

# TONBRIDGE & MALLING BOROUGH COUNCIL

## STRATEGIC HOUSING ADVISORY BOARD

18 May 2009

Joint Report of the Director of Health and Housing and the Director of Finance

### Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

#### 1 HOMELESSNESS PREVENTION - DEPOSIT IN ADVANCE AND BOND SCHEME

##### Summary

One of the main impediments to accessing accommodation in the private rented sector for people on low incomes is the need to pay a deposit. The current Rent and Deposit in Advance Scheme has enabled the Council to avoid the long-term use of bed and breakfast and other temporary accommodation for many homeless families; however the potential cost of the scheme to the Council has become unsustainable.

The scheme has recently been the subject of an internal audit, and there has subsequently been a comprehensive review of the Council's Rent and Deposit in Advance policy and its accompanying procedures. This paper sets out proposals for ensuring that it continues to offer an alternative to temporary accommodation, enabling eligible customers to access good quality housing in the private rented sector, whilst minimising (as far as possible) the level of financial exposure for the Council.

#### 1.1 Background

- 1.1.1 The original Rent and Deposit in Advance scheme was established in 1993 to enable homeless households to access the private sector by providing a repayable rent deposit and where appropriate, one month's rent in advance. Three years later the scheme was supplemented by a Deposit Bond Scheme, which provided landlords with a guarantee in the form of a bond, of a value equivalent to a deposit. The bond remained valid for the duration of the tenancy and compensated the landlord for any end of tenancy costs (e.g. damage to the property or theft) that would usually be offset against the deposit.
- 1.1.2 The Rent and Deposit in Advance Scheme was reviewed in 2000 and thereafter deposits were to be repaid by the tenant. The scheme continued to fund both rent deposits and rent in advance to a maximum of £1,100 per household that was either homeless or threatened with homelessness. Currently both schemes run

simultaneously, although it is the Rent and Deposit in Advance Scheme that has been used most frequently.

- 1.1.3 The Government's five-year plan for housing, *Sustainable Communities: Homes For All* (January 2005) set local housing authorities the ambitious target to ensure that by 2010, the number of households living in temporary accommodation was reduced to no more than 50 per cent of the total at December 2004. Its subsequent publication, *Sustainable Communities: Settled Homes; Changing Lives* (March 2005) identified how this would be achieved, and how through the modernisation of services provided by local authorities, more opportunities must be provided for people at risk of homelessness.
- 1.1.4 With this came an increasing emphasis on the "housing options" model of service delivery, which was introduced originally by the London Borough of Harrow and subsequently cited by Government as an example of proven best practice. Also emphasised was a greater role for the private rented sector in preventing homelessness and the use of rent deposit schemes to secure private sector tenancies.
- 1.1.5 Table 1 illustrates the year-on-year value of rent deposits and rent in advance that were granted to eligible applicants between 2004-05 and 2008-09. It also illustrates the sums that have been repaid and the value of the remaining debts, which are being pursued under the Council's sundry debtor debt recovery procedures.

Table 1			
Year	Total deposits/rent in advance (£)	Repaid (£)	Current debt
2004-05	590.00	290.00	300.00
2005-06	300.00	234.00	66.00
2006-07	5750.00	1250.00	4500.00
2007-08	26492.00	6343.00	20149.00
2008-09	60156.00	13954.00	46202.00
TOTAL	93288.00	22071.00	71217.00

- 1.1.6 It will be noted from Table 1 that the scheme expanded significantly between 2007 and 2009. Members will recall that the outsourced homelessness service was returned in-house in March 2008 and the growth of the scheme from thereon in should be considered within the context of reductions in the number of households occupying bed and breakfast and other forms of temporary accommodation at year-end in the twelve months to March 2009 (50 per cent); together with rising numbers of homelessness preventions (176 priority need households in the twelve months to March 2009). It also reflects a reduction the cost to the Council of bed and breakfast accommodation which reduced by 51 per cent over the twelve month period.

## 1.2 Current situation

- 1.2.1 There are currently 93 “live” rent deposit accounts. Whilst repayments have been received in respect of some 73 accounts, most have been intermittent and the remaining 20 accounts are outstanding in full. Many of these households are no longer at the property for which the deposit was payable, and tracing them for the outstanding balance has added to the challenge of recovering the debt.
- 1.2.2 There are also seven current deposit bonds, representing a commitment for the Council of £5085.50.
- 1.2.3 The cost of the scheme has been offset in the main against the annual Homelessness Grant, which is payable to the Council on a quarterly basis by the Department for Communities and Local Government (CLG). The purpose of the grant is to support local authorities to tackle and prevent homelessness effectively. The amount payable for 2009-10 is £41,050. By comparison, Tunbridge Wells Borough Council will receive £63,050 and Sevenoaks District Council £46,050.
- 1.2.4 By making use of the private rented sector, many households have been able to avoid prolonged stays in bed and breakfast and other temporary accommodation. The downside however is that the Council cannot continue to outlay rent deposits which, as it will be seen from table 1, it has little chance of ever recovering. With the demand for affordable housing significantly in excess of supply, the only options for many households will be temporary accommodation or assistance to access a private sector tenancy.
- 1.2.5 Since April 2007 it has been compulsory for landlords to place any payments made in respect of rent deposits into one of the Government’s tenancy deposit protection schemes. At the end of the tenancy the deposit is returned to the tenant by the scheme administrator, except in the event of a claim by the landlord. A dispute resolution service exists to address any dispute over how the funds are apportioned. Whilst this has undoubted benefits for both landlord and tenant, it does inhibit the Council from recovering any unpaid rent deposits at the end of a tenancy.

