

## CABINET

21 June 2022

<b>Title:</b> Rent Guarantor Scheme for Care Leavers	
<b>Report of the Cabinet Member for Children’s Social Care &amp; Disabilities and Cabinet Member for Adult Social Care &amp; Health Integration</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
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<b>Accountable Director:</b> April Bald; Operational Director Children’s Care and Support	
<b>Accountable Strategic Leadership Director:</b> Elaine Allegretti, Strategic Director, Children and Adults	
<b>Summary:</b>  <p>As Corporate Parents, the Council believes in the ethos of asking itself “What would we do if this was our child” and endeavours to ensure that all children in its care are treated the same as it would treat its own children. Any parent who has the financial means to support their child when they initially leave home would do so and, as Corporate Parents, the Council should be no different.</p> <p>This report seeks approval for the Council to pilot a scheme to assist its care leavers to find suitable, long-term Private Rented accommodation by offering a Rent Guarantor Scheme to young people over school leaving age who decide to be fully independent and work full-time paying their own rent.</p>	
<b>Recommendation(s)</b>  <p>The Cabinet is recommended to agree the proposal to pilot the Rent Guarantor Scheme for a period of 12 months beginning 1 August 2022, with a view to informing a wider policy change to the Council’s Local Offer for Care Leavers, in accordance with the strategy set out in the report.</p>	
<b>Reason(s)</b> <ul style="list-style-type: none"><li>• To support the Council’s vision to “protect the most vulnerable, keeping adults and children healthy and safe”.</li><li>• To provide an appropriate, best-value service that delivers excellent outcomes for children and young people.</li></ul>	

## 1. Introduction and Background

- 1.1 There is a national shortage of accommodation for young people and local authorities are not legally required to prioritise care leavers for the social housing stock that is available. There is a joint protocol between children's and housing services in LBBB that is working effectively; however, we need to look at ways to increase the range of accommodation that is offered to care leavers.
- 1.2 There have been some positive policy changes to protect care leavers in recent years, such as 'Staying Put' and the extension of some care leaver provision up to age 25 under the Children and Social Work Act. From 1 April 2020, care leavers aged between 18 and 25 who have been looked after by the London Borough of Barking & Dagenham and are resident in the borough are exempt from paying Council Tax. However, this needs to go further. Whilst other young people will continue to have the support of their parents well into adulthood, local authorities must ensure that care leavers receive all the support they need too.
- 1.3 As Corporate Parents we believe in the ethos of asking ourselves "What would we do if this was our child?" and endeavour to ensure that all children in our care are treated the same as we would treat our own children. Any parent who has the financial means to support their child when they initially leave home would do so and as Corporate Parents the Council should be no different.
- 1.4 Private accommodation is increasingly important given the shortage of other accommodation types and length of waiting lists. However, there are several barriers preventing care leavers from accessing private tenancies. Private landlords are subject to a lower degree of regulation and so rent tends to be much higher than the social housing sector, particularly in London and the South East. Many landlords demand rent upfront alongside a deposit, which is especially difficult for care leavers who do not have the financial support of their family.
- 1.5 The Rent Guarantor Scheme is a Kent Care Leavers initiative. At an event in November 2021; Caroline Smith, Head of Corporate Parenting in Kent, shared that the scheme came from young people's determination to have their Corporate Parent act as guarantor - "the scheme with council tax exemption are the two things that have had the most impact on Care Leavers achieving independence and creating change". [NLCBF November Managers Event 2021 Kent's Rent Guarantor Scheme - YouTube](#)
- 1.6 This report seeks approval for LBBB to pilot a scheme to assist its care leavers to find suitable, long-term private rented accommodation by offering a Rent Guarantor Scheme to young people over school leaving age who decide to be fully independent and work full-time paying their own rent.
- 1.7 A 'Guarantor' is a financial term describing an individual who promises to pay a borrower's (tenant's) debt if the borrower (tenant) defaults on his or her loan obligation.
- 1.8 A 'Corporate Guarantor' is simply a guarantor for payment of debt (as above) but instead of having an individual person held responsible for these debts, a company or organisation (in this case LBBB) agrees to bear this responsibility.

