

HOW DO LANDLORDS ADDRESS POVERTY?

A POVERTY-FOCUSED REVIEW OF THE STRATEGIES OF LOCAL AUTHORITIES, LANDLORDS AND LETTING AGENTS IN ENGLAND

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Do housing associations, councils, private landlords and letting agents address poverty and deprivation in their strategies and actions? This research examined written strategies from 128 housing organisations, and conducted surveys and interviews with 163, to explore some key areas of practice, including:

- whether addressing poverty is part of their mission, in principle or in practice;
- the impact on poverty of decisions over where and what to build, including the use of Affordable Rented housing;
- rent setting;
- measures to increase tenants' incomes and reduce fuel bills and other costs;
- allocation systems and policies concerning who can access different types of housing.

Welfare reforms are reducing incomes and rents are rising faster than wages and benefit rates. How are landlords responding to the challenges of poverty and deprivation among the population?

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EXECUTIVE SUMMARY

Low-rent housing has made a significant contribution to reducing poverty in England. However welfare reforms have weakened the link between rent and benefit levels, and cuts to funding for new development mean that much new affordable housing must be funded through higher rents.

Rents have also risen faster than earnings. Increased poverty and material deprivation mean landlords are facing major challenges and difficult decisions, including who to house, how much to charge and what services to provide. How are landlords responding to these challenges? What can we learn from examining their written strategies and documents, such as business plans and allocation policies, and by speaking directly to them?

This report explores whether landlords in England take into account the needs of households and individuals experiencing poverty, and to what extent this is reflected in their policy and strategy documents.

Methods

We selected as case studies 15 local authority areas across England, covering a range of housing market conditions. The research centred around a review of the written documents and strategies of 128 housing organisations – mostly local authorities and housing associations – active in these 15 areas. Private landlords and letting agents had little written documentation. We therefore conducted online surveys to explore strategies, aims and attitudes, and responses were received from 194 private landlords and letting agencies. To study actual practice, we carried out 76 interviews with a total of 69 organisations, comprising 27 housing associations, 13 local authorities and 29 private landlords and letting agents.

Do landlords focus on poverty and deprivation?

The extent to which addressing poverty and deprivation is part of the 'mission' of housing organisations is, perhaps unsurprisingly, one of the aspects that most clearly separated social and private landlords. Private landlords or letting agents did not usually seek to tackle poverty, whereas social landlords and local authorities were keen to emphasise their social mission.

That social mission, however, was generally framed more widely than tackling poverty alone and many organisations did not use the term poverty at all. Local authorities were the most likely type of organisation to have any kind of explicit 'anti-poverty strategy'.

Building for people in poverty?

Development is a key part of the mission of most social landlords. Substantial cuts to grants have, however, meant radical change in the way new housing is funded, with more emphasis on funding from rents and borrowing. Social landlords are also increasingly turning to the development of market housing in order to cross-subsidise sub-market housing and keep their affordable housing development programmes active.

In order to receive government subsidy for development, associations must build new housing at Affordable Rent levels, and must also convert at least some of their existing properties to Affordable Rent when relet to new tenants. Affordable Rents can be up to 80 per cent of market rents so in high-rent areas they can be considerably higher than social rents. Most developing landlords in this study reported that they therefore had no option but to develop Affordable Rent (rather than social rent) homes, and also to convert some social housing to Affordable Rent housing at the point of relet.

Although Affordable Rent is being built in place of social rent, there is some uncertainty among social landlords as to who the new Affordable Rent housing should be for. While some saw it as having the same role as social housing, to house those in the most need, others saw it as a tenure primarily for working households.

Deciding where to build new housing was often opportunistic, even for major social landlords. A few social landlords in high-value areas had policies of selling off some of their highest value stock in order to build more in cheaper areas. However, a larger number had policies of selling 'poorly performing' stock, which would often be in lower demand areas.

Most private landlords who took part in this research were not looking to expand their portfolio. Those that had recently done so had generally sought to target the middle or upper end of the market, or students, all of which were regarded as more profitable than the Housing Benefit market.

Most social landlords had a long-established policy of maximising rents, in line with the upper limits set by government

Rent setting

Most social landlords had a long-established policy of maximising rents, in line with the upper limits set by government. However some were starting to rethink this in response to local wage levels and welfare reforms, which had left many tenants struggling with their rent. In some lower rent areas, social landlords were keen to ensure that social housing remained competitive with the private rented sector, in order to compete for tenants. The setting of rents has therefore taken on a new significance.

Service charges have increased in social housing recently. Our research has suggested that this is caused by social landlords moving towards a model of actual cost recovery.

Private landlords generally set rents on new tenancies at market rates, or just a little below, in order to secure a good tenant.

Rent increases

For social and Affordable Rent properties, although theoretically there is flexibility in rents, most landlords felt rent increases were determined by government, considering the maximum allowable by regulation to be the only possibility. As a consequence annual rent increases for both social and Affordable Rent were routine.

However, private landlords were much less keen to increase rents on existing tenancies, due to the risk of losing tenants and administrative burden, potentially narrowing the gap between Affordable and market rents on long tenancies. Some letting agents had a policy of annual increases, but most did not. Landlords who managed their lettings themselves almost never inflated rents annually.

Supporting tenants and increasing disposable incomes

Nearly all social landlords had written strategies outlining forms of support or advice available to tenants. Providing advice on benefits, grants, debt and budgeting was common. Most offered advice on finding work or training opportunities and some also had policies around financial and digital inclusion.

Private landlords, in contrast, did not generally offer anything more than occasional signposting to other services and most felt that it was not their role to do so. A lack of other support services for vulnerable tenants sometimes deterred landlords from offering tenancies to this group.

Addressing fuel poverty was a key focus of some social landlords, and this was one area where good practice could usefully be adopted more consistently throughout the sector. For private landlords, ensuring a property was fuel-efficient was rarely considered on its own but was part of a wider agenda of ensuring their homes were of good quality and well-maintained.

Selecting tenants

There were two identifiable themes in the written strategies of social landlords: while some reasserted the 'traditional' role of a social landlord in housing those most in need, others emphasised the need for business diversification and housing a 'wider group of people'. Those moving away from selecting purely on the basis of housing need were often selecting on the basis of local connections or employment status.

Meanwhile some housing associations had introduced affordability tests, which excluded low-income applicants (both employed and unemployed) from some properties. This had created tensions between the associations and some local authorities, which face a legal obligation to house those in the highest level of housing need.

Private landlords generally sought to let their properties to employed tenants who did not depend on Housing Benefit. This was mainly due to perceptions that it was harder to manage tenancies of those dependent on Housing Benefit, and that higher rents could be achieved from other tenants.

Conclusions

There are substantial differences between private and social landlords in terms of their focus on alleviating poverty. Private landlords' social ethos comes very much from the personal relationships they have with existing tenants. Once properties are empty, private landlords are rarely inclined to provide housing for people in poverty if there are more profitable tenants available.

Within the social housing sector there is a clear social ethos, evidenced by the support usually given to tenants in financial difficulty or seeking employment, although it is not always expressed in terms of addressing poverty. Most developing housing associations participate in the Affordable Rent programme, and as a result are becoming more aware that the rents they set could create poverty among some residents. There is a tension in high-rent areas between maximising revenue from development and helping those tenants in greatest poverty.

Housing association reactions to this tension have varied from capping rents at a lower level, or increasing fuel-efficiency spending, to refusing tenancies to those unable to afford housing. However, directing households in poverty into the social rent sector instead will become more difficult over time. Many housing associations are reconceptualising their mission as housing a range of groups rather than solely those in greatest poverty.

In turn this has created tensions with local authorities, which need housing associations to house people in the greatest poverty in order to fulfil their statutory duties, and see little prospect of private landlord involvement.

1 INTRODUCTION

Low-rent housing has made a significant contribution to reducing poverty in England. However welfare reforms, high private rents and cuts to funding for new development present major challenges for housing organisations.

Most new affordable housing must now be funded through higher rents. Many housing organisations have therefore been reassessing their approach to poverty and material deprivation, including who they should house, how much to charge them, and what support services to provide. Are landlords addressing poverty among their tenants or wider society, and how can they do so?

About the project

This unique study explores the links between the work of housing organisations and poverty, including not only what landlords do consciously to address poverty, but also actions they take for other reasons that have an impact on poverty. The study includes not only local authorities, Arm's Length Management Organisations (ALMOs) and housing associations,¹ but also private landlords and letting agents, recognising their growing role in housing low-income households who are either unable to access social housing or choose not to do so. Non-stock-holding local authorities were also included because of their key role in directing provision of affordable housing at a local level.

The aim of this project is to assess how far landlords in England take into account the needs of households and individuals experiencing poverty, both in their policies and strategies and in practice. We have used JRF's definition of poverty as "when the material resources are not enough to cover basic essentials".

Methods

The conclusions found in the report are based on original research, undertaken between June 2013 and November 2014, including 76 telephone interviews with all types of landlord, letting agent and local authority, covering the detail of their support services for tenants, and the extent to which they plan to prioritise households in poverty in their stock. An online survey was also completed by 194 private landlords and letting agents, focusing on the reasons to let (or not to let) property to low-income households.

These interviews and surveys built on an extensive literature review, including a statistical analysis, of documents sourced from 128 housing organisations, identifying specific actions taken or promised which might have relevance to poverty. Using a bespoke database, the literature was then analysed to determine how widespread these activities were, and to highlight correlations with the type and size of organisation and type of housing market in which they operated.

Poverty occurs in all areas to a lesser or greater extent. The study sought to be representative of housing markets across England by developing a typology of local authority areas based on a cluster analysis of housing markets covering all authorities in England. From this typology, 15 representative local authority areas were selected for detailed study. For details see Appendix 1.

Report structure

Chapter 2 explores the extent to which tackling poverty and deprivation are part of the mission of housing organisations and which types of organisation are most focused on poverty.

Chapter 3 looks at the development of new housing – how do housing organisations decide where and what to build?

Chapter 4 focuses on rent setting in existing housing.

Chapter 5 examines the wider support work that some housing organisations do, to increase tenants' disposable incomes and address wider aspects of deprivation.

Chapter 6 explores the allocation of housing – who is prioritised for social housing, and what are the implications for poverty? And how do private landlords decide who to let to?

Chapter 7 concludes the findings of the study and makes recommendations for policy and practice.

Policy context

Around a third of households in England rent their home: half do so from private landlords and half from social landlords, who are generally either local authorities or housing associations. There are over 1,000 housing associations providing housing in England, ranging from very small local organisations with just a few properties, to large national associations with many thousands. Most new social housing is developed by housing associations. Somewhat less than half of local authorities in England still

own their own housing stock, the other half having transferred their stock to housing associations. Social housing is either rented at 'social rents', which are regulated by government or 'Affordable Rents' which are generally higher and set at up to 80 per cent of market rents.

The cost of rental housing is a crucial issue in relation to poverty in England (Stephens and van Steen, 2011; Tunstall *et al.*, 2013). Lower rents enable people to have more disposable income after paying their housing costs. Where rents are expensive, they can become the 'overriding concern' for many of those in poverty and working with those in poverty, and in some instances can lead to widespread overcrowding (Tower Hamlets Fairness Commission, 2013).

Nevertheless, the way in which the rent and benefit system has functioned over recent decades has meant that social landlords in particular have not had to interact with their tenants regarding their ability to pay, as Housing Benefit has generally covered the entire rent for low-income tenants. Consequently, where tenants are in receipt of full Housing Benefit, the rent levels charged have little direct bearing on tenants' disposable incomes. Low-waged working tenants, not quite eligible for Housing Benefit, are therefore the key group whose poverty might be prevented by lower rent. The sub-market nature of social housing means that demand usually outstrips supply regardless of the precise rent level. This means that social rents are controlled by regulation rather than market forces.

