

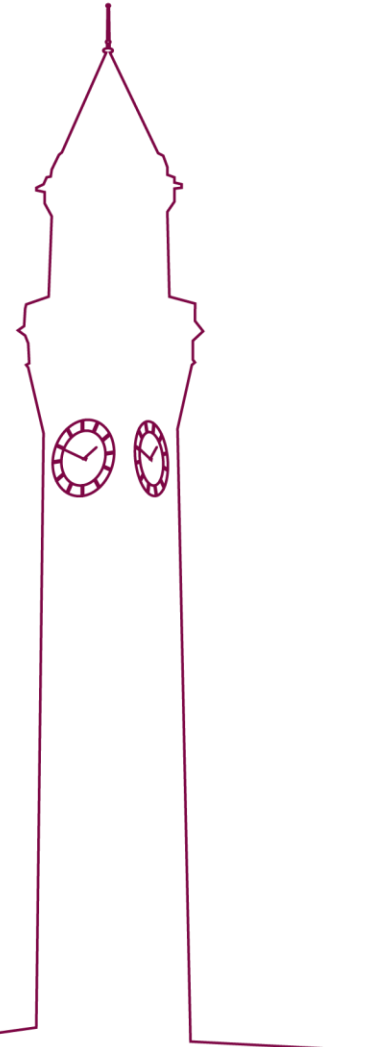


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Socialising the Private Rented Sector? – The Role and Limits of Social Lettings Agencies

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European Research Conference
CHANGING PROFILES OF HOMELESSNESS: IMPLICATIONS FOR SERVICES.
BARCELONA, September 22nd, 2017



Content

- **Introduction & International Context**
 - Drivers and Claims on the role and purpose of SLAs
 - Can SLAs socialise the PRS?
 - Could PRS become the new social housing?
- **Research Design – West Midlands Regional Study**
 - Addressing knowledge gaps – what are the enablers and barriers to SLAs?
 - Who, why, how, what ? - The Four Ps
 - West Midlands case studies
- **Testing the claims**
 - People
 - Properties & Landlord Motivations
 - Process - Viability & impact of wider market & welfare context
 - Outcomes - Do SLAs meet functions of social housing -? (quality, access, cost, security?)
- **Conclusions**
 - 10 Key Learning Points
 - Role and purpose – enablers and barriers
 - Outcomes : More a response to privatisation than a means of socialisation?

INTRODUCTION

International Context: SLAs increasingly popular - especially where social housing is limited

“a particular model of housing-led innovation in the area of homelessness developed in Flanders”

“part of a movement to ensure adequate and affordable housing for vulnerable tenants through socialising the private rented sector.”

BELGIUM De Decker, P. (2002) On the Genesis of Social Rental Agencies in Belgium, *Urban Studies* 39(2) pp.297–326.

HUNGARY Hegedus, J., Horvath, V. and E. Somogyi (2014) The Potential of Social Rental Agencies within Social Housing Provision in Post-Socialist Countries: The Case of Hungary, *European Journal of Homelessness* 8(2) pp.41-67

IRELAND Laylor, T (2014) Enabling Access to the Private Rented Sector? The Role of Social Rental Agencies in Ireland *European Journal of Homelessness* 8.2 43-63.

POLAND Suszyńska , K. and Rataj , Z. (2017) SOCIAL RENTAL AGENCIES AS A TOOL FOR EXPANDING THE SOCIAL HOUSING STOCK

EUROPE FEANTSA (2012) *Social Rental Agencies: An Innovative Housing-Led Response to Homelessness. Good Practice Briefing* (Brussels: FEANTSA).

UK POLICY CONTEXT

*“Social lettings agencies could be established to deal with **all the private renting procurement required by statutory agencies** in a given area. These agencies should charge a standard management fee, and move the housing benefit market away from a culture of ‘incentive inflation.’”*
(Rugg and Rhodes 2008)

*“Social lettings agencies help people access the PRS who are **homeless or on low-incomes**”*
(Shelter Scotland 2015)

“We also want to consider whether social lettings agencies can be an effective tool for securing more housing for households who would otherwise struggle – providing security for landlords and support for tenants to help strengthen and sustain tenancies.” **(DCLG, White Paper, February 2017, p 66)**

Wider and Divergent Purposes?

- **SOCIAL** *“this cannot be achieved through merely providing them with a roof over their head.” – advocates wide range of services such as child care, employability advice to “assist people to take control, be motivated and move forward”. (Crisis, 2015)*
- **OR COMMERCIAL** *“the terminology has come to be applied specifically to those schemes that operate on a commercial basis and so generate income through their activities.” (Shelter Scotland 2015) ‘they operate along the lines of a high street lettings agency’ (CSJ 2015)*
- *“a broad umbrella term. It encompasses a large range of different approaches and types of organisations, with different motivations, structures, operations, funding and governance arrangements.” (Shelter Scotland 2015)*

