

TONBRIDGE & MALLING BOROUGH COUNCIL
COMMUNITIES and HOUSING ADVISORY BOARD

10 November 2020

Report of the Director of Planning, Housing and Environmental Health

Part 1- Public

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

1 RENT GUARANTEE PILOT FOR PRIVATE LANDLORDS

Summary:

This report outlines a proposal to pilot rent guarantee and incentive payments for tenancies in the private rented sector. Rent will be guaranteed through a financial commitment to pay any rent arrears during a tenancy, giving financial reassurance to private landlords. Incentives will be through one off payments to private landlords.

Offering rent guarantee and incentives will help prevent homelessness and enable move on from TA into the private rented sector bringing savings on nightly paid temporary accommodation (TA).

The pilot will look for properties with rents in line with the applicable Local Housing Allowance amounts (plus 10% maximum). Where an incentive payment is made, tenancies need to be for a minimum of 12 or 24 months depending on level of incentive.

1.1 Background

- 1.1.1 There is a continued need for good quality private rented accommodation to help meet local housing need. A paper outlining options for a revised private landlord offer went to the Communities and Housing Advisory Board in November 2019, rent guarantee and incentives were two of the options agreed for further research and exploration.
- 1.1.2 TMBC's current private landlord offer consists of a deposit guarantee (in the form of a bond or cash) and Discretionary Housing Payments are often used to pay rent in advance. This existing offer is outdated and needs to be more competitive with the private market and neighbouring boroughs. There is a need for a more effective private rented sector offer to help households access and sustain tenancies in the private rented sector.
- 1.1.3 Private Landlords are often concerned about the risk of letting to households who may be in receipt of benefits to help them pay their rent. It's hoped that offering

an incentive payment along with a rent guarantee will mean landlords are more open to working with us and the households we assist.

1.2 Rent guarantee and incentive payments – how the pilot will work

1.2.1 Tenancies will be between the landlord and occupier as normal. The Council will offer:

- a rent guarantee effectively underwriting the rent due for six months and/or
- an incentive payment.

1.2.2 Properties will be actively sought until 31 March to be included in this pilot. Tenancies issued in connection with the pilot will run for the agreed period of the tenancy, beyond March 2021. Depending on the level of interest from landlords and the number of tenancies secured by this date, and the associated staff resources needed to administer and support them, officers may continue to seek properties beyond 31 March.

1.2.3 To be considered for the pilot landlords will need to issue tenancies with a fixed term of 12 or 24 months and rents at Local Housing Allowance amounts or up to a maximum of 10% above, as set out in the table below. Tenancies with an initial fixed term of 6 months may be considered for rent guarantee only.

Table A

LHA rent levels (monthly) & maximum levels	Room (LHA)	Maximum rent	1bed (LHA)	Maximum rent	2bed (LHA)	Maximum rent	3bed (LHA)	Maximum rent	4+bed (LHA)	Maximum rent
High Weald	433.81	477.19	693.12	762.43	897.52	987.27	1126.88	1239.57	1495.91	1645.50
Maidstone	385.02	423.52	648.22	713.04	812.76	894.04	972.31	1069.54	1246.57	1371.23
Medway & Swale	315.64	347.20	593.36	652.70	747.93	822.72	847.69	932.46	1196.69	1316.36

1.2.4 Officers will prioritise properties best matched to the needs of households being assisted by the Council for involvement in the pilot. TMBC will have the final decision about the properties that are included for use in the pilot; this will be informed by a process of matching properties, rents and households in housing need and subject to suitability considerations.

1.2.5 The pilot will be used for Housing Options and Support cases where the Private Rented Sector has been identified as a housing option for a household in line with the Private Rented Sector Offer (discharge) Policy. This may include households currently placed in temporary accommodation or those with prevention cases.

1.2.6 The rent guarantee will be offered for six months initially. This will provide additional financial support while the tenancy is settling down, with any benefits claims being made or updated and processed.

1.2.7 Landlords can make a claim against the guarantee for rent arrears during this time. The Council will need to pay the amount of any arrears and recharge the occupier as appropriate. Landlords will need to provide full information to evidence any request for payment including a copy of the rent statement.

