



Scaling up social lettings? Scope, impact and barriers

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This report looks at a range of organisations that are improving the options available to low-income or vulnerable households in the private rented sector (PRS). These innovative organisations have an important role to play in the PRS, and can be encouraged to grow with support from government and other stakeholders.

Scaling up social lettings? Scope, impact and barriers

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This report identifies a range of different organisations, described as social lettings agencies (SLAs), that are seeking to loosen the grip of poverty by improving the options available to low-income or vulnerable households in the private rented sector (PRS). Although not a substitute for wider, systemic changes, this innovative sector has an important role to play in the PRS and can be encouraged to grow with support from government and other stakeholders.

Actions

- Central government needs to ensure that there is an enabling national regulatory and funding environment that makes it possible for SLAs to operate.
- Managing and reducing the Local Housing Allowance (LHA) gap would be the most effective way for the Government to support SLAs.
- The proposed introduction of a ban on upfront fees that lettings agents can charge tenants as part of the Tenant Fees Bill provides an opportunity to review how lettings agents function and whether additional changes could improve the overall functioning of this market for the benefit of both landlords and tenants.

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JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. *Scaling up social lettings? Scope, impact and barriers* looks at the role of social lettings agencies in improving living standards, which strengthens families and communities – a key focus of our [strategy to solve UK poverty](#).

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Executive summary

Social lettings agencies (SLAs) are not-for-profit lettings agents that support low-income or vulnerable tenants in the private rented sector (PRS). This research aimed to understand the current scope and scale of SLAs in England, their impact, and the potential for the SLA model to be scaled up. We interviewed SLA staff, landlords and tenants, undertook six in-depth case studies of SLAs, analysed data on rents and organised policy roundtables.

The key features of an SLA are that typically it does not itself own the properties it lets out, it works with low-income or vulnerable people and it provides those people with more support than might otherwise be available to them commercially. In addition, an SLA should be largely financially self-sufficient without dependence on ongoing grant funding.

We identified 99 active schemes meeting our definition as of March 2018, only around a third of which self-defined as an SLA. Schemes were most commonly funded through their tenants' Housing Benefit (HB) or Universal Credit (UC) payments, which only covered the basic costs of property management. Additional support for tenants was funded from a range of different sources, including:

- additions to standard rates of HB/UC, such as for exempt accommodation
- referral fees from local authorities
- grant funding (both capital and revenue), particularly for bringing empty properties back into use
- ownership of property assets – one model being developed is to use the SLA as an operating organisation ('opco') linked to a property-owning organisation ('propco'), with social investment being used to purchase properties, which the SLA then manages
- cross-subsidy from wider activities, including commercial lettings.

The complex interaction of these funding sources means that comparatively few SLAs met our definition in its strictest sense.

We chose six case studies to represent the varied challenges and opportunities that different housing market contexts and operating models present. In general, we found that the six SLAs are playing a vital role in helping low-income or vulnerable groups in four important respects:

- **access:** they are helping tenants to access accommodation not otherwise available to them
- **affordability:** they make rents more affordable to tenants
- **conditions:** they have a set of minimum standards for properties they let
- **stability:** tenants feel more settled and 'at home' after accessing accommodation through the SLA.

Several benefits to landlords emerged from the case studies, including guaranteed rents, more active property management and satisfaction that properties are being let ethically.

In conclusion, we found that the SLA model has several strengths. SLAs:

- can draw on a range of different funding sources
- could help local authorities to discharge their obligations under the Homelessness Reduction Act 2017
- can enable better use of stock where there are empty properties
- might be able to acquire their own property portfolios
- can cross-subsidise support for low-income or vulnerable tenants from commercial activity.

Some of the key barriers to the scaling up of the SLA model are:

- the gap between Local Housing Allowance rates and market rents, which has a major impact on SLAs' ability to attract landlords
- ongoing welfare reforms, with particular concerns about the roll-out of UC
- the geographic specificity of the PRS, which makes it difficult to scale out existing schemes across neighbouring areas
- the distinctive mix of skills required to set up and develop an SLA.

SLAs have the potential to improve housing outcomes for low-income or vulnerable tenants while also offering a positive option for landlords. At present, the overall size of SLAs – individually and collectively – is small, and SLAs are not yet a substitute for systemic reform of the PRS. However, SLAs could make a considerable difference to the options available to specific groups, particularly homeless people.

1 Introduction

Background and purpose of the research

Social lettings agencies (SLAs) are emerging as an increasingly important response to the rapid growth of the private rented sector (PRS) in England and the greater role it is now playing in housing low-income or vulnerable households. SLAs are not-for-profit letting agents that support low-income or vulnerable tenants in the PRS.

SLAs have been described as the 'next-best alternative' (Rugg, 2011, p. 5) to social housing and as a means of 'socializing the private rented sector' (FEANTSA, 2012, p. 7). Various schemes designed to help people on a low income to access the PRS have existed for decades. However, recent specific interest in SLAs has grown following the identification of their potential in a review of the PRS that Rugg and Rhodes (2008) carried out.¹ The Government's 2017 housing White Paper also noted the potential of SLAs and the need for further research (DCLG, 2017).

Why SLAs?

Increasing interest in SLAs has occurred in response to the recent, rapid growth of the PRS in England. The PRS has expanded as a major source of long-term accommodation for low-income households (Tunstall et al, 2013). Yet, this development has not been without its problems. Previous research has identified four areas of concern with the PRS in accommodating low-income households:

- **affordability**, particularly for people on a low income and especially within London and the south-east of England (see, for example, Cole et al, 2017)
- **stability** for households, in a sector where security of tenure is low and use of 'no fault' evictions is increasing (see, for example, Clarke et al, 2017) – low-income private renters are on a constant 'treadmill' to maintain their housing circumstances (Croucher et al, 2018)
- **stock condition** and poor energy efficiency in some locations, often as a result of limited rental yields in lower-cost areas (see, for example, Ambrose et al, 2017)
- **access**, particularly for people relying on social security benefits (see, for example, Pattison and Reeve, 2017) and people referred by local authorities or other public agencies such as probation, refugee agencies and social services (see Mullins and Sacranie, 2017).

Low-income households experience different combinations of these challenges because the PRS comprises geographically differentiated sub-markets or niche sectors (Rugg and Rhodes, 2008), which can be defined in relation to households, stock and landlords. Consideration of SLAs needs to be based on a clear understanding of the variation in landlord characteristics, motivations, experiences and financial/business strategies (Crook et al, 2012; Moore, 2017; Moore and Dunning, 2017; Pattison and Reeve, 2017).

Aims and objectives of the research

Despite support for their potential role, there are few empirical studies of SLA activity in England. This research was therefore conducted at a critical moment for understanding the scope, scale and potential of the SLA model in England and for influencing the development of the sector. The aim of the research was to understand what SLAs can do to improve access to, affordability and quality of, and conditions in, the PRS, particularly for households in housing need or in poverty. Understanding the ethos and potential benefits of SLAs would then form the basis for assessing whether or how they could be scaled up.

This research sought to assess three things:

- **the scope and current scale of SLAs**, including the nature of SLAs currently operating in England and their variation by factors such as place and organisational type – the research sought to build on recent research on the different roles of housing markets in relation to poverty (Rae et al, 2016)
- **the current impact of SLAs** and their potential to address the challenges of access, affordability, conditions and security
- **the potential to scale up the SLA approach** and barriers to doing so, including the viability of proposals to scale up SLAs (Crisis, 2015; Winterburn, 2016) in comparison with other 'Help to Rent' or 'PRS access' schemes.

Structure of the report

The next chapter provides an overview of the development of SLAs in England and a review of relevant evidence and literature. Chapter 3 sets out the overall approach taken to the research. Different definitions of SLAs are discussed in Chapter 4, which outlines a typology for understanding the diversity of SLAs. It also provides an overview of international comparators from Belgium and Spain alongside discussion of SLAs across the rest of the UK. Chapter 5 focuses on the current scope and scale of SLAs in England, including analysis of Local Housing Allowance (LHA) gaps. Detailed case studies in Chapter 6 focus on how six SLAs have navigated different challenges and opportunities to benefit tenants and landlords. Chapter 7 draws the research findings together to assess the implications for policy, and Chapter 8 concludes with a reflection on how the findings relate to the initial research aims.

2 The development of social lettings agencies in England

The emergence of the SLA approach

Recent interest in the role that SLAs could play in helping to secure better private sector housing for marginalised groups developed after Rugg and Rhodes' review of the PRS in 2008 (Rugg and Rhodes, 2008). A concern at that time that a system of direct landlord incentives was potentially ratcheting up the costs of the Housing Benefit (HB) system provided motivation for the review. Rugg and Rhodes proposed that:

'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, p. xxiii

Crisis, a UK charity for homeless people, has supported 'local lettings agencies', an SLA model that it defined as 'schemes that operate on a commercial basis and so generate income through their activities' (Crisis, 2011, p. 6). The focus on commercial operation was deemed to be a key feature in distinguishing these schemes from other types of PRS access schemes. A Crisis toolkit for developing SLAs outlined some of the key features of a successful SLA. Crisis argued that providing a wider support package to tenants and driving up standards and levels of innovation in local markets were also important:

'Financial viability and generating revenue is key, but an effective SLA should have broader aims than just financial and numerical success ... A good SLA can help people take control of their own lives, and this cannot be achieved through merely providing them with a roof over their head.'

Crisis, 2015, p. 3

A range of different stakeholders have expressed support for the development of SLAs. The Chartered Institute of Housing highlighted examples of housing associations that have set up successful social lettings schemes. It noted that 'a social lettings agency operates like a commercial lettings agent, but with a social purpose' (CIH, 2013, p. 8).² The Housing and Regeneration Committee of the London Assembly recommended that SLAs should be used to 'incentivise landlords to provide stable rents and longer tenancies' (Housing and Regeneration Committee, 2013, p. 23). Various think tanks have also promoted SLAs as a housing solution. The Centre for Social Justice called for a capital fund of £40 million 'to greatly expand the role of social lettings agencies across this country' (Winterburn, 2016, p. 3). Meanwhile the Institute for Public Policy Research recommended that elected mayors should support the development of SLAs (Raikes, 2017).

A notable development was the proposal to investigate SLAs in the housing White Paper published in January 2017 (DCLG, 2017). The White Paper stated that the Government 'want[s] 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, 2017, p. 65). This support for SLAs was part of a wider package of policies aimed at preventing homelessness. SLAs are one example of the Government's stated intention to 'explore new models to support those that are the hardest to help, including whether social investment may have a role in helping to secure homes for those who are vulnerable or at risk of homelessness' (DCLG, 2017, p. 65). It is notable that the PRS has increasingly been used to accommodate homeless households. At the same time, 'the vast bulk of the recently recorded increase in statutory homelessness is attributable to the sharply rising numbers made homeless from the private rented sector' (Fitzpatrick et al, 2018, p. xii).

A lack of progress?

Government interest in SLAs is timely because, despite support for their potential, several commentators have highlighted confusion over how to define them and a lack of progress and difficulties in developing them. In 2015, Anna Evans Housing Consultancy produced a report for Shelter Scotland, which said that consultees characterised SLAs in England as having three key features:

- being ‘chaotic and un-coordinated’, with no overarching policy or legislative mechanism driving development
- exhibiting ‘pockets of innovation’ across social enterprises, charities and some mainstream lettings agencies
- embodying ‘mixed practices’ with substantial local variation (Evans, 2015, p. 10).

Evans went on to identify the need for ‘a clearer distinction between local authority leasing schemes, and social lettings agencies which act in the mainstream lettings agency market, but with “social” motivations, tailored to the needs of the local housing market’ (Evans, 2015, p. 10). In 2015, Rugg and Quilgars argued that there had been ‘little progress in setting up “social lettings” approaches, where the cost of tenancy management is met through charges to the landlord, rather than through charitable donation or statutory funding’ (Rugg and Quilgars, 2015, p. 10). This lack of progress was symptomatic of ‘a confused policy landscape, where interventions may be regarded as short-term, and without adequate pathways to move up and out of the housing provided’ (Rugg and Quilgars, 2015, p. 1). A briefing from Future of London (an independent policy network) was pessimistic about the potential for the development of SLAs in the capital. It argued that ‘agencies are far from self-financing, at best minimising financial losses. As councils offer greater financial incentives to convince landlords to accept low LHA rents, this cost saving will surely diminish’ (Future of London, 2016, p. 4). The existing literature on SLAs thus raises questions about the possibility of running a self-sustaining, non-subsidised social enterprise model or whether there is a need for some form of explicit or implicit external subsidy or internal cross-subsidy.

Despite interest in SLAs within the housing policy community, there have been **few empirical studies of their activity in England**. The most detailed analysis of SLAs to date was conducted in the West Midlands (Mullins et al, 2017). This project, supported by West Midlands Housing Officers Group, developed a framework and methodology to understand the rationale and performance of SLAs, which has been built on for the research described in this report. Case studies of five SLAs in the West Midlands showed substantial differences in the lead sector (public, private or voluntary), business model, client groups, sources of funding, procedures and policies. The research highlighted the rapidly changing context in which SLAs operated. It concluded that ‘in many ways the need for SLAs is now much greater but the challenges of setting them up are now greater still’ (Mullins et al, 2017, p. 39). This was partly due to balancing rising rents in the PRS with frozen LHA rates, which created difficulty ‘in financing the management and running costs of SLAs from management fees taken out of landlords’ rental income’ (Mullins et al, 2017, p. 39). Registered provider status was allowing some schemes to receive subsidy on rents above LHA level using either the Housing Association Leasing Direct (HALD) scheme or the ‘exempt accommodation rate’.³ The research also found other forms of subsidy, including the Ministry of Housing, Communities and Local Government’s (MHCLG) Homelessness Grant and Crisis’s SmartMove project funding for set-up costs, contracts from statutory agencies for accommodation finding and management, and cross-subsidies from wider property management activities. The research report noted that ‘these solutions are partial and fragile’ (Mullins et al, 2017, p. 39) and often reliant on projects’ entrepreneurial grant-seeking behaviour.

Deposit guarantees, access schemes and temporary accommodation

Different types of schemes to support low-income households in the PRS have existed for decades. For example, a **range of Help to Rent schemes⁴ are different from SLAs but operate within a similar context**. They include deposit guarantee/bond schemes and PRS access schemes. Central government support led to the development of many local deposit guarantee schemes during the 1990s (Rugg, 1996). These helped tenants to secure deposits and rent in advance for private rented accommodation. More recently, there has been support for the development of PRS access schemes. The Private Rented Sector Access Development Programme began in 2010 and provided funding to over 150 schemes

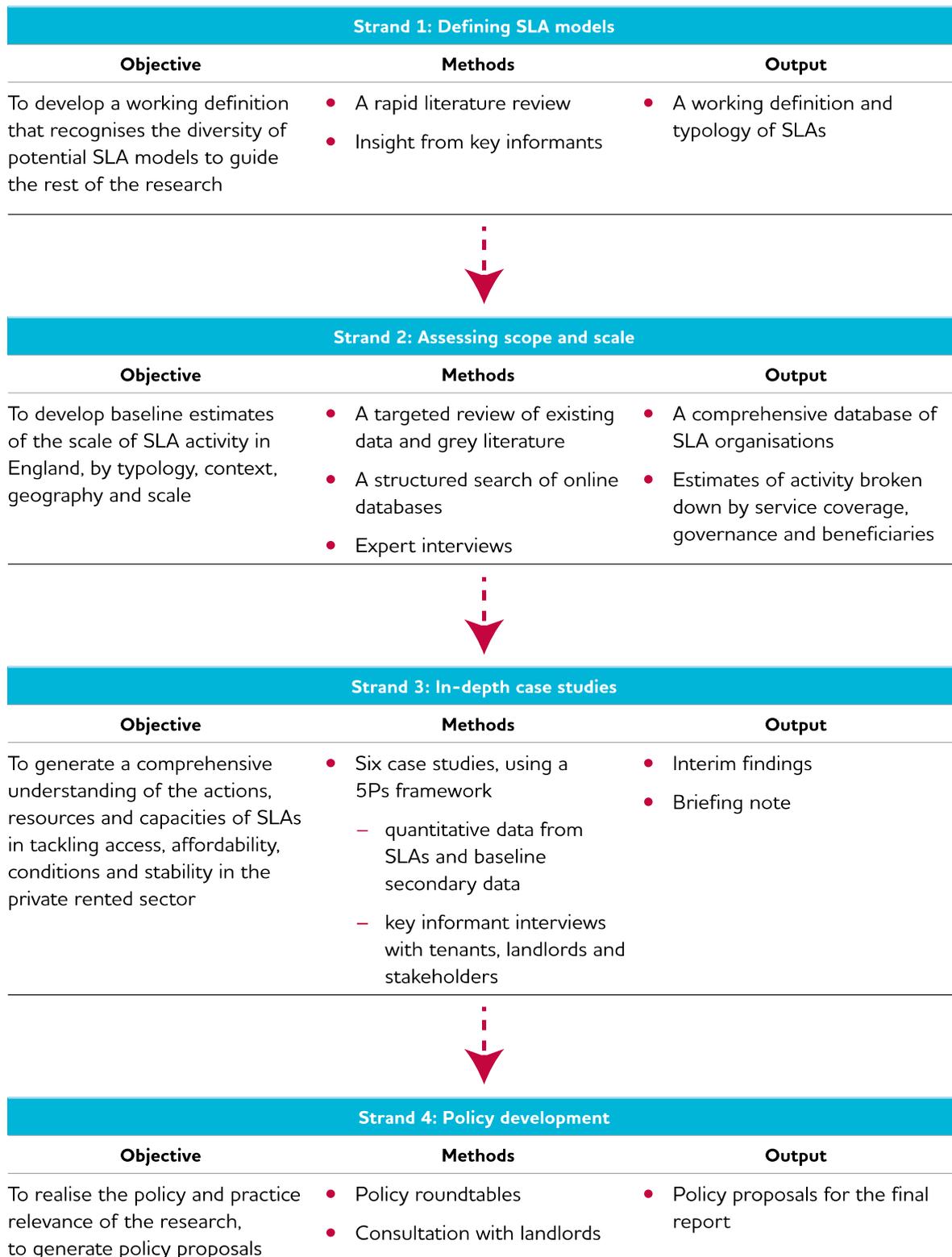
across England (Rugg, 2014). This funding sought to ensure that low-income and formerly homeless tenants were fully prepared for independent living. A review of this programme emphasised 'the cost effectiveness of access work compared with more inflationary and distorting interventions such as incentive payments to landlords or the use of hostels' (Rugg, 2014, p. vi).

A different development is local authorities' direct procurement of private rented accommodation for use as **temporary accommodation**.⁵ The number of households in temporary accommodation has increased rapidly in recent years. Wilson et al (2017, p. 3) reported a 60% increase in the number of households in temporary accommodation between March 2011 and March 2017. As a result of concerns about the growth in the use of unsuitable accommodation, various initiatives have been tried, including local authorities leasing PRS stock directly from landlords. In London, the temporary accommodation obligation places local authorities in an increasingly difficult position where the supply of property suitable for this use has become restricted (Rugg, 2016).

3 Research design

In order to address the three research aims and develop policy recommendations, the project was organised into four different strands, as set out in Figure 1. This chapter briefly outlines the methodology and processes used for each strand.

Figure 1: Project design



Strand 1: Defining SLA models

The first objective was to generate a working definition of SLAs and SLA-like activity, with which the remainder of the research would be guided. This drew on the definition of SLAs within previous research and policy documents. Within strand 1, we conducted a rapid evidence review of both academic and policy literature on SLAs. We bore in mind the potential diversity of different SLA models, including the possibility that SLAs that were the same or very similar to Rugg and Rhodes' (2008) original definition might not use the term 'social lettings agency' explicitly.

This evidence review formed the basis of a discussion with the project advisory group⁶ on how SLAs should be defined for the purpose of this research. We then agreed a working definition of SLAs in order to provide the parameters to guide the scoping phase (strand 2).

Strand 1 also involved an investigation of relevant international comparators that held the potential to aid an understanding of how SLAs are defined in other countries and contexts. This work on international comparators included visits and telephone interviews (see Chapter 4 for details).

Strand 2: Assessing scope and scale

The objective of strand 2 was to develop baseline estimates of the scale of SLA activity in England, broken down where possible by different types of organisation, operating context, geography and scale. To facilitate this, we created a detailed database of SLAs in England, drawing information from a number of different sources, including:

- the initial literature review
- structured searches of online databases to identify SLAs, including Companies House, Charity Commission and other official databases
- 'snowballing' from existing contacts, which involved asking known SLAs for further contacts.

Once a potential SLA scheme or organisation had been identified, we used a number of different approaches to further populate the database. While this included accessing information from websites and reports, most relevant information was obtained through direct contact with organisations via email and telephone. These discussions with SLAs in turn provided additional wider information and helped to identify potential case studies.

As well as this informal contact with SLAs, we conducted 21 interviews with stakeholders to understand their perspectives on the scale of SLA activities in England and the breadth or scope of those activities. Stakeholders included tenant representatives, landlords, charities, local authorities, regional government and established SLAs in England as well as stakeholders from the other three countries of the UK.

