



Department for  
Communities and  
Local Government

# Homelessness (Suitability of Accommodation) (England) Order 2012

Final Stage Impact Assessment

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# Homelessness (Suitability of Accommodation) (England) Order 2012 – Policy Context

The Homelessness (Suitability of Accommodation) (England) Order 2012 sets out the circumstances in which the accommodation used to end a homelessness duty in the private rented sector should not be considered suitable. The Impact Assessment that follows is focused purely on the impact of these suitability requirements. The Order comes into force alongside the new power introduced by the Localism Act 2011 which allows local authorities to end the main homelessness duty with a private rented sector offer without the applicant's agreement, and must be judged in that wider context.

The new power is about giving local authorities freedom to make more efficient use of their stock and make better use of good-quality private sector accommodation that can provide suitable accommodation for households accepted as homeless. The Suitability Order will add additional protection against the use of poor quality accommodation and around where applicants are placed.

The Government believes that while people who face homelessness need suitable accommodation, they do not necessarily need social housing. Allowing people owed the main homelessness duty to turn down offers of suitable accommodation in the private rented sector and wait for an offer of social housing is unfair:

- to other households on the housing waiting list who have to wait longer to access limited social housing stock; and
- to the taxpayer who is funding expensive temporary accommodation whilst people owed the homelessness duty wait for an offer of social housing.

Local authorities will still be able to end the homelessness duty with an offer of social housing where they decide this is appropriate.

The Localism Bill Impact Assessment estimates that this measure will over 30 years save Government £6bn in the central scenario. It is estimated that it will similarly save local authorities £900m in the central scenario from savings from the provision of temporary accommodation and homelessness administration.

The reduced need for temporary accommodation should also benefit homeless households accepted as owed the main homelessness duty. It will reduce the stress and frustration associated with a long wait in temporary accommodation, and reduce the number of households who, due to the higher costs of temporary accommodation, can face the prospect of being financially little better off from earning more.

The minimal costs associated with the Homelessness (Suitability of Accommodation) (England) Order 2012 must be seen in the context of the significant savings associated with the wider policy.

In addition to those savings identified in the impact assessment private landlords will benefit from the new market that opens up as a result of the Localism Act changes. They will not be required to let to homeless households and in choosing to do so, they will make a market-based decision on whether the benefits of letting to this new group of tenants outweighs the costs of meeting any additional requirements.

<b>Title:</b> Homelessness (Suitability of Accommodation) (England) Order 2012 <b>Impact Assessment Number:</b> DCLG/0085  <b>Lead department or agency:</b> Department for Communities and Local Government <b>Other departments or agencies:</b>	<b>Impact Assessment</b>					
	<b>Date:</b> 02 August 2012					
	<b>Stage:</b> Final					
	<b>Source of intervention:</b> Domestic					
	<b>Type of measure:</b> Secondary legislation					
<b>Contact for enquiries:</b> John Bentham						
<b>Regulatory Policy Committee Opinion:</b> Green						
<b>Summary: Intervention and Options</b>						

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as Zero In
			Yes	Zero In

**What is the problem under consideration? Why is government intervention necessary?**

The Localism Act contains provisions to give local authorities the flexibility to choose to end the main homelessness duty with an offer of private rented sector accommodation, without requiring the applicant's consent. This is part of wider reforms to social housing that will enable local authorities to manage demand within their area and make more efficient use of their stock. However, the changes, without some additional checks, could risk local authorities placing homeless households in poor quality accommodation with negative consequences for the households, who are more vulnerable, and the risk of repeat homelessness.

**What are the policy objectives and the intended effects?**

The Localism Act will allow, but not oblige, authorities to end the main homelessness duty using the private rented sector without the homeless household's consent. The objective of the proposed Order is to set out circumstances where private sector accommodation would not be considered suitable for the purpose of ending the main homelessness duty. The intended effects are to provide additional protections for vulnerable households owed the main homelessness duty so that they are placed in good quality accommodation. This needs to be balanced against the need to minimise the burdens on local authorities and landlords, that could reduce the supply of suitable properties for homeless households.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

Existing legislative protections were not considered to provide sufficient protection that low quality private rented accommodation would not be used by local authorities, particularly given the vulnerability of some of the households. The options considered were:

(0) do nothing; (1) setting out specific suitability requirements of private rented accommodation in secondary legislation - this is the preferred option; and (2) requiring local authorities to only be able to use properties owned by accredited landlords (with standards set centrally with the ability to set higher local standards locally) to end the main homelessness duty.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** Five years after commencement

Does implementation go beyond minimum European Union requirements?			No			
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> No	<b>Large</b> No	

What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	Traded: N/A	Non-traded: N/A
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***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister: Grant Shapps

Date: 02/08/12

## Summary: Analysis & Evidence

## Policy Option 1

**Description:** Homelessness Suitability Order setting out circumstances in which accommodation is not to be regarded as suitable

### FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		
High	Optional		
Best Estimate			

#### Description and scale of key monetised costs by 'main affected groups'

The main costs are to local authorities who need to carry out additional activities, such as property inspections to check physical conditions and reviewing the relevant documentation landlords send to them. These costs will only be incurred if authorities *choose* to make use of the flexibility to end the main homelessness duty with a private rented sector offer and will therefore be weighed against the savings to them from doing so. Landlords are likely to incur some additional though modest costs to meet the safeguards, but only if they *choose* to let to homeless households. They will not be obliged to do so and this will be a market based decision.

#### Other key non-monetised costs by 'main affected groups'

Homeless households may incur additional waits in temporary accommodation whilst property checks are carried out causing difficulties, for example, in accessing employment. In certain circumstances, where checks have discovered the private sector property to be low quality and unsuitable, this will reduce the choice of properties that are available.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		
High	Optional		
Best Estimate			

#### Description and scale of key monetised benefits by 'main affected groups'

Additional safeguards may lead to a reduction in the incidences of repeat homelessness as households are more satisfied with the accommodation, reducing the costs from further homelessness applications and the likelihood of legal challenges to the authority's decision on the grounds of suitability. Landlords will benefit from tenants who would otherwise be placed in social housing, with a likely modest reduction in void rates if the additional safeguards lead to a reduction in the incidences of repeat homelessness. Homeless households will benefit from a reduced risk of carbon monoxide poisoning, which can be fatal.

**Other key non-monetised benefits by 'main affected groups'**

The main benefits are to homeless households who will have greater safeguards regarding the quality of the accommodation. Poor housing can have a detrimental effect on the health and well being of households. The risk that homeless households might be placed in unsuitable accommodation will be reduced.

**Key assumptions/sensitivities/risks**

**Discount rate**

The number of households being accommodated in the private rented sector under the new Localism Act powers is estimated to be an average 18k per year (ranging from 6k to 36k). There is a moderate risk that if the requirements are too onerous, an insufficient number of properties would be supplied.

