

**Title of meeting:** Cabinet Member for Housing

**Date of meeting:** 12<sup>th</sup> March 2019

**Subject:** Financial assistance to access private sector housing

**Report by:** James Hill, Director of Housing, Neighbourhood and Building Services

Wards affected: All

Key decision: No

Full Council decision: No

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### 1. Purpose of report

1.1. To outline financial assistance currently offered to access private sector accommodation to those that qualify. To outline options for extending financial support to others who do not currently qualify.

### 2. Recommendations

2.1. That the Cabinet Member for Housing notes the current forms of provision and the criteria under which residents can access this.

2.2. That the Cabinet Member for Housing instructs officers to update the information published by the council outlining the current offer of assistance with rent deposits, as part of a plan to update the information we provide online to tenants and landlords.

2.3. That the Cabinet Member for Housing stresses the administration's desire to expand access to the private rented sector beyond the current offer, to help more residents secure affordable and sustainable tenancies.

2.4. That officers review the potential options, and risks, in expanding financial support beyond the current schemes and return to councillors with a detailed options paper regarding the expansion of financial support to access the private rental sector. In order to expand provision beyond the current schemes, the Cabinet Member for Housing will identify and make available a source of funding, in agreement with the Director for Housing, Neighbourhood and Building Services and the Section 151 officer.

### 3. Background

3.1. Upfront costs are a significant barrier to lower income households seeking to secure private rented sector (PRS) accommodation in Portsmouth. Most PRS landlords require a rent deposit and / or rent in advance to be paid before granting a tenancy. There are some differences in how rent deposits and rent

in advance are treated, but for the purposes of this report, both will be referred to as 'rent deposits'.

### 3.2. Prospective tenants may also face other over-riding barriers, including:

3.2.1 High demand for PRS housing, including student housing, which increases costs and competition for homes;

3.2.2 High rental costs, with over three quarters of PRS lets in the city at rents above the cap for Housing Benefit and Universal Credit assessments (the Local Housing Allowance rate);

3.2.3 Income and credit check requirements applied by many landlords exclude low income and indebted households;

3.2.4 Guarantor requirements which mean that a prospective tenant must find someone willing to accept liability for any unpaid rent, and the guarantor must meet the landlord's specific criteria, which can include income, home ownership and credit checks.

3.3. Portsmouth City Council does not currently have a rent deposit scheme available to the general public, but provides financial assistance to specific groups of people to secure PRS housing under the schemes listed in section 5 below.

3.4. Because there is no open access scheme, the council does not hold data on demand for rent deposits, or unmet need for this in the city.

## 4. **Legislative requirements**

### 4.1. Homelessness prevention and relief

4.1.1 The council has a range of duties under the Housing Act 1996 (as amended by the Homelessness Act 2002 and the Homelessness Reduction Act 2017) to prevent people at risk of homelessness from becoming homeless, and to relieve homelessness for those who have already lost their home.

4.1.2 These duties allow the council to use the general consent under section 25 of the Local Government Act 1988 to provide financial assistance in the form of rent deposits.

### 4.2 Discretionary Housing Payments

4.2.1 The Discretionary Financial Assistance Regulations 2001 enable a local authority to make payments to persons who are in receipt of Housing Benefit (or Universal Credit Housing Costs Element), who require further financial assistance to meet housing costs.

4.3 Section 2 of the Local Government Act 2000 gives the council the power to give financial assistance to any person, to promote the economic or social wellbeing of all or any persons present or resident in this area.

## 5 Current council rent deposit assistance schemes

### 5.1 Housing Options homelessness prevention fund

5.1.1 The council uses funding from its Flexible Homelessness Support Grant (FHSG) to provide financial assistance to prevent homelessness.

5.1.2 There is no application form; Housing Options Officers assess customers' need for financial assistance and provide information on the help available.

5.1.3 Assistance can be in the form of a loan or a grant, depending on an assessment of affordability for the customer. Most assistance is by grant, and where loans are made, many are not repaid in full, therefore only a small proportion of the annual spend is currently recycled.

