



Home

No less will do

Improving access to private
renting for single homeless people

Hannah Gousy, February 2016

Crisis

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Foreword

The private rented sector is an increasingly important route out of homelessness. This is particularly the case for single homeless people, the majority of whom do not qualify for the local authority statutory duty to be rehoused, and therefore have very limited access to social housing.

At Crisis we believe that homeless people need a settled home in order to rebuild their lives. We know however that too many people who are ready to move on after the devastation of homelessness encounter unnecessary financial barriers and locked doors.

Crisis has long worked to assist single homeless people to access private renting. From 2010-2014 Crisis, with funding from the Department for Communities and Local Government, ran the Private Rented Sector Access Programme, which aimed to expand support to homeless people trying to access affordable and secure accommodation in the private rented sector. During this period, more than 8,000 tenancies were created with high levels of sustainment. At the end of the programme, Crisis secured further funding from the government to provide match funding to existing schemes. This funding programme runs from April 2014 to March 2016.

Despite the success of this work, in the current climate both homeless people and landlords are finding it increasingly difficult to create and sustain successful tenancies. High deposits, rent in advance and letting agency fees often make renting prohibitively expensive for homeless people. Landlords are concerned that letting to homeless households is more 'risky' and would require them to manage the tenancy more intensively. Welfare reform is also making rents at the lower end of the sector increasingly unaffordable and often deters landlords from letting to people who are homeless and in receipt of housing benefit.

This report offers a powerful insight into the experiences of people who are struggling to find a place to rent as well as the perspective of landlords.

Based on these findings, we are calling on the government to set up a national deposit guarantee scheme to help homeless people overcome the financial barriers to renting privately. This report also sets out a number of recommendations to help expand the work of private rented access schemes. These schemes provide landlords with the support and confidence to let to homeless people and given the strong evidence of their cost effectiveness we urge the government to continue to make dedicated funding available for private rented sector access schemes.



Jon Sparkes
Chief Executive, Crisis

1. Summary

The private rented sector is required to play an increasingly important role in helping end homelessness. The majority of single homeless people are unlikely to qualify as ‘priority need’ and therefore local authorities have no statutory duty to house them, limiting their access to social rented accommodation.¹ The private rented sector is therefore often the only viable housing option available to them.

Despite the important role the sector plays, it often remains unfit for purpose. Over the last decade the loss of an assured shorthold tenancy (AST), the default legal category of tenancy in the private rented sector, has become the leading cause of homelessness. Characterised by short term fixed contracts, the sector provides little stability for people to rebuild their lives. High demand and the impact of elements of welfare reform have made it increasingly unaffordable for people living on very low incomes.

Homeless people struggle to access the private rented sector. Barriers include landlords’ concerns towards letting to tenants in receipt of housing benefit and the difficulties of saving for extremely high deposits, rent in advance and letting agency fees. These problems are particularly pronounced in markets where demand is especially high.

The inability to access secure, long term accommodation in the private rented sector prevents people from breaking out of homelessness and has huge personal costs

to the individual. There are also significant financial cost implications, with increasing numbers of people living in more expensive temporary and hostel accommodation and sustained and repeated homelessness increasing the burden on health and social care systems, mental health services and the criminal justice system.

In order to explore these issues in more detail, and develop robust recommendations for change, Crisis commissioned the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University to conduct research into:

- the experiences of single homeless people trying to access private rented accommodation;
- the attitudes of private landlords regarding letting to homeless people and tenants in receipt of housing benefit; and
- the perception of local authorities about the potential difficulties that homeless households face accessing private rented accommodation.

1.1 Key findings

- Fifty five per cent of landlords said they were unwilling to let to tenants in receipt of housing benefit.² Even more (82%) are unwilling to rent to homeless people. Reasons included a perceived greater risk of rent arrears and requirement for more intensive management.³ Welfare reform,

¹ Between 2014 to 2015 less than half (48%) of the households that made a homelessness application in England were considered unintentionally homeless and in priority need, and of those, two-thirds (67%) qualified as such because they had children. Source: The Department for Communities and Local Government (DCLG), Live homelessness statistics.

² Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples’ access into the private rented sector*. London: Crisis. Within the survey sample, 806 landlords stated that they did not have any property in Scotland. For the purposes of this report these respondents have been used in the analysis, so the figures presented in this report relate to landlords who do not have any stock in Scotland. The figures quoted here may, therefore, differ very slightly from those presented in the final report from this study which included landlords who had stock in England and Scotland.

³ Ibid.

in particular changes to direct payments brought in by Universal Credit and caps to Local Housing Allowance (LHA) rates, are making landlords much less willing to let to homeless people and tenants in receipt of housing benefit.⁴

- In addition to very high access costs across the sector, there is evidence to suggest that landlords are putting additional financial ‘safeguards’ in place when renting to homeless people, making it even more difficult for them to rent privately.⁵ This includes increasing the deposit required, increasing the contractual rent, increasing rent in advance as well as more extensive use of guarantors and referees. Homeless people are struggling to meet these demands. Sixty two per cent of homeless people surveyed who had been asked to provide ‘additional security’ reported being unable to do so and, as a result, most of these respondents reported being unable to find anywhere to rent at that time.⁶
- Eighty four per cent of the 58 local authorities surveyed said that it had become more difficult for single homeless people to access private rented accommodation in the past five years.⁷ Local authorities pointed to inadequate LHA rates and a shortage of accommodation available at the Shared Accommodation Rate in particular as having an impact on the ability of homeless people to rent privately.
- The evidence suggests that the majority of homeless people struggle to rent privately. Those surveyed who had attempted to do

so pointed to discrimination (42 per cent said they had experienced landlords or lettings agents refusing to let to homeless people), unaffordable rents, access costs and requirements for guarantors and referees.⁸ Nearly three quarters (72%) said the difficulties they had encountered prevented them from securing a tenancy.⁹

1.2 Crisis’ recommendations

Much more must be done to increase the number of landlords letting to homeless households to ensure that private renting is viable and suitable for those in the greatest housing need. For homeless people, it is particularly important that strong support is put in place to ensure that they are prepared for renting privately and are able to successfully manage a tenancy, since for many it will be their first experience of doing so.

- **Providing more support for private rented sector access schemes.** Private rented sector access schemes support clients who are homeless, threatened with homelessness or vulnerably housed to create and sustain tenancies. They help tenants overcome the financial, structural and personal barriers that may exist to doing this. Schemes attract landlords through the development of a suite of services to mitigate the risks that might otherwise be associated with letting to a tenant who has experience of homelessness and is in receipt of housing benefit. Given the strong evidence to support the cost effectiveness of this work and their proven success in helping create and sustain tenancies for homeless people, we urge the government to continue to make dedicated funding

4 Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples’ access into the private rented sector*. London: Crisis.

5 Ibid.

6 Ibid. Sample sizes for this question are very small and results should be treated with caution.

7 Ibid.

8 Ibid.

9 Ibid.

available for private rented sector access schemes.

- **National government should underwrite a national rent deposit guarantee for organisations supporting homeless people to use in place of a cash deposit.** A bond guarantee is a written commitment from a private rented sector access scheme to help secure accommodation for homeless people in place of a cash deposit. They play an important role in helping homeless people overcome the significant financial barriers to accessing private renting and help reduce financial risk for landlords should damage occur and, in some cases, rent arrears. While the claims rate for bond guarantees are relatively low, it can be costly for access schemes because the value of the guarantee fund is much higher. Crisis therefore recommends that the guarantee fund should be underwritten by national government. This will help expand the work of schemes and provide a greater number of people with access to the use of a bond guarantee, therefore helping to increase the number of properties available to let to homeless households.
- **National government should create a quality mark to ensure that organisations accessing government-underwritten bonds provide a high standard of support.** In order to ensure that bond guarantees are accompanied by robust support for tenants and landlords, private rented sector access schemes should have to demonstrate that they meet a certain standard in order to access bonds underwritten by national government. Robust support helps reduce the number of claims made against bond guarantees, therefore minimising the overall costs to government, as well as
- ensuring that tenancies are sustained and homelessness is ended.
- **National government should ensure that welfare policy does not create a barrier for homeless people trying to rent privately.** Our research shows that elements of welfare reform, in particular changes to direct payments for Universal Credit claimants and caps to LHA rates have reduced the willingness of landlords to let to homeless people.¹⁰ In order to mitigate concerns and encourage landlords to let to tenants in receipt of housing benefit, government should reconsider the decision to freeze LHA rates. At the very least, government should commit to annually reviewing the effect of freezing LHA rates and ensure that Targeted Affordability Funding (TAF) is used to help people in areas where there are the greatest shortfalls between their rent and the amount of support they can receive for their housing costs. Government should also ensure that a proper system is put in place to effectively identify vulnerable people claiming Universal Credit and provide sufficient support to prevent them falling into arrears, including allowing people to choose an Alternative Payment Arrangement.
- **Local authorities must ensure that the local welfare funds (including Discretionary Housing Payments and Local Welfare Assistance) are made available to help single homeless people access the private rented sector.** This should include help with deposits and rent in advance. There are a number of funding streams that local authorities should use to provide assistance to homeless households moving into private tenancies. However, neither Discretionary

10 Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*. London: Crisis.