**BUSINESS ASSESSMENT (Option 1)**

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>In scope of</b>	<b>Measure</b>
<b>Costs:</b>	<b>Benefits:</b>	<b>Net:</b>	Yes	Zero In

**Summary: Analysis & Evidence**

**Policy Option 2**

**Description:** Requiring local authorities to only be able to use properties owned by accredited landlords (with standards set centrally with the ability to set higher local standards locally) to end the main homelessness duty.

**FULL ECONOMIC ASSESSMENT**

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		
High	Optional		
Best Estimate			

**Description and scale of key monetised costs by 'main affected groups'**

The main costs are to local authorities who may need to carry out additional activities (that go further than those set out in Option 1) and develop an accreditation scheme. These costs will only be incurred if authorities choose to make use of the flexibility to end the main homelessness duty with a private rented sector offer and will therefore be weighed against the savings to them from ending the duty more quickly. Landlords may incur some costs through additional safeguards that go further than Policy Option 1 but they will make a market based decision on whether they choose to let to homeless households.

**Other key non-monetised costs by 'main affected groups'**

Homeless households may incur some additional waits in temporary accommodation whilst property checks are carried out although this is expected to be less than Option 1 given the landlord is already accredited. However there is a risk that accreditation schemes which may have a greater impact on landlord costs will discourage participation and reduce the number of properties available.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		
High	Optional		

<b>Best Estimate</b>				
<p><b>Description and scale of key monetised benefits by 'main affected groups'</b></p> <p>Additional safeguards may lead to a reduction in the incidences of repeat homelessness as households are more satisfied with the accommodation, reducing the costs from further homelessness applications and the likelihood of legal challenges to the authority's decision on the grounds of suitability. Homeless households who will have greater assurances regarding the quality of accommodation although with no greater demonstratable protection than Option 1. Landlords may secure competitive benefits from having an accredited status.</p>				
<p><b>Other key non-monetised benefits by 'main affected groups'</b></p> <p>The main benefits are to homeless households who will have greater assurances regarding the quality of accommodation although with no greater demonstratable protection than Option 1. The risk that homeless households might be placed in unsuitable accommodation will be reduced thus avoiding associated negative impact on health and educational outcomes. Safety standards of the private rented sector stock may increase, and local authorities may also benefit from having a greater pool of accredited landlords to secure housing for low-income households not owed the main homelessness duty.</p>				
<p><b>Key assumptions/sensitivities/risks</b></p> <p>The number of households being accommodated in the private rented sector under the new Localism Act powers is estimated to be an average 18k per year (ranging from 6k to 36k). There is a moderate risk that if the requirements are too onerous, an insufficient number of properties would be supplied.</p>			<p><b>Discount rate</b></p>	

**BUSINESS ASSESSMENT (Option 2)**

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>In scope of</b>	<b>Measure</b>
<b>Costs:</b>	<b>Benefits:</b>	<b>Net:</b>	Yes	Zero In

## **Evidence Base**

### **The Homelessness Legislation**

1. Local authorities have various duties under the homelessness legislation (Part 7 of the Housing Act 1996)<sup>1</sup>. The main homelessness duty requires authorities to secure accommodation for households who are homeless through no fault of their own; are eligible for assistance; and in 'priority need' e.g. families with dependent children and those who are vulnerable for some reason. Currently, households can turn down offers of suitable private rented sector accommodation and await an offer of social housing, whilst being housed in expensive temporary accommodation. The Localism Act contains measures to allow local authorities to end the main homelessness duty with an offer of private rented sector accommodation, without requiring the applicant's consent. This increases local flexibility, allowing local authorities to make better decisions that affect their local populace and demonstrates this Government's commitment to placing power in the hands of local communities. A full Impact Assessment - "Localism Bill: a fairer future for social housing Impact Assessment" - for this proposal was published in January 2011<sup>2</sup>. We estimate that an average of 18k (ranging from 6k to 36k) households per year will be accommodated in the private rented sector under the new Localism Act powers.
2. These measures are voluntary: the requirements of the Suitability Order will only apply when local authorities choose to use the new power to end the main homelessness duty in the private rented sector without consent. They can continue to place households in social housing, in which case the proposed circumstances do not apply. Similarly private rented sector landlords will not be required to let to homeless households and thus will not have to adhere to the Suitability Order when letting to other (non-homeless) households. They do not need to put themselves forward as willing to accept tenants known to the local authority (including those owed the homelessness duty) and will be able to make a market-based decision on whether the benefits of doing so will outweigh the costs.

### **Problem Under Consideration**

3. During the passage of the Localism Bill members of both Houses of Parliament expressed concerns that the changes to the homelessness legislation could, without some additional checks, risk local authorities placing homeless households in low quality accommodation, with poor management arrangements (for example use of rogue landlords), of which the local authority is unaware.

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<sup>1</sup> The Housing Act 1996 <http://www.legislation.gov.uk/ukpga/1996/52/part/VII>

<sup>2</sup> Localism Bill: a fairer future for social housing Impact Assessment  
<http://www.communities.gov.uk/documents/localgovernment/pdf/1829768.pdf>



4. It was felt that external factors such as a potential increase in pressure on the private rented sector, for example, as a result of reduced access to owner occupation for first time buyers could exacerbate the risk that households could be placed in poor accommodation. The English Housing Survey shows that households who live in the private rented sector are less likely to live in decent homes (59% decent), compared to 71% owner occupiers<sup>3</sup>. Also, the way in which local housing allowance is calculated means that in some areas some households in receipt of housing benefit may receive a lower amount. Therefore as the number of properties available reduces, it is considered that it is more likely that those properties available will be of a poorer quality.
5. Legislation already exists to protect tenants in private rented accommodation, for example on health and safety matters. Local authorities have extensive powers to enforce minimum standards in the private rented sector and to take action against rogue landlords and properties with significant hazards. There is also guidance and best practice on standards of private rented accommodation, such as Local Government Regulation guidance for local authorities ([www.lacors.gov.uk](http://www.lacors.gov.uk)).
6. Existing homelessness legislation and statutory guidance puts in place a range of protections to ensure the “suitability” of accommodation used to end the main homelessness duty for homeless households. In considering ‘suitability’ authorities must, by law, consider whether a specific property is suitable for the applicant and their household’s particular individual needs. This includes considering whether the accommodation is affordable for the applicant, its size, its condition, its accessibility and also its location.
7. The majority of private rented sector accommodation is likely to be suitable, however, there are a small number of landlords who fail in their responsibilities. Since homeless households are more likely to be vulnerable and offered accommodation which they have less choice over, Government agreed to strengthen the safeguards for homeless households. By using its existing powers within the homelessness legislation, the proposed Order will specify circumstances in which private rented sector accommodation is not to be regarded as suitable to end the main homelessness duty (including both key aspects of existing private rented sector legislation and new circumstances to be met).