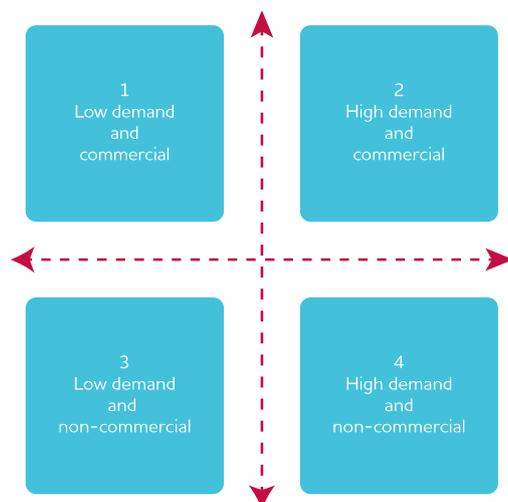
Strand 3: In-depth case studies

The third strand of work focused on six in-depth case studies chosen from the database. Key criteria for the selection of the case studies included being large enough to provide sufficient data. We sought to maximise the difference between the case studies to assess their diversity across different types of housing markets and organisational types. To achieve this, we developed a matrix based on two axes (see Figure 2). The first axis related to the housing market context, ranging from high demand to low demand. This was complemented by the second axis, which described the extent of commercial orientation within the SLA. The aim was to identify case studies in each quadrant of the matrix. We also chose the mix of case studies to represent a range of different links to local authorities and funding sources.

Each case study consisted of interviews with different stakeholders and a review of documentary evidence. In total, the six case studies involved 61 interviews: 25 interviews with the case study organisations and external partners, 25 interviews with tenants and 11 interviews with landlords. Details on the selection of the case studies and the interviews conducted are provided in Chapter 6. We complemented the case studies with baseline information on housing market context, drawn from secondary data sources. This included analysis of the gap between LHA rates and market rents within the

broad rental market areas (BRMAs) relevant to each case study. The interim findings from strand 3 aided the production of a briefing note to support the roundtables we organised in strand 4.

Figure 2: Case study selection matrix



Strand 4: Policy development

The final strand consisted of policy development to identify potential solutions to the barriers highlighted in the earlier strands of the research. We supplemented initial discussion with the project advisory group with three roundtables. One of the roundtables focused on the potential role of social investors. The other two roundtables convened a range of stakeholders based in a higher- or lower-demand housing market. The Residential Landlords Association also canvassed the views of its members on SLAs, which provided a further source of data that helped to frame the development of policy proposals (see Chapter 6 for details).

4 Defining social lettings agencies

Definition of SLAs

A clear definition of SLAs is crucial for understanding their scale and impact. This is complicated by the fact that some organisations that fall within a definition of SLAs do not use this label to define themselves. Similarly, there are organisations that call themselves SLAs but may not strictly meet all of the criteria that have been suggested in the existing literature.

A report for Shelter Scotland defined SLAs as agencies that 'help people access the PRS who are homeless or on low-incomes' (Evans, 2015, p. 4). It argued that the key differences between social and commercial lettings agencies are that SLAs provide:

- advice and support for people who are 'vulnerable in the PRS'
- '[t]enancy sustainment support and aftercare ... that would not be provided by a standard lettings agency' (Evans, 2015, p. 10).

This definition provides a useful starting point in understanding the nature of SLAs. However, we sought to develop this definition to be clearer about:

- who SLAs are working with
- what problems SLAs are seeking to overcome
- the rationale and motivations of SLAs (see the next section)
- the boundaries for deciding what is and what is not an SLA
- how to deal with organisations that operate social lettings schemes as one part of a wider portfolio of activities.

In consultation with our project advisory group, **we developed a working definition of SLAs** to guide our research. This definition was that:

SLAs are intermediaries between private landlords and low-income or vulnerable tenants, taking on functions that are similar to lettings agents. SLAs have a social purpose and are financially sustainable (without direct local authority support). SLAs enable tenants to live in private rented accommodation that is better than they could secure through the open market in terms of affordability, security, stability, stock conditions and/or suitability to their needs.

With this definition in mind, we identified four key features of SLAs, which we used in our research. These were that SLAs:

- do not own properties
- act as an intermediary between tenants and landlords
- are financially self-sufficient (largely) without grant funding or have a feasible plan for achieving self-sufficiency
- work with low-income or vulnerable people and provide some level of support beyond normal lettings agents.

More generally, we adopted an inclusive approach to identifying SLAs in order to assess the diversity of different schemes. The aim of this research was to assess the scope and scale of the existing SLA sector rather than provide a definitive definition. **We reflected on our working definition throughout the research and came to the conclusion that it did not describe the diversity of SLA-type schemes that are currently operating.** Our reflections on the working definition are discussed in Chapters 5 and 8.

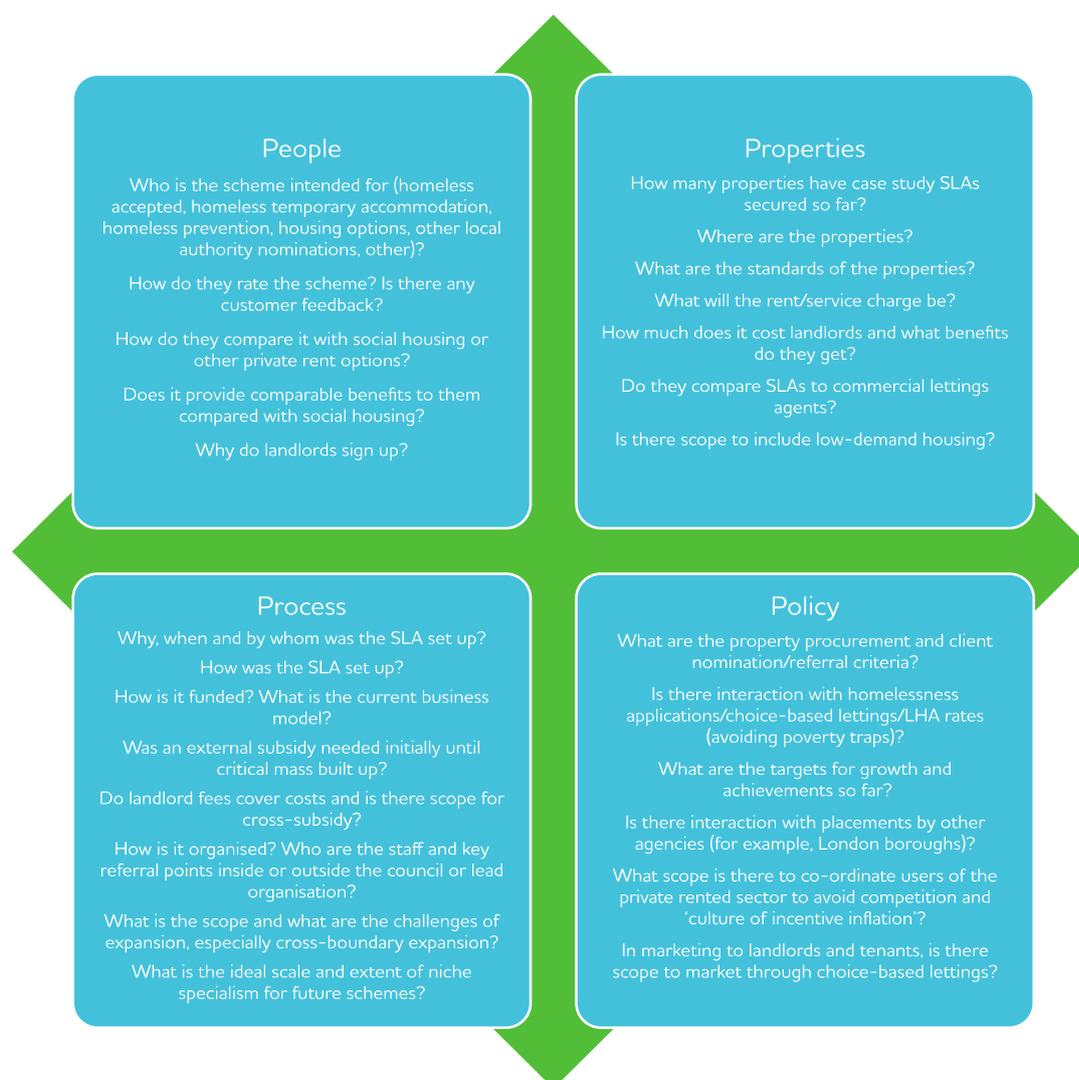
Typology for understanding the diversity of SLAs

The diversity of the PRS is reflected in the varied forms of SLAs and the roles they play. In their work in the West Midlands, Mullins et al (2017) identified four key questions about the nature and rationale of SLAs. These were:

- **Who?** Who are the lead organisations and do sector and ethos make a difference?
- **Why?** The motivation and rationale behind SLAs is clearly mixed and variable. How does this mix affect the SLA's operating model?
- **How?** Many recent commentaries and guides focus particularly on business models and operational processes. How does this affect the outcomes that the SLA achieves?
- **What?** What is the menu or range of services offered and how does this interact with SLAs' scope and target client group?

The authors drew the answers to these questions together into a framework, which sought to classify the different types of SLAs. This '4 Ps framework' consisted of people, properties, process and policy (see Figure 3).

Figure 3: The '4 Ps framework' of SLAs



Source: Social lettings agencies in the West Midlands: literature review and typology (Mullins and Sacranie, 2017)

For the purposes of our research, we added a fifth 'P' – place – to this typology, to account for the specificities of the SLA's geographical and market context. This includes the local and regional housing

market conditions (for example, house prices), tenure mix and the role of different PRS niches operating within the SLA's operating environment. For example, Rae et al (2016) have found that not all 'deprived' areas are the same: there is a great deal of diversity across the UK. The role of LHA rates represents another key factor in relation to place. Maximum claims for HB in a particular area are determined by the LHA rate. There are around 150 different broad rental market areas across England, which have different LHA rates.⁷

International and UK comparators

SLAs have been developed in a range of European countries, generally where there is a relatively small stock of social housing (De Decker, 2002; FEANTSA, 2012). Our research sought to see how international comparators could help to inform understanding of the potential roles and impact of SLAs in England. We focused particularly on two of the largest and most developed SLA-type schemes in Europe: social rental agencies in the Flanders region of Belgium and in Catalonia, Spain. SLAs have also been proposed as a policy solution in other countries, for example in Hungary and the Republic of Ireland (Hegedüs et al, 2014; Lalor, 2014). These international comparators complemented our investigation into the current context for SLAs in other parts of the UK.

Social rental agencies in Belgium

Social rental agencies (SRAs) in Belgium were initially a grassroots response to the housing crisis of the 1980s, which sought 'to socialize the private rental market' (De Decker, 2002, p. 297). They became institutionalised during the 1990s through legislation by regional governments. These SRAs sought 'to withdraw the management of private rental accommodation from the mechanisms of the market and to replace it with the 'social management of private rental accommodation' (De Decker, 2002, p. 299). Members of the project team visited Ghent in the Flanders region of Belgium in 2017. We met with academics and practitioners there to understand more about the extensive system of 48 SRAs established in Flanders since the 1970s, which now provide 10,000 homes with affordable and long-term tenancies for clients with high levels of housing need.

SRAs are not self-sufficient but are dependent on an annual subvention from government consisting of a block grant and a payment based on the number of properties in management. They do not regard themselves as intermediaries since they work entirely separately with landlords and tenants. The use of relatively long leases probably adds to the distancing of landlords and tenants, who rarely meet each other (for further information, see Appendix 1).

Catalan Housing Agency

The Catalan Housing Agency's Social Mediation Programme has many of the characteristics of an SLA (for more details, see Appendix 1). It has brought almost 9,000 private rented properties into the programme across Catalonia. It was introduced by the Catalan Government in 2004 and initially aimed to bring privately owned empty properties in poor condition into affordable rental for five-year terms (reduced to a minimum of three years in 2013). The programme was originally targeted at middle-income households who could not access decent private rental housing without some assistance. However, increasing poverty, new migration and a lack of social housing supply are forcing local authorities to target the scheme on those with the greatest social needs.

The Social Mediation Programme does not own property and focuses increasingly on securing housing for the most vulnerable groups (including those targeted for social housing). It enables tenants to enjoy PRS accommodation that is better than they could secure in the open market and provides housing options in the absence of a sufficient supply of social housing. However, the programme is positioned primarily as a state intervention in the market (involving two tiers of local government) rather than a commercial cost-covering or income-generating activity by independent agencies. It is integrated with the regional rent subsidy scheme. A particular driver of the programme was the large number of empty properties, many of them bank repossessions following the 2008 market collapse. The programme was most effective when there were two forms of subsidy from the Catalan Housing Agency to bring empty properties up to standard for occupancy and to subsidise the gap between the rent agreed with the property-owners and the rent that tenants in target groups could afford.

Smartmove, Northern Ireland

In Northern Ireland, Smartmove is an SLA-type project that works in partnership with the Northern Ireland Housing Executive (for more details, see Appendix 1). It describes itself as a 'charitable' lettings agent. Its approach combines aspects of PRS access schemes and SLAs. It provides a range of advice and support services to tenants and landlords, helping tenants to set up rent accounts, assisting them with HB claims and Discretionary Housing Payments, helping them understand their rights and responsibilities, and signposting them to other service provision. In addition to this, Smartmove provides bonds to landlords to reduce the upfront costs of renting for tenants, and seeks to ensure that properties meet certain standards, conducting regular property inspections. Smartmove requires landlords to offer a minimum 12-month contract to tenants.

The effectiveness of Smartmove has not been externally evaluated so far. However, the key benefit appears to be its ability to operate at a larger scale than other schemes in the UK. It accommodates 40 to 60 households a month. Smartmove receives a fee from the Northern Ireland Housing Executive for each household placement. This model may be more similar to the operating model of SRAs in Flanders. In 2017, Smartmove reported that it had no problem getting referrals but that welfare reform was affecting the supply of properties.

Wales

In Wales, a variety of models have emerged to cover lettings processes, but also tenancy management and longer-term leasing arrangements. The Welsh Government has been an advocate of SLAs, and recent policy changes relating to homelessness prevention – for example, the Housing (Wales) Act 2014 – and the set-up of Rent Smart Wales (a mandatory landlord registration scheme) are driving both local authority and landlord interest in SLA approaches. Local authorities and housing associations are also actively supporting SLAs in Wales. For instance, in Carmarthenshire, the local authority's SLA is managing 160 PRS properties, aiming to double this number over the next three to five years. Similarly, Hafod Housing Association has a separate lettings arm, providing lettings and management services, alongside a temporary leasing scheme to provide accommodation for those experiencing homelessness.

Scotland

Discussion with stakeholders in Scotland suggests that few organisations in Scotland strictly meet our working definition of an SLA. There are a variety of schemes offering a broader range of help to rent, including:

- local authorities or housing associations providing rent deposit schemes and/or wrap-around services to support tenants and landlords – some housing association schemes are performing SLA functions by letting properties within the PRS either within their organisation or through subsidiaries
- some lettings agents and landlords taking a more socially minded or ethical stance – they are knowledgeable about working at the lower-cost end of the PRS market and can provide some support to tenants and landlords (for example, attending meetings with benefit officers)
- schemes trying to support more landlords and lettings agents in focusing on low-income or vulnerable households – for example, Letting Agent Plus is a scheme run by Shelter Scotland to provide lettings agents with training, information and signposting, to better support tenants who need extra help to sustain their tenancies.

Most SLAs in Scotland have emerged within, or as subsidiaries of, local authorities and housing associations. One exception to this is Homes for Good, a community interest company that is operating as an ethical lettings agent and property management company. Its funding model incorporates social investment to create an asset base of properties that they own.

A number of key lessons emerged from our analysis of international and UK comparators.

First, it is possible to scale up SLA-type organisations quite substantially. For example, in both Flanders and Catalonia they were scaled up to incorporate nearly 10,000 properties. In both cases this was achieved by a two-level structure. For example, in Flanders a regional platform body supported 48 local social enterprises.

Second, government agencies (national, regional and local) have been important in supporting the development of SLAs through an enabling policy environment. Indeed, SLAs have been seen more as a branch of social welfare than as market actors. This needs to be underpinned by the provision of some kind of financial support to enable the development and continuation of SLAs. This includes support with both upfront costs (such as for property refurbishment) and ongoing placement/management fees related to the number of tenancies.

Third, a variety of organisational forms have emerged in response to different welfare systems, legal structures and housing market challenges. Despite this variation, the SLAs we looked at share a common goal of securing good-quality and affordable accommodation in the PRS for vulnerable or low-income clients.

Fourth, the comparators drew out the key skills mix required (for example, property management, social support and market knowledge), reflecting the hybrid nature of SLAs (Mullins et al, 2012).

5 Scope and scale in England

Introduction

The second phase of the research assessed the scale of SLAs and their variation. Our analysis built on previous work in the West Midlands using the working definition and typology of SLAs outlined in the last chapter. We developed a database that sought to identify some of the key features of different schemes that may fall within the working definition.⁸ The first finding from this analysis was that it was difficult to distinguish schemes that self-identified as an SLA and met all four of the key features of our working definition. As a result, we included schemes on the database if they had at least two of the key features of the definition even if they did not self-identify as an SLA. This approach was designed to assess the current scope and scale of SLA-type organisations operating in England. We sought to assess how they are currently operating to support tenants and landlords rather than impose a narrow definition on their work. We triangulated our findings from the database against interviews with key stakeholders.

There are a number of caveats that should be noted when considering our database of schemes. First, the database provides a snapshot of activity at one point in time. Second, there was no lower limit on the size of the schemes included. This meant that schemes were included if they were adopting an SLA approach to manage even just a handful of properties. Third, we also included schemes that were in development or had recently ceased to operate. These planned and inactive schemes form an important part of understanding the scope and scale of SLAs. In total, we found more than 120 schemes that might be defined as SLAs, including those that were in development or had recently become inactive. It should be noted that this number is dependent on how strictly the working definition is applied. The rest of this chapter provides an overview of the key features of the 99 schemes included in the database that were active in March 2018.

Size and overall number of properties

The active schemes were managing around 5,500 properties. This figure should be treated with caution as some schemes were not willing or able to provide an exact figure for the number of properties they were managing (we discuss the potential reasons for this later in this chapter).⁹ For comparison, there were 1.3 million households in the PRS claiming HB or Universal Credit (UC) in December 2017.¹⁰ The number of SLA properties was not evenly distributed among the schemes on the database. The 10 largest schemes managed over half of the total number of properties. Only a handful of schemes had more than 500 properties and none were managing more than 1,000 properties. There were a large number of schemes with fewer than 10 properties. For example, one local authority piloted an SLA approach and decided not to take it forward. However, it still continued to manage a very small number of properties (fewer than five), which it took on during the pilot.

These estimates are conservative. Many SLA schemes are part of organisations that also own property. For example, there are housing associations that run property management schemes for private landlords that have the characteristics of SLAs, using our working definition. We sought to include only properties that were not directly owned by the organisations managing them. In practice, this distinction was often not clear. Many schemes mixed different types of ownership and management. For example, a refugee project had a mix of properties owned by private landlords, the Church of England and Green Pastures (a social investor).

A number of schemes were not keen to discuss their size as they are often operating in competitive markets. This can be compared to the very open and clear information about registered social housing providers that is available.¹¹ While this makes it difficult to obtain a clear picture of the full scope and scale of the sector, it does provide useful information on the nature of SLAs and their operating culture. In particular, the relationships with landlords appeared to be fluid and much less fixed than in other types of housing provision. Lease agreements or contracts with the private landlords could vary substantially within an SLA.

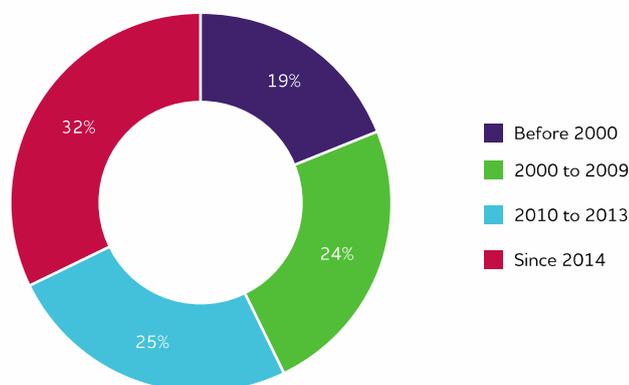
Around a quarter of the active schemes self-identified as an SLA. These schemes did not represent a distinct subset of the database. They were as varied as the rest of the schemes identified. Self-identifying

SLAs were found in every region of England, their start date varied and so did their size. Our discussions with individual schemes helped us to understand the use of ‘social lettings agency’ as a descriptive term. There was a low awareness of this term even among schemes that fitted the working definition. Many of the schemes we spoke to had never heard the term before. Of those who had heard of it, there was no clear consensus on how it was defined. Several schemes that fitted the working definition actively rejected the SLA label and sought to define themselves differently. Even among self-identifying SLAs there was a range of views on how they defined the term and why they considered themselves to be an SLA.