5.1.4 The number of customers assisted has increased significantly this year, from an average of 1.8 per week in 2017/18 to 3.5 in 2018/19:

Period	Number of deposit / rent in advance payments	Total value of awards (£)	Of which:		Average value of awards (£)
			Grant	Loan	
Apr 17 - Mar 18 (52 weeks)	88	110,043.89	76,327.68	33,716.21	1,250.50
Apr 18 - Nov 18 (35 weeks)	120	138,248.52	104,704.06	33,544.46	1,152.07

### 5.2 Housing Options single person's bond scheme

5.2.1 This scheme provides a guarantee to PRS landlords of up to one month's rent to cover the costs of any damage, theft or loss to the property incurred during the first 12 months of a tenancy. It does not provide protection against rent arrears.

5.2.2 37 people were assisted to secure a home using the bond in 2017/18.

5.2.3 The bond is used to secure accommodation in houses in multiple occupancy (HMOs). Demand for one bedroom flats locally means people are unable to secure a self-contained flat using the bond scheme.

5.2.4 More HMO landlords may be willing to accept the bond if it gave protection against rent arrears. However, adding protection against arrears could significantly increase the cost of the scheme, and may reduce the incentive for a landlord to ensure all rent is collected from their tenant, if they can claim against the bond for payment.

### 5.3 Housing Benefit Discretionary Housing Payments (DHP)

5.3.1 DHPs are only available to those currently in receipt of Housing Benefit, so can only assist those needing to move from one rented property to another, including tenants who are:

- Overcrowded or otherwise in unsuitable housing
- Unable to afford their current rent
- Threatened with homelessness
- In temporary or supported housing and needing to move on

5.3.2 The number of DHPs awarded for rent deposits has significantly increased in the last year, with a greater number and higher value of DHPs granted in the six months from April to September 2018 than in the 12 months from April 2017 to March 2018. This has increased the average number of DHPs for rent deposits per week from 1.8 to 3.7, with a 13% increase in the average value of an award:

Period	Number of deposit / rent in advance awards	Number of deposit / rent in advance requests refused	Total value of awards (£)	Average value of awards (£)
Apr 17 - Mar 18	91	13	95,541.74	1,049.91
Apr 18 - Sep 18	95	7	112,998.28	1,189.46

5.3.3 Central Government funding for DHPs is lower for 2019/20 than for 2018/19. Portsmouth's maximum allocation has reduced by 8.5% to £617,464.00 for 2019/20.

## 6 Communicating the current offer of rent deposit assistance

6.1 The council's website does not currently have a page dedicated to rent deposit assistance.

6.2 The council's Rent It Right website provides guidance for tenants on legal rights, but does not include advice on options for securing a rent deposit.

6.3 Providing clear information on the assistance that is available will help people to quickly identify whether they qualify for the help the council offers, and how to access it.

## 7 Expanding the bond guarantee scheme

7.1 The bond scheme currently offered to landlords provides less protection than a rent deposit, because it is time limited to claims made within one year, and it cannot be used to cover rent arrears.

7.2 A bond scheme has advantages over a rent deposit scheme, both for landlords and for the council, and could therefore enable more tenants to access PRS homes.

- 7.3 For landlords, accepting a bond rather than a deposit means that they do not need to put it in a tenancy deposit scheme. For the council, no upfront payment is made, and if there is no claim against the bond, no action is required to recover it at the end of a tenancy.
- 7.4 Giving officers flexibility to negotiate the term of a bond, and the level of protection it gives the landlord, could help to reduce the upfront costs of rent deposits.
- 7.5 Exploring options for the council to develop the current bond scheme into a rent guarantor scheme could open up access to parts of the rental market for residents who are currently excluded, but this would require a detailed analysis of the potential costs and legal implications.
- 7.6 The impact of extending the bond scheme should be monitored to understand how it affects the cost of securing PRS homes and tenancy sustainment.

## **8 Options for expanding rent deposit assistance**

- 8.1 The administration has indicated that it wishes to extend financial support to access PRS housing beyond that outlined above. Two options are proposed for consideration
- 8.2 Option 1 - Partner with a credit union to provide rent deposit loans
  - 8.2.1 By providing assistance in the form of loans, the funds can be recycled, enabling more people to be assisted.
  - 8.2.2 Wessex Community Bank (WCB) is a not-for-profit, local credit union, based on Fratton Road in Portsmouth offering saving and loan products.
  - 8.2.3 The cost of borrowing from WCB will depend on the amount borrowed and the loan risk assessment, but a rent deposit loan could typically charge interest of around 20% APR.
  - 8.2.4 WCB assess affordability before lending and do not lend to anyone whose total debt would be more than 10 times their net monthly income, which could exclude some people who need a rent deposit.
  - 8.2.5 For those who do not need to move urgently, WCB could offer a savings and loan product, so that the customer would save up part of the amount required, before borrowing the rest.
  - 8.2.6 WCB would require additional funding if the rent deposit scheme was open to people whose repayment risk assessment was higher than the current WCB customer profile.

