

# **University of York**

## ***Independent Review of the Private Rented Sector***

### **Submission by the Joseph Rowntree Foundation**

**May 2008**

The Joseph Rowntree Foundation (JRF) is delighted to make the following submission to the University of York's Independent Review of the Private Rented Sector. We would be happy to supply any further information as required.

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## **About the JRF**

The Joseph Rowntree Foundation (JRF) is one of the largest social policy research and development charities in the UK. It supports a research and development programme that seeks to understand the causes of social difficulties and explore ways of overcoming them. This is combined with extensive practical experience of housing and care provision through the Joseph Rowntree Housing Trust (JRHT). We are a strictly apolitical organisation. Our research is made freely available to all through our website ([www.jrf.org.uk](http://www.jrf.org.uk)).

## **Introduction**

The Joseph Rowntree Foundation welcomes the opportunity that the Independent Review of the Private Rented Sector presents to consider more fully the opportunities, challenges and constraints involved in using the PRS to meet a diverse range of housing needs. We feel it is important to consider the operation of the PRS in tandem with the other housing tenures, particularly when considering the most appropriate role for the PRS in relation to addressing the needs of socially disadvantaged groups such as homeless households or other vulnerable groups.

The submission is based on research evidence commissioned by the Foundation and two discussion groups with practitioners working with homeless households and other vulnerable groups held on 12 and 19 March 2008. The discussion groups involved Julie Rugg from the University of York review team. This submission is structured around the following issues:

- Summary of messages
- The wider housing market context
- Creating and sustaining mixed communities
- Affordability and access
- Homeless and vulnerable households
- Support issues
- Regulation of the PRS
- Conclusions

The evidence described below suggests that the PRS has an important role to play in relation to housing young, mobile, professional households. Later sections explore the role of the PRS in meeting the housing needs of more vulnerable groups and highlights the policy

challenges and opportunities in making the PRS 'work' successfully for more vulnerable groups.

## **Overview**

The recent growth of the PRS has sparked a keen policy interest in how the sector might be used to meet policy objectives such as tackling homelessness. While much research evidence highlights the role of the PRS in housing the young professional, geographically mobile population there has perhaps been less specific assessment of its role in housing more vulnerable groups.

In looking at the potential of the PRS to house more vulnerable groups, including homeless households, it is important to consider the operation of the housing market as a whole. Much of the growth in the PRS has had a corrective effect in terms of the previous decline in the sector. This suggests that the PRS may not be as elastic as policy expects. As such it is important to monitor wider market trends and their impact on the availability of PRS properties. Research suggests that certain populations such as migrant workers can prop up demand for housing that has been vacated by others. On the flipside however, increasing use of the PRS in more pressured market contexts can lead to vulnerable households who fall outside of the statutory homeless criteria being squeezed out of an already tight market.

This submission highlights the key issues of accessibility and affordability. The PRS is seen as difficult to access by some groups who may require support to find and set up a PRS tenancy. There is an associated need for education around what the PRS offers in relation to other tenures, as well as an assessment of outcomes for more vulnerable groups living in the PRS. Affordability and its relationship to benefit regulations is also a key concern and a real barrier to some groups using the PRS. This raises the question of whether the current housing benefit/local housing allowance system should be re-evaluated in terms of a broader and more strategic relationship with wider housing policy.

Getting the offer right for both tenants and landlords is crucial to successfully using the PRS for more vulnerable groups. For participants to the discussion groups convened by JRF this involved more flexible client-centred funding of support services. There is a need to balance the concern of tenants and landlords in the PRS. The role of intermediaries

such as social letting agents, rent deposit/bond schemes and support providers was seen as a potentially powerful tool in terms of attracting and supporting landlords and acting as a mediator between landlords and tenants when things were at risk of going wrong. While security of tenure was seen as a key negative in using the PRS for some groups who need longer term security, for others it was seen as a more mainstream option.

Intermediary services were seen as potentially able to drive up standards in the PRS by providing a management function. The role of other agencies such as the Audit Commission in assessing local authority use of the PRS in terms of value for money could also be considered. It was recognised that increased regulation of the PRS would need to be balanced against incentives for landlords, as regulation risked reducing the willingness of landlords to get involved in housing vulnerable groups.

