

TONBRIDGE & MALLING BOROUGH COUNCIL

STRATEGIC HOUSING ADVISORY BOARD

21 February 2011

**Joint Report of the Director of Health and Housing and Cabinet Member for
Housing**

Part 1- Public

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

1 DEPOSIT BOND/ RENT DEPOSIT 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 Deposit Bond and Rent Deposit Scheme was endorsed by Members in May 2009 and has enabled the Council to avoid the long-term use of bed and breakfast and other temporary accommodation for many homeless families. However, the past 12 months has seen a marked reduction in the number of applicants assisted, due in part to the limitations of the scheme.

The scheme has recently been the subject of an independent appraisal by colleagues from Gravesham Council's Housing Service and this has been followed by a comprehensive review of the Council's current Deposit Bond and Rent Deposit 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 Introduction

- 1.1.1** Figures recently released from Communities and Local Government (CLG) show a national increase in the number of households being accepted as homeless. These figures show that homeless acceptances were 14 per cent higher in 2009/10 than the twelve months previously and whilst there has been a further decrease in temporary accommodation (13 per cent lower than the previous year) there has been an increase in bed and breakfast use nationally.
- 1.1.2** There is no reason to suggest that local conditions within Tonbridge and Malling will follow a different trend. Homelessness acceptances increased by over 100 per cent from 24 in 2009 to 57 in 2010. With the increasing emphasis on the role of the private rented sector that is emerging in the Government's proposals for social

housing reform it is essential that our approach to deposit bonds and rent deposits offers solutions to both tenants and landlords that are practical and affordable; whilst safeguarding the Council's interests. Failure to maintain and develop viable housing options such as rent deposit schemes will have a significant impact on expenditure and inevitably, levels of homelessness as well.

- 1.1.3 The private rented sector in Tonbridge and Malling accounts for approximately 5.1 per cent (2392 properties) of the boroughs housing stock. This compares with 13.1 per cent (4366 properties) in the neighbouring borough of Gravesham. In order to offer a scheme that can compete with the services that are provided by residential lettings agents it is important that the scheme offers a service to landlords that is at the very least comparable.
- 1.1.4 A high proportion of landlords are apprehensive about working with local authorities and taking on tenants who are in receipt of housing benefit. A vital part of the housing options function is to challenge landlords' perceptions and help them to see that there is no reason to disregard a prospective tenant simply because they happen to be in receipt of benefit. The ongoing recession has clearly demonstrated that any household could lose their income, and consequently face homeless.

1.2 The Current Deposit Bond/Rent Deposit Scheme

- 1.2.1 The number of households assisted by the current scheme has increased over the past two years, with 19 in 2009/10 and 23 in 2010/11 to date. However, the number of landlords who are willing to accept a deposit bond has dropped considerably from 11 (58 per cent of the total) in 2009/10 to just six (26 per cent of the total) in 2010/11. This is illustrated below in Table 1.

Table 1

Year	Quarter	No of Bonds	Amount	No of Rent Deposit Advances	Amount
2009/2010	One	2	£1605	0	£0
2009/2010	Two	4	£2,058.68	1	£75
2009/2010	Three	3	£2,145	4	£1,744.67
2009/2010	Four	2	£1,175	3	£2,602.69
TOTALS:		11	£6,983.68	8	£4,422.36
2010/2011	One	1	£2,243.88	8	£5,478.45
2010/2011	Two	2	£1,350	4	£2,681
2010/2011	Three	3	£2,480	6	£4,322.61
2010/2011 (to date)	Four	0	£0	0	£0
TOTALS:		6	£6,073.88	17	£12,482.07

- 1.2.2 Table 2 illustrates the number of rent in advance agreements and qualifying offers during 2009/10 and to date in 2010/11.