However, this environment is changing. Welfare reforms have started to harden the link between high rent and poverty. The Household Benefit cap of £500 per week for a family has had most impact in higher priced areas and on larger families, who can no longer afford rents at the Local Housing Allowance level without making substantial cuts to their living expenses. Finding a low-rent property now makes a big difference to the poverty levels of those affected by the cap. The Housing Benefit cuts for social tenants who under-occupy (which has become known as the 'bedroom tax') have also had a bigger impact on those in high-rent properties, and have forced social landlords and tenants to look more closely at the size match between household and dwelling, and to consider carefully what their tenants can afford.

Maximum rent rises within the social sector are set out by government and limit rent rises to a small amount over inflation. However, by raising rents at a time when wages and benefit levels are reducing in real terms, social landlords are clearly in danger of increasing financial pressures on tenants, and thus adding to poverty. There is widespread recognition that to avoid this, landlords will need a proactive approach which understands tenants' financial pressures and supports their ability to pay.

Alongside this, developing housing associations are having to think through the full implications of lower capital grants to provide new housing and of making up the shortfall by charging higher Affordable Rents rather than social rents. In high-cost areas, raising rents for those on low incomes is a key issue. It is not just that no new grant-supported housing is being built for social rents, but that to fund new development substantial numbers of social rented properties are being converted to Affordable Rents. Data from CORE (COntinuous REcording of lettings and sales in social housing in England) shows that in 2013–14, there were 35,848 lettings at Affordable Rent, making up around one-fifth of the total lettings of social housing in England for that year (DCLG, 2014).

A fuller literature review was carried out previously for this research.² The review concluded that little literature has been produced in recent years around developing explicit anti-poverty strategies. This is despite an early

Maximum rent rises within the social sector are set out by government and limit rent rises to a small amount over inflation

1990s Housing Corporation report, which concluded that anti-poverty work should not be seen as an 'optional extra' but as a fully integrated part of general management and development strategy (New Policy Institute, 2001; 2006).

As government policy pushes social landlords to adopt a more conventional business outlook, there has been significant debate within the housing association sector about the balance between new commercial aims and the social goals of a social landlord, such as addressing poverty and homelessness (Lupton and Lomax, 2013). In particular, it has been suggested that there is an increased need for housing associations to set out explicitly their objectives in this area, given the increased pressure to maximise income from existing tenants and assets to fund development (Mullins, 2011; Lupton and Leach, 2011).

Growing numbers of low-income households are living in the private rented sector (PRS), which according to the English Housing Survey has grown from 14 per cent of England's housing stock in 2008–09 to 18 per cent in 2012–13. Department for Work and Pensions (DWP) data shows that nearly 40 per cent of Londoners in poverty are in the PRS and the number of households claiming Housing Benefit in the PRS in London increased from 104,000 to 284,000 between 2003 and 2013 (Aldridge *et al.*, 2013).

In the PRS, the reduction of the maximum payment of Local Housing Allowance to the 30th percentile of local rents (previously set at the 50th percentile), cuts to Housing Benefit for the under-35s, as well as the Household Benefit cap, have reduced the potential income for private landlords from these tenants in comparison with employed tenants who can pay the rent in full.

The introduction of Universal Credit is bringing changes to benefit levels, and will also introduce direct payments to tenants, rather than to their landlords, for the rental component (DWP, 2010). This has also highlighted the need for landlords – both social and private – to engage with their tenants about what they can afford, and how they will pay for it.

2 DO LANDLORDS FOCUS ON POVERTY AND DEPRIVATION?

Anti-poverty landlords?

The research found that the extent to which addressing poverty and deprivation is part of the 'mission' of housing organisations was, perhaps unsurprisingly, one of the aspects that most clearly separated social and private landlords. Private landlords or letting agents did not usually seek to tackle poverty, whereas social landlords and local authorities were keen to emphasise their social mission.

That social mission, however, was generally wider than tackling poverty and many organisations did not use the term poverty at all. Local authorities were the most likely type of organisation to have any kind of explicit 'anti-poverty strategy'.

The documentary analysis found that only 10 of 78 housing associations, and 6 of 18 local authorities or ALMOs stated tackling poverty as an explicit goal. Just 7 housing associations and 5 local authorities, had a dedicated anti-poverty strategy available.

Table 1: Organisations mentioning tackling poverty as a goal

| Type of advice or support | Housing associations | | Local authorities and ALMOs | |
|--|----------------------|-----|-----------------------------|-----|
| Base | 78 | | 18 | |
| Providing documents detailing motivation for their work that mention tackling poverty as a goal | 10 | 13% | 6 | 33% |
| Providing documents detailing motivation for their work, but not mentioning tackling poverty as a goal | 42 | 54% | 11 | 61% |
| No documents available which detail the motivations for their work | 26 | 33% | 1 | 6% |
| Anti-poverty strategy available | 7 | 9% | 5 | 28% |

Source: Database of Policy and Strategy Documents

The importance of this, however, should not be overstated. Although an explicit commitment to fight poverty may be useful to co-ordinate work throughout an organisation, the absence of such a commitment does not mean nothing is being done:

“The action plans that we have talk about making sure people achieve their full potential, have support to live longer and healthier lives ... The word poverty doesn’t specifically appear, but it is something that certainly, as a senior officer working in the authority, I’m very aware of ...”

Local authority, North East

A much larger number of the policy and strategy documents committed to tackling issues which would be understood to constitute poverty, such as hardship caused by welfare reforms, or financial exclusion:

“We recognise that many people who live in our homes do not enjoy the economic, employment, education or health benefits and opportunities that those living in the wider community enjoy. We believe this gap in opportunity is not fair and are actively seeking to redress this imbalance through the development of healthy, wealthy and wise investment in our communities.”

Acis Group: Corporate Strategy

Indeed, the documentary analysis found that organisations which had written policies with specific commitments to tackle poverty were no more likely to mention practical activities to alleviate poverty than those without.

So why do so many organisations which are doing work tackling poverty choose not to talk about it in those terms? Interviewees suggested a variety of reasons, ranging from a preference for using other terms or a worry about stigmatising residents, to it being so obvious as a focus of their work that they didn’t feel the need to discuss it:

“In terms of the factors that you would use to determine if somebody is in poverty ... financial difficulties, inability to pay

fuel bills ... [that's always been a focus] of housing association providers. But the word's just quite bleak. That's not us shying away and saying it's not happening; it's just us saying, let's not put people in a box ... ”

Housing association, London

“We don't typically use the word poverty ... It's a kind of term that's used at government policy level, by academics, but we don't use that terminology ... we talk in terms of financial inclusion and tenancy sustainment, though that can be quite broad.”

ALMO, London

“To be honest it's always been the central focus, so that we don't really think about it, because it's sort of a given ... because that's what we're there for and we're acutely aware of poverty because of what we do.”

Almshouse charity, London

Local authorities were somewhat more comfortable with talking about poverty. However, three stated in interviews that they did not feel that tackling poverty was part of their mission at all, or only an incidental result of their wider mission:

“I would not say the council has accepted a responsibility to address poverty; our stance on poverty is insofar as it impacts upon ability to secure suitable housing and no further.”

Local authority, West Midlands

Some local authorities mentioned that addressing poverty (not specifically fuel poverty), was not something they were explicitly required to do by central government.

As might be expected, poverty was not a major theme in the private sector, where motivations were usually commercial. A small number of landlords did say that they actively wanted to help lower-income tenants as a matter of personal conscience:

“I started 22 years ago, and the aim was to provide good quality accommodation for people on DSS. [I'm] not in it to make a loss – it's my pension ... ”

Private landlord, West Midlands

However, most private landlords were clear that their role was to provide housing and run a business, not to tackle poverty.

Tackling wider deprivation and hardship

While housing associations and local authorities rarely have an overarching strategy to combat poverty, they often counted tackling wider deprivation

and hardship among their social goals, and when asked identified a number of their activities which might reduce poverty.

The table below shows some examples of the ways in which landlords' work combated poverty.

Table 2: Examples of different types of landlord activity which may combat poverty

| | Housing provision | Wider work of housing organisations |
|---|--|--|
| Direct impact on poverty | Keeping rents low Maximising development | Assistance claiming benefits |
| Impact on employment | Providing housing in locations with transport links to centres of employment | Providing training opportunities to tenants |
| Impact on wider causes or consequences of poverty | Providing energy-efficient housing Providing a secure long-term home | Budgeting advice Tackling anti-social behaviour and crime |

In interviews, social landlords and local authorities, when asked if they worked to reduce poverty, usually talked first about measures being taken to assist existing tenants to maximise their income, or sustain their tenancy:

“We’re not here to give people things, but what we can do is provide an environment and a range of services which will help people move out of poverty.”

Housing association, London, South East and East of England

Although the link between building affordable housing and reducing poverty was not disputed by interviewees, building more affordable housing was spontaneously mentioned as a poverty-alleviating activity only by a minority of interviewees:

“It’s fairly obvious the effect we have. We’re trying to provide affordable housing at less than market value. It’s the best chance anyone on a low income has of having an affordable home.”

Local authority, South East

Clearly, social goals are not the only reason for carrying out work which combats poverty. For example, assisting tenants to claim benefits may bring financial benefits to a landlord in terms of reducing arrears.

This was particularly the case in the commercial sector, where many actions taken for the benefit of landlords might have an incidental benefit to tenants:

“[Providing] good quality houses means long-term tenants, which is worth the money.”

Private landlord, West Midlands

The types of actions taken to combat poverty are discussed further in Chapter 6.

3 BUILDING FOR PEOPLE IN POVERTY?

Development is a key part of the mission of most social landlords. Substantial cuts to grants have, however, meant radical change in the way new development is funded, with more emphasis on funding from rents and borrowing. Social landlords are also increasingly turning to the development of market housing in order to keep their development programmes active and provide cross-subsidy for developing sub-market housing.

Development by social landlords

Why develop?

Almost all the social landlords interviewed were seeking to provide more homes. This was particularly clear among larger housing associations, which often saw expansion as a central part of their mission. Local authorities had less interest in expanding their housing stock, although recent concerns over the supply of affordable housing had led some to change course and create a development programme, for example in Southwark and Guildford.

Many of the smaller organisations interviewed did not consider expansion to be part of their mission, or were building only if necessary, for example to replace obsolete housing.

However, others believed that there was not necessarily a conflict between spending on development or on services for tenants. If new housing creates a surplus (i.e. is profitable) it may mean that more resources can be dedicated to supporting tenants in poverty, not less:

“[We want to] enhance our financial viability so that we can continue to develop and grow as an independent housing provider with or without subsidy.”

Southern Housing Group: Value for Money Statement 2012/13

The documentary analysis explored whether there was any relationship between landlords taking a development-oriented approach and provision of support services to existing tenants to alleviate poverty; no such statistical link was found.

Some landlords clearly saw their push to build homes as a social objective, while some more commercially-oriented landlords saw expansion as a self-evident goal of any business:

“We don’t want to stand still, we want to win more business, win more contracts ... we don’t want to say this is the income we’re going to have and we’re going to manage everything within that. We want to increase the money that comes in, to develop more areas of the business.”

Housing association with more than 20,000 homes in London, South East and East of England

Building market housing

Developing associations were looking for new ways to provide cross-subsidy for their social housing programmes, often including the development of market housing for rent or sale. It was clear from the documentary analysis that housing associations, big and small, were diversifying the tenure of properties they build. Half (23 of the 46 with relevant documents) mentioned that they had built or were building housing for market sale, and one more mentioned plans to do so in the future. Meanwhile, 11 of the same group (24 per cent) reported that they had built or were building housing for market rent, and 9 more (20 per cent) mentioned plans to do so in the future.

