

A Safety Deposit Box



...to help with welfare reform?

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Buried amidst all the changes that have taken place in the last few years across the housing sector is a significant regulatory change - which some landlords may wish to consider as a tool in the box to help maximise income in the new era of direct payments via Universal Credit. Tenancy deposits for social housing.

Bonfire of the Quangos & Tenancy Deposits

Amidst the recent bonfire of the quangos and pairing back of housing regulation lies a small but rather important detail concerning tenancy deposits.

The former Housing Corporation's 'Circular 03/07 Tenancy Management' overtly stated that *'generally, deposits should not be taken from applicants for housing, whether as a bond for future behaviour or as a refundable administrative fee'*.

The current HCA standards operational from April 2012 make no reference to this formerly overt prohibition in any of the four consumer standards, and we have had confirmation from the HCA that:

"We do not state anywhere in our guidance that social housing providers cannot ask for deposits. As long as there is no legal reason contained within the tenancy agreement, there is nothing to stop providers requesting deposits"

A new era – a new approach?

Most if not all social landlords took the former Housing Corporation's guidance as gospel – either from a regulatory compliance or a principles and values standpoint.

After all, one of the key things which distinguishes 'social' housing from the private sector is there being no need to stump up a month's rent in advance to be held as a deposit – right? Social housing is for those who can't afford the private sector – right?

That may once have held true, but an awful lot has changed in the six years since 2007, with more to come. Social housing as we knew it is gone. Affordable rents, localism, the spare room subsidy, fixed term tenancies, pay to stay, the focus on economic regulation, diversification to market rent and a myriad of other changes have ushered in a new era. An era when an increasingly commercial approach will be required.

The commercial case for becoming smarter at maximising income and minimising bad debts in this new era is surely a given when the [financial implications of welfare reform](#) are so stark. An additional £0.5bn of rent to be collected this financial year from those affected by the 'spare room subsidy', and Universal Credit threatening a doubling of arrears.

Other than simply increasing numbers of income and support staff there are many commercial sector approaches which can help – including [better use of IT](#), considering [incentive schemes](#), and reviewing [socially responsible distraint strategies](#).

Reviewing and adopting an approach to tenancy deposits could be an equally effective tool in the box. Particularly if it helps to offset some of the £82m of bad debts the housing association sector took a hit on in 2012 (as per global accounts data) or the approx. £0.5bn the sector is preparing to set aside for bad debts in 2013/14 at 4% of rental income.

The vast majority of current bad debts are in repair costs on damage to properties and rent arrears of former tenants. At an average general needs rent of £93 per week, and with 178,374 lettings taking place in England alone in 2012/13, 4 weeks deposits from general needs tenants alone could generate £66m p.a. of protected income to be held securely via the National Deposit Protection Scheme. Not to be quaffed at.

Tenancy Sustainment?

And if tenancy sustainment is the name of your game, taking deposits shouldn't be dismissed out of hand.

What greater incentive can there be to maintaining and sustaining a tenancy if a month or more's rent is at stake, and there would be a need to stump up the same amount for another social housing tenancy?

Landlords could also creatively offer to pay interest on the deposits via, for example, a credit union account. So a deposit potentially becomes a limited withdrawal savings account and dovetails with financial inclusion issues.

Value or values?

There are undoubtedly people across the sector who will see the value in deposits, and others whose values will consider them unethical.

David Orr last week [called](#) for Housing providers to ask the big questions that are politically off-limits in the forthcoming season of conferences. This is surely one of them?

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About PHHS

Since 2007 we have undertaken a range of strategic work for organisations, and since 2011 have been at the forefront of providing strategic and operational advice, assistance, insight and training for landlords in preparing for welfare reform.

For further details of what we do, who we are and what we have done, and for free advice or a discussion on how we could help your organisation, visit www.phhsl.co.uk, call us on 01202 233214. email us: info@phhsl.co.uk, or follow/message us via twitter ([@UltimateVFM](#))

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