



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

**Finance, Economic Development and
Corporate Services Overview and
Scrutiny Committee**

3 December 2021

Report of: Councillor Robert Reid
Cabinet Member for Housing and
Property



Rent Guarantee Scheme

In common with most local authorities, the Council faces a significant challenge and financial risk in ensuring it meets its statutory duties to residents in relation to homelessness. This report seeks to provide Committee with a summary of issues in the context of homelessness within the district, with a focus on the Private Rented Sector and Rent Guarantee Schemes.

Report Author

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Corporate Priority:	Decision type:	Wards:
Housing that meets the needs of all residents	N/A	All Wards
Reviewed by:	Craig Spence (Assistant Director of Housing)	15 November 2021
Approved by:	Andrew Cotton (Director for Housing and Property)	15 November 2021
Signed off by:	Councillor Robert Reid (Cabinet Member for Housing and Property)	23 November 2021

Recommendation (s) to the decision maker (s)

It is recommended that Committee:

- Notes the contents of the report in terms of current homelessness issues within South Kesteven.**
- Recommends further work to research the risks and benefits of local authority rent guarantee schemes.**

1 Homelessness Issues

1.1 In common with most stock-retained local authorities, South Kesteven District Council cannot meet the housing demand within the district solely within its own housing stock, or in combination with the social housing stock of other registered providers within the district. This is of importance given the Council's duties under the relevant homelessness legislation to provide accommodation and to discharge its homelessness prevention duties, most significantly the Housing Act 1996 and the Homelessness Reduction Act 2017

	April - October 2021	2020/21	2019/20
No. homeless cases presenting	969	1445	1458
No. homeless cases with a full duty (duty owed by a local authority to someone who is homeless, eligible, has a priority need and is not intentionally homeless)	71	95	113

1.2 In terms of the causes of homelessness, the top three reasons for the periods in the table at 1.2 are given below.

	April - October 2021	2020/21	2019/20
Top three reasons for homelessness (as a percentage of total presentations)	Family no longer willing to accommodate – 19.84%	Family no longer willing to accommodate – 20.2%	Family no longer willing to accommodate – 20%
	End of Private rented tenancy – 19.27%	Non-violent breakdown with partner – 16.66%	End of Private rented tenancy – 16.41%
	Non-violent breakdown with partner – 15.55%	Domestic Abuse – 13.6%	Non-violent breakdown with partner – 15.05%

1.3 Committee will of course note the impact of the Covid 19 pandemic in terms of the rented sector - the Coronavirus Act 2020 provided protection to social and private tenants by delaying when landlords can evict tenants. The provisions in the Act increased the notice periods landlords were required to provide to tenants when seeking possession of a residential property between 26 March 2020 and 30 September 2021. Between 1 June 2021 and 30 September 2021, notice periods were required to be at least four months except in the most serious cases such as egregious rent arrears or anti-social behaviour. From 1 October 2021, all notice periods returned to the pre-pandemic position. This means the minimum period of notice which must be given under section 21 (the most common notice in the Private Rented Sector) is two months. Legislation preventing bailiff enforcement of evictions has also now expired. This measure was in place from 17 November 2020 until 31 May 2021.

2 Private Rented Sector (PRS)

2.1 It may be helpful to provide some detail in terms of the homelessness presentations from applicants in the PRS:

	April - October 2021	2020/21	2019/20
No. homeless cases from PRS	216	177	247
No. homeless cases PRS where homelessness prevented, or relief duty met	11	11	47
No. homeless cases duty satisfied by accommodating PRS (note: this requires a 12-month tenancy)	0	2	5

Section 21 Notice

2.2 Section 21 enables private landlords to repossess their properties from assured shorthold tenants without having to establish fault on the part of the tenant: the ‘no-fault’ ground for eviction. In April 2019, the Government announced: “*Private landlords will no longer be able to evict tenants from their homes at short notice and without good reason.*” This was followed by a consultation process which ran between July and October 2019; the consultation paper proposed the abolition of section 21. The 2021 Queen’s Speech announced an intention to publish the Government response to the 2019 consultation exercise and provide more details “later this year”.

