



# **Bridging the affordability gap with Oxford Rent Guarantee**

## Two year review- 2016-18

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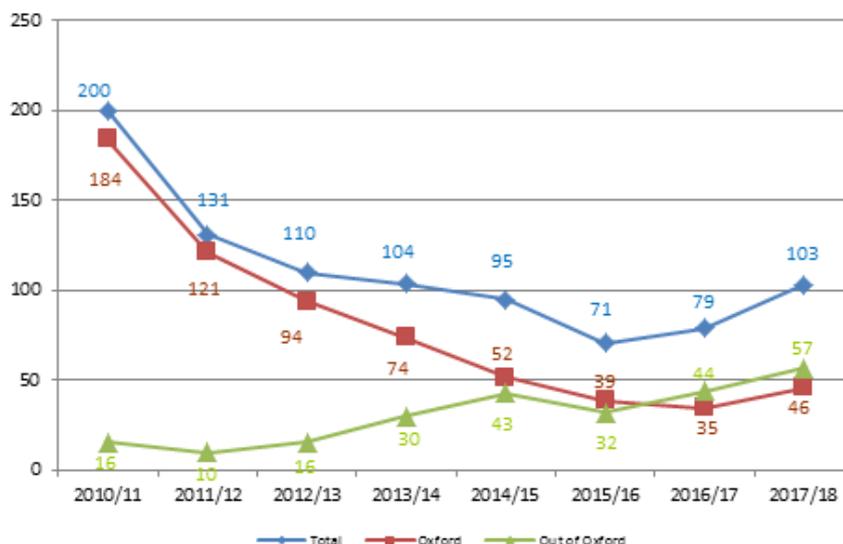
## Executive Summary

1. The Council has been piloting a rent guarantee scheme for two years. This report builds on the report presented to City Executive Board (CEB) in June 2018 and aims to inform Members of the proposed direction of travel for Oxford Rent Guarantee beyond April 2019. This report details the outcomes delivered to date, covers the proposed role for the scheme in managing the market, helping tenants and outlines the plan to scale up moving forward.
2. The Oxford Rent Guarantee (ORG) is an innovative approach to improve tenants' financial capability and prevent homelessness and was funded for two years under the transformation budget. Subject to members approval the scheme will become business as usual from April 19. The project has commissioned 2.6 FTE staff (2 coaches and part time income officer) and a bad debt allowance of 3% as it acts as a rent collection service on behalf of landlords. The medium term objective is to encourage tenants to become financially resilient to seek their own accommodation freeing up another home for a family threatened with homeless as defined by the Homeless Reduction Act (HRA).
3. The project contributes to two corporate priorities of meeting housing needs and efficient and effective council because it strengthens tenants' resilience against future homelessness, maintains a supply of local affordable housing in the private rented sector as well as driving down rental top up payments made by the council to meet the affordability gap between capped benefit levels and market rents
4. The benefits of continuing the scheme are to mitigate the rising cost pressures of homelessness in nightly charges/temporary accommodation under the HRA (up to £200k increase) and support the saving target of £100k in temporary accommodation over the next two years ( medium term financial plan). Oxford market rents have recently peaked and the Oxford Rent Guarantee gives more market power to officers to negotiate lower rents and subsequent top up payments (potential saving of up to £1380 a let per year based on current property profile with more savings achieved when larger families are rehoused.)
5. The project's performance has been good helping over 73 families strengthen their money management and income capabilities and avoid homelessness. Lessons have been learnt and adjustments made to improve service outcomes within budget.

