

Social lettings agencies

(Scotland edition)

How to plan, develop, launch and sustain an income generating SLA



Crisis

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1. Guidance summary

This guide is intended as a practical guide to planning, developing, launching and operating a Social Letting Agency (SLA). The previous guide on this subject (*Local Lettings Agencies: A good practice guide – Providing access to the private rented sector while generating income*), focussed more on the concept and rationale, including detailed analysis of issues such as:

- Why operate a SLA?
- The risks involved in running a SLA
- Possible structures and models of SLAs
- Transitioning an existing scheme to a SLA
- Handling client money
- Liabilities and professional bodies

Therefore the previous guide is still hugely relevant to any organisation considering a SLA.

Whilst some of those more theoretical issues are discussed in this guide, with the passage of time and experience, we have become more aware of the practical issues that impact on a SLAs ability to survive, grow and ultimately deliver an effective service as source of private accommodation for vulnerable people and those on low incomes.

Therefore it is recommended that this guide is read alongside the previous guide and the Crisis online toolkit to setting up and delivering a private rented sector access project¹, to ensure that all considerations relating to the set up, development and running of a SLA are considered.

1.1 Who wrote this guide?

This guide was written by Inside Housing Solutions and Crisis UK, working in partnership and consulting with a range of different Social Letting Agencies around the country. Those SLAs that contributed are listed in Section 1.3 in this report, and their input was invaluable in producing this practical guide and outlining some of the areas where SLAs have succeeded and/or struggled.

Crisis UK

Since 1997 Crisis has been working to make the private rented sector (PRS) a viable housing option for homeless and vulnerably housed people. The focus of this work has been on funding, supporting and delivering private rented sector access projects. These are projects that operate using many different models, but what they have in common is that they support clients who are homeless or vulnerably housed and are willing to consider housing in the private rented sector. The projects then work with these clients and landlords to find, create and sustain tenancies in the private rented sector, helping clients overcome the financial, structural and personal barriers that may exist to doing this.

Crisis delivers the **Private Renting National Advisory Service** in England, Wales and Scotland, supporting local authorities and voluntary sector agencies on how to best use their resources and the local market to provide private rented sector housing for their clients. Since 2010 we have also managed a number of funding programmes for the Department of Communities and Local Government and have been able to support over 150 projects to create over 10,000 tenancies in the private rented sector.

1. <http://www.crisis.org.uk/pages/prs-toolkit.html>

Inside Housing Solutions (IHS)

IHS are a housing consultancy company specialising in dealing with homelessness, the private rented sector and in particular the development of Social Letting Agencies, several of whom have helped with this guide.

Over the past ten years IHS have attracted a reputation for developing cost effective innovative solutions to the increasing burden of homelessness on Local Authorities and other Housing organisations.

In the past seven years IHS have worked with over 70 housing organisations, charities, social enterprises and Local Authorities specifically reviewing their approach to procuring in the private rented sector, reducing their reliance on expensive temporary accommodation and developing social letting schemes to assist them with stabilising the costs of their homelessness services.

In addition to this, IHS have planned, developed, implemented and helped operate over a dozen Social Letting Agencies across the country and are the foremost experts in all aspects of SLA development in a range of different organisational structures and environments.

www.insidehousingsolutions.com

1.2 What is a successful Social Lettings Agency?

Since the 2008 University of York publication 'The Private Rented Sector: its contribution and potential' (Rugg and Rhodes), the private rented sector has changed considerably. That report recommended that *"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.'"

This ideal is still important, however as a result of that publication, a number of SLAs have been developed that focussed on the charging of this management fee, procuring of any type of accommodation and meeting financial targets in order to measure their success.

Clearly, financial viability and generating revenue is key, but an effective SLA should have broader aims than just financial and numerical success. Delivering on issues such as:

- Improving opportunities (job, financial and life) and quality of life for tenants, including providing a clear path to accommodation options as life circumstances change and equipping tenants with skills and confidence to move forward
- Setting the local standard for quality and value for money property management and developing innovative and effective landlord and tenant services
- Assisting an organisation's wider corporate goals, such as creating diverse and settled communities, influencing anti-social behaviour, environmental and economic targets (including growth and diversification of business) and reducing social exclusion

A good SLA can help people take control of their own lives, and this cannot be achieved through merely providing them with a roof over their head. By developing their own services and schemes for tenants, or by partnering, linking and facilitating access to other local services, a SLA can help create relevant opportunities to assist people to take control, be motivated and move forward. This can be something as simple as a budgeting programme for tenants, or a more holistic work skills and training package.

Ethical Lettings is an independent SLA operating in London and the South East. Last year one of their tenants (Mrs X, who had been referred from the Local Authority), demonstrated an interest in starting her own childcare business. As a single mum the barrier to this was getting her own childcare in place whilst she undertook the relevant qualifications, as she simply could not afford the cost.

Ethical Lettings (with a small contribution from the landlord) funded Mrs X's childcare whilst she undertook these qualifications, meaning that a year on, the tenant now has a job with a nursery (where she receives free childcare!), and that nursery is supporting her through her higher level childcare qualifications.

Georgina Summerfield Director of Ethical Lettings said, "This may never lead to the dream of Mrs X running her own childcare business, but we took the opportunity to provide some low level funding to support her aspirations. As well as giving Mrs X the possibility of improving her own situation, we have created a strong relationship with this tenant and some feel good factor for the Landlord. Sometimes helping people isn't about the grand ideas, its about knowing what an individual needs to help them move forward, and then finding a way of providing it".

SLA schemes that have focussed on using Housing Benefit subsidies to procure large numbers of private rented properties at above Local Housing Allowance (LHA) rates, often trap people into this accommodation, as they cannot afford to take opportunities to come off benefits because of the prohibitively high rent levels. This is far removed from helping people take control of their lives, can actually stifle opportunities, and is

more about the SLA hitting its own financial targets. As well as the uncertainty of relying on TA subsidy rules that may change, these schemes are basically leasing schemes, akin to schemes designed to procure and manage temporary accommodation. These schemes have their place, particularly if short-term and coupled with support for the tenant as already detailed. Unfortunately many of these schemes do not provide the necessary support which encourages the tenant to become more and more independent and self-sufficient and, and as such cannot consider themselves genuine Social Letting Agencies.

Therefore when planning a SLA, do not lose sight of your original core objectives. It is easily done as pressures come to perform financially and numerically. If the objectives are to provide a roof over people's head through increased access to the private rented sector and this can be met without the need to generate additional commercial revenue or if securing commercial revenue is initially unrealistic, then a different model may present less of a risk for the organisation. Following the suggested processes outlined in this guide will help you reach an informed decision as to whether you need to operate as an SLA charging a management fee.

This is not to say the issues of finance and critical mass of numbers must be ignored, far from it. The point is that if merely accessing the PRS is the main aim, then developing and delivering a SLA is unlikely to be the most sensible way forward. You should have additional drivers in wanting to establish a SLA, such as some of the bulleted points earlier in this section.

However, as well as these wider aims, Social Lettings Agencies should still be:

- Offering a competitive package to Landlords and generating revenue, through charging a lower fee and/or increased service compared to High Street Letting Agents
- Run by Charities, Housing Associations or Local Authorities and are therefore not there to make a profit for individuals or shareholders
- Specifically targeted at individuals and groups who would not normally be able to use 'mainstream' lettings agencies, for example offering affordable rents for clients in receipt of housing benefit or on low incomes
- Delivering on an agreed number of PRS acquisitions per year, potentially offering a range of tenures and rent levels, including cross subsidising the core work with lets at market rent level
- Reducing the need for the organisation (and/or its Partners) to rely on more expensive and less suitable long-term accommodation, such as bed & breakfast
- Procuring in as wide a geographic range as is sensible for the organisation's needs. This invariably means procuring outside as well as inside the town/city in which the organisation is based
- Aware of what other "competition" exists in their procurement target areas, including other SLAs and existing PRS access schemes
- Looking to access alternative funding as well as generating its own revenue

Therefore, the development of a sound and realistic business and operational plan is essential as part of any SLA development, and this is looked at later in this guide.

1.3 Established SLA feedback

In order to assist with the development of this guide, a number of SLAs across the UK were consulted. Schemes were hugely varied in terms of available resources and scale, organisational structure, delivery method, services provided and client group assisted.

Users of this good practice guide should bear in mind that whilst knowledge and experience from existing SLAs is an essential help, there is no "cut and paste" method for developing a SLA, and each potential new SLA should be developed in light of its own circumstances and operating environment. This was a point made by several of the SLAs below, who have been approached for a "cut and paste" version of their own SLA model.

We would like to thank the following SLAs for giving unselfishly of their time and knowledge, to help ensure this guide is a practical document based on real life experiences.

- Arch North Staffs (Stoke)
- Ethical Lettings (Surrey, London & Sussex)
- Framework Housing Association (East Midlands)
- Homes4Let (Dorset)
- Causeway Irish Housing Association (London)
- Homes for Good (Glasgow)
- Islington Lets (LB Islington)
- Lettings Waltham Forest (LB Waltham Forest)
- Mendip Help to Rent (Somerset)
- The Bond Board (Rochdale)
- Town Hall Lettings (Cambridge CC)
- CAB WHABAC (Worcester)
- Wigan Housing Solutions

1.4 Who is this guide for?

This guide is intended for service providers and those involved in commissioning, designing, developing or operating services for vulnerable people and people on low incomes, who are considering developing a Social Lettings Agency.

As already mentioned it is intended as a very practical guide to those matters which must be considered and addressed as part of developing a successful and sustainable SLA. We recommend that it should be read alongside the original guide referred to in paragraph one of this guide, which focuses more on concept, rationale and structures of SLAs.

For those who do not intend to develop a SLA, but wish to ensure that their private sector access scheme is as effective as possible, there are many relevant points in this guide, but readers should also refer to the Crisis private rented sector toolkit at www.crisis.org.uk/pages/prs-toolkit.html as they will find that toolkit contains detailed sections to assist with the process. If you are new to this area of work, the online private rented sector toolkit would be the best place to start.

2. An Overview – concept to operations

2.1 What do you really want your SLA to achieve?

Virtually all the SLAs we surveyed said the SLA was conceived for one or more of the following reasons:

- Due to a lack of affordable and decent accommodation in their area for those on low incomes (or at least access to it due to landlord and agent views on housing those on benefits)
- Existing schemes that accessed the PRS had decreasing procurement rates as they became less competitive
- To provide a better more customer focussed service (opportunities) for tenants
- To help people find stable, sustainable accommodation in which they could improve their lives

These are fairly straight-forward aims, and probably tie in with your own thoughts if you are reading this guide. But the interesting thing to note is that none of the SLAs surveyed said that they were created as money generating schemes, none of the SLAs said that they had initial thoughts to provide accommodation for those outside of their target group and none of the SLAs said they were conceived out of a desire to ensure landlords were protected from the risks of renting out their property.

The fact is that SLAs usually have to compromise their initial ideals, or at least consider other aims too, in order to be able to effectively deliver on their ideals. You ask most SLAs what would happen in an ideal world, and I'm sure they would be long-term funded by a sympathetic and wealthy funder and that they would have the time to work with each of their tenants on detailed life development plans. SLAs wouldn't generally

want to charge Landlords or Tenants for their services (for internal logistical reasons as much as anything else) and they would have a high street office from which to operate, grow and embed themselves within the community.

