

**To: The Housing Panel**

**Date: 1<sup>st</sup> March 2017**

**Report of: Housing Strategy and Needs Manager**

**Title of Report: Council support for Housing Benefit claimants accessing the Private Rented Sector**

## Summary and Recommendations

**Purpose of report:** To update the Housing Panel on developments with the Council support for low income households to find and secure homes in the Private Rented Sector

**Report Approved by:** Councillor Mike Rowley, Housing

**Policy Framework:** Meeting Housing Need

**Recommendation:** To note the report, which seeks to identify key issues and the Council's response

## Appendices

- 1 - *Oxfordshire Private Rental Affordability Gap*
- 2 - *Six case studies of families housing needs*

## Background

1. This briefing is in response to member concerns last year that people on low incomes are finding it increasingly difficult to access the private rented sector, at a time when there is more reliance on the sector to meet housing need in Oxford.

## Current Situation

2. The Government has introduced a raft of tax, lending and regulation measures affecting the private rented sector, particularly at the low cost end of the market, focused mainly but not exclusively on changes to Housing Benefit (HB) also

known as Local Housing Allowance (LHA). For example caps, extending the Shared accommodation rate (SAR) to 35 year olds and freezing the annual review until 2020. In six months' time the roll out of full service Universal Credit is planned to begin across Oxfordshire which will be funded and administered by the Department of Work and Pensions (DWP) that includes Housing Benefit.

3. The concern is that the combined effect of Government policy changes alongside uncertainty with Brexit and the recent Housing White paper ambition to mend the "broken market" and boost affordable housing may have little impact in the short term on a shrinking owner occupation and social rented tenures - this will leave many local people unable to resolve their housing problems.
4. This briefing seeks to unpick some of these issues, by exploring landlord views and lettings practices on the one hand, and prospective tenants' experiences of trying to access the sector on the other. It also explored views and experiences of staff that seek to provide better access to housing for vulnerable people.
5. The research by phone was conducted in 2016 when over 150 out of 214 Oxfordshire market town agents were contacted, a dozen sample notes taken from client interviews, rental marketing portals and staff views from Environmental Health, Welfare Reform, Housing Benefit and Housing staff.
6. The key characteristics of the Oxford private rented sector market are:
  - a) 30% of all homes in PRS-highest in St Marys ward at 52% and lowest in Blackbird Leys at 9%.
  - b) Rental rises at 3% a year at lower end of market have outpaced incomes.
  - c) Estimated that over half of income is now spent on rent by the majority ranking City as one of the least affordable in UK for third year running.
  - d) It is estimated that 15% of all homes in the Private Rented Sector (PRS) have at least one serious hazard (2% below national average) and we anticipate this figure will continue to fall as part of the interventions carried by the Council in the PRS through enforcement and the delivery of the House in Multiple Occupation additional licencing scheme.
  - e) Estimated that a quarter of landlords still do not comply with deposit protection laws.
  - f) £12.3 million was spent on Housing Benefit up to Q3 and Discretionary Housing Payment is £376k and it's likely that most of the allocation will be spent.
  - g) 563 people already claim Universal Credit.
  - h) HB spend and claimant numbers have been in slight decline over past three years.
  - i) 23% of tenants are families with children.
  - j) Around half of all statutory homelessness is caused by PRS evictions.
  - k) Industry average for length of stay is 2.4 years whereas Home Choice tenants' average is 4.6 years.

## Key Findings

7. Although the private rented sector has expanded significantly in recent years, access to the sector remains severely restricted for low income families. The private agents/landlords surveyed were generally reluctant to rent to people in receipt of Housing Benefit with only five per cent of landlords indicated willingness to rent. A proportion of these would only do so through a home owning guarantor with a gross income 30 times the monthly rent, leaving just 3 per cent with property available to LHA tenants on the open market.
8. The staff surveyed agreed that it had become more difficult for LHA tenants to access the private rented sector in the past five years. Landlord reluctance to rent to benefit claimants was reflected in the experiences of the client notes, 11 out of 12 had encountered landlords unwilling to rent to people in receipt of HB. No lets have been secured at LHA rate and only twenty six new lets have been secured within the City with small incentives from April to December 2016 compared with 41 outside the district.
9. Government policy is compounding rather than mitigating the difficulties faced by benefit claimants trying to enter the private rented sector. Around two thirds of landlords reported that loss of direct payment of HB under Universal Credit (UC) – was making them less willing to rent to benefit claimants, while a similar proportion of those currently renting to these tenants reported only doing so if housing element of UC is paid to the landlord. It is expected that many vulnerable people would be eligible for payment to the landlord, and that a take up campaign making landlords aware of this is planned.
10. This is in direct tension with Government policy to pay HB directly to the tenant in most cases in a measure designed to promote greater responsibility. Around half of the agents surveyed reported that changes in LHA rates and the four year freeze on HB had made them less willing to rent to claimants, and nearly half of those unwilling to rent to HB claimants said the reduction in LHA rates was deterring them from doing so.
11. Recent taxation changes and increased regulation (such as immigration checks) also affected landlord willingness to rent to HB claimants along with lender restrictions and higher insurance premiums add to the perceived higher risks
12. Difficulties finding accommodation close to the LHA rate was also an issue raised by all across all property types unless you moved at least an hour away from Oxford in a West/Northern arc.
13. A significant proportion of landlords said they were deterred by concerns about arrears, property damage and a perceived need for more intensive management in relation to these tenants who lack the means to move when required and stay put until a possession order.
14. To mitigate these perceived risks, landlords acknowledged putting in place additional safeguards when renting to benefit claimants effectively imposing a premium on these prospective tenants. All landlords require two months deposit,

at least a month's rent in advance, and a third also said they made more extensive use of guarantors and credit references.

