

## Landlord Incentive Scheme Revised 4.1.24

The aim of this report is to highlight how the private rented sector is needed to support the increasing demand placed on our temporary accommodation, homelessness service and housing register.

This proposal identifies how we can reevaluate and revise our current Landlord Incentive Scheme (LLI) in order to attract more private landlords and letting agents to house applicants, moving households out of temporary accommodation and housing applicants under our prevention/relief duty.

We also currently consider assisting households with 1 month deposit and 1 month rent in advance on cases that are eligible, at risk of homelessness and do not have the means to fund private rented accommodation. There is scope to consider paying 2 months rent in advance for larger families/those in temporary accommodation, however this additional funding offer is not always sufficient when negotiating with landlords/agents, particularly if a household does not have a guarantor.

### 1. Background/ Context

**1.1** Under the Homelessness Reduction Act 2017, Thanet District Council can discharge homelessness duties into the private rented sector under prevention and relief or main duty.

**1.2** We currently have a small and loyal cohort of landlords/letting agents who offer accommodation to our applicants via our Landlord Incentive Scheme. This scheme has been highlighted by DHLUC as good practice.

**1.3** We have used the Landlord Incentive Scheme since 2018. It was last revised in January 2020. However, it is apparent that there have been significant changes within the housing sector since this date, including the proposed introductions of the Rent Reform Bill (which has caused many landlords to sell up), the cost of living crisis, use of AirBnB's and the huge increase in private rents. The LHA has also been frozen since April 2020, although it has recently been announced that this will increase from April 2024. Although good news for the private sector, this could also have a negative impact, whereby private landlords increase their rents quite significantly.

**1.4** The number of new applications for the Housing Register has roughly quadrupled over the past 5 months. Although not all of these applicants will be eligible for housing, we foresee an increase in demand for rental accommodation.

**1.5** Referrals to our prevention service have increased -

Referrals to Prevention Service	2022	2023	% increase
July	83	120	44.5%
August	70	93	32.8%
September	76	96	26%

October	85	100	17%
November	87	103	18.3%
December	49	88	79.5%

Homeless referrals have significantly increased -

Homeless referrals	2022	2023	% increase
July	68	207	204.4%
August	106	207	95.3%
September	70	174	148%
October	44	178	304%
November	66	163	146.9%
December	71	92	29.5%

**1.6** We are keen to engage with the private housing rental sector to prevent the need for placement into temporary housing.

**1.7** When seeking to increase the number of landlords and agents we work with, we are faced with growing competition from other authorities. We have been advised that local landlords and agents are being offered much higher incentives by London Local Authorities than those offered by Thanet District Council. This in turn, encourages them to house tenants from outside of the area rather than local residents.

## **2.0 Options**

### **Option 1: Attract more landlords from other parts of UK**

**2.1** We could seek to work with landlords from surrounding areas, however this can be difficult considering other Local Authorities are competing in the same way. We do struggle to encourage applicants to move out of the area and away from their support networks, so this may not meet the gap in demand but is an option some households may consider.

### **Option 2: Increase rent in advance payments available to landlords**

**2.2** Landlords value a cushion on their rent accounts, and as stated above, we currently offer up to two months' rent in advance in challenging situations. Whilst we have this option available, as a rule, we generally only offer one month in advance as we are mindful of annual budget constraints.

**2.3** Due to the Tenant Fees Act 2019, deposits are capped at a 5 week maximum. 1 week holding deposit is often requested from agents upfront, which is paid by the tenant whilst tenancy referencing is undertaken, leaving the remaining deposit due once a tenancy offer is due to be made. Rent in advance requirements do not have a cap, therefore many agents request a higher amount / credit on their account for what they may deem a 'higher risk' tenant.

**2.4** It is worth noting that all applicants are encouraged to save towards their moving costs, therefore not all cases require full funding. Often cases have saved significantly, therefore a joint funding approach is often considered

**2.5** With the current market pressure and lack of private rented properties available, there has been an underspend of Discretionary Housing Payments this financial year, compared to the last year -

Q1 & Q2 2022	£107,532.69	
Q1 & Q2 2023	£92,251.28	Down 14%

We propose to have additional flexibility and be able to offer 3+ months' in advance for landlords agreeing to house larger households ie: Requiring 4 bedrooms or more.

