

Practitioner article

Deposit Guarantee Schemes in Scotland – a sustainable housing option 2008

Written by Lisa Allan, Development Officer (Scotland), Crisis.

March 2008

www.shelter.org.uk

© 2008 Shelter. All rights reserved. This document is only for your personal, non-commercial use. You may not copy, reproduce, republish, post, distribute, transmit or modify it in any way.

This document contains information and policies that were correct at the time of publication.

The views expressed in the article are those of the author and not necessarily those of Shelter.

Shelter

Deposit Guarantee Schemes in Scotland

Lisa Allan outlines the results of a recent report on how Deposit Guarantee Schemes are working in Scotland. Deposit Guarantee Schemes help homeless people to access private rented accommodation by assisting them with providing a deposit and rent in advance and provide reassurance to landlords in the form of guarantees that enable them to take on homeless or vulnerable tenants when they otherwise would not.

Introduction

Deposit guarantee schemes (DGSs) have been helping homeless people in Scotland access private rented accommodation since 1992. Many people who are homeless simply need a decent, permanent home with limited support, but lack the funds required to pay landlords a deposit and rent in advance. DGSs offer landlords guarantees and other incentives to accept people who are homeless or vulnerably housed, thus removing a real hurdle for many people who need a roof over their head but are unable to afford the initial outlay.

In 2002 the Homelessness Task Force recommended that all local authorities in Scotland should provide access to a scheme by 2004. Crisis recently published a report **Deposit Guarantee Schemes in Scotland – a sustainable housing option 2008** that showed that there are now 28 schemes operating across Scotland. The report is based upon 26 project visits carried out by Crisis Development Officer (Scotland) to DGS schemes, interviews with local authority staff and the recent establishment of a working group. The report looks specifically at schemes' unique selling points, cost effectiveness, preventative role, ability to provide a sustainable housing solution and additional services or 'bolt-ons'.

The following summarises the reports findings starting by giving a current overview of DGS schemes in Scotland:

Current overview

There are currently 28 operational schemes in Scotland in 32 local authority areas with two being developed. This represents an increase in schemes since 2003 when research by Julie Rugg indicated that 19 schemes were in operation. (Rugg, 2003).

- 15 schemes were operating within a local authority
- 14 schemes were operating within voluntary organisations
- 1 scheme is currently being developed within a Registered Social Landlord

As was the case in 2003, no single model exists and the only schemes operating in accordance with the same model occur when the same organisation is involved in delivering the scheme in more than one area. It also continues to be the case that the local housing market, the administration of Housing Benefit and the needs of clients locally dictates the model used in a given area.

Whilst responsiveness to local circumstances is important other factors are crucial to the success of a scheme too. Crisis have recently produced a **Good Practice Guide** (<http://www.crisis.org.uk/page.builder/goodpracticeguide.html>) and a key function of the working group is to identify and share best practice between schemes.

Schemes still varied in their management structure: some were managed wholly within the local authority; some were based on a joint working agreement between a voluntary sector agency and the local authority and there were some schemes that operated within a large voluntary sector agency that had other 'arms' that could offer services such as accommodation provision, advice and support. (Rugg, 2003)

Only two of the local authority schemes had a full time worker, this was also the case in 2003. Most of the voluntary sector schemes had a full time worker, with only two having a part time worker.

The majority of schemes reported that their work was referenced in the local homelessness strategy. Overall, awareness of scheme work amongst housing strategy and homelessness officers was very good compared to the findings in 2003.

Some key statistics from 2006/2007:

- Over 5,500 referrals were received to DGSs across 24 local authority areas
- Just under 5,000 of these referrals received housing advice from schemes
- They assisted over 1500 people into homes

Unique selling points of DGSs

DGSs offer a unique service that works across the private, public and voluntary sectors. The research showed how the groups below could benefit in the following ways from using a DGS:

Landlords

- Free service with access to prospective tenants.
- Guarantee in place of deposit offering security and enabling clients to save towards deposits.

- Access to housing advice.
- Mediation.
- Information on landlord's rights and responsibilities.
- Assistance with Housing Benefit.

