

**TONBRIDGE & MALLING BOROUGH COUNCIL**  
**COMMUNITIES and HOUSING ADVISORY BOARD**

**12 November 2019**

**Report of the Director of Planning, Housing & Environmental Health**

**Part 1- Public**

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

**1 PRIVATE LANDLORD OFFER**

**Summary: this report updates Members on the current approach to working with private sector landlords and the assistance given to households looking to secure private rented housing and outlines options for consideration to change this approach. As this report recommends engagement activity with the sector before a proposal on any changes is presented to Members, there are no immediate financial implications arising from this report. However, depending on the outcome of the proposed options analysis, there could be future financial implications.**

**1.1 Background**

1.1.1 There are many challenges, the main of which are discussed below, to accessing the private rented sector for lower income households across the country and these are magnified in high value areas such as Tonbridge and Malling:

- **LHA (Local Housing Allowance) and gap to market rents** - the rent level affordable and sustainable to low income households is lower than the potential rent achievable at market rents, due to LHA not reflecting private rents.
- **Universal credit** – payment, including the housing component, is paid direct to claimants. There is an option to request payments to go direct to a landlord, but variations in entitlement (i.e. if a claimant has a variable income from month to month) mean this isn't appealing to a landlord.
- **Pre-tenancy checks and requirements** – deposits, rent in advance and guarantors can prove difficult for households to provide.
- **Negative perceptions** – stereotypes and negative perceptions of low income households or those facing homelessness is often an additional challenge to overcome, in addition to lower rents due to LHA not reflecting the private rental market.

- **Short term tenancies and limitations to stable renting** – landlords are under no competitive pressure to offer longer-term tenancies in markets where demand outstrips supply and lettings agents tend to advise landlords to offer shorter-term tenancies. Some lender's conditions also restrict tenancy length or who a home can be rented to.
- 1.1.2 Research by the [National Housing Federation \(NHF\)](#) has found more than 93% of family homes are unaffordable to households in receipt of local housing allowance (LHA). The NHF analysed 75,000 private rent adverts across England and found LHA could cover the cost of only 7.5% of them, warning the government's benefit freeze is 'pushing low-income families to the brink'. **Annex 1** shows NHF data for Tonbridge and Malling.
- 1.1.3 Local Housing Allowance rates were originally calculated to cover local rents in an area at up to 50% of market rents and up to five bedrooms, in 2008. In 2011 rates were changed to cover local rents up to 30% of market rents and up to four bedrooms (meaning households receiving LHA rates could afford just under a third of the cheapest rents in an area).
- 1.1.4 As Tonbridge and Malling is a high demand area, the affordability challenges to securing and sustaining a home are even greater. Local housing allowance rates fall short of private market rents, with even lower quartile rents leaving a shortfall ranging from £62 and £502 per month - 7% to 36% gaps. See **Annex 1**.
- 1.1.5 There are approximately 1154 households on the housing register, of which circa 247 are in employment. Average waiting times on the register to be housed are between 11 and 25 months (11 months for sheltered and 25 months for a 4bed). The limited affordable housing stock in the Borough and low turnover means there isn't enough social housing for all households who need it and they need to find alternative housing options.
- 1.1.6 The number of households in temporary accommodation (TA) has increased over recent years, reaching a peak of 61 at the end of August 2019. Numbers vary, but the trend has been an increase over the last year from 28-49 households in 2018/19 to 49-61 households in 2019/20:

Table A

Number of households in temporary accommodation (snapshot of figures at the end of each month)	
Year	Average
2017/18	29
2018/19	36
2019/20	54

- 1.1.7 This increase was anticipated with the introduction of the Homelessness Reduction Act (HRA) and there's a national trend in terms of increasing use of TA. A survey by the Local Government Association has highlighted the rise in TA use. The number of households in TA is up by more than 70% since 2010 and the burden on councils and their budgets continues to increase.

1.1.8 This challenging context leads to increased need for an effective private rented sector offer to help households access and sustain tenancies in the private rented sector. Our existing offer is outdated and needs to be more competitive with the private market and neighbouring boroughs.

