

Business Case Application for "Invest to Save Funding"

Title	Rental Loans and Landlord Deposits for Homeless Applicants	Saving or Income? ("X")	Saving	Income
			X	
Total amount required from the Invest to Save Fund	£90,000		Investment Required	Net Cashable Saving/Income
Is the investment required capital or revenue?	Revenue	Month 1-12	£30,000	£40,960
		Month 13-24	£30,000	£40,960
Will the resultant savings / income be capital or revenue?	Revenue	Month 25-36	£30,000	£40,960
		Total	£90,000	£122,880

Payback Period (Years)

9 months in each year

The Proposal

Rental Loans to Homeless Applicants

1. The Rental Loan Scheme was set up in 2008/2009 following the Council receiving a grant of £10,000 from the CLG in recognition of its excellent performance in preventing homelessness. The scheme provides applicants with a rental loan of £670 for single people and £1,000 for families to meet the costs of (or contribute towards) the first month's rent in advance when securing accommodation in the private rented sector. Applicants are required to repay the loan on an interest free basis over 24 months, thereby re-cycling the budget to enable others to benefit from the Scheme in the future.

2. The following table sets out funding for the Scheme agreed by the Cabinet in previous years:

Cabinet Meeting	Funding Source	Amount (£)
(Set-up funding)	CLG	10,000
December 2008	General Fund	20,000
September 2009 (PH decision)	CLG Grant (2009/10)	9,900
September 2009 (PH decision)	CLG Grant	9,900
January 2010 (PH decision)	Virement from Finder's Fee	7,000
January 2011	CLG Grant (2011/12)	26,500
January 2011	CLG Grant (2012/13)	26,500
December 2012	DCLG Grant (2013/2014)	17,500
December 2012	DCLG Grant (2014/2015)	21,000
Total		148,300

3. The Scheme has been essential in assisting towards the Council preventing homelessness for 615 applicants in 2014/2015 representing 87% of all those who presented as homeless (710) and avoided the use by some of bed and breakfast accommodation (B&B), and in other cases providing permanent Council accommodation, leaving more properties available for existing Home Seekers on the Housing Register.

4. Since the Scheme commenced in 2008, initially there was a slow take-up, however, since around 2011 the numbers of loans made increased due to the additional funding available. When taking into account monies repaid by applicants, approximately 190 loans have been allocated. When the Council was awarded the grant funding, the Government were encouraging Councils to pass on the payments to homeless applicants by way of a "gift". However, although it was accepted that recovering any debts may be difficult, the Cabinet agreed that payments would be made as a loan (repayable over 2 years) with any amounts recovered assisting more applicants. The Council has recovered around £16,000 which has enabled approximately 20 further loans to be made. This figure could well increase as further payments are made by applicants on loans granted in the last 2 years.

5. At the time of writing, 20 loans have been made in this financial year. There are sufficient funds available to provide only 10 further rental loans to homeless applicants.

6. Making more funds available for rental loans through invest to save funding would result in keeping down the numbers in B&B resulting in a saving to the Council. It would also assist in reducing the number of homeless applicants being placed in other interim and temporary accommodation including Norway House and Hemnall House which are currently both full. It would also reduce the amount of the Council's own housing stock being used for homeless applicants. Furthermore, it would give the opportunity to consider other options for applicants with challenging behaviour.

7. It should be noted that the Housing Benefits Division has provided 6 payments to applicants to fund rent in advance to date in this financial year through the Discretionary Housing Payment (DHP) Scheme.

Landlord Deposits

8. In addition to meeting the cost of the first month's rent, applicants also must pay a landlord's deposit. The cost of the deposit is in accordance with Housing Benefit Local Housing Allowance rates which range from £295 to £1,360 depending upon the rent, size and location of the property.

9. The Council works with the Epping Forest Housing Aid Scheme being a local charity that provides damage deposit guarantees for homeless applicants. As the guarantees are provided by way of a Bond and only cover damage and not failure of the tenant to pay rent, private landlords are increasingly requiring a cash deposit which are held by a Government appointed agency as a third party.

10. Although the saving would be reduced, it is suggested that officers be given the flexibility to grant both a rental loan and a landlord deposit loan to larger families, in order to avoid providing more than one room in B&B accommodation which is very costly. It is further suggested that the same arrangements apply to disabled people and those with extreme medical needs. Officers are investigating the possibility of the landlord deposit being returned to the Council by the third party should the applicant not repay the loan.

