

## **Economy and Growth Committee**

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<b>Date of Meeting:</b>	15 <sup>th</sup> November 2022
<b>Report Title:</b>	The introduction of a Private Landlord Offer Scheme
<b>Report of:</b>	Jayne Traverse – Executive Director Place
<b>Report Reference No:</b>	EG/20/22-23
<b>Ward(s) Affected:</b>	All Wards

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### **1. Purpose of Report**

- 1.1 This report seeks the approval of a Private Landlord Offer Scheme (PLO) which if introduced would provide the Housing Options Team with the ability to negotiate with Private Sector Landlords to secure private rented accommodation for those who a priority on the social housing waiting or are currently homeless.
- 1.2. The PLO scheme contributes towards the key priority within the Council's Corporate Plan 2021-25, which is "a Council which empowers and cares about people". It contributes to the aim "to enable access to well designed, affordable and safe homes for all our residents"

### **2. Executive Summary**

- 2.1 The ability of the council to help people find affordable and suitable private rented accommodation is a key priority in preventing homelessness. The Housing Options Team has the ability to liaise with private landlords and to consider financial payments to help households at risk of homelessness to secure a rental property. This can help people to afford the cost of a cash deposit, to pay rent in advance, or to help furnish a property with white goods.
- 2.2 There are, however, many landlords and agents who will have concerns about accepting referrals of prospective tenants from the local authority, and there is a degree of stigma surrounding people who are receiving welfare benefit support, or those who are homeless. We recognise that all landlords want to find good tenants and have peace of mind that their rent will be paid and there will be no unnecessary tenancy issues and disputes. It is important we provide a competitive offer to landlords and agents to continue to develop our relationship and help prevent homelessness.

- 2.3** The PLO Scheme provides the council with the ability to directly refer prospective tenants, who may be a priority on our housing waiting list and/or may be homeless, to a landlord who has agreed to the terms of the scheme. Applicants will be screened by the Housing Options Team to ensure the property is affordable and they will receive support to set up their new home.
- 2.4** The PLO scheme aims to provide enhanced financial cover to landlords and provide peace of mind that they will have a dedicated liaison officer who can be on hand to support them with any issues. The pilot scheme is proposed over a **period of two-years**.
- 2.5** The Scheme is presented in sections covering:
- An overview of the strategic context and the current position.
  - The need for the proposed Private Landlord Offer scheme
  - The cost and financial considerations

### **3. Recommendations**

- 3.1.** Committee are recommended:
- 3.1.1.** To approve the Private Landlord Offer scheme (Appendix One) - including the adoption of a rent guarantee to underwrite a tenant's rent liability, and a finder's fee to encourage uptake from private landlords to accept our referrals and help address housing need in the borough.
- 3.1.2.** To authorise the Director of Growth and Enterprise, in consultation with the Chair of the Economy and Growth Committee, to make further minor amendments to the scheme to ensure ongoing compliance with the law and guidance from the Government.

### **4. Reasons for Recommendations**

- 4.1.** The Council's Corporate Plan 2021-25 sets out our vision for a more open, fairer, greener Cheshire East. The plan also sets out priorities under the three broad aims including "a great place for people to live, work and visit", and the Private Landlord Offer links to the action to "enable access to well designed, affordable and safe homes for all our residents"
- 4.2.** There are a number of key priorities which are highlighted within both the Housing Strategy 2018-2023 and the Homelessness and Rough Sleeping Strategy 2021-2025 which include addressing the sufficiency of good quality, affordable private rented housing for our residents.
- 4.3.** Preventing homelessness is a key priority for the Council and this scheme aims to increase the supply of accommodation and build relationships with private landlords in the borough to let their properties at affordable rates.
- 4.4.** The private rented housing market remains a very challenging environment for low-income households, and Cheshire East has many areas where rates of Local Housing Allowance is much lower than average market rents. The availability of private rented accommodation for people on lower incomes has

diminished, with Estate Agents and landlords able to let properties easily with a great deal of interest.

- 4.5. The Private Landlord Offer will include review milestones, to allow reflection and assess the effectiveness and continued cost-benefit. Landlords will also be consulted throughout the roll-out phase and following the end of 'rent guarantee' cover to ensure it remains a competitive and attractive offer.

## 5. Other Options Considered

5.1. Do nothing.

5.2. Other incentives models:

- 5.2.1. There are a range of 'incentives' that can be adopted by local authority housing teams to encourage private landlords to accept referrals and/or to let their properties to people in housing need. This can include cash deposits, rent in advance, accreditation schemes, leasing schemes and liaison officers.
- 5.2.2. Each local authority area has different market conditions and rents, sufficiency of affordable private rented accommodation, budgets, and service pressures from households who are at risk of homelessness; therefore one-size does not fit all, and a tailored and informed approach is required.
- 5.2.3. The proposed scheme detailed in this report aims to provide a balanced offer, which is generous to attract new landlords, and also retain existing landlords who are willing to work with the homelessness service.

