

Gloucester City Council

Meeting:	Cabinet	Date:	7 November 2018
	Overview and Scrutiny Committee		3 December 2018
Subject:	Accessing the Private Rented Housing Sector for Temporary & Permanent Accommodation		
Report Of:	Cabinet Member for Communities and Neighbourhoods		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 This report is to seek support for revised incentives to be made to landlords to secure referrals from the local authority to prevent or relieve homelessness. The funds are to be sourced from central government funding made available to local authority to prevent homelessness (Homelessness Prevention Grant Funding).

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that:

- (1) the range of options as outlined in paragraph 3.3 to 3.7 of the report be approved
- (2) the Head of Communities, in consultation with the Cabinet Member for Communities and Neighbourhoods, be authorised to agree any variations to the scheme or the way in which deposits are protected.

3.0 Background and Key Issues

- 3.1 The local authority has duties placed upon it to either prevent or relieve homelessness.
- 3.2 Through the Housing Act 1996 (as amended) and the more recent Homelessness Reduction Act 2017, the local authority has a duty lasting 56 days to assist in the prevention of a household's homelessness. If a household presents as homeless, or if prevention of homelessness has been unsuccessful and if the local authority has reason to believe a household member might be vulnerable and considers they

have a priority need, we will likely owe an “interim duty to accommodate the household.

- 3.3 Should a household be found to be eligible for assistance, in priority need and unintentionally homeless, the local authority may also owe a ‘main’ homelessness duty and be required to identify suitable longer-term accommodation to be able to discharge their duty. Discharging this duty may be achieved by offering a tenancy through Part VI of the Housing Act (a social tenancy); or through a ‘private rented sector offer’ Private Rented Sector Offer (PRSO) – provided it is for a period of 12 months) or if it is refused by the applicant. Such offers or refusals will then bring to an end our use of temporary accommodation.
- 3.4 The demand for social housing outweighs the supply available last year 63 affordable units (of all types) were developed; our current housing register has 3979 applicants, and our numbers in gold band are 174 who will include those determined as being homeless and our silver band is 1,583 which includes those with a significant need or where their homelessness is being investigated. At the end of quarter 1 there were 170 households in temporary accommodation. Last year the cost of temporary accommodation to the Council was £725,000
- 3.5 Currently there is a reliance on temporary accommodation and hotels which is costly, and unsustainable, as well as being unacceptable for long term temporary accommodation and on many occasions over runs the government 6 week target; an alternative is to help through the private Rented Sector, however the market rates are buoyant and also not keeping pace with the Local Housing Allowance rates. Incentives to landlords would bridge the gap.
- 3.6 These incentives have been developed having had regard to feedback from our previous initiatives and as a consequence of considering best practice in other local authority areas.
- 3.7 The basis of the offer(s) is identified below. It will be for the negotiating officer to consider which of a range of incentives it may be appropriate to make available, depending on the circumstances at any one time.

- (1) **The offer of** a ‘one off’ landlord ‘finder’s fee’ dependent on the size of the property. The fee is on a sliding scale of £100 to £500 at the start of a tenancy and is not repayable, with a caveat to consider higher finders fee for exceptional cases.

Studio	One Bed	Two Bed	Three Bed	Four Bed
£100	£200	£300	£400	£500

- (2) **And** the offer of one month deposit which a landlord must place into a suitable deposit scheme **and** one month ‘rent in advance’. In cases of ‘Universal Credit’ ‘Discretionary Housing Payments’ (DHP) can be utilised for this purpose, for legacy cases where Housing Benefit is still in place, these costs will be ‘reclaimed’ until such time as all claimants transfer across to ‘universal credit’. Rent in advance will not be re-claimed in the case of a PRSO where we are discharging a full homelessness duty and allow the local authority to end its use of temporary accommodation.

- (3) **Or** an alternative to option 2, will be that instead of a cash deposit, the offer of a landlord ‘bond’ whereby we keep the equivalent of a deposit in a protected bond fund, and in the event a tenant’s activities or rent management warrants a claim on the deposit, only then would the Council provide funds to the landlord. In cases where a tenancy has been managed successfully, the local authority never releases any funds. If there is call on the deposit, the tenant will then be ‘recharged’ the equivalent amount that has been charged to the local authority. The proposal increases the level of the bond the larger the property, recognising the difficulty in securing larger properties, and the significant level of rent at risk if unpaid. The bond approach means the landlord does not have to make use of a deposit bond scheme.