Housing Payments (DHPs) nor Local Welfare Assistance schemes are being used effectively to resolve homelessness and private tenants often face a number of barriers accessing them. Competing pressures from other groups affected by welfare reform often means that there is very little scope to use this funding to help people who are already homeless by providing rent in advance or a tenancy deposit. We therefore recommend that local authorities consider combining DHPs and Local Welfare Assistance to provide support to assist single homeless people into the private rented sector. It is also vital that local authorities more widely publicise these funds to private tenants who are likely to have less interaction with the council than social tenants.

- **National government should reform the homelessness legislation to create a stronger prevention and relief duty for all homeless households, regardless of priority need status.** Crisis has long campaigned for a change in the law to provide single homeless people with better support to help end their homelessness. We welcome the Government's commitment to explore options, including legislation, to prevent more people from facing homelessness and look forward to working with them closely on this issue. The private rented sector plays an important role in helping to prevent and relieve homelessness and any change to the law must ensure that local authorities have an effective private rented sector access scheme within their area.

2 Introduction

2.1 Background

The private rented sector has grown dramatically over the last decade. There are now more than 11 million private renters in England, an increase of more than 50 per cent from 2004/05.¹¹ During this period the private rented sector has also taken on a more significant role in housing homeless people and households on very low incomes in receipt of housing benefit.

A large proportion of people renting privately that are at risk of homelessness would have historically had their housing need met by social tenancies. The total stock of homes now let at social rents (as opposed to affordable rents) has been declining year on year; from 4.06m homes in April 2012, to 3.99m in April 2014, with a projected further decrease to 3.65m by 2020.¹² As a result more and more single homeless people have no choice but to rent privately.

Furthermore, local authorities are reliant on the private rented sector either as temporary accommodation or an offer of settled housing for homeless households who are eligible for the statutory duty. Since local authorities were given the powers to discharge the main homelessness duty into the private rented sector, 55 per cent have chosen to adopt this power, with another 16 per cent expecting to do so in 2016.¹³ Unsurprisingly the take up has been strongest in London (88%) and least extensive in the generally smaller and

more rural authorities in the South (32%). The vast majority of people assisted into housing under the statutory duty however, will still be housed in social housing.¹⁴

Only 22 per cent of households who have a homelessness duty accepted are single people.¹⁵ As a result single people often have less access to the limited supply of social rented housing. For households assisted outside the statutory duty, 31 per cent were housed in the private rented sector, further reinforcing the importance of private renting in helping end homelessness.¹⁶

Government proposals to extend the Right to Buy policy to housing association tenants, the forced sale of high value council owned stock and the redefinition of affordable housing to include starter homes will undoubtedly lead to further decline in the number of social rented homes. One consequence of this will be an increasing reliance on the private rented sector to accommodate those in the greatest housing need, including single homeless people.

11 There are 4.38 million households living in the private rented sector with an average of 2.5 people per household. Source: DCLG (2015), *English Housing Survey 2013-14*. Annex Table 1.1: *Trend in tenure, 1918 to 2013-14* and Annex Table 4.2: *Average household size, by demographic characteristics, private renters, 2013-14*. London: DCLG.

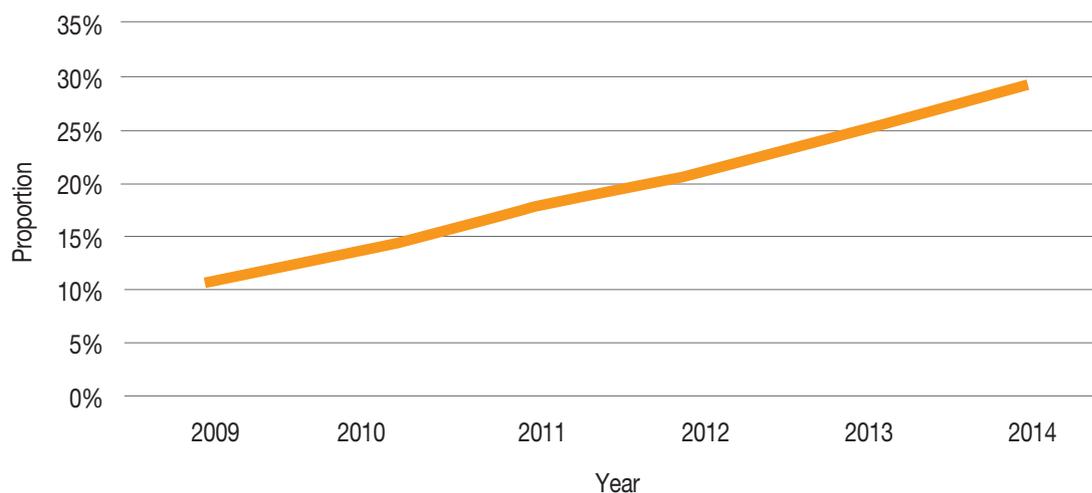
12 Alafat, T. (18 December 2015), *Test of Mettle*. London: Inside Housing.

13 Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. and Watts, B. (2015), *The Homelessness Monitor: England 2015*. London: Crisis and JRF.

14 Five per cent of households owed a statutory duty accept an assured tenancy offered in the social housing sector and of those placed in temporary accommodation (63 per cent of households where a duty is owed), 68 per cent accept an offer of settled local authority or housing association accommodation. Source: DCLG (2016), Live Tables on homelessness, Table 778: Outcome of leaving temporary accommodation Households leaving temporary accommodation (or no longer recorded "Duty owed, no accommodation secured") by outcome England, 1998 to 2015 Q3 and Table 777: Immediate outcome, Immediate outcome of decision by local authority to accept household as unintentionally homeless, eligible and in priority need England, 1998 to 2015.

15 DCLG (2016), Live tables on homelessness, Table 780: *Accepted household type. Homeless households in priority need accepted by local authorities by household type*. England, 2006 Q2 to 2015 Q3.

16 DCLG (2016), Live tables on homelessness, Table 788 *Types of prevention and relief in England 2009/2010- 2014/15*

Ending of an AST as the reason of loss of last settled home: proportion of statutory homeless households


Source: DCLG, Table 774: Reason for loss of last settled home.

2.2 Problems in the private rented sector

Despite private renting often being the only housing option available to single homeless people, over the last decade the loss of an AST has become the leading cause of homelessness. The number of people accepted as statutorily homeless increased by 14,410 between 2009/10 to 2014/15,¹⁷ of which more than three quarters (11,460) of this increase were those made homeless as a result of the end of a private rented tenancy. The latest statistics show that this is a continuing trend, with the proportion of total acceptances resulting from the loss of an AST rising to 29 per cent of all cases in 2014/15.¹⁸ In London, where the demand for

private rented accommodation is particularly high, this proportion rises to 39 per cent.¹⁹

Characterised by short term fixed contracts of only six or twelve months, the sector often fails to provide homeless people with adequate security to rebuild their lives. Beyond a fixed term period, tenants can be evicted using a Section 21 'no fault' possession notice, and can be required to leave at relatively short notice (two months). Elements of welfare reform, particularly the decoupling of LHA rates from market rents over the last five years, has made the sector increasingly unaffordable and left private renters vulnerable to accruing rent arrears and subsequently eviction.

¹⁷ DCLG (2016), Live tables on homelessness, Table 770: *Decisions taken by local authorities under the 1996 Housing Act on applications from eligible households*, England, 1998-2015.

¹⁸ DCLG (2016), Live tables on homelessness, Table 774: *Reason for loss of last settled home. Households accepted by local authorities as owed a main homelessness duty by reason for loss of last settled home*, England, 1998- 2015 Q3.

¹⁹ DCLG (2016), Table 774: *Reason for loss of last settled home. Households accepted by local authorities as owed a main homelessness duty by reason for loss of last settled home*, London, 1998- 2015 Q3.

Over the last decade the number of people living in poverty in the private rented sector has grown significantly,²⁰ therefore increasing their risk of homelessness. A third of people in poverty live in private rented accommodation, up from a fifth a decade ago.²¹ Seventy eight per cent of private renting households in the poorest fifth of the income distribution spend over a third of their income on housing costs.²² In 2013/14, 1.1m households living in the private rented sector were claiming housing benefit to help pay their rent, an increase of 86 per cent since 2008/09 (in the same period the sector grew overall by 43 per cent).²³ Moreover, 39 per cent of private rented households claiming housing benefit are in work. This indicates increased unaffordability of private renting for people on low incomes and the growing demand for homes at the bottom end of the market. The amount of outstanding rent due after housing benefit was paid increased from an average of £39 to £56 per week during the same time,²⁴ largely due to caps to LHA rates and their coincidence with sharply rising market rents.