The suitability of the PRS for homeless and other vulnerable groups rests very much at the individual level taking into account a tenant's particular personal circumstances and the wider market context. Policy efforts to use the PRS should consider the impact of increased competition for PRS vacancies on different sectors of the PRS market, as well as more co-ordinated approaches to recruiting and retaining landlords. It is also important to highlight the policy risks or unintended consequences associated with taking action in the PRS. For example a drive to increase standards may exacerbate affordability problems due to increased rents. Equally greater use of the PRS by local authorities to house homeless households can squeeze other groups out of the PRS in some areas, or could lead to greater competition between local authorities and other agencies, without an associated upward movement in supply. This could have the counter-productive effect of driving up rent levels.

The Foundation welcomes the opportunity the Independent Review of the Private Rented Sector presents to consider more fully the issues raised by JRF's evidence base.

### **Wider housing market context**

In his review of JRF commissioned evidence on *Understanding and responding to housing market change*, Ian Cole (2007) identified the importance of public policy attempts to shape the housing market working across housing tenures, rather than focusing on a particular

tenure in isolation. He identified a tendency for policy to ignore the interplay of pressures between tenures. Following on from the recent review of social housing (Hills, 2007), the Foundation welcomes this Review of the PRS as offering a valuable opportunity to consider the interplay between the PRS and other tenures when assessing the PRS role in potentially meeting wider social policy objectives.

David Rhodes' (2006) Census based study *The modern private rented sector* highlighted that the size of the PRS fluctuated between 1971 and 2001 such that much of the 1991–2001 increase in the sector was in areas where it had previously decreased the most. The study also identified the following key characteristics of the PRS:

- London had the biggest PRS with 16 per cent of households living in the sector in 2001 compared to 11 per cent of households renting privately in England as a whole.
- The PRS was also sizeable in a number of coastal and university towns.
- The PRS has the youngest age profile across housing tenures with a bulge of private renters aged between 25 and 34. The most common form of household in the sector was single person households (27 per cent compared to 16 per cent in all tenures). Lone parents with dependent children and 'other' households often comprising shared adult groups were also over-represented in the PRS compared with all tenures.
- Households with professional and managerial occupations were often private renters demonstrating the importance of the sector for 'young professionals'.
- The PRS was also the most ethnically diverse tenure with all black and minority ethnic groups (ie non-white British or Irish) being twice as common within the PRS compared with the UK as a whole.
- Residents in the PRS were twice as likely as all households to have been living in accommodation with no form of central heating. One in four pensioner households in the PRS lacked this amenity.
- The PRS was the most mobile of the housing tenures.

Bailey and Livingston's (2007) analysis of *Population turnover and area deprivation* also highlighted that the PRS has by far the highest residential mobility rates. This was driven largely by the young demographic profile of the sector and the fact that smaller households

appear to be more mobile. It is interesting to note that households with higher educational qualifications were associated with higher residential mobility rates, suggesting that the PRS has an important role to play in terms of satisfying economic demands for a mobile workforce.

Rhodes (2006) concluded that the most important role for the PRS was to provide flexible accommodation for young and mobile people, highlighting that the PRS contained high levels of:

- young people;
- single people;
- shared adult groups;
- professionals;
- full-time students;
- mobile households;
- inward migrants to the UK.

Liz Richardson et al's forthcoming (2008) *Housing aspirations for a new generation* study demonstrates the complexities of people's views on the PRS as both an attractive option in terms of 'city centre living' close to the buzz of local amenities and 'dead money' representing an inability to accrue wealth. This meant that the PRS tended to be viewed as a more temporary housing solution for the white and South Asian British women who participated in the study. The PRS was used to meet a specific accommodation need, for example while studying. The buy-to-let element of the PRS was highlighted by participants to this qualitative study as fuelling increasing house prices and having a knock-on effect in terms of the affordability of owner-occupation for those aspiring to home-ownership. The NHPAU has estimated the impact of 'buy-to-let' as increasing average house prices by up to 7 per cent in quarter 2 of 2007 (NHPAU, 2008).

