

**Report for:** Housing and Regeneration Scrutiny Panel – 29<sup>th</sup> September 2022

**Title:** Use of the private rented sector to meet housing need.

**Report authorised by:** **Beverley Tarka – Director of Adults, Health and Communities**

**Lead Officer:** **Denise Gandy – Assistant Director of Housing Demand**

**Ward(s) affected:** All

**Report for Key/  
Non Key Decision:** For information

## **1. Describe the issue under consideration**

- 1.1** The Housing and Regeneration Scrutiny Panel requested a briefing paper on the changes to housing legislation which support our use of the private rented sector as a housing option for households who are facing homelessness or living in temporary accommodation.
- 1.2** This briefing paper will seek to describe the legislative context and provide details on our approaches to sourcing private sector lets to meet housing need.

## **2. Cabinet Member Introduction**

Haringey, as I am sure you are aware, has a critical shortage of council housing. We are committed to building 3,000 council homes over the next ten years, an average of 300 a year. Unfortunately, we lose about 350 a year to 'right to buy' and until that changes, we are building to stand still. We are purchasing homes with the RTB receipts and trying to acquire as many properties as possible.

However, this means that many of our homeless households, especially those without additional needs, will remain in temporary accommodation for very many years. We have homeless households who have been in temporary accommodation for over 20 years.

The cost of our temporary accommodation, the amount of money that we as a borough has to spend to cover the rental difference between temporary accommodation subsidy rates and the actual rent we pay to landlords, runs to millions of pounds. This is reduced by using our Homelessness Prevention Grant, but that is a grant and not secure.

Not every household in the private sector that becomes homeless needs social housing. Many just need a helping hand to move and indeed, we are not able to provide a council home within an acceptable timeframe for all homeless

households. The decision to use private sector accommodation was made once the Localism Act was enacted and reflected in policies in 2016. and we subsequently joined Capital Letters, who provide us with private tenancies mostly in borough at LHA rates. Last year over 400 households were able to move successfully into further private affordable tenancies without needing temporary accommodation (part of our homelessness prevention work).

Officers are keeping our policies under review to ensure that they remain 'fit for purpose' given current market pressures, recent caselaw and amendments to the Code of Guidance.

### **3. Recommendations**

The Scrutiny Panel is asked to note the contents of this paper

### **4. Reasons for decision**

N/A

### **4. Background**

#### **4.1. Housing duties to homeless households**

**4.1.1.** The Housing Act 1996 (HAct) Part 7 is the primary homelessness legislation, which sets out the range of duties owed to homeless households. The Localism Act 2011 and the Homelessness Reduction Act 2017 (HRAAct) amended the HAct, changing how local authorities can use private rented sector to meet their housing responsibilities.

**4.1.2.** The main effect of the Localism Act, 2011 was that when applicants sought help with housing after 9 November 2012 and had a main housing duty accepted under homelessness legislation, then this duty could be brought to an end with a suitable private rented sector offer. For anyone who made an application before 9 November 2012 and had a main housing duty accepted the duty could only be ended with an offer of social housing, unless they specifically wanted to move to the private rented sector.

**4.1.3.** The Homelessness Reduction Act, 2017 placed new duties on housing authorities to intervene earlier to prevent and relieve homelessness. Local authorities have a duty to take all reasonable steps to prevent or relieve homelessness, which can include either intervening so that the applicant does not lose their existing home or securing alternative settled accommodation.

**4.1.4** These successive changes to the Housing Act have effectively encouraged and supported the use of private rented sector to prevent and relieve homelessness and fulfil main housing duties. One of the key performance measures that we report to Government is the number of homeless households who have been supported to move to the private rented sector and this performance measure will be used as one factor in future allocations of Homelessness Prevention Grant.

## 4.2 Preventing and relieving homelessness

4.2.1 The Council focuses on early intervention in order to maximise prevention opportunities. There are a wide range of ways to prevent and relieve homelessness. Some examples include.

- helping people access the specialist support they need,
- advocacy,
- interventions and negotiations to resolve landlord/tenant issues,
- resolving arrears via discretionary housing payments,
- negotiated repayments plans
- Homelessness Prevention fund (one off) payment,
- access to social housing mobility schemes (e.g. HomefinderUK)
- access to a new private sector tenancy or supported housing.

4.2.2 In 2021/22 the Housing Needs Service prevented or relieved homelessness for 1223 households. 75% were helped into alternative accommodation. 67%<sup>1</sup> of those supported to access alternative accommodation move to private rented sector accommodation with the assistance of one of the private sector let schemes.

4.2.3 Accessing private rented sector accommodation has been a fundamental approach in homelessness prevention for several years and has proven to be effective in diverting households away from long stays in temporary accommodation. The average wait for social housing for a household living in temporary accommodation is 9 years for a 2 bedroom property and 12 years for a 3 bed.

4.2.4 A study conducted by the Corporate Delivery Unit in 2017 found that “our prevention work is highly effective - only 10% of our prevention cases go on to ‘fail’ with the household returning to apply for TA”.