Furthermore, conditions in private rented housing are the worst of all tenures. Almost a third (30%) of homes fail to meet the government's Decent Homes Standard, compared to only 15 per cent of social rented homes and 19 per cent of owner occupied homes.²⁵

Research carried out by Crisis, in conjunction with Shelter, into the experiences of homeless people resettled into the private rented sector highlighted a number of concerns about its suitability.²⁶ For many of the participants, poor housing conditions had an extremely

negative impact on their physical and mental health. People wanted to feel safe, secure and satisfied in their resettlement. The insecurity of the sector, however, undermined this. Many of the households felt that they lacked choice over the location and suitability of the property they moved into, affecting their ability to put down roots. Over the course of the study participants often experienced ongoing problems with debt as a result of the cost of moving into and living in their homes. This was a key cause of stress and anxiety. The study found that personal circumstances and vulnerabilities could make dealing with the risks and challenges inherent to private renting particularly difficult for people who had experienced homelessness.

Improving the affordability, conditions and security of private renting is crucial in ensuring that the sector is a much more suitable housing option for homeless people.

Crisis supports a number of measures to achieve this. These include:

- longer fixed term tenancies (3-5 years) with predictable rent increases to improve stability and affordability;
- Ensuring that LHA rates better reflect market rents to improve affordability;
- Stronger powers for local authorities to ban the very worst landlords and improve the conditions of privately rented homes; and
- The introduction of a national register of landlords to help improve professional standards across the sector.

20 McInnes, T., Aldridge, H., Bushe, S., Tinson, A. and Born, B. (2015), *Monitoring Poverty and Social Exclusion 2015*. York: JRF.

21 Ibid.

22 Ibid.

23 DCLG (2016), Table FA 3242 (s430): *households receiving housing benefit and average rent after benefit, by household type*.

24 Ibid.

25 DCLG (2015), *English Housing Survey, Headline Report 2013-14*. London: DCLG

26 Smith, M., Albanese, F and Truder, J. (2014), *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Crisis and Shelter.

2.3 Access to private renting

Since the early 1990s, private rented sector access schemes have been in operation to help single homeless people overcome barriers to private renting. The Crisis 'Smartmove' franchise encouraged the establishment of model access schemes and took over the work of the National Rent Deposit Forum, which had supported various private rented sector access initiatives across the country. During this time Crisis developed a national advisory service that included the creation and maintenance of a database of all known private rented sector access schemes.

In 2010, in recognition of increasing barriers to private renting and its growing importance in housing homeless households, the Government set up a £10.8m funding programme that saw the creation of 153 private rented sector access schemes across England. The aim of the programme was to expand the number of schemes in operation and extend their reach to include client groups not served by existing services. Crisis worked in DCLG to devise and administer the programme. When the programme came to an end in 2014, Crisis secured a further £2m from DCLG to run the Private Renting Programme, providing match funding (a maximum of 50 per cent) to existing schemes that had achieved at least 75 per cent of their previous targets. This funding programme runs from April 2014 to March 2016.

At Crisis, our Skylight centres offer practical and creative workshops in a supportive and inspiring environment together with formal learning opportunities that lead to qualifications and finding work. Part of the Skylight offer includes a Housing Coach Service, which works directly with active Crisis Skylight clients who are ready to explore the option of a home in the private rented sector. The service helps clients to explore past experiences of renting and

to address any barriers that might prevent them from moving into independent accommodation. This is delivered through a pre-tenancy training programme, using innovative coaching techniques as well as working closely with landlords to secure good quality, affordable properties.

Crisis Skylight services frequently report the problems single homeless people experience accessing private rented accommodation, including the willingness of landlords to let to homeless households and difficulties saving for deposits, rent in advance and letting agency fees. These problems are particularly pronounced in markets where demand for homes is especially high.

3 Methodology

In addition to secondary sources, this report is informed by the following research:

- **Crisis commissioned the Centre for Regional Economic and Social Research at Sheffield Hallam University to conduct research exploring homeless peoples' experiences of accessing the private rented sector.**²⁷ The study was conducted between October 2015 to February 2016 and comprised of an email and postal survey of 948 private landlords, a face-to-face survey of 103 homeless people, and an email survey of 58 local authorities. A small number (11) of interviews with homeless people and with stakeholders (6) (landlords, private sector housing advisors and landlord organisations) were conducted to supplement the survey data and provide additional qualitative insights.
- **Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation.**²⁸ Sustain was a longitudinal qualitative research project examining the experiences and wellbeing of 128 previously homeless households over 19 months who had been resettled in the private rented sector. This report was jointly commissioned by Crisis and Shelter and was funded by the Big Lottery. Findings from this research have informed this report.

²⁷ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B., (March 2016), *Homeless peoples' access into the private rented sector*. London: Crisis.

²⁸ Smith, M., Albanese, F and Truder, J. (2014), *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Crisis and Shelter.

4 Private renting has become increasingly difficult to access for homeless people

4.1 High access costs

Access costs often make moving into the private rented sector prohibitively expensive for homeless people. Costs include letting agency fees, tenancy deposits, rent in advance and general moving costs (e.g. van hire, furniture).

Access costs have risen sharply across the market. Recent figures published from the government approved tenancy deposit scheme My Deposits has shown that the average cost of a deposit has risen by 34 per cent or £304 since the launch of the scheme in 2007.²⁹ Their data shows that the average tenancy deposit now stands at £1197.73. The most expensive average deposits paid by tenants are in London at £1,760.30, a rise

of £37.20 (2.16%) since the same point last year and the South East, where the average tenancy deposit is £1,181.99, a rise of £50.44 (4.46%) year on year.

Research from Shelter and Citizens Advice found that average letting agency fees in England are £350.³⁰ Typically a tenancy deposit is likely to be equivalent to 4-6 weeks' worth of rent and rent in advance is likely to be a month's rent. Based on these estimates and using average local housing allowance rates in each region the table below shows the average costs for a single homeless person moving into private rented accommodation either on the Shared Accommodation Rate or a one bed room LHA rate.

Table 4.1: Average costs of single homeless people moving into private rented accommodation

Region	Someone moving into shared accommodation	Someone moving into a one bedroom flat
London	£1216.88	£2294.27
South East	£1031.15	£1564.27
South West	£974.21	£1314.60
East	£962.92	£1388.33
West Midlands	£935.01	£1237.51
East Midlands	£902.16	£1137.08
North West	£897.96	£1106.93
North East	£908.97	£1171.43
Yorkshire and the Humber	£917.28	£1137.17

*These figures are based on the average weekly LHAs of the broad market rental areas within each region. The figures have been calculated by adding the average monthly rent in advance + the average deposit (based on an assumption of 5 weeks rent) + average letting agency fees of £350.

²⁹ My Deposits (4 August 2014), 'Tenancy deposits rise by a third since 2007'.

³⁰ Webb, K. (2013), *Letting Agents, The price you pay*. London: Shelter; Citizens Advice and NPI (2015), *Paying a high price for a faulty product*. London: Citizens Advice and NPI.

Lorraine's experience

Shortly before Christmas – 16 months after moving in – Lorraine's landlord came round to tell her he wanted the property back for his family to move in and served her a Section 21 notice. The landlord told Lorraine she only had one month to find somewhere else to live. However, Lorraine decided to go back to the ALMO (arm's length management organisation) who helped her to move. However, as Lorraine had already received help once they were unable to offer her another bond and were unable to help her find another home. 'He, for some reason he wants me out as soon as possible, he's rung me up about going and everything. I've got to find a deposit and the first month's rent as well if I go through an estate agents, I've got to find an administration fee which is £100 and something. I don't think he realises how difficult it actually is to find that.'

Source: Smith, M., Albanese, F. and Truder, J. (2014), *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Crisis.

Our research shows that in addition to these calculations, some landlords reported putting additional financial safeguards in place when renting to homeless people. Of the landlords surveyed who had properties in England, 18 per cent reported that they had increased the deposit required from someone who was homeless, 16 per cent had increased the contractual rent and 14 per cent had increased the amount of rent required in advance.³¹ In addition to financial increases, 34 per cent of landlords surveyed made more use of guarantors and 35 per cent took up references more extensively.

The homelessness service users surveyed confirmed these practices. Thirty per cent of those who had attempted to secure a private rented tenancy reported being asked for additional security because they were in receipt of benefits, and 21 per cent said they had been asked for additional security because they were homeless.³² Evidence from the survey also suggests that homeless people find the 'additional safeguards' put in place by landlords difficult to meet. In total, 62 per cent of those asked to provide additional security reported being unable

to do so and, as a result, most of these respondents reported being unable to find anywhere to rent at that time. In addition, when reporting the difficulties they had encountered attempting to rent privately, respondents highlighted requirements such as references, guarantors, and access costs as particular barriers. For example, 80 per cent reported difficulties raising a deposit, 73 per cent reported difficulty raising the requisite rent in advance, 65 per cent had difficulty finding a guarantor and 48 per cent reported difficulty finding references.³³

4.2 Difficulties accessing local welfare funds

There are a number of funding streams that local authorities should use to provide assistance to homeless households moving into private tenancies. However, neither Discretionary Housing Payments (DHPs) nor Local Welfare Assistance schemes are being used effectively to resolve homelessness and private tenants often face a number of barriers accessing them.

³¹ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*, London: Crisis.

³² Ibid. 73 respondents answered this question.

³³ Ibid. Respondents to these questions ranged between 58 and 66.