Ambitious & Ambiguous Claims

- Tenant empowerment and choice
- Lower than market rents for economically disadvantaged
- Improving local PRS market standards
- **More affordable** to authorities **than alternatives** such as B&B and leasing
- Business/ Commercial/social enterprise approach to generate income/cover costs
- Wider support to assist people e.g. childcare and employability support
- *'to minimise risk to landlords so they are willing to let to benefit claimants'* (CSJ 2015)
- More than housing? *'Typically SLAs will have support workers who regularly check in on the vulnerable'* (CSJ 2015)
- **To socialise the private rented sector (FEANTSA 2012)**



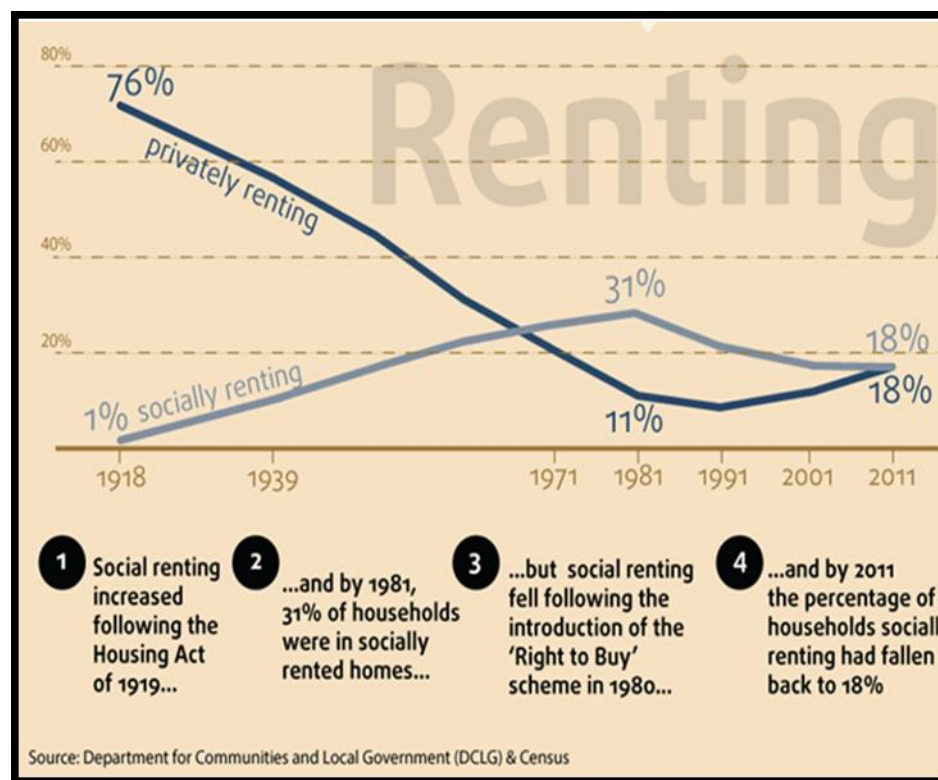
So how do we make sense of these competing (cl)aims?

PRS: The New Social Housing in UK?

“There is no political will to revive the social housing sector. Local lettings agencies offer a ‘next-best’ alternative.” (Rugg, 2011)

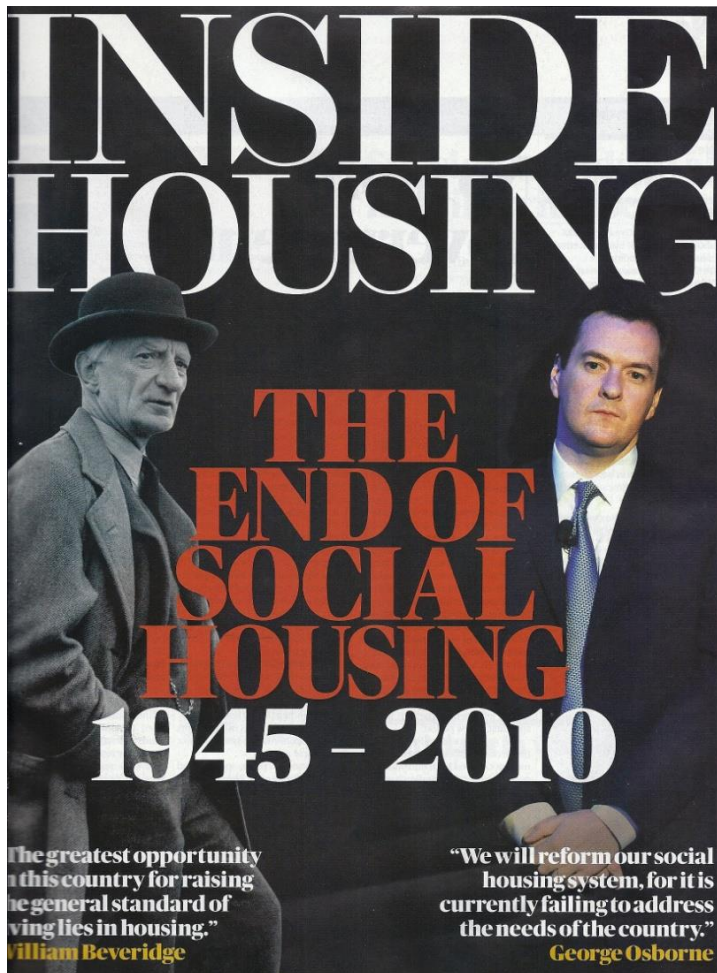
- But how will this meet core social aims of security, affordability, need and quality?

