

To: City Executive Board
Date: 15 September 2016
Report of: Executive Director of Regeneration & Housing
Title of Report: Home Choice Pilot & Rent Guarantee Scheme

Summary and recommendations	
Purpose of report:	To request approval to adopt a Rent Guarantee Scheme to enable the delivery of a Home Choice pilot, providing support to tenants to help them become financially independent.
Key decision:	Yes
Executive Board Member:	Cllr Mike Rowley, Housing
Corporate Priority:	Meeting housing need An efficient and effective council
Policy Framework:	Housing Strategy 2013-18
Recommendation: That the City Executive Board resolves to:	
1. Adopt the proposed Rent Guarantee Scheme outlined in the report	

Appendices	
Appendix 1	Home Choice Pilot – Project Initiation Document
Appendix 2	Landlord Offer
Appendix 3	Risk Register
Appendix 4	Customer Offer

Introduction and background

1. On 28 April 2003 the Council established the Home Choice Scheme as part of the new Housing Options and Prevention Service. The Home Choice Scheme provides housing in the private rented sector to people at risk of homelessness. The scheme's objectives are to reduce homelessness, and the cost of placing people in temporary accommodation. The scheme has been very successful,

with 950 households currently housed under its provisions. However, annual new starts have been falling for some time, and were 79 in 2015/16 compared to 200 in 2010/11. This adds increased pressure on temporary accommodation, which is of greater cost to the Council.

2. The main reason for the reduction in new starts under the Home Choice scheme is the high cost of renting privately in Oxford. Since Local Housing Allowance rates were reduced in 2011, the gap between Housing Benefit and market rents has been increasing annually. Table one below shows the current shortfall.

Table One

Property size	Monthly LHA Rate	Median Market Rent	Gap to LHA
1 bedroom	£688.57	£875.00	£186.43
2 bedroom	£834.08	£1,050.00	£215.92
3 bedroom	£997.27	£1,275.00	£277.73

3. Tenants housed by Home Choice receive payments to top-up their Housing Benefit to the level of the agreed rent charged. These are usually paid as a matter of course to minimise the landlord's financial risk. However, other private tenants seeking support from the Council by applying for a Discretionary Housing Payment (DHP) are required to undertake activities to reduce their need for a DHP, such as looking for work. Despite the decrease in Home Choice new starts, the volume and amount of top-up payments have increased, as shown in Tables two and three below.

Table Two

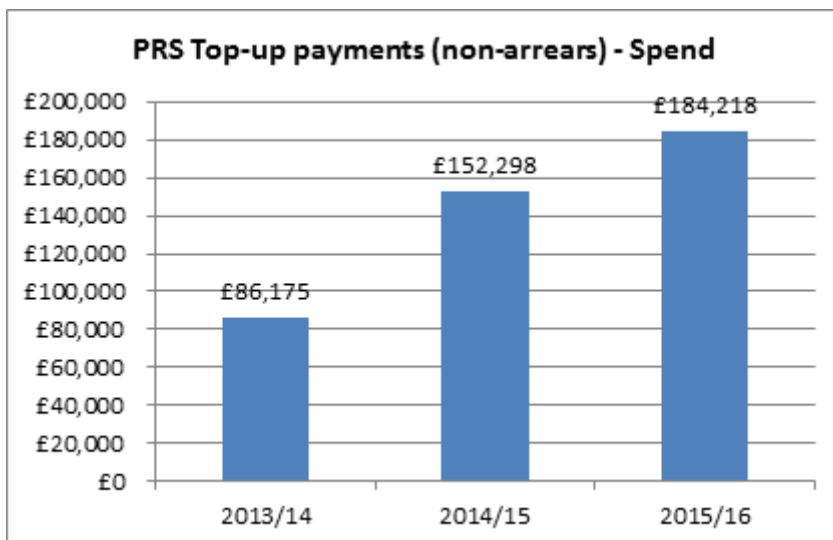
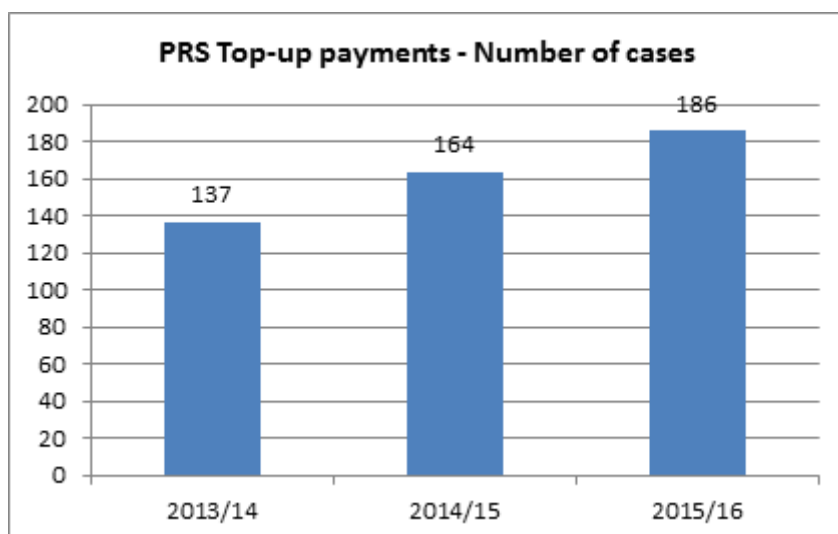