Victoria's experience

Victoria and her two children moved in to their home after living in bed and breakfast accommodation. She was fleeing domestic violence. She moved into the property because it was near her children's school and she didn't want to cause them further disruption. The house was unfurnished when she moved in and she had to share a bed with her two children. She also had no washing machine or fridge and the cooker that the landlord provided was not working. After living in the property for some time, Victoria was working but still struggling to meet all her living costs and wasn't able to afford to buy a bed for her daughter.

Source: Smith, M., Albanese, F and Truder, J. (2014), *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Crisis.

DHPs are intended to help top up housing benefit and mitigate the effects of welfare reform. Competing pressures from other groups affected by welfare reform, however, often means there is very little scope to use this funding to help people who are already homeless by providing rent in advance or a tenancy deposit. Across Great Britain more than half of DHP funding (54%) is being spent by local authorities on supporting tenants with on-going rental costs.³⁴ Just 11 per cent of DHP funding is being spent to help tenants secure and move into alternative accommodation. Furthermore, national guidance from the Department for Work and Pensions (DWP) indicates that DHP awards are only payable to those already in receipt of housing benefit before they move into a new tenancy.³⁵ This is particularly problematic for people who have been sofa surfing or rough sleeping, as they will not have been claiming housing benefit during this period.

The emergency welfare safety net has also been substantially weakened by the localisation of elements of the Social Fund and subsequent cuts to available funding for

the replacement Local Welfare Assistance schemes. Local Welfare Assistance schemes are intended to help people who are in financial crisis due to an emergency or other unexpected circumstances. Last year the Government announced that this money (over £170m in 2014/15), would cease from April 2015 as a separately identified funding stream. Following considerable lobbying, £74m was made available to local authorities in 2015/16 to help them improve local welfare provision and adult social care. However, this additional funding will not be available in 2016/17.

4.3 Landlords' attitudes towards letting to homeless households

In addition to financial barriers, landlords are increasingly reluctant to let to homeless households, the majority of whom will receive housing benefit, despite growing demand from this group:

- Polling for the Who Benefits? Campaign in 2014 found that 16 per cent of people who claimed benefits had been refused

³⁴ Crisis analysis of: Department for Work and Pensions (2015), Data tables: *Use of Discretionary Housing Payments, GB: analysis of end of year returns from local authorities: April 2014 to March 2015*. London: DWP

³⁵ Department for Work and Pensions (DWP) (2015), *Discretionary Housing Payments Guidance Manual*. London: DWP.

by landlords or letting agents to rent a property.³⁶

- Evidence presented from the National Landlords Association (NLA) to DCLG in 2013 showed that less than a quarter (22%) landlords were willing to let to tenants in receipt of housing benefit. This figure was a marked drop from the 46 per cent of NLA members who reported that they were prepared to do so in 2010.³⁷
- Shelter polling of private landlords in 2014 found that half (49%) have a policy of not letting to people on LHA or housing benefit, and a further 18 per cent say they occasionally do, but prefer not to.³⁸

Welfare reform is playing a significant role in determining whether landlords let to tenants in receipt of housing benefit. A report published by DWP in 2013 found that the

majority of landlords said they were being more cautious about letting to LHA tenants for various reasons, including recent welfare reform.³⁹ This attitude was more pronounced among buy-to-let landlords concerned about their future income stream. The final report in the same series also found that 35 per cent of landlords said that they were ‘considering’ or ‘planning’ to exit the LHA market.⁴⁰

Our research found that 45 per cent of landlords were willing to let to tenants in receipt in housing benefit. Of the 806 respondents to this survey, 145 were known to have rented to LHA tenants in the past.⁴¹ They were landlords who had previously responded to a survey about LHA tenants and had indicated a willingness to be contacted about further research. As might be expected, a higher proportion of these landlords reported being willing to let to tenants on housing benefit (73%). If

Effects of welfare reform on landlords’ attitudes towards and perceptions of letting to homeless households and tenants in receipt of housing benefit.

- > 65 per cent of landlords said that direct payments had made them more reluctant to let to homeless people. 68 per cent said that it made them more reluctant to let to tenants in receipt of housing benefit.
- > 51 per cent of landlords said caps on LHA rates had made them more reluctant to let to homeless people. 53 per cent said it made them more reluctant to let to tenants in receipt of housing benefit.
- > 48 per cent of landlords said that the four year freeze to LHA rates made them more reluctant to let to homeless people. 49 per cent said it made them more reluctant to let to tenants in receipt of housing benefit.

Source: Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B., (March 2016), *Homeless peoples’ access into the private rented sector*. London: Crisis.

³⁶ Who Benefits? (2014), *Second Class Citizens, the personal impact of the public debate on benefits*. London: Who Benefits?.

³⁷ House of Commons Work and Pensions Committee (2014), *Support for housing costs in the reformed welfare system, fourth report of session, 2013–14*. London: House of Commons.

³⁸ Gousy, H. (2014), *Can’t complain: why poor housing conditions prevail in private rented homes*. London: Shelter.

³⁹ Beatty, C., Cole, I., Kemp, P., Marshall, B., Powell, R., Wilson, I. (2013), *Monitoring the impact of changes to the Local Housing Allowance system of Housing benefit: Interim report, Research Report 798*. London: DWP.

⁴⁰ DWP (2014), *Monitoring the impact of recent measures affecting Housing Benefit and Local Housing Allowance in the private rented sector- the response from landlords*. London: DWP.

⁴¹ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples’ access into the private rented sector*. London: Crisis.

we exclude these respondents, the figure falls to 39 per cent of landlords willing to let to tenants in receipt of housing benefit. Landlords with property in the North West and in Yorkshire and Humber and the North East were more likely than landlords with stock in other areas (particularly those with stock in London) to let to tenants in receipt of housing benefit.

In the majority of cases Universal Credit will be a single, monthly payment, which is paid in arrears directly to the claimant rather than to the landlord. Most LHA claimants already receive their payment directly. Despite this, direct payment of housing benefit to tenants was the policy change most affecting landlords' decision to let to homeless households. Tenants in receipt of housing benefit are frequently affected by delays in their payments and administrative errors on the part of local authorities. There are concerns from landlords that Universal Credit claimants will be particularly vulnerable to accruing rent arrears when they first make a claim, given that they will have to wait at least six weeks for their first payment.

The research also found that a much lower proportion of landlords (18%) were willing to let to homeless households compared to tenants in receipt of housing benefit.⁴² Of those landlords willing to let to homeless people, the majority (75%) were currently letting less than 10 per cent of their stock to homeless people and 27 per cent said that they were letting fewer properties to homeless people compared with two years ago (11 per cent were renting more and 61 per cent were renting the same number).

Of those who had attempted to secure a private rented tenancy, 39 per cent of homelessness service users reported

saying they experienced difficulties because landlords or letting agencies refused to let to homeless people, while 68 per cent said they had experienced difficulties because landlords or letting agents refused to let to people in receipt of benefits.⁴³ Of the small number of respondents who had not attempted to rent privately in the past year, several expressed the view that it was pointless trying to find a private rented tenancy because landlords will not rent to people on benefits or to homeless people.

Homeless people were perceived by landlords as a particularly risky group to let to:

- > 80 per cent of landlords were deterred from letting to homeless people because they were concerned about the risk of rent arrears.
- > 73 per cent of landlords were deterred from letting to homeless people because they were concerned that the tenancy would require more intensive management.
- > 73 per cent of landlords were deterred from letting to homeless people because they were concerned about property damage.
- > 69 per cent were concerned about problems with housing benefit administration.

Source: Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*. London: Crisis.

⁴² Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*. London: Crisis.

⁴³ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*. London: Crisis.

Emily's experience

Emily is 26 and has a husband and four children. They moved into the house because they were homeless and were offered a property by the local authority. During Wave 2 of the research Emily and her family started to experience a lot of problems with the property and the condition of their home quickly deteriorated. 'It was overridden with mice, there were dead mice in my front room all the time. It was disgusting – it got to the point where we just were getting really depressed... They never told us it was overridden with mice. That's why the fireplace was boarded up.' Given the problems with the home, Emily's family found it very stressful, and decided they had to move. However, finding a new home was very hard. They struggled to find anywhere that was affordable and they lacked a deposit to move. They could not get help with the deposit as they were not eligible for another bond scheme. Instead they decided not to pay some bills to save up for a deposit so they could move out. It has taken them several months to catch up with the bills they hadn't paid and they are still struggling financially from week to week

Source: Smith, M., Albanese, F and Truder, J. (2014), *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Crisis.

4.4 Unaffordable rents

The disparity between LHA rates and market rents mean many of our clients struggle to find anywhere affordable to live. Landlords say that they either can't afford to pay their mortgage on these rent levels, wouldn't be able to invest in the property and maintain it sufficiently, or they can achieve far more rent on the open market. Homes let at the LHA rates are often in a terrible condition. Letting agencies fees (holding fees, credit check fees, admin fees) are prohibitive, even if we agree to pay a deposit/bond or rent in advance.

