

FAREHAM

BOROUGH COUNCIL

Report to Health and Housing Policy Development Review Panel

Date **16 January 2014**

Report of: **Director of Community**

Subject: **HOUSING INITIATIVES (ACCESSING THE PRIVATE RENTED
SECTOR)**

SUMMARY

Following changes in the welfare system, the demand for the Housing Options service and for temporary accommodation (TA) has increased significantly. In response to this, work has been carried out with private sector landlords in order to develop three new private rented sector (PRS) schemes with the aim of encouraging more landlords to work with the Council and allow their properties to be let through Strategic Housing.

RECOMMENDATION

That the Panel supports the development and publication of the private rented sector (PRS) schemes described in the report.

INTRODUCTION

1. Due to the changes brought about by the recent welfare reform, the Housing Options service is seeing more customers who are homeless or at risk of becoming homeless. Many are unable to afford to find their own accommodation in the private rented sector due to increasing rents and fees charged by letting agents. Therefore, the demand for temporary accommodation (TA) is increasing. The greater numbers in bed and breakfast (B&B) establishments over the last few months confirm the need for more TA; customers are only placed in B&B accommodation if there is no other solution available. The use of B&B also comes with legally imposed time restrictions and is very expensive, with a six week family placement costing around £3,000.
2. In order to reduce the reliance on B&B accommodation, the council needs to be able to access more private sector properties to use as TA, but this has become increasingly difficult. In order to increase the supply, the council has to offer something new to landlords, so officers from the Housing Initiatives Team met with a group of local landlords to discuss ideas for a number of new PRS schemes. The schemes described below are those which generated the most interest.

THE PROPOSED SCHEMES

3. Two of the three proposed new schemes are closely based on schemes already operated by the council; the AFFORD scheme and the Private Sector Lease (PSL) schemes. The landlord focus group felt that although these schemes were still attractive, they could be improved to appeal to more landlords. A comparison table showing all of the schemes is attached at Appendix 1.

SCHEME 1 - THE TENANT FINDING SERVICE

4. This scheme is almost identical to the current AFFORD scheme. The Council matches a tenant with a landlord, provides a bond guarantee equivalent to one month's rent in lieu of a deposit and guarantees the rent for the term of the tenancy. The difference is that the AFFORD rent guarantee period is six months, but in the new scheme the rent guarantee period will be twelve months. In order to discharge the homelessness duty into a private rented sector offer, a tenancy of twelve months must be provided. Guaranteeing the rent for the full tenancy period provides additional safeguards for the landlord should the tenant default on the rent. This scheme would continue to be free of charge to landlords.

SCHEME 2 – THE PSL PLUS SCHEME

5. The Private Sector Lease (PSL) Plus scheme is very similar to the current PSL scheme in that the Council takes on the lease of a private property for a period of at least twelve months and possibly up to five years. During the lease period, the Council is responsible for finding tenants, managing the tenancy, paying rent to the landlord and arranging repairs. The property owner has very little input. The rent is guaranteed for the term of the lease and the property is returned to the landlord at the end of the lease in the same condition as it was taken on, aside from fair wear and tear.
6. The existing PSL scheme is free to landlords, but it is proposed to charge a fixed fee of £300 for the PSL Plus scheme on taking out the first lease. On the annual renewal of the lease, there will be a £100 renewal fee. In return for the fee, the landlord will receive a gas safety certificate every 12 months, an electrical safety certificate every

five years and a carbon monoxide detector free of charge. They will also have access to the council's empty property loan and a separate loan of up to £2,000 in order to bring the property up to the required standards if needed. This loan will be repaid through the monthly rental income.

SCHEME 3 – THE FULL MANAGEMENT SCHEME

7. The full management scheme is very similar to the service offered by high street letting agents in that a monthly fee is charged for the service provided. The proposal is to charge 8% of the monthly rental income, plus VAT as this is comparable but competitive with the existing market. For this fee, the Council provides a bond equivalent to one month's rent in lieu of a deposit and will fully manage all aspects of the property including tenant finding, tenancy support and rent collection processes. Landlords will also receive the free safety certificates and the carbon monoxide detector, and have access to the empty property and property improvement loans as in the PSL Plus scheme. In addition, they will be eligible for repairs to the value of £150 per year and up to £100 in insurance excess costs for damage proven to be the responsibility of the tenant. The Council can also discharge its' homelessness duty into properties let under this scheme, as long as a twelve month tenancy is provided.
8. These three schemes offer private landlords an enhanced service with significant protection and safeguards against the traditional concerns with tenants claiming benefits.

RESOURCES

9. The proposed new schemes will require publicity and leaflets will need to be printed to explain the services offered. The estimated cost for a radio advertising campaign is £3,000 and printing costs are estimated at £1,000. These outgoings can be covered by the existing Homelessness Grant Funding awarded to Fareham Borough Council from the Department of Communities and Local Government. The three schemes can then be developed and managed within existing funds and aim to become self-financing within twelve months.
10. In order to recruit new landlords and manage the new schemes a new post of Tenancy Support Worker will be needed. Initially it is proposed that this post is offered on a one year fixed term contract funded from the Homelessness Grant Funding. If the scheme is successful, it is hoped that the fee income generated from the management of the properties will provide continued funding for the post.

TIMESCALES

11. The aim is to have the new schemes available from 1st April 2014. In the first year, the target is to take on forty five new properties across the three schemes.
12. The schemes will be fully monitored throughout the first twelve months and a further report produced at the end of that period to update Members on progress.

RISK ASSESSMENT

13. There are no significant risk considerations in relation to this report

CONCLUSION

14. Due to the increased use of B&B establishments and rising demand for temporary accommodation in the private rented sector, new schemes have been developed in order to encourage more landlords to work with the council and increase the supply of TA available. These are based on existing PRS schemes, but have been enhanced with incentives to make them more attractive to landlords. The schemes can be set up and managed within existing funds and will also generate income which can be used to fund an additional post.

Appendix 1 – [FBC Private Rented Property Options](#)

Background Papers:

Review of Temporary Accommodation – 12th September 2013

Reference Papers:

None

Enquiries:

For further information on this report please contact Andrea Howells. (Ext 4370)