*The experiences of central and east European migrants in the UK* by Sarah Spencer et al (2007) highlighted that although some economic migrants experienced very poor housing conditions and overcrowding, most migrants in the study expressed satisfaction with their accommodation relative to their expectations. Migrant workers in the study were living in a range of PRS 'settings' including accommodation with or provided by their employer as well as the wider PRS. Participants in the study sometimes chose overcrowding in order to reduce rents although the study was not able to establish the extent of this. In line with

the PRS being the most mobile tenure the study highlighted the residential mobility of migrant workers with 39 per cent having moved once and a further 18 per cent twice or more in the eight months following EU enlargement. Thirty per cent of moves were associated with employment and 38 per cent with improving their housing circumstances<sup>1</sup>. This study suggests that when considering the role of the PRS it is important to bear in mind not just those living in 'self-contained' tenancies or houses in multiple occupation but also those who may be living in tied accommodation or as licensees in their employers' homes. The security of tenure for people living in these circumstances is more limited than those who have assured shorthold tenancies. The discussion groups also highlighted a lack of knowledge in terms of the impact of houses in multiple occupation on the PRS. This is perhaps a particular issue for migrant workers and potentially vulnerable groups such as young people who are subject to the single room rent, and may be an issue to consider within the Review.

David Robinson *et al's* (2007) study of the housing pathways of new immigrants also highlighted the role of the PRS in meeting economic migrants' housing needs. In considering the impact of new immigrants on housing markets the study highlighted the importance of the local market context. New migrants in this study based in Sheffield tended to fill voids in the housing market that were vacated or avoided by others. In this context new immigration can underpin or reinvigorate housing demand and neighbourhood sustainability. However in other, more pressured, housing market contexts this 'safety valve' may not be available creating more competition for private rented housing. In these circumstances both new migrants and established residents potentially face a struggle to access accommodation. Such competition has the potential to create tensions between communities and may distort competition in the market for private rented housing with economic migrants potentially willing to (temporarily) accept lower conditions or reduce housing costs by living in overcrowded conditions.

The context of the global economy raises issues for housing in terms of the sustainability (or otherwise) of new migrant demand for housing in the PRS, as mobile workers can leave as quickly as they arrived. Robinson *et al's* (2007) study also demonstrated that when migrant workers develop a better sense of the areas in which they are living they

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<sup>1</sup> The survey is indicative rather than representative of the economic migrant population as a whole.

can become more discerning in their housing choices. This has potentially difficult implications for areas relying on migrant workers to prop up demand for housing that has been avoided or vacated by other groups such as students.

The discussion groups JRF convened with practitioners and third sector organisations highlighted a range of concerns around using the PRS to meet the housing needs of homeless households and other vulnerable groups in different housing market contexts. While some concerns related to ideological and practical issues around higher rents, poor conditions, limited security of tenure and associated retaliatory evictions in the PRS, in terms of the wider market context there was also a concern about the consequences of increased competition for PRS vacancies. This centred on local housing authorities using the PRS to meet obligations under the homelessness legislation thereby ‘crowding out’ other groups who are not owed a statutory homeless duty. There was also a concern in some areas with more closely connected local housing markets, such as London, that rent deposit or bond schemes were exacerbating a pressured housing market context by not always working together in a co-ordinated way to attract and retain landlords to their schemes. This meant that schemes were ‘poaching’ landlords from each other by offering better support or other services to landlords which was perhaps not in the best interests of the vulnerable client group as a whole or the public purse in terms of driving up rent levels. This highlighted a need to be pro-active in both ‘wooing’ and retaining private landlords to provide private rented housing for vulnerable groups, including homeless households. Such activity demands resources that may not always be readily available.

The discussion group on vulnerable tenants and the PRS also touched on the ‘lower end’ of the PRS market suggesting that while this sector served the function of housing those who often had ‘no other options’ and who prefer to remain outside support services reach, it did bring consequences with it. These included lower quality accommodation, associations with criminality – particularly drugs and potential landlord culpability in knowing such activities were taking place on their premises. While there may be an argument that such landlords were performing a ‘social function’ as these tenants may otherwise be roofless, there was no incentive for such landlords to improve the quality of their stock in these types of market. There were also policy concerns about the impact on the wider neighbourhoods in which such properties were situated,

related to both quality of the housing stock and perceptions of safety or associated criminal activity in the neighbourhood. However it was recognised that enforcement action against landlords may merely displace the problem. More consideration of potential alternatives for groups who may fall outside mainstream services is required. This also suggests that both the intended and unintended consequences of potential policy interventions need careful consideration.