### 8.3 Option 2 - Expand the grants available from PCC

8.3.1 Current provision serves two specific groups; those at risk of homelessness, and those in rented housing receiving help with their housing costs who need to move.

8.3.2 To expand provision beyond these groups, measures will be put in place to identify unmet need and the administration will be guided by the evidence on who should be supported, for example:

8.3.2.1 Low income working households - extended provision could be focused on those who will need Housing Benefit or Universal Credit Housing Costs Element to meet their housing costs, but are not currently in rented housing and / or those who need to move but do not qualify for Housing Benefit or Universal Credit Housing Costs Element.

8.3.2.2 Adults who were previously in local authority care - the council provides support to access housing via the leaving care pathway, which includes the option of assistance to access the private rented sector, but further work is required to understand whether there are people with a history of being looked after by the council who need additional help to access PRS housing.

8.3.3 There is currently no evidence of demand from these groups. Demand will not come solely from those who are currently unable to move; it is likely to also come from those who would previously have used less desirable options for borrowing, such as high cost lenders, or who would have turned to friends or family if no other help was available to meet their need.

8.3.4 The standard amount required by landlords is one month's rent in advance plus one month's rent deposit. At the Local Housing Allowance rates for 2019/20 this would equate to:

- One bed: £1,043.00
- Two bed: £1,292.00
- Three bed: £1,545.00
- Four bed: £2,085.00

8.3.5 If the council was to provide the full cost outlined above, and to help an equal number of people across each property size, £50,000.00 in funding would assist around 33 households. Providing only part funding, or focussing on smaller households, would enable funding to go further.

8.3.6 There would also be the cost to the service of managing the provision. Because this would be a non-statutory service there is currently no resource in place to deliver it within any team within the council.

8.4 There is currently no funding available within the general fund budget to provide or administer additional rent deposit assistance, and therefore the administration would need to identify a source of funding to deliver this provision.

## **9 Reasons for recommendations**

9.1 To ensure residents can find accurate and relevant information on the current help available from the council towards rent deposits.

9.2 To ensure the proposed options for extending rent deposit assistance are considered and decided upon, and appropriate funding is allocated as required.

## **10 Equality Impact Assessment (EIA)**

10.1 A preliminary EIA has been completed and is attached at Appendix 2. It identifies no potential negative impacts on any of the protected characteristics as a result of this report, and recommends completion of a full EIA in the event of a decision to extend support, in order to ensure that where possible the policy helps to promote equality for the equality groups.

## **11 City Solicitor's comments**

11.1 The report sets out clearly the legal basis for making relevant payments (section 4), additionally it also sets out the basis for potentially accessing the discretionary benefit in the sense of how applicants may be able to obtain assistance. This mitigates risk of challenge from any particular group or those with a relevant protected characteristic.

## **12 Director of Finance's comments**

12.1 A detailed financial appraisal of the options in this report has not been carried out given the number of different initiatives that there are and the uncertainty around the likely volume of additional support that the Council may have to provide.

12.2 It is clear from this report that the demand for support is increasing and that currently the increase in this support is being met by Flexible Homeless Support Grant and other sources of finance. Additional funding has yet to be identified that can support any new initiatives outside of the current scheme.

Signed by:

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James Hill, Director of Housing, Neighbourhood and Building Services

**Appendices:**

Appendix 1- Report - rent deposit schemes in Portsmouth  
Appendix 2 - Preliminary Equality Impact Assessment

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/  
deferred/ rejected by ..... on .....

