

LOCAL GOVERNMENT AND HOUSING COMMITTEE

Date: Wednesday 27 November 2002

Time:

Venue:

Title: CUSTODIAL BOND SCHEME - REQUEST FOR FURTHER UPDATE

Purpose

1. This paper is intended to give a further update on the Cardiff Custodial

Bond Scheme following the paper presented to Committee on 8 May

2002.

Background

2. The scheme was awarded funding under Section 180 of the Housing Act 1996 for three years. This covers one full-time worker, one full-time administrator plus office and management costs. A breakdown of funding is as follows: £45,588 in 2001/02; £38,170 in 2002/03; and £39,315 in 2003/04.
3. In Cardiff, the custodial bond scheme is a voluntary one whereby a Landlord and Tenant agree to lodge a deposit independently with Cardiff Bond Board. In doing this, the Bond Board aims to prevent homelessness and promote good practice in the private rented sector by ensuring the prompt return of bonds (unless the Landlord lodges a valid claim against the bond) and by providing an independent adjudication process, that is both fair and quick, to deal with disputes concerning their return. This process thereby avoids the time-consuming and expensive process of pursuing the matter through the small claims court, which carries no guarantee of a satisfactory outcome for either tenant or landlord/agent.
4. The scheme is open to all private sector tenants and any landlord/agent providing that they agree to its terms and conditions. However, the scheme does exclude landlords who have been successfully prosecuted by Cardiff County Council for matters relating to Tenant or Benefit abuse. Properties known to be dangerous and those with outstanding

works on them are also excluded.

Progress to Date

6. Monitoring and Evaluation

The Assembly monitors the scheme on a quarterly basis, which includes the evaluation of budget statements and progress reports.

Such monitoring has further been complemented by two visits by

Assembly Government officials to the scheme's head office in January and October this year.

7. To date the following developments have been noted:

Information Technology

Cardiff Bond Board has established 'satellite' contact points via

both its email address custodial@cardiff-bond-board.org.uk and its

website www.cardiff-bond-board.org.uk. The latter, which has been

up and running since November last year, enables anyone with Internet

access to download information on the scheme, including application

forms and leaflets.

The website has attracted further links including one from the Property

People Magazine, a national publication for housing professionals.

The universities are updating their link pages to ensure the link is in a prominent position on their website advice pages. The website remains the most cost effective promotional tool available to the scheme and more links from appropriate organisations will be pursued in the coming months.

External Interest

The Office of the Deputy Prime Minister contacted the scheme asking for comments on the Government Consultative Document for housing which contained a reference to the Cardiff Custodial Bond Scheme along with the extended pilot schemes being run by the Independent Housing Ombudsman in England.

The Jersey Parliament has also requested information on the scheme as they are considering running a similar project on the Island. The scheme is awaiting further contact from them.

Keylet Property Services have requested information on the scheme as they wish to mail their current landlords advising them to utilise the service. This is a breakthrough for the project as management agents have so far trialled individual properties without actively promoting its use to all the landlords in their portfolios.

Publicity

As a result of an e-mail discussion which took place between Cardiff Custodial Bond Scheme and Property People Magazine, regarding the highly publicised collapse of Aaron Scargill Lettings in Nottingham, and the loss of up to £2 million of tenants money. The scheme effectively received free advertisement for the scheme.

'Gair Rydd' the newspaper of Cardiff University, has opened their publishing year with a vigorous appeal to students to demand their future landlords utilise the Custodial Bond Scheme.

All the Universities in Cardiff remain committed to the scheme and have distributed promotional leaflets from their advice stalls during Freshers week. An advertisement was purchased in the Cardiff University Student year planner. Promotional posters are also on display in UWIC buildings around the city.

All Libraries in Cardiff are displaying posters promoting the Custodial Bond scheme. The Central Library is co-ordinating the distribution of leaflets to these libraries.

Success of the Scheme To Date

The scheme is currently holding £15,180 in bond deposits. 62 tenants on 12 separate properties lodged these by 7 landlords/managing agents. This represents approximately 100% increase since last reported.

In comparison the scheme which has been running since April 2000 by the Housing Ombudsman's service in England, as detailed in paragraph 9 below, which covers five pilot areas, has taken 21 months to reach 22 landlords/agents utilising the pilot.

8. Future Developments

Officials are still confident that Cardiff Bond Board's consultation and partnership working during the past 18 months has worked well. However, Cardiff Bond Board does acknowledge that the true test will arise when the bond disputes and appeals start to come in.

An independent audit and financial audit of the service was due to take place on the ninth month of the scheme's operation. After discussion with Assembly Government officials it was agreed that a truly representative assessment of the scheme's operation would be best served following the return of bonds and dispute resolutions. At present all tenancies are continuing and neither returns or disputes have occurred, therefore the audit will now be carried out in August 2003 when many tenancies come to the end of their fixed term.

9. Tenancy Deposit scheme run by the Housing Ombudsman's Service (England)

In April 2000 a pilot Tenancy Deposit Scheme was set up as a result of concerns about the perceived mismanagement of deposits by Landlords and letting agents, prompted by publication of a report ('Unsafe Deposits') by the National Association of Citizens Advice Bureaux in 1998. The aim was to test whether an efficient system could be developed that would provide protection to tenants and operate on a voluntary and self-financing basis without the need for legislation.

The pilot Tenancy Deposit Scheme was designed initially to operate in five case study locations chosen to reflect market difference (Merseyside, Brent and Camden, Norwich and Norfolk, Birmingham and Brighton Hove) although it has attracted landlords with tenancies outside these areas. The pilot has involved both a custodial option (deposits placed in a ring-fenced Nationwide account) and an insured option (with CGU/Norwich Union for individual landlords). The insured option has been extended to warranties given by landlords' and agents'

professional bodies – in a way that has considerably expanded the pilot (but without requiring evidence of which or how many landlords are in the scheme).

The centre for Housing Policy, University of York was commissioned in 2001-02 to complete an evaluation of the initial two-year pilot. They were unable to draw firm conclusions as to the pilot's effectiveness in either cost or administrative terms. The evidence from the pilot was that the schemes were functioning but take-up was poor and below target levels.

In February 2002 funding was extended for a further two years, to obtain more evidence.

In the meantime the UK Government is therefore going out to consultation that could lead to a statutory requirement in England and Wales that all private landlords should safeguard tenancy deposits in approved schemes. The document contains seven options addressing both non-legislative and legislative approaches to the management of deposits and tenancy monies. Options 1 and 2 have been identified as being the most effective:

1. No Government intervention; voluntary deposit protection schemes, voluntary industry accreditation schemes;
2. Statutory tenancy money protection scheme(s):
 1. Statutory custodial deposit protection scheme(s).
 2. Statutory custodial protection scheme(s) and approved incurred alternatives.
 3. Statutory membership of either an approved custodial deposit protection scheme or an approved trade association or accreditation scheme based on insurance or bonding.

For the remaining five options the publication of the consultation paper will be the first opportunity for comment.

Consultation is scheduled to end in February 2003 with the UK Government making a decision on the next steps by Easter.

In October Assembly Minister Mrs Hart acknowledged a letter received from Lord Rooker, Minister for Housing Planning and Regeneration stating that she supports the UK Government's proposals for consultation and supports in principle the

proposed approaches on tenancy deposits. She also said that if, on completion of the consultation process, the UK Government decide to enact new legislation the Assembly Government will wish to decide on the appropriate policy for Wales.