

# Community Wellbeing & Housing



14 March 2023 (Briefing Pack Distribution Date)

<b>Title</b>	Landlord Engagement and Incentives
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Steph Green, Assistant Strategic Housing Lead
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Corporate Priority</b>	Community, Affordable Housing and Service Delivery
<b>Recommendations</b>	<b>Committee is asked to:</b> Note the current efforts to engage landlords with incentives to prevent homelessness and rough sleeping.
<b>Reason for Recommendation</b>	Not Applicable (report is to note only).

## 1. Summary of the report

- 1.1 This briefing report highlights the current incentives offered to engage private rented sector landlords for the purposes of homelessness prevention and relief. This briefing is in response to the Councillors request for details of landlord incentives provided to source properties and to the suggestion for us to consider paying rents above the market value to attract more landlords.

## 2. Key issues

- 2.1 As of 31<sup>st</sup> January 2023, Spelthorne Borough Council (SBC) is assisting 125 households in emergency and temporary accommodation. SBC is also supporting 128 Afghan refugees (24 families) in the Spelthorne bridging hotel.
- 2.2 To prevent and relieve homelessness, SBC are engaging landlords through various incentives in return for housing an applicant who is or would otherwise become homeless (section 3 details how the following are all funded). These incentives include:
- (a) Homelessness Prevention Fund – This funding is used to support residents with rent in advance, deposits and rental payment support. Payments are issued as either grants or loans depending on the client's capacity to afford a repayment plan.
  - (b) Spelthorne Rent Assure (SRA) Scheme – SBC guarantee to pay landlords a fair market rent, monthly in advance, for up to 2 years. Ongoing support is offered to both the landlord and tenant for the duration of the tenancy. Other benefits include:
    - i) 1 month's rent paid directly in advance;

- ii) 5 week's repair bond guarantee for end of tenancy repairs beyond fair wear and tear;
- iii) Free tenancy agreements provided (including right-to-rent checks);
- iv) Property viewings arranged;
- v) Free inventory service provided by a professional company;
- vi) Tenancy training for the tenants;
- vii) A completely free service – no agency fees.

Recent internal research has highlighted that our SRA scheme is still a generous and attractive scheme for landlords compared to neighbouring boroughs and that we are one of the only boroughs to offer fair market rent whereas others cap rents at the Local Housing Allowance (LHA) rates.

- 2.3 Due to the cost-of-living crisis and increased interest rates, many landlords are choosing to sell their properties, thus reducing the number of available properties available to let. Whilst there is a supply shortage in the current market, SBC are increasing its marketing efforts to attract landlords. For example, SBC launched its first landlord newsletter in December 2021 which contained key housing and environmental health updates as well as advertising the SRA scheme and incentives Spelthorne RentStart charity have to offer. The SRA team are also planning to host a landlord forum within the next 6 months to build rapport with landlords and advertise the scheme and incentives available. SBC's Communications team have also advertised the SRA scheme in the Winter and Spring bulletin and have launched an online campaign to digitally target local landlords.
- 2.4 In addition to supporting general homeless applicants, Spelthorne has the added pressure of supporting refugees arriving locally under various schemes including Homes for Ukraine, Ukraine Family Scheme, Afghan Citizens Resettlement Scheme (ACRS) and Afghan Relocation Assistance Policy (ARAP).
- 2.4.1 Under Homes for Ukraine, SBC are supporting sponsors and guests by issuing £600 monthly thank you payments. The North East Surrey Family Support Team are holding weekly drop-in sessions at the Ashford Youth hub to provide information and an opportunity for peer support.
- 2.4.2 Under ACRS/ARAP, SBC pledged to support up to 8 families into privately rented housing (this figure has now increased to 12, see 2.4.3). The Home Office have also introduced a 'Find Your Own' (FYO) pathway for Afghans to support them in finding privately rented accommodation. Local authorities are able to support Afghan households with deposits and rent in advance and then claim back from the Home Office. The SRA scheme is also available to landlords housing refugees where a guarantor is required. The council have recently been assisting several Afghan families into privately rented accommodation by paying for 12 months rent in advance and setting up a contract with the tenant to repay the rent in monthly instalments up to the LHA rate. SBC is then subsidising the rent shortfall via Home Office funding. SBC have also explored options with organisations who specialise in finding privately rented accommodation for refugee families and are continuing to look for opportunities. Despite the challenges, SBC have successfully housed

4 families so far (towards the pledge of 12) and a further 3 families are pending moves via the FYO pathway.