Studio	One Bed	Two Bed	Three Bed	Four Bed
One Month Bond equivalent to 1 months rent	One Month Bond at equivalent to 1 months rent	One and Half Month Bond equivalent to 1.5 months rent	One and Half Month Bond equivalent to 1.5 months rent	Two Months Bond at equivalent to 2 months rent
£350 = £350	£450 =£450	£600 + £300 = £900	£800 + £400 = £1,200	£1,000 + £1000 = £2,000

- (4) **In cases where a property rent is above ‘Local Housing Allowance’ (LHA) levels, we will offer a landlord a ‘one off’ payment to bridge the gap to an ‘average market rate’.** This payment would be to new or existing landlords for each new tenant. These funds wouldn’t be recoverable from tenants.

	LHA per month	Approx Average Market Rate	Shortfall	Incentive Shortfall	Incentive Rent Increase	Incentive Payment 6 months	Incentive Payment 12 months
Studio	£295	£350	£55	£50	£345	£300	£600
1 Bed	£399	£450	£51	£50	£449	£300	£600
2 Bed	£530	£600	£70	£50	£580	£300	£600
3 Bed	£638	£800	£162	£100	£738	£600	£1,200
4 Bed	£811	£1,000	£189	£140	£951	£840	£1,680

- (5) **Optional** - Offer a free property inspection so we can make sure your property complies with rental regulations, such as health and safety; the availability of free advice and information relating to tenancy management or maintaining the property in compliance with regulations.
- (6) **Optional** - Free Blank inventory pack for the start of the tenancy. (Information for Landlords, e.g. Right to Rent, How to Safeguard Deposits, Prescribed information leaflet)
- (7) **Optional** - A referral for appropriate ‘community based support’ where appropriate, for good relationships with landlords and successful tenancies an offer of ongoing support for the Landlord and tenant if and when needed, for example referral to one of the partner agencies Green Square, Home Group or project Solace
- (8) **Optional** - A link to website(s) offering a facility to download or print a tenancy agreement.

- (9) **Optional** - Financial help towards gas, energy performance certificate, and electric safety certificates up to a value of £100.

3.8 The table below show the costs associated with each type of property

	Finders Fee	LHA shortfall 6 months	LHA shortfall 12 months	Bond Rent Guarantee	Incentives EPC etc.	Total Cost with 6 month LHA shortfall	Total cost with 12 month LHA shortfall
Studio	£100	£300	£600	£350	£100	£850	£1,150
One Bed	£200	£300	£600	£450	£100	£1,050	£1,350
Two Bed	£300	£300	£600	£900	£100	£1,600	£1,900
Three Bed	£400	£600	£1,200	£1,200	£100	£2,300	£2,900
Four Bed	£500	£840	£1,680	£2,000	£100	£3,440	£4,280

	Finders Fee	LHA shortfall 6 months	LHA shortfall 12 months	Incentives EPC etc.	Including RIA & Deposit	Total Cost 6 months LHA shortfall	Total cost 12 month LHA shortfall
Studio	£100	£300	£600	£100	£700	£1,200	£1,500
One Bed	£200	£300	£600	£100	£900	£1,500	£2,700
Two Bed	£300	£300	£600	£100	£1,800	£2,500	£2,800
Three Bed	£400	£600	£1,200	£100	£2,400	£3,500	£4,100
Four	£500	£840	£1,680	£100	£3,360	£4,800	£5,640

- 3.9 In order to compare the cost of supporting households in current provision (based on average rates) with the amount that could be achieved by use of the bond or rent deposit, estimates based on current costs are shown below. For the purposes of the estimate and for the scope for initial budget consideration, we would aim to achieve between 20 to 50 PRSOs; if we were able to go beyond those figures, we would seek revised approval in line with the delegated authority.

Household size	Cost of B & B or dispersed provision	Estimated HB recoverable	Cost of landlord incentive (using deposit approach)	Saving to the Council
1 Bed	£17,108	£4,428	£1,500	£11,180
2 Bed	£23,400	£5,670	£2,800	£14,930
3 Bed (4 children)	£36,400	£7,020	£4,100	£25,280
4 Bed (couple 6 children)	£41,600	£9,180	£5,640	£26,780

- The above savings figures are based on 12 months
- The cost of Landlord figure is derived over a 12 month period e.g. for a Studio (Finder's Fee of £100 + LHA shortfall for 12 months of £600 + £700 RIA & Deposit + £100 incentive = £1,500).

- 3.10 Based on the figures in 3.9 above, our estimate of the potential annual cost savings to the Council range from £zero (no landlord interest) to using a prudent maximum is/of £363,397 (based on a mix of 20 required properties - 6 one bedroom, 6 two bedroom, 5 Three bedroom and 3 four bedroom).

4.0 Asset Based Community Development (ABCD) Considerations

- 4.1 This initiative has been considered in conjunction with local landlords and received warm approval. It might be that further options are considered with the group and whether as a consequence there is encouragement for landlords to use their resources to acquire more premises.