Table 2

Year	Quarter	Rent in Advance Agreements	Amount	Qualifying offers	Amount
2009/2010	1	0	£0	0	£0
2009/2010	2	4	£2,310	0	£0
2009/2010	3	2	£1,075	1	£1,350
2009/2010	4	3	£7,235	1	£1,495
TOTALS:		9	£10,620	2	£2,845
2010/2011	1	6	£4,218.41	0	£0
2010/2011	2	2	£1,000	0	£0
2010/2011	3	5	£4,467.30	0	£0
2010/2011 (to date)	4	1	£1,175	0	£0
TOTALS:		14	£10,860.71	0	£0

- 1.2.3 The presumption that bonds would be the primary tool to assist households into the private sector has, in practice, been difficult to attain, as many landlords and letting agents prefer to have a cash deposit. The budget for 2009/10 was £33,550, of which £17,887.36 was used to provide repayable cash deposits, rent in advance and non-repayable qualifying offers. It will be noted from Table 1 that in addition to this expenditure, £6,983.68 was also committed in deposit bonds. In 2010/11 the budget remained at £33,550 with spend to date of £23,342.78 and £6,073.88 committed in deposit bonds. The approved budget for 2011/12 is also unchanged.
- 1.2.4 Table 3 identifies the amounts that have been repaid during 2009/10 and to date in 2011/12; and the value of the remaining debts.

Table 3

Year	Total paid out (£)	Total repayable	Total not repayable	Repaid (£)	Current debt
2009-10	17,887.36	14,720.36	3,167.00	12,593.07	2,127.29
2010-11 (to date)	23,342.78	23,325.52	17.26	4,588.71	18,736.81
TOTAL	41,230.14	38045.88	3,184.26	17,181.78	20,864.10

- 1.2.5 The case study below is an example of how a deposit bond should work. In reality however these cases are few and far between and the majority of households are unable to repay the full value of the bond during the term of the tenancy. In addition, the requirement in the current policy that the tenant repay this sum directly to the landlord is extremely difficult to monitor effectively.

- 1.2.6 The appraisal of the scheme by colleagues at Gravesham Borough Council has underpinned our own concerns about some aspects of the current scheme and has informed the review that has now been undertaken.

Case study

A deposit bond was arranged to help a customer who was in bed and breakfast accommodation to secure privately rented accommodation in Tonbridge for herself and her son. The bond was granted in February 2009, to cover a deposit of £400. The bond was valid for a year. During this year the applicant was required to put aside £34 per calendar month. At the end of the year, she had put aside £400 which she paid to the landlord as a deposit which ended the bond liability. No claim was made on this bond as she remained the tenant. The applicant's tenancy is continuing.

1.3 Internal Audit

- 1.3.1 Members will recall that the current Deposit Bond/Rent Deposit policy that was approved in May 2009 was preceded by an internal audit (September 2008) which highlighted a number of concerns over the growing level of debt in relation to outstanding rent deposits. It identified a number of areas where internal controls needed to be strengthened, and specific objectives and time scales were agreed to enable these concerns to be addressed.
- 1.3.2 A follow-up audit was undertaken during 2010 which recognised that whilst considerable progress had been made, a number of issues required further attention. As a result, an amended action plan was agreed during July 2010. Progress against this audit was reviewed during October/November 2010 and reported to the Audit Committee in January 2011. The Committee were advised that in addition to the review in late 2010, some further testing had been undertaken and that overall, significant progress had been achieved. It was further noted that none of the testing had raised any concerns with the quality of service that is provided to the customer, which is of a very high standard.
- 1.3.3 The benefits of the internal audit process are well-recognised within the housing service and staff will continue to work closely with members of the audit team in order to maintain and further improve the high standards that have been achieved. Colleagues in the Audit and Finance Teams have been consulted on the review of the Deposit Bond/Rent Deposit Scheme and fully support the proposed changes which are outlined below.