In terms of expanding the potential PRS market there was a suggestion that more could be made of under-occupied properties, such as the home sharing approach whereby an older person offers a room to someone in return for limited support. No money changes hands as the assistance offered is viewed as payment for the room. The growth of supported lodgings schemes for young homeless households may also present an opportunity to expand the use of the private rented sector – albeit that young people involved in the JRF funded *Youth homelessness in the UK: A decade of progress?* (Quilgars *et al*, 2008) reported mixed views on such schemes. It is also notable that living with someone in their own house represents perhaps the most limited form of security of tenure, although it could also be the most appropriate solution for some people.

Participants to the discussion groups also suggested a review of what government ‘got back’ from its housing benefit spend in order to identify whether there were more productive ways to use it in terms of increasing the stock or developing more positive interventions in housing markets. There was a feeling that the objectives for housing benefit were not clear or were not sufficiently strategically defined.

### **Creating and sustaining mixed communities**

The PRS has an important role to play in achieving wider policy objectives such as sustainable mixed communities, which raises issues around management of the private rented sector. Rob Rowlands *et al* (2006) study *More than tenure mix: developer and purchaser attitudes to new housing estates* showed high levels of private renting emerging in some new housing developments due to investment by private landlords. This meant that some estates had higher levels of rented accommodation than envisaged. This could risk subverting local policy goals around the nature of resident ‘mix’ that had been envisaged. The study recommended that as well as building a mix of property types and sizes that would work with different tenure mixes, it was important to

require the management of privately rented property to conform to specified standards.

The growth of multi-tenure neighbourhoods creates potential new demands on both local authorities and RSLs in terms of neighbourhood management. As a social policy research funder who is also a social landlord the Foundation is currently funding a study on registered social landlords and the PRS in multi-tenure neighbourhoods, led by Rob Rowlands. The study aims to:

- identify the challenges faced for property and neighbourhood management by RSLs as a result of the PRS in multi-tenure neighbourhoods;
- identify the impact on RSLs of PRS activity in their areas of operation;
- understand measures which are and could be taken to limit or avoid negative impacts.

Although no findings are yet available from this study we believe that RSLs have a potentially important function within the PRS in terms of neighbourhood management.

### **Affordability and access**

The affordability of the PRS was highlighted as a key issue in both the discussion groups convened by the JRF. Key concerns were:

- Although rent deposit or bond schemes could make accessing the sector more affordable, schemes often had specific eligibility criteria relating to homelessness such that other client groups were excluded. This had the knock-on effect that schemes could only help those that were actually homeless rather than preventing crises that may lead to homelessness.
- While there was provision in benefit regulations to make discretionary housing payments where housing benefit or local housing allowance levels were creating financial hardship this was only a temporary sticking plaster as payments were made on a temporary basis. The lack of a more affordable alternative in many places meant that discretionary payments did not sufficiently address the affordability of private rents.

- There were concerns about the level the single room rent was set at, although it was notable that the principle of a single room rent was not necessarily disagreed with. However some participants did highlight this as a key barrier to young people entering the PRS which, when coupled with problems of housing quality in some areas (and the problematic nature of sharing for some young people) highlighted the key barriers to the PRS.
- Sharing was recognised as a potential way to make the PRS more affordable for some groups and it was felt that more could be made of flat-sharing schemes where support services offered their clients a 'matching' service so they could look for shared PRS vacancies together. However there were concerns that sharing may not always be appropriate for some groups and as such the level of single room rent may be set too low.
- The implementation gap for care leavers and the single room rent was also highlighted with participants noting that care leavers were exempt from the single room rent only until they are 22 – leaving a three year gap until single room rent restrictions were removed at age 25.
- The impact of higher rents affecting the viability of accepting work for those in receipt of HB/LHA was also a concern. Even in areas where LHA may mean increased benefit this was not necessarily a benefit as it made the financial 'penalty' of taking work, in terms of reductions in benefit, greater.

