of this suggestion for the Council, for their meeting on 15th January 2014.

Consideration

A number of Council's have set up a Local Letting Agent (LLA) approach in order to improve the access to the private rented sector for customers that might otherwise be made homeless.

Officers are not aware of any Council's that have developed a LLA approach in order to try to drive up standards.

A LLA is essentially the Council setting itself up a letting agent. The approach is similar to the Home Choice scheme already undertaken by Oxford City Council, although these schemes would usually take this a step further, often setting up a high street property shop, with all branding being more aligned with private letting agents than with the Council. The scheme would seek to 'trade' and attract income through charging landlords for its letting matching service, or for on-going property management (say at a 3-4% fee). Councils have to ensure that they compete fairly with lettings agents, and that public funds are not used to unfair advantage (in contravention of competition rules). Councils also need to be fully assured that there would be a local market for this service.

Oxford City Council has considered this approach in some detail. If officers felt it may be viable, the first approach would sensibly be to commission an external consultant to undertake a full market assessment, and review the current council arrangements. Although this was proposed in the Housing and Property Service Plan for 2013/14, the proposal has not been taken further. This is due to various factors, but in particular:

- The growing mis-match between Local Housing Allowance (LHA) rates and the market rate for rental properties in Oxford, making access to, and the sustainment of tenancies, very difficult within Oxford for anyone on Housing Benefit
- The growing reluctance of landlords and agents to accept persons on low incomes/ benefits due to the buoyancy of the PRS market locally, and due to concerns over the introduction of Universal Credit and direct payments to tenants
- The high proportion of rental properties that are currently used by Home Choice from large lettings agents, with whom the Council would be in direct competition with, if it set up a LLP
- A shift in the Council's approach to securing access to properties in the PRS, in recognition of the above, by having to look beyond Oxford, and indeed Oxfordshire, to access property at LHA rates.

With regard to further driving up property standards, Oxford City Council was the first Council in the UK to adopt Additional Licensing powers for all HMOs in its area and the Environmental Development Service has received funding

to take a proactive approach to inspecting rented properties in the non-HMO sector. Environmental Development and City Development are also working together to tackle poor standards in illegal dwellings (beds and sheds) and there are plans to review further measures in 2014 that could improve regulation of the PRS.

The regulatory work being carried out in Oxford has resulted in officers and the Board Member regularly presenting to national conferences on improving standards in the PRS. In addition, recent visits by the Shadow Housing Minister, Emma Reynolds MP and a delegation from DCLG on a fact finding mission demonstrate that the Council is considered a national leader in this area.

It is not considered appropriate for officers in Environmental Development that are concerned with the regulation and enforcement of standards in the PRS, to be involved in lettings activity, as this would present a clear conflict of interest.

It is considered that there are other options that could be more usefully developed to try to drive up standards, than for the council to seek to replace lettings agents with its own approach.

We are reviewing and relaunching the accreditation scheme, and that should help give information to the public about which agents we feel meet an appropriate standard also.

Conclusions

We do not believe a LLA would be viable and could undermine the availability of properties currently delivered through Home Choice. We believe that the licensing of HMO's is driving up standards in the sector and that we should consider further measures to regulate the PRS where this is appropriate.

That Oxford City Council is considered a national leader in taking steps to improve standards in the PRS.

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