

SOCIAL MODELS OF LETTING AGENCIES

Scoping study

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shelterscotland.org

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1. INTRODUCTION

- 1.1 Anna Evans Housing Consultancy (AEHC) has been appointed by Shelter Scotland to undertake research on social models of letting agencies.
- 1.2 Shelter Scotland believes it has identified a gap in sector wide knowledge around social models of letting agencies for low income individuals and families with light touch support needs. This group of tenants may not be able to access social housing, but due to a lack of resources may struggle to access the PRS or sustain tenancies. Key drivers in this sector are likely to be increasing demand, and from the supply side, increasing regulatory intervention, increasing complexity in the welfare benefits system, and change in the property tax regimes. Shelter Scotland thinks this presents an opportunity for positive change, particularly in the more affordable part of the PRS market. While there are a number of letting agents working with this group of tenants, understanding of who, how and why is limited. Shelter Scotland is particularly interested in emerging practice and developing work around this form of letting agency.
- 1.3 The purpose of the work commissioned is to
 - develop a shared understanding of what a 'social model' of letting agency is;
 - review relevant research and practice; and,
 - provide recommendations for the focus of a future action research / programme of activity sponsored by Shelter Scotland.
- 1.4 This is a scoping exercise to explore activity in relation to social letting agencies in Scotland, to provide intelligence to inform Shelter Scotland's future decision-making, and options for the next stage in this programme of work. The purpose is not to provide a comprehensive overview of all activity and models in this field, but rather to give a flavour of practice across a range of type of organisations, and to establish emerging themes. It is intended that this is a precursor to further 'action based' research.
- 1.5 The outputs required from this work are:
 - A written report with review of current practice and research;
 - Recommendations for developing an appropriate letting agency model through action research with partner agency/agencies.
- 1.6 The research has been mainly desk based, and iterative, involving comparative research, consultation with key players, literature and web-based research, and depth interviews with 21 different individuals and organisations working in this field.
- 1.7 The report is structured as follows:
 - The context of social models of letting agencies and definitions;
 - What makes a social letting agency; examples from England;
 - Evidence of practice in Scotland;
 - Conclusions and recommendations.

2. CONTEXT OF SOCIAL MODELS OF LETTING AGENCIES

Definitions from England and Europe

2.1 In England, 'social lettings agency' is a relatively well-known, but loosely used term that covers a broad range of initiatives in the Private Rented Sector (PRS) which focus on enabling access to PRS for lower income and vulnerable groups. It is often used inter-changeably with the term 'local lettings agency'.

2.2 The comprehensive review of the PRS in England¹ by Rugg and Rhodes in 2008 recommended that:

Low-income households should be able to make a real choice between a social or private let. Equalising the rental choice should be the aim of a series of policy objectives, to ensure that a PRS tenancy can be viewed as being equally desirable by households who would generally look to the social sector for long-term housing. Tenancy sustainability should be a core PRS policy objective. Social lettings agencies could be established to deal with all the private renting procurement required by statutory agencies in a given area. These agencies should charge a standard management fee, and move the housing benefit market away from a culture of 'incentive inflation'.

2.3 Consultation with Shelter in England, suggests that 'social letting agency' is a "broad umbrella term". It encompasses a large range of different approaches and types of organisations, with different motivations, structures, operations, funding and governance arrangements. Most commonly, Shelter in England find that local

authorities and not-for-profit agencies provide social lettings agencies to help people access the PRS who are homeless or on low-incomes, including private sector leasing schemes, rent deposit and rent guarantee schemes.

2.4 LettingFocus² has written about social lettings agencies, and like Shelter, the author David Lawrenson notes that social lettings agencies are mainly set up by local authorities and other public bodies as not-for-profit letting agencies to house people in the PRS who are normally turned away by most private landlords or commercial letting agencies. He refers to the terms 'social letting agency', 'local lettings agency' and 'community letting agency' and uses these terms inter-changeably.

2.5 Following the promotion of social letting agencies in the 2008 research, Crisis worked with the Department of Communities and Local Government (DCLG) on the implementation on the Rugg recommendations, and the establishment of 'local letting agencies'. They argue use of the term 'social' brings potential confusion with social housing, and instead promoted the alternative term of 'local letting agencies'. The culmination of Crisis's work with DCLG was the publication of the Local Lettings Good Practice Guide.³ This provides detailed advice on how to set up local letting agencies, and defines these as:

Local lettings agencies are a form of PRS access scheme and so will have in place the key features of such schemes. Additionally, the terminology has come to be applied specifically to those schemes that operate on a

1. Rugg, J. and Rhodes, D. (2008) *The Private Rented Sector: its contribution and potential*, University of York, p. xxiii
2. David Lawrenson is founder of [LettingFocus](#) and is a consultant in the PRS / buy to let market. Refer in particular to blog posts written in [2011](#) and [2014](#).
3. Crisis, *Local lettings agencies: a good practice guide. Providing access to the private rented sector while generating income*, p.6. Crisis and Ethical and Employment Network.

commercial basis and so generate income through their activities. The specific model for a given area will vary depending on the nature of existing service provision, the housing market and the clients with whom the agency intends to work.

- 2.6 An important distinction in Crisis's definition is that these agencies operate on a commercial basis, arguing at their core, a 'social' or 'local lettings agencies' should be:
- Not-for-profit – business models which work on a commercial basis, but reinvest profits into the business, rather than distributing profits to shareholders
 - Support people who cannot usually negotiate access, or sustain tenancies in the PRS for themselves
 - Provide additional support and services as required for particular needs, that is usually light-touch support, because it is primarily supporting people to become independent rather than for those groups who have complex needs.

- 2.7 Beyond England, FEANTSA use the term 'Social Rental Agencies' (SRAs) to describe a particular model of housing-led innovation in the area of homelessness developed in Flanders, Belgian, but is now also found in other parts of mainland Europe. This is a PRS-access scheme based on a not-for-profit housing institution leasing properties from private landlords and used to sublet them to households who are vulnerable on the housing market, such as homeless people or tenants on low-incomes. FEANTSA⁴ states that:

SRAs form part of a movement to ensure adequate and affordable housing for vulnerable tenants through socializing the private rented sector. This means withdrawing the management of private rented accommodation from the

mechanisms of the free market and replacing these by social management.

What makes a social letting agency: findings from England

- 2.8 This section explores in more detail what the key features of a social lettings agency are, based on evidence from in England where there is more widespread experience than Scotland. In particular, we explore what makes them distinct from a mainstream, commercial lettings agency.
- 2.9 The guidance by Crisis⁵ outlines the good practice and shared elements that make a 'local lettings agency':
- **Competitive package offered to landlord;** often lower fees charged than standard;
 - Run by charities, local authorities or housing associations and therefore **do not exist to distribute profit for shareholders;**
 - Target groups who are usually **excluded by mainstream lettings agencies**, especially if on housing benefit;
 - **Person-focused** and often linked to other service providers and support, either through the host charity or a partner agency;
 - Develop and maintain **good working relationships** and provide support to local landlords;
 - **Do not rely on grant funding** as income generated offsets the costs incurred in delivering the service;
 - Notes that whilst good practice elements exist, any local lettings agencies need to operate an **appropriate model for their local housing market.**

4. FEANTSA Good Practice Briefing (2012), Social Rental Agencies: An Innovation Housing-led response to Homelessness

5. Crisis publication, *Local lettings agencies: a good practice guide. Providing access to the private rented sector while generating income*, p.7.