### **Rationale for Intervention**

8. Placing households in poor quality accommodation can result in a number of costs both financial and social. Not only is being placed in such accommodation stressful but it brings with it the potential to damage health. Cold, damp housing harms children’s health and can contribute to post-natal depression in mothers. The development of babies and young children in poor

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<sup>3</sup> English Housing Survey Housing Stock Summary Statistics Tables, 2009  
<http://www.communities.gov.uk/documents/statistics/xls/1937429.xls>

housing conditions can be significantly affected<sup>4</sup>. This will have a cost for the National Health Service and the families themselves. Additionally tenants in private rented accommodation are 50% more at risk of carbon monoxide poisoning than both home owners and social housing tenants<sup>5</sup>. It is likely that this risk will be more starkly reflected in poor quality private rented sector accommodation. By placing households in poor quality accommodation there is also an associated increased risk of repeat homelessness. Providing additional protection for households regarding the quality of their accommodation will reduce the likelihood of these things happening.

9. The additional regulation that the proposed Suitability Order represents is in the context of the wider deregulation the social housing reforms outlined in the Localism Act will enable. The net effect of the package as a whole is one of increased freedoms for local authorities carrying out their homelessness duties.

### **Policy Objective**

10. The policy objective is to increase safeguards for homeless households (some of whom may be vulnerable) regarding the quality and safety of the accommodation used for the purposes of a private rented sector offer to discharge the main homelessness duty. This needs to be balanced against the need to minimise the burdens on local authorities so that they are able to use the proposed new flexibility in the Localism Act to end the main homelessness duty in the private rented sector without an applicant's consent; and on landlords to ensure an adequate supply of suitable properties for homeless households. This is a new flexibility and as such local authorities do not need to exercise it if they do not wish to, similarly landlords will not be compelled to let to homeless households and will only have to meet the Suitability Order requirements if they do. Clearly local authorities will only use this power and landlords will only let to homeless households if the benefits outweigh the costs to them. So, crucially, the costs are in a sense avoidable.
11. The aim is to specify the key aspects of existing health and safety legislation that must be met to ensure the property is suitable, and set out additional circumstances where there is established common practice or where particular safeguards for homeless households are needed.

### **Assessing the Costs and Benefits**

12. As the policy is dependent on the utilisation of a voluntary power we cannot say with any certainty how many local authorities will use the power and how many landlords will choose to accept homeless households as private rented sector tenants. Local authorities have the freedom to implement the enhanced safeguards, for example, the 'fit and proper' person test, in different ways

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<sup>4</sup> The Children's Plan: Building Brighter Futures DCSF 2007

<sup>5</sup> Gas Safety Trust Carbon Monoxide Trends Report – 1996 to 2010

making a prediction of cost difficult. They may already have many of the processes in place as part of existing teams who help tenants to access the private rented sector (through homelessness prevention) or through local landlord accreditation schemes. Equally given the requirements of the Order represent aspects of existing private rented sector legislation or best practice, landlords may already meet the proposed standards and there will be no additional costs to them.

13. Eight detailed questions were posed on the Impact Assessment through the formal consultation process. The consultation was issued to every Local Authority in England and a wide range of other interested parties. In total around 800 responses were received, demonstrating that the consultation had reached a large number of people and organisations with an interest. However, we received only eleven responses (including from 8 Local Authorities) to the questions relating to the IA. This process therefore has been only partially successful in strengthening the evidence on the extent to which local authorities and landlords are already compliant with the requirements of the proposed Order. The evidence remains very incomplete with a high degree of uncertainty and the responses providing more of a sense check than a firm basis for assessment, given the obvious sample size issue.
14. Since the preparation of the consultation-stage Impact Assessment, Government has considered how protections around location of accommodation might be strengthened. The preferred option is to include in regulations matters that a local authority must take into account in relation to location, when making decisions about the suitability of accommodation.
15. Local authorities already consider these factors when assessing the suitability of accommodation for homeless households. The statutory code of guidance, to which local authorities must by law have regard, already contains a list of factors, which the Government proposes to follow closely in these regulations. This regulation therefore does not ask local authorities to do more, rather it gives these factors greater significance in the decision making process. This will help prevent vulnerable households being placed far from their previous home if suitable and affordable accommodation is available nearer.
16. As such, the additional provisions influencing the location of the accommodation a local authority secures will not lead to relevant costs or savings.

## **Description of Options**

### **Option 0 - Do nothing**

- 17. This option, which forms the baseline for appraisal, was rejected** because it would not provide sufficient safeguards for homeless households. Although there is existing legislation to protect tenants in private rented accommodation (see paragraph 5 above) and enforce minimum standards, this largely relies on tenants checking the property first and complaining to the local authority if problems arise. If local authorities do not carry out sufficient checks in advance then homeless households could feasibly be placed in poor quality accommodation and, given the vulnerability of some households accepted as homeless, they may not feel able to make a complaint against their landlord. Under the homelessness legislation local authorities already have to ensure that any accommodation is 'suitable' for a homeless applicant and his or her household (including size, condition, accessibility and affordability). However, a consideration of 'suitability' does not include specific requirements on the physical and management aspects of private rented accommodation.
18. We considered setting out specific safeguards through non-statutory guidance, however, we recognise that this would have a similar effect to that of the do nothing option. This is because without specific regulation, there would be circumstances where local authorities may still place homeless households in poor quality accommodation, as non-statutory safeguards may be outweighed by other factors that may be taken into account, such as there being a lack of affordable accommodation in an area, or the dominance of a single landlord in the private rental market. Furthermore, this would result in inconsistency between authorities with some following the non-statutory guidance to its full extent and others being less rigorous in their approach.

### **Option 1 - Set out specific safeguarding requirements in secondary legislation**

- 19. This is the preferred option.** It would set out the specific circumstances in which a private rented sector offer used to end the main homelessness duty is not to be regarded as suitable. The proposed Order would require local authorities, in determining suitability, to take a view that:
- the accommodation is in reasonable physical condition;
  - the accommodation, appliances and furnishings comply with relevant fire and electrical safety legislation;
  - if subject to House in Multiple Occupancy licensing the property is licensed;

- there is a valid Energy Performance Certificate;
- there is a current Gas Safety record;

20. These are based on current legislative requirements and we would expect landlords to strictly adhere to these as a matter of course. However, some landlords do not comply with their legislative responsibilities and there is a risk that local authorities may use such accommodation. This concern was clearly expressed in debate during the passage of the Act. Therefore,, Local Authorities will be responsible for checking the Order requirements are met. The proposed Order will set out the key aspects of existing legislation that should be met in order for private rented accommodation to be considered suitable for homeless households and provide additional safeguards. The proposed Order also sets out further additional circumstances that are not current legislative requirements for private rented sector landlords in every case:

- that carbon monoxide safety has been considered;
- there is a written tenancy agreement between the landlord and tenant which the local authority considers to be adequate; and
- that landlords are a “fit and proper” person to act in the capacity of landlord (already a requirement in a House of Multiple Occupancy).