Start date and organisational type

Most of the active schemes on the database had started operating relatively recently. Over half of the schemes had started operating since 2010 (see Figure 4). This suggests that the SLA approach is a relatively recent development. The rapid growth of private renting is also a relatively recent phenomenon, which may explain the current interest in the potential of SLA approaches. It appears that the schemes on the database are part of an emerging effort to ‘socialise’ the PRS, which has developed as a response to changes within the housing system.

Figure 4: Start date of active SLAs



We identified a variety of different organisational types and key partners among the schemes. Local authorities had started about a fifth of the active SLAs. Other sources included charities and, to a lesser extent, housing associations. The legal structures that the schemes used also varied but were most commonly either charities or community interest companies. It is worth noting that SLAs are often part of a wider organisation. This has important implications for analysing SLAs. In particular, it makes analysis of finance and viability difficult.

The stakeholder interviews also highlighted the distinctiveness of SLA-type schemes, particularly when compared with social housing providers. At the same time, these interviews highlighted distinctions between different types of SLA. Some of the charity-based SLA schemes were relatively new and dynamic in responding to a changing operating environment. They were able to respond to opportunities within specific housing markets in order to support particular groups of tenants. Some of the local authority-based schemes were more visible but often had a less clear focus on a specific group of tenants. The more general focus of local authority schemes was usually helping to reduce the cost of temporary accommodation or providing an option for the local authority to discharge their homelessness duties.

Tenant group and support

Most of the schemes were working with particular types of low-income or vulnerable tenants. The most common tenant group was homeless or ex-homeless people. Around a quarter of the schemes were focusing on accommodating homeless people (or those with recent experience of homelessness). A range of other target tenants were also identified. These groups were not mutually exclusive but included:

- ex-offenders
- refugees
- people with physical or learning disabilities
- people with addictions.

A minority of schemes were aimed at a broader range of tenants. These tended to be schemes that were affiliated to local authorities and were accommodating people on social housing waiting lists.

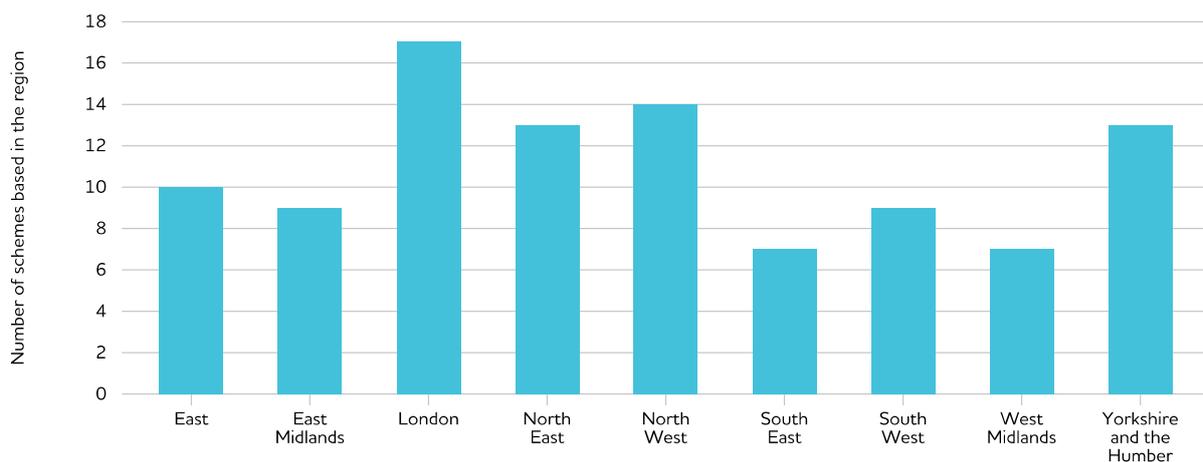
Schemes described the support provided to tenants in different ways. Almost all schemes provided tenants with something that they would not have commonly received from tenancies acquired through a commercial lettings agent. These included:

- lower or more flexible rents (often at LHA rates)
- longer tenancies (often five years)
- access to support with deposits
- a range of additional support, with benefits advice and signposting to support services related to health, employment, money management and so on, depending on the type of tenants being accommodated
- intensive housing management and addressing antisocial behaviour (in some cases this was seen as an important incentive to landlords to let to this tenant group).

Region

Figure 5 highlights the regions in which schemes on the database were located. It suggests that there was no clear pattern in the geographic distribution of the schemes. We identified some type of SLA scheme in most large towns and cities across England. However, this did not imply that there was universal coverage. In some areas there was only a very small scheme or one that focused on the needs of a particular tenant group. It was difficult to identify SLA-type schemes operating in rural areas. This may reflect the different private rented market that exists in these areas or the concentration of support for vulnerable people in more built-up areas.

Figure 5: Number of active SLA schemes by region of headquarters



Stakeholders highlighted particular concerns about the **viability of SLAs within London**. Future of London organised a roundtable on the potential for a London-wide local authority-based SLA (Future of London, 2016). Participants were sceptical about the viability and set-up costs of this type of approach. The high-profile failure of the Move 51^o North lettings agency, developed by the local authority in Haringey, has also increased fears about the risks associated with local authority-based SLAs in London (see below for further details). This is attributed to the failure to attract landlords, who prefer to let to non-LHA tenants through commercial agencies because of the higher rents they could charge and a

lower risk of rent arrears or damage to property. Interviews with stakeholders supported the perceived concerns for SLAs operating in London. One scheme noted that:

“[The SLA model] worked quite well for a couple of years and then welfare reform hit, Local Housing Allowance was capped and rents in London went through the roof, and we were no longer financially viable. We couldn’t attract any new landlords, and as the leases came to an end, all the landlords wanted their properties back because they could make so much more money on the open market.”

SLA scheme

Funding

One particular issue that many SLAs have encountered relates to the gap between LHA rates for HB/UC and market rents. This ‘**LHA gap**’ was an almost universal concern among our interviewees. The gap could undermine the SLA financial model if landlords were able to let to non-HB/UC tenants in order to increase yields. Several interviewees also highlighted concerns over arrears arising from UC.

The general view was that a small LHA gap could be managed. SLAs could provide an attractive offer for landlords based on being an ethical alternative while also providing guaranteed income with ‘hassle-free’ management and tenancy support. However, there seems to be a limit to the LHA gap that landlords would tolerate in return for the enhanced support that SLAs can offer. One SLA employee said that “no one can survive LHA; some sort of top-up funding is needed”.

SLAs were seeking to work around the LHA gap in different ways. The most common source of funding was through tenants’ HB or UC payments. Discussions with SLAs suggested that LHA rates only cover the basic costs of property management (if that). Most of the additional support for tenants was funded through other sources, such as the following:

- ‘Top-ups’¹² to HB/UC were used such as those for exempt accommodation and those under the Housing Association Leasing Direct scheme (both of which are only available to SLAs with registered provider status). Discretionary Housing Payments also provide a short-term option to overcome the LHA gap. In most cases there is a limit to the top-up funding available – hence there are some local markets in which this will not be sufficient to bridge the LHA gap.
- Grant funding often includes a combination of capital and revenue grants, which can underpin financial viability in the early years of operation. Capital funding included Empty Homes Grants (see Mullins et al, 2016) to bring properties up to a habitable standard for occupancy. This mirrors international experience: our Catalan Housing Agency case study showed the important contribution that such funding can make to the reach and impact of SLAs (see the next chapter).
- Support from local authorities (for example, in relation to set-up costs) was one notable source of funding. In some cases, local authorities agreed a per-property fee with an SLA similar to that used in the Flanders SRA and the Smartmove comparators.
- Cross-subsidy from other activities was used, for example: property management services and the purchase of property assets. This included the flow of cross-subsidy from projects using exempt accommodation funding to house vulnerable people moving into work and unable to access top-ups to HB (see Mullins et al, 2017).
- Social investment was used, commonly to purchase properties that the SLA would then manage. So far, there is limited evidence of schemes on the database using social investment approaches, with some notable exceptions. For example, the homelessness charity St Mungo’s has worked with a social investor (Resonance), which has raised the finance to purchase properties for Real Lettings to let to vulnerable tenants.¹³

Some SLAs were not seeking to break even financially. There were examples of local authority-based SLAs that provided accommodation to people who are homeless or at risk of homelessness. These properties were being run at a loss but reduced the need for the local authority to rely on more expensive temporary accommodation. More generally, there was some optimism that SLAs might become more competitive after lettings agents’ fees are banned. One expert stakeholder argued that “[i]t will be interesting to see if more opportunities come up with a more level playing field”.

Starting up SLAs and closed schemes

A number of interviewees noted the difficulties that a new SLA faces. The **upfront costs** needed to set up an SLA were one of the key barriers. The London Borough of Haringey set up the Move 51° North lettings agency. According to a Freedom of Information request, it spent over £400,000 in set-up and running costs but was not successful (Al-Othman, 2016). Interviewees identified several other local authority schemes that had failed to develop. One was aborted after it was estimated that it would cost £500,000 over three years to make it financially viable. An expert stakeholder noted that “the up-front costs are quite significant; you need quite a bit of money behind you”. This supports the findings of research in the West Midlands, which focused on an SLA that required £1.5 million to set up (Mullins et al, 2017).¹⁴

A second key issue in starting up an SLA that interviewees highlighted was **attracting landlords**. One SLA reflected that “we sold [the SLA] to tenants but we need to flip that and sell it to landlords instead”. This can be a particular issue as an SLA seeks to build up an initial portfolio of properties. An SLA employee reflected that “we were desperate at the beginning and took on expensive properties”. SLAs had to deal with landlords’ perception of the risks of letting properties to low-income or vulnerable tenants. A landlord noted the “perception that your property will get trashed”. SLAs either had to persuade landlords to manage the perceived risk or take it on themselves through guaranteeing rent or including repairs within the fee.

An entrepreneurial approach to attracting landlords is just one of **a range of skills required** to set up an SLA. A new SLA requires skills in areas including property management, support to tenants and navigating the benefits system. One SLA employee said that “we couldn’t have done it if we didn’t already have existing housing management infrastructure”. Many SLAs had been started by individuals or small groups of people with considerable experience within the housing sector. These included people with a background in housing associations, local authority housing management, commercial lettings, social enterprise and tackling homelessness. A connection to an existing charity, housing association or other organisation helped to reduce the difficulties of accessing the necessary skills.

Other key issues for SLAs as they started up included finding the right organisational type, scale and timing:

- **Organisational type.** It has already been noted that SLAs include a spectrum of commercial and non-commercial organisations. There appears to be a trade-off between financial sustainability (which might mean housing a wider range of tenants) and prioritising the most vulnerable tenants. One SLA highlighted the difficulty of “getting the balance between being a good landlord and making the money stack up”. In some cases, setting up an SLA as part of a wider charity or organisation helped to mitigate this difficulty.
- **Scale.** SLAs face a tension between focusing on a particular market and increasing their size to diversify risk. Most successful SLAs seem to be focusing on a very clear set of tenants and/or operating in a specific housing market. There are only a small number of examples of SLAs operating across a variety of housing market areas with a broad range of tenants. In part, this appears to be due to the difficulty of creating economies of scale within SLA-type schemes. One of the difficulties here relates to the ‘step changes’ in staffing needed to grow an SLA. Expansion for a small organisation will not be linear but consist of a stepped process of increased staff capacity, which needs to be matched by increased activity to cover costs. This may be less of an issue for SLA schemes that are linked to wider organisations that can provide greater flexibility in relation to staffing (for example, temporary support or fractional/pro-rata posts that increase over time).
- **Timing.** Local housing markets are dynamic and opportunities to manage additional stock may not last for long. SLAs are always/typically operating in competition with commercial operators. In some markets, first-mover advantage may be important. Later entrants may find the lower-cost section of the private rented market saturated with commercial lettings agents who already have existing landlords under contract.

Some of the most notable lessons from the interviews relate both to the closure of existing schemes and new schemes that have not yet started to operate. We identified around a dozen schemes that have been closed in recent years. These include schemes that have been highlighted in previous research on SLAs and Move 51° North (noted above), which attracted negative media publicity. These closed schemes often

encountered similar difficulties to those seeking to start up. In particular, SLAs need to be responsive enough to operate in a competitive market. This appears to be an issue for some local authority-based schemes, which may lack the financial and organisational flexibility to do this.

The LHA gap

The stakeholder interviewees highlighted the gap between LHA rates and market rents as a major constraint on SLAs. We undertook additional analysis of this LHA gap at the 30th percentile (that is, the lower third of the market), across England in 2015 and 2018.¹⁵ The gap can be measured for different property types. Figures 6 and 7 highlight the gap for one-bedroom properties (see Appendix 2 for other property types).

In 2018, there was a considerable LHA gap across most of England for all types of properties. For two-bedroom properties, more than half (51%) of broad rental market areas had an LHA gap that was greater than £50 a month, while less than one in ten areas (9%) had an LHA gap of less than £5 a month.

It is evident that the LHA gap increased rapidly between 2015 and 2018. And there was also a notable increase in the number of areas where there was a large LHA gap between 2015 and 2018. In 2015, large LHA gaps (exceeding £50 a month) were limited to small areas of Central London. In 2018, the LHA gap exceeded £50 a month for one-bedroom properties across almost all of the south-east.¹⁶ At the same time, the number of areas where there was no LHA gap reduced rapidly after 2015. There was no LHA gap for one-bedroom properties in almost a third (31%) of areas in 2015. However, in 2018 less than one in ten areas (7%) had no LHA gap. Areas with no LHA gap were predominantly in the north of England. These trends were found across all types of accommodation but were most pronounced for larger properties.

The scale of the LHA gaps in particular areas can be demonstrated with reference to the case studies. Table 1 highlights the LHA gap in 2018 for one-bedroom properties in areas where the case studies operate. While the case study organisations often operate across different broad rental market areas, this provides an indication of the housing market context. The LHA gap for one-bedroom properties varied from £5.00 a month in Tyneside to £160.86 a month in Cambridge. In some areas, the LHA gap was smaller for a two-bedroom property. It should also be noted that the LHA gaps presented here represent an average across large and diverse private rental markets. The situation of individual tenants within any area may differ from these average LHA gaps. There is evidence that tenants need to pay a top-up even where the LHA gap appears to be small. For example, there is evidence that the majority of HB/UC claimants in Redcar are paying a top-up of around £50 to £70 a month. It should be noted that the average LHA gaps presented here appear to be larger than internal estimates calculated by the Department for Work and Pensions.¹⁷

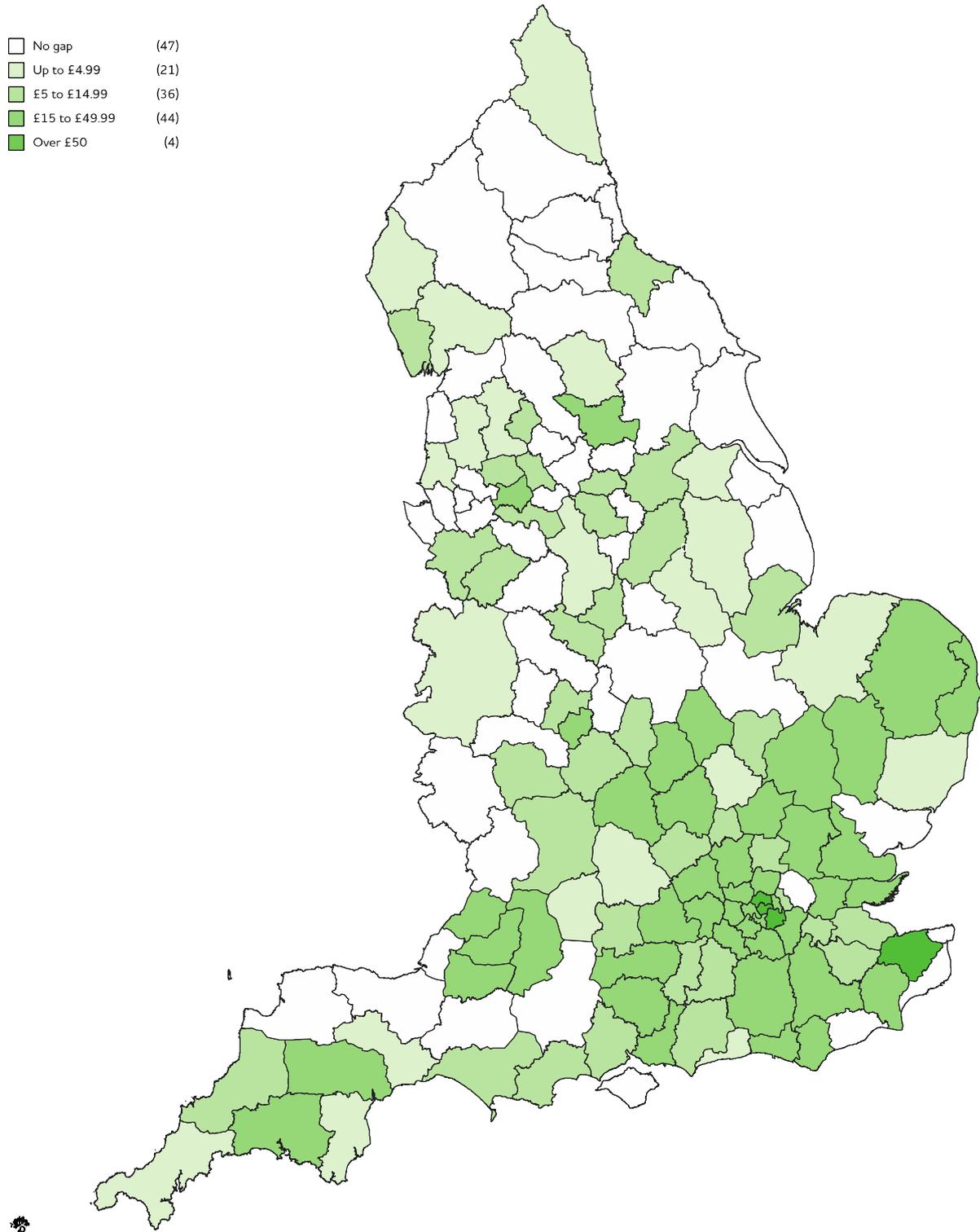
Table 1: Examples of LHA gaps for areas where the case studies operate

Case study	Example BRMA (that is, one area in which they work)	LHA gap per month – 1 bedroom, 2018,	LHA gap per month – 2 bedrooms, 2018,
Changing Lives’ HomeLife Project	Tyneside	£5.00	£14.99
Ethical Lettings (Surrey)	Outer South West London	£111.15	£130.71
Ethical Lettings Agency (Redcar)	Teesside	£5.31	£8.34
HomeCome	Leicester	£24.99	£24.99
Spring	Birmingham	£65.40	£61.66
Town Hall Lettings	Cambridge	£160.86	£131.32

Note: BRMA = broad rental market area.

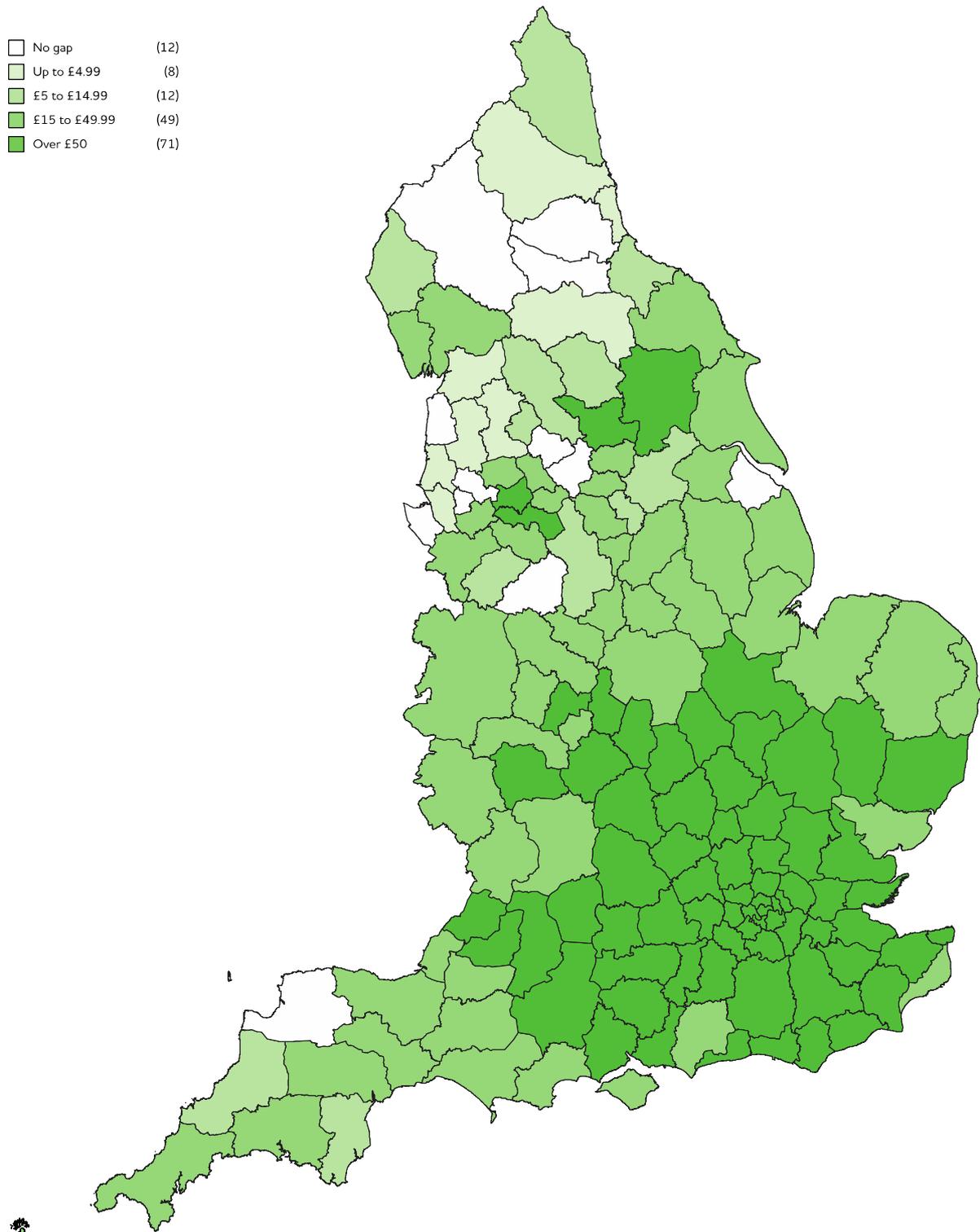
Figure 6: LHA gap (£ per calendar month), one-bedroom properties, 2015

□ No gap	(47)
□ Up to £4.99	(21)
□ £5 to £14.99	(36)
□ £15 to £49.99	(44)
□ Over £50	(4)



Source: Authors' calculations on government estimates of market rents using data from: Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019 (Valuation Office Agency, 2018)

Figure 7: LHA gap (£ per calendar month), one-bedroom properties, 2018



Source: Authors' calculations on government estimates of market rents using data from: Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019 (Valuation Office Agency, 2018)

Reflections from assessing the scope and scale of SLAs

The process of identifying the scope and scale of SLAs highlighted several important themes. **The SLA schemes were mainly small, relatively new and locally focused responses to particular issues within the housing system.** Some had expanded or were affiliated to larger organisations (for example, Nacro Homes Agency), but most focused on working with a specific tenant group or operated within a particular locality.