- 2.4.3 Furthermore, the Government recently announced the 'Local Authority Housing Fund' (LAHF) for the acquisition of properties for refugees. A condition of accessing this funding is for Councils to increase their refugee support pledges. Consequently, SBC sought participation and to increase the ACRS/ARAP pledge from 8 to 12 at the February Corporate Policy and Resources Committee (due to deadline pressure), which was approved. The LAHF suggested allocation for Spelthorne is £960,400 towards purchasing 7 x 1-3 bedroom properties to support refugees across the various schemes (both Ukrainian and Afghan) plus £298,674 towards purchasing 1 x 4+ bedroom property, specifically for an Afghan family in the Spelthorne bridging hotel. Initially, the properties will be used for the immediate need of refugees but can later be repurposed to house our general cohort of homeless applicants. Local authorities are also able to register their interest in purchasing more properties should other councils opt out of their allocation. SBC is looking to register an interest in purchasing up to 10 properties (including the existing allocation) which will be managed by Knowle Green Estates.

### **3. Options analysis and proposal**

- 3.1 None – report is to note only.

### **4. Financial implications**

- 4.1 The Homelessness Prevention Fund is an annual grant allocated by the Department for Levelling Up, Housing and Communities (DLUHC) to support local authorities with delivering services to prevent and tackle homelessness. For 2022/23, SBC were awarded £604,513 plus a top-up of £97,502 made in Dec 2022.
- 4.2 The SRA scheme is largely self-funded as the rents are collected from the tenant up to the LHA rate. Any top-up of rent between LHA and the fair market rent agreed is covered by Council budget. This is cheaper than placing an applicant into emergency accommodation, which on average, costs the Council approximately £6,500 per annum to accommodate 1 homeless household. Where the SRA scheme is used to support refugees into accommodation, the top-up is funded by the Home Office through the allocated ACRS/ARAP funding detailed further below.
- 4.3 The various refugee schemes that provide financial assistance are funded by the Home Office / DLUHC. Details for each scheme are outlined below:
- 4.3.1 The government is providing funding at a rate of £10,500 per person to councils to enable them to provide integration support to families under Homes for Ukraine. The government is also providing funding for councils to administer sponsor thank you payments of £500 per sponsoring household per month (Surrey authorities are issuing £600 per month until March 2024 to cover increased cost-of-living expenses by using the Home Office funding). Surrey County Council receive an allocation from central government who then redistribute a proportion of £3,975 per guest to each borough and district; plus £1,050 per guest is held by Surrey for a homelessness contingency.
- 4.3.2 For ARAP/ACRS placements, SBC may claim funding for the first year following a successful placement and commencement of the provision of support under the scheme and for subsequent years until the end of the third

year. SBC receive funding for the Afghan refugees retrospectively on a claims basis, so SBC are only receiving funds to reimburse for expenditure which has been incurred. On the day that SBC commences the provision of support, 40% grant funding can be claimed with the remainder to be paid in equal instalments in months four and eight.

The funding instructions for 2022/23 are as follows:

- £10,500 per person for the first year (with separate additional funding for education of £4,500 per child and £850 per adult and separate additional funding of £2,600 per person towards health costs).
- £6,000 per person for the second year.
- £4,020 per person for the third year.

However, the funding for ACRS/ARAP is only available for 3 years from the family's arrival date. Many families have been in the bridging hotel for over a year now, so there is approximately 18 months funding support left that we can offer them. Therefore, the support package is not as generous for new arrivals as it is effectively halved.

- 4.3.3 As more families use the FYO pathway, local authorities who can provide integration support for these families can use the above funding flexibly to help assist families with move-on. ARAP/ACRS integration support funding can be used to help with start-up costs to procure accommodation in the private rented sector. This may include deposits, landlord incentives, letting fees and necessary furnishings. SBC can flexibly allocate funding within the tariff for move-on options but will be expected to provide full integration support for 36 months. If SBC choose to provide only the deposit and initial rent without further support, this must come from other monies outside the funding e.g. Homelessness Prevention Fund.
- 4.3.4 Furthermore, ACRS/ARAP funding is used to fund 4 support workers and a manager within the North East Surrey Family Support Team to assist refugees with move-on from the bridging hotel and towards 1 housing officer to administer the scheme. The funding also covers staff travel and equipment expenses.
- 4.3.5 LAHF allocations are part-funded by DLUHC, however there is an expectation for councils to part-fund any provision of affordable housing. For the initial 7 x 1-3 bedroom units, DLUHC funding equates to approximately 40% of total capital costs (average £117,200 grant per property) plus £20,000 per property. For the 1 x 4+bedroom property, DLUHC funding equates to 50% of total capital costs (£278,674) plus £20,000 per property. 30% of the funding provided by DLUHC will be paid in Q4 2022/23 and 70% in 2023/24 (the 2023/24 funding is paid once the local authority has spent 60% of their 2022/23 funding. A separate paper was submitted to the February Corporate Policy and Resources Committee meeting who approved SBC's participation in LAHF. SBC's funding proportion will be acquired from the Street Property Acquisition budget.