.....  
Signed by:  
Councillor Sanders  
Cabinet Member for Housing

## Appendix 1 **Extending rent deposit schemes in Portsmouth**

### **Report, January 2019**

Mark Sage, Tackling Poverty Coordinator

### **Recommendations**

1. Continue to use funding from the Flexible Homelessness Support Grant and Discretionary Housing Payments (DHP) to provide rent deposit assistance to residents meeting the criteria for those budgets
2. Publish clear information on when and how the council can provide rent deposit assistance, and other options available to residents
3. To extend rent deposit provision in the city, explore the following:
  - a. When the council is notified of its DHP allocation for 2019/20, consider all demands on this budget and whether there is scope to increase rent deposit provision
  - b. Consider where there may be areas of unmet need (for example, keyworkers not in receipt of Housing Benefit and not threatened with homelessness), and explore the costs of extending provision, and whether this should be delivered by the council or a partner such as Wessex Community Bank

### **Background**

Upfront costs are a significant barrier to low income households seeking to secure private rented sector (PRS) accommodation in Portsmouth. However, there may be other over-riding barriers, including:

- High demand for PRS housing, including student housing, which increases costs and competition for homes;
- High rental costs, with over three quarters of PRS lets in the city at rents above the cap for Housing Benefit and Universal Credit assessments (the Local Housing Allowance rate);
- Income and credit check requirements applied by many landlords exclude low income and indebted households;
- Guarantor requirements which mean that a prospective tenant must find someone willing to accept liability for any unpaid rent, and that person must meet the landlord's specific criteria, which can include income, home ownership and credit checks.

Portsmouth City Council does not currently have a 'rent deposit scheme' available to the general public, but provides financial assistance to specific groups of people to secure PRS housing under the schemes listed below. Because there is no open access scheme, the council does not have data on demand for rent deposits, or unmet need for this in the city.

### **Council rent deposit assistance schemes**

## 1. Housing Options homelessness prevention fund

The council uses funding from its Flexible Homelessness Support Grant (FHSG) to provide financial assistance to prevent homelessness. Since FHSG was introduced in 2017/18, there has been a large increase in the use of bed and breakfast accommodation for homeless households, putting pressure on this budget.

There is no application form; Housing Options Officers assess customers' need for financial assistance and provide info on the help available.

Assistance can be in the form of a loan or a grant, depending on an assessment of affordability for the customer. Most assistance is by grant, and where loans are made, many are not repaid in full, therefore only a small proportion of the annual spend is currently recycled.

The number of customers assisted has increased significantly this year, from an average of 1.8 per week in 2017/18 to 3.5 in 2018/19:

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Reasons for the increase this year include:

- Implementation of the Homelessness Reduction Act duties from April 2018, which increase the council's responsibilities to assist anyone homeless or at risk of homelessness (this contributes to the 7.9% reduction in the average value of awards; more households without children are being assisted, whose rent and deposit costs are lower);
- Insufficient availability of social housing to meet the needs of homeless households in Portsmouth;
- Increase in number of households in temporary accommodation requiring rehousing.

## 2. Housing Options single persons bond scheme

This scheme provides a guarantee to PRS landlords of up to one month's rent to cover the costs of any damage, theft or loss to the property incurred during the first 12 months of a tenancy. It does not provide protection against rent arrears.

37 people were assisted to secure a home using the bond in 2017/18.

The bond is used to secure accommodation in houses in multiple occupancy (HMOs). Demand for one beds locally means people are unable to secure a self-contained flat using the bond scheme. However, many HMO landlords are unwilling to accept the

bond, because it gives no protection against rent arrears. However adding protection against arrears could significantly increase the cost of the scheme, and may reduce the incentive for a landlord to ensure all rent is collected from their tenant, if they can claim against the bond for payment.

### 3. Housing Options Access scheme

Housing Options lease homes from PRS landlords which are then managed by PCC and let to households to prevent homelessness or to fulfil a homelessness duty. A bond of one month's rent is provided to cover the costs of any damage, theft or loss to the property during the first 24 months of the tenancy. 16 tenancies were secured under the Access scheme in the first 8 months of 2018/19, but only 5 of these were self-contained homes, 11 were in HMOs.

### 4. Housing Benefit Discretionary Housing Payments (DHP)

DHPs are only available to those currently in receipt of Housing Benefit, so can only assist those needing to move from one rented property to another, including tenants who are:

- Overcrowded or otherwise in unsuitable housing
- Unable to afford their current rent
- Threatened with homelessness
- In temporary or supported housing and needing to move on

The number of DHPs awarded for rent deposits has significantly increased in the last year, with a greater number and higher value of DHPs granted in the six months April to September 2018 than in the 12 months April 2017 to March 2018. This has increased the average number of DHPs for rent deposits per week from 1.8 to 3.7, with a 13% increase in the average value of an award:

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A small team of Housing Benefit Officers make all DHP decisions. A new process implemented in 2018 ensures anyone coming in to the Civic Offices to request a DHP for rent in advance or deposit is seen on the day by a DHP decision-maker. This has helped to speed up decision-making and reduce the number of unsuccessful DHP requests.