The point is, looking at it from a business angle, the chances of survival are low for a new lettings business reliant on 3rd party funding, focussed only on the affordable end of the market and higher need tenants (even if that need is only help with a HB (or UC) claim). Also this SLA is often working within or as part of an organisation that doesn't allow for the operational agility, financial flexibility, or the adaptability that competing with high street agents requires to be successful.

Therefore, as part of our initial SLA discussions, we need to consider what other outcomes we can deliver that will help our SLA survive and flourish, within the operational environment that the SLA will have to work in. We also need to consider what areas we are willing to compromise on in order to deliver against our core values.

2.2 Planning, targets and outcomes

This is about being realistic and broad-minded. There is unlikely to be a consistent and secure funding or income stream for an 'ideal SLA'. Therefore some initial questions emerge as a challenge to our SLA development:

- As an organisation, what are our 'non-negotiables' (see section 2.1 above)?
 - > What do we want our SLA to deliver on to justify our existence / the effort and risk involved?
 - > Are Senior Management invested in delivering these non-negotiables?

- In our local market how will we deliver on these non-negotiables?
 - > How will we find our landlord/agent/developer contacts?
 - > What options do those landlords currently have to let their properties?
 - > What offer/services do we need to make to those landlords?
 - > Is there a niche or unique selling point (USP) we can exploit?
 - > What would our SLA structure, governance, processes and procedures need to look like?
 - > What other partners, support and services do we want to use/offer?
 - > What staff resources (numbers and skillsets) will we require?
- How can our SLA (delivering our non-negotiables) be sustainably financed?
 - > Funding, income generation, savings against other budgets/costs?
 - > What happens if we don't access or generate the expected income?
- Though its work, will our SLA deliver on other wider community, organisational or government targets?
 - > As a result of delivering on your non-negotiables, will there be consequential benefits, even with the most basic of SLA services? There is a need to be aware of what other strategic targets your SLA can deliver on, either as a direct result of its core work, or with a slight change in certain areas.
- Will delivery against these other targets allow us to generate income (or funding), identify savings or provide other business

advantages, (such as increased publicity, improved reputation etc.)?

- > Importance of monitoring a range of outcomes, not just financial and numerical as your SLA will undoubtedly be delivering on other wider community benefits, if not immediately then certainly as it develops and grows.
- What are the risks to the SLA?
 - > What are the financial, reputational, political and individual risks of SLA operation?
 - > What are your critical risks and how are these mitigated and monitored?
 - > What is your exit strategy? This may include identifying partners that can pick up elements of your work.

The above list is a good start to ascertaining whether you have the need, appetite, resources and skills to develop a SLA. Clearly most organisations will not have all these in place, and this may not be essential at this early stage. However, there are three key aspects that must be in place if you are to continue on with SLA development. You must have an identified need, appetite and senior management support.

All of the SLAs we spoke with have encountered difficulties during SLA development and operation. Without the justification for the service (identified need), the passion and will of those developing the SLA (appetite) and the support of senior management when budgets, timescales or level of risk is questioned, it is unlikely that they would find themselves operating successfully as they now do. Indeed there are many SLAs that have failed during development because of one of these issues.

2.3 Practical implementation and launch

Following the initial discussions in 2.2 above, (planning, targets and outcomes), a plan will need to be developed as to how your discussions will be formed into a workable model, implemented and then launched. There is no shortcut to developing a comprehensive project plan and this guide aims to take you through the steps required to deliver a project action plan (PAP)

Even the smallest SLA with modest targets requires a sensible PAP and implementation of that plan, in order to make sure that the SLA is what it was intended to be, that the risks highlighted are mitigated and monitored, that all aspects of service delivery are put in place and so that no operational or background matter is left unconsidered. For example, there are SLAs that launched whilst waiting for their legal team to approve their landlord management agreement, or who signed landlords up whilst waiting for their finance team to agree a process for paying landlords or collecting rent. A comprehensive PAP, which is signed off at the right level within the organisation, will ensure situations such as these are avoided.

So the next questions to consider are:

- How will we plan our project?
 - > Assemble a Project Management Team and an experienced Project Manager to lead the process
 - > Set clear timetables and responsibilities agreed by Senior Management
 - > Using our research and information from 2.2 above develop a project plan that identifies all individual actions that need to occur in order to develop and launch the SLA

- How and where will we launch?
 - > As part of the project plan, agree launch date and type of launch (soft or hard)
 - > Will you pilot first?
 - > Final reality check, are you ready to launch?

The importance of this project planning cannot be under-estimated. To launch into a competitive market place without fully developed systems or services, incomplete paperwork or processes, or an ineffective brand/place will at best cause your SLA to miss targets and test that organisational support, and at worst cause the SLA to fail, with damage to reputation, finances and forward planning.

However before we can develop the PAP we need to consider;

- What specific services we want to develop?
- What can the market demand?
- What are we capable of delivering? And what are we NOT capable of delivering?
- How will we finance the service?
- What are our legal obligations?
- What are the risks? And how do we control those risks?

This guide will assist with this process.

2.4 Ongoing Operations

Once your SLA is developed, there is a need to closely monitor the progress of the SLA, including the resources required to effectively deliver the service.

Dom Launch, Lettings Manager of Town Hall Lettings (Cambridge City Councils SLA) was one of a number of existing SLA Managers who said, “The advice I would offer anyone considering setting up an SLA would be, when you have an idea of how long you think it will take you to launch, double it, then try and anticipate as best as possible market conditions at that time rather than market conditions now”. There must be a sensible action plan to counter the difficulties that not only arise during development, but that will come when the SLA is operational.

SLAs report that to be successful moving forward, the SLA must be able to be flexible and adaptable to market conditions, as High Street Agents will be. If it takes a cabinet or board report and decision making cycle for you to change your product, or adapt your scheme, then the chances are the SLA will not survive long in the changing and competitive world of the PRS. Sensible governance and decision-making powers should be addressed during the project planning and development phase, but regular self-assessment and analysis of operational performance is also critical to ongoing sustainment of the SLA.

Questions to consider:

- How will we continue to be aware of market conditions and direction?
 - > Should we have a Landlord working/ focus group?
 - > Should we survey, and how?
 - How will we monitor the effectiveness of our service?
 - > Customer feedback as well as formal target monitoring
- How will we continue to develop?
 - > Forward planning and expansion planning

As many SLAs made clear, development time can be longer than anticipated, even with a timetabled development plan and good team. Difficulties arise, risks develop, staff and decision makers may change, as may priorities and motivations.

Also, SLAs (and indeed many lettings businesses) typically start slower than many anticipate. This is easy to understand as you have not only the problems associated with any new business, but also the fact that SLA customers (landlords) may like your product but not have any demand (i.e. voids) for it at that time. Again, whilst this must be addressed in the business planning stage of project development, it means that it can be very important to the viability of the SLA to be able to demonstrate healthy performance indicators and progress in other areas such as customer satisfaction/feedback, effective internal processes and communication, and engagement with contacts until the flow of properties starts to align with expectations.

3. Social Lettings Agencies, planning

Action Points discussed in this section:

AP1	Identify all the non-negotiables for your SLA
AP2	Identify all the potential indirect benefits (to all parties, including your own organisation), of delivering a SLA service in your area
AP3	Research market rent levels, affordability and availability of property
AP4	Carry out reality checks with Landlords, Agents and other local contacts
AP5	Identify which other Departments or Services (internal or external) that you will need in order to deliver your SLA service
AP6	Consider the likely products your market says you must offer and detail the matters to be considered in delivering all elements of those products
AP7	Arrange meetings with decision makers in the relevant Departments, Services or Partners to ensure they are able to deliver the processes you will require

* AP – Action Point

3.1 Who are we and what is our environment?

3.1.1. Who are we?

Before we consider generating income, assessing risks or assembling a project team, where do we start?

In 2.1 we outlined what most SLAs wish to achieve:

- Access affordable and decent accommodation in their area for those on low incomes (or at least access to it due to landlord and Agent views on housing those on benefits)
- Improve upon existing schemes that accessed the PRS as they had decreasing procurement rates and became less competitive

- Provide a better more customer focussed service (opportunities) for tenants
- Help people find stable, sustainable accommodation in which they could improve their lives

These would be considered their “non-negotiables”, or reason that they were conceived in the first place. The reason it is important to start by identifying non-negotiables is that when your organisation questions the reasons for SLA development, the answers across the organisation can be inconsistent. If “generating an income as we can’t keep losing money on our PRS scheme” or “landlords are asking us to manage their properties so we should have a scheme that does”, are prominent in the answers then undoubtedly developing and running a SLA may not be the most sensible, effective or lowest risk way to achieve those aims.

So clearly spell out what you want to achieve through your SLA. If you can now picture these non-negotiables being delivered by your SLA, what other potential benefits do they bring to the community, organisation or locality;

- Improving household incomes / benefit maximisation
- Community safety, cohesion and growth
- Economic growth and attract developers / investors into an area
- Improved rental property management and standards
- More settled communities / less anti-social behaviour
- How does the SLA improve organisational growth / strength / job security
- Environmental improvements (via property standards, grants, empties back into use etc.)

In order to secure senior management support the more of the potential benefits that can be identified in your initial business case, the stronger the case for SLA support and development. Whilst you are aware of the core reasons for wanting to develop the SLA, you do not want it to be regarded as a luxury or niche service, as this makes it vulnerable to budget cuts and withdrawing of support if it misses key targets or the political landscape changes.

It is important to note that “business case’ mentioned in the last paragraph may take many shapes, form and detail. This will be governed by the size of your organisation, the personalities involved and the prevailing financial environment (as well as perhaps your individual standing in the organisation). The point is that there although there is clearly a right and wrong time to solicit senior management support, there are variables that will define this time in individual circumstances.

It may be that just identifying action points 1 & 2 below and then presenting a case to senior management, that you do not achieve the support you were hoping for, due to a lack of tangible financial data. Equally to get to the point of collecting all that data and undertaking the financial analysis is (as we will see) a considerable piece of work. Therefore the earlier you get support to continue your planning (subject to the financial data stacking up) the better.

AP1	Identify all the non-negotiables for your SLA
AP2	Identify all the potential indirect benefits (to all parties, including your own organisation), of delivering a SLA service in your area

3.1.2. What is our environment?

A common complaint of existing SLAs is the request from organisations for their

‘template’. ‘How do you make it work?’, “What are the things that caused you problems?” are legitimate enquiries, but the fact remains that two environments are very different and therefore cutting and pasting a SLA from one area to another, whilst unlikely anyway as all organisations differ, simply won’t guarantee success. Even in the same market, issues such as organisational structure, staff and their skillsets and perception of that organisation for example, will all affect its ability to deliver a SLA service.

3.1.2.1 Knowing the market

In order to assess how we might deliver a SLA, we need a comprehensive knowledge of the market within which the SLA will be operating.

Whether you will be issuing short assured tenancies (SATs), using exempt accommodation or using TA subsidy rules to procure properties, you need to be aware of your ‘buying power’. To determine this you will have to survey your local market place using sources such as Rightmove, Zoopla, Gumtree, local media and your existing contacts. Whilst you might not have decided yet what sort of ‘products’ you will offer to Landlords (i.e. tenant find, full management with or without guaranteed rent) you need to be aware of what sort of figures you will need to offer landlords in order to procure their properties.

This is key, and why we shouldn’t yet focus on income or “we can only afford to pay £xx”. In order to be competitive in your local market you need to offer a landlord a competitive package. It maybe that in some areas you are able to procure at or below LHA rate, take a 10% management fee and find that is competitive. However if your research shows that that is not a competitive package you will need to consider how to offer landlords more or your scheme will be unable to procure.