- 1.2.8 The rent guarantee may be continued for up to 6 months, officers will consider each tenancy on a case by case basis where it's felt a continuation of the rent guarantee may be appropriate. After this extended period it's intended that the tenancy will continue, with the tenant paying their rent, and TMBC's rent guarantee will end (at the end of 12 months in total).
- 1.2.9 Incentives will be one off payments in line with the amounts below relating to the fixed term of the tenancy. Payments will be made to a Landlord once a valid tenancy agreement is evidenced, relating to an agreed property and rent for a specified household.

Incentive amounts by property size

Incentive amounts	1bed	2bed	3+bed
12 month fixed term	£1,500	£2,000	£2,350
24 month fixed term	£2,300	£3,000	£3,500

- 1.2.10 It is expected that only one incentive payment will be made per property. A landlord may receive more than one incentive payment in cases where they work with TMBC with multiple properties, but payments are not tenancy based, i.e. a landlord will not normally qualify for an incentive payment for a changeover of tenant at the same property they've already received an incentive for.
- 1.2.11 These incentive amounts equate to approximately 20% and 30% of LHA amounts over a 12 month period giving additional financial assurance to landlords.
- 1.2.12 Officers will signpost and make referrals for tenancy sustainment and support where appropriate, using the Kent Homeless Connect tenancy sustainment service and supported lettings project.
- 1.2.13 If the pilot is successful TMBC may choose to extend the offer of incentives and rent guarantee as part of the landlord offer and ongoing use in conjunction with the Private Rented Sector Offer (discharge) Policy.

1.3 Addressing rent arrears

- 1.3.1 While the rent is guaranteed to the Landlord, TMBC will need an agreed approach to handling any rent arrears that may form during the tenancy and setting up repayment plans. Alongside liaising with the landlord, proposed core principles for handling rent arrears for the pilot are outlined in **Annex 1**.
- 1.3.2 The landlord will need to contact the tenant about any rent arrears and follow their usual process to try to address them and seek payment. The landlord may claim against the rent guarantee providing the required evidence. TMBC officers will liaise with both the landlord and tenant to seek to address the arrears and remedy the situation, enabling the tenancy to be sustained.
- 1.3.3 To help prevent arrears forming officers will liaise with the tenant and landlord to put an Alternative Payment Arrangement in place for any housing related benefits

they're eligible for in cases where there's history of rent arrears, consistent late payment of rent or failure to keep to repayment plans.

1.4 Legal Implications

- 1.4.1 **Annex 2** outlines information about DHP funding and how it can be used for the proposed purpose. A DHP may cover all or part of a shortfall between rent and benefit or assist with the cost of taking up a tenancy. A DHP can be awarded for a rent deposit or rent in advance for a property that the claimant is yet to move into only if they are already entitled to Housing Benefit (HB) or Universal Credit (UC) at their present home or at the point payment is made.
- 1.4.2 There is a limit on the DHP award so that it does not exceed the weekly or monthly eligible rent on the claimant's home. However, the limit only applies where the award is calculated as a weekly housing benefit or monthly Universal Credit sum, for example, to meet an ongoing rent shortfall. In a case where the award is for rent in advance or a deposit, the weekly or monthly limit does not apply because a lump sum is being awarded to meet an immediate housing need. As a lump sum payment for a deposit or rent in advance is not made in respect of a period, it is only necessary that the claimant is entitled to HB or UC at the point the award is made.
- 1.4.3 If the deposit or rent in advance is for a property outside of the local authority area this does not prevent a payment being made if the claimant is currently in receipt of HB or UC within the area. Claimants placed by the local authority in temporary accommodation are treated as within area regardless of the physical situation of the property.

1.5 Financial and Value for Money Considerations

- 1.5.1 The pilot will provide the same offer to landlords and households TMBC are working with but how the incentive payments and claims against the rent guarantee are funded will vary to make best use of available budgets. The pilot will be funded by using Discretionary Housing Payments (DHP) wherever possible, informed by a households entitlement to benefits assistance. In cases where DHP cannot be used, relevant housing budgets will be used.
- 1.5.2 It's proposed to fund any claims made against the rent guarantee using Discretionary Housing Payments (DHP) funding until March 2021 and from that point claims could be paid using either the revised DHP budget for 2021-22 or through the Homelessness Reduction Initiatives budget of £25,000, which has a current spend of £12,364 for 2020/21.
- 1.5.3 DHP grant for 2020/21 is £267,941 with a current spend of £82,846 year to date. There is sufficient DHP budget remaining to facilitate this pilot offer of incentive payments and rent guarantee for households in receipt of benefits. Any unspent DHP funding is returned to the Department for Work and Pensions at the end of the financial year.

