

HOW DO LANDLORDS ADDRESS POVERTY?

Social landlords have long played a role in housing people in poverty and helping to alleviate poverty. However, rising rents, more low-income households in private renting, reduced funding for house building and welfare reforms present major challenges for landlords and local authorities in England. This research explores how landlords are responding, what can be learnt from their written strategies and plans, and what happens in practice.

Key points

- Despite their long history of housing people on low incomes, social landlords rarely mentioned poverty in their priorities, though most had a mission that included housing low-income groups and addressing disadvantage. Private landlords rarely shared this focus.
- Social landlords were generally building Affordable Rented housing rather than social housing, despite concerns over its affordability. Doing otherwise would entail too large a reduction in development, as social landlords only receive government subsidies for developing Affordable Rent housing.
- While most social landlords were increasing both social and Affordable Rents at the maximum rate allowed by guidance, many were restricting rents on Affordable Rent properties in some way. Concerns about affordability motivated this action.
- Nevertheless, some social landlords were restricting access to Affordable Rent housing using affordability tests, provoking concern among some local authorities.
- Almost all social landlords offered support to tenants in the form of advice and assistance relating to benefits, employment or fuel bills.
- Two themes were discernible in allocating social housing. Some landlords were re-asserting their traditional role of housing people in poverty, while others were now choosing to house a wider range of tenants.
- Private landlords generally preferred to house better-off groups. They had a range of concerns about accommodating people on Housing Benefit.

The research

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BACKGROUND

This research explored whether the documented strategic and business plans of landlords in England take into account the needs of households and individuals experiencing poverty. It also looked at the extent to which these plans were being reflected in practice. The study carried out detailed documentary analysis and in-depth interviews with a range of housing organisations.

Tackling poverty – landlords’ plans and practice

Unsurprisingly, a focus on addressing poverty and deprivation as part of the mission of housing organisations was one aspect that most clearly separated social and private landlords. By and large, private landlords or letting agents did not have a mission to tackle poverty, whereas social landlords and local authorities were keen to emphasise their social mission.

This social mission, however, was generally wider than poverty. Many organisations avoided using the term poverty at all. Local authorities were the most likely to have any kind of explicit ‘anti-poverty strategy’, though these strategies were typically much broader than housing.

Developing new housing

Housing development was a key part of the mission of most social landlords. Cuts to funding for new housing had, however, created difficulties in funding new development. Social landlords were increasingly turning to developing market-price housing in order to provide cross-subsidy for developing housing below market price.

To receive government subsidy for development, social landlords must build new housing at Affordable Rent levels, and must also convert at least some of their relets to Affordable Rent. These rents can be up to 80 per cent of market levels, so in areas of high rents they can be considerably greater than social rents. Most landlords reported that they had no option but to build Affordable Rent homes (rather than social rent), and to convert some social housing relets to Affordable Rent. However, some chose to charge less than the maximum amount on their Affordable Rent housing, especially on larger units.

There was some uncertainty about who the new Affordable Rent housing should be for. While some landlords saw it as being for all households in need of social housing, including the poorest families, others were seeking to prioritise working households, for example by implementing stringent affordability tests. Some local authorities were concerned about this trend, since it could limit their ability to fulfil their statutory duty to find homes for households in the most need.

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

Most private landlords interviewed were not looking to expand their portfolio. Those who had done so recently had generally gone for the middle or upper end of the market, or for students; landlords regarded all of these as more profitable than the Housing Benefit market.

Rent setting

Most social landlords felt they had few choices regarding rent setting on social and Affordable Rent tenancies. The Government's formula sets out the maximum rent, and most landlords simply charged as much as they could within that guidance to make business plans viable.

However, many social landlords sought to strike a balance between maximising rent and the interest of tenants. Simple caps at lower percentages of the market price than the Homes and Communities Agency's preferred 80 per cent were generally uncommon. Instead, case-by-case reductions and caps at the Local Housing Allowance rate (used to work out Housing Benefit for tenants renting privately) were fairly widespread. Concern about what tenants could afford, given local wage levels and benefit rates, usually motivated such practices. Local authorities tended to push harder for such reductions and caps than social landlords, given their statutory responsibility to house those in the most need. In some lower rent areas, there were also concerns about ensuring that the social housing sector remained competitive with private renting.

Service charges have increased in social housing in recent years. One cause may be moves 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 good tenants. Some letting agents had a policy of annual increases, but most did not. Landlords who managed their lettings themselves almost never inflated rents annually. Reasons for this included wanting to hold onto good tenants and simply 'not being bothered'.

Supporting tenants and increasing disposable incomes

Nearly all social landlords had written strategies outlining the provision of some form of support or advice to their tenants. The most common focus of such work was providing advice on benefits or grants, debt or budgeting. Most social landlords also offered advice on finding work or training opportunities, while some also had policies around inclusiveness through access to financial and computer services.

Private landlords, in contrast, did not generally offer anything more than occasional signposting to other services. Most felt it was not their job to do so. A lack of such 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, though this was one area where the sector as a whole could usefully adopt more consistent good practice. For private landlords, ensuring that a property was fuel-efficient was rarely considered on its own, but was part of a wider agenda of ensuring that their homes were of good quality and well maintained.

Selecting tenants

The written strategies of social landlords highlighted two identifiable themes in prioritising tenants. While some were re-asserting the traditional role of a social landlord in housing those most in need, others were emphasising the need for business diversification and housing a 'wider group of people'. Those moving away from selecting purely on the basis of housing need often opted for tenants on the basis of local connections (mainly local authorities), or employment status.

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

Conclusion

The extent to which landlords addressed the question of poverty in their formal policies or in practice varied greatly. There were substantial differences between private and social landlords in terms of their focus on alleviating poverty. Private landlords' social ethos came very much from the personal relationships they had with existing tenants. Once properties were empty, they were rarely inclined to provide housing for the poorest households if more profitable tenants were available.

The social housing sector had a clear social ethos, shown in the support usually given to tenants in financial difficulty or seeking employment, although it was not always expressed in terms of addressing poverty. Most social landlords developing new housing were participating in the Affordable Rent programme. As a result they were becoming more aware that the rents they set could create poverty among some residents. There was a tension in high-rent areas between maximising development and helping the poorest tenants.

Social landlords' reactions to this situation varied from capping rents at a lower level, or increasing spending on fuel efficiency, to refusing tenancies to those unable to afford housing. Directing poorer households into social renting as opposed to Affordable Renting will, however, become more difficult over time as the balance of supply shifts. Many social landlords were rethinking their mission towards covering a wider range of groups, rather than solely the poorest households.

In turn, this has created tensions with local authorities, who need social landlords to house the poorest households in order to fulfil their statutory duties. They saw little prospect of private landlord involvement in this.

About the project

The research was undertaken in 2013–14, using 15 case-study local authorities throughout England, covering the spectrum of housing market conditions. The study reviewed 537 documented strategies from 128 housing organisations (mostly local authorities and social landlords) in these areas. Private landlords and letting agents had little documentation other than websites. An online survey drew responses from 194 private landlords and letting agencies. To explore actual practice, 76 in-depth interviews were carried out with a range of housing organisations.

FOR FURTHER INFORMATION

The full report, **How do landlords address poverty?** by Anna Clarke, Sam Morris and Peter Williams, is published by the Joseph Rowntree Foundation. It is available as a free PDF at www.jrf.org.uk

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