

# A Social Lettings Agency for London? Viability and potential

Discussion Summary • April 2016

Since the 2011 [Localism Act](#) empowered local authorities to house homeless residents within the private rented sector, the need to connect and collaborate with private landlords has grown. As many registered providers withdraw from the temporary accommodation market, and council stock fails to keep pace with rising demand, councils are investigating ways to draw landlords into this sub-sector, where demand is guaranteed but rents are low.

Future of London hosted a discussion in February with 10 boroughs and the GLA on the role and potential of borough-led lettings agencies, to discuss the role, viability and potential of existing initiatives, and debate whether a cross-borough approach could create a more favourable scheme for both local authorities and landlords. The meeting was timely: mayoral candidate Sadiq Khan includes the launch of a London-wide social lettings agency in his [election manifesto](#), and the [final report](#) from the London Housing Commission calls for a “London lettings hub”.

The majority of participants were front-line managers, plus a few senior strategy officers. Of the boroughs that attended: seven were operating a local lettings agency; one was carrying out a feasibility exercise for starting an agency; and two were not currently considering it. A list of the boroughs represented is at the end of this briefing.

The event was run under Chatham House rules – this anonymised briefing summarises the discussion.

## Definition

In short, a social lettings agency is a not-for-profit, socially-driven version of a high street estate agent. However, they encompass a spectrum of functions and models: from simple tenant-finding service to varying levels of property management; from facilitating lets between tenant and landlord to the council taking a long lease; from using properties for homelessness prevention to fully discharging borough homelessness duty into the private rented sector; and procuring properties both within and

outside the borough. All these factors affect how a scheme is financed and what incentives are used to attract landlords. It was pointed out that the term ‘social lettings agencies’ is ambiguous, and a working definition would be useful.

Social lettings agencies are often operated or supported by the voluntary sector. For example, St Mungo’s runs [Real Lettings](#), comprising a property management programme, empty homes scheme and property fund; and homelessness charity Crisis ran a CLG-funded scheme between 2010 and 2014 that provided funding and support to over 150 private rented sector (PRS) [access schemes](#) in England.

### Social Lettings Agencies in London

Borough	Social Lettings Agency/Scheme
Barking & Dagenham	<a href="#">Affordable Lettings</a>
Camden	<a href="#">Camden Lettings</a>
Hackney	<a href="#">Hackney Priority Homes</a>
Haringey	<a href="#">Move 51° North</a>
Harrow	<a href="#">Help 2 Let</a>
Havering	<a href="#">Liberty Housing</a>
Islington	<a href="#">Islington Lettings</a>
Lewisham	<a href="#">Lewisham Letting Scheme</a>
Southwark	<a href="#">Southwark Social Lettings Agency</a>
Waltham Forest	<a href="#">Lettings Waltham Forest</a>

## Scale/Market Approach

All the active boroughs at the Future of London roundtable were operating their services exclusively in the sub-prime market to house residents in need, with rents paid by PRS housing benefit – also known as Local Housing Allowance (LHA). The LHA cap, set at the lowest third of rents in an area since 2011, severely limits the number of units whose rent can be fully covered by housing benefit. Councils therefore have to use more expensive properties, or other forms of private accommodation such as hostels, and cover the excess costs.

Most councils reported very small numbers of properties being let through their agencies; often fewer than 10 per local authority and lowest in inner London, where the gap between LHA and market rent is significantly larger. This has led many inner London authorities to procure properties in outer London.

One inner London council had started an agency targeting leaseholders in the borough, recognising the opportunity to improve the stock of which they own the freehold. However, lack of interest forced a rethink, and it is now procuring properties in other areas.

Outer London borough agencies also reported that landlords were becoming harder to engage, principally due to the unattractiveness of LHA rents compared to market rates, an issue now spreading across the capital.

Agencies that were once relatively buoyant are now operating at a loss.

No one in attendance was currently running an agency meeting general housing need – all current efforts focus on providing housing for preventing homelessness, or for those the council has a duty to house. It was agreed that the supply of low-cost and temporary accommodation would need to increase dramatically before agencies could consider widening their activities to other parts of the market. Figure 1 demonstrates London's reliance on the private sector for temporary accommodation. (For more information, see Vulnerable Communities in the Private Rented Sector.)

Other boroughs are taking a different approach, such as Enfield, whose wholly-owned company, Housing Gateway, is purchasing properties to use as temporary accommodation.