## **1.2 Use of private sector**

1.2.1 With improved access to the private rented sector TMBC could increase its use as temporary accommodation, discharge our homelessness duty by using it as a Private Rented Sector Offer (PRSO) or to house vulnerable households, including linking to the UK resettlement schemes that TMBC is part of.

1.2.2 The increased TA requirement, as detailed above, has many aspects to it. However a key element of being able to utilise TA provision most efficiently and effectively is having a wide range of move on options available and a revised landlord offer could provide an opportunity to expand this range beyond our current use of affordable rented sector via our RP partners.

## **1.3 Existing approach**

1.3.1 Our current landlord offer comprises:

- Cash or bond deposit, equivalent of up to six weeks rent
- Insurance costs – TMBC pays any additional insurance premium for renting to a tenant in receipt of benefits
- Inventory – we carry out a full inventory, including photographs
- Property inspections – we arrange inspections of the property every 3 months to ensure it's being looked after by the tenant
- Tenancy support – we assign a dedicated officer to liaise with both tenant and landlord to ensure a successful tenancy
- Housing benefit payments direct to the landlord
- Use of Discretionary Housing Payments (DHPs) to provide initial assistance such as rent in advance for tenants awaiting benefits payments.

1.3.2 Currently about a two thirds of money issued for deposits or rent in advance is repaid, and about a third is written off. The details of this approach are detailed in the financial considerations section below.

1.3.3 In addition to the financial offer, the Private Sector Housing Team offers practical and professional advice to ensure the accommodation meets the required legal standards. In certain cases funding may be provided through the Council's Housing Assistance policy to assist landlords to improve their properties, for example, installing central heating.

1.3.4 Currently, utilisation of the private sector is on an ad hoc basis and mainly comes from landlords making contact with the Council to enquire about options. Some contact is made with landlords via a bi-annual West Kent Landlord Forum.

## 1.4 Best practice – other Local Authorities

1.4.1 There are a range of approaches and landlord offers across local authority areas in Kent, summarised below. More information is in **Annex 2** alongside information about Reading Council's successful approach, which includes guaranteed rent.

Local authority	Deposit – Cash / Bond	Rent in advance	Financial incentive / other
Ashford	Yes, cash	Yes, cash	Guarantee rent, local lettings agency
Maidstone	Yes, bond	No	Yes, one off cash payment (£2,500 - £4,000)  L/lord accreditation
Medway	Yes – cash or bond		Yes, incentive of £1500 per tenancy for accredited l/lord, £750 if not accredited.  L/lord & tenant accreditation.
Sevenoaks	Yes – cash or bond	Yes (loan)	Yes, cash incentive at start of tenancy (£500 - £1500 by property size).
Tunbridge Wells	Yes – bond	Not in standard offer – can help with this occasionally (PN only)	No
TMBC	Yes, cash or bond	DHP can be used for this	No

## 1.5 Component options for a private landlord offer

1.5.1 There are several elements and ways of working TMBC can consider as part of a revised private landlord offer, as outlined in this section.

1.5.2 Deposits and rent in advance – deposit guarantee/ bond schemes are a common way to help tenants secure deposits and rent in advance for private rented accommodation. This can be through cash deposits or bonds. Landlords must put cash deposits in a government-backed tenancy deposit scheme for tenancies that started after 6 April 2007, within 30 days of receiving it.

Positives	Negatives
<ul style="list-style-type: none"> <li>• Ease</li> <li>• Established approach – existing budget, process etc.</li> <li>• Landlords familiar with offer</li> <li>• Lower risk with bonds.</li> </ul>	<ul style="list-style-type: none"> <li>• Not very attractive to prospective landlords unless offered in combination with other incentives</li> <li>• Not competitive with market (landlords can achieve higher rents and perceive tenants found via letting agency are lower risk)</li> <li>• Process needs improving - to make it easier &amp; reduce duplication of paperwork for staff.</li> </ul>

1.5.3 Private guarantee companies – companies offering a service in relation to deposits and guarantees have emerged in recent years to provide a way for households with a low income or poor credit history to secure a private rented tenancy. Examples include:

- 'Zero Deposit' – is a deposit replacement scheme managed by a private company, where tenants pay the equivalent of a weeks' rent to 'Zero Deposit' for insurance in place of a cash deposit. There's an annual administration fee of £26 per tenancy, until the end of the tenancy.