## **2. Proposal and Issues**

### **The Guarantor Offer**

- 2.1 There is no evidence of a prohibition on a Local Authority acting as a Guarantor. The Localism Act 2011 states 'A local authority has power to do anything that individuals may generally do'. The Corporate Parenting and Permanence Service already has in place an offer to care leavers to provide them with a rent deposit and one month's rent in advance for those care leavers who:
- find a property that is deemed as affordable and an LBBB approved suitable landlord.
  - are subject to management approval (based on likelihood they will manage the tenancy and not be quickly evicted).
  - have not had this support previously.
- 2.2 The guarantor offer would be against unpaid rent for the first 12 months of their tenancy. It is therefore important that we assess the young person's maturity, financial position and emotional wellbeing before we agree to accept them onto this scheme.
- 2.3 Our aim with the offer to be a guarantor, is that we can open up the private rental market to our young people, strengthening their case and giving them more options of accommodation.
- 2.4 Community Solutions already has links to the local housing forums, where private landlords could be approached. There would also be scope to review those young people in both supported and semi-independent accommodation, with a view to moving them into better quality independent rental properties, which could mean lower costs.

### **Pilot**

- 2.5 The proposal is that LBBB carry out a 12-month pilot beginning in August 2022. Applications will be accepted from all eligible care leavers up to a maximum of 10 young people, due to the financial risks involved. The aim will be to build the scheme in subsequent years, to be accessed by a larger cohort of young people and with a view to the learning underpinning a wider policy change in 2023.
- 2.6 Within the pilot the guarantor offer will be available to young people who are deemed lower risk of default such as those in work or at university. They must be able to show that they can manage the rent payments and not get into debt. They also need to demonstrate their ability to remain in communication with their Leaving Care Advisor, including when issues arise. They are also required to agree to the landlord being able to contact their Leaving Care Advisor immediately if there are issues with rent payments so that support can be provided early. After 12 months or when they turn 25, they will be responsible for all of their rent payments as the corporate rent guarantor scheme will end at this point.
- 2.7 After the pilot period, consideration can be given to making this offer available to other vulnerable young people, who are likely to have more restricted access to appropriate accommodation.

2.8 The pilot will test out:

- Financial implications by testing the numbers of young people who default on rental payments;
- Whether it opens more choice of private rental accommodation, in terms of both quality and location;
- Review of young people in semi-independent accommodation, as to whether any can be moved into rental properties by using the enhanced offer of LBBD acting as a guarantor;
- Whether the Guarantor offer directly impacts upon better outcomes for our Care Leavers in securing long term quality housing options.

### **Financial Impact**

- 2.9 Being a Corporate Guarantor means, that should the young person not be able to pay their rent, the Corporate Parenting Service will be contractually obliged to pay the rent instead. It could also mean that should the young person be unable to pay for any damage to the property, LBBD will be contractually obliged to cover these costs as well, resulting in a financial cost to the Council.
- 2.10 A care leaver may be given notice to quit their tenancy and may seek LBBD to act as Guarantor on more than one occasion. The likelihood is that any guarantee called in may not be recovered and, therefore, there would be budgetary implications on an ongoing annual basis.
- 2.11 Kent County Council (KCC) introduced this scheme in July 2018. Their initial 12-month pilot was a success, and they offered the opportunity to 26 young people with no negative financial implications for them.
- 2.12 The Rent Guarantor Scheme is now part of their Local Offer for Care Leavers, open to all young people leaving care with an assessment and application process to ensure that they are confident that the young people have the capacity and ability to move into private rented accommodation and the finances to do so.
- 2.13 As of September 2020, KCC have acted as Rent Guarantor for 79 Care Leavers. There had been only one young person who had defaulted on their rent due to losing employment during the Covid-19 Pandemic. KCC were advised quickly and a YPA worked with the young person and landlord to access appropriate benefits to support them.
- 2.14 If the eligible young people were to remain in 18+ supported accommodation, the cost to Children's Social Care would be approximately £300 per week. By offering the Rent Guarantor Scheme to 10 eligible young people the savings incurred over 12 months would be £156,000 (£15,600 per young person).
- 2.15 A 12-month pilot beginning 1st August 2022 and ending 31st July 2023 would give an indication for the financial implications for future years and the option not to progress the pilot into LBBD policy, should the financial risk be too high.

