

# Policy: briefing

## Homelessness prevention and the private rented sector

A discussion of the issues around the use of the private rented sector as a means of preventing homelessness

### Summary

- With owner-occupation beyond the reach of many, and social rented housing in such short supply, the private rented sector (PRS) is an increasingly important source of housing.
- Shelter recognises that the PRS provides decent homes for many households. However, such housing will not always be appropriate for people who are homeless, vulnerable and on low incomes.
- In recent years, initiatives have been developed to make greater use of the PRS in preventing homelessness. Shelter supports the provision of advice and assistance to help avoid the loss of a private rented home, but we have concerns about how some of these initiatives work in practice.
- People facing homelessness may be entitled to statutory assistance under homelessness legislation, including temporary accommodation, a full assessment of their situation, and rehousing in a settled home. Shelter is concerned that people with such statutory entitlements may, in some cases, be actively encouraged to accept a short-term tenancy in the private sector instead.
- Shelter is concerned about the limited security of tenure, poor conditions, and high costs of housing in much of the PRS. We believe that there may be an increasing number of low-income households moving in and out of insecure short-term tenancies in the private sector, but who are recorded as successful homelessness prevention cases.
- Although the private rented sector may be the preferred choice of tenure for some people, it is often an expensive and insecure – and therefore inappropriate – option for those on low incomes who are at risk of homelessness.
- Affordable rents and good security of tenure remain the essential cornerstones of an effective PRS and the key to preventing homelessness and repeat homelessness.

## Introduction

In its five-year strategy for tackling homelessness, the Government committed to making greater use of the private rented sector (PRS).<sup>1</sup> With owner-occupation beyond the reach of many and social rented housing in such short supply, the PRS is an increasingly important source of housing. In recent years, initiatives have been developed to make greater use of the sector in preventing homelessness. The result has been a major change to the way in which local authorities deliver their homelessness services. This briefing examines the use of the PRS as part of a wider approach to preventing homelessness.<sup>2</sup>

## PRS and homelessness prevention

The Homelessness Act 2002 marked a shift in local authority homelessness services. In addition to their statutory duties to respond to homelessness, local authorities acquired a new obligation to develop strategies to prevent homelessness from occurring in the first place.<sup>3</sup> In particular, local authorities are now encouraged to provide a wider range of advice and services to people seeking homelessness assistance, and to develop schemes to address the problems that most commonly result in homelessness applications. The first stage for most people now seeking homelessness assistance from their local authority is a 'housing options interview', in which the suitability of the various prevention services is considered.

Official statistics indicate that the ending of a private sector assured shorthold tenancy is one of the top three reasons for applicants being accepted as homeless by local authorities.<sup>4</sup> Local authorities are now developing early intervention schemes to prevent PRS tenancies from ending. Authorities also facilitate access to the private sector for those who otherwise would not be able to afford it (for example by providing financial assistance).

Following the introduction of housing options interviews and homelessness prevention services, the number of households accepted as homeless by local authorities has decreased significantly, as

has the number of households living in temporary accommodation.<sup>5</sup> A new Best Value Performance Indicator<sup>6</sup> rewards local authorities for reducing their homelessness acceptances and encourages them to increase the number of households for whom homelessness has been prevented.

## PRS services available

The most common prevention service offered by local authorities is a rent deposit or guarantee scheme. Eighty-seven per cent of local authorities operate such a service<sup>7</sup>, either paying a deposit to the landlord on behalf of the tenant or offering a guarantee in the event of damage or unpaid rent.

Local authorities also develop relationships with private landlords to encourage them to let properties to homeless households. Increasingly, authorities provide introductory services linking landlords with prospective tenants, or support with brokering tenancy agreements. For example, they might offer incentive payments and fast-tracked Housing Benefit claims in return for a tenancy with a fixed term beyond the standard six months. Some authorities run early warning systems, encouraging landlords to report problems with a tenancy early on, and provide support to reduce the risk of problems resulting in eviction. Other authorities use landlord and tenant accreditation schemes to increase trust between the parties.

