

**REPORT FOR: PERFORMANCE AND
FINANCE SCRUTINY
SUB-COMMITTEE**

Date of Meeting:	21 January 2014
Subject:	Update on Private Rented Sector
Responsible Officer:	Lynne Pennington, Divisional Director of Housing
Scrutiny Lead Member area:	Cllr Sue Anderson Chair of Performance and Finance Scrutiny Sub-Committee
Exempt:	No
Enclosures:	None

Section 1 – Summary and Recommendations

This short report sets out the current activity in procuring private rented accommodation.

Recommendations: To note the report.

Section 2 – Report

Background

The majority of potentially homeless households have always been assisted to avoid becoming statutorily homeless. We achieve this by either resolving issues so they can stay in their current accommodation, or by assisting them to obtain alternative private rented accommodation

Welfare reform has made homelessness prevention far more difficult. We are still generally able to keep families in their home, often through paying rent top ups. The main change is that households are increasingly unable to obtain alternative private rented accommodation before they become homeless.

There have been a number of benefit changes through welfare reform that have affected Housing Benefit (HB). In 2011 HB was tied to the lowest 30th percentile rents instead of the median. In 2012 the link with rent rises was changed to a link with C.P.I and only adjusted annually, and now it is only 1% rise. The overall household benefit cap of £500 started in 2013.

Difficulties in procuring Private Rented accommodation

The supply has been more difficult to obtain because the housing market in London is overheated. Rents are rising faster than HB payments and a significant gap has opened up that means very few properties coming on the market are affordable at HB rates. All councils are facing these pressures, some of whom have large budgets for paying incentives and there is considerable competition between councils for these few affordable properties. Although there are protocols in place to limit competition, this has not stopped large incentive payments being paid by some councils.

Landlords are also very concerned that benefit recipient tenants may soon not be able to afford the rent because of welfare reform, (and so end up in arrears). Consequently they prefer working families not dependant on HB. As there is a squeeze on household incomes, there is no shortage of working households wanting lower cost property at the lower end of the private rented sector.

Procurement of private rented accommodation dropped because of all of these reasons.

Our response

We didn't want to increase incentives and inflate the market and so held the line for a long time. Our procurement was still quite successful based on the service and support we give landlords, rather than cash payments. However we weren't procuring at a fast enough rate to meet demand and B&B was rising. So we reluctantly decided to put more resources into procurement, both staff and incentive payments. Our incentives are now similar to payments that most London councils have to make

This has been quite successful with our procurement increasing, and our Private Sector Leasing (PSL) schemes are particularly popular. This is where the council takes over as landlord and the owner receives a guaranteed rental payment. There is quite a time lag on agreeing terms with a landlord and actually signing the lease (and moving a family in). There was also a backlog in this administration and we have funded another post to tackle this. The kinds of incentives and services we now offer are set out below.

Range of incentives and services that can be offered to landlords. December 2013

The actual offer made is tailored to the individual landlord. No landlord would be offered all of these.

TENANT FINDING SERVICE

- Arrears bond
- Services of Account Manager
- Housing Benefit paid direct to the landlord
- Deposit and/or Rent in Advance and reasonable admin fees
- Cash Incentive

PRIVATE SECTOR LEASING

Guaranteed rent paid quarterly by the council in advance based on a percentage of January 2011 Local Housing Allowance (LHA) rate
Incentives can be paid to keep the rent below the relevant LHA rate.
Full management service with Harrow acting as landlord.

BUY2LEASE – NEW HELP2LET LEASING SCHEME

Available for landlords buying a new rental property in Harrow or Watford.
Offer is to encourage growth of private rented sector in the locality.

Only available for 2 bedroom or large 1 bedroom properties.

Financial help with a proportion of legal fees / cost of buying

- Includes full management service - we are the landlord
- Guaranteed lease payments quarterly in advance for 5 years
- Regular inspections
- 5 year lease

We inspect prior to a landlord buying a property.

Rent paid to the landlord is a proportion of LHA rate for the area.

REPAIR TO LEASE

Grants are available to bring a property up to standard prior to us leasing it.

Financial Implications

A lot of the demand for and difficulty in obtaining private rented properties arises from Welfare Reform; especially the Household Benefit Cap that started in Harrow in August/September. So the extra costs are being covered by budget set aside for this. Insufficient procurement causes a rise in the use of Bed and Breakfast accommodation which is expensive. So the

procurement initiatives are really an investment to save, and to do nothing would be far more expensive.

Performance Issues

Current Performance.

We have a target of 350 units of private rented accommodation to be obtained in 13-14.

This will not be achieved which has resulted in more use of Bed & Breakfast accommodation.

Procurement in 13-14 to date is as follows (December's figures are not currently available and are not representative of the trend because of the Christmas/New Year period. It will be reported at the meeting):

April	23
May	23
June	7
July	14
August	24
September	27
October	24
November	31
TOTAL to 30th November	173

For comparison, our procurement in 12-13 was as follows:

April	20
May	21
June	22
July	29
August	26
September	15
October	20
November	30
December	25
January	15
February	9
March	16
TOTAL	248

Procurement dropped markedly in the early part of the year. We reacted by increasing incentives as outlined above and procurement has improved. We expect to reach 275+ this financial year. This is higher than 12-13. (Polarity, higher equals better)

Bed and Breakfast has now fallen below 100 in first week of January 2014. (Polarity, lower equals better). This is over 15% lower than the peak in 13-14.

B&B at month end 13-14

April	57
May	61
June	83
July	82
August	100
September	107
October	106
November	107
December	115

Environmental Impact

There is no environmental impact.

Risk Management Implications

The departmental risk register records the risk of not meeting our statutory homelessness duties within budget.

Equalities implications

No specific Equalities Impact Assessment was undertaken for procurement of Private Rented Sector accommodation. EqIAs for the Private Sector Housing Strategy and Homelessness Strategy were undertaken prior to their approval by Cabinet in April 2013, which set out the strategy for use of private rented accommodation.

Section 3 - Statutory Officer Clearance

No statutory officer clearance needed for this information report.

Section 4 - Contact Details and Background Papers

Contact: Jon Dalton
Housing Needs Service Manager
First floor West Civic Centre
020 8416 8647
Jon.dalton@harrow.gov.uk

Background Papers: None.