5.0 Alternative Options Considered

- 5.1 Our current approach to providing emergency accommodation, beyond our own or what is provided by our Registered Provider partners is to use bed and breakfast type establishments or other self-contained accommodation. Bed and Breakfast costs in 2017/18 amounted to £725,000. This takes account that through the previous scheme, we also paid out a total of £60,127.30 for rent in advance and deposits 2017/18.

6.0 Reasons for Recommendations

- 6.1 The main reasons for the recommendations are associated with the desire to avoid single people, couples and families unnecessary long periods in short term hotel/bed and breakfast provision. The intention is either through prevention activity to relieve homelessness more quickly; increase the supply of housing or create greater access to the private rented market. The provision of self-contained homes where households can lead settled lives. It is unacceptable to MHCLG or families to reside in bed and breakfast for any longer than is absolutely necessary whilst more suitable longer term options are secured. To avoid or reduce the time and cost households spend in temporary accommodation including B&B and increase the chances of households of settling into permanent accommodation. Similar schemes have been operating in Southwark, Bournemouth and Bristol. A consultation took place at a Landlord Forum in Gloucester March this year, giving a PowerPoint presentation pitch, offering proposed incentives, the Landlords discussed wanting a deposit rent guarantee, the LHA rates are lower than the market rates an incentive to bridge the gap would be welcome and ongoing support if necessary through the life of the tenancy.

7.0 Future Work and Conclusions

- 7.1 To promote landlord incentives to increase interest numbers of private rented accommodation available to the Council to support homeless applicants.
- 7.2 To advertise on social media, local radio and other marketing outlet newspapers.
- 7.3 To develop a customer brochure for advertising 'how to find your own private rented accommodation' and a corresponding 'how we can help' brochure detailing headlines from our incentives as above.

- 7.4 Enhance web content to promote initiatives.
- 7.5 To consider hosting a 'landlord expo' to be undertaken in 2019 – this will promote this and overlapping initiatives
- 7.6 To consider the use of supplemental agreements where the Council chooses to protect a deposit bond.
- 7.7 To implement as soon as possible on a pilot basis, organize advertising for the Promotion pack ready for Landlords and Letting Agents. Consult the market for potential names for the scheme.
- 7.8 An application is being made to the Private Rented Sector Access Fund for a bid with partnership authorities.

8.0 Financial Implications

- 8.1 As noted above the Council has a statutory obligation to help people who are homeless by taking reasonable steps to secure suitable accommodation for them. If appropriately managed and controlled the proposed approach offers a potential opportunity to reduce the current overall costs to the Council of meeting these obligations.
- 8.2 The approach to the offering of incentives needs to be carefully managed to ensure that appropriate accommodation is secured within the bounds of the incentive costs quoted. The financial risk being that the monies available for the provision of accommodation are not applied timeously to reduce the short term temporary accommodation need and its related costs.
- 8.3 There also needs to be measures in place to ensure that the financial obligations created with the landlords for the provision of the necessary accommodation are fully utilised and that there are appropriate provisions for the situations whereby housed individuals leave properties of their own accord.

(Financial Services have been consulted in the preparation of this report.)

9.0 Legal Implications

- 9.1 The Council has a duty under section 189B of the Housing Act 1996 (inserted by the Homelessness Reduction Act 2017) to help people who are homeless by taking reasonable steps to secure suitable accommodation becomes available for the applicant's occupation for at least 6 months.
- 9.2 The Secretary of State for Housing, Communities and Local Government has issued a Homelessness Code of Guidance to assist local authorities in discharging their duties under the 1996 Act. Paragraph 11.23 of the Guide states that "reasonable steps" includes "providing support to applicants, whether financial or otherwise, to access private rented accommodation". The proposals set out in this report would fall within this paragraph.
- 9.3 If Cabinet resolves to proceed with the proposal, appropriate legal documents will be prepared.

(One Legal have been consulted in the preparation of this report.)

10.0 Risk & Opportunity Management Implications

10.1 The main areas of risk concerning these proposals are the ability to keep within budget and the ability to source adequate good quality provision. These matters may be mitigated by careful management of the budget area and by ensuring assessments conducted using the Housing Health and Safety Rating System. An additional risk would be that the deposit has to be paid by the Council to the landlord if the tenant defaults under the terms of the tenancy agreement, and the Council is unable to obtain repayment from the tenant.

11.0 People Impact Assessment (PIA) and Safeguarding:

11.1 The report would be inclusive of all households being without prejudice or discrimination.

11.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

12.1

Sustainability

12.2

Staffing & Trade Union

Background Documents: None