- 1.5.4 Spend and exposure to risk will be monitored throughout the pilot to ensure the pilot operates within the budgets available and DHP funds are available to meet other needs. **Annex 2** gives further information about the use of DHP for the pilot. **Annex 3** considers the potential financial risk exposure for rent guarantee.
- 1.5.5 The Housing Options and Support Team have recently secured funding through the Next Steps Accommodation Programme to help them in meet the accommodation needs of rough sleepers, as part of the response to the COVID-19 pandemic. An indicative amount of £45,000 of this funding is to facilitate move on from temporary accommodation to the Private Rented Sector (PRS) for cases where this has been identified as an option for the individual/household.
- 1.5.6 While some of this funding may be needed to provide deposits and other forms of assistance to secure private rented tenancies, it can be used for incentives and rent guarantee as part of the pilot.
- 1.5.7 The budget for the existing rent deposit scheme is £33,550, with a current spend of £11,013, giving scope to fund deposits where necessary for any tenancies within the pilot.
- 1.5.8 Any placements made through the incentive and rent guarantee pilot will reduce the potential number of households placed in temporary accommodation.

Nightly paid temporary accommodation provision averages at a gross cost of £1,327.60 per month per unit, with a monthly net cost of £589.86 and £3539.17 six month net cost. As a comparison three households placed in nightly paid accommodation would have an average net cost £10,618 to TMBC, six households £21,235 and nine households £31,853 over a six month period. This would be an actual cost rather than a potential risk.

- 1.5.9 TMBC will recharge the tenants for any amounts paid under the rent guarantee. The debt will be recharged through a debtor account and repaid through an agreed payment instalment plan.

1.6 Operational and resource implications

- 1.6.1 The main resource implication will be staff time within the Housing Options and Support Team to administer the process for any trial tenancies and to manage relationships with the landlords, alongside support to the tenant.
- 1.6.2 Existing approaches and systems can be used for payments to landlords for claims against the guarantee, raise debts and manage repayments with customers. This will be similar to the approach and systems currently used for administering the rent deposit scheme.
- 1.6.3 The pilot will run based on the approach outlined in this paper. Depending on the outcomes and insight from the pilot, a policy and supporting procedural

documents would need to be developed to enable an incentive scheme and rent guarantee to become part of TMBC's landlord offer.

1.7 Risk Assessment

- 1.7.1 A communications strategy for the implementation will be needed, to enable appropriate and effective promotion of the pilot offer and limit any potential reputational risk.
- 1.7.2 Expenditure and potential financial risk against available budgets will be monitoring throughout the pilot to ensure the pilot remains in budget.
- 1.7.3 Procedures will be developed to implement the pilot and ensure a consistent approach to decision making and issuing of payments.

1.8 Equality Impact Assessment

- 1.8.1 The decisions recommended through this paper may have an impact on end users. An equality impact assessment is currently being carried out and will be completed before implementation of the pilot.

1.9 Policy Considerations

- 1.9.1 There are no specific policy implications arising from this report.

1.10 Recommendations

- 1.10.1 It is **RECOMMENDED** that:

- 1) A pilot offer for incentive payments and rent guarantee, using both DHP and the homelessness reduction initiatives budget be approved to access tenancies in the private rented sector. This to continue until 31 March 2021 initially with scope to continue beyond this date, dependent on the number of tenancies secured and associated staff resources. Incentive payments will be one off payments to a landlord and rent guarantee will be in place for 6 – 12 months.
- 2) In view of the pressure on the Temporary Accommodation budget and the difficulty in finding good quality private rented accommodation that can be used to discharge the duties of the Borough Council, the decision is taken by the Cabinet Member for Housing, in liaison with the Cabinet Member for Finance, Innovation and Property, and not held over to the next meeting of Cabinet in order to expedite this opportunity as quickly as possible.
- 3) The pilot offer be monitored and a progress report provided to the Communities and Housing Advisory Board at regular intervals for review and consideration of extending the pilot offer. Monitoring of the pilot will include tenancy sustainment success, administration options, homelessness prevention and landlord and tenant feedback.

The Director of Planning, Housing and 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:

Nil

contact: Gillian Aylett
Andrew Rosevear

Eleanor Hoyle
Director of Planning Housing and Environmental Health