In itself, the provision of market housing does not generally fulfil a social mission. However, if it can generate a subsidy this can then be used to support residents or build more housing affordable to those in poverty.

“We’re also looking into whether we could provide market rented housing, purely to generate revenue, rather than meeting housing need, although it would have the side benefit that we’d be a reliable landlord ... of private sector accommodation.”

Local authority, South East

“We recognise that as an independent modern organisation we should be less reliant on increasingly scarce government funding and more self-sufficient, looking to see how we can use the value within our existing portfolio to meet our objectives.”

Genesis, Annual Review 2012–13

Some housing associations were explicit that providing market housing to higher-income groups was also something they saw as part of their social mission:

“There is a growing need for [private] rented accommodation for those unable to access home ownership or social housing ... We’ll expand this area of operations and agree targets in 2014.”

AmicusHorizon: Strategic Plan 2013–16

Most housing associations questioned saw their market housing as a commercial operation designed to generate cross-subsidy, and sought to distinguish it from their affordable housing in terms of intended tenant groups. For example, one housing association – Aldwyck – stated that it would not let its market rent properties to those in receipt of any Housing Benefit (Aldwyck: Access to Housing Policy).

However, diversification could have other implications. If the new tenures displace spending or staff resources which would otherwise be spent on developing housing for those in the most need, this would be likely to have a negative impact on poverty. The research found relatively little serious analysis of value for money, opportunity costs or the degree of cross-subsidy being generated, nor of the risks associated with such a policy.

Social landlords wishing to build social rent housing must do so using their own resources, other than in exceptional circumstances

Affordable Rent or social rent?

Affordable Rent, with rent set to a maximum of 80% of market value (as assessed for the individual property), is now the only type of rented housing which will be supported by Homes and Communities Agency (HCA) funding for new development. To receive the subsidy, landlords must also convert some of their relets to Affordable Rent. Social landlords wishing to build social rent housing must do so using their own resources, other than in exceptional circumstances. This means that developing in order to house a greater number of households often comes at the cost of decreasing affordability for tenants in the existing housing stock.

The large majority of organisations interviewed had moved to building only Affordable Rent housing, arguing that this maximises delivery, or is the only way to provide any housing at all:

“In order to be able to afford to build, we have to do Affordable Rent. Land is at a premium, so we have to work very closely with local authorities to meet their demands before we’re given permission to build as well.”

Housing association, East of England

Some organisations (especially very small organisations and stock-holding local authorities) did not take part in the Affordable Rent programme, simply because they were not developing new housing on a sufficient scale, or because their bid for development funding to the HCA had been unsuccessful. However, the small number of landlords with development programmes who had made a policy decision not to take part generally justified this in terms of the impact on affordability for tenants:

“Keeping rents at social rent levels has been a significant decision – we do realise the impact that it has on our residents. Average incomes are generally quite low.”

Developing housing association, London

Organisations were aware that developing homes only for social rent, and therefore missing out on the HCA funding, had a significant impact on their development programme:

“We have decided to maintain rents at ‘social’ rent levels ... This has required a big change in our development programme, which

now includes private sale to provide the subsidy ... Because of this ... our new homes programme is much smaller than previously, and we are more dependent on our sales success to achieve it.”

Family Mosaic: Annual Accounts 2013

The impact of this decision on poverty is far from straightforward. For households in poverty who are not yet tenants, a lower rate of development will reduce their chances of becoming a tenant in future, and of benefiting from the lower rents and the range of anti-poverty services provided by the social landlord.

Local authorities in some areas are keenly aware of the potential to increase total sub-market supply by delivering housing at a higher rent level:

“We do need housing, we have got a huge [number] of people waiting on the list ... I think more properties would always be the winner, to be honest.”

Local authority, East of England

On the other hand, developing only higher rent housing to maximise the number of units built risks pricing out those in poverty. Local authorities were well aware of this, but often felt they had little choice but to allow it:

“[This district] traditionally has quite a low-wage economy ... so we don't want to push rents up too much ... [but] the political view has been that we want to see delivery of Affordable Housing, because this is a high-demand area, so rather than cut our nose off to spite our face and say: 'Go away, we'll not have any', we say: 'Well, okay, we'll accept what central government has dictated has got to be delivered'.”

Local authority, South East England

Some local authorities interviewed had actively tried to ensure a continuing supply of new social rent housing, for example through specifying a proportion of social rent in tenancy strategies, or increasing the size of their own development programmes, using the New Homes Bonus offered from central government for all new housing:

“We still push for a certain number of developments to be social rent. [We] put money into the development of affordable housing outside of the HCA framework ... We're looking at using some of our land, and New Homes Bonus, to create a pipeline of social rented housing.”

Local authority, West Midlands

It was mainly in London, where rents were highest, that there was most concern among social landlords and local authorities about the benefit cap (which limits total benefits for out of work households to £500 per week for families, including housing benefit). The concern was that the cap would make Affordable Rents too expensive for larger families who required larger properties:

“We had some ... big concerns about some of the three- and four-bedroom rents, and the impact there would be in relation to benefit caps. So [we priced them at] nowhere near the 80 per cent of market rent.”

Housing association, London

Concerns about tenants in the greatest poverty being unable to afford the rent, even with Housing Benefit, were much less common in lower priced areas. For example, Sheffield Council reported such issues arising only once or twice a year. Where social rents were already close to 80 per cent of market rents, there was little reason not to adopt the Affordable Rent tenure, but also little to be gained from higher rents. In parts of the East Riding of Yorkshire, for example, the tenure was not considered financially viable by the council.

However in some low-value areas, such as Burnley and North Tyneside, local authorities actively encouraged Affordable Rent (Burnley Council: Tenancy Strategy 2012), most likely because the HCA development programme requires the use of Affordable Rent, and the impact on affordability would be minimal or in some cases positive.

Who is Affordable Rent for?

The research found a lack of clarity, and indeed some confusion as to who Affordable Rented housing should be for. As a more expensive product than social rent, some felt that it should be aimed at a different tenant group, such as those in employment:

“Our policy on Affordable Rent lettings is to prioritise working households, but not to exclude others who can also meet the eligibility criteria ... it is important to ensure that households moving into Affordable Rent homes can afford to pay their rent, sustain the tenancy and look after the property for the long term.”

Southern Housing Group: Annual Review 2012/13

“We are looking at housing two categories of people on the housing waiting lists – one is people who are in low-paid employment; they might be more suitable for [Affordable Rent], but we recognise there will always be another category of social housing tenant who are quite vulnerable ... and are probably never going to be in a position to afford those higher levels of rent.”

Housing association, London, South East and East of England

“By the very definition of their rent levels, they’re aimed at a different group.”

Housing association, London

Places for People reported higher turnover among benefit-dependent households in Affordable Rent properties.

“We’re finding that with tenants on JSA [Jobseeker’s Allowance] there is constant churn – they can’t afford the homes.”

Housing association, national

As a near-market-price product some major housing associations (at least five of those involved in the research) were using income ratios to establish whether a household could afford to pay Affordable Rents, similar to tests used by private letting agents. For instance, one housing association, operating in an area of moderate market values, had a policy of not allocating housing to households where rent exceeded 35 per cent of net income. In the case of Affordable Rent, they found this criterion was not met by households with no one in employment, and so even if Housing Benefit would cover the rent in full, they would not offer an Affordable Rent tenancy.

Another housing association sought to attract a different tenant group through advertising a proportion of their Affordable Rent homes directly to households with a member in employment via commercial property websites, rather than to households on the waiting list.

However, there was a counter argument expressed by some social landlords that tenants in employment and not in receipt of housing benefit were the ones whose poverty was more directly affected by rent levels, and were therefore better off with social rents. As long as the benefit cap could be avoided and benefit payments assumed to be reliable – Affordable Rent properties were therefore best let to people in receipt of full Housing Benefit, whose residual income would be unaffected by the higher Affordable Rent (they would simply have a higher Housing Benefit claim):

“What we’re finding with some of the [housing association] Affordable Rented properties, they’ve got quite high rents, so there is more of a danger that there will be only people on benefit that are able to take those properties. So the rent might be covered by benefit but someone who’s working might not be able to afford it.”

Local authority, South East

This is clearly of particular concern, given that a key method of combating poverty is to help tenants into work, and concentrating benefit-dependent households in the highest rent properties would reduce work incentives.

Some local authorities were also concerned that poorer tenants might be unwilling to take Affordable Rent tenancies even if on paper they could afford them:

“On some newly built schemes, [the higher rent] has seemed to be a problem, with people turning down offers of accommodation because they are waiting for a social rented property or they think they can’t afford an Affordable Rent, so they’ll stay where they are, even though they’re overcrowded. I wouldn’t say they’re difficult to let, but they may not be let to the households we consider most in need.”

Local authority, South East

These issues are covered further in Chapter 7.

Some local authorities were concerned that poorer tenants might be unwilling to take Affordable Rent tenancies even if on paper they could afford them

Can local authorities influence whether Affordable Rent housing is built?

As a result of these concerns, some local authorities have sought to restrict the use of Affordable Rent in their areas through the use of tenancy strategies, with varying degrees of success, given they do not always have control over this. Interviewees from both local authorities and housing associations suggested that the influence of local authorities was stronger where developments were covered by Section 106 of the Town and Country Planning Act 1990 or on public land. Local authorities had no power to prevent conversions of existing property to Affordable Rent, although some made attempts to discourage it.

Some housing associations felt that local authority action was the main factor restricting their delivery of Affordable Rent housing, and the rents they could charge.

“I would say we’ve got a good amount [of influence over housing associations] here, because we’ve got ultimate veto with the HCA grant ... The land agreement states that they must build what’s required to meet [the] housing need [we’ve identified] in line with HCA support for grant funding.”

Local authority, North East

The degree of local authority influence also depended on the number and focus of the housing associations active in their area, and the relationship they had with them:

“It depends on the partner you’re working with. Some will work very closely with us in terms of meeting housing need, and that’s on the tenure of the property as well as the size of the units – but others are more business-minded, and it’s about making the development financially stack up for them.”

Local authority, West Midlands

Others had little choice over who to work with:

“Our main housing association has taken the decision to charge Affordable Rent on virtually all relets, and we have no say over that.”

Local authority, West Midlands

Where to build, buy and sell off housing

Locating social housing in cheaper areas can reduce rents, though may mean people in poverty are housed in the areas with fewest jobs and opportunities. The use of Affordable Rents, which vary more than social rents in line with market rents, has increased the effect of location on affordability.

The research found that building in cheaper areas was also considered sensible in order to allow more homes to be built for less money, especially where it is subsidised by selling stock in very high-value areas. Several housing associations, all based in London and the South East (e.g. Notting Hill, Genesis and Paradigm) stated that they had a policy of selling stock in

areas with a high market value in order to generate profits to build more housing elsewhere.

However, this did not appeal to all landlords, who were aware of the need for affordable housing in high-rent areas too:

“We own quite a few properties in East Dulwich ... It would be very easy to raise significant amounts of money ... by replacing [that] with something in somewhere like Thamesmead. But there is this balance ... areas need social housing.”

Housing association, London

Location also matters because in some areas the cost of living is higher than others, for example due to a lack of local services. In addition, landlords were aware of the need to build social housing with good access to employment opportunities:

“We don’t tend to go to outlying areas where a car is needed.”