Housing Coach from the Birmingham Crisis Skylight

Rents in the lower end of the private rented sector are often prohibitively high. Research from the Joseph Rowntree Foundation has shown that private renters in the bottom fifth of the income distribution spend the highest proportion of their income on housing costs reflecting the increased risk of homelessness for those living on the lowest incomes.⁴⁴

The increase in the number of people who rely on housing benefit to pay their rent over the last five years shows the increased unaffordability of private renting for people on low incomes and the growing demand for homes at the bottom end of the market. In 2013/14, 1.1m households living in the private rented sector were claiming housing benefit to help pay their rent, an increase of 86 per cent since 2008/09 (in the same period the sector grew overall by 43 per cent).⁴⁵

Elements of welfare reform have played a significant role in making rents unaffordable at the lower end of the market. In the last parliament LHA rates suffered significant cuts, dropping from the 50th to the 30th percentile of local market rents. The link was subsequently broken between LHA rates and actual rents, with rate increases capped at 1 per cent. The majority (70%) of homelessness service users interviewed for our research, who had tried to access the private rented sector, reported difficulty finding somewhere to rent within the LHA rate.⁴⁶

⁴⁴ McInnes, T., Aldridge, H., Bushe, S., Tinson, A. and Born, B. (2015), *Monitoring Poverty and Social Exclusion 2015*. York: JRF.

⁴⁵ DCLG (2016), Table FA 3242 (s430): Households receiving housing benefit and average rent after benefit, by household type.

⁴⁶ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*. London: Crisis. This question only applied to 43 people and so the results must be treated with caution

The shortfall between LHA rates and actual rents is growing even in many areas that have received additional funding from the government to make up the shortfall – Targeted Affordability Funding (TAF) – which allowed rates to be increased by 4 per cent. Analysis by Crisis shows that across Great Britain, one in ten current LHA rates are already 5 per cent or more lower than the estimated 30th percentile of local rents. This includes 8 per cent of LHA rates that have already benefited from an additional increase due to TAF.⁴⁷

While the stated intention of the LHA reforms in the last parliament was to exert downward pressure on rents, government research shows that tenants are shouldering most of the burden, with 94 per cent of the shortfall between LHA rates and local rents falling on new tenants and just 6 per cent being absorbed by landlords in rent reductions.⁴⁸ Government statistics show that between 2008/2009 to 2013/14 the amount of rent paid by the tenant, after housing benefit was accounted for, increased from an average of £39 to £56 per week.⁴⁹

In the 2015 Summer Budget the Government announced its intention to freeze LHA for the next four years, alongside several other working age benefits. The Institute of Fiscal Studies has estimated that this equates to a 4.8 per cent cut across all working age benefits.⁵⁰ The freeze will be felt much more deeply in parts of the country where rents are rising steeply. The latest figures from the Office of National Statistics show that rents in England increased by 2.8 per cent between September 2014 and September 2015. In

London during the same period rents went up by 4.1 per cent.⁵¹ Given the likely continuation of this trend, the freeze will make private renting even more expensive, and therefore out of reach, for homeless households.

In addition, our survey of private landlords suggests that some (18 per cent of those who let to homeless people) increase the contractual rent further when letting to homeless people.⁵² Homeless people effectively pay a ‘premium’ for private renting.

Costs were a key barrier to accessing the private rented sector amongst the 72 people surveyed in homelessness day centres in England who had tried to access the private rented sector in the past year.⁵³ The majority (84%) said they had difficulty finding somewhere with rent they could afford. Other difficulties were also reported, including discrimination, access costs and additional requirements (references and guarantors). Seventy two per cent of respondents said the difficulties they had encountered prevented them from securing a tenancy. Most respondents had made some effort to find a private rented sector tenancy in the past year. The small number who had not (28 respondents), pointed to high rents, deposits, rent in advance and discrimination against homeless people and/or benefit claimants as factors deterring them from considering the sector as an option for resolving their housing issues.

Crisis Housing Coaches based in Skylight Centres in Newcastle, Merseyside, South Yorkshire, Coventry, Birmingham, Oxford and London have reported that an increase

47 Crisis analysis of Valuation Office Agency, Scottish Government and Rent Officers Wales data

48 DWP (2014), *Monitoring the impact of recent measures affecting Housing Benefit and Local Housing Allowance in the private rented sector- the response from landlords*. London: DWP.

49 DCLG (2016), Table FA 3242 (s430): *Households receiving housing benefit and average rent after benefit, by household type*.

50 Institute of Fiscal Studies (2015), *Post-Budget Analysis, Benefit changes and distributional analysis*.

51 Office of National Statistics (2015), *Index of Private Housing Rental Prices*, July to September 2015.

52 Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*. London: Crisis.

53 Ibid.

in the number of privately rented homes registered as 'exempt' accommodation has distorted the market for people who are homeless. Although there is regional variation, with Birmingham seeming to be particularly affected, this rise in private rented accommodation being leased to 'support agencies' who then claim additional housing benefit costs from the local authority has attracted landlords in all areas who would have previously rented out properties at the LHA rates, further limiting the supply for homeless households who want to move on from supported accommodation. Local authorities are not able to exercise discretion over the payment of this intensive housing management charge to private providers if certain criteria appear to be met in the application submitted to the authority. Housing Coaches have reported that many of these providers claim to provide support but that it is often lacking or inexpertly delivered.

5 The impact of homeless people failing to access the private rented sector

5.1 Homeless people get stuck in hostel and temporary accommodation

Barriers to accessing private rented accommodation have resulted in more and more homeless people getting stuck in temporary and hostel accommodation, unable to move into permanent housing and rebuild their lives. In their most recent review of the support for single homeless people in England, Homeless Link found that 62 per cent of accommodation projects surveyed said that local pressures on the housing market or limited supply of suitable rental properties were the main barriers to moving on for their clients.⁵⁴ On average, accommodation projects reported that 25 per cent of people currently staying in their services were ready to move on but had not yet done so. More than half (58%) of those had been waiting for more than three months.

A recent report from the YMCA uncovered a similar problem when they surveyed over 300 residents from 21 supported accommodation schemes.⁵⁵ More than two thirds (70%) of residents in supported accommodation felt that the lack of affordable housing was very likely or likely to prevent them from being able to move on from homelessness. More than three quarters (78%) of those surveyed suggested that not being able to afford a deposit was very likely or likely to prevent them finding somewhere to move on to. A third reported that they had been unable to

save any money while living in supported accommodation to help put towards a deposit. More than three quarters (76%) felt that support to help them save or pay for a deposit would be important in helping them move on. However, only just over a quarter (28%) felt they were currently receiving this.

Our research found clear evidence that the acute difficulties homeless people face accessing private rented accommodation is preventing them from securing adequate settled accommodation, a prerequisite for rebuilding their lives.⁵⁶ Seventy two per cent said that difficulties they encountered when trying to find somewhere to live in the private rented sector were insurmountable.⁵⁷ In other words, they did not manage to obtain a tenancy as a result of these barriers. The majority of these respondents were homeless at the time, sleeping rough, staying in hostels or staying temporarily with friends or family.

As well as the huge personal costs of failing to move on from temporary to permanent accommodation, the financial costs of homelessness are high. Homelessness places a significant burden on local councils, as well as health, welfare and criminal justice budgets. Recent Crisis research, drawing on large studies on homelessness across Britain, has shown that failing to tackle homelessness early costs local government between £3,000 and £18,000 for every person in the first year alone.⁵⁸ The Government has estimated that the annual cost to the state is £1 billion.⁵⁹

⁵⁴ Homeless Link (2015), *Support for single homeless people in England: Annual Review 2015*. London: Homeless Link.

⁵⁵ YMCA (2015), *Delayed until further notice: An insight into the barriers individuals face when looking to move on from support accommodation*. London: YMCA.

⁵⁶ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B., (March 2016), *Homeless peoples' access into the private rented sector*. London: Crisis.

⁵⁷ Ibid. This question was answered by 64 respondents

⁵⁸ Pleace, N. (2015), *At what cost? An estimation of the financial costs of single homelessness in the UK*. London: Crisis.

⁵⁹ DCLG (2012), *Evidence review of the costs of homelessness*. London: DCLG.

5.2 Living in unsuitable housing

The barriers to accessing private rented properties often means that existing private tenants on very low incomes lack the ability to move from one home to another and can get stuck in unsuitable housing. Evidence from the Sustain study showed that many people felt strongly that they had limited options as a result of a lack of available properties which were affordable or which the landlord would be willing to rent to someone on housing benefit.⁶⁰ Housing and local market conditions and landlord behaviour did much to influence people's ideas about whether they could move or find somewhere suitable. It also deepened fears about their vulnerability in the private rented sector, particularly being asked to leave by the landlord given their initial experiences of trying to find a property.

5.3 Local authorities report difficulties for homeless households accessing the private rented sector

The Government's intention is for the private rented sector to play a much more important role in housing homeless people. Despite changes brought in under the Localism Act (2012), allowing local authorities to discharge their statutory homelessness duty into the private rented sector, the majority of people owed the statutory homelessness duty are housed in the social rented sector.⁶¹ Furthermore, both the number and proportion of households being assisted into the private rented sector to relieve their homelessness

outside the main duty has declined significantly since 2009/10. In 2009/10, 50 per cent (50,700) of those households were housed in the private rented sector. In 2014/15 this proportion had dropped to 31 per cent (35,500) of households assisted.⁶²

In 2009/10, 10 per cent of households whose homelessness was prevented outside of the statutory duty were able to remain living in the private rented sector following negotiation with their landlord or legal advocacy.⁶³ This proportion dropped to 8 per cent in 2014/15 despite the growth of the sector and the acceleration of the loss of a private rented sector tenancy as the leading cause of homelessness. This suggests that local authorities are struggling to work with landlords to help people to remain in their own home.

