

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES

TO:	Housing, Neighbourhoods & Leisure Committee		
DATE:	29 JUNE 2022		
TITLE:	RENT GUARANTEE SCHEME POLICY		
LEAD COUNCILLOR:	COUNCILLOR ELLIE EMBERSON	PORTFOLIO:	HOUSING
SERVICE:	HOUSING NEEDS	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Rent Guarantee Scheme (RGS) has been in operation as a homelessness prevention tool since 2015, when it was launched as an enhanced and additional offer to the Deposit Guarantee Scheme (DGS). The Rent Guarantee Scheme Policy sets out the way in which the Scheme operates, covering responsibilities to landlords and tenants, the approach taken to facilitate tenancies and the way in which guaranteed rent levels are set.

The Policy has been updated to reflect current Rent Guarantee Scheme practice, which has been amended to reflect legislation that has come into effect in recent years, and to clarify how the Letting Income (the sum of guaranteed rent paid to landlords on a monthly basis) is calculated and set annually.

- 1.2 Appendix 1: Rent Guarantee Scheme Policy (May 2022)

2. RECOMMENDED ACTION

- 2.1 That Housing Neighbourhoods and Leisure Committee note and approve the updated Rent Guarantee Scheme Policy.

3. POLICY CONTEXT

- 3.1 Whilst Reading's economic success has been attractive to employers, it brings with it the challenges of a competitive housing market and Reading is facing significant housing pressure across all tenures, with house prices amongst the highest outside of London. Demand for affordable housing in Reading remains high and continues to outstrip supply. The number of households approaching the Council in need of assistance with housing remains high.
- 3.2 Factors impacting on homelessness in Reading have been detailed in previous reports and include a limited pipeline of new build affordable housing, reducing social housing stock through Right to Buy (RTB) sales, high land prices, and a reducing supply of affordable private rented sector housing.
- 3.3 Reading's Homelessness Strategy 2020-2025 was published in 2020 and continues to develop the priorities set in the previous Homelessness Strategy from 2016:

- **Priority 1 - Intervening early to prevent and reduce homelessness in Reading**
- **Priority 2 - Supporting people who are vulnerable to recurring homelessness**
- **Priority 3 - Increasing access to decent, suitable accommodation**

- 3.4 The Rent Guarantee Scheme was launched in October 2015 in order to offer greater incentive to landlords in letting their properties through Reading Borough Council. The Deposit Guarantee Scheme (DGS) continues to run alongside it, and is largely used for properties located outside the Reading Borough boundaries. The RGS has proved popular among landlords and for the most part the RGS has addressed the decline in the number of private rented tenancy signups previously seen year on year.
- 3.4.1 The Rent Guarantee Scheme Letting Income rates have historically been set at the Local Housing Allowance levels. Local Housing Allowance (LHA) rates are used to calculate the maximum amount of Housing Benefit or Universal Credit (Housing Element) that a household can receive. LHA rates are set annually by the Valuation Office Agency, and are based on private market rents being paid by tenants in the broad rental market area. The LHA rates are capped at the 30th percentile point of local private market rents and, until April 2020, were also restricted to the level of the previous year's LHA. In April 2020 the LHA rates were set at the 30th percentile point, and there has been no change in the rates in either 2021 or 2022.
- 3.4.2 Current practice in setting the Rent Guarantee Scheme Letting Income involves consideration of competing factors: the Scheme aims to maximise attractiveness to landlords while mitigating impact on tenant affordability, acknowledging that the Benefit Cap impacts the amount of benefit actually received by many of the Scheme's tenants, regardless of the applicable LHA rate.
- 3.4.3 The updated Policy confirms current practice that the Letting Income cannot exceed current LHA rates but will be determined for each property size by taking into account these competing factors as well as issues of current supply and demand.
- 3.4.4 The Homelessness Reduction Act 2017 introduced the Prevention Duty (to prevent homelessness) , for eligible households threatened with homelessness within 56 days, and the Relief Duty (to relieve homelessness if it has occurred), for eligible households who are homeless. Since the implementation of the Act, the Rent Guarantee Scheme may also be considered for households who are not owed a duty under section 193 of the Housing Act 1996 (those with a priority need for homelessness assistance), with an offer of a tenancy on the Scheme bringing a Prevention or Relief Duty to an end.
- 3.4.5 The Tenant Fees Act 2019 limited the amount a landlord could request as a tenancy deposit to the equivalent of five weeks' rent. The RGS continues to offer landlords a guaranteed deposit of the equivalent of six weeks' rent, to maximise market advantage. Since the legislation came into effect in 2020, RGS tenants are expected to make deposit savings to the value of five weeks' rent only. In every case, the cost of a deposit claim which exceeds the amount a tenant has saved will be borne by the Scheme, and the council will seek to recover that cost from the tenant. However, where a deposit claim exceeds the value of five weeks' rent, the portion of that claim which exceeds the value will not be considered to be a debt owed by the tenant.
- 3.4.6 Further legislative change relating to the Private Rented Sector, which will impact the operation of the Rent Guarantee Scheme, is expected in the near future. It is anticipated therefore that the Policy will require further review within the next 3 years, although this may need to be brought forward once we have had an opportunity to consider the content and implications of any legislation passed.