A DHP request cannot be accepted until a property has been found, because the decision is based on the specific deposit amount and rent costs.

The council is due to be notified of its DHP allocation for 2019/20 by the Department of Work and Pensions at some point in January.

### **Credit union loans**

Wessex Community Bank (WCB) (previously Hampshire Credit Union) is based on Fratton Road and provides affordable loans for a range of people, including many who are financially excluded due to debt or low income. Around 40% of the loans made by WCB are to people whose sole source of income is social security benefits.

In the year to 31 October 2018, 17 WCB loans were recorded as being made to provide a rent deposit (but the reason given in the application may not always correspond with how the money is used). This represents a very small proportion of their loans.

WCB assess affordability, based on an income and expenditure check, reviewing the customer's last bank statement, and a credit check. Anyone with gambling expenditure is declined. WCB look at the type of debt as well as the amount outstanding, but will not lend to anyone whose total outstanding debt would be more than 10 times their net monthly income.

WCB have previously discussed working with Housing Options to deliver a rent deposit scheme, but because this would entail higher risk lending than currently; WCB indicated that they would require funding for 25% of each loan as a provision for non-payment. Interest rates would be around 19-20% APR, depending on the level of risk and the amount borrowed.

WCB also encourage schemes where customers save before they borrow, to reduce the amount borrowed, and to develop the habit of putting a bit aside each month to ensure a loan can be repaid.

### **Other borrowing**

Many residents will borrow from friends and family, but for those who cannot, the most readily available and 'cheapest' borrowing is via credit card. No data is available on the number of rent deposits paid by credit card, and some landlords will not accept this form of payment.

Credit card borrowing enables people on low incomes to only pay the minimum payment each month, so they are not clearing any of the balance of the debt. No enforcement action will be taken by the lender because they are meeting the borrowing terms, but if only the interest is paid each month, the debt will continue indefinitely, greatly increasing the total cost of borrowing.

### **Information for residents**

Searching for 'rent deposit' on the council's website gives two results: [Discretionary housing payments](#) and [Housing, Neighbourhood and Building Services](#).

The first page provides details about DHPs; eligibility, how to apply and decisions. It notes that people whose housing is unaffordable due to the welfare reforms could apply for rent in advance or a deposit for a more affordable home.

The second page has a section on private rented accommodation, which gives details of the Housing Options Access scheme.

Searching for rent in advance also directs people to the council's [money advice page](#), which includes the [directory of help for people in financial hardship](#). This does not specifically refer to rent deposits or rent in advance, but includes details of charitable organisations who offer grants to people in hardship, and options for low cost loans.

Rent It Right is the council's private sector housing website. It provides some information for tenants, and a searchable list of accredited homes for rent, but does not include any information or advice on obtaining a rent deposit.

The national housing organisation Crisis has a [Help to rent database](#). Searching for schemes in Hampshire shows that local authorities and partner agencies have a range of rent deposit and bond schemes across the county. The only entry for Portsmouth is the Housing Options Access scheme.

### **Summary and conclusions**

- Portsmouth does not have a 'rent deposit scheme' available to the general public, but the council provides help with rent deposits through Housing Options schemes and Discretionary Housing Payments (DHPs)
- The number of people assisted and the total amount of financial help provided by the council for rent deposits has roughly doubled between 2017/18 and 2018/19; reasons for this include rising demand, new Homelessness Reduction Act duties and new processes to expedite decision-making
- The council is expected to provide rent deposit help to over 350 households in 2018/19, compared to 183 in 2017/18. Assisting a greater number of people would require additional funding; Portsmouth's 2019/20 DHP allocation from DWP has not yet been announced
- The budgets used to fund rent deposits and bonds face high demand and are dependent on fluctuating annual grants
- DHPs are non-repayable, while Housing Options can offer both loans and grants; however, repayment of loans is low
- The council also provides bonds, but only a small number of homes are secured with this help, mostly houses in multiple occupancy
- An individual who is not currently either in receipt of Housing Benefit (or Universal Credit housing costs element) or threatened with homelessness, is unable to access rent deposit assistance from the council
- The council does not provide information on its websites of all the different options to assist people with rent deposits