

EHSL - Private Sector Leasing

Information for Care Providers and Local Authorities

Summary

EHSL provides supported housing using a private sector leasing scheme. This works by leasing properties from landlords for a period of 3-5 years, and with consent, subletting the accommodation on a room-by-room basis or as a whole to people with support needs.



What types of property can EHSL secure?

The most common types of properties are small shared houses for up to 6 people, Houses in Multiple Occupation (HMOs), and single or dual occupancy flats, bungalows and houses, dispersed in the community. In some cases, it may be possible to secure a house which is split into several flats, although this is highly dependent on availability.

What services does EHSL provide?

EHSL provides the following to ensure that the accommodation provided continues to be adequate to meet its tenants' needs.

- 24/7 emergency maintenance service.
- A management service tailored to meet the needs of its tenants, delivered by staff experienced at working in this sector and with tenants with disabilities.
- Easy-read tenancy materials.
- Liaison with care providers and local authorities around tenancy specific issues.
- Issue resolution and tenancy sustainment services – (i.e. managing challenging or risky behaviours such as hoarding, anti-social behaviours, rent payment issues etc)
- Subject to agreement, gardening, window cleaning, communal cleaning, communal furnishings and other Housing Benefit eligible services as required.

Does EHSL charge any set up costs?

Unlike some other providers, EHSL does not currently charge a set-up cost, as the costs of setting up accommodation are incorporated into the overheads component of the rent charged. EHSL also does not take a security deposit from its tenants, in recognition that many people moving to supported housing do not have funds available to pay a deposit.

How does EHSL ensure the property is safe?

EHSL requires the property to be handed over with a valid Gas Safety Certificate, Energy Performance Certificate (EPC) and satisfactory Electrical Installation Condition Report. EHSL will make adaptations to the property to ensure fire safety for the tenant(s), usually in the form of fire doors on risk rooms, more comprehensive fire alarm coverage, emergency lighting, and the installation of thumb turn locks that allow the property to be exited without a key. Any furniture provided by EHSL will comply with the Furniture Regulations 1998. A Fire risk assessment is prepared and reviewed annually, and alarms and emergency lighting serviced by engineers in line with manufacturers guidelines. Other risks are assessed when the property is being secured in order that they are addressed prior to tenants moving in. Safety certification is managed on a database.

How is it paid for?

EHSL is a voluntary organisation (a company limited by guarantee, without share capital, which trades for reasons other than profit). This means that EHSL's tenants are eligible for Housing Benefit to cover their rent providing the local authority is satisfied that the rent isn't unreasonably high and that EHSL's services listed above qualify as 'support' for the purposes of the exempt accommodation scheme rules. Where a tenant isn't eligible for Housing Benefit because they have excess capital or income, they are expected to fund their rent from their capital or other income.

Is EHSL a registered provider?

EHSL is not currently registered. In December 2016 EHSL applied to the Regulator of Social Housing to register as a provider of social housing, and following work to ensure compliance, expects to become registered in 2018. We have received confirmation that EHSL is compliant in almost all areas. EHSL has sought further legal and professional advice in relation to outstanding areas concerning the financial viability and governance standard, and the manner in which EHSL demonstrates compliance is being considered by the regulator prior to a registration decision being made.

What arrangements does EHSL have with private landlords?

EHSL considers rental advertisements listed by letting agents and landlords, and on websites such as Rightmove, Zoopla and PrimeLocation. Having identified a property that might be suitable, EHSL approaches the landlord or letting agent to discuss the requirement and make a proposal. Once the property has been viewed and the prospective tenants, social workers, care provider, property owner and/or other stakeholders are happy, EHSL will seek to enter into a lease.

Each lease typically runs for 3-5 years, although in some cases EHSL has negotiated longer terms and renewal options. We recognise that longevity is often sought and therefore try to establish the landlord's longer-term intentions prior to entering into the lease. Sometimes a 1 or 2 year lease may be taken where a property will accommodate one person or flexibility is required.

Landlords tend to own a small number of investment properties, leasing one or two to EHSL at a time. In a few cases, landlords have purchased property to meet specific requirements, and made off-market properties available to EHSL. Usually, it is best to enter into an arrangement with a landlord for whom property is owned as an investment and intended to be let on a long-term, ongoing basis. This minimises the risk of unwanted lease terminations.

What if we want to make adaptations?

Some landlords will allow adaptations but it cannot be guaranteed in every case. EHSL has secured Disabled Facilities Grants allowing a number of properties to have wet rooms, rise and fall baths, hoists and other adaptations made. If a landlord is not willing to allow the adaptations required to make a property suitable to let, EHSL recommends that an alternative property is identified. The requirement for adaptations should be made at an early stage.

How are Repairs and Maintenance managed?

