

Cabinet

22 June 2016



Title	Landlord Rent Guarantee Scheme		
Purpose of the report	To make a Key Decision		
Report Author	Deborah Ashman/Jayne Brownlow		
Cabinet Member	Councillor Jean Pinkerton OBE	Confidential	No
Corporate Priority	Delivering quality of life services		
Cabinet Values	Community and Opportunity		
Recommendations	Cabinet is asked to approve the proposed Landlord Guarantee scheme which is designed to encourage landlords to rent their accommodation to clients in housing need and address the increase in numbers awaiting suitable housing in the borough.		

1. Key issues

- 1.1 Spelthorne continues to face a series of challenges in response to housing demand and the prevention of homelessness. This is one of the most important issues currently facing the Council. Spelthorne is surrounded by 3 London Boroughs that have extensive problems with homelessness and housing need.
- 1.2 London Boroughs have recently been using incentives such as one off payments (£5,000) to persuade private landlords in Spelthorne to house their tenants making it more difficult for our clients to secure local housing. We are currently aware that Ealing, Brent, Westminster, Hounslow and Harrow have placed families in private rented accommodation in Spelthorne.
- 1.3 Accessing the housing market in Spelthorne is challenging and affordability is an issue. Demand for private sector rented properties in the area is high and the Local Housing Allowance (LHA) has been set for the next 4 years making it increasingly difficult for families on low income to move into this sector. LHA for a 2 bedroomed property is currently £960.79 per month whereas the average market rent for a similar property is £1200, demonstrating an immediate shortfall of £240per month.
- 1.4 The uncertainty of Welfare Reform causes alarm for private landlords. The introduction of Universal Credit where the full amount of benefits including the housing element will be paid directly to the tenant is of particular concern. The introduction and further tightening of the Benefit Cap (now reducing to £20k per annum for non-London areas) further complicates affordability for low income families.

- 1.5 Currently there are 1598 households on the Council's housing register. To be eligible for the Housing Register you have to have a local connection with Spelthorne and a limited income. Often applying for council assistance for housing is the only option to these clients. This is further complicated by the fact that Spelthorne Council does not have their own housing stock; therefore it is completely reliant on Registered Social Landlords such as A2Dominion.

Breakdown of numbers on the Councils Housing Register

	No.
1 bed need	721
2 bed need	661
3 bed need	182
4 bed need	34
Total	1598

- 1.6 Social Housing allocation numbers over the last three years.

	2013 / 2014	2014 / 2015	2015 / 2016
1 bedroom	107	102	92
2 bedroom	78	68	94
3 bedroom	28	33	50
4 bedroom	3	6	3
Total	216	209	239*

*It should be noted that the allocation of social housing for 15/16 increased due to the availability of new build accommodation. **130 of the 239** units let in 15/16 were new build, leaving only **109** allocations from existing stock. The expectation of new build for 2016/17 is only **40** units, and with the decrease in the availability of established social housing stock, the future is concerning.

- 1.7 In 2015 more than 1,300 households approached Spelthorne's Housing Option Team for advice on homelessness and prevention. Effective prevention is essential to reducing the statutory responsibility of assisting households in immediate housing need. The current Rent Bond scheme was designed to assist this duty.
- 1.8 Under the Housing Act 1996 Part VII the council has a legal responsibility to provide suitable accommodation to clients who present as homeless and are considered to be in priority need under the legislation. This legal responsibility can now be discharged in the private sector by securing private tenancies. Due to the lack of social housing available access to the private rented sector is becoming more essential. (Please **see Appendix 1 for flow chart of client's journey**).

- 1.9 There are currently 74 families in bed and breakfast (B&B), but this figure has been as high as 104 (Aug 2015). B&B is not a long term acceptable alternative to a stable home. Currently accommodation is provided in Spelthorne, Windsor, Croydon, Wembley and Hounslow. Placing 'out of borough' adds further complication. Not only does it reduce the support available from any near-by family members and friends but it also hampers the Council because it has ongoing duties towards these families which have to be met, such as: complying with our responsibilities to assist with child protection monitoring, mental health support and monitoring of vulnerable adults. These are all more difficult for the Council when we have to move families out of the local area.
- 1.10 The cost of providing (B&B) in 2015/16 will be circa £465,000 net (£6,000 per family per year). As stated previously the demand for B&B depends in part on the number of new affordable units coming on line and private rental availability. The number of families requiring this type of accommodation will increase in future years due to limited new social housing supply, cost of the private rental market, market demand and Welfare Reform.
- 1.11 As dealing with homeless clients is a demand lead statutory duty it is difficult to predict accurately the numbers and budgets for future years. Therefore we rely on previous data, knowledge of upcoming challenges and officer experience.
- 1.12 There is an overspend which correlates to the numbers of households in B&B accommodation over the year. Household numbers rose from 81 to 108 in the 3 months from 30/4/2015 until 31/7/2015 and has since reduced to 73 at the 28/2/2016. The budgets for 2015/16 was £265,200 net, an increase of £94,000 from the previous year, however due to the demand for B&B there is also a projected overspend of £183K net. The budget for 2016/17 has been increased to £465,200