The landlord is covered against financial loss by a sum that is the equivalent of six weeks' rent. The scheme is authorised by the Financial Conduct Authority (FCA). Any disputes at the end of a tenancy are handled by The Dispute Service (TDS), an independent, not-for-profit organisation that provides expert dispute resolution services.

- 'Rent guarantor' - from £295 for up to 12 months cover, fee depends on rent amount and tenancy length.

Positives	Negatives
<ul style="list-style-type: none"> <li>• Ease and handled by the individual themselves</li> <li>• Helps access to private tenancies.</li> </ul>	<ul style="list-style-type: none"> <li>• May not be sufficiently attractive to prospective landlords</li> <li>• Many involve a fee – additional expense for the homeseeker.</li> </ul>

1.5.4 Accreditation – accreditation can give both tenants and landlords confidence in each parties approach to a tenancy and the minimum standards that will be met. A landlord will act professionally and offer good standards, and a tenant will understand their responsibilities. The benefits of accreditation include an increased number of sustained tenancies, improved housing standards and early resolution of problems, with lower costs to the local authority, landlord and tenant.

Accreditation schemes are often run through partnerships between local authorities or commissioning third parties.

1.5.5 There are three common models of landlord accreditation:

- Property based – private rented property is inspected to ensure homes are a good standard and meet certain criteria
- Management standards – landlords undertake professional development to understand their responsibilities and follow best practice in managing their portfolio
- Hybrid schemes – a combination of property management and landlord management standards. A proportion of properties are inspected at random, alongside a requirement for professional development.

1.5.6 As accreditation is voluntary landlords will need to see the benefits of joining, which can include:

- Market advantage of using the scheme's branding when advertising their properties for rent
- Easier access to local authority services, e.g. deposit bonds, grants for repairs or improvements, reduced HMO licensing fees, tenant accreditation and rent guarantees
- Discounts with local businesses
- Advice, support and training.

1.5.7 The National Landlords Association (NLA) offers an [accreditation scheme](#) to promote recognition of landlords who consistently demonstrate a professional standard of management. Tonbridge & Malling support this scheme and have previously promoted it to landlords. We also actively support the NLA with a venue for Continuing Professional Development opportunities for landlords to ensure training is available locally.

1.5.8 [London Landlord Accreditation Scheme \(LLAS\)](#), and ATLAS (Accreditation and Training for Landlords and Agents Service) is funded by partner local authorities to provide free membership, accreditation and training to landlords. The scheme runs on a yearly contribution of £2500 per authority. LLAS offer benefits to local authorities as well as landlords, including places for staff at training events, supporting local forums (speakers and promotional materials) and a newsletter to help communicate with landlords.

Landlords need to declare themselves fit and proper persons, attend a development course, and agree to a code of conduct (which includes timescales for repairs). Authorities can link accredited status to other initiatives, such as property inspections, to target local issues.

1.5.9 Tenant accreditation tends to be run in-house by local authorities and involves a training session for people to get a better understanding of their rights and responsibilities and include exercises covering things such as budgeting.

Positives	Negatives
<ul style="list-style-type: none"> <li>• Generally positive perception of accreditation</li> <li>• Helps both parties trust in the agreement, and encourages early resolution of problems</li> <li>• Potential to improve housing standards</li> <li>• Often leads to successful, sustained tenancies.</li> </ul>	<ul style="list-style-type: none"> <li>• Set up and running costs</li> <li>• Additional resources required for an in-house option</li> <li>• Important to ensure the correct staff skill set to delivery engaging tenant accreditation training.</li> </ul>

1.5.10 Guaranteed Rent – guaranteed rent gives landlords certainty by guaranteeing they will receive the monthly rent. There are a range of approaches to guaranteed rent, with organisations choosing different legal solutions. Rent is normally agreed at LHA levels and an agreement entered into with the Local Authority.