- Is it feasible for PRS access through SLAs to become the new social housing?



- **From Social Rent to Private Rent**
- **1 million low income households into PRS in 10 years**

End of Social Housing: Can PRS perform same functions?



Security

- **Secure homes and succession rights**
- Fixed term tenancies

Cost

- **Affordability** (housing for poor accessible to employment)
- 80% market rents
- Benefit cutbacks, bedroom tax

Need

- **Need to Desert**
- Welfare conditionality

Quality

- **Property Conditions** earliest driver for council housing

Four Goals of Social Housing

RESEARCH DESIGN - WEST MIDLANDS REGIONAL STUDY 2015-17

Where are the Gaps in knowledge?

Most existing guides are concerned with process, start ups and viability

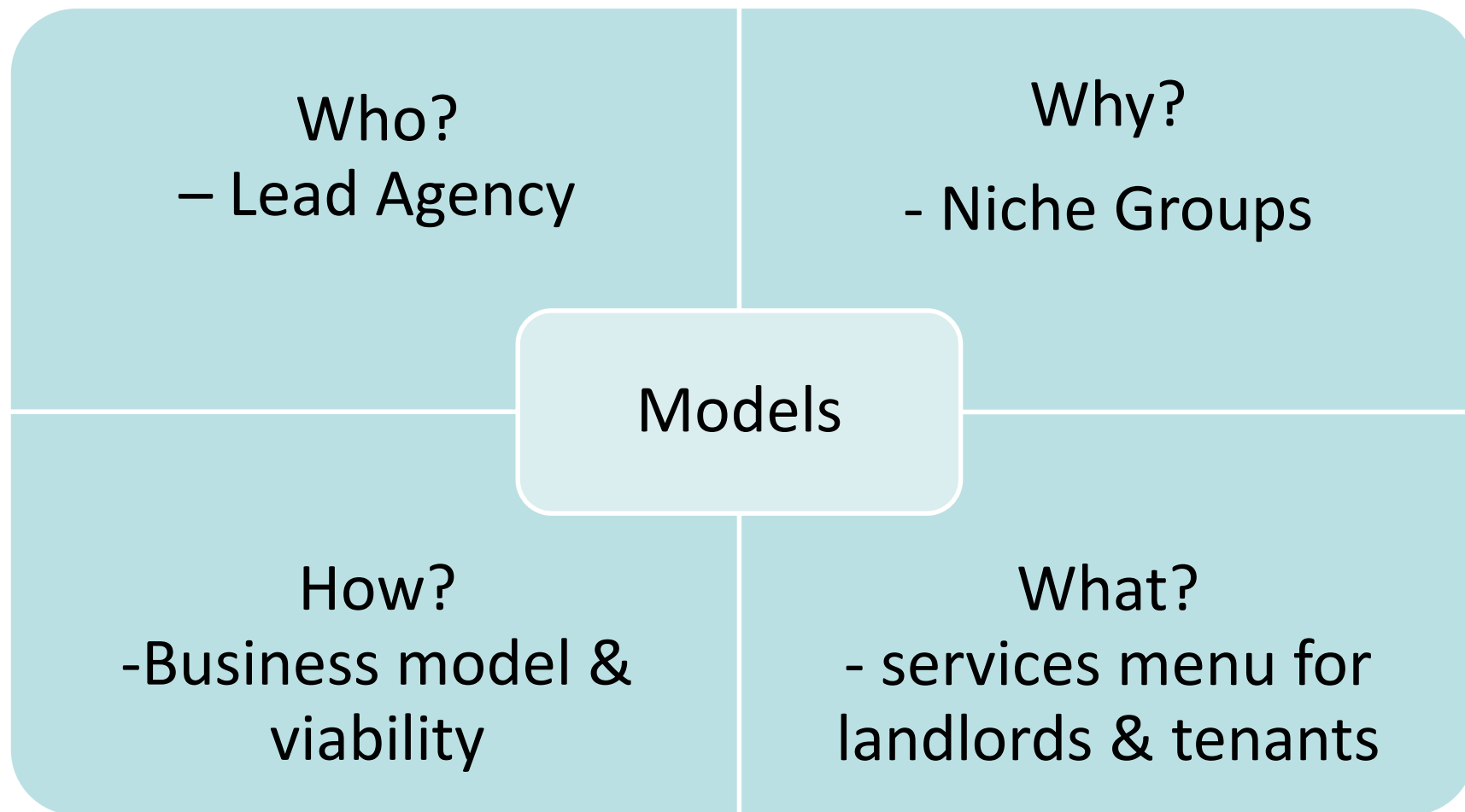
Less concerned with outcomes and experience of tenants and landlords

Very little exploration of trade-offs between competing aims (e.g. social v commercial)