Only a small number of schemes self-identified as an SLA. Some of these schemes did not meet all of the key characteristics of an SLA outlined in Chapter 4. Many of the schemes we spoken to had never heard of the term ‘social lettings agency’ before. This led us to view the working definition as an ‘ideal-type’ description of an SLA. Throughout the rest of the research we focused on understanding the scope and scale of SLA-type organisations rather than limiting the analysis to those schemes that met a narrow definition.

The schemes were **often hard to identify.** Many were not seeking to be public facing but operating with a specific client group. The referral routes for these schemes were regularly direct from other services. This means that there may have been limited information about them on public websites. We found that telephone conversations and emails were the most effective means of finding out about schemes.

This analysis provides a snapshot of an emerging sector but it is likely that there are more schemes that are operating in a similar way. One of the reasons for this is that SLA activities often sit within organisations with wider social purposes (for example, supported housing and housing advice agencies) and lettings activities are seen as a means to achieve those wider purposes rather than as having a discrete organisational driver and identity in their own right. This blurring of boundaries between SLA functions and wider organisational remits also creates problems when carrying out financial analysis to isolate the forms of funding and cross-subsidy that support SLA functions.

The stakeholder interviews and analysis of the LHA gap in this chapter have demonstrated that SLAs are operating in a challenging environment. This environment is changing rapidly and SLAs have had to respond quickly in order to remain financially sustainable. Even where SLAs are nimble, there is a limit to their ability to cope with the LHA gap and at some point it is likely to become too large for them to bridge. The difficulties of achieving financial sustainability can be seen in both the challenges facing new SLAs that are seeking to develop and the closure of some existing SLAs. In London, the challenges for SLAs appear to be particularly acute, mainly due to a very large LHA gap. It is worth noting that government policy has a major impact on the operating environment for SLAs. This includes LHA rates, UC administration and the use of top-ups to HB/UC.

These difficulties need to be balanced against our findings on the scope and scale of existing SLAs. Our analysis identified a range of SLA-type organisations that have been able to operate despite the evident difficulties. **This suggests that there must also be opportunities that allow SLAs to operate.** The case studies presented in the next chapter investigate how a selection of SLAs, operating in different contexts, have navigated these challenges and opportunities.

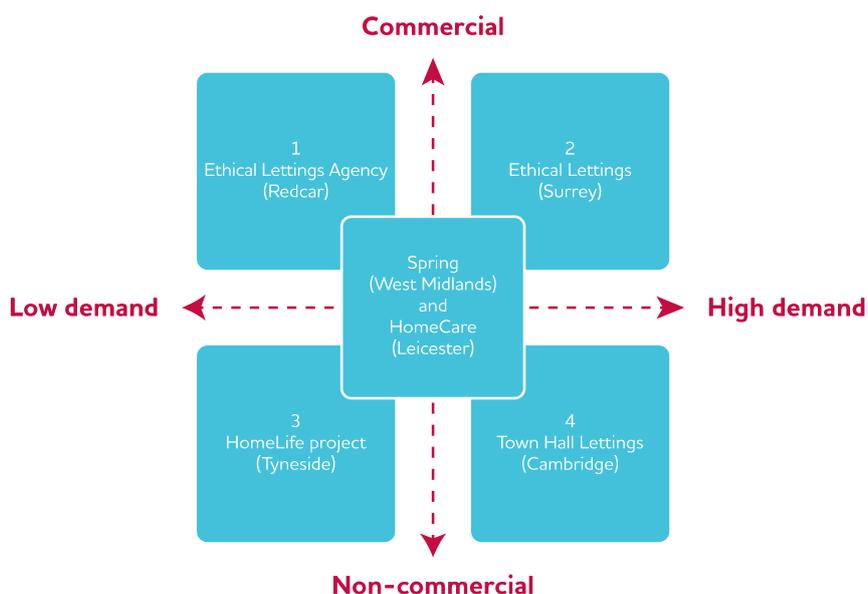
6 Case studies

Summary of the case studies

The scoping research highlighted a range of organisations that either self-identify as an SLA or could be defined as possessing many of the characteristics of an SLA. In the case studies we investigated how specific schemes have responded to the challenges and opportunities presented by different housing market contexts and operating models. This chapter presents the findings of our case studies in three sections. This section provides a brief summary of the operational and funding model for each of the case study SLAs we looked at. The next section provides an overview of our key findings from the case studies, focusing on: an assessment of their activities according to the '5 Ps' typology we discussed in Chapter 4; the current impact they are having on tenants, landlords, external stakeholders and the wider market; and the potential for, and barriers to, scaling up the SLA model. A final section outlines a potential framework for measuring the social impact of SLAs.

We drew six case studies from our database of more than 120 schemes to represent a range of different contexts and characteristics. In particular we focused on ensuring that the schemes represented both low- and high-demand contexts, and exhibited different levels of commercial activity in their operating models. Figure 8 highlights how we chose the case studies against the selection matrix outlined in Chapter 3. A portrait of the six case study organisations is provided in Box 1 and Table 2 provides an overview of their key characteristics (for more details, see Appendix 3).

Figure 8: Case study selection typology



Box 1: Case study summaries

Changing Lives' HomeLife Project. The Changing Lives homeless charity in the north-east of England provides specialist support with a range of issues to vulnerable people and their families. The provision of accommodation through the HomeLife Project – to low-income households who are at risk of homelessness or exposed to vulnerability or insecurity, such as people recovering from addictions – is one part of its work. The project is on the edge of our working definition of SLAs as it usually purchases empty properties, brings them into use and lets them out using private tenancies. The organisation has used grant funding to buy the empty properties (initially using funding from the Empty Homes Community Grants Programme 2011–15; see Mullins et al, 2016).

Ethical Lettings (Surrey). Ethical Lettings is a community interest company that charges a fee to local authorities across south-east England in order to place households who are at risk of homelessness into private rented accommodation. This fee covers the operating costs of Ethical Lettings and helps to bridge the LHA gap.

Ethical Lettings Agency (Redcar). At present, the Ethical Lettings Agency is focusing on letting properties to low-income households that are predominantly claiming HB/UC. It has created a sister company – the Ethical Housing Company – which received financial support from a social investor to purchase properties in the local area. These properties will be let through the Ethical Lettings Agency.

HomeCome. HomeCome was started with support from Leicester City Council. It manages lettings for private landlords and the local authority while also owning its own properties. HomeCome is still part-owned by the local authority. It has also made use of funding under the National Empty Homes Loan Fund for property purchase and refurbishment.

Spring. Working across the West Midlands, the Spring charity leases properties that are owned mainly by private landlords but also by housing associations. It focuses on vulnerable tenants who are at risk of homelessness and has a regional contract for the resettlement of Syrian refugees (with a lettings and management fee similar to Ethical Lettings, Surrey). The higher support payments under exempt accommodation (see note 3), secured through Spring's partnership with a registered provider, have been critical to its business model.

Town Hall Lettings. Cambridge City Council developed Town Hall Lettings with funding from the MHCLG's Homelessness Grant as part of a wider service to tackle homelessness among single people. Following its launch in January 2014, it settled on a business model whereby the SLA would attract landlords into the scheme by offering a guaranteed monthly payment and a full management service. The SLA is cross-subsidised by 24 properties that are let as part of the Cambridge City Housing Company.

Table 2: Summary of case study characteristics

Name	Based	Operating area – location of properties	Start date	Size (approximate number of properties)	Target tenants	Lead organisation and partners	External funding sources
Changing Lives’ HomeLife Project	Gateshead	North-east of England	2012	141	Properties are intended for ‘vulnerable tenants’, broadly defined as people at risk of homelessness, people engaged in rehabilitation and people who have accessed the charity’s support services.	Changing Lives is a charity and works closely with local authorities and other referral organisations. It has partnerships with two other small registered providers, where it manages properties and generates an income.	Grants from the MHCLG and Homes England have supported property purchase. A range of other grants and funding support the broader work of the charity, which offers a range of non-housing-specific support services.
Ethical Lettings (Surrey)	Godalming (Surrey)	Surrey, Sussex and Greater London	2012	145	People who are homeless or threatened with this, who are referred by the local authority.	Ethical Lettings is a community interest company and partners with 9 local authorities, lettings agents and a housing charity.	No grant funding is used to support mainstream social lettings work. Its funding model involves charging local authorities a fee for providing accommodation.
The Ethical Lettings Agency (TELA) (Redcar)	Redcar	Across Cleveland and Teesside	2015	Prefers not to disclose	The agency is available to all. However, approximately 75% of its tenants receive HB. It takes referrals from charities and local authority housing options teams, but the main route is tenants directly accessing.	The Ethical Lettings Agency is a community interest company. It has no formal partners, but does accept referrals and signposts and refers tenants to other advice and support services.	A grant from the Virgin Money Foundation in year one helped cover some core operating costs. In year three the Director signed a social investment deal that will be used to buy a considerable number of properties through a newly formed sister company (The Ethical Housing Company) with all properties being let and managed through TELA.

Name	Based	Operating area – location of properties	Start date	Size (approximate number of properties)	Target tenants	Lead organisation and partners	External funding sources
HomeCome	Leicester	Leicester City local authority area	2004	241 (135 owned, 73 leased from private landlords and 33 leased from local authority)	People on the local authority waiting list.	HomeCome is a company. The local authority holds 49% of the voting rights.	HomeCome received an initial grant from the local authority of £7 million.
Spring	Birmingham	Birmingham, Herefordshire, Staffordshire, Worcestershire	2014	522 units (120 general needs, 60 supported properties including 2 hostels)	Homeless people or people at risk of this and refugees via the Syrian Vulnerable Persons Relocation (SVPR) scheme. A 'rent relief fund' enables it to accommodate people moving into work.	Spring is currently a charity. It currently partners with a registered provider to access exempt accommodation rates.	Funding sources are SVPR contract funding, Big Lottery funds and other locally based funders. Spring receives exempt accommodation rate support payments from the local authority.
Town Hall Lettings	Cambridge	Cambridge and its surrounds	2013	47 properties	People referred to the single homelessness service, single people aged 18+, homeless people or those at risk of this, people with 'low support needs', people not in priority need for rehousing, people with a local connection to Cambridge or its surrounding areas and people in work or actively claiming benefits.	Town Hall Lettings is a not-for-profit service led by and based within Cambridge City Council. It works in partnership with other local authorities in Cambridgeshire.	Town Hall Lettings was set up with MHCLG funding to tackle single homelessness. The scheme is cross-subsidised from intermediate rent properties.

Case study findings

A typology of SLAs

We analysed the findings from the individual case studies using the '5 Ps framework' highlighted in Chapter 4. Each of the five elements of the framework (people, properties, process, policy and place) enables an appreciation of the significant diversity of SLAs as well as framing the extent of their impact and potential for scaling up both within and beyond their immediate market contexts. Each 'P' is now discussed in turn before this chapter moves on to assess the current impact of SLAs and the potential for scaling up.

People

The case study SLAs are **largely focusing on specific groups of vulnerable people**. Each case study defines 'vulnerability' differently. For example, Changing Lives focuses on 'vulnerable' tenants, defined as people suffering from or at risk of homelessness, people escaping domestic violence and people rehabilitating from drug or alcohol dependence. Other schemes focus on people who are homeless, people at risk of homelessness and refugees, as well as people with complex and sometimes multiple needs that require specific support, such as mental ill-health and recovery from addictions. Homeless people (or those at risk of this) are the most common group being accommodated although some case study organisations are specialising in obtaining funding associated with providing support for specific needs: for example, Spring has accommodated a considerable number of Syrian refugees under a specific resettlement programme. Several case study SLAs are **accommodating a wider range of households** who have low or insecure incomes but have difficulties accessing social housing. Several tenants at Town Hall Lettings were on zero-hour contracts. These were seen as the most difficult group in terms of managing HB/UC claims that stop and start. Spring has established a 'rent relief fund' to enable people moving into work to continue to rent with them. The case study organisations are working with a range of different landlords – no clear pattern emerged relating to the type of landlords or the size of their portfolios. For example, while Spring is working with several landlords with large portfolios, most other case study organisations are working mainly with landlords holding small portfolios.

Properties

Most of the case study SLAs seem to be taking an opportunistic approach, accessing properties as and when landlords make them available. As a result, they are managing a range of different property types within their portfolios, including shared accommodation. Spring seems unusual among the case study organisations in its ability to work proactively with landlords to access particular types of accommodation. All of the case study SLAs are relatively small, with around 45 to 500 properties. Both Ethical Lettings (Surrey) and Spring have grown rapidly in recent years. Ethical Lettings Agency (Redcar) has ambitious expansion plans through a social investment partner. Other case studies (for example, HomeCome) appear to be managing a more static portfolio of properties.

Process

The case study SLAs are operating under a range of different business models. They have incorporated themselves in various different way, including as registered charities, community interest companies and other types of companies. Operationally, the case study organisations represent a spectrum between registered provider housing associations (for example, Spring and Changing Lives¹⁸) and commercial lettings agents (for example, Ethical Lettings Agency, Redcar). Town Hall Lettings is somewhat different in that it is a local authority-based and -led SLA. These organisational types seem to be focused on maintaining flexibility to ensure that they are able to react to rapid changes within the markets in which they are operating.¹⁹ It was notable that the case study SLAs were almost all set up by individuals with extensive experience of working in housing (for example, housing associations, local authorities and/or charities). Most of the case study organisations had accessed external financial support, which had enabled them to reach a critical mass of properties. Financially, it appears that the sustainability of most of the SLAs is at least partially reliant on grants or the support of partner institutions (such as local authorities).

The case study SLAs are generating income through a range of **funding sources** (which are not mutually exclusive and often combined in some form). Some of the most notable are as follows.

- **General HB/UC sub-market.** This is particularly the case with Ethical Lettings Agency (Redcar) but only seems to be possible in areas where the LHA gap is small or non-existent. However, relying on tenants' LHA on its own is not a viable option in many markets. For example, in Birmingham only 7% of the PRS was available at LHA rates in 2017.²⁰
- **Welfare benefits in addition to HB/UC.** These include Discretionary Housing Payments and a range of different sources of additional funding for tenants with additional needs such as exempt accommodation and the Housing Association Leasing Direct scheme (described earlier as 'top-ups'). It is important to recognise that while Discretionary Housing Payments have become an important element of the overall funding basis for SLAs, such payments are intended to be temporary in nature to help tenants sustain tenancies at times when they may require extra help with housing costs.
- **Referral fees** from local authorities. Ethical Lettings (Surrey) uses this approach with apparent notable success. There are also a range of other similar contract-based payments from local authorities for letting, management and social support services.
- **Grant funding.** Among the case studies, grant finding was particularly useful when starting up. For some, capital funding enabled the development of an initial portfolio of properties. Two of the most notable sources were the Empty Homes Community Grants and Local Authority Empty Homes Grant programmes (2011–15). This funding was used in three of the case studies to bring empty properties into use for social letting. The potential of Empty Homes funding parallels the positive example of other English lettings agencies such as Methodist Action North West, and Catalonia Housing Agency, which have brought empty homes back into use before letting them out.
- **Asset base.** Most of the case study SLAs also own accommodation that could be used as an asset base to securitise or leverage finance (this is discussed later in this chapter in the context of social investment).
- **Cross-subsidy.** Among the case study organisations there are examples of the SLAs being able to cross-subsidise across their portfolio of activities. Some are cross-subsidising support services for high-needs tenants from the surpluses generated by commercial lettings and management services. Spring has developed a range of different properties including lower-rent accommodation. This has enabled residents to move into work without jeopardising housing and support that had been funded by HB.

How case study organisations are combining funding from different sources is related to, and indicative of, the extent to which their business models are more commercially or more socially oriented. Grant funding might be considered the least commercial funding source and asset-ownership the most commercial. In reality, there are practical difficulties in categorising the case study SLAs definitively using this approach as each uses a mix of more and less commercial sources of finance. At the very least, the mix of funding sources and varying degrees of commercial orientation suggest that the SLA sub-sector exhibits many of the characteristics of **hybridity** (Mullins et al, 2012), which has been used to describe other housing-focused social enterprises.

One of the problems with understanding the financing of SLAs is that they are often part of a wider organisation. This makes the analysis of finance and viability difficult. For example, Town Hall Lettings and the HomeLife Project are both part of a wider organisation (a local authority and a charity respectively). It was difficult to identify a clear boundary between the SLA-type work and other aspects of the wider organisation. Similarly, Ethical Lettings Agency (Redcar) is linked to the Ethical Homes Company, which owns property. This includes sharing staff and other resources.

Policy

One of the clearest policy links for the case study organisations is through accepting tenants who are at risk of homelessness from local authorities. Several case study organisations are also working closely with local authorities or government agencies to accommodate other types of vulnerable tenants. Local authorities are a key partner for almost all of the case study SLAs, although in at least one case these links are less well developed. The introduction of the Homelessness Reduction Act 2017 is likely to change this operating environment and may provide more opportunities for the case study SLAs to strengthen their work with local authorities. However, there is also a danger that the additional

responsibilities for local authorities may undermine existing partnerships with SLAs. A second key policy area affecting the case study organisations is the full rollout of UC in their operating areas, which is widely perceived as a major risk.

Place

It is clear that the case study SLAs are operating in highly diverse local housing markets. The variety of funding and operational models utilised by the case study organisations appears to be a response to this diversity. The case study SLAs have often been set up to respond to addressing administrative or process barriers in the way vulnerable people access property, which are directly related to local market characteristics. As discussed earlier, the case study SLAs purposely represent a range of local markets in terms of overall levels of demand. There were clear distinctions between the PRS in the most expensive areas (for example, Cambridge) and the lowest-cost areas of England (for example, Redcar). The PRS is very diverse at a local level and this interacts with an LHA regime that operates at a relatively broad scale. This means that SLAs have to be acutely aware of how this interaction plays out across and within their areas of operation, including developing a clear sense of areas of opportunity and areas where it is much harder to be financially viable.

Current impact

Tenants

There is evidence that tenants were benefiting in relation to all four areas of difficulty identified for low-income private renters: access, affordability, conditions and stability. Key benefits for tenants in relation to each case study SLA are outlined in Table 3.

Access. This is possibly the most obvious benefit for tenants. There was evidence that all of the case study SLAs are helping tenants to access accommodation that would not otherwise be available to them. This increased accessibility is partly financial (for example, through deposit schemes, which links to affordability – see below). It also appears to reflect a willingness among the case study organisations to let to tenants who high-street lettings agents would not consider for a range of different reasons, such as having poor references, failing credit checks or having additional support needs. In some cases there is also an advantage of speed of access (in the case of Spring, “from between a few hours to a couple of days”).

Affordability. All of the case study SLAs have some offer to tenants that improves affordability. The nature of this offer depends on the market context. For example, HomeCome in Leicester pegs rents to LHA rates, which represents a considerable reduction on open market rents. In a lower-cost market, the Ethical Lettings Agency (Redcar) focuses on reducing up-front fees, which are often a barrier for tenants in accessing the PRS, and also seeks to reduce rents to more affordable levels. In a high-cost market, Town Hall Lettings pegs rents at LHA rates or just above.

