Sheffield Hallam University | Centre for Regional Economic and Social Research

Tenancy sustainment amongst those aged under 35: *executive summary*

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About the partners

This research was commissioned and funded by a partnership of five housing associations: The Hyde Group; Family Mosaic; Your Housing Group; Hexagon and Viridian Housing. Short profiles of each of the commissioning partners are provided below.

The Hyde Group

The Hyde Group is an award winning provider of homes and makes a significant contribution to meeting housing needs and improving people's quality of life.

Hyde is one of the largest housing associations working in England, owning or managing circa 50,000 homes in London, Kent, Surrey, Sussex, Hampshire, the East of England and the East Midlands.

Hyde Plus, our social investment team, continues to enable residents to fulfil their potential. In the past year 14,500 residents benefitted from Hyde Plus activities, 3,987 received advice, 784 took up training to improve their prospects. Money and debt advisers achieved financial gains to residents of £1.65m; volunteers donated 1,751 days to Hyde Plus activities and 494 people were supported to get online.

With a proven track record in regeneration and creating sustainable communities, Hyde has a key role to play in helping to solve Britain's housing demands. We have pledged to build thousands of new homes over the next three years and have developed a unique partnering model which can help local authorities to build more homes and deliver much needed revenue streams.

Family Mosaic

Family Mosaic is one of the largest housing providers in London and the South East. We provide affordable homes to rent and buy as well as services to thousands of people who need extra support. We have around 24,000 homes for rent and serve more than 45,000 people. We provide a range of opportunities for our customers such as training, employment and access to learning. We partner local communities to make our neighbourhoods better places to live.

Your Housing Group

Your Housing Group is one of the UK's largest social housing providers with more than 33,000 homes across the North West, Yorkshire and the Midlands and over 1,300 employees. The group's mission is *transforming your lives and your communities* and we achieve this by providing the people who live in our communities with a wide range of guidance and support services. We are one of the UK's leading providers of Retirement Living solutions, with 19 specially designed developments across the North West, Yorkshire and the Midlands.

Hexagon

Hexagon is an innovative and responsive Housing Association working in partnership with a range of local authorities to meet housing and care needs across South East London. With a turnover of £25.78m and 154 staff, Hexagon is continually improving the quality and range of our affordable homes and services.

As an organisation, we are concerned with people, their homes and communities. We make good quality, affordable housing and services available to people in South East London, and work to extend opportunities and improve the neighbourhoods they live in.

- With over 4,000 homes for rent, we offer more housing choices in areas of high demand.

- We are building new homes and taking part in major regeneration initiatives in London.

- More than 300 vulnerable people use our specialist housing and one-to-one care and support services.

Viridian Housing

Viridian Housing provides accommodation across London, the South East and the Midlands. We have around 16,000 homes and work in partnership with local authorities, other organisations and customers to create safe, sustainable communities.

Our work meets a wide and growing range of needs: from general needs social/affordable homes for families and single people, retirement housing and temporary accommodation, through to shared ownership and other low cost home ownership schemes. We also provide additional services to support our customers and help them make the most of opportunities in their lives.

Executive Summary

Introduction

A team based at the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University was commissioned by the Hyde Group and four partner housing associations (Family Mosaic, Hexagon, Viridian, and Your Housing Group) to identify the reasons for (arrears prompted) tenancy failure in a population group identified by them as being particularly vulnerable to it: those aged under 35. The study ran from April to October 2015. Although it employed a mixed methods approach, the most important element of the research was 35 in-depth interviews with tenants who were currently in arrears or had been in the past. The key findings of the study, along with the key learning to emerge from it, are outlined below and reported in more detail in the main body of the report.

The study was commissioned before recent government initiatives affecting the financial landscape within which housing associations operate were announced: the imposition of a one per cent reduction on rents for each of the next four years; and the extension of Right to Buy to tenants in housing association properties. Both initiatives are likely to have an adverse impact on the financial position of associations, meaning they will have to find savings from elsewhere in order to fulfil their development ambitions. The study team has taken on-board these developments to produce learning that is compatible with the (less favourable) financial climate that landlords now work within.

Key risk factors in arrears and eviction: findings from secondary data analysis

During the early stages of this research quantitative analysis was conducted to understand the statistical relationship between tenancy failure and household characteristics. It revealed the following key findings:

- **Single men aged 21-25 appear to be the most at risk of eviction** and serious arrears.

- **The quality of data held by housing associations for individual tenants** emerged as a key factor in determining risk of arrears and/or eviction (blank/incomplete records are associated with increased risk of arrears and eviction).

- **Rent arrears were not always associated with evictions:** larger households were more likely to be in arrears, yet singe adults were more likely to be evicted.

The journey to rent arrears and seeking help

This chapter is concerned with articulating the views of tenants regarding their tenancies and their relationships with their landlords. It is therefore concerned with the perception of reality and not necessarily reality itself and some tenants held views that were ill-informed and erroneous.