Securing properties without this additional flexibility is particularly difficult if we have a household requiring 4 bedrooms or more and there are also additional medical needs, ie: 2nd WC requirement/ground floor bedroom requirement. These properties are rarer/in high demand, therefore when there is a vacancy, we need to ensure we have the financial ability to be able to secure these properties.

**Option 3: Increase the existing landlord cash incentive figures to make in line with current market prices to existing and new landlords and agents**

**2.4** The LLI is vital to our success in encouraging landlords/agents to consider our applicants, rather than potential full time working tenants with multiple months rent in advance and guarantors at hand.

**2.5** Annual expenditure of LLI budget and year to date expenditure is shown below. These figures identify that it has become increasingly challenging to find and secure affordable accommodation. This is highlighted by the reduction in households discharged into the private rent sector despite the amount spent on LLI increasing annually.

Year	Spend	Number of H/H assisted with LLI
20-21	£116,628.50	144
21-22	£147,356.20	109

22-23	£174,618.09	101
2023 to date (15/01/2024)	£115,405.68	48

**2.6** The table below shows the current cash payments to landlords who take on our tenants for a 6 or 12 month tenancy, and the potential increase.

Current rates from January 2020			Proposed	
	6 months	12 months	6 months	12 months
Room	£750	£1,250	£750	£1,500
Studio/1 bed	£1,000	£1,500	£1,000	£1,750
2 bed	£1,000	£1,500	£1,000	£1,750
3 bed	£1,250	£1,750	£1,250	£2,500
4 bed	£1,250	£1,750	£1,250	£2,500

The budget for all these options would come from the current underspend in the Landlord Incentive budget.

**2.7** Since 2020 & the worldwide pandemic, the private rented market has been dramatically affected due to the increased rental prices and the growing demand.

**2.8** In addition, the ability for households to effectively house themselves into private rented accommodation is becoming increasingly challenging, with poor credit, rent arrears, and lack of guarantors. As a result more households are relying on our assistance to liaise with landlords/agents & offer LLI's.

**2.9** Approximately 38.4% of the successful preventions 2023/24 moving into privately rented accommodation have been assisted with LLI. This is the highest figure since 2020/21.

**2.10** It is expected that with the changes to the incentive figures and some work to promote and rebrand our incentive scheme that we could increase the number of landlords and agents actively utilising our service.

### **3.0 Recommendations:**

**3.1** Due to the increase in approaches to the Prevention Service & Homeless Service, it is proposed that we adopt Option 2 with flexibility and Option 3 with immediate effect.

This proposal would not require any additional monies as all expenditure would exist within the current budget.

**3.2** The current LLI annual budget is £202,670. With an increase of £750 LLI x 50 properties this would equate to an additional £37,500 LLI being utilised, which remains in budget. Comparing this to an average Temporary Accommodation cost below - Taking preventative measures to incentivise new landlords/agents would be more cost effective to the Local Authority -

Room	£40 per night / £1200 per month
1 bed/Studio	£47.00 per night / £1410 per month
2 bed	£55.00 per night / £1650 per month
3 bed	£64.50 per night / £1935 per month
4 bed	£68.50 per night / £2055 per month

**3.3** Please see below the saving that can be made utilising LLI compared to Temporary Accommodation costs -

	<b>6 Months proposed LLI Payment</b>	<b>6 Months Cost for TA</b>	<b>Cost Saving Over 6 Months</b>	<b>12 Months Proposed LLI Payment</b>	<b>12 Months Cost for TA</b>	<b>Cost Saving Over 12 Months</b>
Room	£750	£ 5,949.04	£ 5,199.04	£1,500	£ 11,898.08	£ 10,398.08
Studio/1 bed	£1,000	£ 6,444.46	£ 5,444.46	£1,750	£ 12,888.92	£ 11,138.92
2 bed	£1,000	£ 7,202.46	£ 6,202.46	£1,750	£ 14,404.92	£ 12,654.92
3 bed	£1,250	£ 8,315.33	£ 7,065.33	£2,500	£ 16,630.66	£ 14,130.66
4 bed	£1,250	£ 8,181.09	£ 6,931.09	£2,500	£ 16,362.18	£ 13,862.18

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### Corporate Consultation

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