- 2.10 Consultation undertaken with Crisis for this research has added to these elements, suggesting that social letting agencies can also include:
- **Deposit and rent guarantee schemes:** Providing bonds or guaranteeing rent to the landlord/rent collection services;
 - **Tenancy support:** Initially, frequent and supportive visits to the property to help the tenant set up home with help and advice on utilities/furnishing/awareness of responsibilities as a tenant;
 - **Pre-tenancy preparation:** Pre-tenancy support and training, for example Crisis offer a 'ready to rent' training programme qualification that provides skills such as managing budgets.
- 2.11 Shelter in England agrees over what it considers as the key differences that make social lettings agency distinct from a standard lettings agency:
- **Support and advice** provided for people who are vulnerable in the PRS
 - **Tenancy sustainment support and aftercare** provided by the service that would not be provided by a standard lettings agency
- 2.12 However, Shelter in England also suggests that many of the 'so-called' social letting agencies operating in England are local authority-led access schemes based on a *landlord* leasing model (the Council leasing properties and acting as landlord) rather than a *letting agency model* (tenant and property matching and management). It questions what real incentives there are for most landlords and letting agents to adopt a social model approach rather than a purely commercial, profit maximisation model. This is particularly true in pressured markets, where there may be growing disparity between market rents and Local Housing Allowance levels, and so less incentive for landlords and letting agents to work with lower income groups, and as social letting agents.
- 2.13 Lawrenson notes that social letting agencies will target their lettings to:
- **Tenants who are on housing benefits, who are vulnerable or who present to the local authority as homeless.** Social lettings agencies are dealing with tenants who are usually excluded from the PRS and therefore need to use different incentives to private landlords. He suggests incentives for landlords include:
 - Payment of deposits, bonds to guarantee the state and condition of the property, fast track systems to pay landlords direct etc; leasing schemes where landlords are guaranteed, often fixed, rent for 2-3 or even more years.
- 2.14 Lawrenson has also been critical of local authority models, describing them as "expensive forays by local authorities to attract PRS supply without providing quality of services for tenants and landlords in the PRS". He reported that landlords have produced examples of poor practice by local authorities in their handling of relationships with landlords in the PRS and how they respond to their challenges and concerns.
- 2.15 The Chartered Institute of Housing provides courses on setting up a social letting agency.⁶ The scope of the training is focused on local authority-run social lettings agencies in order for them to maximise the supply of PRS homes by offering local landlords a range of property management options and incentives to help tackle increasing housing demand.
- 2.16 In addition to local authorities predominant role of leasing in the PRS, consultees highlight how housing associations are developing their role in the private rented market.

6. CIH training (2015): setting up a social letting agency

This is partly driven by government policy in England, with consultees noting increasing diversification within Registered Providers who have developed private subsidiaries to provide market rented housing. However, it is noted that much of this activity is not about increasing the PRS role for lower income or vulnerable groups, but is focused on profit driven activities for the market of frustrated (potential) first-time buyers rather than about preventing homelessness or meeting housing need. Crisis believes that Registered Providers are well-placed to make a good offering within the PRS in England, but are currently neglecting housing need and overly-focused on market/commercial incentives.

Examples of social letting agencies: findings from England

2.17 Following interviews with key players and an internet-based search of social lettings agencies in England, this scoping work suggests that local authorities are the main players in the social letting agency field. The following provides examples of the different types of social letting agencies most commonly found in England:

Local authorities that establish and operate social letting agencies

2.18 Local authorities develop different types of social letting agencies depending on the main purpose, and the local market they are operating in. Examples include:

- Social letting agencies that are set up primarily to contribute to the supply of temporary accommodation, and potentially reduce the local authority's temporary accommodation

budget. This will not require the same marketing approach as a standard letting agency as referrals for lets will come directly from the local authority, or partner homelessness agencies. ExtraLet in Exeter is one such local authority-led social letting agency scheme that attracts landlords to let through ExtraLet and guarantee an income in return as long as the property is let to house homeless people, or others on its housing list.

- However, Yor Home, is operated by the City of York Council and marketed as “an ethical, non-profit-making lettings agency”. It has a public facing internet page attracting both landlords and tenants to use its services. It offers a management service and plays a mediating role between tenants and landlords. It does not mention additional support services to tenants and does not state it is only for homeless households.

Social enterprises⁷ and charities working in partnership with local authorities to improve access to the PRS

2.19 There are also examples of social enterprises and charities working in partnership with local authorities.

- DPMS Lettings/Derbyshire Local Lettings Agency: The Local Lettings Agency is marketed on South Derbyshire District Council website as “Lettings with a difference at the Local Lettings Agency”. It is a partnership between the Decent & Safe Homes (DASH) project, Local Authorities and Derventio Property Management Service (DPMS). The aim is to provide an increased choice in homes to

7. According to Social Enterprise UK, and Social Enterprise Scotland, a social enterprise is a business that trades for a social and/or environmental purpose. It will have a clear sense of its 'social mission' and it will bring in most or all of its income through selling goods or services. It will also have clear rules about what it does with its profits, reinvesting these to further the 'social mission'. There are a range of legal structures that social enterprises can take including Company Ltd by Guarantee, registered charities, Cop-operative and Mutuals, Community Interest Companies, Social Firms, Development Trusts, Credit Unions. See socialenterprise.org.uk and socialenterprisescotland.org.uk

let through a professional, cost effective and ethical service for landlords. The Local Lettings Agency provides landlords with services such as: a fast tenant finding service; a full property management service; tenant support services; signposting to advice, grants and other landlord incentives and free membership to the local Landlord Accreditation Scheme.

- LetToBirmingham: Birmingham City Council set up a Social Letting Agency in partnership with Omega Lettings Ltd to increase the availability of quality homes in the PRS, and to increase the housing options for people in housing need in the City. The services offered include a check and find for prospective tenants; professional viewings service; inventories and tenancy agreements; full management service and tenancy monitoring.
- Wigan Housing Solutions: This is a not-for-profit Community Interest Company that works in partnership with Wigan Council and private landlords to provide housing solutions for homeless people and those at risk of homelessness. It targets those who cannot afford homeownership and those who are not eligible for, or who would have difficulty in accessing, social housing and helps them achieve sustainable housing solutions in the PRS instead. Its business is to let and manage properties directly for landlords and agents, and to manage properties leased by Wigan Council from private landlords. It also operates the Wigan Bond Scheme, providing a bond guarantee service under its HomeFinder Scheme for people seeking rehousing in the PRS and in conjunction with its Let Only Service. In addition, Wigan Housing Solutions

provide tenancy support and services such as: training works for clients on issues such as financial literacy; one-to-one advice and support including debt and benefits advice, income maximisation and referrals to additional support where appropriate such as gaining employment.

- Plymouth Homes 4 Let: This is an independent social enterprise letting agency. It manages properties on behalf of landlords and specialises in housing people vulnerable to homelessness. It offers a full property management service to private landlords – sets up and manages the tenancies; collects and pays the rent to landlords; provides information and advice to tenants and landlords. This social lettings agency works in partnership with others and there are various partners' logos on its website to symbolise that approach. Its model appears to be quite distinct from the dominant local authority-led social letting agency approach found in England.

Innovation in the not-for-profit sector to meet housing need

2.20 There are other examples in England of different types of innovation that are social enterprise or charity-sector led as opposed to those established and run by local authorities, or working directly in partnership with them:

- SMARTLETS – WHABAC in Worcester: SmartLets is a result of a feasibility study commissioned by Worcester CAB & WHABAC into the PRS in Worcester supported by funding from Crisis, Worcester City Council and Worcestershire County Council.⁸ SmartLets operates as a social enterprise, and is a charity, the aims of which are to help those who struggle

8. It is not clear whether the funding for this project from partners is ongoing. In-depth analysis of funding arrangements is outwith the remit of this scoping study and would be explored through feasibility work.

to find PRS accommodation through traditional letting agents. Landlords are offered a guaranteed rent; full property management; insurance bond against damages; regular property inspections; rent collection; repairs service; and assurance that tenants have undertaken a comprehensive referencing assessment and tenancy-ready training;. Tenants are offered: help to access and negotiate the PRS; pre-tenancy training; access to housing benefit specialists and dedicated tenancy support workers.