In terms of housing lower income groups the *Housing and neighbourhoods monitor* developed for JRF by Palmer, Kenway and Wilcox (2006) highlighted that housing costs as a proportion of household income were higher for those in private rented accommodation than for those in other tenures, at all levels of income. This reflects the fact that at the time of the study, the rents for private renters at all income levels were typically higher than either the rents for social renters or the mortgage costs for owner-occupiers. Twenty per cent of private renters are in the poorest fifth of the population on a before housing costs (BHC) measure and 35 per cent are in the poorest fifth of the population on an after housing costs (AHC) measure (BHC incomes are net of taxes, but include Housing Benefit as income; AHC incomes deduct rents, service charges, ground rents, mortgage interest and building insurance costs).

Participants in the discussion groups also linked the issues of affordability and housing conditions noting that standards in the sector

going up often meant increased rents too, which in turn affected more vulnerable groups' ability to access the PRS. In terms of a willingness to move into the sector this could mean that people moving on from supported schemes could only access lower quality accommodation – a situation that was exacerbated for those aged under 25 who were subject to the single room rent. This affected the attractiveness of the sector for young people in particular but could also be an issue for others moving on from high quality supported accommodation.

Affordability and economic activity were also key concerns for the discussion groups. There were mixed views on whether economic activity (or inactivity) should be linked to specific tenures. For example the view was posited that if a tenant was likely to be remaining on benefits the social rented sector would be the best option as their rent would always be covered. However others argued that the PRS might be most appropriate for these groups since the SRS could be offered as an incentive to economically active households, thereby enabling them to avoid the 'benefits trap' of being unable to afford to work. This discussion highlighted the complexity of the range of needs being met by the different rented tenures and the different ideological underpinnings of people's perspectives. For the Foundation this suggests that more nuance is required when considering the role of the PRS. This includes consideration of both the local PRS market context and the specific housing and support needs of individuals, rather than groups as a whole. For young people in particular concerns were raised that this group could often only access short term low paid work which made their potential situation in the PRS more vulnerable, particularly given the related need to navigate the benefits system with changes in income.

Access to the PRS was discussed in relation to persuading landlords to take on more vulnerable groups and the effort that needed to go into creating and sustaining this market. This is considered further later in this response when covering support and the PRS. Some threats to the availability of private sector accommodation were identified in terms of the loss of direct payments to landlords. Although there were mechanisms for HB/LHA payments in relation to vulnerable tenants to be made direct to landlords, participants raised the variability in local authority definitions of 'vulnerability' as a concern when helping people to request direct payments to their landlords. There was also a sense that paying HB/LHA tenants to residents did not necessarily increase their financial literacy and could place an unnecessary additional emotional

and financial burden on already vulnerable people. The ability of more affluent PRS residents to pay rent by standing order or direct debit was highlighted as essentially being no different to HB/LHA payments being made direct to the landlord. Participants highlighted that some landlords had got around this issue by opening joint bank accounts with tenants solely for the receipt of HB payments. As the tenant was unable to withdraw money from the joint account without the landlord's signature this protected the rent payments. This type of activity does, however, raise important issues around the potential power imbalance between landlords and tenants, particularly when the needs of more vulnerable groups are taken into account.

### **Homeless and vulnerable households**

Some participants in the JRF convened discussion groups could see the value of the PRS as a potential option for homeless and other vulnerable groups, while others had concerns that they felt questioned the viability of the sector for vulnerable groups. Discussion majored on the issue of security of tenure but also covered housing and tenancy management in the PRS – for both tenants and landlords. This section focuses on security of tenure with housing and tenancy management discussed in the next section

***Security of tenure*** was viewed very much in terms of the social cost to homeless households of living in the PRS and the unequal power relationship between landlords and tenants that could result in retaliatory evictions. Participants who worked with homeless households were keen to point out that moving from temporary accommodation into the private rented sector as a permanent solution could lack any sense of permanency for homeless households since an assured shorthold tenancy was not necessarily more secure than temporary accommodation for many people. Participants highlighted a real concern that such insecurity had a potentially high personal cost in terms of homeless households' wellbeing as well as impacting on their children's education and other issues of concern to social policy including cohesion and the formation of social capital.