### **1.3 Internal Audit**

- 1.3.1 An internal audit of the Rent and Deposit in Advance/Deposit bond schemes was carried out in September 2008. This followed an initial audit which had been undertaken prior to the return of the Housing Needs Service from Russet Homes to the Council in March 2008.
- 1.3.2 The report highlighted concerns over the growing level of debt in relation to outstanding rent deposits and rent in advance payments and it identified a number of areas where internal controls needed to be strengthened.
- 1.3.3 Although expenditure was being monitored, the rising level of debt was difficult to ascertain because for each sum paid out, a corresponding invoice was raised, and the expenditure therefore appeared to be neutral.

1.3.4 A full review of the Council's Rent and Deposit in Advance/Deposit Bond policy was undertaken in the first quarter of 2009, and proposals for taking the schemes forward are outlined at section 1.4.

#### **1.4 Review of Rent and Deposit in Advance/Deposit Bond Schemes**

1.4.1 Members will be aware that one of the Government's key targets is to ensure that no families with children remain in bed and breakfast for more than six weeks, and the Council has met this target continuously. The Council has also more than achieved the 2010 temporary accommodation target referred to at paragraph 1.1.3, but any further reduction in the use of temporary accommodation will only be achieved with the continued use of the private rented sector.

1.4.2 Both the Rent and Deposit in Advance and the Deposit Bond Schemes have been fully reviewed in consultation with the Director of Finance and her staff. Detailed proposals have been developed to ensure that eligible households can continue to access good quality private rented accommodation, whilst attempting to minimise the level of financial exposure for the Council.

1.4.3 The key proposals for the reviewed scheme are as follows:

- In future, the emphasis will be primarily on the use of deposit bonds. Repayable rent deposits and rent in advance<sup>1</sup> will be granted in exceptional circumstances only
- Eligible applicants must be homeless or threatened with homelessness and have a priority need for accommodation. Those that are likely to be intentionally homeless or have no priority need will only be considered in exceptional circumstances. Applicants must have a local connection with Tonbridge and Malling and be able to demonstrate that they have no other means of securing funds for a deposit.
- The Council will provide the landlord with a bond equivalent to four weeks rent or one calendar months rent at the start of the tenancy
- The bond will provide compensation to the landlord for damage to the property including theft and any extraordinary cleaning costs. It will not cover arrears of rent, against which landlords will be recommended to insure. The Council will attempt to recover any sum claimed by the landlord from the former tenant, in accordance with existing debt recovery procedures

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<sup>1</sup> Where a payment to cover rent in advance is required, applicants will be encouraged where possible to apply to the Department for Work and Pensions (DWP) for a Budgeting or Crisis loan, or a Community Care Grant. This will avoid the need for the Council to make the loan.

- The bond will be valid for 18 months or the term of the tenancy if less. During this period, the tenant will be required to agree to pay the landlord a sum equivalent to the value of the bond, thereby converting it to a cash deposit which is repayable to the tenant at the end of the tenancy.

1.4.4 One of the main advantages of the deposit bond is that any claim made against it must be approved by the Council. As a result, any expenditure incurred will be assessed against clear procedures and rigorously monitored. However, the extent to which tenants will make repayments against a deposit bond remains to be seen, and it may become necessary to renew or extend a bond if payments are inadequate or not forthcoming. It is proposed therefore that the scheme be reviewed after the first eighteen months in order to evaluate how successful or otherwise it has been.

1.4.5 A copy of the reviewed procedure will be found at **[Annex 1]**.

## **1.5 Households Leaving Accommodation-Based Support**

1.5.1 A separate rent deposit/deposit bond is available for households who are ready to move on from accommodation that is funded by the Supporting People Team.

1.5.2 This scheme is also funded by Supporting People, who have made £60,000 available to the Council for this purpose.

1.5.3 The aim of the scheme is to enable households that are currently living in supported housing to access permanent accommodation when ready, thereby facilitating their own independence, and the reallocation of the supported accommodation to those with a specific need.

## **1.6 Legal Implications**

1.6.1 The Council has a legal duty to provide accommodation for households that are homeless, eligible for assistance and in priority need. In the absence of suitable permanent accommodation, bed and breakfast and other forms of temporary accommodation are made available instead.

## **1.7 Financial and Value for Money Considerations**

1.7.1 Although the grant of a bond requires no cash outlay, it nonetheless carries the risk of a claim at a later date. Therefore the Council must make provision for claims that may arise.