The qualitative research conducted with 35 current tenants who were either currently or recently in serious rent arrears identified five principal drivers of rent arrears, as follows:

- **Insecure and casual employment: This** was the most prevalent issue cited by respondents as a factor contributing to rent arrears. In particular, temporary and zero hours contracts led to fluctuating incomes and made money management very challenging.

- **Benefit claims and suspensions:** Nine respondents cited benefit complications as a primary cause of their arrears. It was particularly common to encounter interruptions to income as a result of suspensions to benefit claims.

- **Surviving on a low income:** In 33 out of 35 cases, tenants' arrears could ultimately be traced back to their low income. Being on a low income was, however, rarely the sole reason for the journey into arrears. Usually it was a 'financial shock' that had triggered serious arrears. However, the effects of living on a low income undermined tenants' ability to cope with and recover from these 'shocks'.

- **Setting up home:** The financial costs, and other challenges, associated with setting up of 'home' frequently arose as a factor contributing to rent arrears. Of particular note were the difficulties faced by tenants as a result of moving into an unfurnished property.

- **Life events:** Some tenants had accrued arrears as a result of unexpected crises, unavoidable life events, and personal circumstances including dealing with bereavements, divorce, and mental and physical health issues.

Overall, however, the research revealed little evidence to support the idea that younger people are inherently poorer 'tenancy managers' and that other risk factors were a far more significant influence on tenancy failure, notably those relating to income. Where the relative inexperience of the tenants interviewed may be more manifest is in their responses to the problems they encounter, particularly in their willingness to seek help quickly.

The nature of respondents' relationships with their landlords was also explored. It was found that:

- It was common for respondents to have limited routine contact with their landlord - a parameter established from the outset of the tenancy.

- Getting into serious arrears was often a turning point in the relationship between landlord and tenant and signalled the start of a deeper level of engagement.

- From the tenant's perspective, the onus was on the landlord to notify tenants when rent arrears began to accrue.

- Many tenants were reluctant to seek support with arrears from their HA for fear of a punitive response and ultimately, of losing their home.

Principal learning to emerge from the study

Given the vastly differing characteristics and circumstances of the landlords that have funded this research, it is not appropriate to offer 'policy recommendations'. Instead the study team highlights the broad learning to emerge from the research. The following logics shaped our thinking in terms of generating this learning:

- There is a high cost associated with tenancy failure, whether this is in relation to collecting unpaid rent or evicting tenants. Given this, it makes sense for landlords to be as proactive as possible in terms of their approach to rent collection, with greater focus on the prevention of arrears. While there is clearly a cost associated with such an approach in the short term, it is likely to result in cost savings in the long term as fewer tenants fall into arrears.

- The adoption of a more proactive approach to rent collection makes sense in a context where more tenants are likely to experience difficulties paying their rent as the impact of

welfare reforms, such as the Removal of the Spare Subsidy (or 'bedroom tax') and the direct payment of Housing Benefit through Universal Credit, work through more fully.

- Landlords have the capacity to work more efficiently and use their resources more effectively.

- With the introduction of a range of measures which have had the impact of undermining the financial position of housing associations, such as Universal Credit, the one per cent rent reduction, and the extension of Right to Buy, associations are being forced to make difficult decisions about their future, in doing so grappling with the tension between financial and need-based imperatives. It appears that some have decided that they will no longer act as 'social housing landlords' in the traditional sense (i.e. with the sole 'raison d'être' of housing those households in the greatest need) but instead will become 'housing providers', housing a broader population base. The learning suggested by the study team is consistent with the 'social housing landlord' paradigm.

- Recent policy initiatives in the sector call for progressive and radical thinking, which takes a long-term perspective to the problems facing the sector, and moves beyond the (understandable) urge to 'batten down the hatches' by reducing short-term costs.

Key messages

- This research has shown that tenancy failure in the under-35s is a major issue. The problem is likely to become more acute as it appears that it is this age group that is being hardest hit by welfare reforms.

- It is the financial circumstances of tenants that is the most important determinant of tenancy failure. Therefore, all other things being equal, the most effective way of reducing arrears is to increase the income of tenants. Conversely, decreasing income levels will result in arrears increasing.

- Under/non-payment is often prompted by a specific trigger - sometimes a day-to-day issue such as running out of food or money for gas and electricity meters and sometimes a personal or life event such as a relationship breakdown, family illness or bereavement. These triggers impact in two ways: emotionally, making it more difficult for tenants to manage their lives generally; and financially, by putting a strain on their budgets.

- Given this, it is imperative that landlords know at the earliest possible opportunity when things are beginning to go wrong, ideally when a trigger occurs. It is therefore essential that landlords hold up-to-date and robust information about their tenants, and are in contact with them on a regular basis.

- More regular contact with tenants, and the development of a relationship of trust between landlord and tenant, may make tenants more inclined to contact their landlord when they have a financial problem. One of the key findings of the research was the reluctance of those tenants who felt their landlord did not engage with them in a positive way to contact their landlord when this happened.