Do not start this process with “we are going to charge a landlord x% management fee because that’s what everyone else does”.

Offering a landlord more doesn’t always mean just more rent. Options such as rent collection, guaranteed rent, tenant damage insurance, free add-ons such as referencing or by linking your scheme to other packages such as grants, loans, licence fee refunds etc. can all add value to your offer.

Knowing your market should also consider availability of properties as well as affordability. We will all be aware of the growing trend towards “no DSS” (an outdated, but still used phrase), and whilst not condoning the use of the phrase, you need to understand what motivates landlords to still use this phrase, and factor it into your market research. Once again the comprehensiveness of your offer to landlords may affect their view, with guaranteed rent and tenant damage insurance is likely to mean the landlord is less worried about who will be renting the property or their financial standing.

So, as well as carrying out desk top research of online agents there is a strong argument for carrying out a reality check by phoning local agents, sounding out existing contacts and working with local landlords and associations to develop an understanding for what the market will stand and what a new SLA might have to offer to access it consistently for its client group.

A good example of the importance of checking with landlords, is the trend for schemes to offer “rent insurance guarantee”. The majority of landlords don’t want to deal with insurance paperwork, claims and scrutiny, yet schemes seem to think this “rent guarantee” will attract landlords in healthy numbers. In truth, the only rent guarantee insurance that attracts landlords, is you paying guaranteed rent in advance, irrespective of whether the tenant pays you.

John Hubbard, Head of Private Sector Initiatives at Waltham Forest Council and integral in the development of SLA, Waltham Forest Lettings said,

“Lettings Waltham Forest ran a series of Breakfast Briefing sessions for landlords as part of our communications strategy for attracting landlords. Landlords were clear that they liked our straight-forward offer of guaranteeing the rent ourselves. They know they can come direct to us and we will pay the rent regardless of whether we can collect the rent. The idea that landlords might have to complete insurance applications, claims forms and wait to receive their rent paid back to them was a complete deal breaker, even if we offered to pay the premiums”

AP3	Research market rent levels, affordability and availability of property
AP4	Carry out reality checks with landlords, agents and other local contacts

At this stage it is important not to rule out (or in) any options, and to listen to the results of your research before moving forward. It is appreciated that some organisations may not wish to take on higher risk products such as guaranteed rent, but the development of your product needs to be informed by your research from the market and from your own organisation.

3.1.2.2 Knowing you

The strongest resource and the weakest aspect are often the organisation itself. It also tends to be the least researched area. When interviewing staff as part of SLA development for an organisation, we have heard the

expression, “it sounds good, but it would never work here because of.. (insert name of any number of internal services, staff or management!)” numerous times.

As you start to use your market research to form ideas of what products you may have to offer to landlords, you need to identify which parts of your organisation can and will need to input into your SLA service delivery.

There can be huge advantages of being able to tap into the in-house services and resources of a large organisation, such as office space and costs, HR, Legal, Communications/Marketing, Finance etc. and therefore these must be considered where the SLA is to be part of a larger organisation.

Interaction with other services also spreads the word about the work of the SLA throughout the organisation, and by identifying the benefits of the SLAs work to the other services, you can build a strong commitment to the SLA that will aid its sustainability as the project moves forward.

However, the downside is that you become tied to providing a product and level of service that may be restricted by processes and procedures of other departments and services. Later on in this guide we will look at developing a project team to ensure that all departments and services you require input from are engaged in the development process. However at this stage it is just important to start to identify who these departments and services might be, what you might be asking from them and how or if they currently deliver a similar service.

SLAs can take many forms, from small independent, to stand-alone Community Interest or Social Enterprise to part of a large Local Authority or Housing organisation. Therefore, the departments and services you

should consider for this exercise and what they might contribute to your SLA will be varied and all the parties in the list below not relevant to all projects;

- Finance
 - > Assistance with business plan development and reality checking
 - > Payment to landlords
 - > Rent collection
 - > Payments to external contractors
 - > Budget support, monitoring and management
 - > VAT support, payments and advice
 - > Auditing of SLA and ensuring compliance with processes
- Legal
 - > Develop and agree management agreements or leases for use with landlords / developers / letting agents
 - > Develop and agree tenancy paperwork and agreements (including bond or deposit agreements)
 - > Develop and agree contracts and service level agreements for use with partners or external contractors
 - > Develop and agree processes for formal action against landlords and tenants as may be required
 - > Assistance with court action as required
- IT
 - > Use of existing IT system or development / purchase of dedicated IT system / package
 - > Development of dedicated website or web access

- Communications / Marketing
 - > Develop marketing strategy including SLA brand, logo etc..
 - > Assistance with Social Media as a marketing tool
 - > Assistance with customer and stakeholder engagement and launch event
- HR
 - > Staff recruitment, job descriptions, person specifications
 - > Training and staff development
- Corporate
 - > Office space, infrastructure, costs etc.
 - > Health & Safety, insurances, indemnities, professional memberships and other organisational requirements
- Other Services and Partners may come from within your organisation (especially if you are a multi-disciplinary organisation) or from external sources.
 - > Tenant referral, referencing, training, preparation etc.
 - > Tenancy support and monitoring
 - > Responsive repairs
 - > Inventories / inspections / enforcement of standards
 - > Links to grants or loan

AP5	Identify which other Departments or Services (internal or external) that you will need in order to deliver your SLA service
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Following identification, then a more detailed conversation with a decision maker in each of the departments, services or partners is

required, so that you can start to understand how the demands of your SLA can be executed with or by this other service. This is discussed further in the section below.

3.1.3. What could and should we be offering?

At this stage you need to be refining your thoughts on the type of product you could and should be offering in order to access the private rental market. You will have information on what the market demands, and an overview of what is required from your organisation in order to be able to deliver it, bearing in mind you are still in the planning stage and things may change as the project develops.

Types of product are looked at later, but for example if you decide you are going to offer a full management service (including rechargeable repairs) + rent collection to landlords, then you can start to appreciate the matters you are going to have to ensure you can deliver on.

Below is a list (not necessarily a complete one), of some of the practical issues you'd need to address if you offer a Full Management Service (including rechargeable repairs) + rent collection to landlords:

- What information will Finance require from landlords and from you in order to pay them their rent?
 - > Will they require this information every month (or every payment cycle)?
 - > How quickly can Finance pay? Timescales for first payment and subsequent payments?
 - > Does information have to go to a particular officer / mailbox to be processed and/or approved and what happens if that officer is not around?

- > How will any management fee be deducted, accounted for and allocated to the SLA?
 - Rent collection from the tenant
 - > Can the Housing Benefit Department pay direct to a SLA account?
 - > Will all tenants have their own dedicated account numbers?
 - > What happens to tenants who don't receive full Housing Benefit? Can they pay in weekly amounts if it helps them keep up with the rent? If so, how will this be accounted for?
 - > If they are paying in weekly or irregular stages, when do you notify Finance to pay the collected rent to the landlord? And how much of it gets paid?
 - > If they don't pay the full amount, do you deduct your fee from the first part of the rent? In these circumstances when will you pay the landlord? Trigger points for payment? How is this reconciled on accounts?
 - > Can tenants turn up and pay cash at the office? How is this processed and allocated to accounts?
 - > For rent arrears, who does debt recovery and how is the process worked? How is the landlord kept involved in these situations?
 - How will you carry out reported repairs to the property?
 - > How will repairs be reported and authenticated?
 - > Do they need to be agreed with the landlord (what does the management agreement say?)
 - > What happens if the landlord doesn't agree them (within a timescale)?
 - > Who will carry out the work for you? How was the contractor engaged?
 - > How will you ensure the price is fair? (procurement exercise? Internal service, schedule of rates?)
 - > How will you ensure and check the quality of the work?
 - > How will you pay the contractor?
 - > How will you reclaim the cost of the work from the landlord?
 - > What if the landlord doesn't pay, or disputes the cost?
- These are just some of the issues before we have even considered
- How will we check, refer, allocate and assist tenants into the tenancy?
 - What will the process for ongoing tenancy support be? How will you prioritise visits and support to fit in with your resources?
 - Who will inspect and inventory your properties?
 - Will you give the landlord a choice of tenant? How will you manage that process?
- Specific detailed questions for every element of your service from staffing (HR) to procurement (marketing / product delivery), to tenancy support (tenancy management and processes) needs to be considered and the matters addressed as part of the project action plan (PAP).
- The point is clear. You must be able to deliver on the products you are offering. It is never as straight-forward as planned for, and just because you might already operate a housing management service or private sector access scheme from within your organisation, doesn't mean that you will have processes

and procedures in place to deal with delivering your new SLA service effectively on day one.

AP6	Consider the likely products your market says you must offer and detail the matters to be considered in delivering all elements of those products
AP7	Arrange meetings with decision makers in the relevant Departments, Services or Partners to ensure they are able to deliver the processes you will require

This planning process will have left you with a clear overview of the task ahead of you. Whilst you do not need to resolve all the issues raised at this point, what you have achieved is carried out an effective feasibility study of your potential to deliver a SLA in your local market.

If your initial research delivers positive results, then the next step is to move on to discussing finances.

4. Social Letting Agency Finance

Action Points discussed in this section:

AP8	Calculate your cost of delivery and undertake a cost of delivery analysis
AP9	Identify possible funders who (will) benefit from your work. Make early approaches to these funders, outlining how the SLA can deliver on their targets and investigate possible partnership working arrangements to aid delivery of mutual outcomes.
AP10	Model potential revenue income from your likely SLA product options, working with reality checks from front line staff and Finance officers, and see how the models affect your COD
AP11	Based on your previous work, draft a financial plan for at least the first two years of operation

Very few SLAs know their “cost of delivery” (COD). The COD is the amount that it costs the SLA to procure, set up, sustain and manage a tenancy, including all fixed overheads and variable liabilities. You can work this out to be a total annual figure, but it makes sense to break it down into a monthly figure per property.

This monthly figure will give you in very clear terms, what income (including savings or funding) the SLA needs to generate per property, per month in order to break even. In business terms, each tenancy needs to generate more income than your COD in order to be sustainable. If you generate less, then you need to consider changes or the scheme will be financially unsustainable.

4.1 What will it cost us?

4.1.1. Cost of Delivery

Whether you intend to generate revenue, rely on funding or perhaps show how your service saves your organisation money in other areas, you need to understand what your service will cost.

This is straight-forward business sense, income must exceed expenditure. The difference with focussing on a COD, is that it trains you to look at the cost of delivering each aspect of your service, and question the value of each of those aspects to the overall aims and service delivery.

Two SLAs that we have worked with on this subject were startled when they calculated their COD for the first time. SLA1 had a COD of £89 per property per month (pppm). As the manager said, “we bring in £54pppm, but I thought that was good”.

SLA2 had a COD of £125pppm. This doesn’t mean they were more inefficient than SLA1, (and in fact their income was nearly £120pppm).

A high COD doesn’t mean you are doing anything wrong. Most High Steet Agents would expect to have a COD of below £50pppm, but they do not deal with difficult client groups, or just focus on affordable properties (where margins are less), and they tend to minimise costs by minimising service (to tenants in particular).

What SLA1 and SLA2 learned from undertaking a COD analysis, was where they were incurring their costs, and where potentially they could make savings or generate more income, and this is vital to the ongoing success of a business.

Both these SLAs decided to focus on generating more income, in order to preserve services. To do this they met with organisations who referred prospective tenants to them and highlighted the SLA cost of delivery and the benefits that the referring organisation received. Through this process, they were able to increase referral fees to those organisations, whilst maintaining the relationship through an open and transparent display of their costs.