Conditions. The standards that the case study SLAs use to assess the conditions of the properties under their control vary, but they all have some process to check the conditions. They report a commitment to providing reasonable accommodation for tenants and often advise landlords about making property improvements. For example, Ethical Lettings Agency (Redcar) said that it carries out an initial conditions assessment and then completes monthly check-ups. Staff at Town Hall Lettings have been trained to carry out Housing Health and Safety Rating System (HHSRS)²¹ checks. Several tenant interviewees highlighted the better conditions that the case study SLAs are offering. However, it is difficult to make an objective assessment of the conditions of the properties in comparison with alternatives within social housing or the PRS as the standards used vary across the case study organisations.

Stability. Several interviewees noted that tenants felt more settled and ‘at home’ after accessing property through a case study SLA. It appears that this was related to trust in the motives and practices of the SLAs rather than greater legal security (as most of the SLAs appeared to be using standard assured shorthold tenancies). Town Hall Lettings allowed tenants to stay for as long as they needed until they felt ready to move on (and were supported in this process). This perception of increased stability was usually in comparison with the rest of the PRS. A couple of tenant interviewees highlighted the relative lack of security when compared with social housing, but for those who had no previous experience of the social housing sector, an assured shorthold tenancy was the norm. The availability of specialist and personalised

support also helped with tenancy sustainment in some cases. For some this was a trade-off, which one tenant said meant sacrificing the greater security of a council tenancy in order to access what they perceived to be better and more personal housing management from Changing Lives.

Examples of tenant experiences²² are presented in Boxes 2, 3 and 4.

Box 2: Tenant experience from Town Hall Lettings

Charlie had lived in his current home with Town Hall Lettings (THL) for over three years at the time he was interviewed. It was his first experience of living in private rented accommodation. For a year before his THL tenancy, he had lived in a supported housing project based in Cambridgeshire. When he initially approached the council as homeless, Charlie had spent a period of time 'sofa-surfing' and had poor mental health (depression and anxiety). For most of his adult life, Charlie had lived with his wife in their own property but this was lost following their divorce. Charlie was offered a room in a four-bedroom shared property through THL when he was approaching the end of his supported accommodation agreement. At first, Charlie felt anxious about moving on and did not want to leave the accommodation where he had established a support network: "I didn't want to move, I ended up with a bit of depression through it, and the only reason was [was that] I was happy there." It was not long before Charlie started to feel settled. THL helped Charlie to furnish the property and his room, even "clubbing together" to buy him a new duvet and pillow when his old set had gone missing in transit. Charlie described his relationship with the staff at THL as a "brilliant friendship". He recalled how they had helped him resolve problems with his benefits, compiling a letter on his behalf, so that his HB was reinstated and backdated. With THL's help, Charlie was starting to think about more long-term move-on options, and described how he felt ready to go through that process now: "I couldn't focus on it before, the questions were doing my head in but now I'm in a better frame of mind. It's a set of stairs, one at a time and one day you'll get to the top, but they're [THL] going to help me with that."

Box 3: Tenant experience from Ethical Lettings (Surrey)

James and Hannah were renting a one-bedroom house from Ethical Lettings (Surrey). Both were unable to work due to physical and mental health conditions and had struggled to access a decent property in the PRS before Ethical Lettings, never making it past referencing checks. The couple described the properties they were able to access in the past as "very poor": "It was basically the garage that had had a single-skin wall put round it and the bathroom and that was £650 a month. It was just two rooms and a bathroom for £650 a month, no windows, no fire alarm, nothing." Hannah and James explained how they had been threatened with eviction twice before presenting at Waverley Homechoice at Waverley Borough Council (a system whereby tenants can apply for/'bid' for council/partner housing association properties for rent). The council put the couple in touch with Ethical Lettings: "X from Waverley Borough Council at Homechoice, he got Ethical Lettings involved and they just saved the day really." The moving process from that point was quick and they were both in the property just two days after the viewing. The tenants did not have to spend any time in temporary accommodation in the interim. They spoke positively of their experience with Ethical Lettings: "They were on time for any appointments; everything was done in the correct way; they went through the whole tenancy properly, the itinerary, everything; they were perfect ... I mean I don't understand everything and they explained everything in layman's terms so that I did understand it." James and Hannah spoke about how being in their current property had improved their mental health and wellbeing, as well as their physical health: "It's improved our mental health and wellbeing as well; like it's given us stability and just so many other things like the natural light that comes into the house now, because in the garage we didn't get any light. It's just lovely to wake up here to be honest"

Table 3: Key benefits for tenants

Name	Support to tenants	Access	Affordability	Conditions	Stability
Changing Lives' HomeLife Project	Pre-tenancy support, referrals to other support services within the charity and a dedicated housing officer who builds rapport and trust with tenants.	No fees for tenants and the application process of commercial agencies is avoided.	Rents are capped at LHA rates for private tenancies and affordable rents for social tenancies.	Positive description of housing management and conditions from tenants, including the ability to decorate.	Currently uses assured shorthold tenancies (ASTs) but efforts are under way to change tenancies to full assured tenancies.
Ethical Lettings (Surrey)	Tailored support packages, including access to a deposit, coaching, property checks and referral to third parties for additional support.	No fee for tenants. Works in a market where HB/UC tenants struggle to access accommodation.	Negotiated rents with landlords (below market rates).	Tenant interviews highlighted the quality of stock compared with local alternatives and the benefits of full property management.	Uses ASTs but tenants reported trust in the SLA, which made the property feel like 'home'
Ethical Lettings Agency (Redcar)	Tailored support to tenants, particularly in relation to benefit claims.	No fees for tenants claiming HB/UC. No hidden costs and 'fair fees' for others.	Negotiated rent reductions with landlords and support for tenants with accessing top-ups.	All properties inspected before sign-up and have to meet a certain standard. Landlords advised on any improvements required.	Uses ASTs but turnover of properties is relatively low, suggesting there is stability of tenancies.
HomeCome	HomeCome does not provide any formal advice or support services, although it does advise and refer tenants to other providers.	Rapid access to accommodation, particularly for those waiting for social housing.	Higher-quality properties with full property management at the same cost as low-quality equivalents in the PRS.	Repairs service provided by HomeCome compares favourably to tenants' previous accommodation.	Uses ASTs but tenants described a sense of stability or trust in HomeCome as compared with previous landlords.
Spring	Varies for different tenants. For looked-after children it includes tenancy support and life skills. Overall ratio is one support worker for every 60 tenancies.	Speed of access. Spring is known for taking on 'riskier' tenants.	Rents are modelled on LHA rates for the local areas. Affordability checks and assessments are conducted pre-tenancy and post-tenancy.	Spring has set standards on properties and will only work with landlords who meet them.	Average tenancy lengths are relatively short but this is intended to help tenants move on to other accommodation.
Town Hall Lettings	Good-quality accommodation, 'holistic' tenancy support, sustainable tenancies and help with moving on.	No fees for tenants. Access to a deposit scheme.	Falls within LHA rates and staff try to help tenants to access top-ups.	Furniture provision. Some properties are inclusive of bills.	Uses ASTs but tenants reported trust in the SLA.

Box 4: Tenant experience from Ethical Lettings Agency (Redcar)

Mark and Jane originally moved to the north-east of England from Coventry and Bedford in search of more affordable rents. They found their current two-bedroom property on the Ethical Lettings Agency (ELA) website and after viewing the property decided to sign the agreement. Mark and Jane appreciated how a staff member at ELA went through their tenancy agreement with them, which, they said, was different from their previous experiences with high-street letting agencies: “With our last agency they just went ‘here you go’ and left, that was it.” They recounted their poor experience in rented accommodation with previous lettings agents and how it had taken a toll on their relationship: “I was constantly having to clean up everything around the house where it was all coming apart ... and I was taking that out on him so it was really hard.” Mark and Jane had a positive relationship with ELA staff, they felt supported in their tenancy and described how approachable the team at ELA were: “In a few weeks we’ve got someone coming out just to see how we’re settling in and that’s what I love, the fact that they’re actually involved with their tenants.”

Landlords

Several benefits to landlords emerged from across the case studies. These were often interconnected and included the following.

- **Guaranteed rents.** Several case study organisations offer guaranteed rents and this appears to be a major attraction for landlords. Guaranteed rents provide greater financial certainty for landlords and manage the risk of voids. However, this means that the risk of voids and rent arrears are effectively transferred to the SLA, raising potential viability issues or subsidy requirements for them.
- **More active property management,** including the ability to attract and manage suitable tenants. Landlord interviewees highlighted the attraction of reduced hassle in resolving day-to-day issues and increased peace of mind over the condition of their property and potential problems with tenant behaviour. Some landlords also mentioned professionalism and trust as the reason for letting their property through the SLA (for a lower fee than high-street agents). Some SLAs also help landlords to access knowledge around meeting legal property standards.
- **An ethical approach.** Landlords reported that an ethical approach was an important part of the attraction in working with SLAs rather than other agents. A number of landlord interviewees reported satisfaction in helping vulnerable people and reducing homelessness, although this was generally a secondary consideration to managing financial and occupancy risk in choosing an SLA.

Some of the key benefits to landlords can be demonstrated by quotes from those working with Spring. In relation to the financial benefits, one landlord noted that “you know how much you are getting and overheads are covered”. Most landlords were taking a broader view of financial benefits, arguing that “it’s not always what you can get, it’s about the whole package ... I’m not interested in short-term incentives but the long term”. This links to the relationship with Spring, with one landlord stating that “we need a partner who has a business-like efficiency, well organised and well managed”. A focus on efficiency was balanced by a desire for a social purpose. One landlord said that “when you see homeless people everywhere on Broad Street, it makes you feel good to be doing something to help”. Two further examples of landlord experiences are given in Boxes 5 and 6.

Box 5: Landlord working with Ethical Lettings (Surrey)

Julie had become a landlord almost accidentally, as the house she inherited from her mother stood empty and it was easier to rent than sell: “I put it up for rent and sale and rent came first.” She had been a landlord for 10 years and letting through Ethical Lettings (Surrey) for about three years. She explained that the rental income acted as her pension. Before her contract with Ethical Lettings, Julie had let her property out through a high-street lettings agency but recalled the challenges she had faced with tenants through this agent:

“I had a pear-shaped tenant ... in the same house who didn’t pay me the rent, paid me part-payments, didn’t pay me, did pay me and in the end he was there for four-and-a-half years with me being sympathetic towards his out-of-workness.”

One of the key attractions and benefits of Ethical Lettings, for Julie, was the assurance of rent through the agency's guaranteed rent offer. Julie also cited its tenant management role as a selling point, stating that "they're very good at contacting people if necessary when there's something [that] needs dealing with". She was also keen to contribute to the social purpose of Ethical Lettings, being aware of the difficulties that young people face in getting on the housing ladder. Julie acknowledged that letting her property through Ethical Lettings meant receiving a reduced rental income (due to the rent being set at the LHA rate) but was in a position to take less if it meant "helping people who are homeless".

Box 6: Landlord working with Ethical Lettings Agency (Redcar)

Kim had one rental property (a three-bedroom Victorian terrace) in the Middlesbrough area that she let through the Ethical Lettings Agency (ELA) (Redcar). When her original plan to rent out the house as a student let fell through (new student housing had just become available in Middlesbrough), Kim reached out to a high-street lettings agency to help her let it as a family house. She was told that the house would be un-lettable. After this bad experience, and on the advice of a friend, Kim approached ELA. She recalled when she first met with an ELA staff member: "Immediately, I was really pleased to have a really friendly, positive, passionate person who was going to help me." Kim was asked what she would need in rent to make the finances work, and about her background and preferences as a landlord. Kim had undergone difficulties herself in the past and spoke about how she wanted "to be able to help a single-parent family with children with a house with a garden". "I went from being on the career ladder to on benefits and I knew the difference from being really well thought of and respected to suddenly not, just 'cos you're on benefits. I wanted to pay that forward." Kim was really happy with her current tenants and pleased she was able to help them: "She found me a lovely refugee family, asylum seekers, and it's been fantastic ... I've met with them a few times and even though we don't speak the same language, somehow we always have a really nice time together." Financially, Kim was not making a profit from the property, but she was happy to give someone a "happy" and "safe" home and felt that the fee to ELA was worth it for the service provided: "They go and inspect the property every month ... I know I get my rent ... they report faults to me in a way that I can get them fixed and they help me find people to fix them." Kim recommends ELA frequently to those looking for a lettings agent in Middlesbrough.

External stakeholders and the wider market

There was evidence that the case study organisations are benefiting external stakeholders and the wider market as well as tenants and landlords, for example in terms of the following.

- **Mediation.** The SLA case studies demonstrated that they are positively intervening to improve standards in, and access to, the small part of the PRS market that they service by offering effective mediation between landlords, tenants **and** the welfare benefits system.
- **Local authorities.** Several local authorities were very positive about the offer that the case study organisations provide. Their accommodation was often cheaper and of a higher quality than alternatives available to the local authority (for example, temporary accommodation, Bed & Breakfast provision and private sector provision).
- **A challenge to lettings agents.** There was evidence that some of the case study organisations are providing an alternative to lettings agents. They are providing a better option to tenants who had previously experienced little choice but to accept a poor-quality service from lettings agents. It was hoped that the presence of the SLA would improve lettings agent practice within the local PRS market. Some SLAs are working in partnership with lettings agents to provide additional expertise and tenant management, which may provide another route to improving lettings agent practice within this part of the PRS.
- **Social impact and potential savings made elsewhere.** This is hard to demonstrate but SLAs' provision of decent, secure accommodation and support may decrease or prevent demand for other services both now and in the long term.

More generally, the relationship of the case study SLAs to the rest of the rental market is ambiguous. The case study organisations appear to operate on the boundaries between social housing and private renting. SLAs often have many of the characteristics of housing associations in the services that they provide to tenants but they are operating outside of the constraints of the regulated social housing sector. Some of the interviewees highlighted a tension between those who view SLAs as mitigating the worst excesses of

the PRS and other stakeholders who view them as watering down social housing with an unregulated, intermediate model. There is a need for clarity in terms of what SLAs are being compared with (the PRS or social housing) and for which client groups. However, given the current size of SLAs, they are likely to have a limited impact on the low-cost PRS. This highlights the need for a consideration of how SLAs can contribute to wider attempts to address issues within private renting. The proposed Tenant Fees Bill, which would introduce restrictions on tenant fees that lettings agents can charge, represents a step towards this type of wider policy approach.

Scaling up

Potential for scaling up

It has already been noted that the case study SLAs are generating funding through a range of funding sources, including the general HB/UC sub-market, top-ups to HB/UC, referral fees from the local authority, grant funding, their asset base and cross-subsidising across their property portfolio. In theory, all of these funding sources could be used, preferably in combination, as a means to scale up the case study organisations or support the development of new SLAs ('scaling out'). The constraints on HB/UC mean that the geographic scope of the first two funding sources listed above might be limited to lower-demand markets. The case study SLAs themselves seem to be focusing more on referral fees and asset bases to ensure their future viability. These may offer more secure options for long-term financial sustainability.

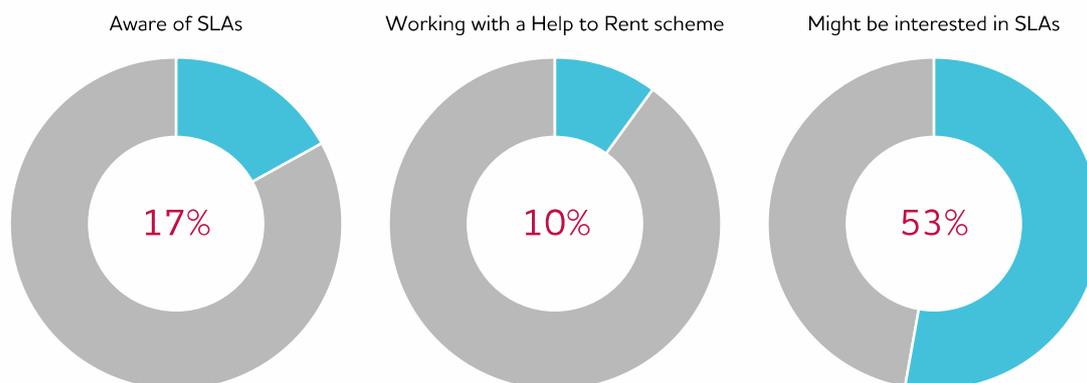
Ultimately, the financial viability of SLAs will be significantly affected by government policies. HB/UC is within the control of central government, particularly in relation to whether the LHA gap is allowed to continue to increase indefinitely. The introduction of the Homelessness Reduction Act 2017 could be a catalyst for the expansion of SLAs using a referral fee model and more formal relationships with local authorities. At the same time, the administration of 'top-ups' to HB/UC for the provision of additional support to tenants varies substantially across local authority areas. There is a need for a more transparent and consistent basis for targeting support funding on services provided by bodies such as SLAs to address the needs of vulnerable households and at the same time build landlord confidence in letting to this client group.

The case study organisations identified two areas where there are potential opportunities to scale up SLAs. These were attracting landlords and the use of social investment.

Attracting landlords

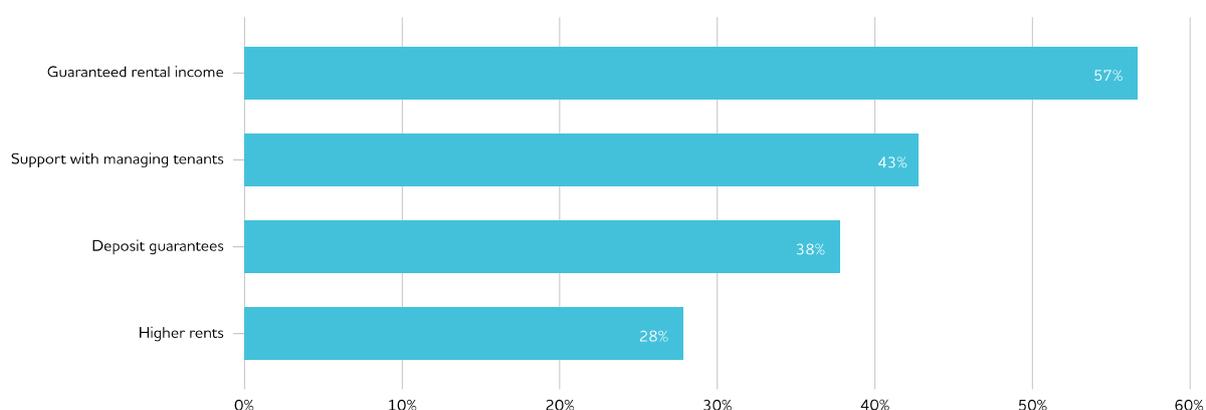
The Residential Landlords Association supported this research by including questions on SLAs in its regular survey of member landlords and lettings agents. Results from the survey provide an insight into landlords' views on SLAs (see Figure 9). Less than one in five landlords (17%) were aware of SLAs operating in their area.²³ More generally, only one in ten landlords were working with a Help to Rent scheme, including a deposit guarantee, PRS access or SLA scheme.²⁴ Despite low levels of current engagement, just over half of landlords said they would be interested in letting through an SLA or would need to know more.²⁵ In the same survey, there were specific incentives that landlords were particularly interested in (see Figure 10). Around a half of landlords stated that guaranteed rental income (57%) and support with managing tenants (43%) would give them an incentive to work with an SLA.²⁶ The overall finding from these survey questions is that **current awareness of SLAs among landlords is low but a significant proportion of landlords expressed an openness to this type of approach.**

Figure 9: Landlords' views on SLAs



Source: Residential Landlords Association members' survey

Figure 10: Incentives that would make landlords more likely to let properties through an SLA



Source: Residential Landlords Association members' survey.

Social investment

The case studies highlight the challenges of creating a financial model for SLAs that is sustainable. One approach, which is relatively new, is SLAs' use of social investment.²⁷ We held a roundtable on social investment to investigate this issue in more detail. The conversion of Real Lettings in London from an SLA model to an investment trust model financed by social investors, including local authorities, is a large-scale example of this. The model that Ethical Lettings Agency (Redcar) is developing – to use the SLA as an operating organisation and link to a second property-owning organisation (known as a 'propco') – is another. Social investment is used to purchase properties, which can then be managed by the SLA. Several social investors and SLAs have used this type of approach. These include Homes for Good in Scotland, which has received funding from IVUK, and Real Lettings, which has worked with St Mungo's and Resonance to create a property fund.²⁸

There appear to be several benefits from the social investment approach, including the ability to:

- increase the property portfolio quickly without having to attract numerous landlords with small numbers of properties
- retain more control over the use of properties (including nominating tenants and managing stock condition)
- cross-subsidise between profitable and non-profitable properties
- use the assets to secure additional finance.