Option	Impact	Risk
<b>Do nothing</b>	We have no marketable Landlord incentives scheme to compete in the PRS housing market	If we retain the status quo we will continue to help some people into the private rented sector, however this will not provide sufficiency of available, affordable accommodation for our residents. Increase in homelessness; increased temporary accommodation use and costs; no ability to build relationships with private landlords.
<b>Committee not approving the recommendation</b>	We have no marketable Landlord incentives scheme to compete in the PRS housing market	Increase in homelessness; increased temporary accommodation use and costs; no ability to build relationships with private landlords.

## 6. Background

- 6.1 There are 10,320 households registered for social housing with the council's housing register, Cheshire Homechoice, of which 2,028 have a recognised 'housing need' in Band's A-C. Whilst many residents in Cheshire East are able to secure social housing to alleviate their housing need, including

homelessness, the sufficiency and accessibility of social housing is a barrier to a number of people.

- 6.2** People in housing need can experience further barriers to gaining social housing, such as a poor tenancy references resulting from former tenancy debt, or having a recent criminal conviction. However the local authority will have a duty to assist all households who are homeless, and in some cases, provide temporary accommodation such as to those with dependent children, or people who are vulnerable due to ill health or a disability.
- 6.3** Within Cheshire East there are approximately 21,755 (12.2%) households living in the private rented sector, which is lower than the national figure of 19% (<https://assets.publishing.service.gov.uk>). The highest percentage is in Crewe Central (35.6%) and is significantly larger than most of the other wards, followed by Macclesfield Central (31.6%) and Crewe South (29/8%).
- 6.4** Cheshire East Housing Options Team have a dedicated Private Sector Liaison Officer, working with landlords as a point of contact for any issues during a tenancy. The team also have access to a prevention budget, which is commonly used to help households secure private rented accommodation, such as the cost of a cash deposit or rent in advance payment. Whilst this post has historically had some success with engaging with landlords, the current package of support to private landlords is not creating sufficient numbers of new private rented properties for people at risk of homelessness.
- 6.5** The PSL Offer Scheme is an offer to Private Landlords who accept our referrals for people at risk of homelessness, which includes;
- **Rent Guarantee** – the council’s Housing Options Team will provide cover for landlords on their contractual rent for a fixed period of time (usually 6 months, but could be agreed to 12 months). Landlords are able to ‘claim’ genuine, evidenced loss of rent during the period.
  - **A Tenancy Commitment** – this provides assurances to landlords and tenants that we will provide support and assistance in setting up a tenancy and ensuring they are managing their tenancy well. An existing dedicated officer and support service in place to deliver this.
  - **Finder’s fee** - Self-contained accommodation provided by a landlord through the PLO Scheme will be eligible for a one-off £250 or £500 payment, depending on the need of the property, as soon as a referred tenant is signed up.

## 7. Consultation and Engagement

- 7.1.** In preparation of the proposed scheme, we engaged and gathered views from private rented landlords and agents. Informal feedback was gained for their reasons of wanting to withdraw from the private rental sector and reasons why referrals from the Housing Options team were no longer being considered for a tenancy. Our officers working in the field, such as the Private Sector Liaison Officer and Next Steps Officer, were consulted over their experiences also.
- 7.2.** The response from landlords and professionals supported the option of a rent guarantee to safeguard their payments. Landlords frequently expressed

concerns over working with local authority housing teams due to the risk of non-payment, either through the tenant withholding rent, not being able to afford the rent due to a change in circumstances, or due to a wariness of the welfare systems in place, including rent being paid in arrears through Universal Credit, with the default method of benefits being paid direct to the tenant.

- 7.3. The other concerns raised was regarding accepting tenants who may have had previous failed tenancies and carry a risk of anti-social behaviour with neighbours, leaving the landlord to deal with the ensuing issues themselves until they can evict. The feedback favoured a single point of contact or dedicated support worker, who the landlord could liaise with, and who may be able to resolve the issues. This type of role is already in place with our Private Sector Liaison Officer and support workers, who are able to address issues with the tenants and aim to fully resolve and maintain positive relationships with their landlord.
- 7.4. Discussion was held with other local authority areas over their challenges and successes with private rented incentives scheme, and feedback received regarding 'what works well'.
- 7.5. As this scheme will be an initial pilot to test the incentives for cost-benefit and effectiveness, further consultation with landlords and tenants at key milestones will be required.
- 7.6. Following the committee decision, a note will be circulated to all Members advising them of the implementation of the Scheme.