4.1.2. COD Analysis

Clearly this is a more straight-forward exercise to undertake if you are up and running as a SLA already, as there will be more actual figures to analyse. However the principle is the same for a start up or developing business, the five elements that make up COD for a SLA are:

- Procurement (and tenancy set up)
- Tenancy sustainment
- Back Office
- Number of tenancies created
- Average length of tenancy

The difference between SLAs and their competitors is most starkly demonstrated by their differing expenditure and different rationale for expenditure in these categories:

Procurement (and tenancy set up)

	SLA	High Street Agent
Spend	Low expenditure. No high street office, usually low profile marketing (low budget), use existing company website, inflexible (no deals), low risk (to SLA) products offered	High expenditure on items such as visible marketing, high street office front, 'sales' team, strong web presence, offer deals etc.
Rationale	This is because the SLA usually has conflicts (political or organisational) and/or budget issues relating to high spending to attract landlords. This is because SLAs are intended to be tenant focussed, and therefore high costs associated with landlords can present conflicts for the organisation.	The High Street Agent recognises the importance of procurement. No properties, no business. They also make money at tenancy set up from charging landlords and tenants fees
Outcome	Difficulty procuring and hitting targets, reduce expenditure on this further as financial targets are being missed, or throw incentive money at landlords to generate interest	Tenancy creation is where they make their money, so high volume of tenancies, with less concern for sustainment

Tenancy Sustainment

	SLA	High Street Agent
Spend	High expenditure as tenant focussed service and client group can be demanding in terms of ongoing support	Low expenditure as clients are lower maintenance, referenced and tolerance towards issues such as non-payment of rent or anti-social behaviour is low and dealt with by eviction or swift action
Rationale	This is the reason you set up your SLA to help tenants, so expenditure here is less challenged than in the 'procurement' part of the service.	The High Street Agent makes money from tenancy turnover as fees become chargeable again. There is little incentive to keep a tenant in a property, particularly if the tenant requires work to achieve
Outcome	Service tends to be heavily focussed on sustaining tenancies as cost of rehousing or arranging alternative options for tenant are perceived to be costly. Service can be perceived as soft on tenant by landlords, making them less willing to work with the SLA. However, the fact that SLAs want sustainable tenancies and don't want a constant turnover of tenants can be a selling point to landlords and a point of differentiation with high street letting agents, who generate revenue out of tenant churn.	Are seen as tough and decisive, dealing with tenancy issues as required (which is probably not always accurate!). But High Street Agents do not need to focus on tenancy sustainment, as a tenancy ending does not cost them.

Back Office

	SLA	High Street Agent
Spend	Tend to rely on existing organisation, provides the chance for costs to be absorbed within larger organisation, but limits ability to provide tailored service for the SLA	High initial expenditure to ensure low ongoing resource input. Hence back office systems tend to be helpful for the staff and easy to operate.
Rationale	SLA rarely set up as a stand alone entity and therefore sharing back office costs is considered good business sense	A High Street Agent would rather their staff were out procuring than inputting inventories into a database (for example). Plus effective IT allows for easy mailshots and storage of landlord data.
Outcome	Can be cost effective way to deliver support services to SLA, but can also be inflexible, inefficient and slow the service delivery down	Staff time is able to be put into income generating activities, meaning marketing activities can be done easily and regularly and information such as rent collection data and reports can be generated simply.

A commercial High Street Agent can focus their resources on generating tenancies (hence income), using bespoke back office resources and putting less effort into tenancy sustainment, as tenancy sustainment is resource intensive and does not generate income. They understand that due to good back office support, COD comes down

with more properties they take on, (as they typically expect staff to manage 120+ properties each).

The opposite tends to be true to SLAs, or those thinking of developing them. We have spoken to a Director who used the sentence "well at least if we don't get any properties

it won't cost us anything", and this is not an isolated sentiment. Worried about spending too much on procurement, managers can forget their main costs are in sustainment, (it is doubtful that there is a SLA who would agree their staff could manage 120+ tenancies each) and potentially this is where they might make savings to their COD.

Below is a very simple COD analysis. Each SLA will be different, with more or less budgets, (costs from rent arrears is only really relevant if you are paying out guaranteed rent for example), but it is important to account for all your costs, even those absorbed by the organisation if you are to get a true measure of your COD.

The first stage is to account (or predict) your annual costs:

Cost of Delivery Analysis	Annual Cost £,000
Procurement	
Staffing	20
Marketing	5
Website	2.5
Tenancy Management / Sustainment	
Support visits (staffing)	20
Tenant Training	3
Rent Arrears	15
Voids	4
Back Office	
IT System	1.5
Finance Support	5
Legal Support	1
Staff	5
Office Costs	3
Annual cost of delivering the service (A)	85

The second stage is to total or predict the number of properties you will procure in a year:

For the sake of this example we will say 50. (B)

The third stage is to calculate (or predict) the average length of your tenancies (in months):

For the sake of this example we will say 14 months (C)

Therefore your COD = (A/B)/C

In our made up example:
(85,000 / 50) / 14 = £121.43

£121.43 is the amount that it costs us (as a broad average), to procure, let, manage and sustain a tenancy per month. As we can see this covers all of our overheads, is broken down by our 3 activities of Procurement, Tenancy Management and Back Office, and therefore, we can quickly see where we are incurring our costs on a per tenancy basis.

All landlords, tenancies and back office processes run differently and in SLA operation, there will be properties and tenancies that cost far more to service than your average COD (£121.43 in our case), and those that cost far less.

The object of a COD analysis is to enable you to start drilling down into the 3 activity areas and ask the following questions:

- Can we do things differently within current costs, to affect our COD?
- Can we transfer costs or resources from one activity to another, and how will this affect our COD?
- Within Tenancy Management, can we be

more targeted, prioritise and reduce our COD this way?

- Can any back office efficiencies reduce COD
- Can any resources be transferred into Procurement activity in order to increase procurement and reduce COD?

This is a different way of working, than a simply using a traditional business plan, and then looking again at the business plan when savings need to be achieved. The problem with this latter approach is that, all budgets within the business plan tend to get treated equally, and the analysis of how cuts will affect your overall service is less focussed. This also differs from how traditional housing services or private rented sector access schemes look at costings, which is normally on a cost per tenant or cost savings per tenant basis. Using the above cost of delivery model is a measure of a sustainable business and helps make sure the finances stack up.

AP8	Calculate your cost of delivery and undertake a cost of delivery analysis
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4.2 How will we generate money to cover our cost of delivery?

We now know what we need to generate (our COD - £121.43 in our example) to cover our SLA operating costs. Of course this figure will fluctuate, as tenancies get created, lost, end, and as we modify our scheme, through growth, contracting, adapting and so forth. So the COD is a figure to set as a target for income, and that provides us with a sensible figure with which to approach funders, other organisations who need our services and Local Authorities.

One of our independent SLAs procured properties for their Local Authority. The Local Authority offered the SLA the following ‘package’;

- A cash incentive of £800
- A deposit bond for the tenant of around £1,200
- Tenant must be offered a 2 year tenancy

This is the SLA from our earlier example, and their COD was £125pm.

The Director of the SLA was happy to be working with the Local Authority and wondered why she was struggling to make the SLA financially sustainable.

We worked with this SLA and showed them that with their COD of £125, to create and sustain a 2 year tenancy, it was going to cost them $24 \times £125 = £3,000$.

Of this £3,000, the SLA was receiving £800 from the Local Authority. That meant that over a 2 year period, each tenancy had to generate another £2,200 just to break even. The SLA made a small charge to the landlord, which over 2 years generated another £1,000. No charges were made to the tenant. They received no other funding. Therefore they were running at a loss of £1,200 per tenancy over a 2 year period!

Following this analysis a number of things changed.

- The Local Authority were approached, the COD explained and the package renegotiated to provide a bigger cash incentive to the SLA

- Work was undertaken (as per previous section), to reduce their COD by designing a more targeted visiting programme for existing tenancies
- Resources were transferred to procurement to increase their property portfolio
- The product offered to landlords was changed to include guaranteed rent, which allowed for bigger charges to landlords (albeit, also bigger financial risks to the SLA)

For this SLA, they have reduced their COD slightly, and increased their income so that they no longer have the £1,200 shortfall per 2 year tenancy. By justifying their expenditure, funders were willing to contribute more, as it was clear the SLA was delivering a good service, but couldn't sustain that service with the existing package.

Landlords were willing to pay more, but they needed to see that what they were paying, provided value to them. Guaranteed rent provided a tangible benefit to them and hence the fee could be increased (indeed, as were procurement numbers).

It is easy to look in and say "oh but that is creating more risk for the SLA". The alternative argument to this, is that by doing nothing and just losing £1,200 per tenancy, the risk of closure for the SLA is in fact higher.

Not doing anything does not always mean controlling or reducing risk.

Accepting and managing risk is an important part of running a SLA, and risks are looked at later in this guide. However income generation is a relevant risk to address here.

Your SLA income can realistically come from one of two streams;

- Funders
 - > Regular or ad-hoc, local or national – where your goals meet the finding criteria
 - > Partners or your own organisation where you can demonstrate savings achieved to wider targets, through your SLA work (and can persuade some of those savings to be given to you to continue the work!)
- Revenue
 - > Generating an income from the products and services you offer

4.2.1. Funders

Whilst funders are important, (in most cases vital, particularly at start up stage), the only income stream you can really control is revenue. There is often no direct relationship between funding ending and performance of the scheme. Those organisations that rely totally on a funders stream to sustain their service, can quickly find themselves in an unsustainable position if that funding comes to an end.

If you have set up correctly (as per Action Points 1-7 in this guide (especially AP2)), then you will have a clear idea of the sort of benefits you are bringing to a community and who the possible funders might be.

Approach these funders, demonstrate your cost of delivery, show what the funder gets for their money (your service specification)

and show how your products can deliver properties and settled tenancies that meet or impact on the funders needs and targets.

It is possible that you might need to tweak the work that you do to deliver on a particular funder’s target. Because you have carried out a COD analysis, you can quickly work out what the “tweak” will mean for you in terms of COD, and therefore that can be reflected in your proposal to that funder.

Seek a variety of funders, not only because your work will have such wide benefits that will allow this, but also because the costs you are likely to incur in SLA set up (if done properly), are unlikely to be covered by income generation, certainly in the short term.

The cost of access² by Crisis, is a report that shares fundraising best practice and opportunities for private renting access projects, including social lettings agencies. The report also identifies the barriers faced by projects when fundraising and looks at some of the wider recommendations for longer term financial sustainability of projects.

This researching and identification of funders also links back to “what is a successful SLA”, section 1.2 in this guide. In that section it states, *“A good SLA can help people take control of their own lives, and this cannot be achieved through merely providing them with a roof over their head. By developing their own services and schemes for tenants, or by partnering, linking and facilitating access to other local services, a SLA can help create relevant opportunities to assist people to take control, be motivated and move forward. This can be something as simple as a budgeting programme for tenants, or a more holistic work skills and training package.”*

So, by planning for outcomes with local and regional partnerships, you can also identify which other organisations are looking to secure accommodation in the PRS for their client groups and who might have funding to support the delivery of those goals. It may well be that they are catering for a different client group but they do not have the same expertise and experience in procuring and managing good quality PRS accommodation and would seek a partnership to support their aims. By increasing your potential pool of tenants you are also then less likely to be declining offers of properties which will increase your contact with landlords and your opportunity to promote your services.