Limited coverage of West Midlands (apart from LTB and Worcester CAB SmartLets in Shelter Scotland guide)

'4 Ps' Research Framework focuses on these gaps and being applied to Let to Birmingham case study

Typology for case studies



Typology Elements

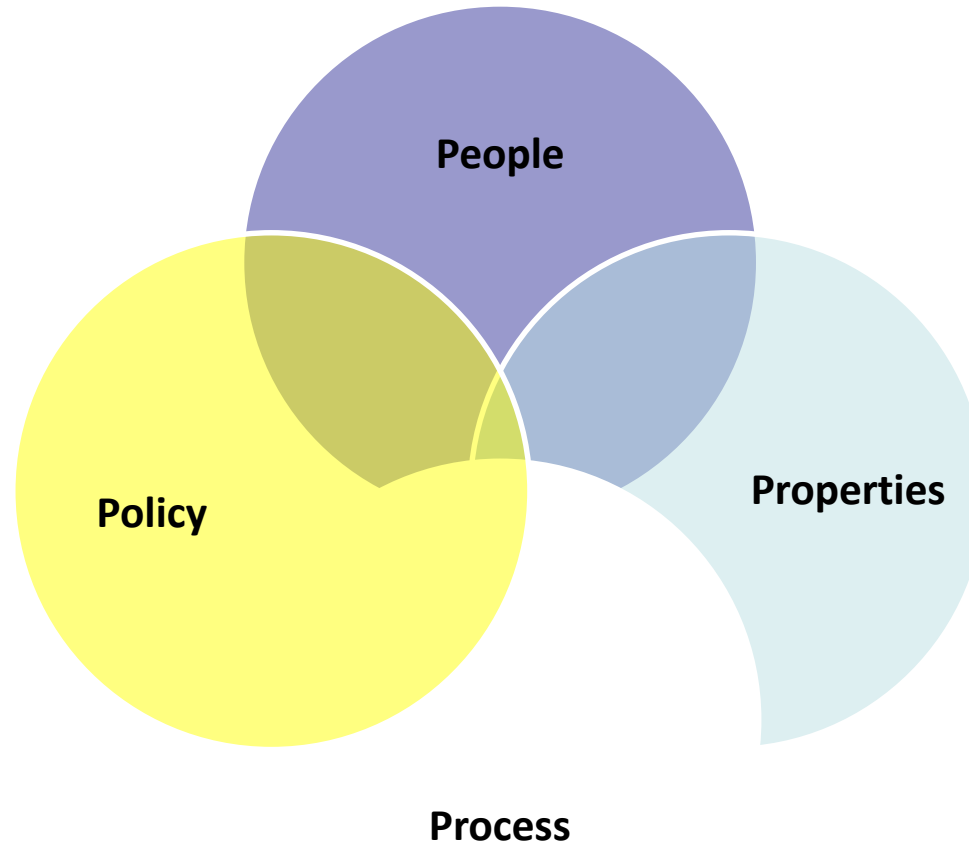
Who? – are the lead organisations – does sector and ethos make a difference?

Why? – motivation and rationale clearly mixed and variable – how does the mix affect the model?

How? – guides focus on processes and business models – Do these determine the outcome?

What? – range of services offered determines the scope and who the SLA is for

The Four Ps



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West Midlands Regional Case Studies

- 5 cases
 - 3 LA initiated - one as public private partnership (PPP)
 - 2 voluntary sector (TSO) led
- Clear differences between LAs and TSOs
- All in operation by end of 2014
- 1400 lettings and 800 in management by end 2016
- LAs schemes cover single authority, TSOs operate in 3 and 5 LA areas
- LA schemes build from housing options, TSOs from 'non-priority' homeless clients
- Younger people and people with disabilities tend to be over-represented. Most tenants are out of work.
- **Depth Case Study of Let to Birmingham – largest SLA in region – tenant and landlords interviews, process and policy analysis**

Spring Housing – Third Sector led SLA

- accessing good quality PRS for vulnerable groups including long term options
- Exempt Accommodation rate funding
- Work Incentives Fund



Spring Housing Association

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TESTING THE CLAIMS – LET TO BIRMINGHAM CASE STUDY

Let to Birmingham Study

- Social Lettings Agencies and 'the new social housing'
- Research fills gap on outcomes and experience of tenants and landlords
- LtB established January 2014
- Had procured a stock of 400 homes by November 2016
- Two waves of research Autumn 2015 and Autumn 2016
 - Tenant interviews (3-2015, 15 planned, 10 completed 2016)
 - Landlord interviews (2-2015, 10 planned 2016)
 - Data analysis in context of wider PRS and LHA market in Birmingham
 - Policy and Process review