This should not however, be interpreted as a decline in the need for or an increase in the availability of stock in the social rented sector. Our survey of local authorities found that 84 per cent of the 58 respondents thought that it had become harder for single homeless people to access the private rented sector over the course of the last 5 years.⁶⁴ The majority of respondents (87%) thought that the costs of securing a private rented property had increased significantly over the past five years indicating the difficulties that they had in securing private rented sector accommodation for homeless households.

6.1 Providing more support for

⁶⁰ Smith, M., Albanese, F and Truder, J. (2014), *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Crisis and Shelter.

⁶¹ Five per cent of households owed a statutory duty accept an assured tenancy offered in the social housing sector and of those placed in temporary accommodation (63 per cent of households where a duty is owed), 68 per cent accept an offer of settled local authority or housing association accommodation. Source: DCLG (2016), Live tables on homelessness, Table 778: *Outcome of leaving temporary accommodation Households leaving temporary accommodation (or no longer recorded "Duty owed, no accommodation secured") by outcome England, 1998 to 2015 Q3* and Table 777: *Immediate outcome, Immediate outcome of decision by local authority to accept household as unintentionally homeless, eligible and in priority need England, 1998 to 2015*.

⁶² DCLG (2016), Live tables on homelessness, Table 789: *Assisted to obtain alternative accommodation, types of homelessness prevention and relief cases assisted to obtain alternative accommodation England, 2009/10 to 2014/15*.

⁶³ Ibid.

⁶⁴ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*, London: Crisis.

6 Making private renting more accessible for homeless people

private rented sector access schemes

Private rented sector access schemes support clients who are homeless, threatened with homelessness or vulnerably housed to create and sustain tenancies. They help tenants overcome the financial, structural and personal barriers that may exist to doing this and provide ongoing support to landlords. There are currently over 280 services providing some form of access support for homeless people moving into the private rented sector in England.⁶⁵

Access work focuses on the need to ensure that tenants are fully prepared for independent living. An effective scheme will ensure that its clients have training in or prior understanding of budgeting, dealing with utilities, and their rights and responsibilities with regards to rent payment and anti-social behaviour.

At the same time, schemes attract landlords through the development of a suite of services to mitigate the risks that might otherwise be associated with letting to a tenant who has experience of homelessness and is in receipt of housing benefit. Those services might include helplines for landlords and tenants, inventory services pre- and post-tenancy, and in some instances rental guarantees for a specified time period. Anecdotal evidence from the private rented sector access schemes Crisis helps fund and from Crisis Skylight Housing Coaches indicates that this support is the service most valued by landlords.

Since 1997 Crisis has been working to make the private rented sector a more

viable housing option for single homeless people. From 2010 to 2014 Crisis ran the Private Rented Sector Access Development Programme, a £10.8m DCLG funded programme that saw the set-up of 153 private rented sector access schemes across England.

Towards the end of the funding programme it became clear that schemes were finding it very difficult to secure full funding for the continuation of their service. This was despite the fact that schemes had clearly shown their value through the programme, with more than 8,000 tenancies created, a 90 per cent sustainment rate of tenancies at the six month point, and over £13.5m savings made in one quarter through their intervention. In calculating social benefit and cost savings, the Making it Count tool used by Crisis funded projects estimates the 'cost' to the public purse of a client continuing in their current situation for another three months with no effective intervention by the project. This calculates what the cost to the public purse would be if the project was not there. The costs included are based on likely trajectories of individuals depending on their housing needs. For example, when looking at housing costs, a person who is street homeless will have no direct housing costs, but will be using a day centre for three days a week (£77.80 per day) and a night shelter for two nights a week (£74 per night).

In recognition of this funding challenge, Crisis secured a further £2m from DCLG to run the Private Renting Programme, providing match funding (a maximum of 50 per cent) to existing schemes that had achieved at least 75 per cent of their previous targets. This

funding programme runs from April 2014 to March 2016.

Although there have been a number of fundraising successes and innovative funding approaches, the projects funded through the second DCLG/Crisis funded Private Renting Programme have found themselves in a similar position despite positive tenancy creation, sustainment outcomes and an average cost saving of £157,404 per project in one quarter through their intervention.

An increasing number of schemes are still reporting difficulties acquiring funding and insecurity about their future beyond the programme. More than half the schemes Crisis surveyed receive funding from statutory bodies and 25 per cent of services carry out some form of income generation.⁶⁶ However, 72 per cent of schemes only have average year on year funding, which fails to provide adequate security or stability for project management or planning. The majority of schemes reported that they work well with their local authority and receive some funding from them. However, despite strong relationships the bulk of funding comes from short-term grants from other sources.

Given the strong evidence to support the cost effectiveness of this work and their proven success in helping create and sustain tenancies for homeless people, we urge the government to continue to make dedicated funding available for private rented sector access schemes.

6.2 National rent deposit guarantee

Bond guarantees play an important role in helping homeless people overcome the significant financial barriers to accessing private renting. Providing a greater number of people with access to the use of a bond guarantee will provide landlords with greater

financial security, therefore expanding the number of properties available to let to homeless households. Transferring underwriting the risk of bonds to national government will provide access schemes with greater financial security in an uncertain funding environment, allowing access schemes to continue to provide and expand support to tenants and landlords to create and sustain tenancies.

A bond guarantee is a written commitment from a private rented sector access scheme. Bonds are often used by these organisations to help secure accommodation for homeless people in place of a cash deposit. It covers certain types of costs that the landlord may incur at the end of a tenancy including damages and in some cases rent arrears. Guarantee bonds set out the conditions under which a landlord may make a claim. The bond usually amounts to a month's rent.

There are a number of key benefits of providing a bond guarantee. Most importantly, bond guarantees reduce financial risk for landlords should damage occur and, in some cases, rent arrears. Ensuring that the right financial safeguards are in place is key in encouraging landlords to let to homeless people. Bond schemes also reduce administration costs in comparison to cash deposit schemes as less staff time is required. There is no chasing of unreturned money as it is up to the landlord to make a claim for payment.

The guarantee fund is the pot of money from which payments for valid claims are made and is usually managed by individual private rented sector access schemes. It is standard for the total value of bonds issued to be greater than the guarantee fund held to cover them at a given time. Based on our experience of helping support access schemes, claims do not often exceed 15-20

66 Young, B. (2015), *The cost of access: Sustaining and supporting private renting projects*, London: Crisis.

per cent of the total value of the bonds. We recommend however, that in the first year of operation the total value of the guarantee fund should be equal to at least 75 per cent of the total value of bond guarantees. This can be reduced to 60 per cent if payments are within the projected range and then reviewed on an annual basis.

While the claims rate for a bond guarantee is relatively low, it can be costly for access schemes because the value of the guarantee fund is much higher. Crisis therefore

How do bonds work?

Worcester Citizens Advice Bureau and Worcester Housing and Benefits Advice Centre

Between October 2014 to October 2015, 110 bond guarantees were issued. These bonds were used to help people access shared and self-contained accommodation. The average bond issued was £500, with an average claims rate of 14 per cent. As of March 2015, the scheme held £75,000 in reserves to pay out on the bonds, with a total of 225 live bonds.

Stockport Homes

Between October 2014 to October 2015, the Home Finder Scheme provided 30 people with bond guarantees. These bonds were mostly used to help people access one bedroom flats, as well as some studio and shared accommodation. The average bond guaranteed was £420.26, with an average claims rate of 10 per cent. They currently hold £8,479 in reserves to pay out on claims.

recommends that the guarantee fund should be underwritten by national government. At the beginning of the financial year, national government should provide access schemes with a figure, which represents the total value of the bond guarantees the government will underwrite. The government would retain

the actual funds. If schemes are able to secure funds from elsewhere however, this figure should not limit the total value of bond guarantees that the scheme can issue. The private rented sector access scheme would continue to manage and administer the process of granting a bond guarantee to a landlord at the start of a tenancy. Any claim made by the landlord at the end of the tenancy would immediately be paid to the landlord by the access scheme. This would allow claims to be paid swiftly and a positive relationship with the landlord to be maintained, helping to ensure that they are willing to let their property out via the scheme in the future. The scheme would then request reimbursement from the government to cover the claim made. Based on our experience of supporting private rented sector access schemes, we advise against the government allowing the guarantee fund to fall below 60 per cent of the total value of bond guarantees issued.