AP9	Identify possible funders who (will) benefit from your work. Make early approaches to these funders, outlining how the SLA can deliver on their targets and investigate possible partnership working arrangements to aid delivery of mutual outcomes.
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4.2.2. Revenue

There can be a thin line between some types of funding and income generation, and to a certain extent the distinction is unimportant. Is a Local Authority that is paying the SLA (per property) to procure and manage properties so it can discharge duty into the private rented sector, funding you (from savings it is making from your work) or being a income generating stream for you by purchasing your services? The distinction that is important is that funders tend to fund you in the hope/expectation you can achieve some agreed goals. Income can only be generated from a product you have developed and then are selling.

2. <http://www.crisis.org.uk/pages/the-cost-of-access-sustaining-and-supporting-private-renting-projects-.html>

So you need to perform to generate income, whereas funding can sometimes be gained on the promise of performance. **Therefore to generate revenue the quality and competitiveness of your SLA products is essential to your viability.** As already said, your products to a certain extent must be dictated by your environment, i.e. what will be competitive and deliverable for the SLA.

Additionally, as can be seen in the example earlier in this section, some products will allow you to generate more income than others, and therefore careful consideration must be given to which products you will offer, based not just on your environment, but also on the amount of COD that you need to cover from income generation.

Firstly let's look at the main products that a SLA could offer:

4.2.2.1 Tenant finder service

The tenant finder service is one where the SLA is only involved in finding the tenant and some elements of setting up the tenancy. No tenancy support is involved in this model and therefore it is very important for SLAs to think about who this service might be suitable for, whether funding for the support element could be secured and if not then what support the tenant maybe entitled to from other services. Clearly, if you are working with clients with obvious support needs or a lack of experience living independently, this model will not be appropriate for setting up sustainable tenancies or providing a good service to landlord and may risk reputational damage if you are unable to support tenants to successfully sustain their tenancies.

Elements commonly provided by a SLA under a tenant find service include:

- Marketing of the rental property
- Advising on rent levels

- Finding a tenant
- Undertaking a reference check (of sorts) of the tenant
- Providing the tenancy agreement
- Assisting the client with housing benefit form completion & submission
- Inventory

Typical revenue that can be generated will of course depend on your local market, how you market the service, your reputation and the elements of the service. However, revenue for this type of service can range from zero through to 50% of the first month's rent.

Tenant finder does not offer ongoing revenue opportunities for a tenancy however, and is only likely to work for revenue purposes alongside other more comprehensive management offers.

4.2.2.2 Full management services

Similarly to a typical High Street Agent service, the SLA deals with all aspects of property management; letting and starting the tenancy, rent collection and possibly repairs. SLAs can also deal with end of tenancy issues, including court action if necessary, and the management agreement with the landlord is key in ensuring that the SLA has control over the process and the legal right to resolve issues.

Matters such as the type and cost of repairs the SLA is authorised to carry out without seeking further authorisation on the landlord's behalf is normally agreed in advance.

Typical services include:

- Marketing of the rental property / finding a tenant

- Accompanying viewings
- Referencing
- Providing tenancy paperwork (tenancy agreement, management agreement etc.)
- Inventory and tenant check in
- Arranging annual gas safety checks/ energy performance certificates
- Rent collection service or providing guaranteed rent
- Manage the transfer of utilities
- Conduct management visits and manage tenancy issues
- Handle maintenance issues / repairs
- Ensure landlord is legally compliant (gas safety, EPCs, Immigration checks etc.)
- Tenant check out
- Legal work / assistance / advice

Typical revenue that can be generated will of course depend on your local market, how you market the service, your reputation and the elements of the service. However, monthly revenue for this type of service can range from zero through to 10% of the monthly rental amount.

In ultra competitive private rental markets such as London and Edinburgh, some organisations charge the tenant the same rent as they agree to pay the landlord (i.e. they take no fee). This is becoming more common, and again demonstrates the importance of understanding your cost of delivery. If a service such as full property management does not allow you to charge landlords in order to achieve competitive rental offers to them, then the COD will need to be met from other sources, such as funders, Local Authorities (paying per tenancy created) or by demonstrating clear savings for the

organisation against other more expensive accommodation options (such as B&B).

4.2.2.3 Offering Guaranteed Rent

Offering guaranteed rent (in conjunction with a full management option) opens the SLA up to greater financial risk, but it can be a powerful product to offer in competitive markets, or where the SLA needs to generate more revenue to meet its COD.

Guaranteed Rent does allow you to offer landlords a lower rent, as it clearly offers an additional benefit to property management. Typical revenue that can be generated will of course depend on your local market, how you market the service and your reputation. However, revenue for this type of service can be up to £300/£400 for the “Tenancy set up fee” and monthly revenue of between 15-20% of the rent, depending upon the market rent levels.

Very few High Street Agents offer true guaranteed rent, instead offering rent insurance, which most landlords don't like, due to the hassle of the paperwork and the scrutiny involved in dealing with and claiming from insurance.

If a SLA has decided to develop a ‘brand’ and place in the market that is based on solid, reliable, dependable service (many have, as their parent organisation is already viewed in this way), then guaranteed rent fits in perfectly with this brand. A list of advantages guaranteed rent would provide is below;

- A real competitive and ‘risk free’ product for landlords, increasing the likelihood of procuring your target number of properties
- You fill a niche and develop a USP in the market as few if any high street agencies offer this product (particularly at the affordable end of the market)

- Can tie into a 'brand' of reassurance and security to landlords
- Allow you to charge an upfront "Tenancy set up fee" to landlords. In general, landlords who will take tenants on low incomes or receiving benefits, will not pay an upfront fee and then wait to get their first rent payment in arrears, (which would be the mechanism under a full management service). However, a 'Tenancy set up fee' that covers tenancy set up, inspection/inventory, legal paperwork **and guaranteed rent**, becomes an easier sell to landlords, and means you can also pay the rent in advance, (as the rent is guaranteed, the payment of it, simply becomes a cash flow issue for the SLA). This "Tenancy set up fee" then provides you with another source of revenue.
- You are likely to be able to reduce the amount of rent deposit that tenants will require, as the deposit will only be needed to protect the landlord against damages, not rent arrears. This makes the private rented sector more accessible for clients and reduces staff time dealing with landlords, (potentially reducing resources required to manage the tenancy), and maintains landlord relations.
- Guaranteed rent allows you to negotiate directly with developers and buy to let landlords who may want a certain yield from their properties. The guaranteed rent product can offer this guaranteed return at a set yield and therefore opens up an additional procurement stream for the SLA.
- Guaranteed rent removes "you are being charged a direct fee for this service", as the 'fee' is the difference between the guaranteed rent given to the landlord and the rent charged to the tenant, giving you marketing advantages, and removing the hard sell aspect of the service.
- Guaranteed rent also means that the landlord is less concerned with the rental charge to the tenant. This means that your 'guaranteed rent product' can remain consistent irrespective of where you are procuring property, even allowing you to subsidise the rent to the tenant if you choose to do so, making the accommodation more affordable as required.

A guaranteed rent model will result in a higher COD for the SLA (just because of exposure to potential rent arrears) when compared to a non-guaranteed rent model. But as outlined earlier a higher COD is absolutely fine as long as the income is in place to cover the cost. Guaranteed rent can provide the SLA with that increased income as it provides a tangible benefit for landlords as outlined above.

If a SLA proceeded with a guaranteed rent model, a significant amount of work is required to ensure systems and procedures are in place to reduce rent arrears to a minimum. This would involve identifying and prioritising vulnerable tenants to target for additional support, use of the DWP guidance on budgeting assistance and alternative payment arrangements under Universal Credit, proactive rent account management and strong debt recovery procedures.

4.2.2.4 Cross Subsidising

SLAs are the only type of letting agent that actively turns away more expensive properties. Going back to your AP1 "Identifying your non-negotiables", this is an understandable situation. It is unlikely those non-negotiables included procuring more expensive properties to meet a general market need.

Additionally, depending on the background of the organisation it can be politically difficult

to be seen to be housing “well off” non-vulnerable clients through your SLA, whilst more vulnerable core group clients have to wait.

However, an argument has to be made that more expensive properties typically generate more revenue for a SLA, and as they are likely to be allocated to working tenants from outside the organisations target group, potentially less resource intensive to manage.

Notwithstanding the political and moral reasons, cross subsidising your core “non-negotiable” work with higher value properties is viable as it does not rely on the SLA doing anything other than its standard service delivery. A successful SLA has to make many compromises and tweaks to its service as it develops and looks for funding and revenue generating options. Therefore these higher revenue generating, lower resource input properties should at least be considered as you work through the SLA revenue generating options.

Best practice case study

Derventio Housing Trust based in Derby, set up a sister lettings company for students and employed people, Remarkable Lettings, to spread their income generation and make themselves more financially sustainable.

It is a natural fit, as they already use a private rented leasing model (Rooms4Two), have property procurement expertise, and contacts with property owners. But they recognised that it is a very different sort of business, so they employed someone from a lettings agency who was ready to head up their own enterprise. She had all the knowledge, and the skillset for dealing with students rather than homeless people. The marketing approach is very different too, lots of social media and no liaising with local authority housing options.

It's not a quick fix, and it won't be for everyone. It required quite a bit of upfront investment, and it is only now in its fourth year that it is starting to generate a surplus to cross subsidise the lettings to homeless people. However, it has always contributed some income for Derventio Housing Trust through its payments for the managed office space it occupies at the head office building.

4.2.2.5 Charging Tenants

Tenant services are important as they are at the heart of why most SLAs begin. They are resource intensive, and some examples of SLA tenant services include:

- Pre-tenancy training for tenants
- Welfare benefits advice for maximizing income of tenants
- Assisting the client with Housing Benefit form completion and submission
- Support for tenants to further employment, work skills and training opportunities
- Undertaking a reference check and improving the tenants' references
- Tenancy paperwork
- Childcare support
- Networking and social integration support.

When looking at the considerable costs of tenancy management and sustainment, some SLAs will look at the option of charging tenants. When working with a client group that includes people who are or have been homeless and vulnerably housed, and are on low incomes, this can jar with the ethos of setting up sustainable and affordable tenancies for clients. The balance between income generation, SLA financial break even and affordability for tenants needs to be

carefully judged. These are also the services which are most likely to attract funding (rather than revenue generation) and SLAs should look at this option first.

4.2.2.6 Revenue conclusions

As already mentioned, the SLA product(s) will to a large extent be determined by the environment in which the SLA is operating. But, different products bring different risks, different procurement opportunities and different political issues. All these must be weighed up and revenue income from your likely SLA product options modelled.

This is an important time to bring together front line staff who know the local rental market, and who can offer a view on how the different products will work in the market, alongside Finance officers who can offer some assistance on the financial modelling work, (which is in essence a 'pre-business plan').

AP10	Model potential revenue income from your likely SLA product options, working with reality checks from front line staff and Finance officers, and see how the models affect your COD
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A financial plan for a SLA is outlined at Appendix A. This plan hopefully demonstrates that although development of this aspect may appear daunting to those without the financial background, a simple but detailed financial model can be developed if you have progressed through this guide and understood your costs and revenue opportunities for the SLA.

AP11	Based on your previous work, draft a financial plan for at least the first two years of operation
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4.3 A Business Plan

A lot of organisations struggle with business planning. "Where do we start?", "How do we know it is accurate?" etc. If you've followed this guide and determined your cost of delivery, your funding and revenue options, including reality checks as per AP10 above, then you have already completed all the elements you will require to form a financial plan.