Tenants

- Unique long term housing option empowering them to take control of their housing situation.
- Good quality affordable accommodation in area of their choice.
- Housing Advice.
- Assistance with Housing Benefit.
- Access to support, mediation and information that will enable tenancy sustainment.
- Saving schemes.
- Information on tenants rights and responsibilities.

Local authorities/funders

- A unique service offering people who are homeless/potentially homeless or in housing need a home in the private sector long term.
- An opportunity to engage with the private sector.
- A forum to engage landlords/tenants and other local service users in the homelessness strategy.
- A cost effective service to provide a sustainable and prevention housing option for vulnerable people.
- Liaison with local authority departments and other agencies assists in the breaking down of barriers/perceptions and attitudes around homelessness and vulnerable clients.

Cost effectiveness

DGSs are widely recognised as an effective approach to increase access to the sector for people on benefits and low incomes, however little work has been done establishing a robust method of analysing the value for money provided by schemes.

The overriding output indicator for DGSs is the number of clients housed. However when assessing value for money it is also necessary to look at the wider benefits of schemes, and wider savings (which may include indirect costs such as those borne by individuals

such as friends providing temporary accommodation). This requires identification and assessment of desired **outcomes**.

An assessment of the cost effectiveness of schemes proved to be problematic for two reasons. Firstly, given the variation in types of management structure, it was not possible to arrive at a like for like comparison. Secondly assessing the actual cost of schemes is very complex as there is a current lack of information available.

Research completed by Hal Pawson et al. for the Scottish Executive in 2007 looking at service costs rather than cost effectiveness, used the deposit scheme in North Ayrshire as an example. Over a 2-year period there had only been four claims made against the guarantee. The main costs assessed were staff salaries, which were £57,000 annually. 40 per cent of salaries were allowed for overheads giving a total cost of £79,800 or £1,150 for each of the 69 households recorded as having been re-housed under the scheme. (Pawson et al. – SE Social Research, 2007)

The working group has taken on responsibility for developing a standardised approach to outcome measurement and encouraging all schemes to effectively and efficiently monitor and evaluate the impact they are making.

Prevention

As a means of tackling homelessness, the deposit guarantee scheme has a particular preventative role if access to this service is offered early enough in the often protracted downward trajectory that usually characterises housing difficulties. (Rugg, 2003)

This is still the case four years on with more prevention work being done across Scotland through the use of DGSs. It is encouraging to see the Private Sector recognised as playing a vital role within the housing market and that the Scottish Government want to allow the sector to flourish and play an even greater role in meeting local housing need (Firm Foundations Consultation, 2007). Some local authorities currently conduct housing option interviews prior to taking people down the homeless route. Where it is evident that someone needs the flexibility, choice and location offered by the DGS then a referral can be made.

Local authorities expressed an interest in using DGS to place 'priority homeless' households as a final discharge of duty but they saw the current legislation as deterring such practice. There is still a belief that a great number of priority need households would prefer a private to a social rented tenancy. (Pawson et al. – SE Social Research, 2007).

If a discharge of duty is to happen then it is extremely important that discussions take place with private landlords around the tenancy agreement to ensure that tenants have sufficient security of tenure. Landlords may then agree to offer assured tenancies instead

of the normal short assured, there is no recent evidence to say that they won't agree to this. Landlords currently have to go to court to evict a tenant under a short assured tenancy, so would offering an assured tenancy make any difference? A cost comparison exercise should be carried out to look at what this may be.

Schemes are very well placed to play a greater role in the prevention of homelessness. They can be used to maximise access to the private sector to increase the number of houses/housing options available to persons in housing need, and reduce the risk of rooflessness. A better-coordinated approach to referrals to schemes might reduce the instances of this happening.

Sustainability

A consideration with respect to scheme effectiveness in dealing with homelessness is whether the schemes were able to create sustainable tenancies (Rugg, 2003). This is still the case today, but as schemes are not currently funded to collect data beyond 6 or 12 months sustainability is difficult to gauge. Schemes were asked the percentage of all tenancies that were closed last year and of the six schemes able to provide the information the numbers sustained were between 68 per cent and 86 per cent. A pilot scheme run by Highland Council between 2003 and 2004, which created 18 tenancies, confirmed that 16 of these tenancies are currently being sustained. This means that 89 per cent of these tenancies were sustained for over 3 years.