Monthly Rent	Default for 3 months	Default for 6 months	Default for 9 months
£450 pcm - Flat share (IG1)	£1,350	£2,700	£4,050
£500 pcm - Flat share (E7)	£1,500	£3,000	£4,500
£850 pcm – Solo (IG1)	£2,550	£5,100	£7,650
£950 pcm - Solo (E6)	£2,850	£5,700	£8,550

- 2.16 Based on the above, if 10 Care Leaver that were in properties that cost £950 per calendar month ceased paying their rent after three months, then the potential cost to LBBB would be £85,500. Therefore, to reduce the financial impact to LBBB it would be imperative to ensure that the young people deemed eligible for the scheme were appropriately and suitably assessed.
- 2.17 It should be noted that if a young person is unable to pay their rent, then a YPA will work with them to assist them in claiming appropriate benefits to off-set against the rental costs meaning that the actual financial impact to the Council will be minimal. The costs shown above are those that may be incurred in the worst-case scenario and are the absolute maximum.
- 2.18 There is an expectation that all young people benefitting from this scheme will have regular income beyond that provided by benefits.

### Eligibility

- 2.19 The Personal Advisor identifies a young person aged between 18 and 25 years of age who is suitable for the scheme (see below).

<b>Financially Stable</b>	Currently managing finances well
	No prohibitive levels of debt
	Regular legal income from source other than benefits
<b>Coping Well Emotionally/ Psychologically</b>	No issues managing emotional / psychological wellbeing independently
	Receiving adequate support and avoiding significant prohibitive difficulties with related issues
	Utilising and able to evidence successful strategies for managing difficulties as/when they arise.
<b>Has Necessary Independent Living Skills to Maintain Tenancy</b>	Will seek support from support network if required
	Has practical day-to-day skills such as cooking, cleaning and basic maintenance abilities
	Understands the need for routine, understanding legal / tenancy commitments and sense of responsibility

- 2.20 If a young person is in employment they must be:
- Earning an income above or in addition to state benefits (i.e. if working only, total income must be more than LHA rate in area desired for PRS accommodation OR the young person must be earning income in addition to being in receipt of benefits.
  - Be engaged positively with their employment and not currently being involved in or expecting to become involved in any disciplinary or other

process which has the potential to limit or otherwise negatively impact upon their future income.

- Have no intention to end this employment, during the 12 months of their tenancy (for which Guarantor support has been provided by LBBD).

2.21 If the Young Person is in full-time higher education, they must be:

- Currently enrolled in full-time education (Tertiary / Degree Level). This needs to be confirmed in writing.
- Have the intention to continue this study to its conclusion.
- Be engaged positively with their education and not currently be involved in or expecting to become involved in any disciplinary or other process which has the potential to limit or otherwise negatively impact upon their future enrolment in their current educational provision.
- In receipt of all benefits/other incomes to which they are eligible in order to support with the costs of their studies and reduce the potential dependency i.e. ESA, PIP, student grants/loans etc.

2.22 If a young person becomes aware that they may experience problems in paying their rent at any point in the future, this must be communicated to their YPA and landlord/letting agent as soon as possible. This will allow a joint approach to supporting the young person to take preventative measures where possible and to work with their support network to avoid ongoing or recurring problems in this respect.