Housing association, London

However, a significant number of social landlords developed only where viable sites came up. This was particularly the case in urban areas, where housing organisations often felt that difficulties accessing employment and transport were less of an issue, but land opportunities were scarce.

The documentary analysis found that many housing associations were seeking to sell stock outside their key geographical areas of operation in order to consolidate their operations and make efficiency savings. Support services can be delivered more easily where stock is concentrated (as discussed in Chapter 6) so this may help to combat poverty.

However, another commonly cited reason for selling stock was that it was ‘poorly performing’. The nature of this poor performance was not always stated, though in the documentary analysis, nine organisations mentioned stock with high maintenance costs, and five mentioned the high costs of refurbishing stock to an acceptable standard. A few organisations had a focus on selling vacant properties –and properties generating the lowest returns to the business; in practice this might again amount to selling older properties with high maintenance costs, but could also include low-demand properties in cheaper areas.

Costs to the tenant were rarely mentioned as reasons for selling properties, with only three organisations mentioning the cost of heating as a reason to sell.

Buying properties for the private rented sector

With local authorities increasingly relying on private landlords to supply housing for their tenants, the decisions made by private landlords in the market are often key to the supply of housing for low-income groups.

The private landlords we spoke to were managing portfolios of between one property and several hundred properties, with around half having between two and ten properties and a third having more than ten. Many of the private landlords we spoke to had initially bought as an investment for their retirement, although some had made a decision to rent out properties as their main business. A further small group were ‘accidental’ landlords

whose property had been inherited or was their former home. These made up only 2 of the 20 landlords interviewed, and 20 per cent of the landlords who responded to the survey, though such landlords may be less likely to be members of a landlord association or accreditation scheme and hence not included in the survey.

Most landlords took a cautious approach, and were not currently looking to buy further properties.

“I’m not sure on whether to expand the portfolio – house prices have gone up more than rents in the last few years, so the returns aren’t as great.”

Private landlord, West Midlands

Almost all the letting agents we spoke to gave advice to prospective landlords looking to buy. Most letting agents talked in terms of finding mid-market properties with the widest commercial appeal, and the lowest risk in terms of future maintenance.

“It’s what a lot of people are looking for and can afford. The footfall is much higher ... ”

Letting agent, East of England

Only in low-priced, low-demand areas, such as Burnley and North Tyneside, did letting agents advise landlords to buy properties in the Housing Benefit market. Elsewhere, other markets were seen as preferable.

In other areas, such as London, Suffolk and East Dorset, agents were more likely to mention a decreasing interest in this market in favour of letting to professionals.

In some high-value areas, or where there was a significant student market, such as Portsmouth, agents and landlords suggested that Houses in Multiple Occupation (HMOs) had a higher return, outweighing the additional management costs:

“HMOs are harder work but far more profitable.”

Landlord, South East

The HMO market includes single people in receipt of Housing Benefit, sometimes considered a viable alternative to students or professionals.

4 RENT SETTING

Most social landlords have had a long-established policy of maximising rents in line with the upper limits set by government, since the introduction of target rents in 2001. However some were starting to rethink this in response to local wage levels and welfare reforms, both of which meant increasing numbers of tenants were struggling with their rent. The setting of rents has therefore taken on a new significance.

Rent and service charge setting for social landlords

Setting rents on a new tenancy

The majority of social landlords had no published documents setting out their approach to rent setting or service charges, and were reluctant to send any such strategy or policy on request. Interviews therefore sought to explore how social landlords set their rents, and the extent to which concerns about affordability and poverty featured in these decisions.

Social rent

It was clear that many landlords felt they had few choices regarding rent setting on social rent tenancies. The government's formula sets out the maximum rent, and most landlords simply charged as much as they could within that:

“Rent setting follows the rules set down by central government.”

Housing association, London

As most new housing is now being built at Affordable Rents rather than social rents, the issue of how to set rents on new social tenancies appeared less significant. It was clear that the major issue was whether or not to convert relets of existing properties to Affordable Rent.

Affordable Rent

Setting the rent on an Affordable Rent tenancy is more complex, and in high-value markets can have a substantial impact on the finances of both tenant and landlord. Affordable Rents are expressed typically as a proportion of the market rental value of the property, and are allowed to be up to a maximum of 80 per cent of the market rent for that specific property. This means that the rent for a property will depend on its individual characteristics and location.

In many cases, social landlords felt they had little or no choice but to charge the maximum of 80 per cent of the market rent, given the imperative to deliver new housing:

“Whatever they may say about it being ‘up to 80 per cent’, if you don’t charge 80 per cent, HCA will want to know the reasons why.”

Housing association, South West, South East and East of England

In addition, maximising rents in this way could sometimes be offset by some tackling poverty in other ways. Hastoe, for example, maximised rents but also invested in energy efficiency to reduce the running costs of housing. Many housing associations and local authorities pointed out that they needed to maximise rents in order to deliver as much housing as possible, to maximise their ability to borrow, or to a lesser extent to cross-subsidise services for existing tenants.

“We have been criticised in the past ... ‘You’re a housing organisation, you should be focused on providing the cheapest property, the most affordable social housing’ ... but actually, you know, if you look at a lot of the other things housing associations are expected to do, you can only do that if you’re getting more money in, so it’s quite a difficult balancing act.”

Housing association, London, South East and East of England

However, many landlords did seek to strike a balance between maximising rent and the interest of tenants.

In general, simple caps at lower percentages of the market rent were uncommon. One local authority with high market values had tried to limit Affordable Rents to 70 per cent of the market, but had found that the HCA was unwilling to subsidise housing association development on this basis.

Several landlords interviewed, however, did set rents below 80 per cent on a case-by-case basis, especially for larger properties. Peabody, for example, stated that they typically charged 60 to 65 per cent of the market rent for larger properties; some local authorities reported that this was commonplace.

“Although we can charge up to 80 per cent of market [rent], our average rents are about 65 per cent of market [rent].”

Housing association, London, South East and West Midlands

The focus on larger properties was often to ensure affordability – within the benefit cap of £500 per week for families – in high-priced areas.

Many housing associations and local authorities pointed out that they needed to maximise rents in order to deliver as much housing as possible, to maximise their ability to borrow, or to a lesser extent to cross-subsidise services for existing tenants

Associations recognised that 80 per cent of market rent could be particularly unaffordable on larger properties.

The most common form of limit on rent was to cap it at the level of the Local Housing Allowance (LHA), an option recommended by HCA Guidance. This has had a substantial impact for landlords in London and the South East. Most of those capping rather than maximising Affordable Rents cited concerns over affordability. Local authorities in some high-rent markets wanted to ensure they could house those people most in need on their waiting list in properties to which they had nomination rights. It should be emphasised that this was not a problem in all areas, and depended as much on relationships between local authorities and housing associations as local rent levels.

“We’re seeing rents at or above the Local Housing Allowance ... although housing associations are exempt from that, as a local authority it’s a guideline we’re reluctant to see breached; but one or two of them seem to be breaking it.”

Local authority, South East

Less commonly, some housing associations (such as Aster and Peabody) considered average local incomes when setting Affordable Rents.

It should be noted that there are many lower value housing markets where social rents and Affordable Rents are very similar in level, and therefore social landlords in these areas had to charge the maximum (i.e. 80 per cent of market rent) to avoid a reduction in their income.

Raising rents on an existing tenancy

Social rent

Most of those social landlords that provided documents regarding rent setting for social rent tenancies simply stated that they would continue to move towards government-defined target rents. Seven housing associations stated that they would be maximising rents on their social rented property, moving to 105 per cent of target rent for each individual property where possible, the maximum allowed by regulation:

“We don’t have much influence over it, because we are a registered social landlord – we have to comply with the guidelines ...”

Housing association, London, South East and East of England

Concerns around affordability of social rents were, unsurprisingly, most common in areas where they were closest to market rents. Landlords in these areas were concerned that they must keep rents low in order to compete with the private rented sector and were avoiding raising rents as a business decision to avoid high turnover or lengthy void periods.

Some were also now giving more thought to the issue in the light of changing affordability:

“This is increasingly interesting ... it’s something we’ve thought about a lot over the past couple of years, with housing association rents being index-linked and benefits being capped ... we’re

comfortable that they're within the realms of affordability, although it's something we need to keep an eye on."

Friendship Care and Housing, East Midlands and West Midlands

Others were keen to point out the link between raising rents and having the finance needed to fulfil other aspects of their social agenda, such as development or refurbishment of existing stock.

Affordable Rent

All rent setting policies gathered for the research, where they specified a detailed approach, stated that Affordable Rent tenancies, following standard practice, would usually receive the maximum rent increase each year, unless this conflicted with a housing association's policy to cap Affordable Rents at LHA rates.

Increases are limited to Retail Price Index (RPI)+0.5% (moving to Consumer Prices Index (CPI)+1.0% in 2015–16) and rebased to the market at the end of each tenancy period. Although these rates of increase could have an impact on the financial situation of tenants, few housing associations or local authorities had identified this as an issue.

Setting service charges

Rents are not the only influence landlords have on their tenants' finances; many also levy service charges. These can apply to many types of property, but are often higher in supported housing.

Service charges must be included within the upper limit of 80 per cent of market rent imposed for Affordable Rents, which is a concern for some landlords, in particular those providing supported housing in markets with lower rents. Depending on the composition of the service charge, this may or may not be covered by Housing Benefit; clearly where it is not, it is of particular significance to tenants.

Although many social landlords stated that they were in the process of revising their service charges, their written documentation was often unclear as to what these charges would be, and how they would interact with Housing Benefit. Data from the 2013 Global Accounts (HCA, 2014) indicates a substantial increase (10 per cent) in service charges between 2012 and 2013, though this was in part explained by re-designation of support charges as service charges. Interviews suggested that a key driver for increases could be the move towards cost recovery – i.e. the service charge would be more clearly and transparently linked to the costs of providing the services. In some cases this had entailed a gradual increase to service charges over several years.

Past discrepancies between costs and service charges appeared, in some cases, to have been caused by simply inflating charges in line with rents over many years, regardless of the actual changes in the costs of services. In other cases there had now been a more detailed analysis of how much each tenancy cost, as opposed to simply splitting the costs evenly between all tenancies.

A few landlords mentioned an effort to reduce the actual costs of services, for instance by re-tendering contracts.

Several associations also mentioned plans to minimise service charges on new developments by reducing the use of communal areas such as staircases, avoiding having areas that need to be maintained for tenants, or by rolling the costs into rents, where they could be included in Housing Benefit.

Rent setting for private landlords

Setting rents on a new tenancy

Private landlords generally set rents on new tenancies at market rates, or just a little below in order to secure a good choice of tenant and/or long-term tenants.

Maximising rents featured strongly on letting agents' websites: 14 of the 100 analysed for this research mentioned their strengths in this area:

“As letting agents we are committed to maximising your rental returns.”

Let Us Let It, letting agent in Milton Keynes

Most letting agents and landlords said that they set the rent for a new tenancy according to the market, by looking at rents achieved for similar properties:

“I know the market well but will check against similar properties, on Rightmove and Gumtree. I will also check the LHA rent, though I'm middle market so that will be below me usually.”

Private landlord, South East

In a few areas where tenants dependent on Housing Benefit formed most of the market, such as North Tyneside, landlords were aware of LHA levels and often sought to ensure that their rents were restricted to this level, or only slightly above it (leaving tenants to make up a small shortfall).

No landlords reported that they took into account an individual tenant's ability to pay – they set the rent first and then found a tenant to pay it. Some landlords reported that they did deliberately set rents a little lower than the market might bear, to try to reduce turnover, and just a few felt that it would be wrong to charge a rent as high as the current level of the market because in general market rents seemed high to them, compared to wages.