Many low-income households struggle to afford the high rents of the private sector, which are usually higher than the maximum Housing Benefit payment. Local authorities attempt to improve affordability either by identifying properties with rental charges within Housing Benefit limits, or by covering the shortfall through Discretionary Housing Payments (DHP).<sup>8</sup>

## PRS and homelessness assessments

The Government has identified three key stages for the prevention of homelessness: early intervention, pre-crisis intervention and the prevention of recurring homelessness.<sup>9</sup> PRS homelessness prevention

1 Office of the Deputy Prime Minister (ODPM), *Sustainable communities: settled homes; changing lives*, March 2005.

2 This briefing should be read in conjunction with the related Shelter policy briefings: *Homelessness prevention; Homelessness prevention and mediation; Homelessness prevention and sanctuary schemes*, August 2007.

3 ss.1–4 Homelessness Act 2002.

4 Fourteen per cent of all homelessness acceptances resulted from the ending of a private sector tenancy; Communities and Local Government (CLG), *Statutory homelessness, 1st quarter 2007, England*, CLG statistical release 2007/0109, June 2007.

5 Between 2003–04 and 2006–07, the number of homelessness acceptances decreased by 46 per cent, from 135,430 to 73,360. Between 2004 and 2007, the number of households in temporary accommodation decreased by 11 per cent, from 97,680 to 87,120. CLG, *Statutory homelessness, 1st quarter 2007, England*, CLG statistical release 2007/0109, June 2007.

6 Department for Communities and Local Government (DCLG), *BVPI 213 on prevention of homelessness through housing advice*, July 2005.

7 ODPM, *Survey of English local authorities about homelessness – policy briefing 13*, December 2005, page 14.

8 DHPs are additional payments that a local authority can make to top up a household's Housing Benefit entitlement.

9 For full definitions see DCLG, *Homelessness prevention: a guide to good practice*, June 2006, para 2.2; DCLG, *Homelessness Code of Guidance for Local Authorities*, July 2006, para 2.2.

initiatives tend to be targeted predominantly at the pre-crisis stage. A risk of eviction can be identified through a housing options interview, enabling negotiations with the landlord to be undertaken to prevent, or at least delay, eviction.

Shelter strongly supports the provision of advice and assistance that helps avoid the loss of a home. However, caution must be exercised in relation to the use of private sector tenancies as a housing solution for those at risk of homelessness. Most tenancies in the PRS only provide short-term security of tenure, which in many cases will not be the most appropriate outcome for a homeless household. Households facing imminent homelessness will often be entitled to statutory assistance, including temporary accommodation and possible rehousing in a settled home. This will provide a more beneficial outcome for many households.

The Government's good practice guide to homelessness prevention states that a housing options interview should never replace or delay a statutory homelessness assessment, where there is reason to believe a household may be homeless or threatened with homelessness.<sup>10</sup> However, the same guide also refers to homelessness assessments as part of a 'two-stage process' in which a housing options interview should be offered first. It is essential that households are not confronted with barriers to statutory assistance. Those considering the option of a tenancy in the PRS must be provided with full and impartial information about the range of options open to them, including that of a homelessness application.

## PRS: a suitable option?

Shelter recognises that the PRS provides decent homes for many households; however, it may not be an appropriate option for those who are homeless, vulnerable and on low incomes.

Under Best Value Performance Indicator 213<sup>11</sup>, households which are referred to the private sector instead of making a homelessness application are recorded as successful prevention cases. However, there is no monitoring of the sustainability of these PRS tenancies. Shelter is concerned that there may be an increasing number of low-income households moving in and out of insecure short-term tenancies in the private sector, who do not appear as homelessness acceptances but are recorded as successful homelessness prevention cases. Shelter believes that Best Value Performance Indicator

213 should be amended to provide incentives to local authorities to achieve long-term, sustainable homelessness prevention.

## Security of tenure

The most common tenancy type offered in the private sector is an assured shorthold tenancy. This enables landlords to evict tenants without having to prove any ground for eviction and with only two months' notice once the initial fixed term has ended. Government figures suggest that most assured shorthold tenancies provide less than 12 months' security of tenure.<sup>12</sup>

Government guidance recommends that local authorities negotiate with landlords to extend fixed terms beyond the six-month minimum<sup>13</sup>, but there is no requirement to do so. This leads to inconsistency between landlords and areas, with homeless households being referred to the private sector with tenures that vary widely in length and security.

Shelter believes that government policy should increase security of tenure in the PRS in order to reduce the incidence of homelessness occurring. Longer fixed terms should be provided in a more consistent way to curtail 'no grounds' evictions.

