

Revised Chester le Street District Council Bond Guarantee Scheme

Introduction

The extension of duties under the Homelessness Act 2002, increased the number of Homelessness Presentations to Local Authorities and as a result Councils are now expected to concentrate more, on preventative measures and housing options. The Government's strategy for tackling homelessness is outlined in *Sustainable Communities: Homes for all*. The strategy aims to expand housing opportunities and advises, that wherever possible, authorities must consider all prevention options available to the applicant and ensure early intervention to prevent homelessness.

In addition to the above the Government acknowledge that private renting is a vital part of the housing market and has proven to be an increasing tenure of choice, with almost 2.5 million homes in England now living in privately rented. Private renting has many advantages and Chester le Street District Council want to expand the options available to the people in Chester le Street by offering a Rent Deposit Scheme that will ensure that applicants are provided with access to good quality affordable and secure housing.

What is a Rent Deposit Scheme?

There are several different options on how a rent deposit scheme can operate and all schemes have the same goal:-

'To help homeless or people threatened with homelessness obtain good quality housing within the private rented sector'.

This is achieved by making a payment or guaranteeing a payment to a landlord on behalf of a client, when they themselves are unable to afford to do so. There are three different ways

- Deposit Scheme - The scheme pays the cash deposit direct to the landlord and the landlord pays the deposit back to the Scheme at the end of the tenancy.
- Bond Guarantee Scheme - Non cash deposit for the client. A legally binding document is signed by the scheme landlord and client to guarantee that the landlord can claim monies for any damages or rent outstanding.
- Rent in advance - The scheme will pay the landlord for an agreed period while the client is awaiting housing benefit.

Chester le Street District Council's preferred option would be a Bond Guarantee Scheme as this type of agreement limits the cost to the Authority as no actual monies are paid.

Why does Chester le Street need a Bond Guarantee Scheme?

In the Chester le Street District there are high waiting lists in the social housing sector and some customers find themselves forced into poor accommodation, end up homeless or fall into debt. The average cost of a bond in the district (from information gathered through Estate Agents) is approximately £500 and Chester le Street District Council needs to be pro active in promoting a healthy private rented sector in addition to its Council and Registered Social Landlord stock.

Chester le Street District Council believes that everyone should be able to live in a good quality, affordable and secure home however it has been acknowledged that some people are currently unable to access this type of accommodation.

'Value for Money' has been a key consideration in the development of this proposal and it is envisaged that the Bond Scheme within the district the increase the number of prevention cases and reduce the numbers who submit homeless applications.

The scheme will only match applicants to Landlords and their properties who have been accredited by the authority.

The Benefits:

- Offering people a choice of where they want to live.
- Give people a choice of landlord.
- Prevent Homelessness in Chester le Street.
- Spending to Save and providing real and costs effective benefits.
- Enable people to access a good standard of private rented accommodation.

What will the Scheme cover?

The Bond will cover:

- Damage
- Theft
- Loss
- Rent if the tenant defaults
- The scheme will not cover administration fees or rent in advance

An inventory of the property will need to be carried out and the landlord, tenant and scheme operative will sign this. The property will have already been accredited and inspected by the Private Landlord Association.

The National Rent Deposit Forum advised that a Bond should be no more than 4 weeks rent. After taking a selection of ten bonds in the Local area the average Bond should amount to a maximum of £500. In the first year the number of bonds that can be guaranteed will be limited however an assessment of the claim rate will be carried out after the first year of operation, this will determine the number of bonds that can be guaranteed in the future.

To limit the cost to the authority, applicants who are accepted for a bond will be expected to enter into an affordable repayment scheme. If at the end of the term the landlord makes no claim then all monies saved in the scheme will be returned to the tenant.

The Bond will be guaranteed for the term of the tenancy, which is usually 6 months however if the tenant is granted another tenancy, by the landlord, then the bond will cover this tenancy also for a maximum of two years (as recommended by the National Rent Deposit Forum).

At the end of the agreed Bond Guarantee term if the landlord has made no claims against the Bond then the tenant will receive any monies saved into the scheme. Claims made by the landlord must be made within 14 days of the end of the tenancy.

Who can apply for a Bond guarantee?

The Scheme does not discriminate and any person who is 'homeless or threatened with homelessness' can apply to the scheme. However applicants must fit into the following criteria:

- Applicants must be unable to secure accommodation from their own resources.
- Applicants must be homeless or threatened with homelessness.
- Applicants must have a 'Local Connection'* to the Chester le Street District.

* Local Connection to the Chester le Street District as described in the Homeless Act 2002.

Reclaiming Costs

All applicants will be expected to enter into an affordable Savings Scheme for the Bond Scheme. This will reduce the amount the scheme has to pay out should the landlord make a claim against the scheme. However if no claims are made all monies saved will be returned to the tenant to guarantee their bond on the next tenancy.

Applicants who do not maintain payments to the affordable savings scheme will have their bond withdrawn.

Tenancy sustainment and aftercare

Advice and assistance is a major factor for the sustainment of tenancies and by providing support and advice is likely to reduce the amount of claims against the scheme. The Private landlord Accreditation Officer will provide advice and Support to applicants from the date when the applicant accepts an offer until it is decided the applicant is able to manage the tenancy or they have been referred to a floating support agency.

Advice and assistance is as follows:

- Giving advice on the tenancy agreement.
- Rights and Responsibilities of both tenant and landlord.
- Setting up utilities.
- Advice on claiming welfare benefits.
- Signposting.
- Welfare Advice.

Appeals

Applicants have the right to appeal if they are refused on to the scheme. Appeals must be made to the Housing Options Manager within 21 days of the applicant receiving their decision letter.

Evaluation and Review

The policy will be evaluated both in terms of impact when contributing to its policy goal and in the way it has been implemented. The policy will be reassessed on an annual basis.

Equalities and Diversity

The introduction of the Homelessness Prevention Fund will broaden the range of housing options for all applicants including those applicants from minority groups and people with support needs.