B&B projected spend 2015/16

Month End	30/4/2015	31/7/2015	31/10/15	28/2/2016	31/3/16
No. of Households	81	108	97	73	76
Expense	£1,443,172	£1,807,967	£1,668,707	£1,517,205	£1,557,019
Income	£993,496	£1,240,668	£1,146,811	£1,069,219	£1,072,769
Net Expenditure	£449,676	£567,299	£521,896	£447,986	£484,249
Forecast Overspend	£184,476	£302,099	£256,697	£182,786	£219,050

- 1.13 SBC accommodates homeless households in 2 main categories
- (a) Those accommodated pending homeless enquiries (who may need full rehousing)

- (b) Those for whom SBC has accepted a rehousing duty – these must be accommodated in B&B or temporary accommodation until longer term housing is provided.

	2013/14	2014/15	2015/16 (projected)
Total Homeless acceptances	89	130	120
Total subject to a rehousing duty at 31/1 and provided TA by SBC	95	113	113
Total duty discharges (mostly via permanent social housing)	49	82	115

2. Options analysis and proposal

2.1 The Council needs to improve on the current options available to prevent homelessness. The Rent Bond Scheme whilst achieving its initial aim, now requires updating. Substantial research has been carried out to identify good practice amongst other Boroughs however competition between with neighbouring London Authorities has meant a strong attractive offer needs to be proposed to ensure the uptake needed is achieved.

2.2 Current Rent Bond Scheme.

- Financial help to households is offered which ensures the first month's rent is paid in advance
- The Council guarantees a month's deposit for a 12 month period.
- Management support to the landlord and tenant
- Housing benefits applications are managed and treated as a priority by the Council.

This scheme has been relatively successful but as statistics now show, the current scheme needs updating. (Current budget £34,700)

	Private rented tenancies secured under the Rent Bond Scheme
2012/13	46
2013/14	41
2014/15	38
2015/16	22

2.3 Proposed Landlord Rent Guarantee Scheme

The proposed scheme is similar to one in operation in a Local Unitary Council. It will be publicised to landlords as follows:

- A free scheme for landlords of 2 bed properties who will work with clients nominated by Spelthorne Borough Council.
- Suitable for landlords with properties meeting the decent homes standard with Health and Safety and all relevant certification in place. (Prior to acceptance on the scheme the Council will carry out a basic health and safety inspection on the rental property)
- Covers a maximum of a 2 year period with rent paid by the Council directly to the landlord, monthly in advance into a nominated bank account
- **Rent would be paid at the local market rate.**
- A guaranteed 6 week rent bond will be available to cover possible damage (not acceptable wear and tear).
- The Council will arrange viewings for verified potential tenants. These will be arranged at a time to suit the landlord who will make a reasonable choice of tenant.
- In return, Landlords will be expected to manage their own properties and tenancies directly, however the Council will :
 - Provide an opening and closing of tenancy video inventories. A copy will be available for the landlord and the tenant.
 - Free tenancy agreements
 - Carry out periodic inspections of the property during the tenancy with feedback given to the landlord.
 - Provide ongoing support for the tenant and the landlord over the term of the tenancy
- A Tenant Advice service is available to support all tenants of the scheme.
- All prospective occupiers will complete a tenancy sustainment course before signing a tenancy agreement.
- Landlords will have access to regular landlord forums, newsletters and other networking opportunities through the Council.

2.4 The major difference in the proposed scheme is the payment of market rent direct to the landlord by the Council. The Council will then take on the responsibility of collecting the rent directly from the tenants. Whilst this will be very attractive to the landlords there will be a financial risk to the Council.

2.5 Due to the nature of the scheme and the uncertainty of uptake, it will be kept under review of the first 6-12 months of operation.