## Financial Mechanisms

Social lettings agencies are tasked with creating products that persuade landlords to accept LHA rent. All in attendance believed that an alternative financial mechanism must be at the heart of any council offer for it to stand any chance of attracting landlords.

Most boroughs in attendance offer a one-off cash incentive in the region of £2,000-£5,000. Although a big initial cost, financial modelling demonstrates that, coupled with the rent to the landlord being covered by LHA, the

cost to the council is significantly less than paying nightly accommodation rates.

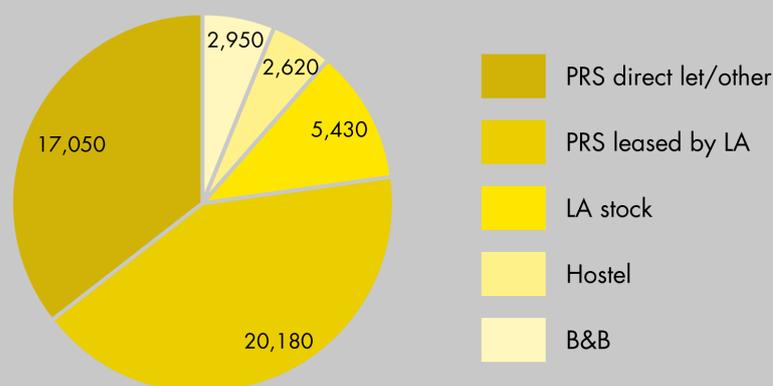
However, one participant questioned how effective these mechanisms can be against spiralling market rents: "A typical council incentive is in the region of £30-40 a week. But the difference between LHA and market rents is around £150 a week in our borough. We're in a losing battle" to retain landlords.

Another common mechanism is guaranteeing the monthly payment of LHA rent to a landlord, regardless of whether the property is occupied, or whether the council has received the rent from the tenant. This can result in losses to the council, but still works out cheaper than paying nightly rates. Coupled with a management service, this is an attractive proposition for landlords, especially those who aren't property professionals. However, being restricted to LHA rent is still a major obstacle. One council had recently increased their rental payment by £100-£150/month in order to prevent a number of landlords from leaving the scheme.

## Non-Financial Incentives

While financial mechanisms were seen as critical, participants agreed that councils have other credentials on which to capitalise. The perception of local authorities as trustworthy, reinforced by them providing a reliable service, produces a genuinely attractive

**Figure 1: Temporary Accommodation Placements in London, 31 March 2015**



(Source: CLG Live Statistics on Homelessness, 2014-2015)

## Move 51 – Haringey’s Lettings Agency

Although [Move 51](#) is a subsidiary of Homes for Haringey - LB Haringey’s social housing ALMO - it has been set up as a commercial venture. Established in early 2016 as a CIC (Community Interest Company), the agency offers a lettings service to private (non-housing benefit) tenants, with any surplus made from Landlord fees reinvested into housing needs in Haringey. To generate this surplus, modest fees are charged to landlords, with one off fees charged to tenants (no renewal fees), below market average. Tenants are assured of decent property standards, with all properties on their books subject to a detailed appraisal; while the service to landlords includes tenant finding, full management and rent indemnity. While it is too early to say whether the venture will be successful, its mission to both raise standards in open market PRS and generate a surplus for the social housing market has huge potential.

offer to landlords. “We’re thought of as boring and that’s no bad thing. When we say we’ll do something, we do it.”

One borough employs an independent team to troubleshoot landlord and tenant issues promptly. This service is particularly useful for small-scale and ‘accidental’ landlords, who may require additional support with managing their properties.

While most boroughs did not see it necessary or even possible to vie with high street agents, it was agreed that lessons could be learned on branding and promotion. Most participants felt there was work to be done to raise awareness of their agencies and promote their products. A website such as [Islington Lettings](#), which offers a separate yet connected identity from the council, and displays clear information about products and services, was seen as striking the right balance.

### Financial Viability

In general, while making savings, borough agencies are not cost-neutral. One outer London scheme had raised a surplus at first, but the falling away of landlords has led to losses. Other more nascent schemes were struggling to attract the numbers of landlords they had modelled for, due in part to market rents continuing to rise so strongly.

In terms of increasing overall viability, some felt that as long as borough agencies are only dealing with the sub-prime market, lettings agencies cannot be viable. The option of letting market-rent properties to cross-subsidise sub-prime ones was mooted, but many

were reluctant to pursue this, citing the need to meet urgent demand within the market affordable to them.