2.23 At the point that a change in circumstances which affects the young person's ability to pay their rent becomes a reality and the scheme is required to cover their payments, the young person remains responsible for paying any benefits or other monies issued for use against rent payments to the landlord/letting agent, reducing the amount of rent required to be covered by LBBD.

### **Proposed Process**

2.24 The young person will complete a Rent Guarantor Application Form. After which, The YPA will also write a supporting statement which addresses why they feel the young person is ready to hold a tenancy. This should be a summary as to why they feel that the young person can hold a tenancy both emotionally, financially and has the skills to meet the requirements.

2.25 For the purposes of the young person's financial wellbeing, it is an expectation that they will have another source of legitimate, regular income above any benefits they receive and that these are evidenced via appropriate documentation.

2.26 The summary application form and documents relating to the tenancy will be checked by the respective Team Manager. The Team Manager will need to agree that the young person is able to meet the requirements to oversee their own accommodation.

2.27 The Team Manager will then forward all the documents to the Head of the Corporate Parenting Service. The Head of Service will check and assess as to whether it seems an appropriate agreement.

- 2.28 Each agreement may be different. For many it will be for student accommodation, for others long-term private rental agreements. The Personal Advisor, Team Manager and Head of Service will ensure that the risk is minimal for the young person
- 2.29 No young person will be told that they can be offered a guarantor until they have completed the application process successfully.
- 2.30 In most cases the young person will have identified a possible property and be aware of the main costs, including rent, rent in advance and deposit. If no specific address has been identified for a young person prior to the application, LBBB will only stand as a corporate guarantor 'in principle', meaning that specific details of costs and payments must be considered for the specific property(s) prior to any formal agreement and legal obligation.

### **Letting Agents/Landlords**

- 2.31 Letting Agent/Landlords must be advised that we are offering a Corporate Guarantee. Neither LBBB, nor any individual within the Corporate Parenting Service, can stand as a personal guarantor for a tenancy.
- 2.32 We would expect the Landlord / Agent to notify us by email immediately if one of our young people missed a monthly rent payment or there has been a significant shortfall in a rent payment so that we can intervene at the earliest point to provide support or guidance to ensure that all the tenancy requirements are fulfilled.
- 2.33 If LBBB are not made aware of the amount owed, they cannot be held responsible for payment. Both the landlord/letting agent and young person have the responsibility to inform LBBB of any issues regarding rent payments or monies owed at the earliest possible point.

### **3. Options Appraisal**

- 3.1 **Option 1: Do nothing** - Private accommodation is increasingly important given the shortage of other accommodation types and length of waiting lists. However, there are several barriers preventing care leavers from accessing private tenancies. Private landlords are subject to a lower degree of regulation and so rent tends to be much higher than the social housing sector, particularly in London and the Southeast. Many landlords demand rent upfront alongside a deposit, which is especially difficult for Care Leavers who do not have the financial support of their family. Due to this, young people may spend longer than needed in costly Supported Accommodation which has a budgetary impact on the Corporate Parenting Service.
- 3.2 **Option 2: Pilot the Rent Guarantor Scheme** - This option is recommended as the 12-month pilot will provide enough time to test out the impact of the agreement for LBBB to act as a guarantor for their Care Leavers and inform any request for a permanent policy change. There would be a mid-way review after six months (January 2023) and it is proposed that the findings be presented in March 2023.