## Housing conditions

The number of privately rented properties in poor condition is higher than in any other sector.<sup>14</sup> On top of this, landlords' right to evict tenants without grounds makes it extremely difficult for tenants to enforce their landlord's obligation to carry out repairs.<sup>15</sup> All tenants need to have clear rights to ensure repairs are carried out without the fear of eviction.

The Housing Act 2004 introduced some important measures to combat poor conditions in the PRS, such as the licensing of certain categories of houses in multiple occupation (HMOs). However, only certain HMOs are subject to mandatory licensing under the Act, and authorities are already struggling to inspect all licensable HMOs in their area. Shelter believes that housing conditions in the PRS must improve. We support the extension of licensing to all HMOs and the more rigorous enforcement of existing powers.

## Affordability

Many homelessness prevention initiatives do facilitate entry to the private sector for households which would otherwise be unable to afford it. However, although rent deposit and guarantee schemes help overcome the hurdle of upfront payments, the financial consequences of the private sector do not stop

<sup>10</sup> Ibid, para 2.11.

<sup>11</sup> DCLG, *BVPI 213 on prevention of homelessness through housing advice*, July 2005.

<sup>12</sup> ODPM, *Survey of English housing 2003–04*, Tables 373 and 374, April 2005.

<sup>13</sup> DCLG, *Homelessness prevention: a guide to good practice*, June 2006, page 51.

<sup>14</sup> Reynolds, L, *Safe and secure?*, Shelter, 2005, page 4.

<sup>15</sup> See Crew, D, *The tenant's dilemma*, Citizens Advice bureau, June 2007.

there. Many schemes recoup their costs directly from the tenant on a weekly basis, while others charge a fee for finding a property. Shelter is concerned that households who may have a legal entitlement to temporary accommodation are instead being moved into the private sector and expected to pay the extra costs. Given that these households are on low incomes or benefit dependent, such costs are a significant additional financial burden.

PRS rents generally exceed the maximum level payable by Housing Benefit.<sup>16</sup> Government guidance encourages local authorities to refer applicants into tenancies where there will be no shortfall<sup>17</sup>, but there is no requirement for them to do this. Where a shortfall exists, guidance merely recommends that the authority consider using DHPs and warn the household about their responsibility to pay the shortfall.<sup>18</sup> This clearly falls far short of addressing the problem of rent arrears accruing because of Housing Benefit shortfalls.

The Government is encouraging local authorities to use DHPs more creatively. However, DHPs are discretionary and can only be claimed in cases

of exceptional hardship, and only while the local authority's DHP budget lasts. DHPs can only be awarded for a maximum of 12 months, with no guarantee of the payments continuing beyond that period. Furthermore, DHPs do nothing to tackle the steep Housing Benefit tapers for those who work but earn low incomes, nor does it address the obstacle young people face with the single room rent restriction. While DHPs can be a very useful way of supplementing Housing Benefit and countering hardship in individual cases, it is far from a sustainable policy solution to the problem of unaffordable rents.

## Conclusion

Shelter welcomes the introduction of innovative schemes to prevent homelessness; however, we are concerned that disproportionate emphasis is being placed on the PRS as a housing solution for those who are homeless or threatened with homelessness. Further action is needed to make the PRS more secure and more affordable. Security and affordability remain the cornerstones of a strong PRS and key to preventing homelessness.

## Recommendations

- Homeless households should be able to decide whether the PRS offers them a suitable rehousing solution, and must feel able to make a homelessness application if they would prefer.
- Where homeless households choose the PRS, local authorities should avoid recouping the costs of providing rent guarantee or deposit schemes from them.
- Local authorities should limit referrals to the PRS to tenancies where there is no Housing Benefit shortfall or where there is a sustainable solution to cover any shortfall.
- Local authorities should provide ongoing support to private landlords and tenants.
- Fixed terms for homeless households should be extended beyond the legal six-month minimum. This must be done consistently across England.
- There should be monitoring to establish the sustainability of any PRS tenancies offered to homeless households.
- Best Value Practice Indicator 213 should be amended to incentivise long-term sustainable homelessness prevention.
- Mandatory licensing should be extended to cover all HMOs, and local authorities should enforce their existing powers more rigorously.

16 Kemp, P, Wilcox, S, Rhodes, D, *Housing Benefit reform: next steps*, Joseph Rowntree Foundation, 2002, page 19.

17 DCLG, *Homelessness prevention: a guide to good practice*, June 2006, para 4.18.

18 Ibid, para 4.18.

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