Letting agents usually saw themselves as having a mission to help landlords, not tenants, in this respect and would normally seek to let at the highest possible rent without creating an extended void period.

Some landlords openly admitted that they didn't necessarily know how far behind market rents their rents had fallen, especially those who only managed a few properties

Raising rents on an existing tenancy

When reviewing rent for an existing tenant, both landlords and letting agents saw the situation quite differently. Few increased the rent every year, citing reasons such as wanting to hold on to a good tenant, and simply 'not being bothered'. In short-term tenancies this may have a minor impact, especially if market rents were steady:

“We try to explain to landlords ‘you've got a good tenant who's paying the rent, incomes aren't going up’.”

Letting agent, South West

Some landlords openly admitted that they didn't necessarily know how far behind market rents their rents had fallen, especially those who only managed a few properties. They tended to reappraise only when their properties were vacant. In a rising market this might result in a long-term private rented tenancy being cheaper than a long Affordable Rent tenancy,

where rent is usually increased each year and rebased to the market at renewal. It is worth noting here that LHA levels were based on rents paid by existing tenants. The fact that rents rarely increase during a tenancy may therefore mean that there are few new tenancies available in the market below the LHA rate.

On occasion, the ability of an individual to pay the rent does appear to have influenced rent setting, where the landlord had personal knowledge of the tenant's situation:

“I haven't been able to put it up to market levels because the tenant is on Housing Benefit and the LHA levels are below what I could charge.”

Private landlord, West Midlands

Overall, the rationale for not increasing rents in the PRS would not normally appear to be addressing poverty. Some letting agents pointed out that they simply wouldn't know if a tenant had financial difficulties unless they went into arrears, although two of those interviewed said they would look at the original affordability assessment for guidance.

5 SUPPORTING TENANTS AND INCREASING DISPOSABLE INCOMES

The ability of landlords to assist tenants in poverty is not restricted to measures to reduce their rent; they can also seek to increase tenants' incomes through advice and support, to help them find employment, or simply to claim all of the benefits to which they may be entitled, or to reduce their outgoings such as expenditure on heating.

Nearly all social landlords had written strategies outlining the provision of support or advice to their tenants. Providing advice on benefits or grants, debt or budgeting was common. Advice on finding work or training opportunities was also offered by most, and some also had policies around financial and digital inclusion.

Interviews suggested that many thought of these services as the strand of their work which contributed the most to tackling poverty.

Support work with tenants

Social landlords

What landlords provide

The documentary analysis found that nearly all social landlords who supplied documents (73 out of 77, or 95 per cent), including all local authorities and ALMOs, mentioned providing support or advice of some form to their tenants. The types of support most commonly offered are shown below:

Table 3: Organisations mentioning provision of different forms of support and advice

| Type of advice or support | Housing associations | | Local authorities/ALMOs | |
|--|----------------------|-----|-------------------------|-----|
| Base | 55 | | 18 | |
| Advice on benefits or grants | 48 | 87% | 15 | 83% |
| Advice on debt | 40 | 73% | 12 | 67% |
| Advice on budgeting | 39 | 71% | 10 | 56% |
| Advice on finding employment | 37 | 67% | 12 | 67% |
| Offering training, volunteering or work experience opportunities | 35 | 64% | 4 | 22% |
| Advice on finding training or volunteering opportunities | 31 | 56% | 8 | 44% |
| Advice or help to reduce fuel bills | 24 | 44% | 11 | 61% |
| Advice regarding bank accounts | 25 | 45% | 5 | 28% |
| Advice on low-cost loans | 15 | 27% | 11 | 61% |
| IT training or digital inclusion work | 23 | 42% | 2 | 11% |
| Grants to residents for one-off expenses | 22 | 40% | 3 | 17% |
| Youth work | 22 | 44% | 0 | 0% |
| Advice on rehousing to a smaller or cheaper property | 15 | 27% | 7 | 39% |
| Advice at end of fixed-term tenancy | 6 | 11% | 7 | 39% |
| Advice on insurance | 5 | 9% | 4 | 22% |
| Crisis support services | 2 | 4% | 7 | 39% |

Source: Database of Policy and Strategy Documents

The interviews showed that even those whose written strategies did not mention providing support did so informally:

“Because we’re small ... our residents’ clerk gets in contact with the residents, they have her mobile number ... She’ll help with filling in forms, she’ll give advice – it’s done on a very informal basis because we do have a good relationship with the [residents] and there’s a lot of trust. We’ll adapt the level of support given to the individual residents.”

Almshouse charity, London

Local authorities often extended the offer of support and advice to the wider community, in line with their role as a general provider of services to the community, although this was less common among housing associations.

The most widespread forms of advice and support were those which offered an immediate return to organisations – financial advice regarding benefits, budgeting or debt. However, activities with a longer term impact, relating to employment and training, were still offered by a majority of those who provided information about this subject area. In some areas there were differences between housing associations and local authorities. Local authorities were more likely to assist tenants with finding low-cost loans, and

less likely to be involved in IT-based initiatives, or to offer in-house training or work experience opportunities.

Why landlords provide advice

Most social landlords were clear that their motivation for the support work they undertook with tenants was twofold – it was part of their social mission, but it was also considered good value for money in terms of reducing arrears:

“The decision was made to withdraw the funding for the CAB post, and bring in an in-house adviser ... It was amazing, in a very short space of time ... we could see the benefits to the organisation, which is why the additional post was funded as well.”

Housing association, East of England

“It has a benefit to us in relation to their ability to pay the rent in some cases, but I think we would want to [provide support and advice] anyway.”

Housing association, London

A small number of organisations considered the argument for providing support purely in financial terms:

“The value for money balance is getting trickier ... but the bottom line for us is we have to look at it in a business-oriented way. We have to get the rent in. The courts are becoming more and more sympathetic to people’s financial situations ... they’re giving people more and more chances.”

Local authority, North East

It was clear from organisations’ documentation that welfare reform had galvanised change in the sector, and had caused many organisations to expand their support services considerably or start providing them for the first time:

“Significant reform of the housing and welfare benefits system is underway and we are committed to supporting our residents and communities, as well as protecting the income streams that enable us to deliver our current levels of service and provide more homes. We have identified households impacted by the initial reforms, evaluated the potential impact and are implementing our strategy, focused on offering more financial management and budgeting support.”

Peabody: Report and Financial Statements 2013

Local authorities tended to feel a greater need to justify spending on services in terms of formal objectives. Advice services offered by council housing departments often had to justify allocating funding for advice solely in terms of financial returns to the department. Money or benefit advice services were, however, often provided independently to both tenants and

non-tenants by other departments, for example in East Riding of Yorkshire. Sheffield City Council found that a restructuring to bring about greater integration with other council departments had enabled them to offer tenants a unified advice service, reducing the need to refer tenants between services.

For many local authorities this kind of work was associated with their homelessness prevention activities, which apply even when the council does not hold its own housing stock:

“If those people suddenly turn up on our doorstep as homeless ... we’d have to put them in B&B [bed and breakfast] or temporary housing. We’ve actually been able to bring our B&B bill right down because we get in there early.”

Local authority, East of England

For those organisations focusing on financial gains and arrears, evaluating the success of support services was simple. However, for those seeking to fulfil a social mission, things were more complicated, and few sought to gather data on the long-term impacts on residents. A handful of large organisations were considering formal measures of social value such as Social Return on Investment, although most of these were in the early stages of implementation.

For those seeking to fulfil a social mission, things were more complicated, and few sought to gather data on the long-term impacts on residents

Private landlords

Private landlords did not generally offer anything more than occasional signposting to other services and most felt that it was not their role to do so. A lack of other support services for vulnerable tenants sometimes deterred landlords from offering tenancies to this group.

One exception was a letting agent that had a large number of tenants on Housing Benefit, and had made a commercial decision to train up staff to provide benefits advice, attracting landlords who wanted a reliable income from the Housing Benefit market:

“We work with a number of local authorities ... if we feel that a tenant is vulnerable we’ll ask our social work contacts ... so I think that’s where our business slightly differs from some estate agents or letting agents.”

Letting agent, North West

Support offered by private landlords and agents tended to be reactive and focus on dealing with arrears; no letting agent or landlord interviewed provided support in finding employment.

Private sector landlords and agents offered a wide variety of reasons for not offering support services or signposting to such services; most commonly it was felt that providing services was not their responsibility, or that tenants did not need help. Few had considered the costs and benefits of providing support.

“[I know] they’re deliberately spending the money elsewhere. They tell me a sob story, and that their dad will pay it, but they’ve usually spent it.”

Private landlord, South East

“We wouldn’t necessarily see that as our responsibility.”

Letting agent, East Midlands

“[People say tenants] require greater support, but the bottom line is it’s too expensive for private landlords.”

Private landlord, East Midlands

Those landlords and agents who did provide support sometimes felt it offered value for money; the costs of evictions and arrears could be high.

While the vast majority of private landlords did not offer support services, some – especially those who managed the properties themselves – might waive a month’s rent or allow late payment if they felt a tenant was in a genuine crisis.

“I don’t think a private landlord would have a policy toward rent arrears or eviction. They deal with it individually ... when you’ve got people who are in severe difficulty, and you’ve got a landlord who owns five or ten properties, they’ll go and talk to the tenant.”

Letting agent, East Midlands

Many private landlords and letting agents felt strongly that it was not their role to be the ‘landlord social worker’. Those who were willing to let to low-income groups and homeless people referred by the council felt that providing housing to these groups already entailed accepting a lower rent than might otherwise be achievable, and more onerous management in liaising with Housing Benefit departments to ensure rent was paid. They felt it was unreasonable if these tenants came with additional needs which they were also expected to meet. A lack of support services therefore sometimes deterred landlords from offering tenancies to this group.

Addressing fuel poverty

Advice and signposting to sources of support

Many social landlords provide advice on improving energy efficiency to their tenants, but it was not found to be as widespread as the provision of money advice or help to find employment. While some housing associations and local authorities provide advice in-house and actively promote it to tenants, others work in partnership with external agencies, or simply signpost tenants to independently funded external sources of advice. A small number negotiated with energy suppliers to facilitate offering special deals to tenants. However, these were in a small minority.

There was no clear pattern to the type of landlords offering services; however, it was clear that some saw it as outside their area of responsibility:

“It’s one of those issues which comes back to core versus non-core ... To what extent [we] could sustain that service going forward is debatable unless we can demonstrate clear outcomes as part of a business case.”

ALMO, London

In the private sector, landlords were not generally found to be offering fuel efficiency advice. The only exception was a landlord of student housing who paid the energy bills himself. Letting agents frequently mentioned signposting landlords to grants to improve their properties, but none reported providing any advice directly to tenants. However, in many local authority areas there had been a reduction in grant funding:

“There’s no money. This is the thing. There’s no money to address poor quality housing any more ... The government stopped providing any funding for private sector housing improvements several years ago.”

Local authority, West Midlands

Fuel efficiency and fuel poverty – investment in existing stock

Most housing associations and local authorities, although not all, had some interest in the fuel efficiency of housing, beyond complying with regulation. In most cases this was primarily funded by external grants, which were widely acknowledged to be increasingly difficult to secure as funding had been reduced. Some organisations, however, were prepared to devote substantial sums from their own resources to the issue.

There was no clear pattern to those who did or did not prioritise this; even the smallest organisations took some interest, although it was not always clear to what extent they were exceeding the statutory requirements.

“We obviously wanted low running costs, not only for our own sake but those of the residents. But the building regulations being what they were, we didn’t have much choice anyway.”

Almshouse charity, London

For most of those that did not prioritise fuel efficiency, it was simply not a priority for limited funds, either due to a total lack of funds or due to a priority being placed on maximising development.