We recommend that the government commit to underwrite the cost of the bond guarantee for 24 months. The Sustain report found that some private rented sector access schemes only provided a bond guarantee for six or twelve months. After that time people were unable to transfer the bond guarantee to another property and move elsewhere. In some cases landlords required tenants to pay back the bond by providing cash. The inability to reuse bonds gave people the sense of being trapped, often in poor conditions. They were unable to leave their property, however unsatisfactory, because they could not access the finance to do so and feared not being able to find anywhere else to live.⁶⁷ During this period, however, we would not advise that a tenant should be able to transfer the bond guarantee to another landlord if there has been a claim made against the bond. This would help incentivise tenants to ensure that the property

67 Smith, M., Albanese, F and Truder, J. (2014) *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Crisis and Shelter.

is kept in good condition and rent arrears are not incurred, therefore minimising the claims rates and overall expense to government.

Underwriting a 24 month bond guarantee also provides a much more realistic time period for tenants to make use of a credit union, or other savings scheme, in order to save for future deposits. Nearly all the households in the Sustain study had a six- or twelve-month fixed term contract.⁶⁸ For many of the participants this made them very anxious about the threat of eviction and had a significant impact on their wellbeing, preventing them from planning for their future. Landlords also often hold concerns about the short-term nature of a bond guarantee and their tenant's ability to provide a cash deposit at the end of this period. Providing a landlord with access to a 24 month bond guarantee could help incentivise them to let on a longer tenancy, therefore promoting greater stability in the sector for homeless households to rebuild their lives.

6.3 Developing tenants' personal financial sustainability

Schemes should also explore how to support tenants to save for a future deposit. One option would be to encourage them to save via a local credit union. If a claim was made against the bond, then tenants should be encouraged to help meet this cost from their savings. We would advise that the proportion of a tenant's savings used to cover the cost of the claim would reflect the proportion of the claim made against the total value of the bond guarantee. For example, if the total value of a bond was £500 and the landlord made a claim of £250, then the tenant would be encouraged to contribute 50 per cent of their savings to meet the cost of the claim. This would help reduce the cost to government, as well as

increasing the tenant's personal responsibility to ensure that no claims are made against the bond guarantee. Schemes should also provide landlords and tenants with access to an independent dispute resolution service if either party contests a claim. This service could be provided by one of the existing government contracted tenancy deposit schemes. The government should also consider how their recent announcement regarding 'Help to Save' for low income households could be used to help homeless people save for access costs associated with moving into a private rented home.⁶⁹

6.4 Ensuring that bond guarantees are reinforced by a robust package of support for tenants and landlords by developing a quality mark for private rented sector access schemes

In order to ensure that access to an underwritten bond guarantee from national government is accompanied by robust support for tenants and landlords, private rented sector access schemes should demonstrate that they meet a certain quality standard. Ensuring that a robust support system is in place and that tenancies are successfully sustained is crucial to minimising the number of claims made against bond guarantees and therefore the overall costs to government.

To achieve the quality mark, access schemes should be assessed based on the following features.

Support for tenants

- Schemes should demonstrate that they comprehensively address the needs of prospective tenants and that the property available is suitable for them, including

⁶⁸ Smith, M., Albanese, F and Truder, J. (2014) *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Crisis and Shelter.

⁶⁹ Cameron, D. (11 January 2016), 'Prime Minister's speech on life chances'.

ensuring that homes are let within the LHA rates. They should also ensure that pre-tenancy training is available to tenants.

- They should offer structured support throughout the tenancy. This support should remain in place for at least the duration of the bond guarantee. Schemes should also ensure that they have a structured process in place for ending support for tenants.
- Schemes should clearly specify the minimum standards of property conditions and management practice that the scheme will expect. They should also inspect all properties prior to setting up a tenancy.
- Where possible schemes should support tenants to save using a credit union in order to increase their financial sustainability. It is often inappropriate or legally complex for private rented sector access schemes to hold clients' money. A more effective way is to partner with a local credit union. Increasing the membership of the credit union benefits all its members and helps tenants improve their financial literacy.
- Schemes should clearly advertise and adhere to service standards that include maximum timescales for responding to queries from tenants approaching the scheme.

Support for landlords

- Schemes should provide landlords with a personalised service, including providing a named contact that they are able to get in touch with if they have any concerns regarding the tenancy. They should offer support for landlords to resolve any difficulties arising from tenant behaviour (including non-payment of rent) where required. In particular they should help to provide inexperienced landlords with letting and management support.

General management of the scheme

- Schemes should have clearly published aims, objectives and clear outcome indicators.
- They should put in place a funding plan for current and future sustainment of the service, including the information required to make a robust business case to commissioners.
- Schemes should produce a business plan and a clearly defined model which consists of services for landlords and prospective tenants.
- Schemes should provide well-publicised feedback mechanisms through which landlords, tenants, service users and stakeholders can influence the development of the service and suggest how improvements could be made.
- Schemes should set up protocols with neighbouring boroughs and other similar local services that establish policies on competition, duplication and relocating of clients where necessary.
- Formal arrangements with partnership agencies should be set up to ensure timescales and service standards are adhered to for outsourced services and that information is shared.
- Schemes should have a named point of contact within the housing benefit department and the housing options service with which the scheme worker can raise any relevant issues, as well as a fast track housing benefit arrangement.

Given Crisis' role in helping develop and support private rented access schemes, we would be very willing to help government to develop the quality mark, as well as provide resources to do so.

6.5 Calculating the cost to government

The government should carry out an audit to calculate the total number of people currently being assisted by private rented sector access schemes in England. Based on the total number of people and the average size of the deposit being guaranteed using a bond, which can be roughly calculated based on the LHA rates set out above, the government should designate the total value of the bond pot provided to individual access schemes.

At the end of every year schemes should submit evidence to government to show the total number of bonds issued and number of people assisted. This will allow the government to regularly recalculate the total bond liability to respond most effectively to local need.

We would advise that the government hold 60 per cent of the total value of the bonds issued. Based on our experience of helping to support and administer access schemes claim rates do not generally exceed 15-20 per cent of the total liability in a given year.

6.6 Ensuring that welfare policy does not create a barrier for homeless people to rent privately

Elements of welfare reform clearly play a significant role in deterring landlords from letting to homeless households. Sixty five per cent of landlords surveyed said that changes to direct payments under Universal Credit for private tenants had made them more reluctant to let to homeless people.⁷⁰ Fifty one per cent said caps on LHA rates had made them more reluctant to let to homeless people and 48 per cent said that

the four year freeze to LHA rates made them more reluctant to let to homeless people. Furthermore, 70 per cent of landlords surveyed were worried about problems with the administration of benefits.

In order to mitigate these concerns and encourage landlords to let to homeless people, government should reconsider the decision to break the link between housing benefit rates and market rent levels and the freeze to LHA rates. In particular, government must conduct a wide-ranging review of the affordability, availability and suitability of shared accommodation for single under 35s. This must remedy deficiencies in the valuation methodology for setting the Shared Accommodation Rate to ensure it covers the true cost of renting and examine whether the current list of groups that are able to qualify for the one bed rate is sufficient.

At the very least, government should commit to annually reviewing the effect of freezing LHA rates, looking in particular at their relation to local market rents. Government committed to evaluate the impact of LHA uprating changes during the parliamentary passage of both the Welfare Reform Act (2012) and the Welfare Benefits Up-rating Act (2013).⁷¹ However, the research was not extended beyond the first year of the uprating changes being introduced.

Targeted Affordability Funding (TAF) is used to help people in areas where there is the greatest shortfall between their rent and the amount of support they can receive for their housing costs. The Government has made clear that it does not intend to provide TAF for the first year of the freeze.⁷² Crisis recommends that TAF should be maintained at a sufficient level for each of the next four years, including for 2016/17.

⁷⁰ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*, London: Crisis.

⁷¹ Hansard (2011), HL Deb 14 December 2011 vol 733 cc 1324-1325; Hansard (2013) HL Deb 25 February 2013 vol 743 c914.

Given the strong concerns from landlords around the introduction of Universal Credit and direct payment of housing benefit to tenants, government should ensure that a proper system is put in place to effectively identify vulnerable people and provide sufficient support to prevent them falling into arrears. This should include allowing people to choose if they would prefer more frequent benefit payments and the housing element of Universal Credit to be paid directly to their landlord. To enable this, Alternative Payment Arrangements (APAs) must be better publicised to private tenants and private landlords. Jobcentre Plus Work Coaches should play an important role in making private tenants aware that APAs are available before they accrue arrears and should receive appropriate training to enable them to do so.

6.7 Improving access to local welfare for homeless households to enable them to rent privately

In areas where demand for private rented accommodation is particularly high (e.g. London and Oxford), landlords are often reluctant to accept a bond guarantee in place of a cash deposit. We therefore recommend that local authorities consider combining DHPs and Local Welfare Assistance into an integrated model to provide support to assist single homeless people into the private rented sector. We also recommend that local authorities should ensure that the additional funding for temporary accommodation, which will be provided to local authorities from 2017/18, is used to help people move out of temporary accommodation into settled private rented accommodation.

Crisis is concerned that the alternative to such an approach is that teams within local authorities compete with one another to 'protect' their own separate funds. This is

likely to result in the eligibility thresholds becoming more restrictive for each funding stream. This is increasingly likely given the significant challenges facing local authorities as funding diminishes while demand for help increases. One way of administering this could be to introduce a joint assessment across teams to determine whether to grant awards. This would ensure that assessments are not duplicated across different teams, while making the process easier to navigate for those applying, given that they would only need to make one application for assistance. This would also provide an opportunity to gather robust data about those applying for assistance, in order to proactively identify people who may be at risk of homelessness and intervene early.