- **Real Lettings in London:** Real Lettings is a Social Lettings Agency set up by homelessness charity St Mungo's Broadway. It is a leasing model, offering landlords three and five year leases for properties to take away the 'hassle' of property management and provide them with a tangible social impact. Properties are leased from landlords and then tenants are offered a system of support and coaching to help them improve their independence, maintain their tenancies and develop the skills they need for a planned move into independent living. It also provides an advice line and home visits to help tenants avoid arrears and boost future move-on options.
- **Home Turf Lettings:** Home Turf Lettings was founded in 2012 by local homelessness charity DHI. It is marketed as a 'lettings agency with a difference' and is a social enterprise that specialises in letting private rented accommodation to tenants in housing need. Working across the South Gloucestershire, Bristol and Bath & North East Somerset areas, Home Turf Lettings provides landlords with a comprehensive and professional lettings and property management service, with a particular focus on letting to tenants that rely on housing benefit. This is also a

leasing scheme (for up to five years), – guaranteeing the rent and gives assurance that the property will be handed back in the good condition. They report that they have “housed over 100 tenants, but urgently need more properties to meet demand”.

Letting agents with a difference

2.21 Consultees interviewed for this research provided very few examples of mainstream letting agents who were adopting a social lettings agency approach. However, a few examples were cited of letting agencies that work in lower value areas, and so by the nature of the market in which they operate, many of their clients are lower income and so the agencies have developed their practice to work in a 'social' letting agency way. A number of examples of these types of letting agents are provided below.

- **The Ethical Lettings Agency:** It was set up as a Community Interest Company by two women based in Redcar, Middlesborough. They match properties with tenants who have a range of budgets and explicitly state that they welcome applications from all tenants, including those on housing benefit. The difference seems to be that they reinvest all their profits into the local community and that they do not charge any fees to find a home for those on Housing Benefit or Universal Credit. The only additional service they provide to those on low-incomes and/or on housing benefit is ensuring that they are referred on to other organisations and services for advice and support to help ensure their tenancy is successful. They take a proactive approach with tenants, with the aim to give people the best possible chance to find and keep a rented home.
- **Ethical Lettings:** This is a commercial agency based in Surrey and South West London and focus on tenants who are

low earners, many of whom are in receipt of housing benefit or work in sectors such as caring, nursing, self-employment or tradespeople. It states that they adopt an 'ethical business model', supporting tenants to find better financial stability and quality of life. The agency carries out extensive background checks and interviews with prospective tenants, and then visits tenants very regularly (some ever couple of weeks) to provide extra support to them with budgeting and employment/training aspirations. The offer to landlords is a full management service, tenant find service and rent guarantee service. They have established referral arrangements with other letting agencies as well as with local authorities and charities.

- **The Landlord Letting Network:** This is a commercial lettings agency based in Sheffield that was set up by two women who previously worked in the housing benefit and rent arrears management professions. They recognised the niche demand for a letting agent that specialises in letting properties to low-income earners and tenants in receipt of housing benefit – a specialist area which they saw that most letting agencies avoided. They offer landlords competitive and transparent rates for let-only to full management services. They do not charge administration or set-up fees to tenants, but do offer different services to housing benefit tenants and working tenants. In particular, they provide advice and support on welfare benefits and income maximisation.

Summary

2.22 The landscape of social letting agencies in England has been described by consultees as:

- **Chaotic and un-coordinated:** there is no over-arching policy or legislative mechanism driving these developments, although the Rugg report provided the initial impetus to development of these initiatives;
- **Pockets of innovation:** there are social enterprises, charities and some mainstream letting agencies that have developed specialised services for low-income households living in the PRS;
- **Mixed practices:** whilst there is similarity across some of these developments, there is no standard or uniform practice. Practices vary locally.

2.23 This scoping work has demonstrated that in England, the main social letting agencies are established by local authorities to improve access to the PRS for low-income and housing benefit households, and as a method of increasing supply of housing for temporary accommodation.

2.24 Some argue that there should be a clearer distinction between local authority leasing schemes, and social letting agencies which act in the mainstream letting agency market, but with 'social' motivations, tailored to the needs of the local housing market.

3. EVIDENCE OF PRACTICE IN SCOTLAND

Context and research approach

- 3.1 The section above outlined the use of the term ‘social letting agency’ in England and the breadth of its application as a fairly generic, umbrella term. This research has found little understanding or use of the terms social letting agency, or local letting agency in Scotland.
- 3.2 The Scottish Government’s review of the PRS in 2010⁹ discussed the role of the PRS in meeting the needs of homeless households. It briefly referred to the potential for local authorities to use social letting agencies, private leasing schemes and other PRS access schemes including deposit and rent bond schemes. The emphasis of the Scottish Government’s subsequent Strategy for the Private Rented Sector in Scotland¹⁰ has been around regulation to improve the quality and management standards in the sector. None of the ten actions in the PRS Strategy refer to intervention to support access to, and help sustain tenancies in the PRS for lower income and vulnerable groups through tailored letting agency approaches. A high level review of a sample of Local Housing Strategies in Scotland confirm widespread use of deposit and rent bond schemes, but very little reference to encourage more hands-on ‘social’, or ‘local’, or ‘ethical’ letting agency approaches to enable and sustain access in the PRS for lower income groups.
- 3.3 A recent report points to the demographic and housing market trends in Scotland resulting in significant housing pressures, with the potential for a worsening situation in terms of access to affordable housing in the short- to medium-term.¹¹ Against constraints in the public sector to subsidise sufficient quantities of affordable housing to meet needs,¹² this is likely to result in an increasing range of households living in the PRS in Scotland, including vulnerable and low income households that may require some help to access and sustain their homes. Against this background, this section provides initial evidence on social or local letting agencies in Scotland.
- 3.4 As a scoping study, the purpose of the work is not to provide a comprehensive overview of all activity in Scotland, but rather to give a flavour of practice across a range of type of organisations, and to establish any emerging themes. It is intended that this is a precursor to further ‘action based’ research, to potentially encourage further activity in this field.
- 3.5 The research was undertaken through an iterative process of desk based research and depth interviews (face to face and telephone). Interviews were undertaken with 21 organisations including letting agents/property management companies (6), local landlords (5), charities and specific needs interest organisations (4), landlords/property management companies (4), a social enterprise letting agent, and one local authority. All interviewees were advised about the purpose of the research, were provided with topics for discussion in advance, and were assured of anonymity. Some organisations were asked to share their identity for the purpose of mini case studies, each of which has been approved by the research participant.

9. Scottish Government Review of the Private Rented Sector, Volume 1 – Key Findings and Implications, 2009.

10. A Place to Stay, A Place to Call Home: A Strategy for the Private Rented Sector in Scotland, Edinburgh, 2013

11. Powell, R. Dunning, R. Ferrari, E. and McKee, K. (2015) Affordable Housing Need in Scotland, Shelter Scotland, CIH Scotland and Scottish Federation of Housing Associations.

12. Scottish Government announced pledge of 50,000 affordable homes in the next Scottish Parliament on 15th October 2015, against current Scottish Government supply target of 30,000 and Shelter Scotland/CIH/SFHA published need figure of 12,014 per annum over five years (September 2015).