4.2.5 An average incentive payment through our sourcing schemes is £3853 per let.<sup>2</sup> The average cost to the Council when a family accesses or remains in temporary accommodation (TA) is £4425 per year and given an of average stay for a household in TA of 9 years this would equate to just under £40,000 per household.

4.2.6 In 20/21 424 ASTs were secured. Without these ASTs, the associated TA costs to the Council would have been up to £1,876m for one year.

4.2.7 With almost 4000 households approaching Haringey annually for help with housing, new demand brings continuous pressure on the number of households in temporary accommodation. The overall effect of prevention and relief interventions meant that only 16% of households approaching entered temporary accommodation in 2021/22 and less than 10% in the first 2 months of 2022/23.

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<sup>1</sup> Based on Q2-Q2 DLHC returns

<sup>2</sup> Based on projected lets and incentives and subsidy for 21/22

### **4.3 Suitability of private rented accommodation**

- 4.3.1 The criteria surrounding the provision of suitable accommodation are covered by a range of Acts and Orders and apply to both the provision of temporary accommodation and any suitable settled accommodation used to prevent homelessness or discharge the main housing duty.
- 4.3.2 Properties must be complaint with all gas, electricity, space, energy performance, fire and planning standards and regulations, and must be licensed in accordance with the local area licensing schemes. For private sector properties local authorities must also be satisfied that the landlord is a fit and proper person.
- 4.3.3 In determining whether a property is suitable for a particular household an assessment of the needs of a household must also be undertaken. This takes into account a wide range of aspects including medical, welfare and support needs, as well as education and employment, caring commitments and income. These are considered in light of the characteristics of the property (floor level, size, layout, access), the location of the property and whether it is affordable.
- 4.3.4 We seek to provide accommodation in borough as far as is reasonably practical (s208 Part VII Housing Act 1996). However, given the lack of affordable supply, we will also source in other boroughs, prioritising neighbouring boroughs where possible. ASTs outside of London are not actively sourced unless specifically requested by the customer due to their particular circumstances.
- 4.3.5 A property is affordable if the applicant can afford the housing costs without being deprived of basic essentials such as food, clothing, heating, transport and other essentials specific to their circumstances. Caselaw further states that a property is not affordable if any of the funds meant for these essentials are needed to meet any shortfall in housing costs. The cost-of-living crisis, including increasing fuel costs, will have a significant impact on household outgoings and is likely to reduce the number of properties that are affordable as a result.
- 4.3.6 Officers utilise the Policy in Practice affordability tool to assess whether a property would be affordable. Based on the income and expenditure information provided by the applicant, the tool also identifies any unclaimed entitlements, whether the households would be benefit capped (resulting in a shortfall in housing costs) and the specific position if they were to enter into a tenancy at the asking rent.
- 4.3.7 Increasing numbers of households are not entitled to receive the full Local Housing Allowance due to being benefit capped. The benefit cap limits the overall amount a family can receive in benefits. This was initially set at £500 per week for families and larger families were more commonly affected. The cap was reduced in 2015 to £442 per week for families and £296 (down from £350) for single people in London. The rising LHA rates and a reducing benefit cap has resulted in most households in London being affected unless they are exempt from the cap.

## 4.4 Sourcing private rented sector lets

- 4.4.1 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.
- 4.4.2 We have 4 main ways that we seek to secure private sector lets that are used to either prevent homelessness or to end our housing duty. We secure lets through our membership of Capital Letters, through the Haringey Community Benefit Society, by supporting residents to find their own private sector accommodation or by accessing affordable lets on new developments in the borough.

### Capital Letters

- 4.4.3 Following extensive work supported by London Councils, Capital Letters was created on 17 December 2018 with the aim of removing competition and duplication between individual London boroughs when securing private sector lets in London. Capital Letters received support from Government who provided funding for core costs and to support the payment of incentives to landlords. 21 boroughs are now members of Capital Letters.
- 4.4.4 Following a Cabinet decision, the Council formally joined Capital Letters on 14 October 2019 and 3 existing members of staff were seconded across. While they continued to source accommodation for Haringey, we also benefited from the sourcing activities of the wider team of negotiators. The allocations algorithm also supported a local offer for boroughs, resulting in boroughs receiving most of the properties that become available in their locality.
- 4.4.5 Membership also provides additional government subsidy in the form of a per unit grant for each 2-year assured shorthold tenancy entered into. The subsidy arrangements have reduced year on year. In 2019/20 this was £1,400 per property, in 20/21 this reduced to £1050 (£350 for one beds) and in 2021/22 subsidy reduced again to £750 per let.
- 4.4.6 In return for a landlord incentive payment, a 2-year fixed term assured shorthold tenancy is secured. There is no cost to the tenant. Tenancies do not have a break clause, ensuring they continue unless there is a serious breach of tenancy.
- 4.4.7 Service Level Agreement targets are 300 ASTs in 2022/23. However, performance is currently significantly below agreed levels due to market challenges. Capital letters are looking at different ways in which to engage landlords, this includes a 'rent protection and collection' pilot, which is due to start shortly. In this pilot, rent is collected by Capital Letters and landlords'

income is protected for 6 months through a insurance scheme secured by Capital Letters. The pilot aims to secure 50 properties for Haringey

4.4.8 Since we joined Capital Letters 614 properties have been secured to help avoid the use of temporary accommodation. Of the 256 properties secured in 2021/22, 208 were used for clients who were owed a prevention or relief duty and so avoided the need for temporary accommodation, 52% of the properties were in Haringey, 24% in Enfield, 9% in Islington and 6% in Barnet.