21. These particular new circumstances are proposed to offer enhanced safeguards where there is established good practice or there were particular concerns given the potential vulnerability of homeless households, for example, with rogue landlords.

22. While a tenant is required to demonstrate a tenancy agreement exists to receive housing benefit there is no formal check to see whether this tenancy agreement is adequate and it could simply list the costs, period of tenancy and provide details of landlord and tenant. Requiring an adequate written tenancy agreement that sets out clearly, for example, the responsibilities and rights of both tenant and landlord will prevent any potential misunderstandings that may arise, reducing the risk of repeat homelessness, for example, because of a lack of understanding around paying the rent. Similarly there is no current requirement to consider carbon monoxide safety other than the annual Gas Safety record. Tenants in the private rented sector are at a higher risk of carbon monoxide poisoning than home owners. Homeless households may be at risk because of their potential vulnerability and reduced ability to challenge the landlord if they suspect a faulty appliance.

### **Option 2 – Require local authorities to only use accredited landlords**

23. **This option was rejected** on the grounds that it would increase burdens for local authorities and landlords. To ensure the required safeguards for

homeless households Government would need to introduce a requirement through primary legislation and set out the standards for accredited landlords. These would apply to all landlords participating in landlord accreditation schemes. It would also require all local authorities to introduce a landlord accreditation scheme in order to be able to end the main homelessness duty in the private rented sector without consent.

24. In setting standards for landlord accreditation schemes it is likely that Government would take account of existing best practice from established schemes. As existing accreditation schemes often go much wider than the elements set out in the proposed Suitability Order it would be likely that any legislation would mirror these thus going further than the Suitability Order. Common elements of accreditation schemes include<sup>6</sup> freedom from hazards under the Housing Health and Safety Rating System, standards for repairs and furnishings, the visual appearance of the property and gardens, an electrical wiring check, a fire safety risk assessment, security measures, handrails and an inventory. Local authorities would then also be free to set their own standards in addition to those set out in legislation. This would bring a higher potential cost in terms of impact on landlords and costs to local authorities with little or no extra demonstrable benefit for homeless households in terms of preventing the use of sub-standard accommodation.

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<sup>6</sup> Accreditation Network UK model landlord accreditation scheme

## **Costs and Benefits of Option 1**

### Costs

#### Costs to Homeless Households

25. Local authorities would be required to conduct checks on properties and their landlords. Doing so would ensure that the circumstances set out in secondary legislation have been met; that the accommodation is suitable. The additional checks could mean that homeless households will need to remain in temporary accommodation for a slightly longer period while this work is conducted but given the checks would be relatively simple to conduct they are not likely to delay the placement of homeless household for a significant period.
26. There may be costs as a result of additional time applicants spend in temporary accommodation, such as a delay in accessing employment, but these are unlikely to be significant over such a short period of time. As households in temporary accommodation typically receive full housing benefit it would be unlikely that there would be a financial cost to the household from higher rental expenditure if they remain in temporary accommodation. There are, however, strong incentives for both local authorities (cost of temporary accommodation) and landlords (cost of an empty property) to minimise the time taken to make lettings so we do not foresee delays being commonplace. These potential costs to households have not been monetised because it is not possible to assess the likely delays caused by this policy and the specific impact on households' welfare of longer periods in temporary accommodation and as noted long delays are unlikely and so the costs are likely to be low.
27. There is also a risk that additional safeguards reduce the availability of accommodation in an area. As indicated in the policy objective, we are seeking to avoid any such impacts. Households may need to accept an offer of accommodation that is not in their preferred area, potentially incurring additional travel expenditure, for example. It is not possible to quantify these potential impacts as the effect will depend on decisions made by the local authority regarding the available properties.

#### Costs to Local Authorities

28. Provided they choose to utilise the new power in the Localism Act and therefore will be subject to the requirements of the proposed Order, local authorities might carry out the following additional activities to satisfy themselves: checking relevant documentation (gas safety record, House in Multiple Occupation licences, energy performance certificate, and tenancy agreement); making sure the landlord is 'fit and proper' person to act in the capacity of landlord; and property inspections to check physical conditions.
29. Checking relevant documentation and visiting the property in order to comply with existing legislative requirements or good practice is likely to consume

some staff time. However, this is already common practice in many local authorities who have successful private rented sector teams working with local landlords to secure accommodation as part of their homelessness prevention activity. To ensure compliance with the 'fit and proper' person test, local authorities may require additional self-certification from landlords and check their own records of convictions brought against landlords. However as there is established practice for landlords of Houses in Multiple Occupation, it is likely that the costs will be kept to a minimum.

30. While local authorities may incur some additional costs it is not possible to predict these with any accuracy. Local authorities have the freedom to implement the enhanced safeguards, for example, the 'fit and proper' person test, in different ways making a prediction of cost difficult. Others may already have many of the processes in place as a result of existing private rented sector teams or accreditation schemes.
31. We have consulted with local authorities across the country to sense check the content of the Suitability Order and to see if any particular aspects are unworkable and/or will have little effect in improving the outcomes for households. This dialog has reassured us that the measures are appropriate, proportionate and in many cases, are already part of established best practice. In conjunction with existing legislation, guidance and the additional safeguards set out in the Localism Act, they will work to the benefit of households for the purposes of a private rented sector offer.
32. The majority of those responding to the consultation questions relating to the Impact Assessment felt our assessment of the costs is reasonable. One respondent said a single property inspection would take around 2 hours with an additional 20 minutes for administration, which we estimate would have associated wage costs of no more than £77 per property<sup>7</sup>.
33. Regarding the number of local authorities intending to use the power based on the consultation responses, a half said yes they intended to, a quarter said no, with the remainder still considering / undecided. Of those intending to use the power, only one local authority was able to provide an estimate of how many households they would place in the private rented sector, that being up to 100 a year. If this were scaled up across half of all local authorities (432 in all in England) it would fall comfortably within our estimated range of 6,000 to 36,000 a year nationally and close to our central estimate.
34. All this suggests an aggregate cost to local authorities of, at most £462,000 to £2.8m annually (£1.4m p.a. central case). However, not all of this cost would in fact be additional to the extent that such checks are already undertaken on private rented sector properties by them, a point made by several respondents to the consultation. For example, one local authority said:

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<sup>7</sup> 2 hours staff costs, assumed equivalent to a middle manager at £48.99 per hour, adjusted from an 80% to a 30% uplift for non-wage labour costs to £35.38 per hour. Adjustment factor as agreed with RPC,. Plus 20 mins junior clerical at £23.63 per hour (unadjusted) / £17.07 per hour (adjusted). Unadjusted hourly wage rates suggested by Office for National Statistics Survey Control Unit data. In 2010-11.