15. Access costs emerged as a key barrier preventing claimants from accessing the private rented sector - The most common difficulties encountered by clients related to costs (including finding accommodation close to LHA rate, as discussed above). The requirement for a deposit alone was often enough to prevent access to a private rented tenancy and agent fees on average around £330 in Oxford and advance rent were also significant barriers.
16. Staff reported that the cost of securing a PRS tenancy had increased significantly over the past five years and that letting agent fees and upfront costs specifically had increased following the London trend. It remains to be seen whether the banning of fees, consultation starts this month, turning to law probably next year results in lower operational costs or higher rents to mitigate against them.

### **Council support to help access**

17. **Home Choice** - The key initiative of the Council to assist vulnerable homeless people to access the Private Rented Sector is the Home Choice scheme. This was established in 2003. The principal tenants find and support service for families threatened with homelessness, where the Council is likely to have a statutory duty. This includes financial incentives of two months' rent and deposit loan, and fees paid include the following standard landlord and tenant offers:

- a) Direct payment to landlords
- b) Permission to share information for landlords
- c) Dedicated expert HB officers for fast processing
- d) Digital and hard copy tenancy booklets for Landlords and Tenants
- e) Named contact to problem solve tenancy issues
- f) Free property search portals in offices
- g) Free Tenant Ready training courses
- h) Free Landlord training sessions for joining accreditation scheme
- i) Make deposits, Rent in advance and other incentives to bridge gap between LHA and rent
- j) Help with relocation costs and support for out of city moves
- k) Sign post to other support agencies include employment, money and energy advice
- l) Promotion of landlord offer targeted at landlords inclined to let to LHA market-ethical and experienced medium size portfolio holders.

Trends: wherever reasonably practicably we secure lets in the City but this is proving to be increasingly challenging mainly caused by the growing monthly rental LHA gap of between £212 for one bed to £784 for four bed homes. Around 95% of clients are on HB. This has led us to help 27 families move in past nine months to cheaper market towns in Oxfordshire in particular Abingdon, Didcot, Witney and Banbury with half hour commuter travel times.  
See Appendix 1 for details

18. **Lord Mayors Deposit Guarantee scheme** - designed for non-statutory homeless people offering one month's Deposit bond and limited rent in advance. City Executive Board agreed last September to enhance the scheme with rent in advance but to date no additional numbers helped.

Trends: clients are priced out of Oxford and reluctant to move to cheaper areas. Only five moves to date this year. Crisis and Council have agreed to combine the rent in advance offer making it two months but the LHA gaps have proved to be virtually unbridgeable. Considering managing people's expectations video and landlord promotion

19. **Rent Guarantee scheme** - New two year pilot scheme quietly launched four months ago which Guarantees rent to the landlord three months in advance while tenant has tailored package of support to find ways to pay the top up. Aim is to let 40 homes a year in Oxford area.

Trends: Now systems bedded in offer is undergoing a promotion campaign to boost the six lets in the City so far.

20. **Real Lettings** - a two year £10m joint venture with a non-profit making organisation and St Mungo's for 50 buy to lets at LHA rates in Oxfordshire. Tenancies come with low level support to enable tenants to move on independently after two or three years.

Trends: Procurement to find a 3% yield on return in the City has proved very challenging but is on target with 16 quality lets and more to follow, this year mainly in neighbouring market towns and tenants are engaging on different levels.

21. **Syrian VPRS and Vulnerable Children scheme** - Government funded relocation package for up to 20 families by end of 2017. Enhanced offer to guarantee rent was required to attract landlords

Trends: 15 families have successfully settled and seeking to taper support to end by 2021.

22. **Hostel Move on for Singles** - specially designed scheme mirroring Home Choice offer for homeless pathway clients

Trends: One let so far causing 'log jam' in hostels, client expectations have to be sensitively managed over moves to cheaper areas and the decline in social lets

23. **Prevention Trailblazer Government Grant** - City led countywide £780k cash over two years from next month to arrange and research earlier advice and assistance to help non-statutory clients and evaluate good practice learnt

Trends: Home Choice PRS access is likely to be involved as part of the preparations for the new Homeless Reduction Bill going through parliament that extends the prevention duty from 28 to 56 days and widening the range of people

who can receive support from the Council. Closer working relationships with our Welfare Reform Team and other agencies will occur.

24. Appendix 2 shows six case studies that need or needed Council support to access the PRS.

### **Influencing Government policy**

25. Other incentives suggested by landlords for the LHA market related to changes in policy and greater intervention by government. This includes reversing lending and taxation changes, higher LHA rates as a high value area and increasing benefit caps, and addressing mortgage restrictions and insurance premiums which prevented landlords from letting property to out of work tenants or increased insurance costs if they did. Last month Oxford received no LHA uplift under the Governments targeted affordability fund.

### **Conclusion**

26. There are a variety of factors restricting access to the PRS for claimants principally is the cost and availability. The Oxford demand drivers continue to push rents up so the gap between rents charged and level of the Housing Benefit available increases. The challenges of the private rented sector are made worse by a shortage of social housing.

27. A consensus is emerging slowly that to ensure that the City remains a world class city in educational, economic and social terms the need for more affordable homes in the Oxford area is a critical success factor and the PRS can play its part.

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