Reading Borough Council use three legal agreements for their rent guarantee scheme: one between the council and the tenant, one between the council and the landlord, and an Assured Shorthold Tenancy (AST) between the landlord and the tenant. The agreements state the Council will ‘sponsor’ the rent and pay the landlord, with the other agreement meaning the tenant pays the Council. The Council monitors the rent accounts, to deal with any arrears and will ask the landlord to serve notice where necessary. More information can be found in **Annex 2**.

Positives	Negatives
<ul style="list-style-type: none"> <li>• Attractive to landlords – reduces risk for them</li> <li>• Enables rents in line with LHA.</li> </ul>	<ul style="list-style-type: none"> <li>• Set up costs</li> <li>• Additional resources needed – staff, systems, and repairs service provision</li> <li>• Increased risk to Council through guaranteed rent</li> <li>• Potential for conflict between duty to assist and need to take action in cases of rent arrears – could be dealt with through a clear policy.</li> </ul>

1.5.11 Financial incentives – financial incentives are normally one off payments, sometimes referred to as a ‘golden hello’.

1.5.12 While this approach can be highly successful in facilitating initial access to the private rented sector for a household there are longer term considerations. If landlords effectively view the one off payments as a way of off-setting the shortfall between the LHA rent and market rents, it is likely this will only be sufficient for a certain amount of time (likely to be the agreed initial fixed term of the tenancy,

often 12 months) and so the tenancy may not have a good chance of being long term. Also, the landlord may wish to access another one off payment, encouraging turnover in their tenants once an initial fixed term has ended, rather than incentivising longer term settled landlord tenant relationships.

Positives	Negatives
<ul style="list-style-type: none"> <li>• Attractive to landlords</li> <li>• Can help address the financial gap between LHA and market rents</li> <li>• Competitive with other local authorities who offer incentives.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost – increased budget needed to resource</li> <li>• Potential disincentive to establish settled tenancies</li> <li>• Potential reputational risk</li> <li>• Potential for conflict between duty to assist and need to take action in cases of rent arrears – this could be dealt with through a clear policy.</li> </ul>

1.5.13 Social lettings agency – a social lettings agency (SLA) operates like a commercial lettings agent but with a social purpose.

The White Paper [Fixing our broken housing market](#) (Jan 2017) referred to SLAs. The Government stated it wants to ‘consider whether social lettings agencies can be an effective tool for securing more housing for households who would otherwise struggle – providing security for landlords and support for tenants to help strengthen and sustain tenancies’ (p. 65 white paper DCLG).

1.5.14 A Joseph Rowntree Foundation and Nationwide Foundation [report](#) has looked at the range of SLAs improving the options available to low-income or vulnerable households in the private rented sector (PRS) and the important role they have to play in the PRS.

Although the research found wide variation in the forms of SLAs it found they shared a common goal of securing good-quality and affordable accommodation in the PRS for vulnerable and low income clients.

1.5.15 Almost all schemes offered tenants something they wouldn’t have received from tenancies through a commercial lettings agent, including:

- Lower or more flexible rent (often at LHA rates)
- Longer tenancies (often five years)
- Access to support with deposits
- A range of additional support, with benefits advice and signposting to support services related to health, employment, money management and so on, depending on the type of tenants being accommodated
- Intensive housing management and addressing antisocial behaviour (in some cases this was seen as an important incentive to landlords to let to this tenant group).

1.5.16 The Residential Landlords Association included questions on SLAs in its regular survey of member landlords and letting agents, to give insight into views on SLAs with some key points as follows:

- Less than one in five landlords (17%) were aware of SLAs operating in their area
- Only one in ten landlords were working with a Help to Rent scheme, including a deposit guarantee, PRS access or SLA scheme
- Just over half of landlords said they'd be interested in letting through an SLA or would need to know more
- When asked about incentives 57% of landlords said guaranteed rental income, and 43% said support with managing tenants, would give them an incentive to work with an SLA.
  - Deposit guarantees – 38%
  - Higher rents – 28%.

This shows a significant proportion of landlords are open to this type of approach, but current awareness is low.

#### 1.5.17 SLA case studies

The JRF report outlines several examples of SLAs, summarised as follows:

- Changing Lives' HomeLife Project: provides accommodation to low income households who are at risk of homelessness or exposed to vulnerability or insecurity (such as people recovering from addictions). The HomeLife project is one part of the work by the Changing Lives homeless charity in north-east England.