Overview of types of activity in Scotland

3.6 Only a minority of the organisations found and interviewed could be classified as social or local letting

agents, but all provided an insight as to the service required by lower income and vulnerable groups to access and sustain homes in the PRS. They also provided insight over the opportunities and challenges faced

Types of organisations	Motivation	Key elements of approach
Social enterprise letting agency <ul style="list-style-type: none"> 1 example Community Interest Company as the letting agent and Private Limited Company as the investment vehicle 	Investment and social objectives Driven by market opportunity for investment and potential yield from mixed property portfolio; meeting gap in market to enable lower income and more vulnerable groups sustain long term tenancies in the PRS; organisational objective to reinvest profits for the benefit of vulnerable tenants so they can make secure homes in rented properties.	Letting agency focused on high quality standards of homes and excellent customer service. Promotes transparency, good communication, careful screening of tenants and additional tenant support ranging from welfare benefits, accessing insurance, mortgage advice, employability and independent living assistance through its tenants' support model.
Social letting agency <ul style="list-style-type: none"> 2 examples 1 local authority 1 private limited company 	Local authority sponsored PRS access schemes Run by, or funded by local authority as part of Local Housing Strategy to provide incentives for the market to enable access for lower income, vulnerable and specific needs households to PRS.	Run as letting agent but includes rent deposit schemes, rent guarantees for landlords, and advice and support on welfare benefits, and referrals to other support agencies as required to support tenancy sustainment.
Charities <ul style="list-style-type: none"> 2 examples Registered charities Working with homeless and vulnerable clients 	Charitable objectives Driven by organisational objectives to meet clients' needs and help sustain tenancies in recognition of increasing need to use PRS to meet their clients' housing needs.	Provides bridge between letting agents/ landlords and tenants to negotiate access and support clients to sustain their homes successfully in the PRS. Can include rent deposit, rent in advance, welfare benefits advice, and short-term liaison between statutory agencies to help tenant sustain tenancy. Benefit to landlords/letting agencies is that it de-risks certain client groups, and enables landlords/agents to make a contribution to housing more vulnerable groups.
Private subsidiaries of Registered Social Landlords – PRS letting agents <ul style="list-style-type: none"> 1 example Private limited company Subsidiary of a wider RSL Group where the parent is a charity 	RSL Diversification – PRS Driven by opportunity to provide letting agency and property management service in PRS with increasing demand from middle to lower-income households who cannot access home-ownership or social housing; meets wider organisational objectives of providing quality homes and service; profits reinvested within RSL Group.	Take a commercial letting agency approach compared to its associated social housing business, but will use the property and housing management skill and resources of the Group to provide comprehensive services to landlords and enable long term sustainable tenancies including welfare benefits, income maximization, fuel poverty advice.
Private subsidiaries of Registered Social Landlords – Intermediate market landlords <ul style="list-style-type: none"> 4 examples Private limited company Subsidiaries of a wider RSL Groups where the parent is a charity 	RSL Diversification – Intermediate market Driven by intermediate market – increasing demand from middle to lower-income households who cannot access home-ownership or social housing; desire to diversify their portfolio of social housing to provide mixed income communities; meets wider organisational objectives of providing quality homes and services; and provide profits for reinvestment within the RSL Group.	Take a commercial approach to lettings compared to its associated social housing business. Expect tenants to be in work and 'independent' at start of tenancy but will support if lose employment by using the skills across the wider RSL Group to provide light touch support to tenants on range of topics including welfare benefits, income maximization, fuel poverty advice.
Commercial letting agencies <ul style="list-style-type: none"> 4 examples Private limited companies and franchises 	Investment Have mixed portfolios depending on market; two agents and all the landlords were working/ investing in predominantly lower value/lower income areas. Driven by investment potential/ high yields, and to secure long term, successful lets, minimising voids and incidental costs. For the 'local' agents and many landlords, inherent in the business approach is role in the local community, providing a very responsive and good customer service.	Have developed a specialism in the lower end of PRS market by nature of the local market. Expertise in the Welfare Benefits systems, and referral to specialist agencies as required. Commonly take a very hands-on, personal and customer focused approach to ensure tenancies are sustained for the long term including negotiation with 'authority' on tenants' behalf. Two examples of letting agents that only have a few properties in this market work with intermediaries to help navigate the 'system' and sustain tenancies e.g. Crisis – see Charities above.
Local landlords <ul style="list-style-type: none"> 5 examples Individual landlords with portfolios of between 5 and 40 managing own portfolios. 		

by the landlords and letting agents working in this part of the market.

- 3.7 Analysis of responses has enabled the categorisation of the main types of organisations, and their different approaches. Each ‘typology’ is then described in greater depth through mini case studies, or where there is not one typical case, through description of common motivations and service approaches.

Social enterprise letting agency

- 3.8 Homes For Good (Scotland) CIC is Scotland’s “first social enterprise letting agency” based in Glasgow.¹³ It is the first letting agency in Scotland with a specialism in supporting low income tenants. Homes for Good places tenants’ wellbeing at the centre of its business model and advocates on behalf of vulnerable and disadvantaged tenants throughout Scotland. The key driver for founder Susan Aktemel was recognition of high levels of housing need, but with the PRS rejecting seven out of ten tenants claiming housing benefit. The focus on lower-income groups was part of the ethical business model adopted by Homes for Good that matches sound business sense given the fact that yields can also be achieved from low value areas if the rent is right.¹⁴ Homes for Good is a Community Interest Company (CIC) and is associated Homes for Good Investments Ltd, established to operate in parallel, as an investment company to build a property portfolio aimed at people in housing need. Properties are purchased and renovated via the investment company and then managed by Homes for Good (Scotland) CIC. Homes for Good CIC is funded by agency fees, and has utilised some Social Enterprise start up funding. The Investment company has secured private finance through a range of ethical banks and venture capital funds.¹⁵ Homes For Good CIC is

different from traditional letting agents through the following approach:

- Rigorous pre-tenancy scrutiny and screening, especially working through affordability carefully and including income maximisation and benefit checking at that point.
- Pre-tenancy screening also aims to ensure tenants understand their responsibilities.
- Tenancy support services through a team of dedicated tenancy support workers. The tenancy support service is about establishing a relationship – not the minimum three month check which is the standard in letting agency market, but regular contact and uses of 10 quality of life indicators – to establish the degrees of intervention that may be required, and the intensity of the relationship required – in a positive way.
- Supporting people with initial move-in, including home-making and budgeting.
- Partnership working and referrals with local councils and other support agencies;
- Outcomes linked to helping improve people’s physical and mental wellbeing, as well as helping to prevent homelessness.