## **5. Risk considerations**

- 5.1 The main risk could be an imbalance of incentives offered to landlords to support the various cohorts of homeless clients. To prevent this, SBC must maintain a fairness in the incentives offered to ensure landlords can be

utilised to support all homeless families and not just those where more generous incentives are offered. Furthermore, under the ACRS/ARAP pledge, SBC are on course to deliver an agreed pledge of 12 to the government, thus SBC do not currently need to implement additional measures to attract landlords. Where any tenancy may be at risk of failing, SBC will negotiate with the landlord in the first instance to prevent homelessness by utilising the Homelessness Prevention Fund.

- 5.2 Placements must also be sustainable in the long-term for households. It is estimated that anything above 30-40% of household income in rent payment is unaffordable. Based on average earnings and rents in Spelthorne, most rented properties are not affordable to those on low-average incomes. Table 1 provides an indication of lower quartile rents in Spelthorne.

	Lower Quartile rent, pcm (Sept 2022)
Room only	£625
Studio	£795
1-bedroom	£925
2-bedrooms	£1,150
3-bedrooms	£1,350
4-bedrooms	£1,600
All properties	£995

Table 1: Lower quartile rents in Spelthorne. Source: Office for National Statistics

To supplement Table 1, internal research provides an indication of the actual rental property prices by type at the lower end of the market in October 2022.

Property type	Location	Market rent pcm
2 bedroom maisonette	Ashford	£1,300
1 bedroom flat	Ashford	£950
2 bedroom flat	Staines	£1,250
1 bedroom flat	Ashford	£950
1 bedroom flat	Ashford	£950
1 bedroom flat	Ashford	£950
1 bedroom flat	Ashford	£950
1 bedroom flat	Staines	£950
3 bedroom maisonette	Staines	£1,600
3 bedroom end of terrace	Ashford	£1,600

Table 2: Market and Affordable Rents in Spelthorne. Source: Zoopla and Rightmove

Strategic Planning use the Strategic Housing Market Assessment to get a figure of 35% as a guide as to the proportion of income spent on housing considered to be reasonable. The table below provides an indication of the affordability thresholds and income levels considered appropriate. The table does not provide data above 40% as this is considered to be the maximum proportion of income on housing that can be considered affordable. Increased cost of living should also be factored on top of this.

Table 1: Suggested income thresholds for different levels of housing cost

Housing cost (£ per month)	% of income	Income threshold (pa)
£400	25.0%	£19,200
£600	29.2%	£24,686
£800	32.5%	£29,538
£1,000	35.2%	£34,065
£1,200	37.5%	£38,400
£1,400	39.4%	£42,615
£1,467	40.0%	£44,010

Based on the 2021 Census data, residents in Spelthorne earn an average wage of £630 per week (£32,760 per annum) for full-time employees.

Therefore, incentives offered and rent levels agreed must be reasonable to prevent a future homeless application approach.

- 5.3 New refugee arrivals to the UK may not initially have a high prospect of earnings, thus any rent above the market value after the funding ends could become unaffordable. This would increase the risk of them being threatened with homelessness and add to our existing housing pressure. The Council would also be required to cover any associated interim emergency accommodation costs, which as previously noted, can cost as much as £6,500 per household per annum. Therefore, rent levels negotiated must be reasonable to prevent/minimise a further homelessness approach to SBC.

## 6. Procurement considerations

- 6.1 Not applicable.

## 7. Legal considerations

- 7.1 Legal contracts have already been agreed and in place for the SRA Scheme for several years. There are also contracts in place where any loan's offered under the Homelessness Prevention Fund are returned through an agreed repayment plan.

## 8. Other considerations

- 8.1 None identified.

## 9. Equality and Diversity

- 9.1 This is a briefing report with no decision required so an equality impact assessment has not been completed.

## 10. Sustainability/Climate Change Implications

- 10.1 None identified.

## 11. Timetable for implementation

- 11.1 Not applicable.

## 12. Contact

- 12.1 [HousingStrategy@spelthorne.gov.uk](mailto:HousingStrategy@spelthorne.gov.uk)

**Background papers:** None.

**Appendices:** None.