1.4 Deposit Bond/Rent Deposit Scheme Review

- 1.4.1 In order to ensure that the Deposit Bond/Rent Deposit Scheme remains viable, a number of revisions have been made to make the scheme more attractive to landlords and tenants. A copy of the revised scheme is attached at **[Annex 1]**.

1.4.2 The main changes to the scheme are:

- bonds will now cover rent arrears. Previously, landlords were expected to take out their own insurance to cover rent arrears, but in practice, many were reluctant to do so due to the costs of the premiums;
- bonds/deposits will routinely cover a maximum of six weeks rent, as most letting agents require this amount. Previously they were restricted to one calendar month or four weeks rent;
- some non priority households will be eligible to apply for assistance from the scheme;
- customers will no longer be required to make bond repayments to landlords but will be expected to make their own arrangements to save. Previously, they were required to make repayments to their landlord, but this proved to be very unpopular with landlords. Since April 2007 it has been compulsory for landlords to place any payments made in respect of rent deposits (including such part payments) into one of the Government's tenancy deposit protection schemes. Many landlords found this to be too onerous to administer, and preferred a single cash payment at the start of the tenancy;
- inventories will no longer be an essential requirement in order to proceed with the scheme, but landlords will still be encouraged to provide them. Although most lettings agents routinely provide inventories, many of the small private landlords again found this too onerous to administer. In order to encourage landlords to work with us, the lack of an inventory will no longer prevent us from assisting a tenant with a deposit; and
- applicants in receipt of housing benefit will be required to agree to benefit payments being paid direct to their landlord.

1.4.3 Subject to the proposed amendments to the scheme being approved, ancillary documents included the application form, landlord and tenant agreements and terms and conditions will be reviewed accordingly.

1.5 Legal Implications

1.5.1 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.

1.6 Financial and Value for Money Considerations

1.6.1 Although the grant of a bond requires no cash outlay, it nonetheless carries the risk of a claim at a later date. Consequently, the Council must make provision for

any claims that may arise. As a result, the value of all bonds are recorded (see table 1) and offset against the approved budget.

- 1.6.2 Because many private landlords have been reluctant to insure against rent arrears (see paragraph 1.4.2), deposit bonds will now cover a maximum of one month/six weeks unpaid rent. This will increase the likelihood of a claim against the bond, and consequently any outlay on behalf of the Council.

1.7 Risk Assessment

- 1.7.1 There is a significant risk that levels of homelessness (and the consequent use of temporary accommodation) will increase as a result of the recession. The Deposit Bond/Rent Deposit 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.
- 1.7.2 There is also the risk that there may be a greater number of claims from landlords against their deposit bond, given the revision to the policy in respect of rent arrears (see paragraphs 1.4.2 and 1.6.2).

1.8 Equality Impact Assessment

- 1.8.1 See 'Screening for equality impacts' table at end of report.

1.9 Recommendations

- 1.9.1 **CABINET** is **RECOMMENDED** to:
- 1.9.2 **ENDORSE** the review of the Deposit Bond/Rent Deposit Scheme which is attached at **[Annex 1]**.
- 1.9.3 **NOTE** that the scheme will be subject to a further review in 2 years time.

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:

contact: Lynn Wilders

Nil

John Batty
Director of Health and Housing

Councillor Jill Anderson
Cabinet Member for Housing

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	Yes	<p>The draft policy stated the applicant needed to complete the application form but for people with a disability or where English isn't their first language or have literacy difficulties this could discriminate against them.</p> <p>No diversity information is currently collected on the rent deposit/bond/rent in advance application form to determine if certain groups may be being discriminated against.</p>
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	Yes	The policy makes a positive contribution to promoting equality as it has now been widened to include consideration of some non-priority housing need households.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		<p>The policy has been amended to request a completed application form but does not require it is completed by the applicant. The form could be completed by someone on the applicant's behalf.</p> <p>When the policy is agreed the application form will be changed to include collection of diversity information. The diversity information will then be reported to Members on an annual basis.</p>

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.