2.3 The Council’s Housing Options team works closely with applicants from the PRS, including checks on the validity of the section 21 notice, and liaises closely with private sector landlords to seek to either resolve any issues so that the notice will not be acted on and the tenancy continues, or negotiates to extend the tenant’s period of occupation so alternative accommodation can be found, thus preventing the need for legal action with associated delays and costs.

Use of Private Rented Sector to alleviate homelessness

2.4 The Localism Act 2011 provides a power to local authorities to discharge their homelessness duties into private sector rented accommodation. Changes to the welfare benefits system, including Local Housing Allowance (currently capped at £132 per week in the district) and the introduction of Universal Credit (which has payment delays associated with claiming the benefit) has led to many private landlords being reluctant to take homeless households and other referrals from Councils. This is because these clients are felt to represent a risk of failing to meet rent payments on a regular basis.

2.5 Committee will note the low numbers of applicants rehoused into the PRS on the table at 2.1, from around 4.5% of households where a full homelessness duty was owed in 2019/20 to none so far in this financial year.

2.6 With that context, this report will seek to provide some high-level information on current and planned initiatives that seek to address these challenges.

3 Current initiatives

Temporary Accommodation

- 3.1 As a stock-retained authority, the Council has the advantage of being able to provide temporary accommodation within its own housing stock; currently 57 units of self-contained accommodation are used in this way. This accommodation is far preferable than using expensive hotels/B&Bs or other private sector options, and it is positive to note that the average length of stay in temporary accommodation has fallen from 101 days in 2019/20 to 68 days (2021/22 year to date).

Nomination rights into the PRS

- 3.2 The Council has used £2500 of its Flexible Homelessness Support Grant to partly fund the refurbishment and licencing of a House in Multiple Occupation in Grantham. In return, the landlord agreed to give the Council 100% nomination rights to the property, both the first five tenants and then any other tenant when a vacancy arises, so any household owed a homeless duty can be considered. This nomination agreement is defined through a contract provided by Legal Services Lincolnshire, to protect the Council's investment. Should the landlord give notice during the term of the contract, there is a sliding scale to recover the Council's costs.

Rent Deposit Scheme

- 3.3 The Council offers a private rental deposit and rent in advance scheme. This seeks to support residents who may be able to afford a private sector rent but lack the ability to raise the required deposit. The Council offers a loan to those assessed as being in housing need for:

- up to one month's rent in advance; and
- the equivalent of one month's worth of rent to pay a deposit.

- 3.4 This has supported applicants as follows:

	April - October 2021	2020/21	2019/20
Rent Deposit - no. of households assisted	11 – Rent Deposit Scheme	29 – Rent deposit Scheme	23 – Rent Deposit Scheme
Rent Deposit - value of deposits provided	£8,261 – Rent Deposit Scheme	£18,588 – Rent Deposit Scheme	£21,836 – Rent Deposit Scheme

Help2Rent scheme

- 3.5 Reflecting the high demand for PRS accommodation in the district, there are difficulties in respect of nominating homeless applicants into private rented accommodation. Landlords may seek additional guarantees, such as rent and property damage payment guarantees, from local councils.

- 3.6 Committee will be aware that, in May 2021, Cabinet approved a 12-month pilot scheme of the Help2Rent company insurance policies to cover private rental sector rent arrears and property damage liability on the following basis:

- for a pilot period of no more than 12 months during 2021/22;

- that no more than 50 client referrals are made with a maximum expenditure of £29,200; and
- a detailed report on the outcomes and value-for-money of the scheme to be submitted for Cabinet's consideration at the conclusion of the pilot to determine if the scheme is continued.

3.7 As part of the usual due diligence process, the company's service level agreement was referred to Lincolnshire County Council Legal Services; they recommended amendments be made before the Council entered into the formal agreement. Despite repeated contact made to the company over several months, including a meeting with the Chief Executive, agreement to these amendments has not been forthcoming. Therefore, no insurance policies have been purchased. Officers continue to attempt to engage the company in respect of this matter.

Call Before You Serve

3.8 Through the Change4Lincs project, funded through government Rough Sleeper Initiative grant funding (2020/21 and 2021/2022), a new pilot is being put into place with private rented sector landlords: "Call Before You Serve". This initiative will encourage private rental sector landlords to contact the Council if any of their tenants are, for example, in rent arrears or have caused property damage. The project will be led by a full-time Landlord Liaison Officer who will negotiate and mediate with the landlord and tenant to rectify the problems.