The short leases EHSL enters into are covered by Section 11 of the Landlord and Tenant Act 1985, which places the following obligations on the landlord (the person from whom EHSL leases the building):

- (a) to keep in repair the structure and exterior of the dwelling-house (including drains, gutters and external pipes),*
- (b) to keep in repair and proper working order the installations in the dwelling-house for the supply of water, gas and electricity and for sanitation (including basins, sinks, baths and sanitary conveniences, but not other fixtures, fittings and appliances for making use of the supply of water, gas or electricity), and*
- (c) to keep in repair and proper working order the installations in the dwelling-house for space heating and heating water.*

EHSL liaises with the third-party landlords and letting agents to ensure that works are completed within an appropriate timescale. In emergency situations, EHSL's 24/7 emergency maintenance contractor will be arranged to attend to make safe. They generally attend within 4 hours.

What information does EHSL need about the tenant?

EHSL has a 4-page assessment form which is required to be completed prior to EHSL being able to offer a tenancy. This allows EHSL to gather relevant information about the tenant to make sure that it is able to meet their accommodation needs. EHSL must also obtain written confirmation from the local authority making the placement that they are happy with the arrangements under which accommodation is provided, and that they are happy with the rent charged or proposed to be charged. EHSL relies on consent, legitimate interest and legal interest as the grounds for processing the personal data of the persons referred.

How is the rent set?

EHSL secures the property at a market rent paid in advance either monthly or quarterly, and adds the costs of providing its own services to arrive at the rent it charges to the tenant.

Rent components typically include the following:

| Component | Weekly Cost | What does it cover? |
|-------------------------|-------------|---|
| Head Landlord rent | Variable | The head landlord rent paid by EHSL. |
| Management and Admin | £25 | EHSL's staffing costs |
| Operational Overheads | £10 | Set-up costs, legal and professional fees, telephones, internet, office rent etc. |
| Repairs and Maintenance | £20 | Adaptations, emergency maintenance services, safety compliance inspections, upgrades to ensure fire safety for tenant(s), general void works inc minor damage, dilapidations charged at return of property. |
| Council Tax | Variable | Where EHSL is liable to pay the council tax (in a shared house), it recovers this cost via the rent. |
| Voids | 7% of above | The inclusion of this component allows EHSL to offer a void concession to the care provider, which will be discussed on a case-by-case basis depending on the specific circumstances of the scheme |

Communal service charges typically include the following, most of which are eligible for payment via Housing Benefit. Not all services are provided in each case – i.e. communal cleaning would not be provided in a small shared house because tenants would be supported to do this.

| Component | Weekly Cost | What does it cover? |
|-----------------------------------|-------------|---|
| Grounds maintenance | Variable | Grass cutting, hedge trimming, pruning, weeding and jet washing. |
| Window Cleaning (external) | Variable | Quarterly window cleaning |
| Communal cleaning | Variable | A weekly visit to attend to communal areas. |
| Pest Control | Variable | Treatment of statutory pest nuisances. |
| Fire Safety Servicing. | Variable | Annual or 6-monthly servicing of fire alarms/emergency lighting. |
| Communal furnishings | Variable | Sofa, coffee table, TV table, dining table, dining chairs. |
| Redecoration (5-year cycle) | Variable | Painting and replacement floor coverings due to wear and tear. |
| White goods replacement | Variable | Where EHSL has supplied white goods it will charge for their periodic renewal. |
| Utility supplies (shared housing) | £15-25 | Supply of gas, electricity, water and sewerage where EHSL holds the account. Not eligible for payment via Housing Benefit so must be paid by tenants. |

What arrangements does EHSL have with the care provider commissioning the scheme?

EHSL will enter into a service level agreement (SLA) with the care provider and/or local authority, setting out the responsibilities of each party with regards to the operation of the scheme, the nominations and allocations process, complaints/disputes, and the handling of voids. The SLA runs concurrently with the lease so if EHSL commits to a three-year lease, the counterparty is required to commit to the scheme for the same period.

How are voids managed?

EHSL relies on the rental income received from its tenants in order to cover the costs of the housing provision, meaning that during periods where the property isn't fully occupied, the lost rent must be made up by the care provider or local authority commissioning the scheme. EHSL includes a 7% void cost component in the rent, which is sufficient to cover 25.55 days of lost rent per year. For periods not covered by this allowance, the care provider or local authority commissioning the scheme is asked to cover the lost rent. Depending on the preference of the liable party, the void cover component can be allocated against the period of time it takes to fill the property, or gaps between a tenant moving out and another moving in.

Can you provide some examples of these arrangements in practice?

- In 2014 EHSL was asked to set up a shared accommodation provision for 6 clients of a care home which was closing. EHSL arranged for a 7-bedroom house to be viewed by the social care commissioner and clients, and then liaised with Housing Benefit to ensure the costs were recovered via the rent. EHSL secured a property in Woking on a 3-year lease, obtained a HMO License due to the property falling under the mandatory licensing scheme, and renewed the lease for another three years when the initial term expired in 2017.
- In 2016, EHSL was approached by a care provider who required a 2-bedroom flat for a person they had assessed as requiring 24/7 care, for whom funding had been obtained for a support package. EHSL approached a letting agent and arranged for the prospective tenant to view several properties. EHSL was able to secure the preferred property and has offered it at a rent agreed by Housing Benefit and approved by the local authority.
- In 2017 EHSL secured a 5-year lease on a property in Hertfordshire which it adapted to be able to offer 4 large double bedroom. The rent was agreed with Housing Benefit.
- In 2018, EHSL was approached by a local authority because a care home was being closed down. Due to mobility issues, the occupants required a bungalow. EHSL identified a suitable property and entered into a three-year lease, liaising with Housing Benefit to agree a rent level.