## 4. Consultation

- 4.1 An initial consultation has been carried out with relevant Council services and this will be followed by further consultation meetings with stakeholders to ensure that their views are considered when setting up the proposed pilot.
- 4.2 The table below sets out the consultation process that has and will be undertaken:

Activity	Completion Date
Meeting with Service Managers	January 2022
PRMG	24 February 2022
Portfolio	15 March 2022
CSG (Corporate Strategy Group)	21 April 2022
Procurement report submitted to Cabinet	31 May 2022
Report considered at Cabinet	21 June 2022
Pilot Start Date	1 August 2022

## 5. Financial Implications

Implications completed by: Owen Kelly, Finance Business Partner

- 5.1 This proposal is for LBBD to act as a Guarantor for young people seeking to rent accommodation in the private sector. The benefit of this arrangement is that it opens a wider accommodation offer to our young people, as there is a shortage of social housing which impacts this cohort.
- 5.2 The financial implication of this decision is that Children's care and support must plan to fund potential defaults in rent payment of the young people up to the sum of £85,500 in the pilot year. The proposal sets out the mitigations that will be put in place to ensure only the most suitable clients are given the Councils backing. If the clients are vetted properly and the young person's advisers works closely with the clients, the risk posed will be greatly reduced. This will allow for early identification of potential financial difficulties and access to housing benefit or support from other sources.
- 5.3 On balance, the benefits of the proposed arrangement far outweigh the potential cost. The Council's Guarantor status ceases once 12 months has elapsed or the young person reaches the age of 25. If any cost arises from the Rent Guarantor Scheme, it will be met from the Leaving Care budget.

## 6. Legal Implications

Implications completed by: Daniel Lodge, Senior Contracts and Procurement Solicitor, Law & Governance

- 6.1 The first consideration is whether the Council has the power to approve this proposal. Sections 1 to 6 of the Localism Act 2011 states that a local authority has



the power to do anything that an individual generally may do and this includes things that an individual may do even though they may not be like anything the authority or other public bodies have done. This power includes the power to do the thing in any way including the power to do it in the UK, for commercial purposes or otherwise or for a charge or without a charge. It can also be for the benefit of the authority, its area or persons resident or present in its area. The powers conferred by section 1 to 6 of the Localism Act 2011 is wide enough to cover this proposal and therefore if granted will not be Ultra Vires.

- 6.2 The proposal can be summarised as a decision to provide a Guarantor Service; which is something that an individual may do and frequently does. It is something which has been done by another public body, as highlighted in this report, as being done by Kent County Council. The guarantor service is aimed at benefiting persons resident and or present in the Council's area. The net effect of that benefit to the Council and its residents is that it would increase the means by which that cohort can access accommodation, which in turn may have a net positive effect on the council's housing duty under the Housing Act 1998 as well as the Council's duty under the Children Act 1989.
- 6.3 If this proposal is approved, then it would be necessary to clarify which cohort of Care Leavers the scheme is aimed at benefiting, especially because the Children Act 1989 imposes a statutory duty towards "former relevant children", and "persons qualifying for advice and assistance", both of which could arguably be referred to as Care Leavers.
- 6.4 It would also be essential to draw up a standard guarantor agreement which appropriately protects both the local authority and young persons. This is something that we can provide further guidance and assistance with at legal.
- 6.5 Subject to the forgoing, the recommendation is legally sound and within the powers of the council to approve.
- 6.6 As mentioned above, legal advice should be sought throughout the process to ensure that it remains legally compliant.

## **7. Other Implications**

- 7.1 **Risk Management** - The guarantor offer will be available to young people who are deemed lower risk of default such as those in work or at university. They must be able to show that they can manage the rent payments and not get into debt. They also need to demonstrate their ability to remain in communication with their Leaving Care Advisor, including when issues arise.

They are also required to agree to the landlord being able to contact their Leaving Care Advisor immediately if there are issues with rent payments so that support can be provided early.

We would expect the Landlord / Agent to notify us by email immediately if one of our young people missed a monthly rent payment or there has been a significant shortfall in a rent payment so that we can intervene at the earliest point to provide support or guidance to ensure that all the tenancy requirements are fulfilled.

7.2 **Corporate Policy and Equality Impact** – An Equality Impact assessment was undertaken and is set out in Appendix 1.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:**

- **Appendix 1** – Equality Impact Assessment