Social letting agencies

- 3.9 LetFirst is a residential letting agency product run by Orchard and Shipman Group which specialises in providing affordable housing models to local authorities and central government across the UK. Orchard and Shipman has a contract with the City of Edinburgh Council (CEC) through Letfirst product for the next four years to enable people who are homeless or potentially homeless to access the private rented sector. Letfirst currently manage around 500 PRS properties in Edinburgh. The Council

13. Refer also to the following conference presentations delivered on Homes for Good by on [Social Investment in the PRS](#) and [Homes for Good: one year on](#)

14. Projected 8.5% yields

15. Including Charity Bank, LGT Impact Ventures UK, Big Society Capital

makes referrals to Letfirst, who then match tenants to suitable properties. These tenants then receive a more intensive tenancy management service than would typically be provided by standard letting agents. CEC provides a one off payment to Letfirst for every tenancy secured, which pays for the cost of the more intensive management service. The benefit to the Council is a reduced burden on the City's temporary and social housing resources. In many ways the Letfirst service is a standard letting agency approach – landlords contract with LetFirst to provide letting agency services through a standard letting contract (there is no long term leasing), and LetFirst match prospective tenants to properties which are let on a standard Short Assured Tenancy. The key differences to a standard letting agency are:

- CEC has first refusal on every Letfirst vacancy – the Council nominates homeless and potentially homeless people to Letfirst, if this is what the individual has chosen as a housing option.
- If an appropriate match is not found through a Council nomination, then LetFirst properties may be advertised on the open PRS market.
- Landlords are provided a rent guarantee, paying rent into landlords' accounts on the same day every month, regardless of whether the tenant has fallen into arrears or not. Orchard and Shipman underwrites the Letfirst Rent Guarantee, which means it will pay the rent if the tenant doesn't. Letfirst states that this model is achievable due to the high proportion of its tenants that claim housing benefit.
- All rents are set at market rates, and within LHA levels.
- No deposit is taken. This brings substantial benefits to tenants,

many of whom are not able to afford deposits which is a key barrier to accessing the PRS. Landlords are advised to insure against risk of damages, but landlords usually consider this risk to be offset by the rent guarantee.

- There is a rigorous screening process, but a poor credit rating does not mean an automatic tenancy refusal – it would trigger further investigation, but due to the client group, the agreement with the Council requires a broader approach to be taken.
- At tenancy signup, a tenancy sustainment advisor will assist on welfare benefits and income maximisation. There is a more intensive tenancy and property management system than would typically be found in other letting agencies – with visits every three months for every tenant, and this will flag whether more intensive visits are required over and above three-month visits, or whether more specialised support is needed. There are links to partner agencies (e.g. Support workers, Changeworks for fuel poverty), and Letfirst keeps close relationships with the Council and other statutory partners to ensure effective partnership working. Housing advice surgeries are also provided across four locations across the City on a weekly basis.
- If landlords serve notice, or tenants' circumstances change (e.g. need for smaller or larger property), Letfirst will work to achieve a transfer for the tenant within its property portfolio. In that sense, Letfirst believes this option is more secure than standard open market PRS options.

3.10 PKC Lets¹⁶ is a letting agency in Perth and Kinross, provided directly by Perth and Kinross Council (PKC)

16. Also see Shelter Scotland presentation at scotland.shelter.org.uk

as a means of supporting access to PRS by homeless and potentially homeless people. The service was originally developed in 2010 as an extension to the Council's Rent Bond Guarantee Scheme (RBGS)¹⁷ – there was a recognition that landlords participating in the RBGS were looking for a fuller letting and property management service. The Council consulted on launching the scheme with local businesses, and was met with considerable resistance, due to the PKC Lets competitive pricing structure that was considered to undercut local agencies and solicitors. The outcome was to continue to launch the service, but on the basis of supporting the RBGS and not to actively promote the letting service on a commercial basis. The key elements, challenges and opportunities of the service are:

- Landlords enter a letting contract with PKC on the basis that they are participating in the RBGS which means PKC can refer potential tenants.
- Properties are managed as if they are Council properties using its housing management IT system. Properties and tenancies are managed by a specialist team, with the Private Sector Team acting as first point of contact.
- Rent is collected on the landlord's behalf with the management fee and repair costs deducted before payment to the landlord. Repairs are arranged through the Council's repairs service, or the landlords preferred contractor. The service also provides an out of hours emergency repair service.
- The tenancy and property management elements are similar to a service that would be provided by a commercial agent, but PKC Lets has the added focus on supporting the tenant to sustain a successful tenancy. This

can involve a specialist Support Officer depending on the needs of the customer.

- There has been a maximum of 90 properties managed by PKC Lets, and it currently manages 55 properties. It is therefore not considered as a key plank in the Council's strategy to secure access to the PRS for homeless and potentially homeless clients.
- The Council considers that the key tool to incentivise the PRS to work in this market is the rent bond scheme – well over 1,000 PRS tenancies have been facilitated since the bond scheme was launched in 2009. However, the Council is finding it increasingly difficult to attract landlords to participate. Factors include recent uplift in the property market and 'reluctant' landlords selling their properties; proposed changes in the tenancy regime; and potential negative impacts of Universal Credit. Historically, PKC's policy on Housing Benefit safeguarding has been a key cornerstone to its approach to access to the PRS, but it is thought that Universal Credit may threaten this approach.
- As a result of the challenging environment, PKC is finding other ways to increase access to the PRS. One example is its Empty Homes Initiative where PKC provides grant funding to bring properties back into use on the condition that the landlord will participate in the rent bond scheme for at least five years.

Charities

3.11 Crisis's Housing Coach supports homeless people to find and sustain tenancies in the PRS in Edinburgh. Crisis has similar roles across the UK. Key features of the Housing Coach work is:

17. The PKC bond is a written guarantee from the council in lieu of a cash deposit that is issued on behalf of the tenant. The guarantee enables the landlord to make a claim on the bond from Perth & Kinross Council should there be any damage, theft or rent arrears at the conclusion of the tenancy. The bond guarantee will have a value that is equivalent to 4 weeks rent and will be valid for 12 months.

- Outreach work at the start of someone's homelessness experience to explore housing options. If they wish to consider PRS they will be supported to find and sustain PRS.
 - The Housing Coach will offer one to one sessions to prepare the person for living independently, and if need be, offer them a 12 week "renting ready" accredited course including topics such as budgeting, making a home, cleaning, maintenance, living with flat mates; and dealing with problems.
 - Clients will search and find properties themselves, or they may want to work with Crisis to find a place that matches their requirements. Crisis will then work with the prospective tenant to get all the information requirements and finance in place quickly to secure the property.
 - Crisis provides a rent deposit guarantee scheme, or bond, which provides reassurance and takes away some administration burden from landlords/letting agents. Tenants are encouraged to save over time to convert the bond to a real deposit, to increase their independence and act as a deposit for any future moves.
 - Crisis works directly with landlords and letting agents, to develop relationships to encourage interest in letting to Crisis clients. This relationship is ongoing with the landlord/letting agent by acting as an intermediary in the early stages of the tenancy, to provide some help and reassurance if necessary, but which over time will be replaced by the direct relationship between the tenant and the landlord/letting agent.
 - Crisis supports the tenants to move in, checking the inventory, ensuring Housing Benefit claims are in, and then makes contact with the tenant every week for up to 6 months. The Housing Coach will help the tenant and landlord navigate any problems with housing benefit, or any other issues to sustain the tenancy. If Crisis feels that further housing support is required after 6 months then it will make referrals, but it may be that the tenant keeps in touch with Crisis through its other services.
 - Crisis is of the view that there is a need for more social letting models, providing quality affordable housing at affordable prices at the lower end of the market. The Housing Coach's experience is that one of the key constraints in the letting market is the lack of knowledge and expertise in the Housing Benefit system, which results in many potential evictions that could be easily avoided with greater expertise. In pressured markets such as Edinburgh, competition from working, less vulnerable households means that many letting agents have no incentive to consider the housing needs of lower income households.
- 3.12 The Action Group is a charity that provides housing and support services to people with a learning disability. The charity historically only had relationships with housing associations and worked with them to identify properties for its target group i.e. adults with learning disabilities or a family with a member who has learning disabilities. It has recently begun, however, to source properties in the PRS for its service users. The charity has consciously moved into the PRS due to the lack of appropriate housing for its service users in the social housing sector, and so it is a decision driven by meeting the housing needs of the charity's specialist group. The charity currently supports individuals in 108 properties, the bulk of which are from housing associations, but also a proportion from private landlords. They differ from a standard letting agency approach in the following ways:
- Provision of a holistic service from matching the tenant to

a suitable property, helping the tenant settle-in and then providing ongoing tenancy sustainment support

- Specialising in people with Learning Disabilities and other support needs, and linking them to other services such as employment services, welfare benefits services etc.
- Build relationships with their tenants and landlords with dedicated housing support staff
- Also provide support for tenant to settle into their community, not just their home
- High rates of tenancy sustainment, with zero evictions.