Organisations usually justified investment on the grounds of their social mission rather than environmental concerns; even the most environmentally minded felt fuel poverty was of at least equal importance:

“It is very much fuel poverty, it’s very much a focus on the individual ... we have a strategy that deals with climate change, but I think when push comes to shove it’s very much the council’s view that we do what we can to help the individual with a focus on those in the greatest need.”

Local authority, Yorkshire and the Humber

Importantly, a small number of organisations considered this type of investment to be a means of ameliorating higher rents for their tenants:

“We’ve got a concern about the higher rents, so ... we want all the other costs to be as low as possible ... the tenants are going to be spending probably 40–50 per cent of their income on

housing costs, so we're keen to make the properties as well-insulated as possible."

Local authority, South East

Hastoe emphasised the importance of fuel poverty to them as a rural landlord, operating in areas which are not connected to a natural gas supply; this had led them to build some of their new houses to the Passivhaus standard, a strict energy consumption standard).

Finally, a number of housing associations had a policy of disposing of energy-inefficient properties through the market. While in some areas these properties might be purchased by homeowners with resources and an interest in improving their fuel efficiency, in areas of lower market values they may be purchased by low-income homeowners or private landlords with an intention of letting them to low-income tenants. This could potentially shift fuel poverty into the private sector rather than reduce it overall.

Private landlords

Private landlords' interest in fuel efficiency was driven primarily by regulation and financial interest; agents in particular were aware that it is likely to become illegal to rent out a property with very low fuel efficiency at some point in the 2020s. Ensuring a property was fuel-efficient was rarely considered on its own but was part of a wider agenda of ensuring their homes were of good quality and well-maintained.

"It's not so much about saving money (to me or tenants) but avoiding condensation and mould."

Private landlord, South East

"I wouldn't put my tenants in a house that I wouldn't want to live in myself."

Private landlord, North East

Landlords were near-unanimous that substantial investment to improve fuel efficiency was not commercially viable:

"I've just had a quote on putting external insulation on [the] walls – but it's £12,000, and the house value is £95,000."

Private landlord, East Midlands

"Some landlords just don't want to pay the money, or they can't afford to, because they've bought those properties and they're in negative equity."

Letting agent, North West

Landlords and agents argued that the savings the tenant might make in lower bills were not something that could be added to the rent charged, especially if they were focused on the LHA market, and hence the costs would not be recouped. Agents reported that while fuel-efficiency improvements might increase the sale value of the property, they would rarely or never increase the potential rent.

6 WHO TO HOUSE?

There were two identifiable themes from the written strategies of social landlords: while some were reasserting the ‘traditional’ role of a social landlord in housing those most in need (or in ‘necessitous circumstances’ as it is often phrased in mission statements), others were emphasising the need for business diversification and housing a ‘wider group of people’.

Social housing allocations

Those which were moving away from selecting purely on the basis of housing need were instead selecting on the basis of local connections or being in employment. Some landlords were also implementing affordability tests, so that those in the most need might not always be housed, even if initially prioritised on that basis.

Housing those in most need or ‘a wider range of households’?

Housing need or poverty?

Housing need relates to inadequacy of a household’s current housing. This is not the same thing as being in poverty, though clearly a low income is a critical factor in many households’ inability to find adequate housing on the open market. Some housing organisations felt that their allocations reflected housing need, and that this was – in effect – the same as prioritising poverty. Others felt that they were quite different:

“I don’t think it’s done on the basis of whether or not they’re in poverty, it’s done on the basis of whether or not they’re in housing need. Now, in a lot of respects, I would imagine that the two almost go hand in hand ... generally speaking if you’re not in poverty [in this area] you’ve got the ability to solve your own problems.”

Local authority, South East

“We don’t talk about poverty – it’s more about being a social housing provider, rather than looking after poor people. I’ve never considered it’s about people in poverty – it’s not necessarily people in poverty who need housing.”

Housing association, East of England

One local authority highlighted that there may be a group who are being missed by the current prioritisation of housing need; those whose housing is adequate but are struggling to afford it. This group could potentially be quite large in areas where rents are rising rapidly:

“The government guidance assumes that if you’re in unsuitable housing you can’t afford suitable housing. That’s the logic, and to a large extent that holds true ... but there are also people in suitable housing who can’t really afford it, and it’s that latter group that it’s difficult to identify.”

Local authority, West Midlands

However, no local authority or housing association interviewed had made any move towards targeting this group, perhaps due to the difficulty of such a task. This meant that many households in poverty and in market housing were not considered to be ‘in need’ until made unintentionally homeless by eviction. Letting agents interviewed found this to be a particular problem, since going through the process of eviction is very damaging to the household concerned, making them very unlikely to be housed in the private sector for the foreseeable future.

“They can’t do anything for the next seven years – they can’t even think about borrowing money.”

Letting agent, South West

Focusing on housing need or more widely?

Many social housing allocation policies, tenancy strategies and wider corporate plans stated their focus in general terms. There were two key themes emerging here. First, there was what could be called a reassertion of the ‘traditional’ role of social landlords in housing those in the most need:

“Metropolitan aims to house those in greatest housing need.”

Metropolitan: Available Homes Policy

“Our vision is to be the leading national housing and care business provider for those with the greatest need.”

Midland Heart: Our Financial Statement 2012–13

In total, 35 of 59 housing associations (59 per cent) and 15 of 18 local authorities and ALMOs (83 per cent) provided strategy documents which made it clear that their priority in housing provision was to cater for those in the most need.

In contrast, the other theme emerging was the need to widen the role of social landlords in order to accommodate a wider range of people.

In total, 35 of 59 housing associations and 15 of 18 local authorities and ALMOs provided strategy documents which made it clear that their priority in housing provision was to cater for those in the most need

Sometimes this was expressed simply in terms of a need for business diversification:

“This year, a key focus was to secure the pipeline of new homes under construction and to diversify our range of housing options.”

A2Dominion: Annual Report and Accounts 2013

“[We will] continue to broaden our operating base, our portfolio of housing tenure, our range of housing and support services and our social and commercial customer base.”

Worcester Community Housing: Our Strategy 2012–2015

Others actively wanted to work with a wider range of income groups, sometimes on the basis of seeking to bring social benefits to the whole community, not just those in poverty or with the highest level of need:

“We provide all kinds of homes for all kinds of people in all kinds of places...”

Acis Group: Corporate Strategy 2009–2019 (2013 update)

In total 16 of the 59 housing associations (27 per cent) had written statements of some sort that implied a focus on broadening their customer base and accommodating a wider range of people. In contrast, none of the documents examined from local authorities included such statements.

Which organisations focus on poverty in their strategies?

The documentary analysis found that smaller housing associations – those with fewer than 10,000 homes – were statistically more likely to focus on building for households in greatest need.

Table 4: Strategic direction – do housing associations focus on housing those in the most need or a wider range of potential tenants? (By organisation size)

| Organisation size | Base | Focus on housing those in the most need or a wider range of potential tenants | | | |
|----------------------|------|---|-----|-------------|-----|
| | | Most need | | Wider range | |
| Under 10,000 units | 19 | 11 | 58% | 3 | 16% |
| 10,000 units or more | 38 | 19 | 50% | 13 | 34% |
| Total | 62 | 35 | 56% | 16 | 26% |

Source: Database of Policy and Strategy Documents

Those operating in the South East or in the higher value markets were most likely to see housing people in lower levels of need and on higher incomes as a social goal, reflecting the fact that housing need extends further up the income spectrum in areas with high housing costs.

“We have to build homes for the people in priority need, but we also have to think about how we’re going to build homes for lower income workers that work on our public services –

the nursery workers, the teaching assistants. I don't think it's necessarily building for the poorest. It's building a range of housing products including possibly private rent homes.”

Local authority, London

To some extent this arises from economic necessity; organisations seeking to maximise development may have little choice but to house a wider range of people, in market tenures and/or in Affordable Rent, because the subsidy available per dwelling is limited:

“I think it's a mixture now. We have to be competitive in the markets; we have to self-fund, so almost accidentally we are catering for a wider group of people.”

Housing association, London

Interestingly, there was no link found between those organisations most focused on providing housing to those in the most need, and those expressing a strategic commitment to tackle poverty. Table 5 shows that those with a focus on housing a wider range of people were at least as likely to talk about reducing poverty as those who emphasised their commitment to housing people in the most need:

Table 5: Strategic direction of housing associations and the extent to which reducing poverty was a stated goal

| Strategic direction | Base | Reducing poverty as a stated goal | |
|-------------------------------|------|-----------------------------------|-----|
| House those in most need | 35 | 9 | 26% |
| Unclear | 11 | 1 | 9% |
| House a wider range of people | 16 | 5 | 31% |
| Total | 62 | 15 | 24% |

Source: Database of Policy and Strategy Documents

Some housing associations and local authorities saw housing a wider range of people as a positive good, seeking to use both their allocation and tenure policies to ensure more mixed or sustainable communities. For example, Peabody target their developments by assessing local need, and seeking to meet a cross-section of that need rather than seeking to prioritise those in the highest levels of need before covering other groups. This is an approach taken on a less formal basis by some other housing associations:

“We are looking at housing two categories of people on the housing waiting lists – one is people who are in low-paid employment; they might be more suitable for one of those other units, but we recognise there will always be another category of social housing tenant who are quite vulnerable ... and are probably never going to be in a position to afford those higher levels of rent.”

Housing association, London, South East and East of England

There is a question mark over the extent to which a wider range of people are actually housed, however, given that allocation schemes operated by local authorities continue to prioritise homeless people and the most vulnerable. Some housing associations in areas with Choice Based Lettings schemes believed that poorer potential tenants sometimes avoided applying for higher rent Affordable Rent property.

Some local authorities in medium- and high-value areas had seen housing associations refuse significant numbers of direct nominations of potential tenants:

“Since the welfare reform changes have happened, it is getting more and more difficult in terms of who [housing associations] are accepting, in terms of a person’s ability to pay their rent ... What we tend to get is people being jumped on the list [by people in a lesser level of need] when perhaps they shouldn’t have been.”

Local authority, West Midlands

However, local authorities retain statutory duties towards homeless households and an obligation to ensure that, overall, those in housing need are given priority within their allocations scheme. In high-pressure housing markets, this will make up a substantial proportion of allocations.

Placing poorer households in expensive housing may mean they can barely afford to pay the rent, or remain trapped on benefits, and social landlords may be tempted to test affordability in order to reduce the number of people in poverty in their own housing and the costs this may engender. But excluding them from allocations is likely to result in the same households experiencing similar poverty in the private rented sector.

Testing affordability

There are two different types of affordability testing carried out by housing associations and local authorities – excluding those on higher incomes and excluding those who cannot afford the rent charged. About half of those who detailed their allocations policies excluded those on higher incomes from applying, either using a fixed upper limit (such as £60,000 per year) or tying eligibility to market rents, so that those who could afford market rents without paying out more than 30 per cent of their income would be refused access to social housing.

Conversely, of the 46 social landlords from whom allocation policy documents were available, a third (15) mentioned that they refused tenancies to those they believed might be unable to afford the rent. This was particularly common among housing associations (13 of the 29 with relevant documents). Four other landlords checked affordability, but only in order to ensure they directed those that might struggle towards appropriate advice and support; those failing the test were still housed.