The project usually purchases empty properties, brings them into use and lets them out using private tenancies. Grant funding is used to buy the empty properties (initially using funding from the Empty Homes Community Grants Programme).

- Ethical Lettings (Surrey): is a community interest company who place households at risk of homelessness into private rented accommodation, through charging a fee to local authorities across the south east. The fee covers the operating costs and helps bridge the LHA gap.

Ethical lettings offer guaranteed rent and a free property management service (independent inventories at check in and check out, property inspections, handle any legal costs to end a tenancy where necessary). They offer a deposit bond agreement of 1.5 times the guaranteed monthly rent, to safeguard against any tenancy damage.

- Ethical Lettings Agency (Redcar): lets properties to low income households who are claiming housing benefit / universal credit. It has created a sister company, the Ethical Housing Company, which has received financial support from a social investor to purchase properties in the local area. These properties are let through Ethical Lettings.

- HomeCome: manages lettings for private landlords and the local authority and owns its own properties. It was started with support from Leicester City Council and has also used funding from the National Empty Homes Loan Fund for property purchase and refurbishment.
- Spring: a charity that leases properties from private landlords and housing associations, and focusses on vulnerable tenants at risk of homelessness. It has a regional contract for the resettlement of Syrian refugees (with a lettings and management fee). Higher support payments under exempt accommodation, secured through partnership with a registered provider, have been critical to its business model.
- Town Hall Lettings: developed by Cambridge City Council with funding from MHCLG Homelessness Grant as part of a wider service to tackle homelessness among single people. It offers a guaranteed monthly payment and full management service to landlords. It is cross-subsidised by the income from 24 properties let as part of the Cambridge City Housing Company.

#### 1.5.18 Challenges and barriers for SLAs

The key challenge is to attract landlords to working with an SLA, as they are in competition with commercial operators. Key challenges are as follows:

- LHA gap – the gap between LHA caps and market rents affects the attractiveness of SLAs to landlords if maximising rents is important to them.
- Perceptions and concerns about tenants – landlords’ general concern about potential behaviour of tenants who are homeless or are claiming Housing Benefit / Universal credit, including anticipated antisocial behaviour and non-payment of rent
- Upfront cost and risk
- Skills – need mix of experience of staff
  - Housing management, entrepreneurialism in working with landlords
  - Understanding of and ability to navigate the benefits system on behalf of clients
  - Combining commercial property management and housing support for vulnerable tenants
- Welfare reform and Universal credit – potential for UC to impact on level of rent arrears to SLAs offering rent guarantees to landlords.

Positives	Negatives
<ul style="list-style-type: none"> <li>• Proactive approach to engage landlords and provide service equal to lettings agents</li> <li>• Fully managed approach is attractive to landlords</li> <li>• Facilitates close working across teams – matching needs to availability</li> </ul>	<ul style="list-style-type: none"> <li>• Set up costs</li> <li>• Additional resources needed – staff, systems, and repairs service provision</li> <li>• Affordability – needs rents to be close to LHA amounts, LHA gap will remain a challenge</li> </ul>

<ul style="list-style-type: none"> <li>• Possibility to discharge homeless duty to the private sector</li> <li>• Increase control/influence to prevent homelessness by assisting households into appropriate private rented accommodation.</li> </ul>	<ul style="list-style-type: none"> <li>• IT solution to property portfolio management needed, and to manage rent accounts</li> <li>• Financial risk / exposure Potential conflict between duty to assist and need to take action in case of tenancy breaches (including rent arrears).</li> </ul>
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## 1.6 Approach to establishing a revised policy