Risks

- 2.6 Currently we do not have an appropriate rent management /collection IT system. A growth bid was submitted and a capital provision of £65k was approved for 2016-17 so that this issue is currently being addressed. Although it is unlikely we will have the rent management system in place by the start of the scheme, it will be up and running within the first few months.
- 2.7 If a landlord does not receive rent from the tenant they are vulnerable to eviction. However if the Council is paying the landlord direct, it is not as straight forward to evict as there will not be any arrears should non-payment of rent back to the Council be an issue. Legal Services are currently producing agreements to ensure that the landlords approved for the scheme will take appropriate action and serve the relevant notices if the tenant fails to pay. A prudent 10% bad debt calculation has also been included in the business case due to the perceived risk.
- 2.8 The Council cannot be accepted as an 'approved landlord' for Universal Credit purposes as it will not be the landlord. Therefore the risk increases in reference to being able to collect rent from tenants on low income when Universal Credit is fully introduced. Claimants will receive all their benefits in one lump sum in their bank accounts monthly.
- 2.9 In reference to staff resourcing this scheme, a growth bid was approved for an Environmental Health Officer/technical officer who will not only undertake inspections to Bed and Breakfasts but also inspect the properties introduced into the scheme.
- 2.10 The business case for the scheme has also included new staffing resource for rent collection and management of the scheme when the numbers increase. There is a risk due to the difficulty in recruitment of staff, however this will be managed at the time if need be.
- 2.11 Counsels' advice has been taken in reference to the culpability of the Council in reference to this scheme. Legal Services and Housing Officers are satisfied that the risk is slight.
- 2.12 It should be noted that the budget for Discretionary Housing Benefits Payments (DHP) has been increased to £300,000 net for 2016/17. This is to ensure that vulnerable households who are affected by the Benefit Cap and the increasing rental demands (social and private) of the area have an opportunity of applying for this discretionary payment. This budget can be used to complement the rent guarantee scheme if necessary.
- 2.13 A review of the current scheme in the Unitary Council has highlighted the need to pay market rent to attract private landlords. Their uptake has been disappointing due to their choice to pay LHA rather than market rent.
- 2.14 Both the portfolio holder (Councillor Pinkerton) and the Leader (Councillor Harvey) have been involved in the design of the scheme and have strong views on having to pay landlords market rent to attract the uptake needed to address demand.

3. Financial implications

- 3.1 One of the greatest risks to the success of the Rent Guarantee Scheme is financial. Extensive work has been carried out with the assistance of the

Accountancy team to identify the financial business case and associated risks.

- 3.2 The table below identifies that the savings which can be achieved are directly linked to the number of tenancies obtained. However the social costs of housing homeless clients in bed and breakfast often outside the borough cannot be underestimated and this scheme will assist in addressing some of those issues.

Comparison of current B&B approach with proposed scheme

Forecast costs	Yr 1	Yr 2	Yr 3
1 bedroom households	0	0	15
2 bedroom households	10	30	40
3 bedroom households	0	0	10
4 bedroom households	0	0	5
Forecast no of households	10	30	70
B&B Costs			
Avg B&B cost	177,486	532,459	1,324,261
Avg Income	- 123,328	- 369,985	- 845,666
Bad debt provision @5%	6,166	18,499	42,283
Net cost to SBC	60,324	180,973	520,878
Market Rent Costs			
Rent paid (Avg)	144,000	432,000	987,000
LHA Income	- 115,295	- 345,884	- 839,793
Bad debt provision @10%	11,529	34,588	83,979
Salary costs (2 posts)	21,750	43,500	43,500
Net cost to SBC	61,985	164,204	274,686
Cost / (saving) vs B&B	1,660	- 16,769	- 246,192
Notes			
Transitional costs estimated at £25,900			
Bad debt provisions have been calculated at 5% for B&B and 10% for the Guaranteed rent scheme			
Salary costs are for 2 posts @ 18 hours, (6 months in year 1)			

The basis for the projected numbers across years 1 to 3 are targets and used to illustrate the potential cost savings associated with the scheme.

- 3.3 An allowance has been identified for those landlords currently on the existing scheme to transfer over to the new rent guarantee scheme once the existing tenancies expire.
- 3.4 Bad debt provision has been calculated at a prudent 10% for this scheme due to past experiences and the risk and the uncertainty of the impact of Universal Credit to the Council. However, the introduction of a rent (and debt) management system and the creation of a half post (which is one of the above 2 posts) will the Head of Customer Services to manage the bad debt effectively. ..
- 3.5 If approved this scheme will be funded out of the existing bed and breakfast budget of £465,200 however this budget may need to be supplemented later in the year if bed and breakfast occupancy increases

4. Other considerations

- 4.1 The approach to the prevention of homelessness has to be multifaceted due to the changing legislative requirements, changes in welfare reform, uncertain demands and very importantly individual needs.