*“The measures contained within the Order, in many cases, are already part of established best practice within the council’s housing options team”.*

35. On this basis we are confident that the costs to local authorities are not large. Again it is worth emphasising that local authorities will only incur these costs if they choose to use the power to end the statutory homeless duty by placing homeless households in the private rented sector, a decision likely to be contingent on the benefits of this exceeding the costs of meeting the Order requirements.

### Costs to Landlords

36. There are already a wide range of legislative requirements with which landlords are required to comply in order to protect tenants in private rented accommodation. Since landlords are already required to comply with a number of those elements set out in Policy Option 1 above, such as the provision of an Energy Performance Certificate or gas safety record, it is assumed that landlords will have already carried these out before approaching the local authority to let the property.
37. The enhanced safeguards will require local authorities to ensure they are satisfied in relation to carbon monoxide safety, that there is an adequate written tenancy agreement and for landlords to be a “fit and proper” person to act in the capacity of landlord. In practice, this assurance is likely to be relatively easily provided. It is, therefore, assumed that the main additional costs to landlords will arise from providing relevant paperwork to the local authority to demonstrate compliance with the requirements. If landlords are not already meeting the enhanced requirements from providing an adequate written tenancy agreement; meeting the requirement for carbon monoxide safety, for example, through the provision of a carbon monoxide alarm; and completing documentation to comply with the “fit and proper” person test then the costs are unlikely to be significant. For example, the cost of a carbon monoxide alarm and time spent fitting is around £25<sup>8</sup>. Only if local authorities decide to implement higher standards than existing law provides would there be additional compliance costs from these sources.
38. It is not possible to accurately assess the costs of the enhanced safeguards to landlords as local authorities are likely to implement the enhanced safeguards in different ways. Additionally we do not have any evidence on the number of properties with adequate written tenancy agreements or carbon monoxide alarms already fitted in order to assess the costs of meeting these enhanced safeguards. In any case it is for landlords to choose whether they take up a local authority’s business offer and let to homeless households. They do not need to put themselves forward as willing to accept tenants known to the local authority (including those owed the homelessness duty) and will be able to make a market-based decision on whether the benefits of doing so will

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<sup>8</sup> <http://www.hse.gov.uk/gas/domestic/faqlandlord.htm>

outweigh the costs, including the additional availability of tenants who would otherwise be placed in social housing.

39. If landlords choose not to let to households owed the main homelessness duty they will still be able to access a sizable pool of potential tenants, for example, low-income working households or students. There are approximately 3.4m<sup>9</sup> households in the private rented sector in England and about a third of private rented sector tenants in the UK are in receipt of housing benefit<sup>10</sup>. In addition local authorities in England will continue to help homeless households access private rented sector properties through their homelessness prevention activity approximately 50,000 per year<sup>11</sup>. As these properties are secured outside of the homelessness legislation they will not be subject to the proposed Suitability Order. It is likely that the landlords who will choose to let to homeless households will already be in the market of renting to this cohort (and as such will not be forced to let to households owed the main homelessness duty).
40. Most consultation respondents (IA) agreed that we had made a reasonable assessment of the costs to landlords, chiefly around the £25 cost per property associated with installing a CO detector. One respondent suggested a slightly higher cost (£30 to £40 per property) although noting that the Carbon Monoxide detector and paperwork were already requirements.
41. We noted in our initial Impact Assessment that we do not have any evidence on the number of properties with adequate written tenancy agreements or carbon monoxide alarms already fitted in order to assess the costs of meeting the enhanced safeguards. The consultation responses help us to redress this evidence shortfall, but given we had only a couple of landlord group responses (including the British Property Federation), the sample size is very small. Both respondents confirmed it was reasonable to assume that all landlords (a) already held the required paperwork and (b) use written tenancy agreements. However, one respondent pointed to survey evidence (unsourced) suggesting that only 10% of landlord's properties already have carbon monoxide alarms, whereas the other said it was reasonable to assume all landlords had installed them where appropriate - this may have been a more normative statement than one of fact.
42. The 10% figure implies that 90% of properties will need a Carbon Monoxide detector installed; at an average cost of £25.00 per property they meet the carbon monoxide detector requirements<sup>12</sup>, with zero additional costs associated with holding the required paperwork and using a written tenancy agreement. Across 90% of the 6,000 to 36,000 homeless households properties a year we estimate being placed in the Private Rented Sector implies an aggregate cost of, at most, £135,000 to £810,000 (£405,000 central case), but to the degree there will be repeat lets to homeless

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<sup>9</sup> English Housing Survey Household Report 2008-09

<sup>10</sup> DWP Family Resource Survey 2009-10

<sup>11</sup> DCLG Homelessness Prevention and Relief: England 2010/11

<sup>12</sup> £25 CO detector & installation for the 90% of properties that don't already have them = £25 x 0.9 = £22.50

households - and that the CO detector only needs to be fitted once - this will be more of a one-off cost than one incurred annually.

43. Around 2,000<sup>13</sup> households per year currently house homeless households accepted as owed the main homelessness duty in private rented accommodation, under what are known as qualifying offers. The main homelessness duty can be ended if an applicant consents to take an assured shorthold tenancy in private rented accommodation instead of waiting for an offer of social housing. Once the new power is introduced local authorities will still be able to make qualifying offers to those applicants accepted as owed the main homelessness duty prior to its commencement. The proposed regulation will not apply in these cases and this group of landlords will, therefore, not face any additional costs. Over time the flow of 'qualifying offer households' will reduce. To illustrate the potential costs to those landlords were we to stop qualifying offers outright then the highest possible estimate of additional cost to these landlords to comply with the order would be £22.50 per home (namely for the 90% without a CO detector to fit one) and so £45,000 in total.<sup>14</sup> However, we estimate the new market will be 18,000 properties a year. Their voluntary participation implies that the landlords of these properties will all benefit. This in turn implies that the total benefit to the landlords of the 18,000 properties comprising the new market would have to be below £45,000 (or £2.50 per property<sup>15</sup>) for there to be a net cost to business. It is highly unlikely the benefit would be so small and this is why we believe there will be a zero net cost to business and that this is a "zero in".

### Costs to Central Government

44. If homeless households do spend longer waiting in temporary accommodation while property checks are being carried out Government may incur increased expenditure on housing benefit. This is because households in temporary accommodation typically receive full housing benefit and rents in temporary accommodation tend to be higher than in stable, long term private rented accommodation (the housing benefit provided will in some cases be higher with temporary accommodation but may not cover the full cost of the temporary accommodation – the difference being covered by local authorities). This cost was not monetised because it is hard to predict the likely extent of delays due to this specific policy and as explained above, based on existing practice where homeless households are placed in private rented sector accommodation it suggests that the proposed new standards would not cause delays to materialise on any significant scale.

