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# Report

**Subject** : Review of Rent Deposit Scheme and Rent in Advance

**Report to** : The Cabinet

**Date** : Wednesday 28 February 2007

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**Cabinet Member for Community & Housing:** Councillor Cole-Morgan

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## 1. Executive Summary:

In 2003 Cabinet approved changes in the way the council widened the housing options open to people who find themselves homeless or are threatened with homelessness. One of the changes was the introduction of a comprehensive rent deposit scheme. This cash lead scheme has been very successful but in its current format it is proving very costly.

This report proposes revisions to the scheme to make it more efficient and better value for money. These are:

1. Offering a rent deposit guarantee instead of a 'cash' lead deposit.
2. A requirement that any rent paid in advance payment must be paid back in full by the end of the tenancy.
3. Any balance outstanding 21 days after the end of the tenancy be referred to the council's Debt Recover Agent.

## 2. Background:

In November 2003 the Cabinet approved proposals for a Homelessness Backup service which included a revised rent deposit scheme and rent in advance scheme. These schemes were designed to overcome the resistance of some landlords to accepting homeless people because of concerns about security of payment.

Since 1 April 2005, 216 people have been supported into private rented accommodation with the council paying out over £139,000 in rent deposits and £122,094 in rent in advance payments. Agreements are made with both the landlord and the tenant to recover this money however, depending on the duration of the tenancy and the standard repayment plan for recovering the rent in advance, recovery of all the money can take several years.

Since 2003 the council has developed its relationships with private landlords and built up the trust and confidence necessary for the proposed changes.

## 3. Rational for Change:

There are three reasons for considering change:



Awarded in:  
Housing Services  
Waste and Recycling Services



1. Good practice – Whilst a number of authorities still operate a ‘cash’ lead rent deposit scheme, many have now moved successfully to a deposit guarantee scheme. This avoids the need to provide cash up front and instead there is a formal agreement with the landlord or agent as part of which a claim against the guarantee can be submitted to the council.
2. Cost – The council has committed considerable resources to this scheme. Since 1 April 2005 some £261,094 has been allocated to support people accessing private rented accommodation. There is therefore a significant budget implication for the council and the onus is very much on the council to ensure the return of its money. The current cash led scheme is no longer considered appropriate.
3. Legislation – From April 2007 the government will establish a new national Tenancy Deposit Scheme. This will be applied to all landlords/agents who rent property under assured shorthold tenancies. Essentially the government has regulated the way in which rent deposits can be held and administered.

**4. Review of Current Scheme and Practices:**

A working group was established to review how the current scheme was operating and to bring forward proposals for change. As part of this review the group consulted with landlords/agents and invited them to put forward their own ideas on how the current system could be improved.

**5. Proposed Changes:**

The working group’s assessment and findings have been considered and the changes proposed are:

1. To offer a rent deposit guarantee scheme, rather than a ‘cash’ lead deposit scheme.
2. That any rent in advance payment must be paid back fully by the end of the tenancy.
3. That any balance outstanding 21 days after the end of the tenancy be referred to the council’s Debt Recover Agent.
4. In order to continue to provide re-assurance to landlords/agents, the establishment of service level agreements with each landlord/agent clearly setting out what the scheme will cover, how the council will administer it and support landlords/agents.

**6. Incentive Payments:**

Good practice has highlighted the benefits of making available ‘invest to save’ incentive payments to both landlords/agents and tenants and it is considered that the introduction of the following incentive payments to encourage desirable practice by both parties.

To Landlord/agents – an offer of £100 when they grant a minimum one year fixed term tenancy rather than the standard six month assured shorthold tenancy.

To Tenants – an offer of £50 to a tenant where the landlord/agent has made no claim against the deposit guarantee scheme and the rent in advance has been fully repaid.

**7. Financial Analysis:**

For 2006/07 there is a revised budget of £70,000. The proposed changes to the rent deposit scheme will deliver savings as follows:

<b>Revised budget 2006/07 – rent deposit scheme</b>		<b>70,000</b>
<b>Revised costs are:</b>		
Deposit guarantee (contingency)	20,000	
Landlords incentive payments	4,000	
Tenants incentive payments	2,500	
Additional dedicated staff resource	6,000	
<b>Total</b>	<b>32,500</b>	
<b>Estimated saving</b>		<b>37,500</b>
Already committed to corporate savings		25,000
<b>Balance (this will be offset against a loss to income, therefore no real savings)</b>		<b>12,500</b>

**8. Conclusion:**

The proposed changes will deliver additional efficiency savings together with actual cash savings as a result of changing from a cash led scheme to a guarantee scheme. Continued success depends on the council maintaining and continuing to build trust and confidence with landlords/agents.

**9. Recommendations:**

Cabinet are recommended to approve:

1. Withdrawal of the rent deposit scheme and the introduction of a rent deposit guarantee scheme.
2. That, whilst considering each case on its merits, the council should seek to recover rent in advance payments issued to tenants by the end of their tenancy period.
3. That any balance outstanding 21 days after the end of the tenancy be referred to the council's Debt Recover Agent.
4. The incentive payments as set out in paragraph 6.
5. The revised costs of the scheme as set out in paragraph 7.

**10. Implications:**

Financial:	Contained in paragraph 7
Legal:	Powers are conferred on the Council by the Housing Act 1996 as amended by the Homelessness Act 2002. The Unfair Terms in Consumer Contracts Regulations 1999 apply to public authorities so any standard terms must be fair.
Human Rights:	Article 8 [right to respect for private life] does not confer the right to a home.
Personnel:	None in respect of this report
ICT	None in respect of this report
Community Safety:	None in respect of this report
Environmental:	None in respect of this report
Council's Core Values	Promoting excellent service, supporting the disadvantaged, being fair and equitable, communicating with the public, wanting to be an open, learning council and a willing partner.
Wards affected:	All
Consultation undertaken	Internal