3.9 The National Landlords Association representative for Lincolnshire, who recently attended a Financial Inclusion Partnership meeting, was very positive about the Call Before You Serve initiative, commenting that it is a flagship scheme and acknowledging that South Kesteven is the first district in Lincolnshire to put it in place.

Tenancy Support

3.10 In addition to helping people access the private rental sector, residents are referred for tenancy sustainment support, provided through a housing-related support scheme – this is provided by Framework Housing Association in South Kesteven.

4 Rent Guarantee Schemes

4.1 Given the difficulties noted above in terms of the supply of social housing and the differential between private rent and state benefit levels, most local authorities face a considerable challenge in accessing the PRS. Initial research shows two councils (Reading Borough Council and Oxford City Council) have introduced "Rent Guarantee Schemes". There is no information in the public domain in respect of the efficacy of these schemes, which do seem to be linked to nomination agreements so the Councils can nominate from their housing register. They also offer to cover rent loss during periods when the property is empty. The rent underwritten is capped to the Local Housing Allowance rate.

4.2 Clearly, this is different to the Rent Deposit scheme discussed above at section 3.3, in that it provides for an ongoing commitment by the Council in respect of the tenancy, rather than a relationship at the start of the tenancy to support someone with a specific issue. As a landlord, the key risks are rent loss (from periods between tenancies and rent not being paid) and property damage. In effect, any scheme would move these risks from the landlord to the local authority, with the landlord accepting a lower rent than the market would provide. There seems to be a clear risk of exposing the Council to considerable

financial stress. As an example, even capping the Council's liability at the Local Housing Allowance rate, there would be an annual liability of £6.8k per tenancy. If thirty properties were in this scheme, overall, that would be a potential liability of £205k.

- 4.3 It is unclear what the appetite of the landlords within South Kesteven would be for this trade-off, given the buoyancy of both market rent levels and the demand for accommodation. It seems reasonable that there is scope for further research to better understand the existing schemes and the local private rented sector enthusiasm.

5 Consultation and Feedback Received, Including Overview and Scrutiny

- 5.1 Not applicable for this report.

6 Available Options Considered

- 6.1 Option One

Continue with current practice

- 6.2 Option Two

Attempt further engagement with Help2Rent to clarify their position and commence the pilot or conclude it will not commence

Undertake research into the costs/benefits and local appetite for a Council developed Rent Guarantee Scheme.

7 Preferred Option

- 7.1 Option Two

8 Reasons for the Recommendation (s)

- 8.1 This option is reasonable in the context of the current challenges the Council faces in meeting its statutory responsibilities.

9 Next Steps – Communication and Implementation of the Decision

- 9.1 Not applicable

10 Financial Implications

- 10.1 The report sets out the background context for the areas of support the Council has in place for the rental sector. There are financial risks attached to a rent guarantee scheme which would therefore become a risk to the taxpayers of the Council should any tenant default in their rent obligations. The Council would need to be clear of the benefits of introducing such a scheme alongside the financial risks it would be exposed to. This is set out a paragraph 4.2 of the report.

Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance

11 Legal and Governance Implications

- 11.1 There are no direct legal implications associated with the content of this report. The Council must ensure it meets its statutory duty to residents in relation to homelessness.

Legal Implications reviewed by: Mandy Braithwaite, Legal Executive

12 Equality and Safeguarding Implications

- 12.1** There are no direct equality or safeguarding implications associated with the content of this report, although the Council's homelessness processes explicitly support the provision of appropriate accommodation to vulnerable households.

13 Risk and Mitigation

- 13.1** Risks in terms of rent guarantee schemes are covered in section 4. The risks of increasing homeless presentations post-Covid are being mitigated through: temporary accommodation use within the Council's own housing stock; active void improvement plans; proactive homelessness casework; and the Call Before You Service initiative.

14 Community Safety Implications

- 14.1** There are no identified community safety implications associated with the content of this report.

15 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

- 15.1** No direct relationship

16 Other Implications (where significant)

- 16.1** None identified

17 Background Papers

- 17.1** None

18 Appendices

- 18.1** None