The social investment model has similarities to other approaches that the case study SLAs have, where they have combined a mixture of property-ownership with the management of properties for private

landlords. Discussions with social investors suggest that they have an appetite to increase their involvement with SLAs and other organisations working with low-income households within the PRS. However, much depends on the rate of return that social investors expect (which can often be above commercial interest rates when risk is deemed to be greater) and the level of profit that can be secured from an LHA-based income stream with some allowance for long-term capital appreciation. Perhaps the best-case scenario for these models is where asset-value uplift increases the value of the portfolio, enabling cross-subsidy of the rental business. The success of the Empty Homes Community Grants Programme (Mullins et al, 2016) provides an indication of how grant-funded purchase and refurbish models linked to long-term social rent can unlock this potential.

Barriers to scaling up

Financial barriers are a key concern when considering SLAs' potential for scaling up. In addition, there are a range of other key barriers that would need to be addressed for SLAs to reach their full potential. Those that emerged from the case study SLAs were as follows.

- **Attracting landlords.** The case study organisations have had different experiences of attracting landlords. Spring seems to have been particularly successful while others have found it a struggle. The key issue underlying difficulties in attracting landlords is welfare reform, and the LHA gap in particular. If the LHA gap becomes too wide, it appears to be very difficult for SLAs to attract landlords. Other issues raised included landlords' general concern over the potential behaviour of tenants who have been homeless or who are claiming HB/UC, including anticipated antisocial behaviour issues and the non-payment of rent. It is generally recognised that a significant majority of PRS landlords would not choose to focus on the HB market niche;²⁹ however, for some landlords, their properties are in locations and of a type that is unlikely to attract other tenants. In these cases, a well-run SLA that provides rent income security and tenancy support services to mitigate the key lettings risks of rent arrears and antisocial tenants can find a viable niche and a better return to landlords than they could secure by letting directly to tenants.
- **Diversity of housing markets.** The diversity of housing markets may present a challenge for scaling up the case study SLAs. It appears that, so far, the case study organisations have focused on moving into areas that had similar markets to those in which they initially operated. Two of the case study SLAs (HomeCome and Town Hall Lettings) are operating in an area that was closely linked to the local authority that started them. Some of the case studies have expanded their geographic reach using a particular financial model (for example, Ethical Lettings, Surrey, has used local authority fees) or are operating within a particular niche within the housing market (for example, Spring focuses on exempt accommodation).
- **Upfront funding.** Most of the case study organisations had accessed up-front funding during their initial development. This had been obtained from sources including local authorities, grant funding from charities and foundations, and commercial loans. In many cases, funders showed considerable faith in the ability of the fledgling schemes. Other schemes may struggle to access the funding they need to develop from a very small portfolio (for example, fewer than 20 properties) up to a size that may be more financially viable in the long term. Scaling up the case study or other SLAs may necessitate additional grant funding.
- **Skills mix required.** The case studies highlighted the need for both extensive experience of housing management and entrepreneurialism in working with landlords. In particular, the research found that staff who understand and can navigate the benefits system on behalf of clients are critical to success. Another issue was the ability to combine both commercial property management and housing support for vulnerable tenants. It appears that finding the right combination of skills can be difficult to bring together and fund – both to set up and then to scale up – an SLA. Our international evidence confirms the need for this rich mix of skills but our comparators showed very different routes to securing it. For example, Flemish SRAs started from a social welfare skills base and moved into property negotiations and management with support from a small central technical expert platform; and Catalan agencies built on general local government skills supported by a specialist agency with an information technology (IT) platform and technical expertise.
- **Fears over the impact of UC.** Some case study SLAs are concerned about the difficulty of expanding in an environment that contains considerable threats to financial sustainability. The potential impact of UC on levels of rent arrears poses a major threat to SLAs that offer rent guarantees to landlords.

Measuring social impact

The challenge of measuring the performance of SLAs is the diversity of these organisations. But to demonstrate the benefits of scaling up SLAs, there is a need to clarify their impact in terms of the potential cost saving over alternatives (such as temporary accommodation) and their impact on tenants. The approach taken by social investors in developing clearer ideas of the types of social impacts that SLAs achieve is helpful. This would suggest that part of the solution might be to develop a performance management framework that focuses on the needs of and outcomes for tenants rather than the organisational characteristics of the SLA. For example, St Mungo's and Resonance (2016) have provided an overview of the social impact of the Real Lettings Property Fund. This includes the sustainment of tenancies and progress towards employment. Existing work to develop performance management frameworks for PRS access schemes will also be relevant (Rugg, 2014). Potential areas for performance measurement are outlined in Box 7.

Box 7: Potential performance management framework

Potential areas for performance measurement include the following.

Definitions of vulnerable tenants who would benefit from an SLA approach

- Who are vulnerable tenants?
- Which tenants are 'falling through the safety net' at the moment?
- What are the conditions that make SLAs necessary?

Access

- Is the scheme accommodating people who would struggle to access either the open market PRS or social housing?
- How quickly are tenants able to access the property?

Affordability (for example, upfront financial support, rent levels)

- Is short-term or long-term financial support being provided?
- Is there any support for moving into work (or the transition from zero-hours contracts)?
- Can different types of tenant groups access this support?

Security (including both perceived security and security of tenure)

- What are the average lengths of tenancies and where do tenants move on to?
- What are the reasons for ending tenancies?

Conditions

- Does the property meet all minimum legal standards (for example, the Housing Health and Safety Rating System – HHSRS)?
- Does the property meet other standards that exceed the legal minimum (for example, the Decent Homes Standard)?

Amount of other support provided

- What is the ratio of tenants to support workers?
- How are needs assessed and what type of support is provided?
- What partnerships are being used to deliver support?

Wider outcomes

- What wider outcomes is the scheme seeking to achieve (for example, employment)?
- How are these outcomes defined and measured?

Cost and value of the service

- What is the cost of a sustained tenancy?
- What is the value of a sustained tenancy compared with the cost of repeated homelessness provision?

7 Policy implications

Introduction

In this chapter we consider the key policy implications arising from our findings. The focus is on policies that would maximise the potential for scaling up the SLA model so that it is able to deliver better access to good-quality and sustainable accommodation in the PRS for low-income or vulnerable households. As such, we see policies instrumentally in that they must serve this broader housing policy objective, rather than simply seeking to grow the SLA sector for its own sake. Options for scaling up the SLA model must be set alongside consideration of alternative policies within the broader housing system that could potentially also deliver better access to housing for low-income or vulnerable households. For example, policies that lead to a substantial increase in investment in social housing may also help to deliver similar outcomes.

The wider policy environment shapes both what is possible for scaling up SLAs and the desirability of doing so. Policies in relation to housing, welfare and social care may mitigate the impact of housing market failures on low-income or vulnerable households, thus redefining the problem that SLAs have been responding to. And yet a favourable policy environment may enhance the potential for SLAs and other vehicles to lever additional resources and investment into housing. This might involve new partnerships, for example SLAs working more closely with the community-led housing sector. In general, policy responses need to focus on where unmet need persists for specific groups of low-income or vulnerable households in particular areas and how SLAs might be able to address this issue.

Strengths and potential opportunities

Our findings point to a number of significant strengths within the SLA approach and potential opportunities to develop them further. These include the following.

Funding

SLAs are clearly well positioned to draw on a range of different funding sources. There is potential to access social investment and to lever in wider funding. To some extent this is dependent on the clarity of SLAs' social purpose and the specific social outcomes they can support. In certain housing market geographies where the LHA gap is more modest, there is the potential for SLAs to provide a vehicle through which discretionary top-ups to HB or UC can be most effectively targeted. Homes England should consider whether SLAs could be a useful vehicle to deliver affordable housing.

Homelessness reduction

SLAs could potentially be a potent instrument for helping local authorities to discharge their new obligations under the Homelessness Reduction Act 2017 in a positive way. There is scope for the development of SLA models that are funded in part through referral fees from local authorities keen to reduce the use of temporary accommodation, reduce costs and deliver wider social benefits (for example, in terms of adult social care). In so doing, the potential to improve housing conditions for those on the lowest incomes or in the most vulnerable situations is clear.

Reforms to support funding

One of the key conditions for success for SLAs is being able to access support and care services for tenants. There is no consistent funding that SLAs can harness that links support needs with the provision of private tenancies. A clearer and more consistent approach by local authorities could provide an opportunity to develop support services as a key part of the SLA offer.

Better use of stock

This report includes international evidence of approaches that link policies to bring empty properties into use with social lettings. The Social Mediation Programme in Catalonia in particular was most effective

when there were two forms of subsidy to both bring properties up to standard and to subsidise the gap between the rent agreed with the property-owners and the rent that tenants in the programme's target groups could afford. Three of the English case study organisations examined in this report had benefited from funding under the Empty Homes Community Grants Programme and other Empty Homes funding that existed between 2011 and 2015 to source properties for social letting.³⁰ Research into the Empty Homes Community Grants Programme (Mullins et al, 2016) has shown further successful examples of links being made between empty homes renovation and social lettings (for example, Methodist Action North West). Better co-ordination of funding for such regeneration activity could generate greater social impact.

There are further opportunities for SLAs to contribute to better management of stock in areas where large housing associations are disposing of properties at auction as part of asset management strategies. Such properties often end up in the ownership of private landlords, for example buy-to-let investors. There are often significant local concerns about the quality of the management of those properties and that they are contributing to a perceived decline in neighbourhoods that had formerly benefited from social housing investment under urban renewal programmes. SLAs could either offer management services or purchase properties. Management services from SLAs could help to re-establish social stewardship and avoid a new spiral of neighbourhood decline. Furthermore, they could acquire these properties relatively cheaply if modest levels of funding could be accessed. Examples such as the North Ormesby Community Land Trust's acquisition of stock disposed of by Accent Housing show the potential for such initiatives, which could be linked to SLA development. Homes England should reconsider the current relaxed criteria for asset disposals arising from the need to get registered providers off the public spending balance sheet and require registered providers to consider social value and the potential role of SLAs in responsibly taking on disposed stock.

Cross-collateralisation

Although moving away from the characteristics of a 'pure' SLA, many SLA organisations are seeking to acquire or develop their own property portfolios, either as a mechanism of ensuring a sufficient supply of properties to make available to tenant clients or to act as collateral to enable access to development finance for growth. Such activities blur the traditional distinction between the social rented sector and the PRS and point to the emergence of a hybrid sector, which blends characteristics of registered providers with private lettings. In effect, there is a growing stock of deregulated housing that is used and controlled to meet social purposes (that is, to meet the housing needs of those otherwise unable to secure decent housing). Divestment of stock by private landlords as a result of changes to tax relief may create an opportunity for SLAs to acquire property. This may provide the chance for SLAs to work with social investors to build a property portfolio.

Cross-subsidy

In addition to property-ownership, there is evidence that SLAs are cross-subsiding the costs of supporting low-income or vulnerable tenants through commercial lettings agent activity. This may be possible in high-value housing market areas, where profits help to subsidise operations in other market areas. But there are also pitfalls in that such models may unhelpfully cloud the distinctiveness of SLAs from other local lettings agencies where there might be concerns about the quality and availability of services to low-income clients.

New PRS supply

Wider housing growth plans that involve a PRS component – for example, the development of build-to-rent properties – could provide opportunities for SLA partnerships. The use of affordable housing policies and Section 106 planning obligations could be explored to understand the potential of providing properties to SLAs as an alternative to other providers. The additional management support and de-risking incentives offered to landlords could help to overcome developer concerns around onsite affordable housing provision. If, however, a push to expand the build-to-rent sector means that its focus widens to include the lower end of the PRS, this could mean that institutional investors crowd out the SLA model.

Barriers

LHA gap

As we have discussed at length in this report, the gap between LHA caps and market rents within certain housing market areas introduces a significant – and potentially insurmountable – constraint on the ability of SLAs to operate. In higher-value housing markets, it also has an impact on the attractiveness of SLAs to landlords for whom maximising rents is an important objective. The size and diversity of the PRS within broad rental market areas mean that SLAs may be more viable in localities where the need is lower. Given that SLAs are mainly established to meet the needs of specific client groups, the insensitivity of broad rental market areas to local market conditions creates an uneven spatial landscape where particular vulnerable groups may be better served in some parts of a city than others. This can be problematic when residential relocation is not possible or would be undesirable in terms of isolation from tenants' social support networks.

Welfare reform

As noted earlier, uncertainties over the potential impact of further reforms to the welfare benefits system (the introduction of UC in particular) are contributing to the difficulties of attracting landlords to SLAs. This suggests that government appraisal of housing, social and care policies should more clearly anticipate the impacts on landlord behaviour, given the increased importance of a well-functioning PRS for meeting the needs of low-income or vulnerable tenants.

Geographic specificity

While the anchoring of SLAs in specific housing markets has been a necessary consequence of their ability to respond flexibly to local issues and needs, it may also limit their scope for expansion. There is limited evidence of SLAs working at a city or regional scale. Combined authorities in particular could explore the feasibility of a more co-ordinated approach to supporting SLAs, which maximises the scope for the geographic cross-subsidy of activities while potentially being integrated into other city-regional policies and approaches. The intrinsically localised nature of PRS markets needs to be borne in mind, however, which may inevitably imply difficult political decisions regarding cross-subsidies across local authority boundaries.

Skills

As we have also shown in this report, one of the critical success factors underpinning SLAs has often been the drive and determination of specific individuals with a blend of commercial and policy skills, an ability to network and lobby, an understanding of the benefit system and entrepreneurialism. The relevant professions, for example the Chartered Institute of Housing, should work with SLAs to understand how future housing professionals and leaders can possess the right attributes to enable locally responsive and creative approaches.

Policy objectives

Through our interviews with SLAs and landlords, along with the policy roundtables we held, we have identified six areas where policy could help to maximise the potential for SLAs to improve outcomes for low-income or vulnerable households.

Objective 1: Attracting more landlords to SLAs

The first set of recommendations relates to ways to attract more landlords to use the services of SLAs. In our case studies, landlords working with SLAs often spoke strongly about the benefits they found. Yet it is also clear that the sustainability and scalability of the SLA approach depend greatly on the ability to continue to attract landlords to the services they can provide.

- **Information.** While there is reluctance among many private landlords to let to vulnerable tenants or those on welfare benefits, it is important to note that this is generally from a position of unfamiliarity with SLAs. Almost half of landlords responding to a recent Residential Landlords Association survey

noted that they would need to know more about SLAs before determining whether they would potentially use one. This suggests that a **programme of work to enhance landlords' knowledge about SLAs and their objectives and benefits, using a diverse range of positive case studies**, will be important. The MHCLG, national landlord bodies and housing charities should work together to achieve this.

- **Incentives.** Mechanisms should be sought to help SLAs to offer a **package of guaranteed rents, additional support, tenancy support services and longer tenancies** with fixed returns to landlords. The LHA gap and the future of HB/UC funding top-ups will determine how feasible and attractive this is in many market areas. Such incentives are critical in offsetting below-market rents that landlords might otherwise expect by using an SLA, but are attractive in terms of minimising unknown management risks associated with void periods, tenancy turnover, arrears or dealing with tenancy problems. A key obstacle is funding. A blend of social investment and referral fees may offer an important source of financial headroom to help SLAs offer this in return for demonstrating clear outcomes for households. Links to funding to bring empty homes back into use and to purchase properties that large housing associations are disposing of would build on past strategies that entrepreneurial SLAs have used to mix several sources of grant and subsidy to deliver better social value. Recognising that in some market areas the problem is more about the quality, rather than the affordability, of the PRS, exploring how SLAs can contribute to wider regeneration objectives may help to demonstrate strategic value in SLAs partnering with other bodies and providers to bring about the continued social stewardship of neighbourhoods.
- **Managing risk.** Established SLAs seeking to grow their portfolio of landlords should be helped to demonstrate and communicate the added value they bring for landlords, especially in terms of reducing their exposure to management risks (especially rent arrears and voids) and social risks (by providing good-quality tenancy management and social support). Engaging with local representative bodies for landlords will be key to this.
- **Supporting landlords.** SLAs' strong credentials in offering social support and tenancy sustainment to landlords will be an important part of the offer to those landlords that choose to or who must operate in the HB/UC market. It is important that a more stable and better-targeted source of funding than the current exempt accommodation funding is developed for this in the planned reform of housing support funding.

Objective 2: Achieving financial sustainability

One of our clearest findings is that SLAs need financial support or subsidy of some form to sustainably deliver their service. In some cases there is a strong pitch to be made for social investment, especially for growing portfolios. SLAs need to ensure that the costs of the operating model that offers tenants support and advice can be financially sustainable. There is also a set of policies governing the wider environment that would help the SLA sector to achieve sustainability.

- **LHA rates.** Central government should review LHA rates to ensure that they more closely reflect changes in market rents at an appropriate level of geography. This should involve relinking LHA rates to market rents. In some areas, it may be appropriate to review the broad rental market areas used to determine LHA rates so that they reflect significant sub-market differences and reflect that estimates of market rents may be distorted by lower-end properties that in practice are not made available to LHA claimants. The Valuation Office Agency's potential underestimation of market rents is something that stakeholders who we spoke to highlighted.
- **Referral fees.** It would be useful to explore the viability of SLAs' charging fees to local authorities in return for accommodating homeless or other vulnerable people. More specifically, it would be useful to evidence the business case for a move away from the use of temporary accommodation towards the use of SLAs by local authorities. More work is required to demonstrate the social return on investment to local authorities in terms of wider savings such as health and social care budgets. Some housing associations have made significant advances in this area (for example, see the work of HACT – the Housing Associations' Charitable Trust³¹) and these may be adaptable to SLAs.
- **Universal Credit.** Policies aimed at improving the functioning of UC for claimants and private landlords are essential in order to reduce the administrative and financial burden on SLAs. While recognising the intention behind making housing-element payments to claimants, any processing delays or arrears can quickly undermine SLAs' business plans and financial viability. Even skilled staff

face difficulties dealing with the administration of UC. One proposed change would be a system whereby the first UC payment following a change in claimant circumstances is made directly to the landlord, before defaulting to the tenant.

Objective 3: Building capacity within existing SLAs – scaling up

- **Social investment in ‘propco’ models.** There is significant potential to further explore how existing SLAs can use social investment to purchase properties. Expanding such SLA property company (‘propco’) activities could help to unlock capital for development, help to underwrite risk and lever further funding, and cross-subsidise activities. SLAs should, however, ensure that plans are robust enough to cope with any potential housing market downturn.
- **Commercial lettings.** In some areas where SLAs identify demand for a greater level of service, SLAs could be supported by a network of peers in understanding the wider commercial market for lettings agencies and how to compete against commercial providers. This could have an added social benefit of driving up standards in the general PRS.

Objective 4: Supporting the creation of new SLAs – scaling out

Our research demonstrates that there is no specific geographic logic to the current distribution of SLAs. Many towns and cities now have established SLAs, while other areas do not, despite the existence of the right conditions. This suggests that there is potential to scale **out** the SLA model by aiding the creation of new SLAs. The following recommendations are made in support of this.

- **Grant funding.** The up-front costs of establishing an SLA in some circumstances can be prohibitive. Yet there is significant potential to align SLA activities with sources of grant funding aimed at improving access and conditions, for example Empty Homes Grants. Government and sub-regional stakeholders should consider how best to develop a range of models that mix different sources of up-front funding, including grants, loans and social investment. Both central government and a range of key stakeholders could play a stronger role in both understanding and managing the risks attached to different models. More formal recognition of the ‘hybrid’ status of SLAs could help. An element of regulation might help to open up eligibility to grant and loan funding from Homes England and other sources. Funds devolved through city housing deals may provide another potential avenue for support.
- **Expanding existing services.** A regime of incentives to help existing Help to Rent schemes (for example, PRS access projects) to enhance their services to tenants, better negotiate deals with landlords and develop their skills could help to stimulate the creation of new SLA activities.
- **Managing competition between agencies procuring PRS accommodation.** A key finding of the case studies is that SLAs are only one set of agencies working to secure access to affordable accommodation for their clients at the low-cost end of the PRS. In some areas there are numerous public and charitable agencies often competing for the same accommodation with little co-ordination. These include: local authorities (often out of area) seeking temporary accommodation for homeless households; private companies with contracts to secure refugee housing; probation and community rehabilitation companies looking for prisoner resettlement accommodation; and social services departments sourcing accommodation for care leavers and adults. One consideration for the scaling up and out of SLAs should therefore be to better manage this competition, avoid bidding wars, and to enforce minimum standards.
- **International comparators on scaling up and scaling out.** The international comparators in our research indicate that it is possible to develop SLA approaches on a much larger scale than hitherto in England. The Catalonia and Flanders cases and also the Northern Ireland case all demonstrate the value that a regional body or platform can play in supporting locally based responses to meeting need and building relationships with landlords. The international cases offer two models for this: a regional platform for locally based projects to share knowledge (Flanders); and a regional government agency to provide technical and policy support for local authority delivery (Catalonia). These regional tiers could also act as channels to manage subsidies such as referral fees, management fees and Empty Homes Grants.

Objective 5: Developing flexible responses to different housing markets

SLAs operate in a wide variety of housing market conditions. These conditions shape the services that SLAs offer, the landlords and tenant client groups that they target, and their business model. It is important to ensure that policy measures do not constrain the ability of SLAs to respond flexibly to the prevailing market conditions and needs of tenants within their areas of operation. This means that policy measures (for example, grants, support mechanisms and investment) should not assume a one-size-fits-all model of SLAs, and should recognise for example that they bring about important outcomes for **housing quality** as well as for affordability and access. Strategic bodies such as combined authorities or city regions may present an opportunity to set a framework within which SLAs can work more effectively across borders, addressing similar issues within parts of neighbouring areas. This may strengthen the case for supporting SLAs through devolved funding, and should draw on the international experience of scaling out discussed above.