Let to Birmingham – Findings

People

Properties

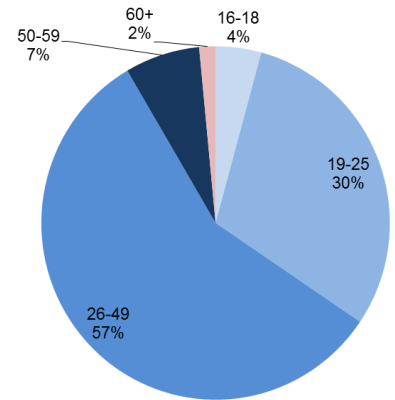
Process

**Outcomes:
Do SLAs meet functions
of social housing?**

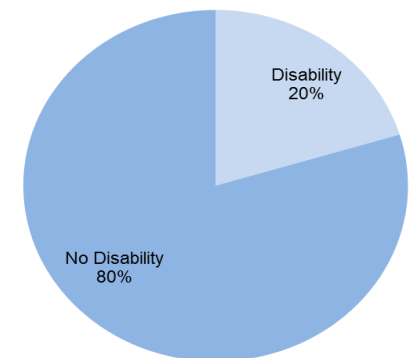


People

- Prevention/Housing options rather than homeless discharge
- Most unemployed – young mums, people with disabilities
- Most popular features speed and ease of access and quality of management - *'it all happened so fast'*
- Property quality generally good but rents seen as expensive (HALD) and several tenants planned to move if they got a job
- Not generally compared to council housing but in some cases compared favourably (property type and location) *'after x years there were only two or three people I knew, here I talk to over 20 neighbours'*
- Generally seen as providing a better service than securing PRS direct (condition on letting, avoid deposit and responsive repairs)
- Lack of security not seen as a major limitation and confidence increased where had good direct relationship with landlord as well as LtB
- But not always seen as 'home' – permission for decorations and sense of impermanence .



Age profile of LTB lettings much younger than the wider Housing Benefit market. Only 6% of HB claimants in the PRS were under 25 compared to 34% of LtB



Proportion of LtB lettings to people with self-reported disabilities appears higher than amongst wider population

Let to Birmingham Case Study: Tenants

Mapping Tenants in relation to use of SLAs

Types:

FOUND

1. Prevention

2. Housing options

3. Direct

Approaches /Self

Referrals

4. Council tenants

NOT FOUND

1. Statutory

Homeless

2. Other statutory

agencies

placing in PRS

3. Moves from TA

Motivation:

Security/conditions/
costs

Independent home

Convenient

Location for

family/work ties

Better community
ties

Barriers:

Work disincentives
(higher rent HALD
scheme)

Council tenancy
advantages (rents,
security, RTB) –

Limited Supply
Stock size, type
and location

Enablers:

Access Route & speed
Information

Confidence and Trust

Bond scheme & no
deposits

Higher quality stock
(HALD scheme)

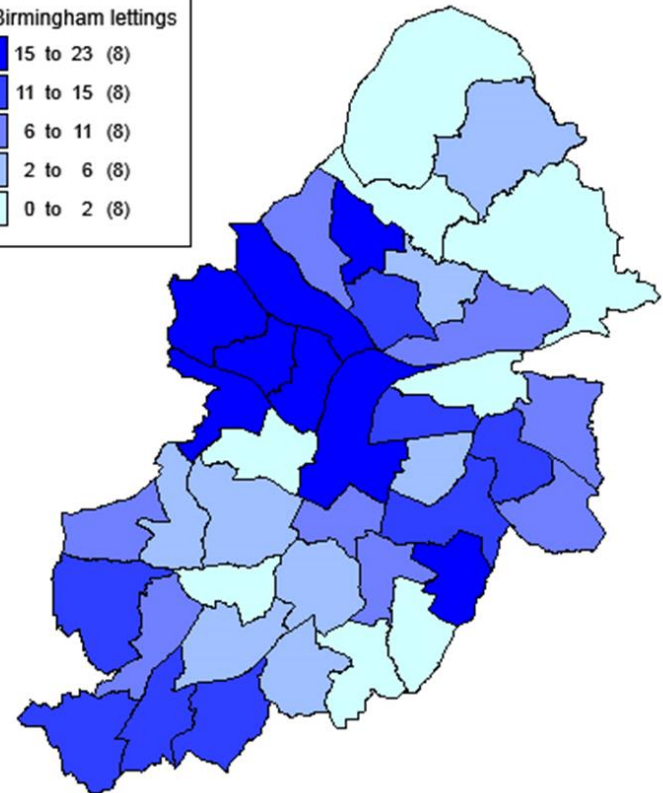
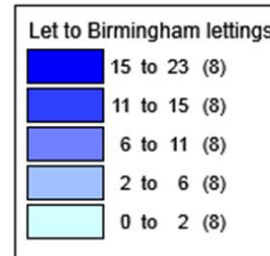
Good spread of lettings
across Birmingham

Properties

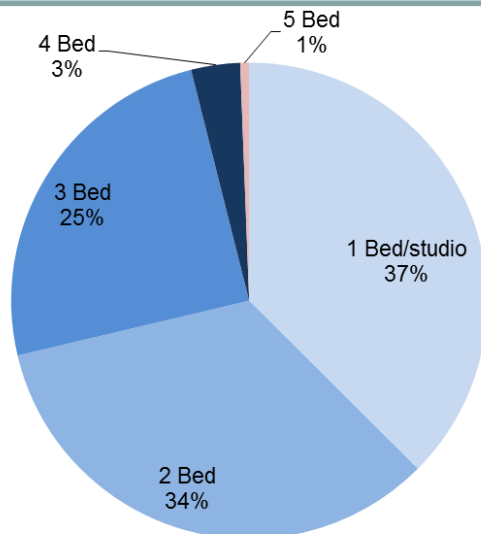
400 Now in stock , over 600 acquisitions to date

2014 – 179
2015- 239
2016 - 196

Lettings by ward, January 15 to June 16



Lettings by size , January 15 to June 16



Good spread 38 out of 40 wards had at least one letting . Almost half of the wards (42%) had 10 lettings or more.