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## 6. Background information on wider trends in the Oxford PRS market

- Private Rented Sector (PRS) is the second largest tenure at 30% doubling in twenty years
- Number of renters has increased across all age groups
- Majority of renters are satisfied with home ( English Household Survey 2017)
- Private renters spend half of their household income on housing but are less likely to be in arrears in comparison with social tenants who only spend a quarter of their income on housing costs.
- Churn in the sector is higher than owners or social tenants moving but is slowing down ( Home Choice tenants now stay on average five years)
- Quality of the PRS has improved but is still behind social housing.
- Six years after link between LHA rates and local rents was broken the gap is now so seriously out of line that the sector has become unaffordable for most low income families and this substantially increases risk of homelessness. Tenants are being left to make up difference out of other benefits ( Chartered Institute of Housing 2018)
- The gap between the two bed monthly LHA rate of £834 and median Oxford rents is now £366 and for rest of Oxfordshire £66 (Valuation Office 06/2018)
- One in twenty Oxon agents including three market rent teams from housing associations will not consider new LHA tenants (staff calls every three months to agents 2016-2018).
- 1200 people sought homelessness advice and around half of all acceptances are due to families losing a PRS home
- 104 households were helped by Home Choice to access the PRS but only half were located within the City because of price. This compares with 451 social lets last year.
- A typical family in the Home Choice service has the following demographic and economic characteristics: age 25-34, lone parent with a dependent child, 3-5 years residence and in part time work.
- A good national report by York University on PRS issues and possible solutions that Oxford contributed to aid debate can be accessed here <https://www.york.ac.uk/chp/news/2018/review-reveals-millions-private-housing-failed/>
- Home Choice new lets trend 2010-18- uplift partly due to ORG



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## Operation of Scheme

7. The plan was to align housing support with how Discretionary Housing Payments worked, guaranteeing the rent of people at risk of becoming homeless, as the City prepared for the introduction of the Homelessness Reduction Act, and lastly mitigate risk to landlords concerned with Universal Credit roll out.

8. The authority piloted a new scheme to run for two years which saw it guarantee rent for private landlords who take on tenants deemed to be at risk of becoming homeless.

9. In exchange for promising to cover the Housing Benefit shortfall of vulnerable tenants who cannot afford to pay, the council required beneficiaries of the scheme to prove they are taking positive steps to increase their incomes, such as making plans to move into work, increasing hours of work, and seeking help to manage problem debt.

10. The City Council earmarked £172,000 for the trial, which was expected to help 80 families, half of which are already PRS tenants.

11. There is strong evidence that for the long-term, it is the most likely way to attract private landlords to take on vulnerable tenants in the City by lowering their financial risk in uncertain times.

12. The agreement provides landlords with three months' rent in advance and vulnerable families receive a tailored support package.

13. Beneficiaries who fail to show they are trying to improve their financial circumstances will have any top up withdrawn and then seek to recover arrears in the usual way which may result in eviction as a last resort.

14. The scheme will not solve the housing crisis but will help as one of many trials that should be tried to help people avoid homelessness.



## **Market Assessment**

15. The in-house private rented access scheme branded Home Choice have good knowledge of local markets, personalised service, ensuring tenants ability to sustain a tenancy, delivering a range of support services to both landlords and tenants and lastly partnership working with other agencies. The team are well positioned to take the opportunity to offer a unique service like the Oxford Rent Guarantee.

16. Oxford rents may have reached a peak constrained by slow wage growth, uncertainty over the impact of Brexit on the economy resulting in lower churn of tenancies and overall PRS market confidence is fragile both for landlords and tenants.

17. This current state of the market leaves a promising opportunity for the City Council to step in to facilitate a safe and decent home for tenants as well as improving their future negotiating power in the rental market and stable hassle free returns for landlords.

18. A video made by landlords for landlords gives an insightful perspective on the selling points of the scheme

[https://www.oxford.gov.uk/info/20114/landlords\\_and\\_agents/1219/rent\\_guarantee\\_service](https://www.oxford.gov.uk/info/20114/landlords_and_agents/1219/rent_guarantee_service)

## **Risk Assessment**

19. The risk assessment is contained in the CEB report dated 12/2/19 identifies the financial, operational, legal and reputations risks and mitigations over tenant attitude, landlord behaviour, affordability gaps and capacity management.