- 4.2 The new Landlord Rent Guarantee scheme is only one of a number of initiatives currently being considered. This scheme should complement possible new initiatives such as the purchase of suitable accommodation for affordable housing, and bed and breakfast. By accessing the private sector to discharge the Council's duty, responsibility is being shared across all sectors of the rental market.
- 4.3 It should be noted that Central Government is encouraging Registered Social Landlords to increase their rental charges to reflect market rent, therefore reducing the difference between the two sectors.
- 4.4 A Landlord survey has been undertaken by the Housing Team to establish the profile of landlords who own or rent out properties in Spelthorne. This survey will also address the appetite of the landlords towards the new scheme and their wiliness to participate. As an incentive to complete the survey, landlords entered into a prize draw for £100 John Lewis Vouchers. A high level summary of the results can be seen in appendix 2. The full report will be published on the Councils website by the end of June.

5. Timetable for implementation

- 5.1 The proposed Rent Guarantee Scheme was introduced at the Landlord Forum on the 26 April 2016. General feedback on the scheme from attendees was very positive and has resulted in a number of expressions of interest to date.
- 5.2 It is envisaged that the scheme will commence operationally from 1 September 2016 with staff and the operational infrastructure in place by that time.

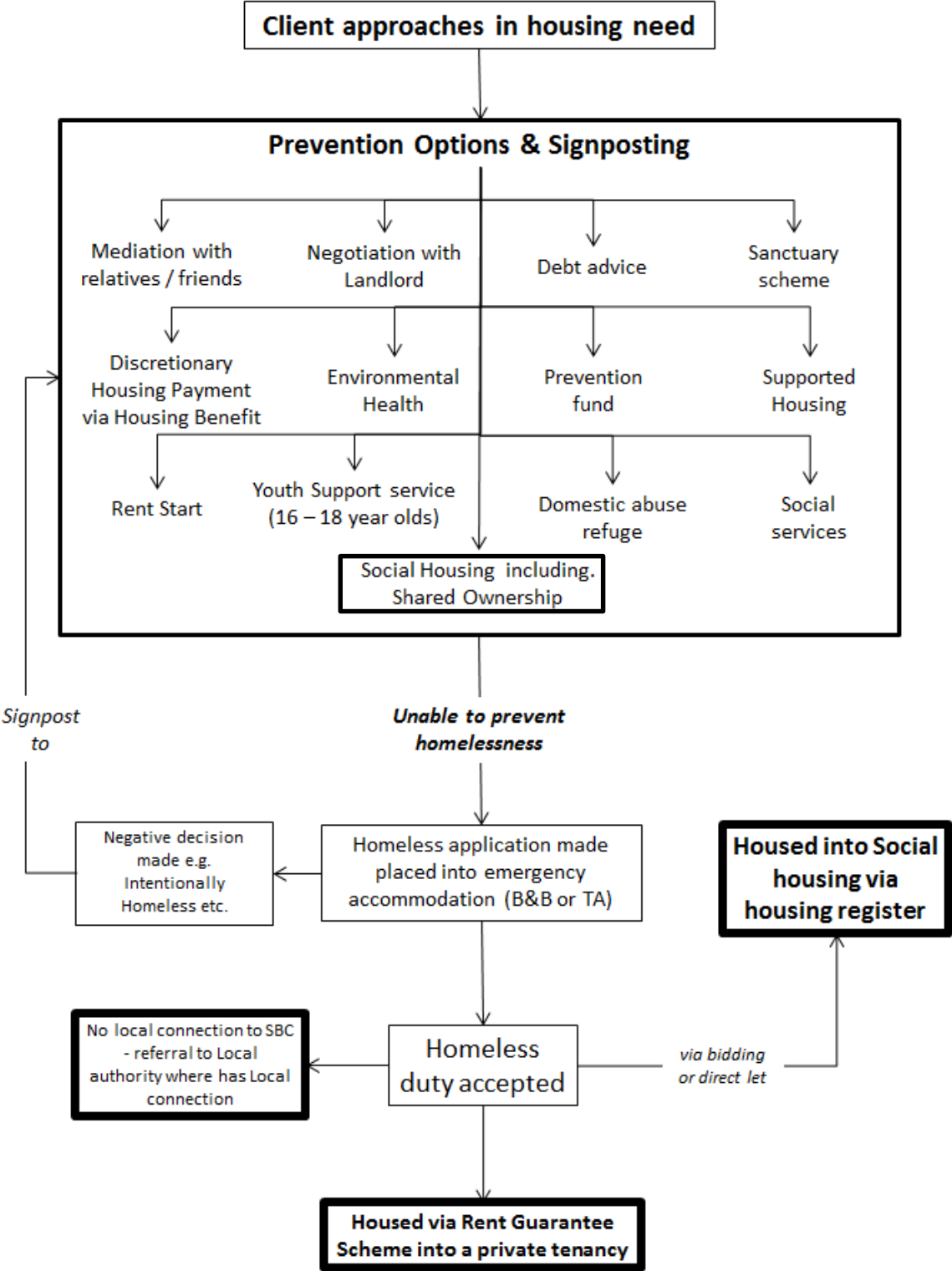
Landlord Forum - Scheme introduction	26 April 2016
Cabinet approval	22 June 2016
Additional Scheme marketing – Spelthorne Business Forum	April – September 2016
Landlords expression of interest	April 2016 onwards
Staff recruitment	July 2016 onwards
Scheme Launch	September 2016
Rent Management system	December 2016