Let to Birmingham Case Study: Landlords

Mapping Landlords in relation to use of/signing up to SLAs

| Types: | Motivation: | Barriers: | Enablers: |
|--|---|--|------------------------------------|
| Individual long term (e.g. inherited) | Let property for secure income | Confidence to let to low income households and | Competitive package (fee/services) |
| Individual Buy to Let | Maximise rent income | benefit claimants | HALD rate enables LtB to |
| Accidental landlords (job move rent:let) | Receive services (especially vetting tenants, support and | Trust that support | pay at LHA or above |
| Portfolio small | housing benefits) | will be provided | Bond scheme |
| Portfolio large | Some have more social | when it is needed | Tenancy support |
| Switching from other niches (e.g. students) | orientation (attracted by | Dealing with | Difficulties in finding tenants/ |
| Commercial Lettings Agents (also) | focus on housing need and | Housing Benefit | maintaining occupancy |
| | remember importance of | /Universal Credit | without an agent |
| | social housing for their | | Previous difficulties with |
| | family) | | managing themselves |
| | | | Lack of trust of commercial |
| | | | lettings agents |
| | | | Social aims of scheme |

Landlords: Mix of Individual and Portfolio Landlords

VIP Portfolio landlords delivering whole blocks and streets – 3 larger acquisitions included in tenant survey

Over 100 Individual or small scale landlords



4 bed former council house let at LHA by migrant to Australia



Portfolio switch from student HMOs to family houses in Perry Barr



Garage offices turned into 7 flats with 3 different landlords all managed by LtB

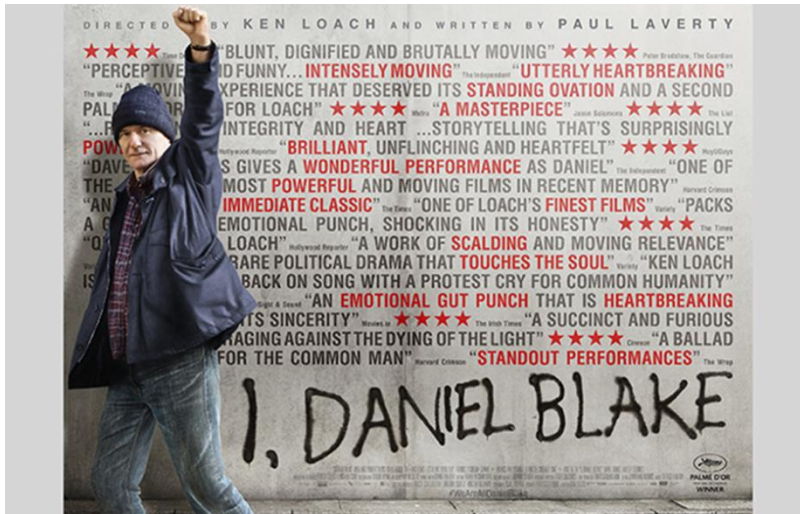
Landlord Motivations: Social or Commercial?

- *'I'm in it for the money not the people but if they are good people and look after the **property, you look after them**'.* (L1)
- *'we remembered what it was like for mum in the 70s; trying to get a **council place**'* (L4).
- *we wanted to give something back if you know what I mean, **don't get me wrong it's for our retirement but in the meantime we know from our own work (in Local Government, Social Services) how difficult it is for people on benefit to get housing...it's as simple as that**'.* (L7)



Former council house now let through
LdB at LHA rate

De-risking through rent guarantees?



- *'the way it's going because people are suffering. The big one is the guaranteed rent ..because I need the money to pay the mortgage each month'* (L7)
- *'when I signed the leases I was under the understanding that I would be guaranteed the rent but now I realise that's only if they get the money. It hasn't really given me cause for concern as yet.....yes a guaranteed rent would give me a bit more certainty but I would be reluctant at the same time to take less than the Local Housing Allowance because what I give is equal or superior to any other landlord- I can't not do it right'* (L2)