Where there is a larger LHA gap that affects the affordability of private renting, SLAs could act as a source of housing provision for vulnerable people who attract additional funding above basic LHA rates (for example, payments from the local authority for homeless people, exempt accommodation, refugee resettlement and so on). In such circumstances, the role of SLAs could be to secure access to the PRS for tenant groups that would otherwise be excluded. This has implications for communications and publicity about the role of SLAs. The wider outcomes that SLAs can bring about – including tenancy sustainment, stabilising tenants' finances and contributing to the social stewardship of neighbourhoods – should be promoted to government and local stakeholders in terms of the cost reductions they help to achieve and to make the case for further investment.

In areas where the LHA gap is comparatively smaller, SLAs may act more as an alternative to high-street lettings agents and have a role in terms of increasing choice and quality within the PRS for people in receipt of HB/UC. Through SLAs, landlords are enabled to offer a better service, which is more supportive of the tenant and their specific needs, than would otherwise be available.

Objective 6: Improving the practices of lettings agents through regulation, training and incentives

The final objective for policy is around improving practices across local lettings agents. There is concern in some areas that lettings agents' practices and services are inadequate to meet the diverse range of needs from both tenants and landlords.

SLAs have the potential to support the training of lettings agents in relation to working with vulnerable households and HB/UC claimants. Staff working in SLAs will have skills that are transferrable to the commercial sector, and are well placed to equip landlords and lettings agents with a more detailed understanding of the operations of the welfare benefits system. They may also be able to demonstrate how tenancy support and dispute resolution help to minimise rental losses and void periods. It is important to recognise that, in some local PRS markets, competing against the established lettings agent sector could lead to robust challenge from existing businesses that are unable to draw on wider forms of subsidy or support.

The entry of an SLA can challenge practices where there is an uncompetitive commercial lettings market. This could incentivise broader compliance within the sector with legal business practices, particularly around fees and charges to tenants.

In this chapter we have set out a range of opportunities for and barriers to the scaling up of SLAs in England, and discussed a range of implications for six broad policy objectives aimed at attracting landlords, achieving financial sustainability, building capacity, supporting new entrants, enabling flexibility and improving practice. We conclude the chapter by summarising key recommendations for a range of stakeholders (see Box 8).

Box 8: Key recommendations

SLAs, sector funders and social investors should:

- Assess what infrastructure support might enable the development of SLAs and how it could be funded. This could include support to scale up asset-ownership by SLAs and similar organisations.
- Develop spaces for sharing practice and expertise among peers and with potential entrants. Professional housing practice bodies and networks should consider how they can support this through broadening their activities to the SLA sector. Existing work by Crisis and the National Practitioner Support Service provides a basis for this.

The Ministry of Housing, Communities and Local Government, and Homes England, should:

- Use the research presented in this report as a basis to take forward the commitment from the 2017 housing White Paper to 'consider whether social lettings agencies can be an effective tool for securing more housing for households who would otherwise struggle' (DCLG, 2017, p. 65). This aligns with their stated commitment to address homelessness through measures such as the Homelessness Reduction Act 2017.
- Do further work to assess the relative effectiveness of SLAs in comparison with other Help to Rent schemes to ensure that new grant programmes are accessible to SLA-type organisations – for example, Empty Homes Grant funding through a mechanism similar to the Empty Homes Community Grants Programme.
- Investigate whether a national scheme could be developed to underwrite the risks that SLAs take on. In Scotland, the Homes for Good lettings agent is trailing this type of approach already.

The Department for Work and Pensions should:

- Review the link between market rents and LHA rates to ensure that HB/UC claimants are able to afford private rented accommodation. This may include a review of the current broad rental market area boundaries.
- Improve the administration of UC to ensure that it works for both private landlords and vulnerable tenants. Simplifying the process for making payments direct to landlords would be an important first step.

Local authorities and city-region stakeholders should:

- Review how SLAs could help to respond to the requirements of the Homelessness Reduction Act 2017.
- Explore how emerging strategic bodies at the sub-national level can support SLAs in responding flexibly to local needs by establishing clear frameworks for sharing practice and technical support and potentially using devolved funding, for example through housing deals.

8 Conclusions

This research has sought to investigate the recent interest in SLAs. It focused on three aims. The first aim was to understand the current scope and scale of SLAs in England. Our research identified a diverse group of schemes and organisations working with low-income or vulnerable tenants. Working across England, these organisations have a wide variety of operating models, which reflect the diversity of the private rental markets in which they are situated. An ongoing challenge throughout the research was to define what is meant by an SLA. The SLA-type organisations we studied do not fall within a neat definition and it would not be desirable to impose one. Instead, it is easier to define how SLAs help tenants and landlords.

The second aim of our research was to assess the current impact of SLAs. There was evidence, particularly from the case studies, of SLAs having a positive impact on both tenants and landlords. Tenants benefited from improved access, affordability, security, conditions and support when compared with the open market PRS. Landlords benefited from support with managing tenants and a predictable income stream. The ability of SLAs to deliver benefits to both tenants and landlords is crucial to the success of the SLA model. However, the research identified a range of challenges facing the approach. The recent growth of the gap between LHA rates and market rents across much of England is a particular issue.

Our final research aim was to investigate the potential to scale up the SLA approach and barriers to doing so. The diversity of SLAs reflects the diversity of the PRS. This variety should be encouraged to support the emergence of local responses to address the needs of low-income or vulnerable tenants within the PRS. Despite this variation, some general findings emerged from the research. It does not appear possible to operate an SLA without some external financial support. Evidence from the research suggests that providing even a relatively small subsidy to SLA-type organisations may be a cost-effective way to address some of the issues that low-income private renters face, particularly those who have experienced homelessness. More generally, central government needs to ensure that there is an enabling national regulatory and funding environment that makes it possible for SLAs to operate. Managing and reducing the LHA gap would be the most effective way for the Government to support SLAs.

This research has identified a range of different organisations that are seeking to improve the options available to low-income or vulnerable households within the PRS. With some support from different parts of government working alongside other stakeholders, this innovative sector can be encouraged to grow and develop. As SLAs develop, more work needs to be done to assess the roles that they are best placed to play. For example, when are SLAs a cost-effective response to preventing homelessness? At present, SLAs represent a very small part of a wider system of housing options for low-income or vulnerable households. This means that SLAs are not a substitute for wider, systemic measures to improve the operation of the PRS. The proposed introduction of a ban on upfront fees that lettings agents can charge tenants as part of the Tenant Fees Bill provides an opportunity to review how lettings agents function and whether additional changes could improve the overall functioning of this market for the benefit of both landlords and tenants.

Notes

1. Rugg and Rhodes updated their review of the PRS in 2018 with support from the Nationwide Foundation (Rugg and Rhodes, 2018). This was published after the completion of this research project.
2. Some housing associations have set up commercial lettings agencies, which create a profit to subsidise social purposes. For example, TwoCan sales and lettings agency is linked to Two Rivers Housing (see <https://www.twocan.estate/about-us.html>).
3. The Housing Association Leasing Direct scheme 'covers properties leased from private landlords by registered providers (RPs) and allows a level of housing benefit subsidy above LHA to be claimed (currently 90% of LHA plus £60 a week outside London)' (Mullins et al, 2017, p. 4). Exempt accommodation 'providers are eligible for housing benefit at above LHA level. They may include Upper-tier County Council, housing association, registered charity or voluntary organisations' (Mullins et al, 2017, p. 4).
4. Crisis (2018) defines Help to Rent schemes as offering 'services and support to landlords and tenants to make a successful home of the Private Rented Sector for homeless people'. SLAs, PRS access schemes and deposit guarantees are included within this definition.
5. The context is that '[l]ocal housing authorities in England have a duty to secure accommodation for unintentionally homeless households in priority need under Part 7 of the Housing Act 1996 (as amended). Households might be placed in temporary accommodation pending the completion of inquiries into an application, or they might spend time waiting in temporary accommodation after an application is accepted until suitable secure accommodation becomes available' (Wilson et al, 2017, p. 3).
6. The project advisory group consisted of stakeholders with different types of expertise on SLAs, including landlords, academics, local authorities and charities. The group met three times during the research and provided an invaluable source of expertise and advice.
7. 'LHA rates relate to the area in which you make your claim. These areas are called broad rental market areas (BRMA). A BRMA is where a person could reasonably be expected to live taking into account access to facilities and services. LHA rates are based on private market rents being paid in the BRMA which can differ from advertised rents. Valuation Office Agency (VOA) Rent Officers collect the rental information from lettings agents, landlords and tenants. The Rent Officer maintains rental information for each category of LHA rates. These are the list of rents. Mathematical calculations are applied to the list of rents to determine the LHA rate which is set as the lower of the 30th percentile on a list of rents in the broad rental market area or the existing LHA' (Valuation Office Agency, 2016, unpaginated).
8. The database contains the following information: name, region, location of headquarters and operating area, location of properties, start date, size (approximate number of properties), target tenants (if any), support to tenants, target landlords (if any), lead organisation, partners (if any) and external funding sources.
9. There are also issues about definitions of ownership and property. We have sought to identify properties that are owned by private landlords but there are issues around how this is defined. There are different interpretations of 'property' as opposed to bed space or other uses.
10. Data: the Department for Work and Pensions' Stat-Xplore, England, December 2017, authors' calculations.
11. All registered social providers are required to submit a Statistical Data Return each year, which includes information on stock.

12. From this point onwards, we use the term 'top-ups' as a shorthand to describe the different funding sources that are additional to standard rates of HB/UC.
13. For more information, see Resonance (undated).
14. Most of the information on set-up costs relates to local authority schemes as feasibility studies are likely to be in the public domain or available via Freedom of Information requests. For example, council papers from 2014 outline Shepway Borough Council's plans to extend an SLA operating in neighbouring Ashford Borough Council. Estimated start-up costs were put at between £57,000 and £77,000 for the first two years of operation. There is little information in the public domain regarding set-up costs for non-local authority schemes.
15. All maps are based on the authors' calculations on government estimates of market rents using data from: Valuation Office Agency (2018) Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019. London: Valuation Office Agency. Available at: <https://www.gov.uk/government/publications/local-housing-allowance-lha-rates-applicable-from-april-2018-to-march-2019> [accessed: 29 October 2018].
16. N = 152 broad rental market areas.
17. This data is not in the public domain, which makes a detailed comparison impossible. It has been stated that the Department for Work and Pensions 'holds data that show that, of households with a shortfall, the average shortfall between the Local Housing Allowance received and rent paid is £50 a week in London and £26 a week in the rest of England' (see Comptroller and Auditor General, 2017, p. 22).
18. While Spring is not currently a registered provider, it has a registered provider partner in order to access the exempt accommodation rate, which is key to its current business model. The Changing Lives' HomeLife Project is closely linked to TCUK Homes, which is a registered provider and can therefore access grant funding from Homes England (formerly the Homes and Communities Agency).
19. This might explain why few of the SLA schemes had become registered providers despite the fact that it could have enabled them to access funding through the Housing Association Leasing Direct (HALD) scheme (see note 3).
20. Based on internal analysis by Birmingham City Council.
21. The Housing Health and Safety Rating System (HHSRS) is used to investigate 'the condition of properties using a risk assessment approach' (DCLG, 2006, p. 5).
22. The names of tenants and landlords have been replaced with pseudonyms to protect anonymity.
23. Are you aware of social lettings agencies operating in areas where you have property? Yes: 17%, no: 67%, don't know: 16%, N = 1,998.
24. Do you currently work with any intermediary who supports low-income or vulnerable tenants (for example, access schemes, deposit guarantee, social lettings agency, bond schemes)? Yes: 10%, no: 86%, don't know: 3%, N = 1,995.
25. Social lettings agencies are not-for-profit lettings agents which support low-income or vulnerable tenants in the private rented sector. Would you be interested in letting properties through a social lettings agency? Yes: 12%, no: 47%, I would need to know more about them: 41%, N = 1,995.
26. Are there any incentives which would make you more likely to let properties through a social lettings agency? (Tick all that apply.) Guaranteed rental income (for example, for three years): 57%, support with managing tenants: 43%, deposit guarantees: 38%, no, there are no incentives that would interest me: 36%, higher rents: 28%, other: 9%, N = 1,954.

27. The Big Lottery Fund has created a guide, which provides an introduction to social investment (see Big Lottery Fund, 2014).
28. For more details, see Resonance (undated).
29. According to the National Landlords Association's quarterly landlord panel survey, 'the proportion of landlords who say they are willing to let their property to housing benefit claimants has fallen to just 20%, down from 34% at the start of 2013' (National Landlords Association, 2017).
30. The three were: the Changing Lives' HomeLife Project (in the north-east) and HomeCome (in Leicester), both of which accessed Empty Homes funding directly, and Ethical Lettings Agency (in Redcar), which benefited via a local mental health charity, which received Empty Homes Community Grants Programme funding and passed properties to the SLA for letting and management.
31. A library of useful publications can be found at: <http://www.hact.org.uk/social-value-publications>.
32. For more details, see: <http://intranet.habitat3.cat/collaboracio-amb-el-sector-public>.
33. FEANTSA is the European Federation of National Organisations Working with the Homeless (see <https://www.feantsa.org/en>).
34. Affordable rents are 'rents of up to 80 per cent of market rent which RPs [registered providers] can charge for certain residential properties'. For more information, see Shelter (undated).

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List of abbreviations

AST	Assured shorthold tenancy
BRMA	Broad rental market area
CHA	Catalan Housing Agency
DSS	Department of Social Security
ELA	Ethical Lettings Agency (Redcar)
HALD	Housing Association Leasing Direct
HB	Housing Benefit
HHSRS	Housing Health and Safety Rating System
IT	Information technology
LHA	Local Housing Allowance
MHCLG	Ministry of Housing, Communities and Local Government
NIHE	Northern Ireland Housing Executive
PRS	Private rented sector
SLA	Social lettings agency
SVPR	Syrian Vulnerable Persons Relocation
SRA	Social rental agency
THL	Town Hall Lettings (Cambridge)
UC	Universal Credit

Appendix 1: International and UK comparators

Catalan Housing Agency

Background

The Catalan Housing Agency's (CHA) Social Mediation Programme has the characteristics of an SLA. It has brought almost 9,000 private rented properties into social housing use across Catalonia, Spain. The total number of contracts had been going down, but it is now stable.

Context

CHA is the regional strategic body that intervenes in the housing market in Catalonia. It was set up in 2010 and has since developed specific programmes to support social housing. It works in partnership with around 100 local authorities, and with many third sector agencies, only a few of which are housing specialists. In 2016, CHA owned and managed 14,728 social rented homes and managed a further 1,825 for financial institutions and 408 for private owners. Local authorities and third sector agencies own or manage a number of other types of social housing in Catalonia. These currently total over 30,000 properties.

CHA maintains a register of social housing demand, collating information from separate waiting lists that 100 individual local authorities maintain. It networks with stakeholders to revitalise the market and restore, maintain and manage housing and is seeking professionalised housing solutions for low- and middle-income households facing housing affordability problems. CHA allocates housing rent subsidies and renovation grants, runs guarantee and incentive schemes, brings empty private homes into use, regenerates the housing market and operates a Social Mediation Programme with private landlords (see below).

Home-ownership in Catalonia is around 80% of households, the social rented sector is very small, and private rents are quite high for households on a low or average income. The real estate sector had been a key engine of growth in the Catalan economy, but this changed dramatically with the 2008 financial crisis. The crisis had a major impact, with banks dealing with mortgage defaults and private owners facing difficulties with repair costs in order to maintain occupancy of their properties. There are around 45,000 private sector empty homes on the Catalan Empty Dwellings Register; and this covers only mortgage foreclosures, excluding other types of empty private dwellings. The availability of low-rent accommodation is a severe problem, especially in the cities. The main scope for intervention is in the private housing market and with the third sector. In this context, CHA has developed the concept of social mediation as a tool to revitalise the market and secure affordable homes to meet social need.

Definition and aims: the Social Mediation Programme (*Xarxa de Mediació per al lloguer social*)

The Social Mediation Programme was first introduced by the Environment and Housing Department of the Catalan Government in 2004 and initially aimed to bring privately owned empty properties in poor condition into affordable rental contracts for five-year terms (reduced to a minimum of three years in 2013). It operates across Catalonia, but is particularly important in Barcelona and Tarragona (80% of the total). Data on the number of rental contracts in place in 2016 and the number of new contracts agreed in the previous two years is available from official statistics (Catalan Housing Agency, 2016). The main concentration of contracts is in the province of Barcelona (see Table 4).

Landlords at first received renovation subsidies of up to 6,000 euro per property, subject to meeting standards and renting for a five-year term to nominees from local authorities. However, the budget for renovation subsidies was later reduced. At the time of our interview there was no budget for

refurbishment (thereby restricting the scope of properties coming into the programme and its contribution to urban renewal).

Table 4: Distribution of Social Mediation Programme properties

Province	Total contracts in 2016	New contracts in 2015	New contracts in 2016
Barcelona	5,990	1,094	832
Girona	728	154	129
Lleida	717	171	185
Tarragona	989	264	260
Catalunya	8,424	1,683	1,406

Source: Informe sobre el sector de l'habitatge a Catalunya 2016 (Catalan Housing Agency, 2016, p. 91, Table 4.2.10)

Local authorities negotiate affordable rent levels with each property-owner (advised by CHA). The gap between the rents agreed with the landlords and the ability of households to pay can in theory be covered by rental subsidies. Tenants and properties within the Social Mediation Programme may still qualify for these subsidies. However, the CHA budget for rental subsidies was around 30 million euro in 2016 (down from 110 million euro in 2010).

The Social Mediation Programme meets certain aspects of the definition of SLAs adopted for this research project. The programme does not own property and focuses increasingly on securing housing for the most vulnerable groups (including those targeted for social housing). It enables tenants to enjoy PRS accommodation that is better than they could secure in the open market and provides housing options in the absence of a sufficient supply of social housing.

However, the programme is positioned primarily as a state intervention in the market (involving two tiers of local government) rather than a commercial cost-covering or income-generating activity by independent agencies. It is integrated with the regional rent subsidy scheme, which subsidises 19,000 rents on a discretionary basis (that is, not all of those who in theory qualify will receive the subsidies). There is a rent cap for eligible rents, which was recently reduced from 240 euro a month to 200 euro a month. At first, a distinctive feature was the availability of funding to enable empty properties in poor condition to be brought into use, thereby expanding supply and tackling urban renewal.

Tenants

The Social Mediation Programme was originally targeted at middle-income households who could not access decent private rental housing without some assistance. The aim was to make private vacant dwellings accessible within 30% of total household income. Over time and particularly after the 2008 financial crisis, the target group moved from the middle market to "social, social, social". Increasing poverty, new migration and the lack of social housing supply were forcing local authorities to target the scheme on those with the greatest social needs. The maximum annual household income limit for programme eligibility is currently set at 18,000 euro. Prospective tenants must register with their local authority. There are also mobility opportunities to find accommodation in another local area. There have been growing problems of rent arrears within the programme and the absence of rental subsidies based on entitlement is a barrier.

Landlords and properties

The Social Mediation Programme aims to provide a rental income and occupancy incentive for private owners of rental property. It has appealed to landlords who value security of income over risk by offering/requiring initially five-year rental terms at sub-market rents. The programme also provides help with property renovation and tenant selection. Another key benefit is a warranty for property-owners in the event of non-payment of rent for up to six months. After six months the courts are used to reclaim the property. However, there is no guarantee that rents will be received in full. With the decline in funding for renovations, property-owners are now incentivised more by avoiding the empty property tax and squatters. The scheme may be accessed as part of negotiations with banks over mortgage

repayments (although there is another specific scheme whereby CHA manages properties involving mortgage default).

Organisations

CHA provides the strategic framework for the Social Mediation Programme across Catalonia. CHA:

- provides the IT platform on which the programme runs
- holds the budgets for the two main forms of subsidy (grants for property refurbishment and rent subsidies to meet the gap between rents agreed with landlords and households' ability to pay)
- co-ordinates registration data on housing demand and empty properties across Catalonia
- provides advice and support to local authorities in the delivery of the programme.

Local authorities provide the local administration for the Social Mediation Programme, inspecting properties, negotiating affordable rent levels with landlords, assessing housing need, making nominations of prospective tenants to the properties and managing the properties. The programme is delivered from around 100 locations based within the local authorities. These may consist of as few as one or two officers administering the scheme as part of wider roles. There is greater housing management expertise in larger local authorities, such as Barcelona City, which also have a larger amount of directly provided social housing stock. The division of responsibility between the two tiers of government is broadly that CHA provides finance, expertise and programme design, while local authorities provide human resources and premises.