1.7.2 It is considered that initially, provision be made for 100 per cent of each bond granted. This can be reduced over time, provided that payments against the bond are made by the tenant. It will also be impacted by the value of any successful claims by landlords, and it will be reviewed on an annual basis.

1.7.3 As part of the review of these schemes, the Council has asked CLG to review the annual Homelessness Grant (see paragraph 1.2.3) which has been used to offset

the overall cost of the Homelessness Service. CLG has advised that this is not possible at the present time.

- 1.7.4 However, in March 2009 CLG informed all local authorities that it had secured some additional funding to help address the anticipated impact of the economic downturn on levels of homelessness. Authorities have been grouped into sub-regional partnerships and asked to identify joint projects. Tonbridge and Malling have been identified as the lead partner in West Kent, which includes Tunbridge Wells, Sevenoaks and Swale (?). The partnership has been allocated £30,000.
- 1.7.5 The Council's initial response has been to suggest to partners that the most appropriate way forward is to split this funding equally between the four authorities so that each can use it as they see fit. For Tonbridge and Malling this would mean offsetting it against the overall cost of the homelessness service and using it to boost the very limited provision there is for the Deposit Bond Scheme.
- 1.7.6 The role that Discretionary Housing Payments<sup>2</sup> (DHPs) can play in relation to rent and deposit in advance is also being investigated. Current guidance published by the Department for Works and Pensions specifically states that DHPs can be used to cover a rent deposit or rent in advance for a property that a claimant has yet to move in to, provided that they are entitled to Housing Benefit for their present home. However it is not immediately clear how this arrangement can work within the prescribed regulations for DHP and the Council is pursuing this with CLG.
- 1.7.7 The Council has recently been made aware of a deposit bond scheme which has been piloted by a company called Social Homes Limited on behalf of Dartford Borough Council. The scheme offers eligible households a pre-assessment of their entitlement to Local Housing Allowance (LHA), enabling them to take a private sector tenancy in advance of a formal assessment for LHA. An insurance backed rent warranty assures the landlord of the tenant's ability to pay. The scheme also offers an additional insurance policy that covers the cost of a rent deposit. The Council is currently evaluating the advantages of this scheme.
- 1.7.8 Table 2 outlines the budget that is proposed to fund the Deposit Bond Scheme during 2009-10. Taking an average bond value of £650, this will provide assistance for some 52 households, plus those leaving accommodation-based support (section 1.5). It should be noted that any funding in excess of the sub-total shown at table 2 will have an impact on the Council's general revenue reserve and eventually the Medium Term Financial Strategy (MTFS).

Table 2	
£	Source/comment
12,000	Spend to Save budget
10,000	Savings to be made from the Bed and Breakfast budget
3,000	Homelessness reserve

<sup>2</sup> DHPs provide Housing Benefit claimants with further financial assistance when a local authority considers that help with housing costs is needed.

7,500	Additional CLG funding (paragraphs 1.7.4-1.7.5)
1,050	Additional annual CLG Grant
33,550	Sub-Total
60,000	Supporting People (ring-fenced fund – see section 1.5 and paragraph 1.9.4)
93,550	TOTAL

1.7.9 It is anticipated that approximately £33,550 will be available to support bond payments during 2009/10. It is also expected that this is the likely size of budget required to meet bond/deposit advances in future. What is unclear at this point in time is what real “savings” can be achieved in spend on bed and breakfast accommodation through implementing the new bond/deposit policy and procedures and how much actual expenditure we will face on bonds that we issue? However, if £33,550 is the likely level of annual expenditure, this will represent budget growth of not less than £10,000 per annum from 2010/11 onwards. This growth is not reflected in the MTFs and would need to be addressed as part of the future budget cycle to be considered against other competing priorities or to be offset by compensatory savings within existing budgets.

## 1.8 Risk Assessment

1.8.1 There is a significant risk that levels of homelessness (and the consequent use of temporary accommodation) will increase as a result of the economic downturn. The Deposit Bond Scheme will reduce the need to rely on bed and breakfast and other forms of temporary accommodation, and ensure that more households can avoid homelessness.

## 1.9 Recommendations

1.9.1 CABINET is **RECOMMENDED** to:

1.9.2 **ENDORSE** the review of the Rent and Deposit in Advance and the Deposit Bond Schemes (section 1.4)

1.9.3 **APPROVE** the proposed budget for delivering the reviewed scheme for 2009/10 (paragraphs 1.7.8 – 1.7.9).

1.9.4 **DELEGATE AUTHORITY** to the Director of Housing and Health in consultation with the Cabinet Member for Housing and the Chief Solicitor to enter into a contract with the Supporting People Team that formally commits the Council to the Rent Deposit/Deposit Bond Scheme for people who are leaving Supporting People funded accommodation (section 1.5).

1.9.5 **ENDORSE** the proposed approach for making best use of the additional CLG funding (paragraphs 1.7.4 – 1.7.5)

1.9.6 **NOTE** that the scheme will be subject to a further review in 18 months time.

1.9.7 **NOTE** that it will be necessary to identify further funding or compensatory savings for 2010-2011 and subsequent years.

The Director of Health and Housing confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

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Nil

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