### Benefits

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<sup>13</sup> <http://www.communities.gov.uk/documents/statistics/xls/2102087.xls>

<sup>14</sup> £22.50 x 2,000 = £45,000

<sup>15</sup> 45,000 / 18,000 = £2.50

### Benefits to Homeless Households

45. Homeless households will benefit from safeguards to ensure good quality accommodation. Placing a household in a poor quality accommodation is not only stressful but brings with it the potential to damage health. Cold, damp housing harms children's health and can contribute to post-natal depression. It can increase rates of asthma, respiratory and skin allergies, and other lung diseases. It is linked to physical accidents and injuries, to social and mental effects including depression, isolation, anxiety or aggression. Noise-related stress, exposure to toxins, lead, asbestos or carbon monoxide can have very severe health impact<sup>16</sup>. The development of babies and young children in poor housing conditions can be significantly affected. Children growing up in such conditions are 25%<sup>17</sup> more likely to suffer severe ill-health and disability during childhood or early adulthood.
46. Good quality accommodation can bring other benefits that can give rise to positive externalities including improved attendance at school and consequent improvements in educational performance and labour market participation. For instance Shelter estimate that 8% of children in sub-standard accommodation miss out on one quarter of all their schooling.
47. Improved safeguards provided by the policy may also result in significant benefits to tenants in the form of greater tenant satisfaction, improved personal safety and quality of life.
48. It has not been possible to monetise all these benefits because it has not been possible to isolate the specific improvements in physical and mental health and in education as a result of this particular policy. However, tenants in private rented accommodation are 50% more at risk of carbon monoxide poisoning than both home owners and social housing tenants. According to the Chief Medical Officer for England, Carbon Monoxide poisoning causes 50 deaths and hospitalises 200 people a year, and also sends 4,000 people to A&E.<sup>18</sup>
49. Estimates of the value a prevented fatality, commonly used in policy appraisal, have been in the order or around £1.1m to £1.5m in recent years. Although some of these estimates are several years old the latest Health and Safety Executive estimate of the cost to society of a workplace fatality is around £1.5m, which includes £1m non-financial human costs (emotional grief, pain and suffering). Note however that these are wider societal – not just household – costs.
50. Given the homeless households in question around to only 6,000 to 36,000 a year, or around 1 in 1,000 of all households nationally on the central case, the monetary benefit of prevented fatalities is likely to be modest; initially around £135,000 a year.<sup>19</sup> This figure is likely to significantly underestimate the total

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<sup>16</sup> World Health Organisation: Review of Evidence on Housing and Health (2004)

<sup>17</sup> Chance of a lifetime The impact of bad housing on children's lives Shelter 2006

<sup>18</sup> <http://www.dh.gov.uk/health/2011/11/co-poisoning/>

<sup>19</sup> £1.5m x 50 (deaths) / 1,000 \* 2 (twice more likely) \* 90% (of properties needing CO detector) = £135,000

wider health (and safety) benefits, namely those relating to the condition of the property which we have been unable to quantify.

#### Benefits to Local Authorities

51. Greater safeguards for homeless households through the accompanying proposed Order may reduce the risk of 'repeat' homelessness in a small number of instances.
52. This could result in savings for local authorities. If an applicant were placed in unsuitable accommodation where it would not be reasonable for them to continue to live there, it is likely that they would continue to be owed a homelessness duty. By avoiding 'repeat' homelessness amongst even a small number of the households placed into private rented accommodation, the proposed standards could lead to savings for local authorities from reduced administrative costs of processing applications and considering appeals, and the lack of subsequent use of temporary accommodation.
53. Local authorities may also benefit from a pool of landlords willing to meet the circumstances set out in the proposed Order which would make it easier to provide accommodation for homeless households. They may also need to take less enforcement action against sub-standard properties or rogue landlords which can incur costs through Environmental Health Officer time and court proceedings.
54. Unfortunately it will not be possible to quantify these benefits on aggregate, not even when the Order comes into effect, because we will not have a counterfactual (i.e. the wider Localism Act changes allowing local authorities to place homeless households in the private rented sector without their consent *in absence of* the Suitability Order) to assess the impact of the Order against.

#### Benefits to Landlords

55. The safeguards in the proposed Order will reduce the risk of health and safety liability that landlords could face. As indicated above, it has not been possible to monetise the bulk of these benefits because we cannot isolate the specific improvements in physical health that may result.
56. By reducing the risk of 'repeat' homelessness amongst households placed into private rented accommodation, the proposed Order could bring forward modest benefits for landlords in terms of reduced void costs and a reduction in the costs associated with re-letting properties. Landlords may also benefit from working closely with the local authority to meet the requirements of the Order, for example, through advice and information on their legal responsibilities as a landlord and through any incentives offered to meet the requirements or upgrade their property.

### Benefits to Central Government

57. The proposed Order will reduce the risk that homeless households are placed in poor quality private rented accommodation. This avoids a number of negative externalities associated with poor quality housing: poor property conditions have been shown to increase government expenditure on treatment and care provided by the National Health Service and on benefits paid to households that are unable to work due to ill health (see paragraph 8).
58. It has not been possible to monetise these benefits to government because it has not been possible to isolate the specific reduction in the above negative externalities as a result of this particular policy.

## **Costs and Benefits of Option 2**

59. A number of proposed amendments to the Localism Act, which were rejected by Government, required that local authorities should only be able to end the main homelessness duty in private rented accommodation if the landlord is a member of a local Landlord Accreditation Scheme. These are voluntary schemes run by local authorities who recognise and reward private landlords who manage their properties to a good standard. Accreditation schemes vary but most require landlords to meet various obligations in relation to the Housing Health and Safety Rating System, health and safety, repairs, equipment, managing a tenancy and professional conduct with some going further including other elements, for example, upkeep of gardens.
60. There are undoubtedly advantages to landlords' membership of accreditation schemes – both to local authorities and to landlords. Landlords are free, currently, to become accredited should they wish to do so (where schemes exist), or perceive an obvious commercial advantage, and would remain free to do so under the preferred option 1.
61. However, requiring accreditation as a prerequisite of placing homeless households in the private sector places an additional burden on landlords who would have to meet the additional requirements and local authorities in developing and administering the schemes. This would be unnecessary as it goes further than is required to meet policy aims.
62. In setting standards for landlord accreditation schemes it is likely that Government would take account of existing best practice from established schemes. As the remit of accreditation schemes can be much wider than those elements set out in the Suitability Order it would be likely that any legislation would mirror those. Local authorities would then also be free to set their own standards in addition to those set out in legislation. This could bring a higher cost in terms of impact on landlords and costs to local authorities with little or no extra demonstrable benefit for homeless households in terms of preventing the use of sub-standard accommodation.

### **Costs**

#### **Costs to Homeless Households**

63. The costs to homeless households would be similar to those set out in Option 1. There is a potential that the risk of additional safeguards reducing the availability of accommodation in an area may be increased as it is likely that the requirements of an accreditation scheme would be higher than those in the Order. Therefore households may need to accept an offer of accommodation that is not in their preferred area, potentially incurring additional travel expenditure, for example. It is not possible to quantify these

potential impacts as the effect will depend on decisions made by the local authority regarding the available properties.