- The provision of support can make a difference in terms of tenancy sustainability. However, in isolation, it is not the solution to tenancy failure prevention, and investing more resources in support is unlikely to result in significant improvements in payment rates. While it is valued by many of the tenants that received it, it is not a key driver of payment rates.

- Research has shown that the inadequate provision of furniture, white goods and home start-up essentials has an adverse effect on tenancy sustainability. This research has found a similar picture with the lack of adequate carpeting being a particular issue.

- For some tenants, a factor contributing to tenancy failure was their lack of understanding of what was entailed being a 'good' tenant and their unfamiliarity with

tenancy and 'running a home' basics like how to pay bills, including rent, the mechanics of Housing Benefit, and how to run a bank account.

- In light of the changing financial context within which housing associations are operating, is it important that they review their current working practices and reflect whether they are consistent with this new paradigm.

Key learning

- **Landlords should review the way in which they operate**. In light of the changing financial context within which housing associations are operating, is it important that they review their current working practices and reflect on whether they are consistent with this new paradigm. Specifically, in addition to looking at their relationship with tenants, their approach to support and the suitability of their data and IT systems, landlords should look at:
  - the roles and responsibilities officers
  - how they collect rent
  - how they recover arrears
  - the appropriateness of 'patch' sizes
  - whether the 'carrot' (support) and 'stick' ('pay your rent') functions can be provided by the same individual, or whether these functions should be separated.

- **Landlords' relationships with their tenants**. A clear message to emerge from the research is that, in the context of tenancy sustainability, this relationship is very important. Landlords should, therefore, review the nature of their relationship with tenants, reflecting on a number of issues when doing so:
  - Does the relationship need to be realigned so that it is more customer-focused?
  - Does it need to become more intensive with more communication? A more intensive relationship is likely to enhance levels of trust between tenant and landlord - as noted earlier, lack of trust was a contributor to tenancy failure. Building trust through more communication will increase the likelihood that tenants will contact landlords in the event of financial difficulties.
  - Could communications with tenants be channelled through a key worker? Research in other fields, including public health, education, social care and childcare, has shown the benefits of agencies appointing a key worker who acts as the initial conduit between agency and client.
  - In the spirit of developing landlord-tenant relationships and trust, landlords should consider rewarding positive tenant behaviour, such as 'taking care' of their homes, the routine payment of rent on time, and the overpayment of rent
  - Whether their approach to communicating with tenants is appropriate. When doing so, they should bear in mind that:
    - Face-to-face communication between landlord and tenant is the most effective way of disseminating information and forging relationships, but it is also relatively resource intensive.
    - Communication over the phone has also be shown to be effective. After face-to-face contact, it the most effective communication method and is much less resource-intensive than face-to-face contact.
    - Some tenants may prefer for communication to be conducted electronically, via email, SMS texting, or social media outlets, such as Facebook.
    - Linked to this point, landlords should ideally adopt a tailored approach to communicating with their tenants, with the use of 'alternative' communication

instruments, such as texting and Facebook, being more widespread with younger tenants. Furthermore, as is common practice amongst utilities and service providers, landlords should communicate with tenants using their preferred communication vehicle.

- **The importance of support.** This research, in line with the findings of other studies, has shown that it is the financial circumstances of tenants that is the biggest determinant of tenancy failure, with support being of lower order importance. That does not mean that support does not make a difference - it can and does help tenants sustain their tenancies. There are a bundle of questions associated with the provision of support which landlords must consider, as follows:

  - What type of support is required?

  - How should support be provided?

  - Do different people require different types of support and advice? Do some groups need more support than others?

  - Does support need to be 'rationed'? How should this be done?

  - Who is best placed to deliver support and advice?

  - When is support required?

  - How should the support be configured and packaged?

  - What is the impact of the support? Is it making a difference? At what cost? Does it represent good value for money?

  - Should 'emergency' financial support be made available to tenants?

- **The importance of 'knowing' your customers and IT and data systems.** It is imperative that landlords get to know their tenants better, given the unpredictability of their payment patterns. It is important that they hold up-to-date and robust information about their tenants, relating to a number of issues, including their contact details, key demographic attributes, and housing and payment 'history'. It is essential that these records are updated on a continuous basis. This is because many tenants lead very complex and 'fluid' lives, with their circumstances (and telephone numbers) changing regularly. Landlords should review their IT and data systems. They should do so to ensure that they are compatible with the new financial landscape confronting them, with its greater focus on rent collection and holding up-to-date and live information about their tenants.

- **Key customer interaction points.** Given the unpredictability of tenants' payment patterns, these may take place at any time during the tenancy. However, the following interaction points appeared to be particularly critical:

  - the receipt of a tenancy application

  - transitioning to becoming a tenant

  - setting up home and moving in

  - the early months of being a new tenant

  - when an adverse 'event' occurs in a tenant's life. These take the form of life events (such as a relationship breakdown or bereavement) or day-to-day ones (such as a washing machine breaking down).