

LOCAL GOVERNMENT AND HOUSING COMMITTEE

CUSTODIAL BOND SCHEME - REVIEW OF FIRST YEAR OF OPERATION

Purpose

1. This paper is intended to inform the Committee of the outcome of the review of the first year of operation of the Cardiff Custodial Bond Scheme.

Background

2. The Minister for Local Government, Housing and Communities informed the Committee at its 14 March 2001 meeting of her intention to fund Cardiff Bond Board to operate a Custodial Bond Scheme. This pilot bond bank whose aim is to ensure fairness over the payment of bonds in the private rental market would cover the interests of all vulnerable groups in Cardiff and hence prevent such cases as the Castle Management disaster which affected over 170 students locally.
3. Cardiff Bond Board was established in 1992. It is the first of its kind in Wales and its operation has been the blueprint for the majority of Bond Schemes currently operating in the UK today. There are over 100 Bond Schemes that have used the Cardiff blueprint directly in establishing their schemes.
4. The scheme is not the first of its kind. One of the earliest schemes, in the Australian State of New South Wales, has been in operation for over 20 years. Here, state legislation requires that all private sector landlords lodge bonds with the custodial bond scheme, which is run by the Rental Bond Board, a statutory authority. Other Australian states and several other countries including New Zealand and parts of Canada have followed the New South Wales model to set up similar government-run custodial bond schemes. Further, in England a Tenancy Deposit scheme run by the Housing Ombudsman's Service has just completed its two-year pilot period in March this year.
5. 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.

6. 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.
7. The scheme was awarded funding under Section 180 of the Housing Act 1996 for three years, which covers one full-time worker, one full-time administrator plus office and management costs. A breakdown of funding is as follows: £45,588.07p in 2001/02; £38,170.70p in 2002/03; and £39,315.81p in 2003/04.
8. In the development of the scheme, Cardiff Bond Board is working closely with Cardiff County Council, Cardiff Association of Letting and Management Agents (ALMA), Cardiff universities and other higher education establishments, the Rent Officer Service, and the Cardiff Landlords Forum. It is believed that the model could be easily expanded to provide a similar service in other parts of Wales.
9. Barclays Bank was chosen as banker for the scheme's client account.

First Year of Operation

10. **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 a visit by Assembly officials to the scheme's head office in January this year.
11. In the first year of operation, which commenced 1 April 2001, the following developments have been noted:

Bond Worker and Administrative Support

The scheme's bond worker was successfully appointed on 23 July 2001. This was soon followed by the employment of an administrator.

Working Group

To determine effective operational procedures and to ensure/increase landlord support for the scheme CBB involved landlord and agent bodies from the beginning. A working group comprising representatives from Cardiff Landlords Forum, ALMA, Cardiff County Council, Cardiff University Students Union, the Rent Officer Service and the Cardiff Bond Board was subsequently formed early last year and a number of

meetings held at which the operational processes were discussed. Such consultative measures were advantageous in securing substantial support from the Students Union and a promising level of support from some Landlords. However, the process did delay the operational launch of the scheme to November last year. The necessary, yet lengthy process of obtaining legal advice for the establishment of the scheme's documentation and procedures, also contributed to the delay.

Other initiatives used to increase landlord support for the scheme included attendance at a Landlords' open day in October last year. The response from landlords at this event was very positive with ten per cent (19) of attendees registering an interest in the scheme.

To date, the result of such initiatives noted above has meant that already 35 landlords have signed up to the scheme.

Information Technology

All IT and telecommunication requirements - administration, accounting and web based systems – are now in place. The bond worker completed much of this work shortly after her appointment.

Cardiff Bond Board has also established 'satellite' contact points via both its email address custodial@cardiff-bond-board.org.uk and 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.

All IT systems will continue to be monitored for effectiveness and efficiency and will be updated or amended as required.

Appeals Panel and Damage Assessment Process

The working group has agreed the make-up of the independent Appeals Panel – a panel comprising representatives from Cardiff Landlords Forum, ALMA, Students Union, Cardiff County Council and Cardiff Bond Board, and called upon if either tenant or landlord disagrees with the Bond Board's decision. It has also been agreed that the relevant groups would put forward four representatives to ensure availability of the Appeals Panel at short notice. Training of panel members was completed in January, with further training to be provided on an annual basis.

To ensure the effectiveness of the assessment process it was decided that the assessing officers from the Rent Officer Service would be given digital cameras to carry out any necessary damage inspections in relation to the scheme. To date, two cameras have been purchased, with the attendant software installed on the computer systems of

Cardiff Bond Board and the Rent Officer Service. Further, both Cardiff Bond Board's Development Officer and Bond Officer have trained the rent officers on the processes and practicalities of inspections.

Support

Despite delays in getting the scheme fully operational, support for the scheme has been very promising. All four universities in Cardiff – Cardiff University, UWIC, College of Medicine, and the College of Music and Drama, have agreed to support the scheme and to increase student awareness. For example, in January and February this year, the universities' Students Union and Student Advice Centres mailed 9000 information packs about the scheme to all new students due to enrol in the coming academic year.

Introductory packs include the following information:

- Explanation of the scheme's operation and agreement to abide by its rules;
- Standard inventory agreement;
- Rent account books;
- Dispute and Release forms;
- Booklet on landlords and tenants duties and responsibilities, including information on gas and electrical safety.

The universities have also mailed leaflets about the scheme to all 1550 landlords currently on the universities' property registers. This has generated a significant amount of positive feedback and interest in the scheme, with the response from landlords who have contacted Cardiff Bond Board stating that they would be pleased to use the scheme if the tenants (in this case, students) require it.

The scheme has secured the endorsement of the Cardiff Quartet, and advisory body, which encompasses all four universities in Cardiff.

The scheme is currently holding £8,690 in bond deposits. This represents 34 bonds deposited by individual tenants. This is a promising early success for the scheme and will serve to demonstrate the scheme's effectiveness and efficiency to other landlords and tenants enabling them to build on this success in the future.

12. **Official Launch**

The scheme's official launch took place in April this year. This coincided with the time of year when most universities sent information to new students and when existing students began to look for property to rent from this September. It is important to note, however, that the scheme is not restricted to only students; via the publicity and press

releases accompanying the launch the scheme has also been promoted to other mainstream private sector tenants.

13. **Future Developments**

Officials are confident that Cardiff Bond Board's consultation and partnership working in the scheme's development has, in its first year of operation, 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 is due to take place this summer.

Cardiff Bond Board will be looking to capitalise on the promising level of support and interest so far generated to ensure the scheme's continued success. Although the scheme is for all private sector tenants, it is envisaged that the initial impetus for the scheme will come from the student market, as it was primarily the student bodies who first campaigned for its introduction in Cardiff. It is further envisaged that the universities' substantial support will ensure awareness among the student population and generate student pressure for positive changes in the private rented sector, particularly concerning the problems faced by tenants over the non return of rental bonds.