Table 6: Organisations mentioning testing of income (by organisation type)

| Organisation type | Base | Mentioned testing income of tenants prior to granting a tenancy |
|---------------------|------|---|
| Local authority | 17 | 5 29% |
| Housing association | 29 | 18 62% |
| Private sector | 27 | 9 33% |
| All | 73 | 32 44% |

Source: Database of Policy and Strategy Documents

A variety of systems were in use to check whether tenants could afford their rent. At least five major housing associations deemed rent at a set proportion of total income to be affordable, an approach which could exclude people dependent on Housing Benefit from higher rent tenures of affordable housing, even if the total Housing Benefit would cover the rent.

Others simply stated that if Housing Benefit plus earned income would not cover all the rent, a tenancy may be refused. It was clear that some of these affordability tests had been brought in recently, in response to welfare reforms and the 'bedroom tax' in particular. One housing association also stated they would not make offers of property that they considered 'overcrowded' by their own space standards, which were more generous than the DWP's, meaning some tenants on Housing Benefit would be unable to afford the housing they were deemed to require, and may therefore be excluded altogether.

Local authorities and housing associations both need to ensure that their tenants can afford their rent, but local authorities also have a responsibility to house homeless people, typically through a housing register, and hence face pressure to house those most in need. Some of this cultural legacy was also found in stock transfer housing associations (those who had taken on management of council properties from local authorities), some of which also had responsibilities for managing waiting lists:

"It's part of our culture having emerged from a local authority background ... we recognise that obligation on us, that duty to meet the entire housing need in the area ... "

Housing association, West Midlands

In contrast, however, local authorities were statistically more likely to prioritise people with local connections than were housing associations. In some cases, this substantially diluted the prioritisation of poverty:

"[The council] have cut their eligibility for their waiting list down so much [with local connection criteria], that they sometimes can't provide us with nominations ... So we advertise on Rightmove ... we have people who are in desperate poverty coming through that route, because they're not able to access the council's waiting list [because they fail the local connections criteria]."

Housing association, East Midlands

The impact of these tests is debatable. Preventing unsustainable tenancies may avoid leaving a household in poverty; but it also decreases the supply of housing for those in greatest poverty, and may result in their moving to less affordable housing elsewhere, or remaining badly housed.

Prioritising those in employment

Ten of the social housing allocation schemes examined mentioned that some additional priority was given to those in employment, or in one case defined more broadly as “making a positive contribution to the community”. Applications from those in employment would generally have to demonstrate some form of housing need, but would typically be moved one band higher, or prioritised within their band.

One other policy stated that only those in employment would be considered for Affordable Rent properties, due to concerns about affordability.

Using fixed term tenancies

Since 2011 social landlords have had the freedom to offer fixed term tenancies, rather than open ended ones. They must normally be for five years or more. Some social landlords are now making use of the fixed term or ‘flexible’ tenancies they are now able to offer for new tenants. Most were not explicit about the circumstances in which they would renew such tenancies, either in documents or interviews. One potential role for such tenancies is to incentivise employment, for example by linking tenancy renewal to job search, but this was only mentioned by two organisations.

Using fixed term tenancies in order to focus affordable housing on households most in need, or to encourage downsizing, was much more frequent. Some stated that they would not end a tenancy until suitable alternative accommodation had been found or the tenants could afford to buy, or at least rent, private sector accommodation. The precise details of when and how to end a fixed term tenancy were often yet to be developed.

Many landlords stated that they would avoid using flexible tenancies because of concern for the impact on tenants, either in terms of insecurity or discouraging employment:

“[Social housing] is a scarce resource, and [it should go] to those in the greatest need, [where] their level of income requires a social tenancy, and that level of security as well. But the concern is ... sustainability. [For example] if they're in employment, will that job be there on a longer term basis? What you don't want to set up is a circle of 'almost homelessness', [where] you're pushing them from somewhere they can cope into somewhere where they may not cope quite as well.”

Local authority, West Midlands

Rehousing the homeless

Making use of the private rented sector for people who are homeless or high priority on the housing register was widespread. Since 2012, local authorities have had rights to discharge their duties owed to homeless applicants with an offer of a suitable 12-month tenancy in the private rented sector, with or without the household's consent. In total, 13 of the 15 local authority strategies examined either stating explicitly that they would discharge duties for some homeless applicants to the private rented sector, or stating in more general terms that they would use private rented housing where possible:

Some stated that they would not end a tenancy until suitable alternative accommodation had been found or the tenants could afford to buy, or at least rent, private sector accommodation

“This offer of accommodation will be a social housing tenancy or a 12-month assured short-hold privately rented tenancy.”

Derby Homes: Derby Homefinder Allocation Policy

No local authority stated that it would not discharge homeless duties into the private rented sector, though two stated that the private sector would only be used for specific client groups (single people aged under 35 in one case, and those with no support needs in the other). Seven local authorities mentioned that they sought to smooth the path of households into private rented housing by offering mediation services between tenants and private landlords, and four offered social lettings agencies, or other similar services, which put tenants in contact with local private landlords.

“The council already makes use of the sector: in 2011 it assisted 600 households to find a home in the private rented sector.”

Milton Keynes Council: Housing Strategy

Who do private landlords choose to house?

Access to affordable accommodation in the private rented sector is critical for many low-income households. The survey, completed by 194 private landlords and letting agents along with the 29 interviews, sought to explore how private landlords and letting agents find tenants, and decide who to let to. Participation in the survey and interviews was voluntary and largely limited to Landlord Association contact lists (though not all were members). As a result, it is possible that those taking part may not be representative of all landlords. Nevertheless the results suggested that those taking part did cover a wide range of styles and types of landlord, both amateur and professional, and covering between them all parts of the market.

In general, private landlords and agents were cautious about who they let to, and would take the first tenant who met a set of criteria, which they might relax should it be difficult to find a tenant.

Only one of the letting agents' websites stated explicitly that people in receipt of Housing Benefit would be barred. However, six others stated that they would only let to those in employment or whose income met a certain threshold, or stated that they would not include benefit income when assessing affordability. Three letting agents implied that they would let to people in receipt of Housing Benefit if the private landlord allowed it, stating “DSS welcome” (referring to the former government Department for Social Security) or mentioning that they would accept tenants via a local authority bond scheme.

The interviews sought to explore these issues in more depth. It would appear that landlord opinions are frequently the critical factor, rather than those of agents.

Table 7: In principle, which of these groups might you consider letting a property to, should one become available now?

| | % of all landlords |
|--|--------------------|
| Base | 170 |
| Students | 35% |
| House sharers (joint tenants) | 42% |
| House sharers (with separate tenancies – e.g. bedsits) | 21% |
| Singles or couples without children | 64% |
| Families with children | 49% |
| Employed people on Housing Benefit | 42% |
| Unemployed people on Housing Benefit | 28% |
| Referrals from a local authority (generally on Housing Benefit) | 23% |
| Short-term residents (e.g. temporary executive lets, holiday lets) | 14% |
| I leave these decisions to my letting agent | 2% |
| Never thought about it | 1% |

Source: Landlord Survey

The role of social conscience among private landlords and letting agents should not be ignored; Southwark Council felt this was among the major reasons landlords still let to Housing Benefit tenants in their high-rent area of London.

“Some may be socially minded and charge less than market rate or house vulnerable people – but they are few and far between.”

Local authority, London

“You always want to be able to advise them, push them in the direction that best suits them. We don’t want people to walk in the door, we say ‘sorry’, and push them back out the door again.”

Letting agent, South West

“I see it as a kind of social housing to a degree – there’s [been] a definite need for housing ever since Thatcher.”

Private landlord, North East

All letting agents had procedures for checking that tenants could afford the rent, usually outsourcing to a credit referencing agency. Agents had varying levels of knowledge of the detail of their agency’s affordability criteria and were sometimes unsure as to whether or not benefit income would be included, or exactly how the ability of households to afford the rent was being checked. They felt that specialist agencies were better able to assess this than they would be themselves, but it did reduce the degree to which letting agents were engaged in decisions over whether to let housing to low-income groups.

Landlords were less consistent, and while some did similar checks, others relied on their judgment after meeting the tenant:

“I use [a company] to check whether someone’s income is such that the rent is not more than 40 per cent of their income ... So people on Housing Benefit will usually fail this test. I don’t generally accept people saying they can top up.”

Private landlord, South East

“No, I can’t be bothered [to use a credit checking agency], I wouldn’t know how to, and I wouldn’t believe what they told me anyway.”

Private landlord, London

Letting agents often required a guarantor for anyone who wished to include an element of benefit income in their rent payment. However, this was not universal. In low-value areas tenants without a guarantor would be considered as a last resort, while some landlords disliked the bureaucracy associated with guarantors and felt returns from the additional security provided were minimal.

The survey showed that willingness to take Housing Benefit claimants varied depending on the types of properties landlords had on offer. About a third (35 per cent) of all landlords questioned offered at least some properties they described as being “for those on a tight budget”. Among this group, three quarters would consider a Housing Benefit tenant, compared to only just over a quarter (29 per cent) among other landlords.

Table 8: In principle, which of these groups might you consider letting a property to, should one become available now?

| | Base | % who would consider a Housing Benefit tenant | % who would consider an unemployed Housing Benefit tenant |
|-----------------------------|------|---|---|
| With ‘Budget’ properties | 60 | 75% | 57% |
| Without ‘Budget’ properties | 110 | 29% | 13% |

Source: Landlord Survey

There was also variation by region, with landlords outside the most pressured housing markets being more likely to consider tenants on Housing Benefit:

“There are some areas that, due to the 30th percentile threshold, have become no go areas for Housing Benefit tenants.”

Private landlord survey response, South East

Those who said they would not let to tenants on Housing Benefit were asked why not. A majority cited previous negative experiences of doing so, such as unreliable payment of rent. A smaller group said they feared such problems, but had not experienced them personally:

“I had a very bad experience [with] damage to the flat. The tenant was unable to pay for repairs, so I got landed with a bill for £5,000, and the rent barely covered the mortgage. Never again!”

Private landlord survey response, London

“Tenants on LHA/Housing Benefit that have to make ‘top up’ payments ... often use this as spare cash for emergencies and leave sorting out rent arrears to another month.”

Private landlord survey response, South East

Table 9: Why do you prefer not to let to tenants in receipt of Housing Benefit?

| | % of all landlords who do not take Housing Benefit tenants |
|---|---|
| Base | 127 |
| Past bad experience with tenants on Housing Benefit | 49% |
| Past experience of Housing Benefit tenants not paying rent | 39% |
| Past bad experience of Housing Benefit payments | 35% |
| Landlords selecting any of the above reasons regarding experience of problems | 55% |
| Higher risk of getting a difficult tenant | 55% |
| Higher risk of tenants not paying rent | 54% |
| Landlords selecting either of the two reasons above regarding fear of problems, but none regarding experience of problems | 23% |
| Risk of Housing Benefit being cut further | 37% |
| I would have to charge a lower rent | 31% |
| Think there may be too much paperwork/bureaucracy involved | 29% |
| Don't know enough about how Housing Benefit works | 11% |
| My insurer doesn't allow it | 10% |
| My mortgage provider doesn't allow it | 6% |
| My letting agent advised against it | 4% |
| Another reason | 20% |
| Prefer not to say | 5% |
| Don't know | 7% |

Source: Landlord Survey

Few mentioned insurance or mortgage issues. Most of those that did were those with ‘budget’ properties, the group most likely to have looked into the practical details of letting to Housing Benefit tenants.

By far the most frequently mentioned issue in the interviews was the risk of non-payment. Most landlords said that they had preferred the old system where they would receive Housing Benefit direct for all tenants:

“I don't want to get involved [with] Housing Benefit now because I've heard from other landlords that they're having trouble getting their money now that the system has changed.”