It is also vital that local authorities publicise these funds to private tenants who are likely to have less interaction with the council than social tenants. Some local authorities may be reluctant to publicise DHPs for fear of demand exceeding the limited funding available. Crisis believes it is vital however, that local authorities are able to evidence this demand in order to make the case for sustained DHP funding in future.

6.8 Reform the homelessness legislation to create a stronger prevention and relief duty for all homeless households, regardless of priority need status

Crisis has long campaigned for a change in the law in order to provide single homeless people with better support to help end their homelessness. We welcome the Government's commitment to explore options, including legislation, to prevent more people from facing homelessness and look forward to working with them closely on this issue.⁷³ We recommend that the definition

of threatened with homelessness should be extended from 28 days to 56 days, to enable local authorities to more effectively prevent homelessness. Crisis also supports the creation of a universal prevention and relief duty, which would apply to all homeless households regardless of priority need status, intentionality and local connection.

The private rented sector plays an important role in helping to prevent and relieve homelessness and any change to the law must consider ensuring that local authorities have a high quality private rented sector access scheme available within their area. The government should ensure that outcomes for entering and sustaining a private rented sector tenancy are captured in order to measure the successful implementation of a change to the legislation. Crisis recommends that local authorities use a proportion of their Homelessness Prevention Grant to fund private rented sector access schemes in their area.

7 Outcomes

The landlords we work with regularly comment that tenants working with Crisis' Housing Coaches are knowledgeable about their rights and responsibilities. They report that the biggest reason they feel comfortable in letting to Crisis' clients is due to ongoing support by us to the tenant as well as our free one point of contact to landlords - Housing Coach from Crisis Skylight London

7.1 Landlords would be more willing to let to homeless people

Our research strongly suggests that the services provided by private rented sector access schemes would help encourage landlords to let more of their stock to homeless people. A significant proportion of landlords surveyed (75%) were deterred from letting to homeless applicants because they perceived that they would be required to provide more intensive management of the tenancy.⁷⁴ As outlined in this report, private rented sector access schemes can help relieve landlords of this burden by providing applicants with pre-tenancy training and a suite of services for landlords to help mitigate these risks.

Furthermore, 82 per cent of landlords surveyed were deterred from letting to homeless households due to concerns about the risk of rent arrears.⁷⁵ Access schemes provide ongoing support for landlords and tenants throughout the tenancy, minimising the risk of significant rent arrears accruing. They also provide a named point of contact within the housing benefit department and the housing options service. This allows them to fast track housing benefit arrangements and resolve housing benefit administrative issues swiftly, reducing the risk of rent arrears. Furthermore, many access schemes will provide rental guarantees for a specified

time period, providing landlords with a much stronger financial reassurance.

7.2 Increase the support provided by private rented sector access schemes to help reduce single homelessness

Of the 58 respondents to our local authority survey, 87 per cent did not think that there are currently the adequate services in their area to meet the needs of single homeless people who wish to gain settled accommodation in the private rented sector.⁷⁶ The majority (70%) of respondents thought that there was a shortage of funding for private rented sector access schemes in their area and 97 per cent of respondents said that ongoing support for vulnerable tenants would help tenancy sustainment. Underwriting bond guarantees provides greater financial support for access schemes, who often struggle to secure long-term funding. For single homeless people the private rented sector is often the only housing option available to them. It is therefore vital that access schemes are supported to ensure that homeless people are provided with the appropriate financial assistance and support to help make this an affordable and secure housing option.

⁷⁴ Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., and Pattison, B. (March 2016), *Homeless peoples' access into the private rented sector*, London: Crisis.

⁷⁵ Ibid.

⁷⁶ Ibid.

7.3 Well run private rented sector access schemes help save the government money

Homelessness places significant costs on local councils, as well as health, welfare and criminal justice budgets. Recent Crisis research, drawing on large studies of homelessness across Britain, has shown that failing to tackle homelessness early costs local government between £3,000 and £18,000 for every person not helped in the first year alone.⁷⁷ The government has estimated that the annual cost to the state is £1 billion.⁷⁸ Furthermore the lack of available affordable housing and high demand in the private rented sector has forced local authorities to pay landlords significant incentives to house homeless households. Figures obtained by the Freedom of Information Act by the Zacchaeus 2000 Trust showed that extra incentive fees paid by London boroughs to secure accommodation have more than doubled since 2012/13.⁷⁹ Responses from 28 London boroughs showed that in 2012/13, town halls spent a total of £3.6m on incentives to private landlords in order to secure accommodation. By 2014/15, this had risen to £7.3m before the end of the year, with an overall sum of £17.7m over three years. Helping someone move into the private rented sector swiftly via the assistance of an access scheme will help to reduce these costs.

In order to help private rented sector access schemes make the case to commissioners, Crisis commissioned the University of York to develop the Making it Count tool to help work out how much the work of the access schemes saves national and local government. The schemes make an assessment of the housing circumstances of the client assisted into a private rented sector

tenancy, categorising them as either: at risk of losing their accommodation; street homeless; living in bed and breakfast accommodation; or living in a hostel. These costs exclude the rental costs of existing accommodation, but do include indicative cost for likely hospitalisation, use of acute health care, treatment for alcohol or drugs use and likelihood of offending based on these housing circumstances. The funded schemes were asked to use our Making it Count tool to demonstrate how much their work has saved. In just three months of operation 92 schemes saved a total of £13,546,151 to the public. These costs were non-housing costs, which means that they represent the cost to the public purse if a scheme had not been able to settle them into the private rented sector. This compares very favourably with the costs of the Programme overall, in which total funding of the 92 schemes for a full year cost a total of just £3.4m and the entire cost of funding 153 schemes over the four year Programme cost a total of £9.8m.

Thirty seven of the forty three remaining DCLG/Crisis funded schemes completed the Making it Count tool for October to December 2014. In just three months of operation the projects saved a total of £5,823,931 to the public purse. The average non-housing cost saving per scheme in just one quarter was £157,404.⁸⁰ This shows real value for money when compared with the cost of a single scheme, which came to £40,000 per annum (or £50,000 inside London).

⁷⁷ Pleace, N. (2015), *At what cost? An estimation of the financial costs of single homelessness in the UK*. London: Crisis.

⁷⁸ DCLG (2012), *Evidence review of the costs of homelessness*. London: DCLG.

⁷⁹ Spurr, H. (12 May 2015), *Councils spend £18m on 'sweeteners' for private landlords*. London: Inside Housing.

⁸⁰ Young, B. (2015), *The cost of access: Sustaining and supporting private renting projects*, London: Crisis.

8 Conclusion

The private rented sector is required to play an increasingly important role in helping end homelessness, particularly for single homeless people. Settled accommodation is key to ensuring that people feel secure to rebuild their lives after the devastation of homelessness, and provides an important foundation to access support services and move into employment.

Access costs, including letting agency fees, rent in advance and tenancy deposits however, make private renting prohibitively expensive. In addition, elements of welfare reform are playing a significant role in deterring landlords from letting to tenants in receipt of housing benefit, therefore limiting the supply of homes available to let to homeless people.

Significantly, our research has shown that a higher proportion of landlords are less willing to let to homeless households compared to tenants in receipt of housing benefit. Landlords felt that letting to homeless households contained a number of financial risks and that the tenancy would require more intensive management.

In addition to the huge personal costs to the individual, the inability to access secure, long term private rented accommodation has significant financial cost implications, with increasing numbers of people living in temporary and hostel accommodation and sustained and repeated homelessness increasing the burden on health and social care systems, mental health services and the criminal justice system.

What do we need?

In order to increase the supply of private rented homes let to homeless households it is vital that landlords are supported to do so. Private rented sector access schemes play a crucial role in providing both financial safeguards and a robust support package to landlords. Crucially, they help mitigate against the risks associated with welfare reform. Schemes liaise with a named point of contact within the housing benefit department and the housing options service. Furthermore, many schemes will provide rental guarantees for a specified time period, providing landlords with a much stronger financial reassurance.

Furthermore government support for underwriting bond guarantees will assist in ensuring that schemes are able to provide landlords with greater financial security against the types of costs that they might incur at the end of a tenancy including damages and in some cases rent arrears. Bond also play a vital role in assisting homeless people who are struggling to rent privately with the means to do so.

Developing a quality mark for schemes will ensure that landlords and tenants are properly supported to create and sustain tenancies, which is crucial to addressing landlords' concerns that homeless households require more intensive management. A robust support system is also crucial to minimising the number of claims made against bond guarantees and therefore the overall costs to government.

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About Crisis

Crisis is the national charity for single homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change.

Our innovative education, employment, housing and well-being services address individual needs and help homeless people to transform their lives. We measure our success and can demonstrate tangible results and value for money.

We are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience.

We have ambitious plans for the future and are committed to help more people in more places across the UK. We know we won't end homelessness overnight or on our own. But we take a lead, collaborate with others and together make change happen.

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