

**Report to:** **Housing Review Board**

**Date of Meeting:** 11th January 2018

**Public Document:** Yes

**Exemption:** None

**Review date for release**



**Agenda item:** **15**

**Subject:** **Rent Deposit and Bond Scheme**

**Purpose of report:** To make the Housing Review Board aware of the planned revision to our Rent Deposit and Bond Scheme.

**Recommendation:** **That the scheme allows bonds to become lifetime bonds rather than fixed term**

**Reason for recommendation:** To make the Housing Review Board aware of this area of work and what amendments are needed to ensure the scheme is up to date and fit for purpose

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**Financial implications:** All financial implications are mentioned in the body of the report

**Legal implications:** There are no legal implications to consider although if the new scheme is adopted then there may be issues of debt collection if bonds are not repaid.

**Equalities impact:** Low Impact

**Risk:** Low Risk

**Links to background information:**

**Link to Council Plan:** Encouraging communities to be outstanding.

## **1. Background**

- 1.1 It is good practice to periodically review the schemes we have set up to prevent homelessness. The Council's Rent Deposit and Bond Scheme has been in operation since 2006 and has been a key tool in tackling homelessness. Over the last ten years the scheme has assisted several hundred households who have been either homeless or threatened with homelessness by providing the resources and support to move into accommodation in the private sector. Not having a deposit and bond available is one of the main barriers that has prevented many people from accessing suitable private rented accommodation.
- 1.2 As well as assisting people who are in housing need by providing more choice of suitable accommodation, especially taking into account the geography of East Devon, it allows

people to remain in the same towns and areas that they have been made homeless from. This is something that social housing, with the scarcity that exists, cannot always provide. There is also the advantage to the Council of reducing the demand on Council stock, and allowing more properties to be allocated through the Council's allocation scheme.

- 1.3 The scheme has evolved from a solely loan based system to a combination of loans and bonds. It has been mainly cost effective with the majority of loans being repaid. There has clearly been a need to 'write off' some of the loans that have been provided over the years, but this is insignificant compared to the 'dead' cost of accommodating the households involved in emergency accommodation, and then still being in the position of needing to find a long term housing solution.

## **2. Changes to the landscape**

- 2.1 The collapse of Plough and Share in June 2017, which was a key part of the Rent Deposit and Bond process, has been a key factor in reviewing our scheme and taking action to ensure that it is up to date and fit for purpose. The system we had in place worked well, where customers saved the value of the bond throughout the first stages of their tenancy and then took over the responsibility of the deposit. This had the dual benefit of not only reducing the financial liability on the Council but also encouraging our customers to become more self-sufficient and accepting responsibility for their situations.
- 2.2 We have explored setting up a loan system ourselves to replace Plough and Share, but this is not a viable option. We have also looked at potential alternative suppliers although have not found a suitable replacement.
- 2.3 In addition, the private sector environment has changed considerably since the introduction of Universal Credit, with potential landlords being unhappy with the process and in particular the amount of time that claims take to be processed. Whilst the application is being processed arrears inevitably accrue and there is no suitable solution for this issue. This is the primary reason why local landlords are using the Council's scheme less and less. The numbers have reduced considerably to the point where the scheme in its current format is not equipped to work within the current environment.
- 2.4 The result has been an increase in households and individuals being accommodated in emergency accommodation as it has not been possible to prevent or relieve their homelessness through the scheme. Also, there has been a large increase in our prevention fund budget that is simply paying out for deposits and advance rent in absence of a workable scheme, with no loan or bond element attached.
- 2.5 Therefore, changes are needed and incentives for landlords are at the centre of the proposals. The main suggestion is that the Council adopts a lifetime bond scheme where the bond lasts for an indefinite period i.e. the length of the tenancy. There may also be the need for additional payments to landlords as an extra incentive, although these payments could be from our prevention funds.
- 2.6 There is a clear risk that our financial liability will increase by using lifetime bonds as opposed to fixed term bonds, although we are confident that our effective management of the scheme will limit that risk. Each loan and bond that is provided receives a regular check from the Housing Options team to ensure the tenancy is going well – checks are made with the landlord and the tenant. It is also necessary to match the risk against the risk of not having an effective system in place at all, which would be much more damaging to the emergency accommodation budget and the prevention fund budget.

## **3. Timescales**

- 3.1 We anticipate using the lifetime bonds from January 2018. It is also important to note that the Homelessness Reduction Act 2017 comes into effect in April 2018 and there will be an

added duty on Councils to prevent homelessness, therefore as many preventative options as possible will be required to meet this added responsibility.

#### **4. Recommendation**

- 4.1 That the Housing Review Board note the proposed amendment of the Rent Deposit and Bond Scheme.