Private landlord, South West

A few of those who were most geared up to accepting tenants on Housing Benefit and referrals for the local authority were doing so on the understanding with the local Housing Benefit department that they would be able to receive direct payments as their tenants would be classed as vulnerable. On the other hand, some letting agents mentioned the deterrent effect of rules that enable the government to ‘claw back’ overpaid Housing Benefit from the landlord; for small landlords, this presented a major risk to their finances.

Those landlords with ‘budget’ properties who did not accept Housing Benefit tenants appeared more likely to have experienced problems personally, and also more likely to give reasons for their decision. This suggests that increasing the supply of property for benefit claimants may be less a matter of changing perceptions, and more a matter of helping landlords cope with these specific problems.

Several landlords had read press coverage recently of a large landlord who was evicting benefit-dependent tenants routinely, and all were appalled at this action, stating that they would only ever evict when they needed to

Table 10: Reasons for preferring not to let to tenant in receipt of Housing Benefit by property type

| | With ‘budget’ properties | Without ‘budget’ properties |
|-------------------------------------|--------------------------|-----------------------------|
| Base | 28 | 99 |
| Experience of problems | 71% | 51% |
| Fear of problems, but no experience | 18% | 24% |
| No reason given | 4% | 16% |

Source: Landlord Survey

Finally, the survey showed that landlords accepting only employed Housing Benefit claimants had different reasons for doing so than those refusing all on Housing Benefit; a large majority (83 per cent) had personally experienced problems with claimants. It appears this differentiation comes through experience, so there may be scope to improve the image of employed Housing Benefit claimants among landlords.

Landlords’ interviews hinted at different attitudes toward existing tenants whose circumstances had changed and needed to start claiming benefits. None said that they would evict a tenant in such circumstances, as long as they continued to pay the rent. Several landlords had read press coverage recently of a large landlord who was evicting benefit-dependent tenants routinely, and all were appalled at this action, stating that they would only ever evict when they needed to.

Some landlords interviewed also pointed out that if tenants handled the Housing Benefit themselves, they might be unaware if their tenant had started to claim Housing Benefit during the tenancy.

7 CONCLUSIONS AND RECOMMENDATIONS

One key finding of this research has been that there are substantial differences between private and social landlords in terms of their focus on alleviating poverty. Whilst in some respects this is unsurprising – given the social origins and not-for-profit mission of social landlords – it is also a critical issue to consider, given the fast-growing nature of private rented housing and the increasing numbers of low-income households living in that tenure.

The study found that private landlords, by and large, did care about their tenants. They valued long-term tenants who looked after their properties – and we found not a single landlord who reported that they would evict a good tenant rather than accept rental income from Housing Benefit should their tenant fall on hard times. But private landlords' social ethos came very much from the personal relationships they had with existing tenants. Once properties were empty, their focus was much more on maximising income, and when looking for new tenants landlords preferred to avoid letting to tenants in poverty who could not pay their rent easily from their own resources. In most areas of the country, there are many more people looking for housing than there are properties to rent, meaning that landlords can afford to pick and choose, so the 'less desirable' tenants – which is how people in poverty are often viewed – are excluded.

Within the social housing sector, much is changing. Most housing associations felt compelled to undertake more commercial market rent and market sale activities in order to generate funds to sustain and possibly grow their social rent portfolios. However, social landlords had not lost their social mission – indeed those whose activities were widening away from traditional client groups, were the most likely to consciously assert their social mission. Building for a wider range of tenant groups may generate cross-subsidy, and also provide market housing for better off tenant groups who still require housing. However, the practice of converting social housing to Affordable

Rents does raise the possibility that the supply of affordable housing to those in greatest poverty could be reduced in order to provide subsidy for more expensive housing to be built, which this study suggests is a tension most housing associations have not really addressed at this stage.

Affordability testing has been anathema to social landlords since the 1970s on the basis that if a tenant becomes unable to pay for whatever reason, the state would cover their housing costs. With welfare reforms this was no longer a certainty; to sustain their businesses landlords had started to carry out affordability tests and reject households in poverty who might not be able to sustain their tenancies. The critical question here is whether or not those who fail the tests will be offered alternative homes that they can afford.

Addressing fuel poverty and digital inclusion were both key focuses for some social landlords and offered the potential to increase tenants' disposable incomes.

Recommendations

- 1 Social landlords should revisit their overall mission and consider the extent to which the alleviation of poverty is, or should be, central to their policies and practices.** It is clear that landlords are now facing pressures which make it more difficult to house the poor, making it all the more critical as an issue.
- 2 Social landlords should ensure that building market housing does produce an increase in the overall supply of sub-market housing.** Building market housing is a worthwhile activity but can also be done by the private sector. It is therefore important that social landlords ensure that it is creating a true cross-subsidy, and not diverting resources – human or financial – away from developing housing for low-income groups. The financial risks involved should also be thoroughly assessed.
- 3 Allocation of social housing should focus on those in the most need.** There are strong links between housing need and poverty. Prioritising tenants who are in employment or have a local connection above others in a greater degree of need results in the tenants in greatest poverty remaining in unsuitable housing for longer, often in the private sector. Social housing providers are better set up than private sector landlords to provide the support services that will help tenants into work. Building mixed tenure communities should enable allocation policies to target those most in need without creating concentrations of poverty.
- 4 Affordable Rents should be within the limits that Housing Benefit will cover, taking into account known future changes to benefit rates.** The benefit cap has eroded the capacity of larger families and those in high-rent areas to afford 80 per cent of market rents, and inflationary rent pressures (and non-inflation or changes to the cap) are likely to worsen this issue in the future.
- 5 The government should ensure that benefit levels are sufficient to allow households who depend on Housing Benefit to afford at least some of the properties in a locality where they could reasonably be expected to live.** While housing providers need to ensure they build what can be afforded, given the current welfare regime, it is equally important that government, if making cuts to benefit levels, considers the costs of housing and how low-income households could pay for it. Both central government and social landlords need to work together to ensure social housing remains affordable to those on low incomes or who depend entirely on benefits.

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- 6 Social landlords should ensure that measures taken to prevent the creation of unsustainable tenancies or overcrowding do not unnecessarily exclude households in poverty from Affordable Rented housing.** There are insufficient social rented homes to meet the needs of low-income households in most of the country, and Affordable Rent is likely to form an increasing proportion of lettings over coming years. There seems little logic in restricting access to a housing tenure that – while more expensive than social renting – is still cheaper and more secure than private rented housing for this group.
 - 7 Social landlords should look at the affordability of a property holistically, including rent, service charges and estimated costs of utilities.** Work to increase energy efficiency is a key way of increasing the disposable incomes of all tenants, including those whose rent is met in full by Housing Benefit, and therefore represents a very good way to tackle poverty. There are some excellent examples of good practice here – reducing heat loss from houses, ensuring tenants get the best deals with utility companies and investing in renewables to offset bills. However practice is mixed, even within the social housing sector, and there is clearly more that could be done.
 - 8 The government and local authorities should consider offering grants to private landlords to invest in energy-efficiency measures, targeting those whose properties could be improved in the most cost-effective manner, and landlords who let homes to tenants dependent on Housing Benefit.** Private landlords do not consider investing in energy efficiency to be value for money, as the amount they could add to the rent would rarely cover costs. This is especially the case for those housing those in greatest poverty, whose rents are limited by LHA levels.
 - 9 Social landlords and local authorities should develop systems for assessing the impact of investment in issues such as digital exclusion.** There are examples of what may be good practice, especially for landlords whose stock is concentrated in estates or blocks of flats and can potentially share facilities such as Wi-Fi, but there have been few robust efforts to evaluate the success of such schemes or establish value for money.
 - 10 The DWP and local authorities should address the concerns that private landlords have in letting to people in receipt of Housing Benefit.** The research found that these concerns were usually rooted in experience, rather than being unsupported fears; measures should therefore focus on support at least as much as education. Private landlords like to receive rent in advance, to have a deposit to hold in case of damage, and to know that the money paid in rent cannot be clawed back at a later date due to tenant conduct over which they have no control.
 - 11 Local authorities should work with private landlords to address their concerns about evicting tenants who will become homeless.** Many private landlords expect that tenants on Housing Benefit are likely to go to the local authority seeking assistance as homeless if they face eviction. Some local authorities advise such tenants to remain in their home after their notice has expired, until they are actually evicted, before they can be considered for rehousing, causing damage to their credit rating and credibility with future landlords. To encourage landlords to let to people on Housing Benefit, they need to know that homeless duties will be picked up swiftly by the local authority for those who are facing eviction. This may require increasing the support and allocation priority given to those in housing that is physically adequate but which they cannot afford. Further research may be needed to fully explore these issues.

12 More robust evidence on the impact of landlords' actions on poverty is needed. Many landlord actions have an uncertain impact on poverty; for example there is a weak evidence base on the relative merits of maximising new housing development versus ensuring that rents remain low.

ENDNOTES

- 1 The term 'housing association', in this report, is taken to include housing associations, housing co-operatives and Almshouse charities, but not local authorities or ALMOs
- 2 See <http://bit.ly/1GWXoaX>

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APPENDIX: METHODOLOGY

Stage 1 of the research commenced with a wide-ranging literature review, to identify existing evidence and provide a policy context. All subsequent parts of the research targeted 15 local authority areas, selected to be representative of England. This was done using a multi-factor cluster analysis, detailed in the Initial Report (available at: <http://bit.ly/1bXltm>).

Table 11: Local authority areas selected

| Local authority | Region | Management of social housing |
|--------------------------|--------------------------|---------------------------------------|
| East Riding of Yorkshire | Yorkshire and the Humber | In-house |
| Suffolk Coastal | East of England | Large-scale voluntary transfer (LSVT) |
| East Staffordshire | West Midlands | LSVT |
| East Dorset | South West | LSVT |
| Sheffield | Yorkshire and the Humber | In-house |
| Worcester | West Midlands | LSVT |
| Milton Keynes | South East | In-house |
| Derby | East Midlands | ALMO |
| Rutland | East Midlands | LSVT |
| Guildford | South East | In-house |
| Burnley | North West | LSVT |
| North Tyneside | North East | In-house |
| Portsmouth | South East | In-house |
| Barnet | London | ALMO |
| Southwark | London | In-house |

For the Stage 2 documentary analysis, 83 social landlords (including six stock-holding local authorities) and nine non-stock holding local authorities were included, covering as many organisations active in areas above as possible. 537 documents were collected from the organisations' websites, including business plans, annual reports, allocation policies, tenancy policies and arrears policies. Any missing key documents were requested by email. Documents were analysed for actions being taken which would have an impact on poverty among tenants or the wider community.

Despite extensive attempts to contact private landlords and letting agents, few were included in the documentary analysis stage due to a lack of documents, although 100 websites were analysed.

The analysis framework used was developed initially from pilot interviews and document analysis, but evolved flexibly throughout the document analysis process as a wider range of documents and organisation types were considered. This was used to build up a Microsoft Access database which was analysed using SPSS and Excel.

Stage 3 built upon this documentary analysis through interviews with housing organisations. A sample of the organisations involved in the documentary analysis was used. Private landlords and letting agents were approached using an online survey, delivered voluntarily by landlord associations, landlord accreditation schemes and local authorities. The survey used Qualtrics for data gathering and SPSS for data analysis. Contacts gathered from the survey were used to set up interviews with private landlords.

In total 76 semi-structured interviews were carried out, and analysed using NVivo qualitative data analysis software. The framework used was developed using a 'ground-up' approach from interview summaries, with input from the framework used for the documentary analysis.

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- East Staffordshire Borough Council
- North Tyneside Council
- London Borough of Southwark
- London Landlords Accreditation Scheme
- Portsmouth and District Private Landlords Association
- Rutland County Council

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