Background papers: None

Appendices:

Appendix 1 – Housing pathways including the role of the Private Rented Sector.

Appendix 2 – Highlights from the Spelthorne Borough Landlord survey



Highlights from the Spelthorne Borough Landlord Survey

May 2016

Alongside the invitations to the Landlord Forum in April 2016, the Council sent a survey to landlords. The aim of the survey was to understand our landlord's plans, experiences and attitude towards doing business with the Council, particularly around the proposed Landlord Rent Guarantee Scheme. 43 surveys were completed, allowing us to draw some interesting conclusions around the three areas identified in the survey, namely:

- Information about our landlords
- Information on their tenants and how they perceive them
- How our landlords perceive the Council and what experiences they have had in working with us.

The full report will be completed and published on the private landlords pages on the Council's website in June. Highlights of the responses include:

1. Landlord Information section

- 58% of landlords provide self-contained flats.
- 40% of properties they own are 2 bedrooms.
- 67% of landlords own all of their rented properties within the Borough.
- 71% of landlords are not members of a Landlord Association, over half of these asked to receive more information on the benefits of membership.
- 38% of the landlords have been renting their property/properties out for over 10 years, 7% of which have been renting for over 21 years.
- Just under half of those that responded would prefer to be contacted in the future by email rather than other methods.

2. Tenant Information section

- The ideal preference for landlords when looking at potential tenants was that they were a professional.
- 28% of landlords have experienced problems with non-payment of rent.
- 81% of tenants renting are currently claiming Housing Benefit.
- Just over half of the landlords charge full market rent to their tenants.

- The majority of landlords were very interested in the incentive of market rent paid by the Council, with many also being very interested in the current rent deposit scheme.
- A number would still not consider letting their property to someone referred by the Council.

3. Council Information section

- 61% of landlords are fairly satisfied with our Housing Benefits service.
- 81% would consider working with the Council in the future.
- Over half of the Landlords would like to be contacted about the proposed Rent Guarantee Scheme with 28% who would like to be contacted on the Rent Deposit Scheme.
- Of the Landlords that have used the Rent Bond Scheme run by Spelthorne, 83% were satisfied with the scheme.
- Positives identified around our Housing Benefit service:
 - Generally the service is efficient when compared to other Boroughs.
 - Prompt payment and regular notification of changes in support
 - A dedicated officer to assist through letting process and continue as a link between Landlord and Tenant.
 - Everything happens correctly and on time.
- Negatives of Housing Benefit Service
 - Payments in arrears and paid every four weeks makes more work, calculating money.
 - Rent is not always paid on time due to changes in Housing Benefits for tenants.
 - Paid weekly not monthly so not easy to tally. Discretionary payments come and go.
 - The lack of notice of stopping Benefits.
- Suggestions received on how to improve our service included:
 - The Council need to encourage tenants to work with landlords and pay rent due. "I found that the Council has encouraged people to wait until they enter the Court process before vacation even though they have not paid rent."
 - The landlord should remain immune to the tenants changing circumstances.
 - Offering affordable contacts to fix damage or to maintain properties would be an incentive.
 - Pay monthly in line with the tenancy agreement.