3.13 This research has also explored the experience of other specific needs groups in the PRS. Consultation with Housing Options Scotland who supports disabled people access a range of housing options, suggests that access to the PRS is “worse than ad hoc” and “incredibly difficult to access the PRS”. The main barriers to access to PRS for disabled people are seen as:

- Housing Benefit claimants are very often unable to provide financial references and pass credit checks. It was also noted that many Buy to Let mortgages exclude tenants claiming Housing Benefit.
- In market ‘hotspots’ landlords and letting agents can pick and chose their tenants, which means they will inevitably avoid those that take more time and input – including people claiming Housing Benefit, and disabled people who have specific requirements and needs additional help.

90% of the time the letting agents are a massive barrier – they want to let the property as quickly as possible because its in their and the landlords’ interest. Time

equals money, time wasted means lost rent.

- While some landlords are amenable to making adaptations, the experience from Housing Options Scotland around adaptations is patchy: some landlords would rather avoid adaptations as it may affect the lettable of the property in future. There are some exceptions to this general rule – examples were provided for this research from landlords who manage their properties directly, and Housing Options Scotland mentioned LetFirst as an option.

3.14 Consultation with Scottish Women’s Aid for this research, suggests there are no specific national PRS initiatives, or good practice examples known of by SWA designed around the needs of women experiencing domestic abuse. It was noted PRS can often be a tenure of choice for women in these circumstances, if it is affordable, due to ease of access and locations which is often better than social housing, or away from the abusive partner. Forthcoming research commissioned by SWA¹⁸ has highlighted the very poor experience that many women experience when fleeing abuse, where often the only option presented to them is the homelessness route, local authority temporary accommodation and waiting for social housing, rather than advice on a range of housing options, with or without support.

Private subsidiaries of RSLs – PRS letting agencies

3.15 Welso Property Management: This is a property management and letting agency operating in the PRS. It is a private subsidiary of Weslo Housing Management, which is an RSL. It currently has 72 owned properties that are let, and also manage around 100 properties on behalf of landlords in West Lothian and Falkirk. Its portfolio includes higher-

18. To be published December 2015

end properties to ex-local authority stock as well as MMR properties. Welso provide lets to a mixed range of tenants, but the majority of their tenants are employed and require no support. It does work with a number of vulnerable tenants on lower incomes, including those on housing benefit. Welso has adapted its business so that it is responsive to the needs of these vulnerable tenants. Welso did not consciously adapt or specialise with lower-income tenants; rather, its service has responded to changes in the demographic of tenants entering the PRS. It has experienced an increase in prospective tenants on lower incomes, who traditionally may have been housed in social housing, but who are now looking to the PRS and require some additional supports. The response from Welso to this situation sets it apart from a standard letting agency approach and this includes model:

- A Staff member from West Lothian Council is based in their office who deals with information and housing advice
- Welso staff are professional, with an open-minded and responsive approach to help all tenants and deal with ‘whatever next’ type problems such as rent arrears or financial difficulties. Tenants are treated fairly and responded to based on their individual needs.
- Eviction is treated as a last resort and an option that may not necessarily in the financial interests of the landlord or its business.
- A strong ethos to support people to sustain their home. This will include mediating between landlord and tenant, and indeed advocating on behalf of the tenant and finding solutions that prevent eviction. This is a service that ‘goes above and beyond’ to help the tenant keep their home and, if in rent arrears, to get back on track.

- An effective affordability-based screening process that is based on the principle that it is crucial to get it right from the beginning for a tenant and landlord and set the tenancy up to succeed not fail. This will include income maximisation and benefit checks and linking the prospective tenant to other supports from other organisations where appropriate.
- Use of its background and expertise as part of an RSL to give its private tenants access to their RSL-based services such as housing officers, welfare rights officers and tenancy sustainment supports. These services are used for the tenants on lower incomes.
- Proactive role in driving up standards in the PRS, especially in terms of physical standard of properties.
- Developing a tenant participation group (that you could expect in housing associations or local authorities) and will invite all tenants from all properties and backgrounds to join this group. This was considered an ‘uncommon’ development for a letting agency.

Private subsidiaries of RSLs – Intermediate / Mid Market Rent landlords and letting agents

3.16 Private subsidiaries of RSLs working in the intermediate market displayed some common features to the examples above. Four organisations working in this part of the market were consulted, and displayed the following common motivations and approaches, with one example case study provided below:

- Focus was on tenants who are employed, but on lower to average incomes. Largely, tenants are expected to be independent, and not require support.
- Pre-tenancy scrutiny and checks are robust so as to ensure the prospective tenant is well matched in terms of affordability.

- Processes and systems are professional, fair and transparent, influenced by the approach of their parent housing association bodies.
- A strong ethos for a tenancy to succeed, that includes not only matching the tenant to a suitable property but also ensuring that if there is a change in circumstance (such as loss of employment or health problem) that the tenant is linked to additional light touch support. These services are often in place in-house, and provided through the RSL they are associated with.
- A preventative and proactive approach to eviction, which was considered in the best interests of the landlord or their businesses.

3.17 Places for People Scotland (PfPS) is a private subsidiary of Castle Rock Edinvar Housing Association. PfPS manages around 850 properties, the vast majority of which are Mid Market Rent. The business also provides shared equity sales, has a small portfolio of market rent properties, and manages rented properties for National Housing Trust developments. PfPS sought to specialise in these areas because it believed a gap had emerged in the housing market for people on lower to average incomes who could not access home ownership, or social housing, and for whom private renting is unaffordable. It is also part of the wider Castle Rock Edinvar strategy to create mixed tenure housing developments. PfPS tenants are therefore largely low to average income groups, employed and the vast majority are living in mid market rent properties. A very small number of its tenants are claiming housing benefits following change in circumstance since they started their tenancy. PfPS operates on the following basis:

- Eligibility criteria based on household income level falling below a certain threshold band (earning less than £39k), and the

rent being affordable without applying for housing benefit.

- Flexibility to change in circumstances of tenant; if a tenant lets PfPS know they are struggling, it can link them to information, advice and supports, for example the Financial Inclusion Team within Castle Rock Edinvar.
- Strategic approach within the Castle Rock Edinvar group to provide a mix of housing tenure, which includes social rent, shared equity and mid market rent.
- Expect tenants to be independent, but if they are struggling, it has a positive approach to offer additional help to tenants.
- It is not a purely commercial company – surplus income is reinvested back into either PfPS business, or the wider Castle Rock Edinvar group to contribute to its wider objectives.

Commercial letting agents and 'local' landlords

3.18 The research also explored practice amongst commercial letting agents and landlords that have experience in this market. Agents and landlords were asked to participate in the research through the Scottish Association of Landlords. The research also found other relevant agents through discussion with other participants (listed above). The purpose of this research is to explore relevant practice in this part of the PRS market – the purpose is not to provide a representative account of all practice.

3.19 Interviews were undertaken with four commercial letting agents. Their portfolio ranged from 400 to 1,000. Two were based in Edinburgh, and two in the greater Glasgow area.