Table Three



4. To address the inequality in treatment and make the Home Choice model more sustainable, a pilot project which applies the approach used for awarding DHP's to tenants financially supported by the Home Choice Scheme is underway. The aim of the pilot is to help tenants become financially independent of the Council. The pilot will run for two years and aims to support a minimum of 80 tenants housed through the Home Choice Scheme. The objectives are for at least 20 tenants to become financially independent of the Council, and for a further 64 tenants to engage in training, remove barriers to entering work, or increase their earnings from work. Further details of the pilot are set out in the Project Initiation Document at Appendix One.
5. Tenants housed by Home Choice will have their Housing Benefit and top-up payment paid to them directly. They will then be responsible for paying their rent themselves, which will be collected by the Council's Incomes Team. This is the same model which is used for Council tenants of working age. This model helps tenants prepare for the introduction of Universal Credit, under which housing costs are by default paid to the tenant, not the landlord.
6. Any top-up payment paid in the pilot will require certain conditions to be fulfilled. These conditions will be based on a holistic assessment of the tenant's situation and on a plan agreed with the tenant in order to increase their financial independence from the Council. This will normally have the objective of moving the tenant into employment, or increasing earnings from employment. Any agreed conditions will be designed to be achievable, and support will be available from either the Council or one of its partners. The tenant's situation will be reviewed every three months, and providing conditions have been met, they will continue to receive their top-up payment. This mirrors the approach taken in assessing eligibility for Discretionary Housing Payments.

7. In order for this approach to work, the Council needs to be able to withdraw financial support for people who do not engage with the support provided. Under the current Home Choice model, this would potentially provide too great a risk to landlords and result in the withdrawal of properties from the scheme. A new model is therefore required to enable the pilot project to move forward.
8. A report from Inside Housing Solutions Ltd, has been commissioned to consider how a Rent Guarantee Scheme (RGS) could be developed which is attractive to landlords. A rent guarantee is a highly attractive offer to some risk averse landlords. This has been evidenced by consultation undertaken by Inside Housing Solutions Ltd as part of their report. Informal conversations with existing portfolio landlords have also shown that there is interest in the product.