The power imbalance between a tenant's ability to enforce repairing obligations and a landlord's ability to evict, effectively without reason, was also highlighted as a key issue. In considering the trade-off between tenants' perceived need for security of tenure and landlords' need to

retain control of their property, participants raised parallels with the assured tenancies offered by RSLs. These were felt to offer both security of tenure to the tenant and the ability for the landlord to evict – the key difference being that a specific reason, such as rent arrears, was needed for the eviction.

Interestingly, however, participants working with vulnerable groups outside the homelessness sector saw real opportunities in using the PRS for some adult vulnerable groups, including those with support needs. While this perhaps reflects the more limited availability to such groups of other housing options such as the social rented or owner-occupied sectors, participants highlighted the real value of the PRS as offering more opportunities for residents in terms of where they lived and preferred to direct discussion on to whether the housing and support offer was right for the individual tenant. This was linked to the view that many landlords wanted long term tenants and welcomed the financial security of a consistent rental income. Services working with homeless or other vulnerable households could potentially offer them this, as well as providing other assistance to both residents and landlords to help make the tenancy run smoothly – another key concern for landlords housing more vulnerable groups. This issue is discussed further in the section on support and the PRS.

Removing the ‘tenure for life’ aspect of the SRS was seen as an opportunity to more closely align the SRS and PRS offer, potentially coupled with removing ‘automatic’ access to the SRS for statutorily homeless households. This was seen as potentially making the PRS a more attractive option although there was awareness that this would need careful policy consideration in terms of potential knock-on consequences. In particular the importance of ‘home’ to vulnerable households and the real emotional security the perception of ‘tenure for life’ can bring should not be underestimated. Equally, however, participants recognised that people can and do get evicted from the SRS so that there may be a need to challenge people’s perceptions about both the PRS and SRS in order to broaden people’s views on their housing options by highlighting what each tenure really offered in terms of risk and opportunity.

## **Support – the PRS for landlords and vulnerable groups**

The PRS was seen as a potential mainstream, and indeed more preferable, option for some vulnerable groups with support needs. In many ways this view of the PRS as the ‘mainstream’ was seen as helpful in terms of providing some vulnerable people with a route back into mainstream society. However this was closely aligned with the view that the right intermediaries between landlords and tenants, and the right support, was needed to make the PRS work as a package. Suitability of the PRS for vulnerable groups was seen very much as an issue at the individual, rather than the group, level.

Two specific aspects of support in the PRS were identified:

- supporting vulnerable tenants to access and live in the PRS; and
- supporting landlords to house vulnerable tenants.

### ***Supporting vulnerable tenants***

In welcoming the PRS as a potential option for vulnerable groups participants to our discussion groups made the point that the suitability of the PRS was more about individuals than groups as a whole. The group also recognised that some people would be classed as ‘difficult to place’ in any tenure and that this may not always be an issue specific to the PRS.

Two distinct types of support were identified as issues within the PRS:

- support to identify and access an appropriate PRS tenancy; and
- support to maintain a tenancy for those with ongoing support needs or vulnerabilities.

Participants identified a role for services such as rent deposit or bond schemes to help people with finding and setting up a tenancy. This was identified as a short term need to ‘get people started in a PRS tenancy’ rather than ongoing tenancy-related support. It was felt that this type of service could help people who did not know where or how to begin looking for or setting up a tenancy in the PRS. It was also highlighted as a potential way of protecting people with vulnerabilities from the high cost of accessing tenancies through some estate agents who made various ‘charges’ that schemes could help avoid such as the renewal of tenancy charges of ‘key money’ on top of rental deposits. Participants highlighted that many of the referrals they received for ‘support’ actually

only required assistance with finding a tenancy rather than on- support and that this aspect of assisting people to live in the PRS should be explicitly recognised.