How does EHSL ensure quality?

- EHSL has a full-time staff team of 4 people, responsible for managing maintenance, rent collection, new provisions, anti-social behaviour, and other relevant matters.
- EHSL has an out-of-hours contract with a maintenance company with nationwide coverage, for which details are shared with each site.
- EHSL has a board of 7 directors which meets quarterly to review performance, financial targets, legal compliance and strategy.
- EHSL is a member of the Small Providers Benchmarking Club operated by HouseMark, which meets three times a year to discuss sector relevant issues and against whom multiple performance indicators are measured.
- EHSL is a member of the Property Redress Scheme, which provides tenants with a dispute resolution service.
- EHSL conducts an annual tenant feedback survey which is distributed via post with prepaid return envelopes. A report is published alongside an action plan for improvement.

How are utility bills managed?

There are three ways the bills can be managed.

- EHSL holds the account and charges the tenant a fixed service charge which is reviewed annually.
- EHSL holds the account and apportions the bills between the tenants as the bills arrive.
- The care provider or tenants hold the account and manage the bills themselves, without EHSL's involvement.

Do we have to pay for a staff bedroom?

Where the tenants require overnight care the costs of the staff bedroom will be incorporated into the rent charged by EHSL. If a bedroom is to be allocated as a staff office and the tenants don't require overnight care, a rental charge may need to be made to cover this cost.

The prospective tenant lacks capacity to enter into a tenancy agreement – what do we do?

The Mental Capacity Act 2005 sets out that the only person who can enter into a tenancy on behalf of another person is a lasting power of attorney or a court of protection appointed deputy. Where neither exists, EHSL will work on the basis of a statement of best interests from the local authority, which supports the existence of rent liability allowing Housing Benefit to be awarded. This is sufficient whilst a deputy is being appointed. EHSL has experience working with tenants that lack capacity and has various materials including an easy read guide and best interests statement template to support this process.

How does EHSL ensure tenants understand the arrangements?

EHSL's tenancy agreement is supported by an easy-read guide which we have translated into other languages and published in large font. Tenants are also issued with a tenants' handbook.

Why doesn't EHSL take longer leases?

Longer leases have additional risks associated with them due to the need for a long-standing requirement for the type of property secured. We recognise that peoples' needs change along with the needs and trends of the social care sector, and believe that long term leasing should be reserved for specialist accommodation including blocks of flats, clusters of heavily adapted buildings, and converted care homes with additional facilities. In many cases longer leases are simply not available.

How about buying property?

EHSL has cash reserves which are used to mitigate risk and provide headroom in the event of adverse market conditions. We are exploring opportunities to obtain financing to enable us to purchase property, and expect to be able to begin to progress this once our registration with the regulator has been completed.

What are the benefits of this scheme?

EHSL has conducted SWOT analysis and believes that the strengths, opportunities, weaknesses and threats are as follows:

| SWOT analysis of working with the private rented sector | |
|---|--|
| Strengths | Weaknesses |
| <ul style="list-style-type: none"> • There is a wide range of property advertised to lease at any one time, via portals such as Rightmove and Zoopla • The turnaround time once a suitable property is identified is rarely longer than a month. • Rents can be favourable to other models as core rents are aligned with lease rents, which are aligned with the wider housing market. • Low set-up costs, usually no more than £10,000 including security deposits, up front rent and adaptations. • Ability to exit arrangements with relative ease. • Some landlords are willing to dispose of their property as a going concern should EHSL wish to purchase it, bringing additional security. | <ul style="list-style-type: none"> • Ability to secure property is subject to landlords' perception of both the proposed arrangements and the care sector • Leases can be vulnerable at expiry should a landlord require possession of their property • There is often a lack of flexibility to make significant adaptations • Some lease terms are onerous and letting agents will not alter standard leases to allow terms that consent to proposed use, often due to the mortgage conditions. • Sometimes the desired property type may not be available to lease in the area required. |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • EHSL is in a strong position to lease property in a wide geographic area due to strong knowledge and experience of this model • The model works across the country and is particularly effective in areas where property costs are high. • Transitional arrangements can be made which enables a clear care pathway for tenants from care homes, into shared accommodation and then self-contained provisions. • A high volume of accommodation can be provided with minimal capital investment | <ul style="list-style-type: none"> • Incidences of damage and anti-social behaviour, however rare, may pose a risk of arrangements being terminated. • Arrangements may be terminated at the expiry of a lease, without a long notice period. • Rent increases are rarely limited to a pre-set level so can be inconsistent. • Some landlords are emotionally invested in their properties and can become more involved than is desired, making schemes vulnerable to decisions made on a non-commercial basis. • Some Landlords may be poor at meeting their repairing obligations, creating a financial burden on EHSL should it have to perform such works in order to meet its obligations towards its tenants. |

Please contact EHSL to discuss further if this model of accommodation provision is of interest to you