## **Budgetary Impact**

20. The budget allowed for £172k and is within forecasts. A new coach was appointed seven months ago and there has just been an increase in Income officer time to reflect a growing portfolio approaching eighty homes and beyond.

21. The bad debt figure of 3% (an industry average) of rent collected should remain based on collection rates and no evictions to date, however we may have to review if the risk grows by Universal Credit migration. Going forward subject to this board's approval resources will be met within the flexible homelessness support grant reserves to continue with ORG with a "break even" forecast in 2021/22 with reducing top up payments.

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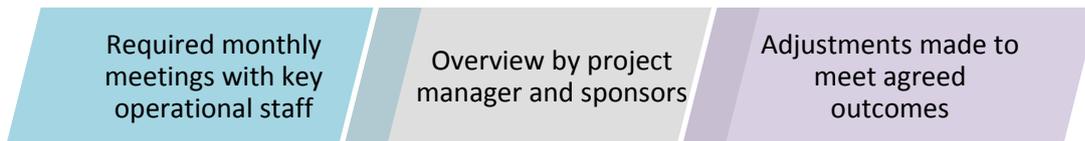
22. Additional coaching support resource will be required when the caseload reaches 80 plus and a current Home Choice officer is in training to have a coaching role in their existing job, meaning there are no plans for further new budget bids as the scheme grows to around 120 lets.

## Project Performance

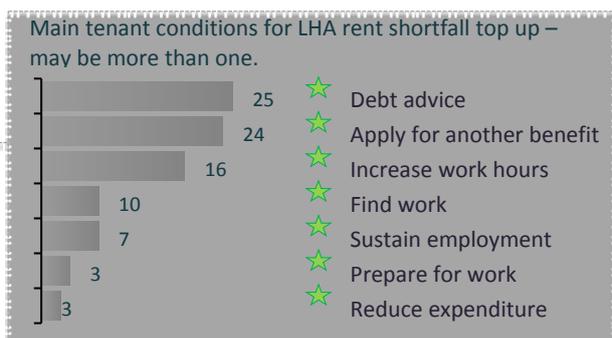
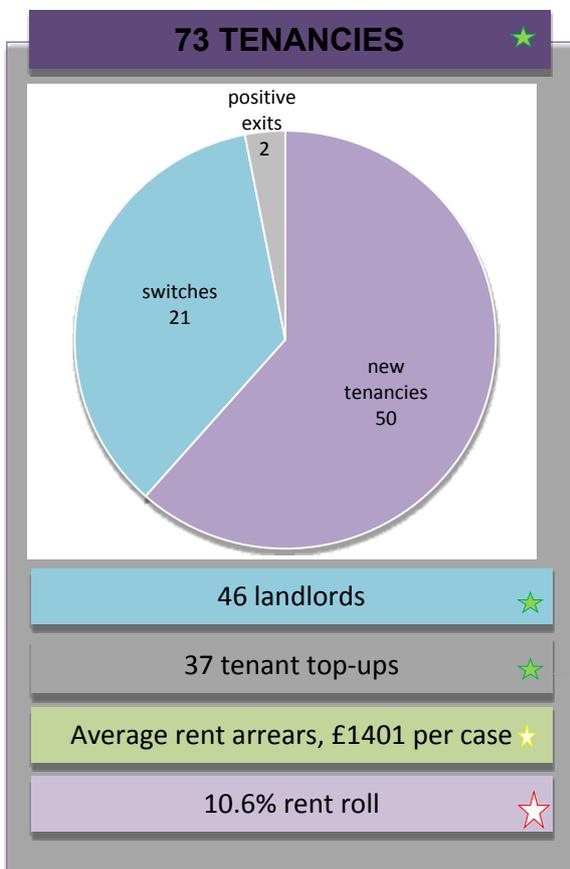
### Project Outcomes



### Project Governance



### Improving Housing Opportunities



**RAG Indicators Key**

- ★ On target
- ★ On target by Summer 2019
- ↓

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## RAG Indicators Key

- ★ On target
- ★ On target by Summer 2019
- ★ Concern over target

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## Improving Personal and Financial Resilience