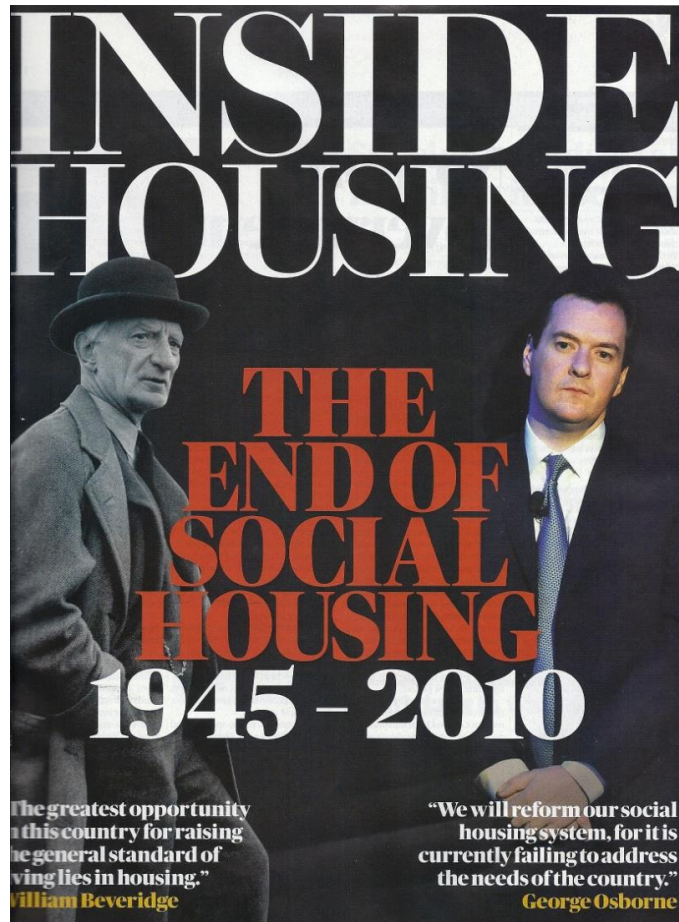
The No 1 risk for landlords is **change in welfare benefits**

LtB is proposing a **Guaranteed rent** to address this risk

Reactions to this vary depending on the extent to which landlords need rent to pay mortgages or have a cushion from historic purchase and low or no mortgage

OUTCOMES

Do SLAs meet key functions of social housing?



Security

- **Secure homes and succession rights**
- Fixed term tenancies

Cost

- **Affordability** (housing for poor accessible to employment)
- 80% market rents
- Benefit cutbacks, bedroom tax

Need

- **Need to Desert**
- Welfare conditionality

Quality

- **Property Conditions** earliest driver for council housing

Four Goals of Social Housing

Quality of Accommodation & Service

LtB scored highly with most tenants on property quality & services:

I would say it's a nice property, just a few flaws like the front door that needed attention' (T9)

'I was pregnant and come and viewed the place and had the pick of the flats which were just being built...its lovely there's never been any problems.' (T4)

'well honestly speaking the staff at LtB will listen to your problems and sort them out.' (T12)

Undoubtedly the HALD rate helped enabling LtB to source some newly built and recently converted properties in popular areas

'we lived in the three tower blocks before for the last 14 years and I 'd only ever known two of my neighbours to speak to, since we've been here I talk to over 20 neighbours. I get on with everybody'. (T10)



Speed of Access

'It all happened so fast'

LtB's three times a week drop in at Newtown can result in speedy offers. This approach appeared to take some clients by surprise. Some were clearly expecting more formal process and came armed with evidence of medical needs etc.

The same surprise at speed of access came across in several interviews:

*'we ended up on the waiting list and we rang LtB who said there was nothing they could do but then he said hang on if I send you the forms **where do you want to move....the next thing we knew he said do you want to come and have a look...we loved it and signed the papers there and then '(T3)***



Two speed housing at the Newtown Homeless Hub

Cost

- ***‘It’s OK but its round about £140 a week but I’m hoping to get a job and would want to pay no more than £80 a week. Once I start working full time I’m going to move out of here and get somewhere proper where I want to live. I would apply to the council but I doubt that I’d get anywhere because I’ve got no kids...I’d be on the list three to five years before they’d give me a property’ (T8) ‘***
- ***‘I couldn’t stay long term because the rent’s too high.....would hope to pay around £100 less for a private flat shared with boyfriend’ (T6)***
- ***‘The rent is more than we can afford really, the housing benefit covers just under half, but they have been flexible and we have met the landlady’. (T3)***



HALD works very well for tenants on full benefit who are currently the majority of clients. It is expensive for people moving in to work

Security/Feeling at Home?

- *'If the landlord like wanted his property back the letting agent **has said he'd give three months** to get somewhere else. LtB would get you what you want **...as long as this is here we will stay..this is it our last move....** we hope to be here for many years. It never entered our mind **that we might lose it.'**(T14)*
- *'**you can't decorate here, no it's** the rules. It makes it feel less **like home...**(T6)*
- *'**Omega said weren't allowed to** decorate for 18 months, but we met the landlady and she said **do it when you want, it's your home'**. (T3)*



There have been some experiences of failed tenancies/abandonments involving young people with no prior experience of independent living.



