

To: City Executive Board

Date: 22nd October 2008

Item No:

Report of: Head of Service, Community Housing & Community Development

Title of Report: Lord Mayor's Deposit Guarantee Scheme - Improvements

Summary and Recommendations

Purpose of report: To seek member approval for improvements to the Lord Mayor's Deposit Guarantee Scheme (LMDGS)

Key decision? No

Executive lead member: Councillor Ed Turner

Report Approved by

Board Member: Councillor Ed Turner

Legal: Jeremy King

Finance: Andy Collett

Policy Framework: This report reflects the Council's vision in that it seeks to prevent homelessness

Recommendation(s): Members are asked to approve two improvements to the LMDGS:

- (1) to additional bonds being made available, with the annual limits set as per Appendix 2
- (2) that the scheme may issue bonds which include cover for up to one month's rental loss by the landlord

Introduction & Background.

1. The LMDGS was set up in April 1993 at the instigation of the then Lord Mayor of Oxford, Councillor Barbara Gatehouse. The scheme's purpose is to assist applicants on low incomes to access privately rented accommodation by the provision of a bond that acts in lieu of a rent deposit.

2. The scheme was originally administered by Oxford Citizen's Housing Association with grant funding from Oxford City Council. This changed following a report to Executive Board on 17th July 2006 recommending the scheme be brought in-house with sufficient budgetary resources to enable continued provision of the service to existing & new clients as part of the homelessness prevention work of the Housing Needs Team.

3. The scheme has now been successfully operating within the Housing Needs Team for 2 years. Over this time some minor administrative changes have been made to scheme but the fundamental basis of the scheme has remained the same. A breakdown of annual activity is at Appendix One.

4. The scheme is administered by the Private Rented Sector team and complements the Home Choice scheme, in that, with this scheme, the team can also assist single people or couples, on benefits or a low income, to whom the Council does not have a statutory duty to rehouse.

5. The Bonds that are issued are effectively under-written by a sum held in the Council's reserves. At the time of the scheme transfer to Oxford City Council in October 2006, this sum was £63,528. The sum currently stands at £51,594 (Sept 08), following an additional funding top-up, from Councillor Tanner when he was Lord Mayor, of £19,469.

Proposed Improvements.

6. Officers are recommending that two improvements be made to the scheme:

- (i) Extend the number of bonds available for issue

The scheme has now reached "stalemate" in that officers only issue a new bond when another has become released. This is to try to ensure that the potential financial liability to the Council, determined by the number of bonds that are "live" at any one time, does not exceed the reserve sum. Officers believe that as the scheme has proven to be a successful enhancement to the Council's Homelessness Strategy, it would be prudent for officers to extend the number of bonds the Council can issue, above this level.

Officers have assessed the likely number of additional bonds the scheme could manage on an annual basis for the next 3 financial years. This has been based on average take-up and turnover since the scheme came in-house. This is shown at Appendix Two.

Any payments against a bond could continue to be covered, on an on-going basis, from the reserve sum.

- (ii) Extend the range of areas a Landlord can redeem a bond against

One of the most common reasons for Landlords turning down the option of using the scheme is that the bond is limited to covering dilapidations to their property only. Officers believe that if the bond could also be redeemed against rent loss then many more Landlords would take up the scheme.

To minimise the risk to the Council it is recommended that a maximum of one month's rent would be claimable under the scheme. Should a claim be made, the Council will endeavour to recover this sum from the previous tenant, under the terms of the bond agreement made with that person.

In the last year we are only aware of one bond that was ended due to the landlord ending a tenancy due to rent arrears so it is considered to be a low risk enhancement to the scheme's accessibility.

Financial Issues

7. The costs of administering this scheme are now contained within that of the Housing Needs Team, and any growth can continue to be administered within existing resources. In addition, the original sum to underwrite the bonds is held in Council reserves.

8. The proposals could create an additional call on the reserve sum to make payment against bonds that have defaulted on. However, this sum is considered adequate to sustain any additional payments as a result of these proposals.

9. Officers will review whether this reserve should be boosted, say by fund-raising, or whether any costs should be covered from existing Council budgets when the reserves are depleted, by the 2010/11.

10. As this scheme assists groups to whom the Council are unlikely to have a statutory duty to assist, the growth of the scheme will not yield any savings, for example, in temporary accommodation budgets, but it will continue to help address housing need and 'hidden homelessness' in the city. In doing so, Council liabilities, with respect to this scheme, could exceed the assets of the scheme, however, given the history of claims through this scheme, this is considered to be low risk.

Recommendations

11. Board is asked to agree:

- a. to additional bonds being made available, with the annual limits set as per Appendix 2
- b. that the scheme may issue bonds which include cover for up to one month's rental loss by the landlord

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Background papers:

None

Appendix One – LMDGS Activity Report

	Oct 06 – Mar 07	Apr 07 – Mar 08	Apr 08 – Sep 08
Applications	130	200	61
New Bonds	32	15	10
Renewed Bonds	14	29	16
Interviews	170	200	61

Live Bonds

end Sep 06	end Mar 07	end Sep 07	end Mar 08	end Sep 08
48	74	73	66	71

Appendix Two – Proposed number of bonds issued

08/09	09/10	10/11	11/12
80	95	110	120