## 8. Implications

### 8.1. Legal

- 8.1.1 Housing authorities may seek the assistance of private landlords in providing suitable accommodation direct to applicants, as well as engaging them in schemes that enable applicants to find their own private rented accommodation.
- 8.1.2 A general consent under [section 25 of the Local Government Act 1988](#) allows housing authorities to provide financial assistance to private landlords in order to secure accommodation for people who are homeless or at risk of homelessness. This could involve, for example, making small one-off grants ('finders' fees') to landlords to encourage them to let dwellings to households owed a homelessness duty; paying rent deposits or indemnities to ensure accommodation is secured for such households; and making one-off grant payments which would prevent an eviction. There is no limit set on the amount of financial assistance that can be provided, however housing authorities are obliged to act reasonably and in accordance with their fiduciary duty to local tax and rent payers.
- 8.1.3 There is no statutory requirement to have a private rented sector incentives scheme, however The [Homelessness Reduction Act 2017](#) introduced the duty to 'help to secure' accommodation for all

applicants who are eligible for assistance and threatened with homelessness or homeless.

- 8.1.4 There are legal considerations regarding the binding agreement between the local authority and private landlords to cover their genuine incurred costs and as this will be a contractual relationship and the legal obligations and remedies available in accordance with contract law shall apply.
- 8.1.5 A robust 'rent guarantee' agreement will be produced, outlining each parties' obligations including, but not limited to, providing details as to how a landlord could recover damages for non-payment of rent payable under the scheme. Any breach of the assured shorthold tenancy would remain between the landlord and the tenant thus preventing a claim against the local authority outside the scope of the rent guarantee agreement.
- 8.1.6 The scheme is designed to be 'landlord friendly' and attractive to potential landlords and agents who may wish to work with the local authority. It aims to provide sufficient cover which safeguards a landlord from loss of rent, therefore it is unlikely that genuine claims within the terms of the agreement will be denied. Any fraudulent claims will be investigated and if there were any impropriety the local authority could commence proceedings for breach of contract against the landlord.

## **8.2. Finance**

- 8.2.1. The scheme is not designed to make up-front payments to private landlords or agents; however a rent guarantee will underwrite contractual rent owed over the first 6, or in some cases 12 months of the tenancy.
- 8.2.2. The scheme will be available to support new tenancies delivered for an initial two-year pilot, with a ceiling on the total budget committed under the scheme of £243,960 This budget represents a projected liability of supporting 55 new tenancies for 6 months' rent, with further details in appendix C.
- 8.2.3. Payments to landlords will be authorised if:
- The tenant falls into arrears of contractual rent of more than 8 weeks during the period of cover, or;
  - At the end of the agreed cover period, the tenant owes any outstanding arrears for the period. Claims will be payable after 28 days to provide sufficient time for the tenant to resolve the outstanding balance and for benefit payments in arrears to be received.
- 8.2.4. It is envisaged that the actual claim rate against the Rent Guarantee will be low, between 10-20%, as tenants will be supported to ensure they are able to afford the tenancy and to ensure budgeting and finance arrangements are in place, including assistance to claim and pay their rent through Universal Credit.
- 8.2.5. A 20% claim rate against the overall Rent Guarantee as detailed in appendix C would equate to payments of £46,092

8.2.6. The funds are available through Homelessness Prevention Grant allocation. The Housing Options and Homelessness service has sufficient funds which can be ringfenced for any liability during the two-period.

### **8.3. Equality**

8.3.1. An Equality Impact Assessment is completed in Appendix D

### **8.4. Human Resources**

8.4.1. There are no HR implications as there are existing posts in place to administer the scheme.

### **8.5. Risk Management**

8.5.1. There are no significant risk management issues arising from the proposed scheme.

### **8.6. Rural Communities**

8.6.1. This policy will support households to access housing in all neighbourhoods in Cheshire East, including rural communities.

### **8.7. Children and Young People/Cared for Children**

8.7.1. This scheme will protect the health and wellbeing of children and young people living in the private rented sector.

8.7.2. The scheme aims to reduce homelessness, including for households with children, and improve access to affordable housing.

### **8.8. Public Health**

8.8.1. Homelessness is a major public health concern and is strongly associated with poor health and wellbeing. People experiencing homelessness are significantly more likely to experience mental and physical health problem(s), while also often struggling to access health services. The impacts on children can be particularly traumatic and long-lasting, severely affecting life chances through adverse effects on their development, education and health. Any scheme that prevents homelessness wherever possible is a valuable public health intervention.

### **8.9. Climate Change**

8.9.1. The Scheme will have limited impact on Climate strategies, however each property delivered through the Scheme will be assessed to ensure it meets relevant legislation and good practise standards, including an Energy Performance Certificate.

<b>Access to Information</b>	
Contact Officer:	David Fenton – Housing Options Manager <a href="mailto:David.fenton@cheshireeast.gov.uk">David.fenton@cheshireeast.gov.uk</a> 07826955883
Appendices:	Appendix A – The Private Landlord Offer – overview Appendix B – Procedure for new landlords and tenancies Appendix C – Example costed delivery
Background Papers:	