#### Costs to Local Authorities

64. Not every local authority has a landlord accreditation scheme. A 2008 survey by the then Local Authority Co-ordinators of Regulatory Services (LACORS) (now Local Government Regulation), Accreditation Network UK and the Local Government Association found that half of local housing authority areas did not operate or subscribe to a landlord accreditation scheme and would, therefore, be required to establish one under this proposal. We do not have any evidence on the likely costs incurred in setting up an accreditation scheme and these are likely to vary substantially between authorities.
65. Staff at the remaining half of local authorities who already operate an accreditation scheme may need to undertake additional checks and inspections in order to admit additional landlords and properties to the scheme to facilitate lettings to homeless households, for example, a full Household Health and Safety Rating System inspection carried out by an Environmental Health Officer. In reality we expect that the costs of inspecting properties under landlord accreditation schemes are likely to be more costly than checks required by the preferred Option. There is a risk that some or all of these costs would be passed on to landlords by local authorities charging for these services. The requirements of existing accreditation schemes vary significantly, making it difficult to accurately assess the costs of amending such schemes in order to meet additional requirements.
66. We consider that the higher costs to local authorities associated with Option 2 increase the likelihood that they would not make use of the new power in the Localism Act, as this would make it more likely to exceed the benefits to them of placing homeless households in the private rented sector, undermining Government's policy objectives.

#### Costs to Landlords

67. Landlords would incur those costs set out in Policy Option 1 but also face additional costs associated with meeting the greater requirements of landlord accreditation schemes. Common elements of accreditation schemes include<sup>20</sup> freedom from hazards under the Housing Health and Safety Rating System, standards for repairs and furnishings, the visual appearance of the property and gardens, an electrical wiring check, a fire safety risk assessment, security measures, handrails and an inventory which would carry a significant additional cost while not providing a significant demonstrable benefit in terms of preventing the use of sub-standard accommodation.
68. It is not possible to predict with any degree of precision what combination of additional measures might be adopted by local authorities, or the consequent

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<sup>20</sup> Accreditation Network UK model landlord accreditation scheme



costs of compliance for landlords. We do not know, for example, the extent to which landlords currently meet those requirements set by existing accreditation schemes. For these reasons we have not worked out the full costs of such a scheme (which would require work to establish the requirements). However, costs could be significantly higher than those set out in Option 1 if a wider range of safety assessments were mandated of all participating properties.

69. It is likely that those landlords currently accommodating those households made qualifying offers would be subject to additional regulation unlike in Option 1. It is likely that under a national landlord accreditation scheme authorities will apply the locally set standards to all landlords who have contact with the authority (including those helped outside of the homelessness legislation).
70. As with Option 1, landlords will choose whether they take up a local authority's business offer and let to homeless households. The increased costs associated with the requirements of accreditation schemes may reduce the number of landlords who conclude that the benefits of doing so outweigh the costs.

#### Costs to Central Government

71. In order to require local authorities to only be able end the main homelessness duty in private rented sector accommodation if the landlord is a member of a local landlord accreditation scheme, Government would need to set out in law the requirements of an accreditation scheme. This would be a more complicated piece of work, resulting in greater administrative burdens than the proposed standards for households owed the main homelessness duty. It has not been possible to monetise these administrative costs given that we have not established the full requirements of such a scheme.

#### Benefits

72. The benefits of option 2 are the same as option 1. Although requiring accreditation would introduce additional requirements, given that option 1 already sets out the key aspects of existing legislation and extra protections, there is likely to be little or no demonstrable extra benefit in terms of preventing the use of sub-standard accommodation.

#### Benefits to Homeless Households

73. Being housed in properties owned by accredited landlords means that the homeless households are as likely to be housed in accommodation of adequate quality, with a good level of management services, as under Policy Option 1. Most accreditation schemes rely on "de-accreditation" if problems

arise, along with support and education for landlords. Not all properties are checked if a landlord is accredited, contrary to option 1 which will specify the circumstances that must be met for each private rented property to be regarded as suitable. As such, the benefits are likely to be no greater than those set out in Option 1 including avoiding the potential health hazards poor quality accommodation can bring.

74. A range of established accredited landlords could mean that time spent in temporary accommodation is reduced. However this benefit may be offset (at least initially) whilst schemes are developed and landlords are recruited.

#### Benefits to Local Authorities

75. Local authorities would benefit from being able to place homeless households with accredited private sector landlords with a degree of confidence that there were not likely to be any issues of low quality accommodation or poor levels of management. As with option 1, this could reduce the risk of 'repeat' homelessness and the need to take action against sub-standard properties or rogue landlords. The greater security in dealing with private sector landlords could, over the long term, lead to increased numbers of households being placed in the private rented sector, thus reducing the pressure on social housing, and temporary accommodation. It may also attract additional landlords to participate in the local accreditation scheme (because of the increased number of tenants available), further delivering benefits to the local authority by improving standards of private rented accommodation and increasing the number of properties available to low-income tenants.

#### Benefits to landlords

76. In many cases, accredited landlords are recognised by local authorities as having good management levels and having properties that are well-maintained. Accredited private landlords would thus build up a relationship with the local authority which could lead to a more profitable business arrangement over the long-term. Accredited landlords are accorded a degree of trustworthiness that means that they are often preferred by tenants to non-accredited ones, thereby securing a competitive advantage. Landlords will also be able to benefit from the support, advice and access to grants, for example to upgrade their properties, often available through accreditation schemes.

#### Benefits to Central Government

77. Having an established number of accredited landlords could potentially lead to homeless households being found placements with the private sector more quickly, which would mean a smaller amount of time spent on expensive temporary accommodation and, therefore, a reduction in costs. However this would need to be seen against the risk that if some authorities set more

stringent requirements this may limit the pool of properties available. Government is also likely to benefit from a reduction in poor quality accommodation and the negative externalities that result, such as to the National Health Service and welfare system. As indicated in option 1, it has not been possible to monetise these benefits because we cannot isolate the specific improvements in physical health that may result.

## **Risks**

78. There are three key risks associated with this policy. These are that:

- that the Suitability Order leads to a reduction of available properties,
- that the Order does not afford households the intended protections; and
- that local authorities find the requirements of the Order unworkable.

79. We have worked closely with local authorities when supporting them to develop their homelessness prevention strategies which make extensive use of the private rented sector. For example in 2010/11 the private rented sector was used to prevent and relieve homelessness for over 50,000 households outside of a local authority's statutory homelessness duties<sup>21</sup>. Local authorities are well versed in working with the private rented sector and a number offer various incentives to encourage landlord engagement. We know that local authorities are preparing themselves for the proposed changes and are actively working with landlords in their local areas. By way of background the social housing reform consultation asked local authorities if the homelessness changes proposed in the Localism Act would impact on the availability of private rented sector accommodation. Of those local authorities who answered only 11% felt that there would not be enough accommodation available.