3.20 For the two agents working in Edinburgh, 90% of their market is professional and student, said to be driven by the buoyancy and pressure of the market. One of these agents

had previously worked more in the lower income market, but the level of demand means that professionals are taking an increasing proportion of the market across property types and areas, and 'are squeezing out housing benefit claimants'. Landlords also determine the tenant profile, and the two Edinburgh agents stated that an increasing number of landlords are refusing to have "DSS" tenants due to the perceived increased risk with direct payment to tenants. One of these agents has considerable experience in the housing benefit system and will work with landlords to persuade them to take tenants that may claim housing benefit where this fits the area/property type.

3.21 Two agents based in the West of Scotland had a more mixed portfolio of properties and areas – one with 1,000 in its portfolio, 40% of which was defined as lower income and housing benefit market. These agents had developed an expertise the housing benefit system by the nature of their market, and like one of the Edinburgh agents, talked about working successfully with landlords to convince them to take "DSS" clients. These agents consider that this client group can provide 'good, more settled, long term lets', so long as the match of the property and person is right. The letting agents talked about getting to know the prospective tenants, understanding their needs, including links to family and other social support networks, and identifying the right property accordingly. All of these agents charge the same fees regardless of market / target client group.

My job is to get the right person into the right property, as quick as possible. There is little difference between an employed person, or unemployed person, what's it important is getting the right match.

3.22 Common themes from these letting agents included:

- A very strong customer service ethos, and equality of approach

regardless of the background and income of the tenant. There is a strong impression of a personalised approach, based on the needs of the tenant and making sure the match of property and person is going to result in a long term, settled let.

- Understanding, and being active in the 'complex housing benefit system' – for the agents interviewed this has taken years of learning, and keeping on top of the ongoing changes in the Welfare system, including participation in various forums, networks and training.
- Safeguarding rents where possible – and obtaining mandates from tenants for letting agents to contact local authority/DWP to obtain/provide information and to negotiate on their behalf. Also working with local authorities to access deposit and rent guarantee schemes, although also noted that access can be restricted and available for only the most vulnerable groups (examples included prison leavers and people with addictions).
- Communication and networks – tenants are encouraged to keep in touch with the agents, and there is also good communication with landlords and wider networks – this may include family, friends, neighbours or external agencies. The agents were also clear about the limits of their role, but will signpost to other agencies.
- Sense of 'local' and community – three of the agents gave a strong impression of being part of the local community, and making a contribution to it through their service.
- Other aspects of the service – including advertising, screening, property/tenancy inspections were all in line with their standard agency approach.¹⁹ The distinguishing aspects appeared

19. The exception is use of guarantors which was required by two agents for lower income and student households.

to be the personalised, customer focused approach.

We have to take them by the hand – that’s landlords and tenants – and take them through the system.

We understand and empathise with their needs – its about good customer service. I don’t disagree with some of the bad press on letting agents; a lot of them give a terrible service.

3.23 Interviews were also undertaken with five individual landlords, with a range of size of portfolio from four to 40 properties, with the majority of these properties being in lower value areas. The motivation for these landlords was investment income, with most selecting these properties and locations due to the potential level of return. A number also wished to ‘put something back’, into the local community.

3.24 Some of the landlords had chosen to ‘target’ housing benefit clients, whereas others had a majority of lower income tenants by virtue of the location of their properties.

3.25 Common themes and notable practices are:

- Local landlords – the majority of these landlords live very near their properties, and saw themselves as part of the community. The service is hands-on and direct with tenants. Some landlords had previously used letting agents but thought the service was poor and so decided to take a direct management role.
- Responsive and supportive service – there is a strong impression of responsiveness, with landlords assisting on a whole range of matters to help tenants sustain their tenancies. The key driver for landlords is to maximise their investment, and for them this means achieving long, settled and quiet tenancies. But over and above investment incentive, there is a strong sense of personal commitment to their tenants and doing whatever needs to be done

to support a successful tenancy. It is also clear that this commitment may be removed where tenants fail to meet their side of the contract (e.g. non payment of rent, anti-social behaviour).

- Understanding and negotiating ‘the system’ – like the agents, these landlords understand the Welfare system, but also the wider network of agencies needed to support lower income and vulnerable tenants. A number of examples were provided by landlords helping tenants that could not understand various ‘official’ forms, often due to illiteracy, tenants asking landlords to help and accompany them with DWP/local authority phone calls/meetings, landlords helping tenants negotiate with Occupational Therapists to get the right type of adaptation which had previously been refused.
- Rigorous screening approaches – most of these landlords took time and care over tenant selection. One of the most important methods used is interviews with prospective tenants, but also ID checks, and references (personal and employment). Landlords rarely undertook credit checks as they saw little point for this market, but some required guarantors.
- Deposits – some landlords choose not to take deposits, and instead insure against this risk. Reasons cited include preventing access for tenants, and bureaucracy of the Scottish Government Tenancy Deposit Scheme.
- Flexible tenancy contact – varied according to needs and risks – as little as once a year in line with a property check, or will be as regular as its needs to be to support the tenancy.
- Communication and networks – like the agents above, the landlords keep in touch with tenants as needed, and aware of the wider networks.

3.26 Agents and landlords also discussed the challenges they face:

- Low income compared to full housing benefit tenants – the challenges associated with helping tenants that are employed, but low income, compared to those that are not working at all. This client group is seen in some ways as the most vulnerable.
- Welfare Reform – and in particular Universal Credit with the consequence that some landlords are said to be leaving this part of the market due to perceived risks. Difficulties in communication with DWP are also seen as an increasing problem.
- Lack of support for tenants – agents are clear about the limit of their role, and there are examples of letting agents being disappointed in the response from statutory and other agencies when they are proactive in seeking additional support for their tenants. However, landlords often take a more hands-on approach to help resolve issues.
- Lack of communication with, and information for agents and landlords – this was highlighted through a number of examples where agents have ‘stumbled across’ charities and support agencies that can help support tenants. There is scope for better sharing of ideas and resources to which agents and landlords can refer tenants.
- Lack of enforcement – a common theme was perceived lack of enforcement of regulations, which means the ‘good’ agents and landlords are ‘tarred with the same brush’ as the poor ones.

- Changes to the tenancy regime in Scotland and the UK Tax regime – suggestions that some landlords they will be leaving the market due to the changes in the tenancy and tax regimes.²⁰

Summary

3.27 This research has found some common approaches amongst those organisations and individual landlords that focus on PRS market for lower income and more vulnerable households.

- **Customer focused and person centred approach to tenants:** tenants are valued as clients / customers and treated fairly, and with a genuine commitment to good, hands-on customer service and help in making the tenancy is successful;
- **Accept lower income clients:** will accept clients who are employed or unemployed, on low incomes and/or in receipt of housing benefit, and will not discriminate on grounds of income.²¹ Expertise in the Welfare Benefits system is required to support some lower income tenants.
- **Time is taken to ensure the right person/property match:** approaches to matching vary, but landlords and letting agents want tenancies to be successful for the long term, and so take some time and care in ensuring the right match of property to prospective tenant. This includes giving tenants time and advice to provide the right information.
- **Link to advice, support and other services:** due to the target client group, there is an understanding that some advice, and light-touch support may be

20. Introduction of a supplement of 3% of value for second home purchases and buy to let properties over £40k, in addition to LBTT, bringing Scotland in line with recent UK Government proposals for England and Wales announced in the Autumn statement, announced by the Scottish Government in its budget statement on 17 December 2015. The sector will also be affected by the Finance Act 2015 (Royal Assent November 2015) – by 2020 individual private landlords will not be able to deduct mortgage interest costs in profit calculation. Instead, a tax credit worth 20pc of the mortgage interest will be applied. The effect will be that higher tax payers will be paying more tax on profits. This change does not apply to Companies.