CONCLUSIONS

10 Key Learning Points

1. Need for schemes to **improve access** of low income groups to decent and affordable homes in the PRS. The Homelessness Reduction Bill is in a series of policies that challenge local authorities to find new sources of housing supply.
2. **Budget cuts and pressures on existing staff** resources in local authorities are seen as significant challenges to taking new initiatives such as setting up SLAs.
3. **Revenue costs** for management and service provision are also seen as challenging within the **current market and welfare** reform environment.
4. In current context SLAs are therefore **viewed as a risky undertaking** for individual local authorities to contemplate.
5. SLAs need to **balance landlord and tenant needs**.

10 Key Learning points

6. A range of **guarantees and incentives** can be used to attract landlords, including tenant selection/ vetting and tenant support.
7. **Bond schemes** do attract landlords, but are a high liability risk for SLAs/ councils at the end of the bond period.
8. **Accreditation** can be used as an incentive for landlords and landlords' membership of Landlord Forums is seen as a positive
9. There is a need for **upfront funding/ grant/ subsidy** to make SLAs feasible but there is a prospect of sustainability through management fee income once a critical mass is reached.
10. The **gap between LHA and market rents** is a critical barrier to a viable business model and requires further exploration across the region.

Conclusions on Role and Purpose of SLAs

Social Purposes

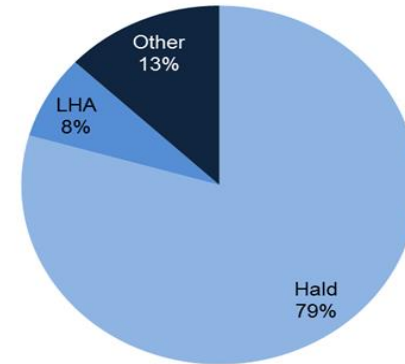
- Homelessness Prevention most important
- Not much used to discharge homeless duty
- Some transfers from social housing
- Expanding types of supply to meet wider range of needs (e.g. shared housing, bungalows and options for higher income groups with poor credit record)
- Improving PRS conditions e.g. through link with accreditation schemes and inspection standards for SLA entry
- Potential of rent relief to enable people in work to stay and save for deposit
- One TSO expressed purpose as *'to return to the principles of the housing association movement'*

Commercial Purposes

- Social enterprise model important in both TSOs
 - Aim to generate fee income to cover running costs
 - Exempt accommodation rate enables cross-subsidy of self-contained homes
 - Use of surpluses to purchase properties to sustain organisation
- Commercial driver in one LA and PPP
 - Diversify and provide lettings service for market rent
 - Spread overheads by managing rented portfolio for parent company
 - Help landlords to manage risk by offering guaranteed rent

Conclusions on Key Enablers

- Start up Funding (DCLG & Crisis)
- Business Models: subsidy from welfare benefits system
 - HALD (79% LtB rentals)
 - Exempt Accommodation (80% Spring rentals and 30% Smartlets)
- Networks and Reputation, Personal Trust
- Cross-subsidy possibilities
 - Managing other properties
 - Mixing with commercial lettings
- Understand and respond to landlord motivations
 - Why would they pay management & lettings fees?
 - Perceived strengths on people management & support
 - Mitigating risks on rent income and damage
 - Some landlords have a social motivation!



'They can save landlords from hassle because they are good at dealing with housing benefit and tenant support'

LTtB Landlord

'I can honestly say that it feels like a personal relationship, not like talking to some estate agent, they level with you and we like that'

LtB Landlord

Conclusions on Key Barriers

Principal Barrier

Key barrier across region unfavourable trend in LHA rates and lower quartile market rents

- Data shows variation across region but gap in most districts for most sizes of accommodation
- But areas with smallest gaps LHA/rents may also have highest % of tenants with shortfall (60% Stoke claimants in shared housing have shortfall despite smallest gap lower quartile rents with LHA)

Other barriers

- Another barrier is landlord willingness to pay letting & management fees out of rent
- Landlord motivations to engage with LHA market and LAs
- Competition with other statutory users of PRS (incl. London Boroughs)
- Staffing capacity & marketing spend (an issue for both LAs and TSOs)
- Maintaining flow of referrals to let accommodation speedily

More a response to privatisation than a means of socialisation?

- Birmingham has seen substantial loss of social housing stock through Right to Buy with very limited replacement
- Households who would have accessed council housing are now in PRS
- SLA has limited leverage to change conditions in PRS (it accounts for less than 2% of PRS tenants on housing benefit in the city)
- Main limiting factors are
 - Lack of security due to 12 month tenancy terms
 - High costs due to market pressure and limited welfare support for residents to meet housing costs
 - Landlords have a lot of choices in competitive market including many Public agencies seeking low cost accommodation
 - Limited enforcement of standards
- Many of these factors are beyond control of small local agencies
 - But SLAs can still enhance experience of individual tenants
 - Motivate landlords to let to low income groups
 - & provide a real alternative for some households in need

Further information:



Housing and Communities Research Group

<http://www.birmingham.ac.uk/research/activity/social-policy/housing-communities/about/index.aspx>

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Webpage on Social Lettings Agencies Research

<http://www.birmingham.ac.uk/schools/social-policy/departments/social-policy-sociology-criminology/research/projects/2015/social-lettings-agencies.aspx>