Rent Guarantee Scheme

9. The RGS is an extension of the existing support offer to landlords agreed by the CEB in 2003 (the Home Choice scheme). However, because the Council will be acting as a rental managing agent for the landlord, this establishes a new relationship and so approval of CEB is sought. The design of the proposed scheme is as follows:
 10. The new scheme will only apply to people housed in Oxford, and will be limited to the following situations:
 - Prevention cases - those customers threatened with homelessness within 28 days (this may increase to 56 under new prevention duty proposed by the government)
 - Home Choice tenancies renewing or potentially ending through no fault of the tenant (e.g. landlord seeking higher rent)
 - Families with an accepted duty in our temporary accommodation
 11. When placing tenants in an available property, two or three suitable families are usually shown the property and introduced to the landlord. The selection process is based on who is at the nearest point of homelessness, the suitability of the family based on their motivation and ability to sustain a tenancy based on past behaviour (e.g. no previous tenancy breaches in last two years) and finally the choice of the landlord.
 12. Initial rents in the Scheme would be up to £925 per month for two bedroom properties, £1,110 per month for three bedroom properties and £1,375 for four bedroom properties. Although these levels are lower than market rents, landlords would typically expect to pay a 12% management charge to letting agents which is a cost the Council won't be charging. Rents will be reviewed on an annual basis in line with market conditions.

13. Further details of the RGS can be found in the Landlord Offer document at Appendix Two. However, research indicates landlords will be attracted by the additional features of the scheme as follows:
- Rent Guarantee to the landlord for the term of the Assured Shorthold Tenancy, with rent paid in advance (usually three months in advance)
 - Damage bond of two months' rent (in addition to the rental guarantee)
 - No administrative charges
 - Fully vetted prospective tenants (checks include immigration status, housing and credit history)
 - Free model tenancy and management agreements
 - Free quarterly property inspections undertaken in the first year
 - Free Gas Safety check every year
 - Low cost in-house, reliable maintenance service (optional)
14. In the event that a tenant of the RGS doesn't pay their rent, it will be necessary for the Council to arrange for the landlord to carry out enforcement action which may result in eviction proceedings. In such circumstances the tenant could be viewed as having made themselves intentionally homeless, although this may be contested.

Finance

15. The costs associated with this pilot, including those for engaging with tenants and rent collection will be met from the Council's Transformation Fund. This is outlined in the Project Initiation Document at Appendix One.
16. In 2015/16, the Home Choice scheme cost for payments to landlords or agents to support new lettings, or sustain existing tenancies, was £461,000. This budget will continue to be used, and will also cover the annual gas safety inspection costs from the pilot. Property inspection costs will be covered from the existing staff resources in the Home Choice team.

Legal

17. The Housing Act 1996 permits local authorities to discharge their homeless duties through securing suitable, available accommodation for the household. This can be through an offer of private rented accommodation, although this has usually been through a 'qualifying offer' (which required the consent of the applicant).
18. The Localism Act 2011 amended the 1996 Act, creating a new power that allows suitable 'Private Sector Offers' to be used to end the main homeless duty, without requiring the applicant's agreement.
19. If an applicant becomes unintentionally homeless within two years of the tenancy start date, a new 'Reapplication Duty' applies providing they remain eligible and are homeless unintentionally. It provides more of a 'safety net' for such applicants for this two year period.

Risk

20. The RGS is facilitating the piloting of a new operating model. A risk register is attached at Appendix 3.

Equalities Impact

21. There is no equalities impact as there is no change in the criteria for customers being housed in the private rented sector, however this scheme is expected to mitigate the risk of not having suitable PRS accommodation available locally, reducing the need for families to spend longer in temporary accommodation. The new approach will also address the differential approach currently applied in granting top-up payments for customers in Home Choice property and Discretionary Housing Payments to other customers also at risk of homelessness.

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Background Papers: None

Please note in the table below the version number of your report that was finally cleared at each stage

Report Stage	Version Number
First Draft: <i>Commissioned and cleared by Director</i>	v.0.2
Second Draft: <i>Cleared by Legal and Finance</i>	v.0.4
Organisational Draft: <i>Cleared by the Chief Executive</i>	v.0.6
Final Draft: <i>Cleared by the Board Member</i>	
Final Report: <i>Cleared by Labour Group</i>	

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