One participant stated the importance of having a clear objective for a letting agency when forming the business plan: “Are you trying to generate income through market rents, reduce costs on nightly-paid accommodation, or drive up the supply of private rentals to meet housing need?”

Cutting the cost of temporary accommodation has superseded other objectives across London. The lack of supply is exacerbated by rising levels of homelessness, increasing councils’ reliance on nightly-paid lodging. A recent study from [London Councils](#) shows that, in 2014-15, temporary accommodation cost £663m across the capital, of which around £170m came from council General Funds.

### Sub-regional / Pan-London Models

With so many authorities competing for a limited number of properties, councils are forced into competition with each other, often offering landlords beyond their boundaries more for a property than the host borough or requiring less stringent property conditions. Landlords have become more aware of the situation and participants said some try to play boroughs against each other: “Someone will ring up and say ‘I can get a higher rent from Camden’.”

However, the cross-borough agreement to a [cap on nightly rates](#), which commenced in November 2014 and is monitored by London Councils, has brought prices down.

This demonstrates that a collaborative approach can put pressure on the market.

Mayoral candidate [Sadiq Khan](#) states in his manifesto that a pan-London social lettings agency could “improve the private rented sector for both renters and for good landlords”. Is it worth pursuing? One participant thought it was, in order to counter the increasingly problematic temporary accommodation situation. Others were not convinced, citing the difficulty of investing time and resources in an initiative that would roll out incrementally, with no guarantee of increasing the supply of properties at a borough’s disposal.

Another pointed out that less drastic measures could help, by reducing competition between boroughs. These include standardising financial incentives and property condition requirements. In addition, a protocol on the sharing of information would make relationships between boroughs more transparent. This approach would be easier to coordinate and significantly less expensive for boroughs.

## Summary

Councils across London are establishing social lettings agencies, seeing them as another tool for meeting housing need. However, in the current market, and with steadily increasing demand for temporary accommodation, agencies are far from self-financing, at best minimising financial losses. As councils offer greater financial incentives to convince landlords to accept low LHA rents, this cost saving will surely diminish.

The acute lack of temporary accommodation cannot be solved locally; both inner and outer London boroughs are experiencing a retreat of landlords with affordable units, and councils are competing with each other for dwindling supply. Standardising financial incentives and property conditions could mitigate this problem and provide some relief in the short term.

With the pressure on boroughs to manage acute levels of housing need locally, a pan-London agency was not felt to be a priority. Such a mechanism could increase supply and lower rental values, but it would take time to develop a fair and attractive system, and it would then need to be built up incrementally. Consequently, it could be several years before any impact was felt.

While the idea of broadening the scope of lettings agencies beyond temporary accommodation provision was not explored in depth, some felt it had potential. The provision of low-cost units for TA could be cross-subsidised by units at higher rents. Agencies could develop fee structures which, in combination with their trust and reliability credentials, and non-profit-making motives, could create an attractive alternative to high street agents for a wider community. Over time, this approach could push

down rental values whilst generating revenue.

With current mechanisms far from adequate and the shortage of suitable properties certain to grow in the current market, cross-subsidy could be worth exploring. Whether locally, sub-regionally or on a pan-London basis will ultimately be down to who drives the effort – there are likely to be pros and cons at different scales. Some councils could build an element of cross-subsidy into existing agencies or housing companies. However, the combined purchasing power of working cross-boundary could create a more competitive scheme and attract a greater number of landlords.

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## About the event

### Event details

The roundtable was held on 24th February 2016 with 10 boroughs, GLA and East London Housing Partnership. The aims of the event were to explore how existing SLAs are meeting housing need, consider the effectiveness of an SLA as a sustainable revenue stream for a borough, understand the appetite and potential for more SLAs across London, and determine whether sub-regional or pan-London models could work.

### Participants

City of Westminster  
East London Housing Partnership  
Greater London Authority  
LB Barking & Dagenham  
LB Camden  
LB Enfield  
LB Hackney  
LB Havering  
LB Islington  
LB Lewisham  
LB Tower Hamlets  
LB Waltham Forest

### Future of London

Future of London is an independent not-for-profit policy network focused on the challenges facing regeneration, housing, infrastructure and economic development practitioners in the Capital.

Future of London  
70 Cowcross Street  
London EC1M 6EJ

[futureoflondon.org.uk](http://futureoflondon.org.uk)

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