The importance of offering the right ongoing support in the PRS was a key issue and several points were made in this context – the nature of support, funding mechanisms, capacity and the role of the PRS landlord in providing support. The needs of the client were felt to be central to providing the right support to fit their needs. However there was an evident frustration in the implementation of the Supporting People Programme which had resulted in the view that the eligibility criteria were more important than the needs of the service user. There was a strong sense that funding mechanisms had become too prescriptive and circumscribed by strict rules on what was eligible support which was sometimes preventing services from offering what was really needed. People involved in the discussion groups also felt that pressure on the Supporting People Programme budget had meant that rent and support costs had not been properly divorced. Pressures on the Supporting People budget had meant that some costs had crept back into rent – thereby keeping supported housing costs too high for those in work. Participants also felt that many support needs related to softer social skills, such as the confidence to interact with other people and the wider world, which are also important issues in relation to maintaining a positive relationship with landlords, were not part of the current housing related support framework. The Smart Skills programme which provides ‘buddies’ for people to pursue areas of interest with the aim of building their confidence around social interaction was highlighted as the type of service many people would benefit from although it does not have a direct ‘housing’ element. The view was that greater flexibility in the type of support that services could provide would lead to better outcomes for tenants and landlords. This type of approach may require more co-ordinated policy goals and interventions which operate across traditional departmental boundaries as they take in issues of housing, community, health and wellbeing as well as economic activity.

The removal of the ringfence around Supporting People funding was a serious concern for support providers who felt there were clear risks of a negative impact on the range and volume of support that might be provided across housing tenures. Joint commissioning of support services was felt to be an as yet underdeveloped area meaning that

people were missing out on potential support services with the PRS representing an underdeveloped area for support services.

In discussing monitoring of outcomes for people living in the PRS participants highlighted Foyer Federation research 'What happened next?' This showed that there was a three month rosy period in the PRS where everything was going well for former Foyer residents. However there was a critical point at around 12–18 weeks into the PRS tenancy when the issues that had led young people into the Foyer popped up again and could result in job losses etc, suggesting a need for more ongoing support for some individuals. This highlighted a need for longer-term monitoring of outcomes in the PRS as many services did not follow up people they had placed in the PRS to check on whether the tenancy had been sustained in the longer term.

Participants felt that a key policy solution may be to attach a support assessment to current local authority 'housing options' approaches. In this way support needs in terms of accessing the PRS as well as maintaining a tenancy may be highlighted and addressed. This could ensure that referrals to support services were clear about the nature and extent of support required as well as highlighting gaps in provision.

Participants also highlighted the potential role of private landlords as providers of support. Rethink was highlighted as an organisation working with private landlords to provide support to people with mental health issues. Key facets of the scheme include the assessment, training and supervision of landlords and the principle that the tenant can remain in their tenancy even after their need for support has ended. No care services are provided and the landlords are paid for the support they provide. The scheme was cited as very successful in that some landlords moved on to support other tenants once 'their' tenant no longer needed support. This approach was also felt to build trust between the landlord and tenant by breaking down the professional barriers to accessing support that some tenants had. However it also raised a clear need to carefully manage boundaries between landlords and tenants – highlighting the importance of regular supervision for landlords involved in the scheme. There was much interest in this innovative scheme and questions were raised about landlords' motivation to get involved in such schemes. Motivators included the payment and the support Rethink could provide such as fastrack housing benefit applications. For some there is an altruistic wish to help people either because they had

benefited from help themselves in the past or because of a personal principle to put something back into the community. The important groundwork that went into recruiting and supporting landlords was highlighted as crucial to the success and sustainability of the scheme.

This raised the related role of what support landlords needed to get involved in housing homeless or other vulnerable households in their properties.

### ***Supporting landlords***

The need to make the PRS 'easy' for landlords was a crucial point identified by participants to the discussion groups. Housing homeless or vulnerable groups through intermediaries was seen as crucial to selling the idea to private landlords. The benefits to landlords of working through an intermediary were seen as:

- fast track housing benefit applications as many small landlords could not finance a 16 week delay to housing benefit claims;
- an 'intermediary' or management service that could step in quickly to help resolve any problems with the tenancy;
- assistance with tenancy management around repairs and maintenance;
- general information, training and support on meeting their obligations as a landlord;
- assistance with minimising voids.