5. What are the risks associated with a SLA?

Action Points discussed in this section:

AP12	Draw up a risk management register, with key risks identified and actions to mitigate these put in place. Ensure risk register is regularly updated and forms a key document in the development of your SLA development action plan.
AP13	Ensure all liabilities and legal requirements for the SLA are included in the risk management register

The identification and management of risks is essential to the effective long-term viability of a Social Letting Agency.

5.1 General risks

According to the Federation of Small Businesses, on average, around two thirds of all start ups will fail in their first year. The top five reasons are listed below:

- **Cash-flow management** – having enough monthly cash flow income in order to meet the monthly necessary expenditure. This is a particularly important issue to address at the start up stage, because expenditure will be committed (e.g. staffing, marketing, payment of guaranteed rents) before any income is being generated. This is why start up funding is so important, as well as the support of a parent organisation who can assist with early cash flow. Our business plan above, shows a deficit in year 1 and if this is the case with your business plan, then you must ensure that this deficit can be met before launch of the SLA
- **Lack of focus** – lack of focus refers to providing too many products in too many markets and subsequently, spreading the business resources too thinly. It is advisable that as the SLA service is

developed, focus is perhaps given to developing one or two effective products before expanding into another market. For example, a full management guaranteed rent service may be considered first, before Tenant Find or other Landlord products.

- **Tax bills** – due to the delay in which payments, such as PAYE payments and VAT payments are due to the HM Revenue & Customs (HMRC) coupled with poor cash-flow management, large tax bills can be difficult to pay and can result in business failure. The VAT threshold from 1 April 2015 is £82,000.00. If financial projections estimate turnover in the region of this threshold (please note turnover not income), then a VAT registration should be made. It is beneficial to do this at the start rather than chase landlords/tenants at a later date for VAT payments.
- **Lack of insurance** – claims arising from large compensation claims can cripple an under-insured business. Certain insurances are a legal requirement, for example, employers’ liability insurance.
- **Reliance on too small a number of customers** – this relates to relying too heavily on a very small number of customers. If one customer then ceases to be a customer, this can negatively impact upon the whole business. For example, relying on procuring large portfolios of properties from only a couple of landlords would significantly impact on the business income if one landlord was lost.

5.2 SLA specific risks

As well as the common business risks outlined above, developing and operating a SLA comes with its own set of particular risks;

- Inability to procure sufficient properties at the lower end of the market due to the

product not being attractive enough to landlords

- Market forces pushing average rents higher and making the procurement of affordable properties for the SLA more difficult
- Inability to deliver a consistent product due to the required processes and relationships with necessary services and partners not working effectively
- Exposure to bad debts through a guaranteed rent product, due to a rise in tenant rent arrears
- Staff changes and skillsets affecting delivery targets and landlord relationships
- Emergence of competitor SLA services, procuring a share of the market and replicating the offer provided by the SLA
- Insufficient deposit/bond cover to account for repairs required due to tenant action during the tenancy, leaving exposure to financial liability for the SLA
- Lack of suitable tenants
- Welfare reform and HB issues making affordability difficult for tenants and increasing the likelihood of rent arrears. It is important that you are aware of the proposed changes to the Housing Benefit system through the introduction of Universal Credit, as it will impact on any one receiving housing benefit currently and all new claimants. Universal Credit (UC) is the government's new, simplified working age welfare system, rolling several benefits and tax credits into one single household payment. If your area is operating the Universal Credit system it means clients' claims for housing benefit will no longer go through the local housing benefit department but will be administered by DWP nationally through an online IT system. Pilots show that this can lead to

an increase in rent arrears, and measures to mitigate this in order to protect the SLA financially, must be considered.

- Risk to reputation if the SLA is unable to deliver sufficient properties, consistently manage and service clients needs as per the product specifications
- An option that sees the SLA collecting rent may exclude the SLA from certain funding streams (which have income limits) as the rental income coming into the SLA may be counted as income, even if the majority goes straight back out to landlords. This demonstrates the importance of retaining monies in client accounts to demonstrate that this is not in fact income for the SLA. This is an issue covered in the original guide, (*Local Lettings Agencies: A good practice guide – Providing access to the private rented sector while generating income*)

Risks will need to be initially managed during development by the Project Manager, through a detailed and regularly reviewed risk management register. Following launch of the SLA, the SLA Manager should take on responsibility for monitoring and management of the risk register. It is important to stress that a thread of identifying, mitigating and managing these risks must run through the Project Action Plan and inform development as the project moves forward.

An example of a risk (and issues) register is contained at Appendix B.

AP12	Draw up a risk management register, with key risks identified and actions to mitigate these put in place. Ensure risk register is regularly updated and forms a key document in the development of your SLA development action plan.
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5.3 What are the liabilities of social lettings agencies?

Actions carried out by the SLA on behalf of the landlord are generally treated in law as though they have been done by the landlord. Landlords are bound by any agreement or contract made on their behalf with a third party (i.e. a tenant) providing the SLA is acting within the authority they have been given.

If the SLA agrees to something that has not been authorised by the landlord (for example, allowing a pet at the property) then the SLA could be liable for any losses to the Landlord or Tenant.

If the SLA fully managing the property fails to carry out a statutory duty (such as an annual gas safety check or complying with Tenancy Deposit legislation), then the SLA, as well as the landlord could be held responsible for the non compliance of the legislation.

Right to Rent, introduced on 1 February 2016 mean that all landlords and Agents in the UK will be required to carry out immigration checks on tenants within 28 days of the tenancy starting to ensure that the intended tenant has a Right to Rent in the UK. Failure to complete checks can result in hefty fines. Lets made by, on behalf of, or in partnership with a Local Authority are exempt.

You can get more information on this, as well as links to further government advice at www.crisis.org.uk/data/files/Private_Rented_Sector/Right_to_Rent_Factsheet.pdf

Responsibilities of landlords and SLAs should be clearly set out in the Terms of Business contained in the management agreement. The management agreement document between the SLA and the landlord is the essential document in these matters, and you should always ensure your agreement is

checked and agreed by your Legal support during the development process.

5.4 What are the Legal issues?

There has been much discussion on whether a Local Authority may establish a SLA, so the specific legalities relating to Scotland are detailed here.

The rules regarding the provision of goods and services by local authorities in Scotland were relaxed in 2003 (Section 8 of the Local Government in Scotland Act 2003) meaning that goods and services can be provided under a trading agreement to anyone the local authority chooses as long as the wellbeing of the area of the persons within that area is considered. It is also stated that where an agreement is made with bodies serving a public purpose, the local authority must trade from its own surplus capacity in staff services, property and facilities, although the income it makes is not subject to restriction.

The SLA could assist a Local Authority to discharge its homeless duties and help with homelessness prevention work. Following the Homelessness (Abolition of Priority Need test) (Scotland) order 2012, local authorities in Scotland have a duty to provide anyone found to be intentionally homeless or at risk of homelessness with settled accommodation. Section 32a of the Housing (Scotland) Act 1987 was amended in 2010 meaning that local authorities can discharge duty into the private rented sector subject to it being a short assured tenancy (SAT) for a minimum of 12 months. Additional requirements set out within the amendment are that the accommodation meet any support needs of the household and it is affordable to the applicant who receives advice as to tenants and landlord's rights

and responsibilities under a SAT. The tenant must also agree in writing that the local authority's duty has been met and they can be discharged.

It is important to be aware that the Scottish Government have committed to the mandatory registration and regulation of letting agents, as part of the Housing (Scotland) Act 2014. In addition to a registration system, this is expected to include an element of training and a clear code of practice. More detail on this piece of legislation can be found on the Scottish Government's website: <http://www.legislation.gov.uk/asp/2014/14/part/4/enacted> (<http://www.legislation.gov.uk/asp/2014/14/part/4/enacted>)

AP13	Ensure all liabilities and legal requirements for the SLA are included in the risk management register
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6. Project Action Plan

Action Points discussed in this section:

AP14	Appoint or designate a Project Manager and assemble a project management team to implement the PAP
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6.1 Implementing the Plan

Having carried out your feasibility work, at a point in the process you will need to develop and implement a project action plan (PAP). This is usually put in place shortly after (or drafted as part of) the decision making process. Therefore the PAP does not have to wait until you have a business plan in place, as development of the business plan may indeed be part of the PAP.

Many organisations feel that once they have a good idea of what they want to do and what it might cost, they no longer need to plan in the same detail. Our experience is that the PAP is perhaps the most important part of any SLA development.

A PAP delivers the following;

- Ensures all actions required to deliver a fully functioning SLA are detailed, assigned responsibility and timetabled into a managed programme
- Clearly lays out so that all stakeholders can easily visualize, what actions are required to deliver a functioning SLA
- Helps to develop cross-organisational support
- Ensures good governance of the SLA development process
- Ensures the risk register is regularly linked to all actions within the PAP, so that any increased risks can be identified and managed early

Where possible it is suggested that you engage or designate a Project Manager to take responsibility for delivery of the PAP. This is because the action points are likely to require work across many services and external partners (stakeholders), and there is considerable benefit in using someone who is not already working within one of those Departments. Also due to the number of different stakeholders, a Project Manager is vital so that responsibility for delivery of the PAP is retained by one person.

Depending upon the size, scope, products to be developed and many other variables, there is no 'normal' length of time to develop a SLA within. The PAP should be timetabled realistically, managed by a Project Manager and supported by a Project Team (with representatives from the various services and stakeholders) who will have an input into the action points.

AP14	Appoint or designate a Project Manager and assemble a project management team to implement the PAP
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6.2 What are the potential action points in the PAP?

The PAP is structured to suit the organisation and is dependent on a lot of the work carried out so far in research and pre-development phases. An example of a PAP for SLA development is contained at Appendix C. The background and some further detail to the actions in the example PAP is detailed below. It is of course expected that not all will be relevant to all SLAs.

6.2.1 Pre-Development

The 14 actions described in this section will be the Action Points (AP1 – AP14) from this guide.

- Appoint a Project Manager (PM) and Project Team. The Project Team should ideally contain representatives from all those stakeholders and meet monthly to ensure progress of the project plan and embed cross-organisational working for the SLA at an early stage.
- A risk register should be developed to outline how identified risks will be monitored, managed and mitigated throughout the development process and post-launch.
- Identify non-negotiables and carry out market research and reality checks
- Identify additional benefits of SLA service and beneficiaries
- Consider and model different SLA products
- Calculate potential COD - an operational plan will need to be drafted alongside the business and financial planning as the 'cost of delivery' will be determined by the number of properties expected to be procured. A clear operational plan will allow for the success of the SLA to be measured with a range of targets and outputs set, not purely financial and numerical.

6.2.2 Local Partnership Planning

- Identify and engage with local partners and stakeholders including Landlords groups, Agents, Developers as well as Councillors, CAB, Support Agencies etc... This will not only help to raise the profile of the SLA and eventually become part of the communications strategy, but will ensure that as engagement with the community and groups increases there is the opportunity to look at joint working alongside these stakeholders, and potential funders will be aware of the scheme from concept. This work should

involve bespoke sessions designed, organised and delivered for each stakeholder.

- Consider location, premises and office space for SLA

6.2.3 Communications Planning

- Development of the SLA brand, logo, products and offer can be in partnership with a Communications Team or independent 'Comms' company.
- A clear communications plan should be developed and this will ensure work is put into a forward plan and resources allocated well in advance if required.
- Existing web presence needs assessing for usefulness and a strong web presence needs developing as the "SLA front door". Tasks and functionality for website need assessing and the options for developing these must be researched and decisions made on how this will be delivered. The likelihood is that some external input will be required either for functionality, content or design.
- Training and processes to be drawn up to allow SLA Officers to manage the website and its content moving forward.
- Allow SLA to have social media presence and develop communications plan for social media, identifying target audience and regularly assessing the value of social media as a marketing tool for the SLA.
- As part of the communication plan, design and develop a range of marketing materials for the SLA as well as a system and timescale for their implementation, (advertising campaign).
- Important that for a SLA service, the advertising is regular and consistent, rather than spending any available budget

in one go at launch, therefore careful planning must go into this aspect.