- Pay shortfall themselves {37}** (Green star)
- Started employment {4}** (Yellow star)
- Managed money management plans {17}** (Yellow star)
- Positive move-on exits {2}** (Green star)
- Maximise other benefits {17}** (Yellow star)
- Savings plan for own deposit {1}** (Yellow star)
- Quarterly home inspections passed {97%}** (Green star)

## Other metrics

- Average monthly rent under ORG is **£1036**
- Oxford VOA all bedroom average is **£1250**
- Average net monthly cost to keep a 2 bed family in B&B is **£1517**

**£160**  
Average top up for a Home Choice standard let a month

**£45**  
Average top up a month

**Property Locations**

North/West Oxford	5
Headington/Wood Farm	15
South Oxford	4
Cowley/Blackbirds Leys	48

**Property Size**

2 bed,	3 bed,	4 bed,
40	21	12

**RAG Indicators Key**

- ★ On target
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## Project adjustments/lessons learnt

25. The two outcome themes requiring more focus are customer progression and rent collection.

26. Customer progression has been slower than expected because housing coach time has been absorbed on procurement and administration tasks.

27. Arrears collection is higher than the 5% maximum target, it is currently 10% and has reduced from its peak of 13%. The higher level of arrears has been caused by the absence of an Income officer for three months last year, and a similar absence period for a housing coach. The impact of Universal Credit(UC) has been greater than anticipated with 35% of tenants on UC and nearly all of them experiencing delays in payment of housing costs. An additional day of Income Officer time has been allocated form January 2019, together with more robust action plans in partnership with the coaches which are being implemented over the next six months to reduce the arrears to the target level.

28. The adjustments being actioned to achieve targets next year are:

1. Additional housing coach is in post and is fully operational.
2. Procurement tasks have been delegated to other Home Choice staff
3. Changing manual administrative tasks has been a challenge and now is being partially automated with aim to have a more seamless and lean process under the new IT software planned for next year.
4. Income officer resilience has been strengthened with additional time and buddy arrangement
5. Additional coaching for customers to get UC claims right first time which now includes the lending of free hand held tablets to speed up digital awareness.
6. Ongoing cultural change to a more Team Oxford outcome focussed approach in delivering the service



## Future plans

29. The project has been recognised as a good practice model by the national homelessness advisory body and attracted interest from over 28 other local authorities and two presentations at national conferences, however it is still a development in progress and the following short, medium and long term plans are recommended to be considered.

### 30. Short term

- Expand financial management advice to tenants
- Establish clearer tracking of tenants moving towards being financially independent to improve targeted coaching approach
- Raise awareness of PRS as a valid option to meet housing needs with potential customers including considering helping single people.
- Offer two year tenancies where possible- one in four landlords have lender/insurance restrictions
- Build better partnerships with Crisis, Credit Union, Aspire work opportunities and fuel poverty initiatives
- Extend coaching into life coaching to accelerate any work progression and network opportunities

### 31. Medium term/long term

- Explore social value impact measurements to reinforce benchmarking and scaling up of scheme
- Explore links to market renting and shared accommodation development opportunities
- Commission mystery shoppers to gain insight from tenant and landlord perspective on where to focus improvements
- Explore minor works renovation grants to bring empty homes into the service

## Conclusion and recommendation

32. The project has shown (with adjustments) to be an effective model for transitioning formerly homeless families, or those at risk of homelessness, into successful PRS tenancies, with resulting improvements in housing options, progress towards work and re-integration into communities, and greater resilience against reverting to homelessness again.

33. The numbers may be small in comparison to overall needs in Oxford and with other supply projects makes a difference in the quality of lives. The scheme

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helps place Oxford as a leading authority in meeting housing needs in an efficient and effective manner.

34. The report demonstrates that the project is ready to migrate and evolve as business as usual in the Housing needs team and recommend its adoption.

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