21. The exception are some private subsidiaries of RSLs working in the intermediate market whose purpose is to create mixed tenure/mixed income communities and so target working households.

needed, whether in-house or through established networks and expertise through which advice can be obtained.

- **Deposits** – a variety of ways of overcoming this major financial barrier, including access to deposit bond schemes, but also no requirement for deposits, and instead encouraging landlords to insure against damage or lost rent risks.
- **Local focus** – many of the players in this market have a local, community focus. This links to the personalised, customer service ethos, but also to organisations with a binding purpose, or client group.
- **Communication and relationships are key** – between agents, tenants and landlords, and brokering these with ‘authorities’ and other agencies that may support tenants in a variety of ways.
- **Distributing profit for reinvestment in housing need/ social good/organisational development:** The majority of those identified will re-invest their surplus income back into the business for client or wider organisational benefit. The exception are individual landlords and commercial letting agencies, who may demonstrate all the common themes listed above, because it makes good business sense to do so – it increases chances of successful, long term tenancies, and ultimately protects their investment.
- **No one-size fits all** – this work shows that a variety of responses have developed according to the demands of the local market.

4. CONCLUSIONS AND RECOMMENDATIONS

- 4.1 This research has identified key themes around emerging opportunities and challenges in this market.
- 4.2 **Legislative, policy and demand divers** – There are considerable differences in housing policy between England and Scotland. In England policy has favoured PRS and ownership, and shifted away from social housing, and so there are stronger drivers towards social letting agencies. In Scotland, the housing policy environment is more ‘benign’ where social housing building programmes are supported, and the traditional approach and culture is for ‘affordable’ housing need to be met through social housing. However, UK Government intentions for Welfare Reform²² will create a more level playing field between the rented sectors, and probably drive equalization of tenure in Scotland. Despite the Scottish Government’s commitment to social housing, there is relatively scarce public sector resources compared to the level of need. Consultees in this research suggest there is a blurring of lines between the different rented sectors in Scotland, and many see increasing demand for PRS from lower income households.
- 4.3 **Risks for landlords** – There are considerable risks for landlords, mainly through Welfare Reform, but also by proposed changes to the Scottish tenancy and regulatory regime, and the UK Government’s proposals for stamp duty on buy to let properties. These risks, coupled with reluctant landlords waiting for sufficient uplift in the market, may result in some landlords leaving the market. Others may chose to stay, but look for professional letting agency services to mitigate against these risks.
- 4.4 **Good investment potential** – While some landlords may chose to leave the market, others argue that working in the lower end of the PRS can provide very good investment returns, assuming the income/value and tenant/property match is right. The key success factors are around the ethos, customer service and hands-on management approach.
- 4.5 **Incentives in pressured markets** – It is clear from consultation with Edinburgh based agents, that there is little incentive for landlords and agents in pressured markets to focus on the lower-income market, and to take time to acquire the expertise and knowledge required. Even where agents have this expertise, the level of competition for housing is such that lower income and vulnerable tenants are squeezed out of ‘better’ areas by professionals and students. This market failure could present opportunities for organisations that already have the right skills, to diversify and specialise in lower end PRS markets within larger pressured market areas.
- 4.6 **Supporting the sector** – Success in this part of the market requires specific approaches and expertise, including good communication and networking of information between landlords, agents, landlords, statutory and support agencies. Over recent years, the PRS in Scotland has been subject to considerable reform through increased legislation and regulation; many consultees suggest this approach needs to be coupled by enforcement, and more proactive and positive engagement with the PRS to help promote and disseminate specific knowledge, expertise and approaches to promote best practice.

22. Announced in UK Government CSR November 2015 where social housing rents must be within LHA, as per private rented sector. At the time of this report is unknown as to whether Scottish Government will mitigate against these changes.

4.7 **In conclusion** – this scoping study suggests there are gaps in the letting agency market around the needs of growing numbers of PRS tenants that have low incomes, or low-level support needs. Some good practice examples have been found in the commercial, charity and social enterprise sectors, but these are unusual. The sector continues to be subject to considerable regulatory change, little of which is focused on addressing the specific service needs of this client group. The challenge is to influence change in the mainstream letting agency market, in a positive way, to encourage more good practice for this client group.

Shelter Scotland's future programme of work

4.8 The following recommendations suggest further work that Shelter Scotland could lead to stimulate greater market activity in this area.

4.9 The aim of a future programme of work could be to:

- stimulate more letting agencies to enter this part of the market, and/or
- encourage more existing letting agents to develop an expertise and speciality in this part of the market, and
- see that more letting agents are able to provide a good service for tenants that have a lower income, or low level support needs.

4.10 In order to do this, Shelter Scotland could lead of a range of activity, targeted at different types of organisation.

Legislative and policy influence

4.11 **Scottish Government** – Shelter Scotland should influence Scottish Government through its lobbying role. It should take forward a discussion of the service requirements of PRS tenants with low income/low support needs, and explore how regulatory intervention, enforcement, and positive engagement with the sector could influence change.

4.12 **Local government** – should be encouraged to look at options through Local Housing Strategies to support letting agents to develop their expertise, and the creation of new social letting agencies in a form that suits the local market. This should be beyond rent and deposit bond schemes, but around the development of expertise in the letting agency market to support customers with low income and low support needs. A number of examples found through this research could provide local authorities with useful templates for further development.

Developing expertise and good practice in the existing sector

4.13 **Commerical letting agents** – expertise should be supported through positive engagement, through existing and new methods, real and virtual networks. Examples of work may be:

- **Building capacity** – Specialist human and/or virtual resource and training. Human resource could be provided for letting agents in their own offices over a short period to help build capacity and expertise. Virtual resource – telephone hotline and/or website dedicated to support letting agencies. This could be hosted by Shelter, or through others e.g. Landlord Accreditation Scotland, or Scottish Association of Landlords. Training programmes should be developed in specialist topics, in areas where weaknesses have been identified in this research, which could be hosted by LAS, SAL or other providers. The aim should be to mainstream good practice and expertise, not about increasing letting agents' human resource costs. Lessons learned would then be rolled out through a range of accessible methods.
- **Development of a specialist local information/networking portal** – building on existing resources and networks, providing specialist resources to landlords

and agents on where to go for help and signposting. This could include advice and support on the key weaknesses/gaps identified through this research including negotiating the welfare system, information on whole range of other support organisations and resources. This work would have to be undertaken locally, to ensure agents have access to relevant local information.

- Training and promotion – showing why it is can make good investment and business sense for landlords and agents to work with lower income groups in local markets.

Stimulating new entrants

4.14 This study has signaled potential opportunities for **new entrants**.

- The RSL sector could be well placed to capitalise on opportunities in this market – they have the management skills and expertise in working with lower income groups, but most do not have the experience of providing a commercial, customer focused PRS agency business. Shelter should undertake further exploratory work with RSLs to understand what, if anything, would attract them to this market,

and what they consider to be the key barriers to entry. Shelter could then work with an RSL (or more) to develop a model for wider demonstration and learning.

- Charities – this work has evidenced some models working in this sector, and as with the RSLs, Shelter could lead further discussions with a group of charities working in this field to understand how they could be supported to develop their models.
- Social enterprises – this work has found a number of social enterprise examples in England, and so far one in Scotland. Shelter could conduct more detailed research to build on these findings, to stimulate wider interest in these models.
- Shelter Scotland should publicise to the wider market that it is leading a funded programme of work to stimulate activity in this area.

4.15 On Shelter's conclusion over its decision of the nature of the future programme of work, Shelter Scotland should develop an evaluation framework to support monitoring of the programme implementation.

Shelter Scotland helps over half a million people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

Please support us at shelterscotland.org

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