- A public launch event is a key event in terms of raising the profile of the SLA. An event should be organized to coincide with the launch of the SLA, where landlords, agents and stakeholders are invited.
- Arrange a series of closed sessions for stakeholders. Sessions need to be designed, stakeholders engaged and sessions delivered at a range of appropriate venues and audiences.

6.2.4 Staffing

- Devise staff structure for the SLA, responsibilities, reporting mechanisms ensuring necessary skillsets are retained within the SLA. Ensure systems and responsibilities allow staff to deliver on operational plan.
- Consideration must also be given as to where the SLA will sit and be managed from within the organisation. Possibilities such as placing the SLA under the management of an existing service should be scoped and recommendations put forward as to the most effective location for the SLA taking operational, strategic and political considerations into account.
- If recruitment is required, analyse desirable skillsets and devise appropriate JDs and Person Specifications as required. Ensure recruitment process is put in place as required.
- Devise a training programme for those involved in SLA operation, management and/or monitoring, particularly outlining how the service will operate and individual responsibilities and tasks. As part of this process JDs should be developed for existing posts, where new responsibilities have been taken on as part of SLA development.

- Produce an operations manual for all aspects of the SLA operations. This will include process maps outlined below, scripts for procurement and procedures for tasks such as tenancy management and rent collection etc.

6.2.5 Back Office

- It is vital that clear process maps, all necessary paperwork, procedures and monitoring / management mechanisms are put in place for the essential processes needed to deliver the SLA service. Many of these processes will overlap (i.e. tenancy management and rent collection, or referral process and property letting process etc.), meaning that this piece of work in particular must be led by one person capable of pulling all these processes (and associated paperwork, procedures etc.) together working in partnership with relevant departments as appropriate (i.e. Finance for rent arrears, Legal for evictions etc.).
- An example of a Process Map is included at Appendix D.
- These process maps, paperwork and procedures must then be tested to ensure that they work effectively prior to SLA launch.
- This is essential work to ensure consistency, mitigate many of the risks to the SLA and to safeguard against staff leaving. Therefore all the end products must be reality checked to ensure they are fit for purpose. Our experience is that this is the most resource intensive work involved in SLA Development, but it is essential to have all work under these action points completed and tested PRIOR to launch, so that the service to the customer is consistent and in line with the brand and reputation you wish to develop for the SLA.

6.2.6 IT

- Collecting rent, paying it out, managing tenancies where the SLA becomes responsible for key work such as gas safety certificates, repairs etc... could mean that the existing IT solution is not fit for the new purpose of managing and monitoring this information. Issues such as how Finance reconcile rent accounts, storage capacity of system, data protection, storage and service of legal documents, reporting and managing repairs and tenant complaints need to be addressed so they can be handled by the IT system.
- The system will also need to monitor and record basic property and tenancy details. This should include recording the following necessary data:
 - > Landlord contact details, address, e-mail and phone number
 - > Tenant contact details, family composition, relevant housing history and support needs
 - > Rental property details, size, address, features, utility suppliers, gas safety certificate expiries, energy performance rating and certificate expiry etc.
 - > Property photos, inventory documents
 - > Tenancy details, tenancy start, tenancy end, bond/deposit, type of service provided by agency
 - > Financial records
 - > Repairs and notes
 - > Report generation
- It maybe that an existing system can be used to address these issues and workable solutions found. However if new or expanded IT is required, (such as a web based package to allow officers to manage

work from off site), then design (of spec), procurement and assessment of the most effective system will be required. This may involve such procedures as procurement rules etc. and therefore adequate time should be built into the project plan to allow for the potential of this.

6.2.7 Legal Services

- An important issue in developing Legal documents is to ensure that the need to use or consult with Legal Services or support on a weekly or regular basis is minimised. Therefore all documents, procedures, agreements, process maps should be developed as part of SLA set up so that you can accurately assess what the ongoing resource requirement from your Legal support might be.
- Typically due to resources, SLAs require documents, procedures, agreements, process maps that do not require ongoing approval from Legal. This will mean producing the full range of likely agreements, including leases, management agreements, agreements for company lets, documents for use with tenants, court templates, agreeing trigger points for escalating action and so on. It is important that the SLA Officers then take responsibility for operating decisions and don't ask for legal opinion everytime a new or unexpected situation arises. This will involve detailed development work as well as training and testing prior to launch.

6.2.8 Financial Services

Some of the financial issues and questions were detailed earlier in sections 3 and 4. Of course it is expected that many existing systems will be in place to deliver on items such as guaranteed rent, rent collection, debt recovery and so forth. However, these systems must be integrated into the work

of the SLA to ensure minimum ongoing resource input for both Finance staff and SLA staff.

- What information and how often will Finance require from landlords and from you in order to pay them their rent?
- How quickly can Finance pay? Timescales for first payment and subsequent payments?
- How will any management fee be deducted, accounted for and allocated to the SLA?
- Can the Housing Benefit Department pay direct to a SLA account?
- Will all Tenants have their own dedicated account numbers?
- Will you have to charge VAT? The VAT threshold from 1 April 2015 is £82,000.00. If financial projections estimate turnover in the region of this threshold, then a VAT registration should be made. However, VAT is a difficult issue for SLAs and there is conflicting opinion across existing SLAs on how and whether this should be charged, or whether services are VAT exempt. It is unlikely that any SLA other than one operated by a Local Authority or organisation responsible for delivering a statutory homelessness service will be exempt from VAT. However, decisions need to be made on whether property management by each particular SLA is within the scope or not and also how VAT is to be dealt with on other works such as repairs or additional services the SLA might provide. This is a matter only an individual SLA or organisation can decide upon, and independent advice from HMRC should be sought at an early stage.
- How will other Taxes be accounted for and paid?

There is also the potential conflict between Finance chasing rent arrears debts whilst the SLA continue to offer a service to the tenant (accruing further debts whilst original debts are still be chased). Process maps and trigger points for action need agreeing and testing to ensure this works effectively.

As SLAs will be handling client monies (rent due to landlords, client deposits, any client savings schemes), good practice around handling these monies is essential.

Client monies should be handled in the following way:

- All client monies kept in a separate client account and all clients notified of this
- Detailed records of all transactions kept relating to a client account
- Detailed receipts of all monies received
- Correct reporting of the annual accounts by a qualified accountant/auditor
- Keep accounts and records for six years after the end of the accounting period to which they relate

6.2.9 Repairs Services

Considerable thought needs to be given as to how a Repairs service will be provided to the properties you are managing through the SLA. As a start, procedures need to be agreed for those properties that a landlord wishes to manage the repairs himself (and paperwork/agreements). There also needs to be a process if a landlord fails in his obligations and the SLA has to step in and undertake the works and reclaim costs.

- Firstly some work needs to be undertaken with your procurement officer to see if an existing contractor has to be used, or if a new procurement exercise can be carried

out. Also, the option for the SLA to be flexible and use contractors on an ad hoc basis should be investigated.

- Once a decision has been made on the route for the Repairs provider, then a spec, schedule of rates, service level agreements, etc need to be drawn up prior to formal agreement with the provider(s).
- Process maps, trigger points, invoicing, financial processes and other systems to ensure the whole Repairs process works effectively and efficiently are required.
- A system for monitoring the quality and effectiveness of the repairs service must be drawn up and implemented as well as a tenant process for reporting repairs and processes in event of an emergency occurring out of hours
- Classification of repairs, for example, which repairs are potentially more urgent in nature than others and service standards for making repairs, for example, urgent repairs will be completed within 24 hours, all other repairs within five working days

6.2.10 Property Management / Public face of SLA

- As well as the internal systems associated with delivering a range of products and services, work must be put into how will the 'products' look to landlords. Clear lettings standards, timescales, payment dates and how the agreements with landlords will work in practice and need developing and communicating.
- Once internal systems and process maps have been completed, then testing of the customer facing ones should be piloted with 'friendly' landlords if possible so that final changes can be made prior to full launch. Essentially this is suggesting a 4/6 week 'soft launch' period to test systems and review processes.

6.2.11 Tenant Referral Services

It can be important that the SLA can demonstrate a clear path from more temporary accommodation to SLA tenancies. This will help justify the SLA and may save a potential funder (the Local Authority) money. Therefore clear priorities for properties must be developed, as well as referral methodology and timescales. SLA staff and referral partners need to agree and sign up to this, and the whole scenario process mapped so all parties are aware of their responsibilities to making this work. More information on referral services can be found on the main Crisis private rented sector toolkit at www.crisis.org.uk/pages/prs-toolkit.html

- Scope and develop the support for tenancy management. It is unlikely that the SLA staff will deliver all support for all tenancies, therefore support agencies will need to be identified and the support they offer built into the tenancy management processes (where required) to ensure tenants are appropriately supported and that this support is effectively delivered.
- There is the possibility of using higher rent properties to cross subsidise the work of the SLA, as the communications strategy is likely to lead to some landlords coming forward with higher rent properties as well as more affordable ones. These clearly are unlikely to be affordable for the SLA client group, but can present revenue opportunities for the SLA and allow for the subsidising of work at the more affordable end of the market.
- In order to effectively deliver this service a stream of tenants who can afford the higher rent properties needs to be found, and a process for determining whether the properties can be used to support core clients who have secured employment should be explored before considering other sources for tenants.

6.2.12 Monitoring performance

A raft of targets, performance indicators, measurable outcomes, review dates and reporting mechanisms must be developed to ensure that the SLA is appropriately monitored, its ongoing 'value' to the organisation and performance measured and reported. It is essential that these are not merely financial and numerical targets, but also focus on the softer targets such as increasing opportunities, quality of life and wider community influences such as growing and diversifying communities.

- There must be regular review processes put in place so that a strategic approach to the SLA operation and services provided can also be taken. The private rental market and Government legislation are constantly changing variables and a flexible approach, dictated by a structured SLA review process is essential if the SLA is to thrive and remain effective.
- There must also be scope for ensuring staff and relevant SLA partners can feed into the process to ensure all views are considered.

The following give examples of key performance indicators for a Social Letting Agency:

- Number of new enquiries regarding the services provided by the Social Letting Agency from landlords
- Landlord feedback on service
- Number of new properties procured per month
- Cost of delivery
- Percentage of properties that are shared, 1 bed, 2 bed, 3 bed and 4 beds
- Void management rate

- % of tenants in work, training or undertaking opportunities to improve their skills
- Rent arrears rate
- Average length of tenancy created
- Tenants feedback on quality of life improvements (such as increased income etc.)
- Cost benefit analysis as per www.crisis.org.uk/pages/making-it-count.html

Performance should be monitored on a monthly basis and performance indicators circulated to senior management, board members and stakeholders. They could also be communicated as part of a marketing strategy to Landlords and Tenants.

Appendix A – SLA Financial Plan example

Using these elements a simple 2 year example business plan is detailed below:

To develop the financial model we have made the assumptions as per the following table, and have taken a 2-bed property as our 'average' property, although clearly the aim would be to provide a mix of properties.