If the right person is being matched to the right tenancy, in the right area, with a landlord who provides good quality accommodation and has a professional approach, the anecdotal evidence suggests that people in housing need want to live there long term, not just for 6 to 12 months.

As has been shown by previous research the cost of a failed tenancy to local authorities/housing providers can be around £15,000 and the 'hard cost' figures range from £3,000 to £28,500 depending on the scenario. (Elton – SCSH, 2007).

This research shows that using prevention measures reduces tenancy failures. Enabling a person to access a home, alongside the 'bolt-ons' outlined below, will cost relatively little in comparison.

Bolt-ons

All schemes are currently offering some or all of the 'bolt –on' services to both tenants and landlords. Add on services were considered to assist towards the long-term sustainability of schemes. (Rugg, 2003)

The following are a list of the main services offered:

Housing advice

Housing Advice is considered to be an important part of an integrated service provided by a DGS. It helps people access accommodation and is crucial in aiding with any concerns arising within the tenancy, thus preventing tenancy breakdown and homelessness. All DGS schemes provide this service to clients.

Support

The ability to offer support is important and fundamental to long term sustainability, particularly in the initial resettlement of the person/family. Most schemes only work with those with either no or low support needs. However most do offer support to some extent and they often find tenants have higher support needs than are initially apparent. It would therefore be beneficial for schemes as a matter of course to be able to offer/access a short-term resettlement support package during the first month, if necessary a referral to a local support agency can be made thereafter.

Mediation

Every DGS scheme in Scotland does this to some extent, and it was found that some were unaware of this. There are now some schemes that employ a qualified mediator and advised that this service is available to both tenants and landlords. The feedback was positive when mediation has been used with the majority of the issues raised being dealt with after one meeting.

Financial inclusion

The majority of schemes concentrate on assisting and supporting clients to manage their money, budgeting skills and affordability of property. The main reason is to ensure that they are able to afford to live in the private rented sector without getting into debt. The other areas of work being done around financial inclusion are benefit maximisation; saving schemes; assistance with setting up bank accounts; bill paying and improving financial literacy.

The introduction of Local Housing Allowance (LHA) in April 2008 will mean that clients will receive housing benefit and will be responsible for ensuring that their rent is paid. This will impact on DGS schemes where currently many clients have their rent paid directly to the

landlord. Skills around managing money will therefore be important in managing this change. It will still be possible if schemes deem a client as vulnerable, for them to apply to the local authority for benefit to continue to be paid directly to the landlord.

Employment, training & education opportunities

Currently a few schemes offer this service in house and others sign post clients to a local service. This can assist with increasing people's confidence, self-esteem and skills base. Importantly here tenants may need support in making the transition to work, and may need to access other bolt-on services to enable them to do so. Affordability is crucial and there may need to be some mediation work around reassuring the landlord that the tenancy will still be within the tenant's means.

Saving schemes

Schemes are having a mixture of successes and challenges with clients being able to save. Feedback suggests that landlords and tenants viewed any sort of saving scheme as being positive, since it assisted with giving tenants responsibility and it enabled the landlords and tenants to build trust and good relations.

References

Crisis – **Deposit Guarantee Schemes in Scotland - a sustainable housing option 2008**. Crisis, 2008

Download available: <http://www.crisis.org.uk/page.builder/researchpage.html>

Rugg, J. – **Deposit Guarantee Schemes in Scotland**, Centre for Housing Policy, The University of York. Scottish Executive Social Research, 2003

Pawson, H., Davidson, E. and Netto, G. – **Evaluation of Homelessness Prevention Activities in Scotland**. Scottish Executive Social Research, 2007

Elton, M. – **Tenancy Failure – how much does it cost?** Scottish Council For Single Homeless, 2007

Download available:

<http://www.scsch.co.uk/information/briefings/07%20Tenancy%20Failure%20Briefing.pdf>

Scottish Government – **Firm Foundations – The Future of Housing in Scotland: A discussion document. 31/10/07 to 25/1/08**. Edinburgh, 2007.

Download available: <http://www.scotland.gov.uk/Resource/Doc/201716/0053780.pdf>

Further information

You can find out more about Crisis at: <http://www.crisis.org.uk/>

If you would like any further information, please send an email to practicescotland@shelter.org.uk in the first instance.