11. It is important to note that generally both rental loans and landlord deposit loans will only be provided as a last resort.

12. It is proposed that £90,000 from the Invest to Save Fund in this year is placed in the District Development Fund (DDF), in order that an additional £30,000 is made available each year for three years from 2016/2017 to enable between 30 and 45 additional rental loans and around 10 landlord deposits to appropriate applicants each year.

The Financial Benefit Explained

1. The Council has contracts with three Hotels to provide B&B. In 2014/2015 an average of 10 single homeless applicants were temporarily housed in this way. The General fund expenditure in 2014/2015 is set out in the following table:

Total expenditure on B&B	£140,255
Subsidy received	£72,932 (52%)
Net cost to the General Fund	£67,323

2. The net cost to the General Fund of providing B&B for a single person for the average length of stay of around 6 months is on average around £2,550. Based on the proposed invest to save investment, if 40 rental loans were provided to single applicants who may have been placed in B&B, this would represent a potential net saving of £48,960 for each of the 3 years to the General Fund when taking into account the estimated receipt of 52% subsidy. It should be noted that any repayments made on the additional loans will provide further subsequent loans to applicants.

3. The Council currently has around 5 families placed in B&B for up to a 6 week period who occupy more than one room. Although it is accepted that families remain in such accommodation for a lesser period before moving to Norway House, it is still costly. If such families remain for more than 6 weeks this would be in breach of Government rules and may result in such families being placed in the Council's own stock under a non-secure tenancy. In order to avoid a proportion of these placements, it is suggested that officers have the flexibility to grant both a rental and landlord deposit loan. It is estimated that this could happen in around 10 cases each year thereby, taking into account the average landlord deposit loan of £800, reducing the saving by around £8,000 to £40,960 each year.

Other unquantifiable cost savings

4. It should be noted that other unquantifiable costs will also be saved. As stated, the Council's Homeless Persons' Hostel Norway House, and Hemnall House which is used as temporary accommodation for homeless families are both currently full. This presents the risk of placing families in B&B which would obviously be even more costly, and if for longer than a 6 week period would breach Government rules.

5. Although in 2014/2015 there were on average 10 single homeless persons placed in B&B at any given time, this has increased this year to around 20. It has also been necessary to place 4 households with dependent children in B&B for various reasons including for their own safety and due to them presenting with challenging behaviour.

6. Furthermore, should the shortage of housing options persist, it may be possible that Council properties may be used as temporary accommodation on a non-secure basis in order to meet the Council's statutory homeless duty. Although this cannot be costed in financial terms it will be detrimental to home seekers on the Housing Register. Additional rental and landlord deposit loans will go some way to avoiding this problem.

Alignment with the Corporate Plan and/or Additional (Non-Financial) Benefits

Providing more funding for the Rental Loan Scheme and in appropriate cases Landlord Deposit Loans will assist the Council to fund its statutory duty to provide housing to homelessness households.

Potential Obstacles to be Overcome

- Identifying sufficient private sector accommodation to house those who present as homeless to the Council.
- Some private sector landlords require incentive payments to house homeless persons. London Boroughs pay such landlords around £2,000 for each person housed in this way. London Boroughs are increasingly placing their homeless applicants in the District and paying incentives to landlords, which makes it more difficult for the Council to place its own applicants in private rented accommodation without paying any incentives.
- The Council works in partnership with Epping Forest Housing Aid (EPHAS) who provide private landlords with a damage deposit guarantee. However, landlords are increasingly wanting a cash amount upfront rather than a bond, which only covers damage and not non-payment of rent.

Risks (Financial and Others)

There is a potential risk of an additional number of persons needing to be housed due to the possibility of the Council providing accommodation in response to the migration crisis.

Key Milestones and Target Timescales (from approval)

Milestone	Target Period from Approval Date (Months)
1) Provide around 40 additional rental loans and 10 landlord deposits	By March 2017
2) Provide around 40 additional rental loans and 10 landlord deposits	By March 2018
3) Provide around 40 additional rental loans and 10 landlord deposits	By March 2019
4) N/A	

Proposal by

Roger Wilson Assistant
Director (Housing
Operations)

Directorate

Communities Directorate