80. We will continue to maintain a dialog with local authorities and landlord representative organisations and if there are areas who are struggling to find accommodation or build a trusting relationship with local landlords then we will work with them and outline those approaches we know have worked in other local authorities with similar market conditions.

81. We have consulted with local authorities across the country to sense check the content of the Suitability Order and to see if any particular aspects are unworkable and/or will have little effect in improving the outcomes for households. We have had similar conversations with Shelter and Crisis. This dialog has reassured us that the measures are appropriate, proportionate and in many cases, are already part of established best practice. In conjunction with existing legislation, guidance and the additional safeguards set out in the Localism Act, they will work to the benefit of households for the purposes of a private rented sector offer.

82. Similarly, the consultation with local authorities has reassured us that in practice a Suitability Order is workable. Local authorities generally felt that any additional burdens an Order places on local authorities are proportionate and that when you balance these against the savings the measures proposed in

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<sup>21</sup> DCLG Publications on homelessness prevention and relief  
<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/homelessnessstatistics/homelessnesspreventionrelief>

the Localism Act could bring about that they are a fair way of safeguarding those placed in the private rented sector in this way.

## **Preferred Option and Implementation Plan**

### **Option 1 is the preferred option.**

83. This option meets the policy objective, but goes no further than is necessary, thus minimising burdens on local authorities and the impact on landlords.
84. Homeless households can be more certain that the private rented sector accommodation in which they will be placed has been subject to a range of appropriate checks and verifications to ensure its suitability.
85. Landlords who wish to be considered by local authorities for consideration in housing homeless households would be subject to certain additional safeguards, but we do not believe these are particularly onerous or expensive to bring about, particularly given the requirements that legislation already demands. However, landlords would not be required to offer their accommodation to local authorities will make a market-based decision on whether the benefits of letting to homeless households outweigh the costs, including the additional availability of tenants who would otherwise be placed in social housing.
86. If they choose to exercise their new power to end the main homelessness duty in the private rented sector without consent, local authorities might conduct checks on properties and their landlords to satisfy themselves that they have complied with the requirements of the proposed Order. Doing so would ensure that the circumstances set out in secondary legislation have been met; that the accommodation is suitable and the landlord is a fit and proper person (to act in the capacity of a landlord). However, such safeguard checks would be relatively simple to conduct and are not likely to delay the placement of housing the homeless household for a significant period. This balance is aimed to ensure that the appropriate accommodation can be found without significant burdens being placed on the local authority resources whilst recognising the benefits of the wider policy set out in the Localism Act. Any costs must be considered against the benefits to local authorities of ending the homelessness duty more quickly in the private rented sector and the reduced use of temporary accommodation. Clearly, local authorities will not choose to utilise the new power in the Localism Act and the proposed Order if there will be a net cost to them of doing so.
87. This Impact Assessment is published alongside a consultation on the proposed requirements to be included in the Homelessness (Suitability of Accommodation)(England) Order 2012. The Order will come into effect alongside commencement of the new powers in the Localism Bill. We will monitor the Order's impact through the quarterly P1E statutory homeless statistical release and continued dialog with local authorities and homelessness charities.

## **One In One Out (OIOO)**

88. 74% of landlords are individuals<sup>22</sup> and would be considered micro businesses. However, landlords operating at the lower end of the market (for low-income households) are more likely to be larger businesses. This policy is considered a ZERO IN in the One In One Out process. Ending the duty without consent in essence creates a new market that did not exist before. The Suitability Order regulates that new market and impacts solely on it, and not more widely (i.e. it does not impact on non-homeless households). Given the clear Parliamentary commitment, we cannot enact the new power and create the new market without the Suitability Order. Only private landlords that choose to participate in the new homeless households market may incur the costs of meeting the order.
89. There are 2,000 homeless households a year currently housed in the PRS and, while the existing market of qualifying offers will not be effected by this order the cost to these landlords of entering the new market could be £22.50 per home (namely for the 90% without a CO detector to fit one) and so £45,000 in total. We estimate the new market will be 18,000 properties a year. Their voluntary participation implies that the landlords of these properties will all benefit. This implies that the benefit to the landlords of the 18,000 properties would have to be below £45,000 (or £2.50 per property) for there to be a net cost to business. It is highly unlikely the benefit would be so small. This has a net benefit for business and is therefore a zero in.
90. Landlords will be able to choose not to let to homeless households if they feel it is not in their interests to do so and will be able to offer their property to others (most likely to be low-income households or students). Of course if they do choose to accept them then they are required to comply with the new regulation with the potential for additional costs but will take this market based decision on whether any costs are outweighed by the benefits. In recognition of these potential costs to micro business we have secured a waiver on the moratorium on regulating micro businesses.

### **Specific Impact Tests**

**Competition Assessment** – it is not considered that this policy will impact on competitiveness. There are clear benefits for those landlords who wish to let to households owed the main homelessness duty which will incur some additional costs, however, landlords are under no obligation to work in this way if they choose not to.

**Small Firms Impact Test** – landlords will continue to have a choice over whether or not to accept homeless households as tenants and we, therefore, expect that where they opt to incur the associated costs, these will be more than offset by the benefits of letting to this new group of tenants.

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<sup>22</sup> EHCS Private Landlords Survey 2006

**Legal Aid Impact** – in ensuring that private rented sector accommodation is suitable and meets the requirements set out in the proposed Order local authorities may be challenged on ‘suitability’ less frequently thus reducing the Legal Aid bill although it is not possible to quantify this.

**Sustainable Development / Carbon / Other Environmental impact** – there is unlikely to be a negative impact on the environment. Ensuring that a valid Energy Performance Certificate is available will help local authorities and prospective tenants make more informed decisions about whether the property will be affordable and appropriate for their needs in terms of energy costs.

**Health Impact** – there is evidence that non-decent homes can impact on a household’s health. Ensuring that the private rented sector accommodation used to end the main homelessness duty is good quality means that any risk of a household being placed in cold, damp and/or mouldy property is lessened. This can only have a positive impact on a person’s health although it is not possible to accurately quantify this impact.

**Race Impact** - the Equalities Impact Assessment for the homelessness provisions in the Localism Bill considered that equalities groups will not be unfairly or negatively impacted as a result of this proposal because of existing protection within the homelessness legislation

**Gender / Disability Impact** - the Equalities Impact Assessment for the homelessness provisions in the Localism Bill considered that equalities groups will not be unfairly or negatively impacted as a result of this proposal because of existing protection within the homelessness legislation

**Human Rights Impact** - this policy does not have a negative impact on an applicant’s human rights.

**Rural Proofing** - the change will apply in the same way to accommodation in rural and urban areas.