4. THE PROPOSAL

- 4.1 It is proposed that the updated Rent Guarantee Scheme Policy is approved to reflect current practice including clarifications in relation to the:

- Homelessness Reduction Act 2017
- Tenant Fees Act 2019
- Clarified practice regarding setting the Letting Income

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 Reading Borough Council's vision is:

To help Reading realise its potential - and to ensure that everyone who lives and works here can share the benefits of its success.

- 5.2.1 The Rent Guarantee Scheme continues to contribute to the creation and maintenance of **Thriving Communities** by prioritising the needs of the most marginalised groups and the most vulnerable adults and children in our communities. It does this as the main homelessness prevention tool used by the Housing Needs service to prevent and alleviate homelessness within the Borough. It achieves this aim by facilitating the creation of safe, affordable and sustainable private sector tenancies for households on low incomes who are threatened with homelessness.

- 5.3 Full details of the Council's [Corporate Plan](#) are available on the website and include information on the projects which will deliver these priorities.

- 5.4 The Rent Guarantee Scheme contributes to the TEAM Reading values by:

Together - working in partnership with private sector landlords to facilitate safe, affordable and sustainable tenancies
Efficiency - minimising expenditure on Emergency and Temporary Accommodation for individuals to whom Reading owes a homelessness duty and recycling funds wherever possible
Ambitious - driving up and maintaining standards of private sector accommodation and good practice among landlords
Make a Difference - preventing and alleviating homelessness

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 There are no environmental or climate implications arising from this decision; neither the incorporated new legislation nor the clarification of how the Letting Income is set have any impact on environmental or climate issues.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 There is no requirement in legislation or in guidance to consult with local representatives on the introduction or updating of the Rent Guarantee Scheme Policy. However, in line with good practice, regular landlord feedback and consultation on matters affecting tenancies is achieved by holding an annual Landlord Evening. Feedback exercises are completed with landlords and tenants during every tenancy. Results are monitored quarterly and used to inform any proposed changes in practice.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 An Equality Impact Assessment is not applicable for this report as there is no change in practice as a result of this Policy update.

9. LEGAL IMPLICATIONS

- 9.1 The Housing Act 1996 sets out a Local Authority's responsibilities in respect of homeless households who approach the Local Authority for assistance.
- 9.2 A 'main homelessness duty' is owed where the authority is satisfied that the applicant is eligible for assistance, unintentionally homeless and falls within a specified priority need group. Where a main duty is owed, the authority must ensure that suitable accommodation is available for the applicant and his or her household.
- 9.3 The Localism Act 2011 enabled Local Authorities to fully discharge the main homelessness duty owed to homeless applicants by making them a suitable offer of private rented accommodation or 'Private Rented Sector Offer' - this offer of accommodation may be made via the Rent Guarantee Scheme.
- 9.4 The Homelessness Reduction Act 2017 introduced the Prevention Duty, for eligible households threatened with homelessness within 56 days, and the Relief Duty, for eligible households who are homeless. Both duties may be brought to an end by an offer of accommodation made via the Rent Guarantee Scheme.

10. FINANCIAL IMPLICATIONS

- 10.1 There are no financial implications arising from this report as the updated Policy confirms current practice.

11. BACKGROUND PAPERS

- 11.1 Homelessness Strategy 2020-2025