- 1.6.1 The options laid out below will all be considered in the context of numbers of cases currently being managed in TA and the cost and savings implications associated with them.
- 1.6.2 In order to ensure that there is a market appetite for an alternative offer, officers intend to engage with private sector landlords through the West Kent Landlord Forum, local estate agents and existing contacts to discuss the options that Members agree are for consideration.
- 1.6.3 This 'soft market test' approach is being favoured over formal consultation on a private sector offer as it allows for more flexible, commercially focused discussions with the private sector.
- 1.6.4 In addition to engagement with the market, officers propose to liaise with sector bodies and tenant representative groups or agencies such as the CAB where appropriate.
- 1.6.5 Officers across the West Kent Partnership liaise regularly on housing issues and options where economies of scale would be potentially beneficial, such as a social lettings agency, will be discussed with them to consider shared arrangements as part of the options assessment.
- 1.6.6 Officers from Housing and Revenues & Benefits teams will work collaboratively to ensure that best value can be derived from budget allocations and approval processes and that the private sector approach can be funded and managed appropriately.
- 1.6.7 Subject to the outcome of these discussions, officers will present an update to this Board in Spring 2020 with a proposal on a revised offer that includes financial and legal implications.

## 1.7 Legal implications

- 1.7.1 The Council has statutory homeless duties, set out in Part 7 of the Housing Act 1996 (as amended). The Homelessness Reduction Act 2017 increased duties on local authorities to assess applicant's needs and to prevent and relieve homelessness.

- 1.7.2 Legal advice on each of the options for a revised approach will be sought as part of the forthcoming engagement phase.

## 1.8 Financial and Value for Money Considerations

- 1.8.1 There are potential savings through reduced use of temporary accommodation if suitable accommodation can be found in the private rented sector, either to prevent homelessness or to discharge our homeless duty.

With the weekly cost of a 2bed in nightly paid provision being in the region of £329 per week/ £1426 per month (gross cost), with a net cost of £164 per week/ £710 per month to the Council, the potential savings of assisting households to secure private rented accommodation are clear. For example Medway's approach uses one off payments of £1,500 per tenancy with an additional £3,000 which can be used flexibly to secure tenancies, and Maidstone's recent introduction of one off payments to landlords of £2,500 to £4,000.

- 1.8.2 The current of budget of £33,500 for deposits, rent in advance and payments to landlords will need to be considered in light of further research on the options outlined in this report. There is also a DHP budget of £208,000, and £18,000 of the £120,000 spend so far this year has been on rent in advance and deposits.
- 1.8.3 Resource implications will be included in a future paper to this Board. It may be that where other budget provisions are currently set at a certain level to manage the current operating model, these could be reduced to compensate for any increase in private sector agreements.
- 1.8.4 Table B: Rent deposits & rent in advance recharges to customers 2009/10 to 2019/20

Year	Recharge	Repaid	Written-off	Outstanding
2009/10	14,721.36	86%	14%	0%
2010/11	45,892.82	47%	53%	0%
2011/12	40,765.81	60%	40%	0%
2012/13	23,129.36	71%	29%	0%
2013/14	45,397.02	74%	25%	1%
2014/15	7,191.50	53%	47%	0%
2015/16	14,149.64	96%	3%	1%
2016/17	18,524.92	65%	31%	4%
2017/18	22,455.36	53%	36%	11%
2018/19	28,706.98	46%	5%	49%
2019/20	4,988.99	27%	0%	73%
	449,017.61	62%	34%	5%

## **1.9 Risk Assessment**

1.9.1 A risk analysis will be undertaken for each option outlined in this paper to consider the financial risk/return and operational implications for any revised approach.

## **1.10 Equality Impact Assessment**

1.10.1 The need for an EIA will be considered for each option explored as part of a revised approach, with an EIA being completed if considered necessary on the final proposal to Members.

## **1.11 Policy Considerations**

1.11.1 There are no specific policy implications arising from this report.

## **1.12 Recommendations**

1.12.1 That Members **APPROVE** the undertaking of soft market engagement and **SPECIFY** which options from section 1.5 (listed below) they wish to be included in that process.

- 1) Deposits and rent in advance (1.5.2)
- 2) Private guarantee companies (1.5.3)
- 3) Accreditation (1.5.4)
- 4) Guaranteed Rent (1.5.10)
- 5) Financial incentives (1.5.11)
- 6) Social lettings agency (SLA) (1.5.13).

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

Background papers:

contact: Gillian Aylett

Nil

Eleanor Hoyle  
Director of Planning, Housing & Environmental Health