Social letting agencies were identified as a potential vehicle for offering landlords these services on a wider basis, although some schemes such as Smart Move already provided elements of this type of service to landlords. It was felt that this approach may help with the unintended impact of increased competition for PRS vacancies due to local authorities targeting the PRS for homeless households displacing other groups who traditionally access the sector. Linking such services to rent deposit/bond schemes could also ensure that the various agents who were looking to exploit the PRS could take a more co-ordinated approach to using the PRS.

Using intermediary services such as those identified above was felt to be a way to minimise risks for both the landlord and the tenant. When linked to assessments of a tenant's support needs this was seen as a

potentially very powerful solution. The Review could usefully consider whether these schemes could be replicated and specifically supported to take a more co-ordinated approach to using the PRS for homeless households and other vulnerable groups (who may or may not have associated support needs).

In terms of recruiting smaller landlords participants to the discussion groups highlighted the potential to make more of landlord accreditation scheme 'perks' such as DIY shop discounts to recruit landlords to rent deposit/bond schemes and get them involved in housing more vulnerable groups.

The discussion groups also highlighted the institutional barriers to some large institutional landlords getting involved in the PRS. These included:

- the insurance market refusing to insure where tenants are in receipt of HB;
- mortgage lenders excluding landlords from letting to tenants on HB;
- VAT on refurbishment; and
- Real Estate Investment Trust (REIT) rules being too tight to be suitable for many larger players.

These issues have clear implications regarding expanding the use of the sector to house homeless and vulnerable groups who may well be in receipt of housing benefit (HB) or local housing allowance (LHA). This is of particular concern since the current market context may make lenders even stricter on the conditions they apply to buy-to-let mortgages and the returns they expect to see in terms of rental income.

### **Regulation and conditions**

The role of intermediaries was highlighted as a potential tool in driving up conditions in the PRS. However there was clear recognition that the ability of intermediary services such as rent deposit/bond schemes to do this very much depended on the local market context. Driving up standards was easier to achieve in a more competitive market context where there was a critical density creating competition for tenants that could be used to improve conditions. Property inspections were, however, seen as a key part of recruiting landlords to such schemes.

The warning note that improved conditions can lead to higher rents, thereby pricing out some vulnerable groups in receipt of benefits, was a concern for some participants in the discussion groups.

In balancing the need to manage the PRS and attract landlords to housing more vulnerable groups it was notable that calls for increased regulation of the PRS were coupled with a recognition that greater incentives needed to be offered to landlords. The role of public bodies could be better exploited here as the Audit Commission does pay attention to what temporary accommodation is provided by local authorities at what cost – these principles may be applied to use of the PRS.

## **Conclusions**

As well as being a vibrant sector for the young professional market the PRS can work for homeless and more vulnerable groups. It is, however, crucial to get the 'offer' to both tenants and landlords right. Our discussion with third sector and local authority practitioners suggests a need to:

- consider the role and operation of the PRS in relation to the other housing tenures;
- recognise the importance of local context and associated variations in the scope of the PRS as well as being alive to housing market trends;
- consider more flexibly funded support services that can take a client centred approach to support;
- recognise that vulnerable groups may need help with finding and setting up a tenancy even if they did not have ongoing support needs;
- reconsider what housing benefit delivers against government objectives and whether this resource could be more effectively targeted to achieve broader housing objectives and the need to support vulnerable individuals;
- assess the potential role of intermediary services that can offer landlords support such as fast track housing benefit and tenancy management along with mediating landlords relationships with vulnerable tenants;

- highlight the knock-on policy consequences of policy initiatives in the PRS such as the impact of increased competition on vulnerable groups ability to access the sector;
- recognise that individual assessments of suitability of the PRS are likely to be more successful than blanket approaches to using the PRS for specific client groups.

It is important that this welcome Independent Review of the Private Rented Sector is alive to future market trends in the PRS. While the PRS can be a potentially important policy tool in meeting wider social policy goals, it is crucial to consider the PRS in terms of its relationship to the wider housing market. As such we would argue that a consideration of the future role of PRS needs to be alive to potential changes in the size and make-up of the PRS when making its recommendations to government.

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