We are offering full management and guaranteed rent:

LHA Area	2 bed mthly LHA rate (£)	Market Rent (30th percentile) for a 2 bed property (£)	Guaranteed Rent Offered (£) = (Market Rent -15%)	Difference / SLA Fee (£)
South Coast	593	620 - 640	c.540	c.53

In this model we have allowed for a Tenancy Set up fee of £150 to be charged to Landlords for tenancy set up costs.

Income

Income Table – Year 1

Month	Properties Procured / mth	Mgmt Income (new properties / mth x £150)	Monthly fee income for SLA (£)	Total Annual Income (£)
1	0	0	0	
2	1	150	53	
3	2	300	159	
4	3	450	318	
5	3	450	477	
6	3	450	636	
7	3	450	795	
8	3	450	954	
9	3	450	1,113	
10	3	450	1,272	
11	3	450	1,431	
12	3	450	1,590	
Totals	30	£4,500	£8,798	£13,298

Year 1 total Guaranteed rent paid out (including SLA monthly fee income): £98,438

Income Table – Year 2

Month	Properties Procured / mth	New Income (properties / mth x £100)	Total monthly income for SLA (£1,590 c/f)	Total Annual Income (£)
13	3	450	1,749	
14	3	450	1,908	
15	3	450	2,067	
16	3	450	2,226	
17	3	450	2,385	
18	3	450	2,544	
19	3	450	2,703	
20	3	450	2,862	
21	3	450	3,021	
22	3	450	3,180	
23	3	450	3,339	
24	3	450	3,498	
Totals	36 in year 66 in total	£5,400	£31,482	£36,882

Year 2 total Guaranteed rent paid out (including SLA monthly fee income): £352,242

Additional Income in Years 1 & 2

	Year 1 (£)	Year 2 (£)
Cross subsidizing from market rent properties (20 properties per year @ £80 per property per month)	19,200	38,400
Income from Tenants @ £150 per tenancy Yr 1 - 30 core tenancies + 20 market rent tenancies Yr 2 - 36 core tenancies + 20 market rent tenancies	7,500	8,400
Income from Tenant Finder Service	0	0
Funding Bids Yr 1 – Successful 2yr bid to Regional Development fund Yr 2 – Two bids pending (not accounted for)	20,000 0	15,000 0
Total additional income	46,700	61,800

Overall SLA Income Table

	Year 1	Year 2
SLA Income	13,298	36,882
Additional Income	46,700	61,800
Total SLA Income	59,998	98,682

Expenditure

Set Up / Development Costs Table

	Year 1	Year 2
Marketing	5,000	2,500
Website purchase, hosing & maintenance	1,000	500
Project Manager (SLA Implementation)	10,000	0
IT	1,200	1,200
Staff Training (delivered by PM)	0	0
Total Set up Costs	17,200	4,200

Operational Costs

Known costs	Year 1	Year 2
Staffing costs (costs, such as inspection, inventories, contracts, referencing, rent collection, ongoing support, check outs are included within staff time)	45,000	48,000
Legal action / advice budget *	1,000	1,000
Set up / Development costs (<i>from table above</i>)	17,200	4,200
Tenant Training Programme	3,500	3,500
<i>Section total</i>	<i>66,700</i>	<i>56,700</i>
Unknown Costs		
Void costs (1% of annual rent collected)	984	3,522
Rent arrears (6% of annual rent collected)	5,906	21,134
Repairs budget (all repairs recharged to Landlord)	0	0
<i>Section total</i>	<i>6,890</i>	<i>24,656</i>
Total Annual Expenditure	73,590	81,356

* The legal cost is kept low due to the development work undertaken to ensure all procedures, notices and other preliminary legal work does not require input from the Legal Dept in normal circumstances.

Overall Budget Projections 2016/2018

	Year 1 (£)	Year 2 (£)
SLA Income	59,998	98,682
SLA Expenditure	73,590	81,356
Profit / Loss	-13,593	+17,326

Clearly this is meant as a simple example, but you can see that drawing on your earlier work, that arriving at a workable financial plan is achievable and auditable based on sensible financial and market assessments.

Appendix B – Example Risk Register

Risk Planning (optional)

If you need to define the real meaning of risk impact and risk likelihood for your project, you can use the following two tables to do it.

		IMPACT
Level	Impact	Description
1	Minor	
2	Moderate	
3	Significant	
4	Severe	

		LIKELIHOOD
Level	Probability	Description
1	Remote	
2	Possible	
3	Probable	
4	Likely	

Risk profile: risk priority is automatically calculated in the risk log, using this grid to factor IMPACT X LIKELIHOOD

Impact	4	A	A	R	R
	3	A	A	R	R
	2	G	A	A	A
	1	G	G	A	A
		1	2	3	4
		Likelihood			

G	
A	Low
R	Medium
	High

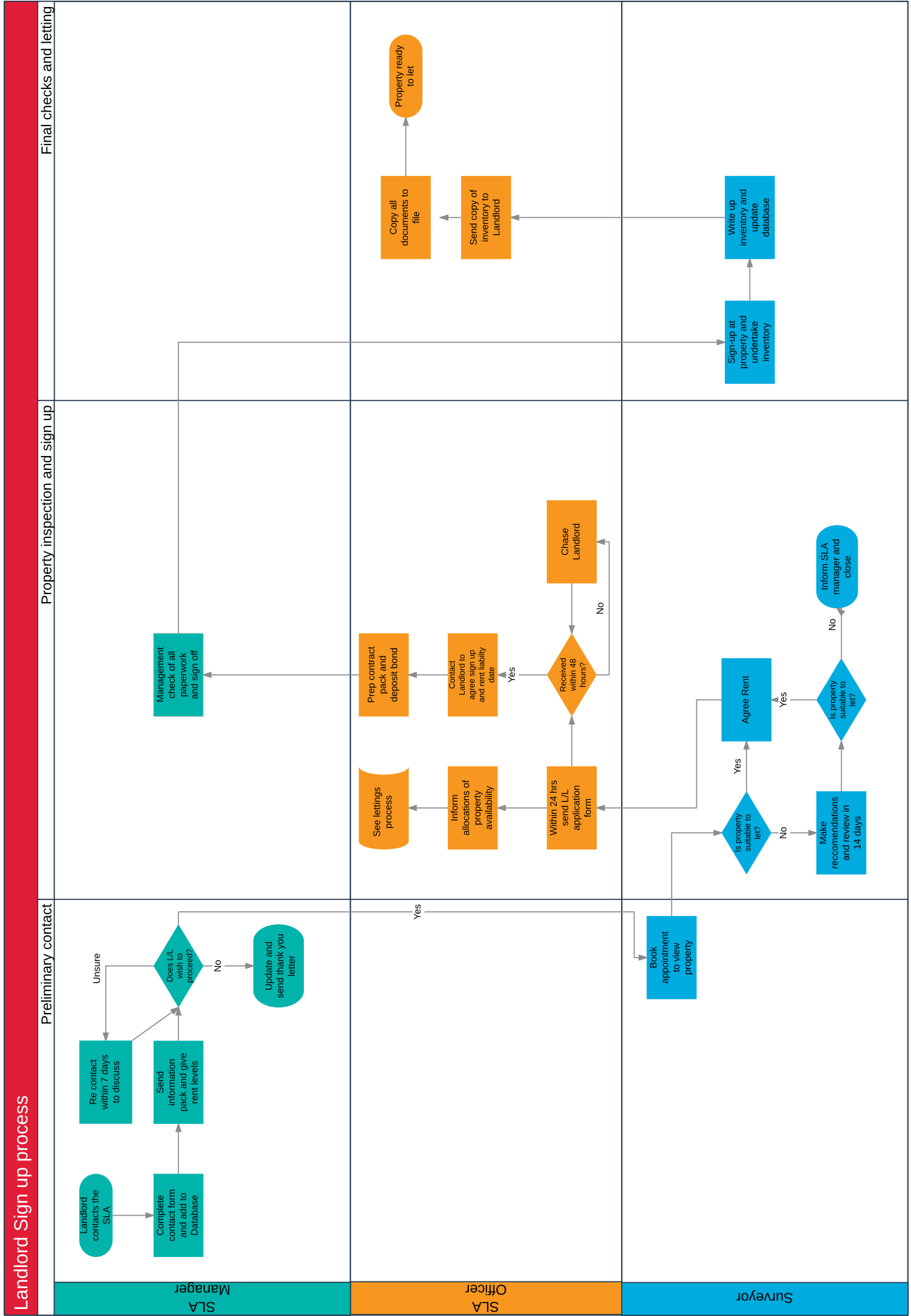
Risk Register

Project: Social Lettings Agency

Risk Identification				Risk			Risk Response
Risk No.	Date Logged	Author	Risk Description	Impact	Likelihood	Priority	Response Description
1	02/11/2015	BY	That internal services such as Legal and Finance may not be able to deliver the required support to the SLA	4	2	A	Project Team developed that includes all services that will be required and PT reports to Directors to ensure appropriate support
2	04/11/2015	BY	That the offer may not be competitive meaning landlords will not sign up and the income projections will not be met	4	2	A	Ensure well costed and robust offer in place to encourage landlords
3	04/11/2015	BY	That all legal requirements of the SLA will not be covered by the SLA leading to exposed liability to the organisation	4	2	A	Develop all management agreements and documents in partnership with Legal team and ensure all SLA liabilities are considered by Project Team as a standing agenda item
4	11/11/2015	BY	That the SLA will lose landlords already affiliated to existing scheme if it enters into competition with other Agents	3	1	A	Whilst comms should be undertaken this risk will be accepted
5	24/11/2015	BY	That too many landlords will be interested at first, leading to too many properties, straining capacity	3	3	R	Ensure that budgets and capacity are clearly planned and allow for set numbers of properties only
6	02/12/2015	CH	Significant changes in property numbers may mean that anticipated IT changes cannot be made in time by IT provider	3	3	R	Consider purchasing stand alone system if unable to action the changes
7	12/12/2015	CH	That ongoing funding for the SLA will not be secured and may lead to service failure	3	3	R	Look at alternative options for funding and revenue generating, including cross subsidising and links to local partnerships
8	16/12/2015	BY	That the introduction of universal credit may significantly impact on rent collection and cause a drop in income	3	4	R	Use of direct debits and Direct Payments where appropriate to be built into procedures

Risk Monitoring & Control								
Response Type	Owner	Last Review	Impact	Likelihood	Priority	Update	Current Status	
Transference	CH	15/01/2016	3	1	A	Project Team currently working well and actioning required work	No change	
Reduction	CH	15/01/2016	1	1	G	More than sufficient properties available for initial run	Closed	
Reduction	CH	15/01/2016	3	1	A	All agreements now signed off by Legal and new Redress scheme requirements being considered	Reducing	
Acceptance	CH	15/01/2016	3	1	A	No change	No change	
Reduction	CH	15/01/2016	1	1	G	Capacity will be sufficient within existing resources	Reducing	
Contingency	CH	15/01/2016	2	3	A	Alternate stand alone systems identified and cost within budget if required	Reducing	
Contingency	CH	15/01/2016	2	2	A	Alternate financial models drawn up that could be implemented if further revenue generation required	Reducing	
Reduction	CH	15/01/2016	2	2	A	This will be a key risk	No change	

Appendix D – Example Process Map



About Crisis

Crisis is the national charity for single homeless people. Our purpose is to end homelessness.

Crisis helps people rebuild their lives through housing, health, education and employment services. We work with thousands of homeless people across the UK and have ambitious plans to work with many more.

We are also determined campaigners, working to prevent people from becoming homeless and to change the way society and government think and act towards homeless people.

Get in touch

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Homelessness ends here