### **Haringey Community Benefit Society**

4.4.9 In July 2018, Cabinet agreed that the borough should establish a Community Benefit Society. The creation of the Haringey Community Benefit Society (HCBS) allows the Council to purchase properties using right to buy receipts, which are then leased to the HCBS for a period of 7 years for use as assured shorthold tenancies at Local Housing Allowance (LHA) or below to meet the housing needs of households who are living in temporary accommodation.

4.4.10 To date the Council has leased 246 properties to the HCBS, which have allowed households to move on from temporary accommodation into good quality settled homes.

### **‘Find your own’ scheme**

4.4.11 The Council’s Find your Own (FYO) scheme allows applicants who are owed a duty to look for their own accommodation in the private rented sector. If they identify a suitable property, we then complete checks and pay an incentive to the landlord. We also pay a resettlement grant to the tenant to help support them with the costs involved in moving.

4.4.12 In 2021/22 85 ASTs were secured through the FYO scheme

### **Accessing private sector lets on new developments**

4.4.13 Private sectors lets are also secured on new developments in the borough. Most recently we secured 34 lets on the Apex Gardens site through joint work with Graingers.

### **Sourcing summary**

4.4.14 Overall last year 424 ASTs were secured across all sourcing schemes, 60% of which were located in the Haringey.

<b>Scheme/Supplier</b>	<b>No.</b>	<b>Main duty discharge</b>	<b>Prevention/ Relief</b>
<b>Capital Letters</b>	256	48	208
<b>Haringey Community Benefit Society</b>	49	91	77
<b>Find your Own/private landlord</b>	85		
<b>Graingers – Apex Gardens</b>	34		

<b>Total</b>	424	139	285
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## 4.5 Challenges accessing private sector lets

- 4.5.1 The private sector market is currently very challenging. Following the moratorium on evictions during Covid, and resulting loss in rental income, some landlords have exited the private sector market, shrinking the number of properties available.
- 4.5.2 The Renters Reform Bill and the recently published White paper, outline the government's commitment to create a 'Fairer Private Rented Sector'. Changes including the abolition of 'no fault' evictions, introduction of decent homes standards and a new Ombudsman service may also see more landlords exiting the market.
- 4.5.3 Home Office proposals to source private sector accommodation for the dispersal schemes is resulting in more competition in accessing this scarce supply.
- 4.5.4 A series of changes made since 2011 to how Local Housing Allowance is calculated has severely restricted the pool of properties that are affordable to households reliant upon support to pay their rent. As rents have continued to increase there is a growing disparity between LHA rates and market rent levels in London. All 70 London LHA rates are now well below the 30th percentile (the cheapest 30% of the market). Analysis of Valuation Office Agency data by London Councils shows that the proportion of properties affordable on LHA is now well below 20 per cent for all 70 of London's LHA rates and on average only 8 per cent of the market is affordable across all of London.
- 4.5.5 A recent study conducted by Saville's found that:
- Private sector rents are now higher across all boroughs in London than they were in February 2020.
  - The number of properties listed to rent across London in Q1 2022 was -35% lower than the pre-Covid quarterly average. The falls have been higher for larger (4 bed) properties. As a result, there is a lower number of properties that have been available to rent at, or below, LHA rates.

## 5 Conclusion

- 5.1 Haringey faces high levels of homelessness demand with 4,000 households approaching us for assistance for the first time in 2021/22 and almost 2,600 households living in temporary accommodation. Given the limited number of social housing lets that become available each year to meet this need (168 lets were made to households living in temporary accommodation in 2021/22) private sector lets play an important role in meeting housing need.
- 5.2 In 2021/22 a total of 424 private sector lets were secured, which either avoided the need for households to enter temporary accommodation or allowed them to move on. This allowed families to move to settled accommodation and avoid

the uncertainty and disruption of a long stay in temporary accommodation. Given the average annual financial loss of £4,425 per unit per year and an average temporary accommodation stay of 9 years this also represents a significant comparative saving to a highly pressured temporary accommodation budget.

**5.3** The current pressures in the housing market mean that we are seeing our access to private sector lets reduce and this poses a real threat to our ability to meet housing demand and as a result we risk seeing increasing numbers of households living in temporary accommodation, which is a poor outcome for families, and significant budget pressures.

6 Use of Appendices

None

7 Local Government (Access to Information) Act 1985

N/A