Third sector agencies are not central to the programme at present, although CHA sees a wider potential role for social enterprise. Very few third sector organisations have specific housing capabilities. However, a small number of more specialist housing third sector organisations are now emerging, and managing properties owned by private landlords has been an important role for these bodies. Habitat 3 is one of the first third sector organisations to develop housing management expertise (there are other examples, such as Fundació Mambré).³² Habitat 3 runs a programme for Barcelona City, and some other authorities, to improve and lease properties for terms of three years (since 2013), at rents of between 50 and 300 euro a month, to meet homelessness and severe social housing needs.

Key learning points

The Social Mediation Programme has enabled CHA to extend its ability to meet housing need. It has almost 15,000 directly housed social tenants across 9,000 contracts with private property-owners under the programme. When we take into account all types of social housing in Catalonia, the programme provides around 25% of the total. The programme was most effective when there were two forms of subsidy from CHA. The first subsidy was to bring the properties up to standard. A second subsidy was used to bridge the gap between the rent agreed with the property-owners and the rent that tenants in target groups could afford.

After the 2008 financial crisis, increasing housing need associated with poverty and new migration, combined with reduced property-owner financial capacity and bank mortgage foreclosures, made it more difficult to achieve positive results through the programme. We were told that "[t]he budget is important, but it is not guaranteed".

There have been clear advantages to a single regional agency providing strategic steering, an IT platform, specialist advice and support. It has also been useful to draw on the local administrative capacity and market knowledge of local government to deliver the programme. There are also links with social services provision at the local authority level. Although the social support of tenants is not an explicit feature of the programme, local housing officers are the first point of contact if residents are in need of support and local authorities provide monitoring during the lease period and tracking on the renewal of leases.

Sources

David Mullins visited UNESCO Housing Chair at University Rovira I Virgili, Tarragona in September 2017, spoke at a seminar on empty homes and social lettings chaired by Professor Sergio Nasarre-Aznar, and visited CHA with Núria Lambea (PhD candidate). They met with Joan Batlle I Bastardas, Director of Social

Housing Programmes, and Maria Bordonau I Aluja, Director of the Social Mediation Programme at CHA, on 27 September 2017. Thanks to Núria Lambea for checking this description of CHA, providing helpful clarification and translating a PowerPoint presentation by Joan Batlle called 'Building opportunities: innovative projects', which provides a strategic view of the context for the Social Mediation Programme.

Social rental agencies in Flanders

Background

Social rental agencies (SRAs) are a well-established tool for meeting local housing needs in Flanders, Belgium. Some have been in operation since the 1970s (although under a different name) and there are now 48 agencies managing 10,000 private rented homes (1.5% of the PRS market); this compares with 150,000 social rented homes. There have been several eras of steady growth, responding to housing activism, housing crisis and de-institutionalisation (De Decker et al, 2017). SRAs are now operating in 288 of 308 municipalities.

Their origins were in civil society and social welfare agency responses to homelessness and access barriers to the predominantly owner-occupied housing stock. Over time, local voluntary initiatives developed into a regional network supported from 1993 by a small co-ordination platform (at first VOB, now HUURpunt vzw – federation of social lettings agencies). These initiatives were supported by state subsidy – initially on an experimental basis but since 1997 by annual subvention. A legal definition of SRAs has been developed and will be implemented when the Flanders Housing Law 1997 is finally adopted.

Definition and aims

The definition of Flemish SRAs is fairly similar to that developed for SLAs for this project, but there are a few key differences. Flemish SRAs do not own property, focus on the most vulnerable groups or provide housing-related social support. They enable tenants to enjoy PRS accommodation that is better than they could secure in the open market. While SRAs must work with both landlords and tenants, our informants did not agree with the term 'intermediary' since SRAs conduct two separate sets of relationships with landlords and tenants and do not mediate between them. Landlords and tenants are very unlikely to meet – the SRA does all property inspection visits.

SRAs are not financially self-sufficient without grant funding. The grant funding (218,000 euro a year for all SRAs with up to 150 homes, then an extra 1,600 euro for each additional home) is essential to staffing and viability and is barely sufficient. Around 70% of grant funding is used for staff costs. SRAs have very few other sources of funding and rarely seek to cross-subsidise housing vulnerable people from other income streams. Management overheads are not covered by rents (SRAs pay landlords exactly the rent they receive from tenants). They negotiate the rents to 20% below the market rate in return for guaranteed rent for nine years.

SRAs' main aims are to secure a supply of good-quality and affordable homes with a high level of security. They have responded to homelessness, migration, discrimination in the PRS and the de-institutionalisation of care provision.

Rents are set at a higher level than social housing (around 450 euro a month compared with 260 euro a month for social housing); yet personal housing subsidy is capped at around 130 euro a month. So SRA tenants must pay over 300 euro a month from their household income. Security is much higher than in England, with nine-year leases offering security for tenants (although in practice tenants often move within three years). Properties are inspected for quality before they are taken on. There are quite high levels of rejection of properties that do not meet the expected standard.

Tenants

The majority of tenants are vulnerable and face social exclusion. Most are homeless or threatened with homelessness (60% fall into FEANTSA's³³ 'ethos' definition of homeless). Growing numbers of tenants have mental health and drug problems.

Tenant selection is based on housing need. There are long waiting lists, which now include over 40,000 tenants. Points are awarded for housing need, with additional points for children, for low income and for internal transfers within the SRA. There are local residence requirements, which vary in strictness between SRAs. There is little discretion on matching and no say for landlords in allocations.

There is an expectation that tenants with long-term needs will move on to social housing. The lower rents of social housing are a big incentive for this. But social housing is in short supply and access is based on waiting time, not need.

Landlords and properties

Ten years ago, Pascal De Decker at Leuven University undertook a survey of SRA landlords. He found that most landlords involved in SRAs were small scale and had only a few properties (see De Decker et al, 2009). Landlords tended to value the security of income with the nine-year lease and SRAs' expertise in resolving property and tenancy matters. Properties were fairly scattered, but tended to be in the older, inner areas of cities.

Securing and inspecting properties is quite resource intensive (involving collaboration with building inspectors). The conversion rate from landlord enquiry to property acceptance is as low as 20% due to failure to meet standards or agree rents. There is recent evidence of interest from larger investors and developers who are attracted by the long leases and guaranteed income. This is likely to be promoted by government, prompting debate about 'scaling up', longer contracts, social mix (in larger purpose-built blocks) and 'keeping the social in social regional agencies'.

SRA organisations

The 48 SRAs in Flanders are each independently run but agree common approaches through HUURpunt vzw. Most SRAs receive state funding through annual subventions. They have strong links to local authorities and to the social welfare administration. The majority of SRAs (70%) are non-profit agencies and the remainder have links to or are run by social welfare authorities. Over 200 full-time equivalent staff are directly employed by SRAs, who employ an average of two to four staff per 100 tenancies. Ghent SRA is larger and has 10 to 12 staff, including six social work staff seconded from a local authority. Most staff have a social welfare background.

Sources

David Mullins and Brian Robson (Joseph Rowntree Foundation) met with Pascal De Decker (University of Leuven), Lies Baasrendse (HUURpunt vzw), Provoost Wouter (Ghent SRA) and Ruth Owen (FEANTSA) in Ghent in November 2017. We are grateful to our hosts for sharing their time and knowledge and providing access to evidence and sources to support our research. The visit was facilitated by Ruth Owen at FEANTSA as part of its Housing Solutions Platform. The sector is well researched (especially by Pascal De Decker). Current research (led by Sien Winters) is comparing the role of SRAs and social housing providers in Flanders.

Smartmove, Northern Ireland

Smartmove is a PRS access scheme working across Northern Ireland. It is run by First Housing Aid & Support Services Limited, with significant investment from the Northern Ireland Housing Executive (NIHE). Smartmove aims to prevent and/or reduce homelessness across Northern Ireland by using good-quality, affordable property in the PRS.

To do this, the scheme advertises lettings and finds tenants for approved PRS properties, providing rent collection services and optional repairs services. It provides a range of advice and support services to tenants and landlords, helping tenants to set up rent accounts, assisting them with HB claims and Discretionary Housing Payments, helping them to understand their rights and responsibilities, and signposting them to other service provision. In addition to this, Smartmove provides bonds to landlords to reduce the upfront costs of renting for tenants, and seeks to ensure that properties meet certain standards, conducting regular property inspections. Smartmove requires landlords to offer a minimum 12-month contract.

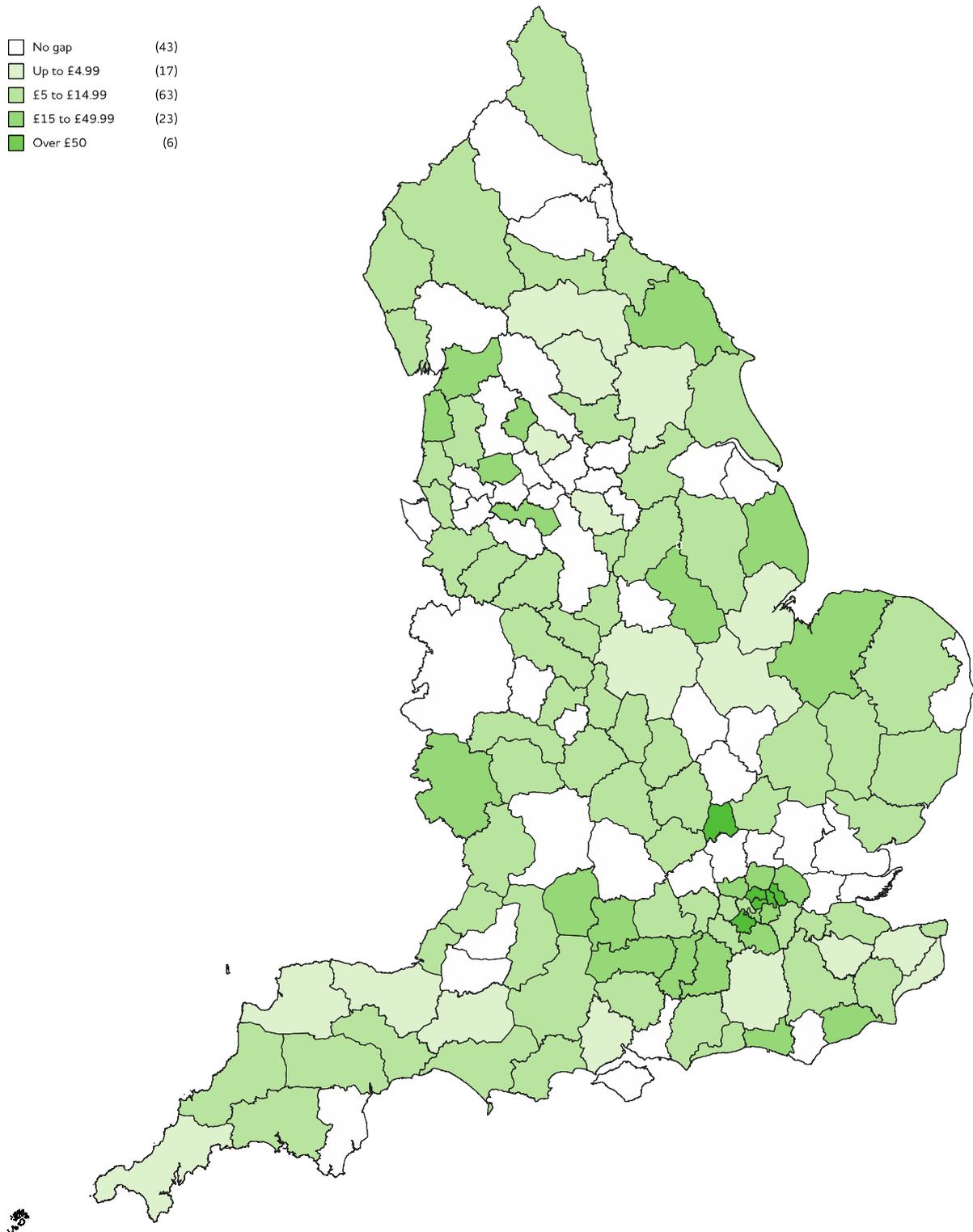
Smartmove was set up with initial funding from NIHE, with a major driver for this being the need to reduce pressure on the existing social housing stock. Smartmove derives a fee from NIHE for each letting made, through a payment-by-results contract. This is linked to the basic salaries of its housing officers, whereby in each six-month period, a standard fee is paid for the first 43 tenancies created, with a bonus paid for each new tenancy above this amount to a total of 50 tenancies. Interviewees revealed large set-up costs in the first two years of operation. The organisation is now in a more financially stable position, although questions remain about its long-term relationship with NIHE. While investing in Smartmove, NIHE also has a separate scheme to improve access to the PRS for single people, offering landlords a 30% subsidy for reducing their rents to this group. The respective merit of these schemes has not been assessed. It is also not clear whether they are serving different client groups.

Interviews with Smartmove representatives suggested that the organisation is currently finding PRS accommodation for 40 to 60 people a month (approximately 40% of whom are from local housing waiting lists). This is making the PRS a viable option for people otherwise unable, or unlikely, to access the sector. Using local knowledge, Smartmove ensures that people are housed in appropriate accommodation, and in suitable neighbourhoods, protecting people from potential racism and/or persecution. Interviewees noted particular benefits for single men on a very low income and unlikely to get suitable social housing.

While referrals for potential tenants are significant, major barriers are foreseen in terms of the welfare reforms as “landlords [are] getting nervous about accepting people on benefits” (Smartmove representative). This has reduced interest from landlords, with the organisation spending a significant proportion of its advertising budget trying to reach and engage new landlords.

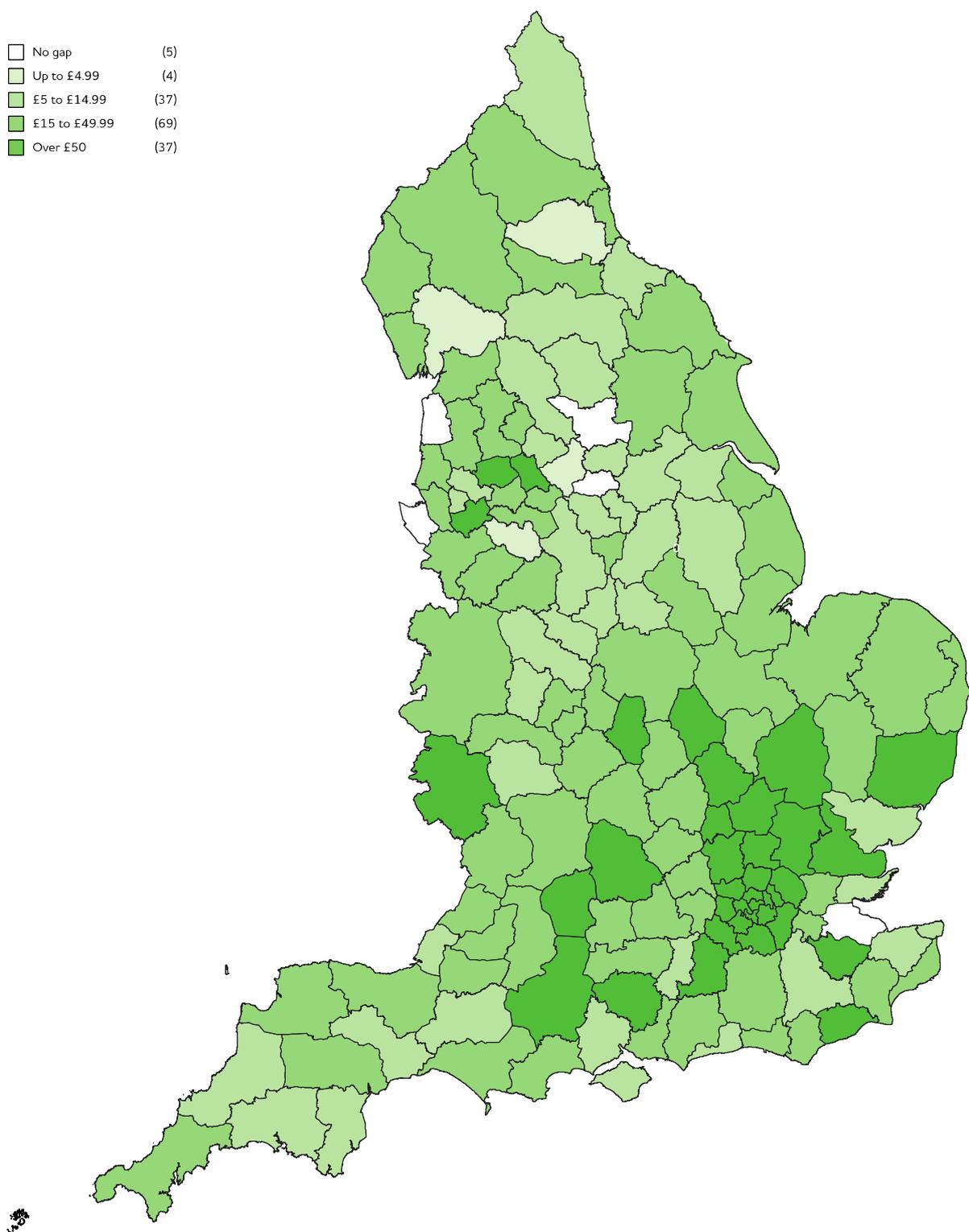
Appendix 2: Additional maps of the LHA gap

Figure 11: LHA gap (£ per calendar month), room rate, 2015



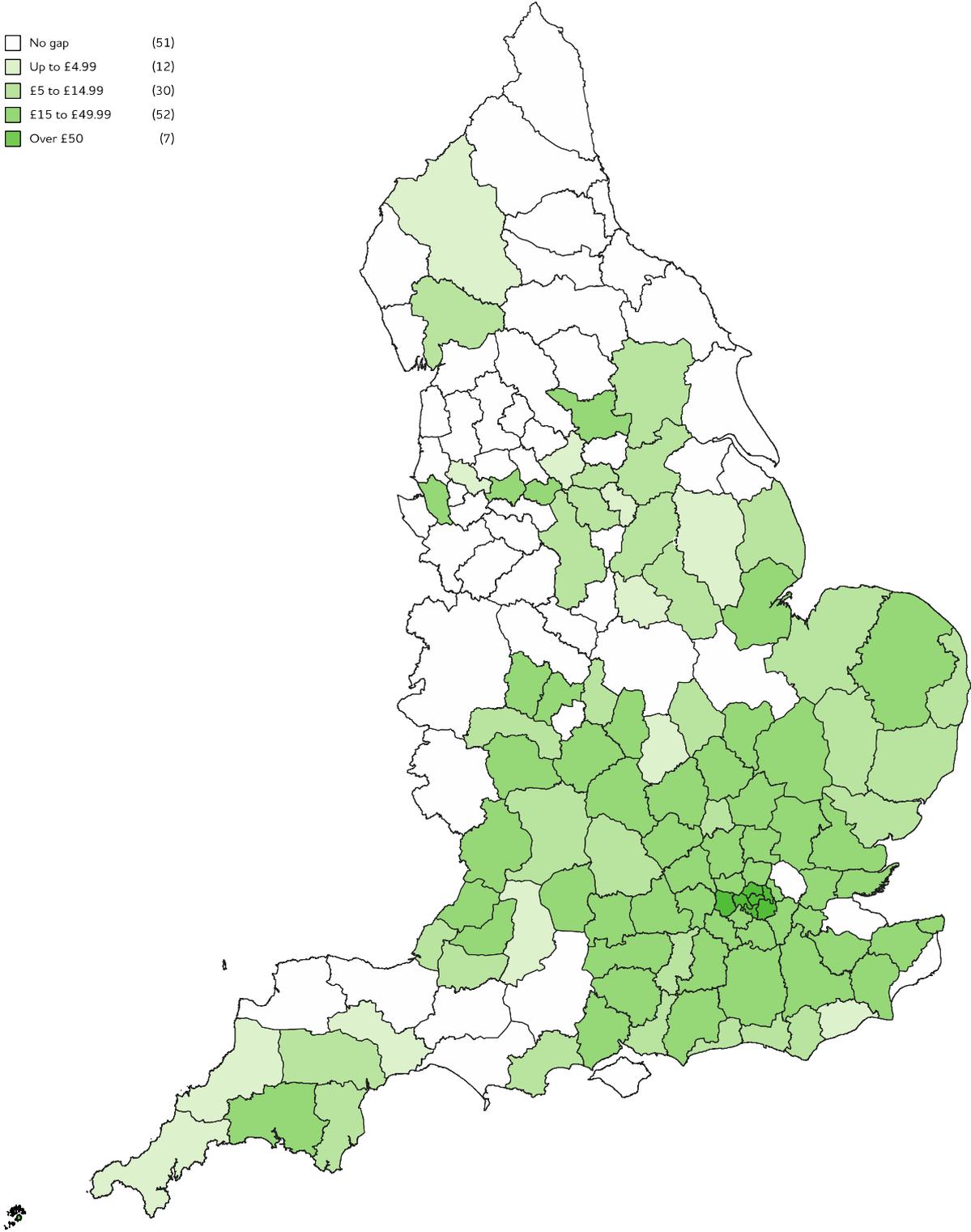
Source: Authors' calculations on government estimates of market rents using data from: Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019 (Valuation Office Agency, 2018)

Figure 12: LHA gap (£ per calendar month), room rate, 2018



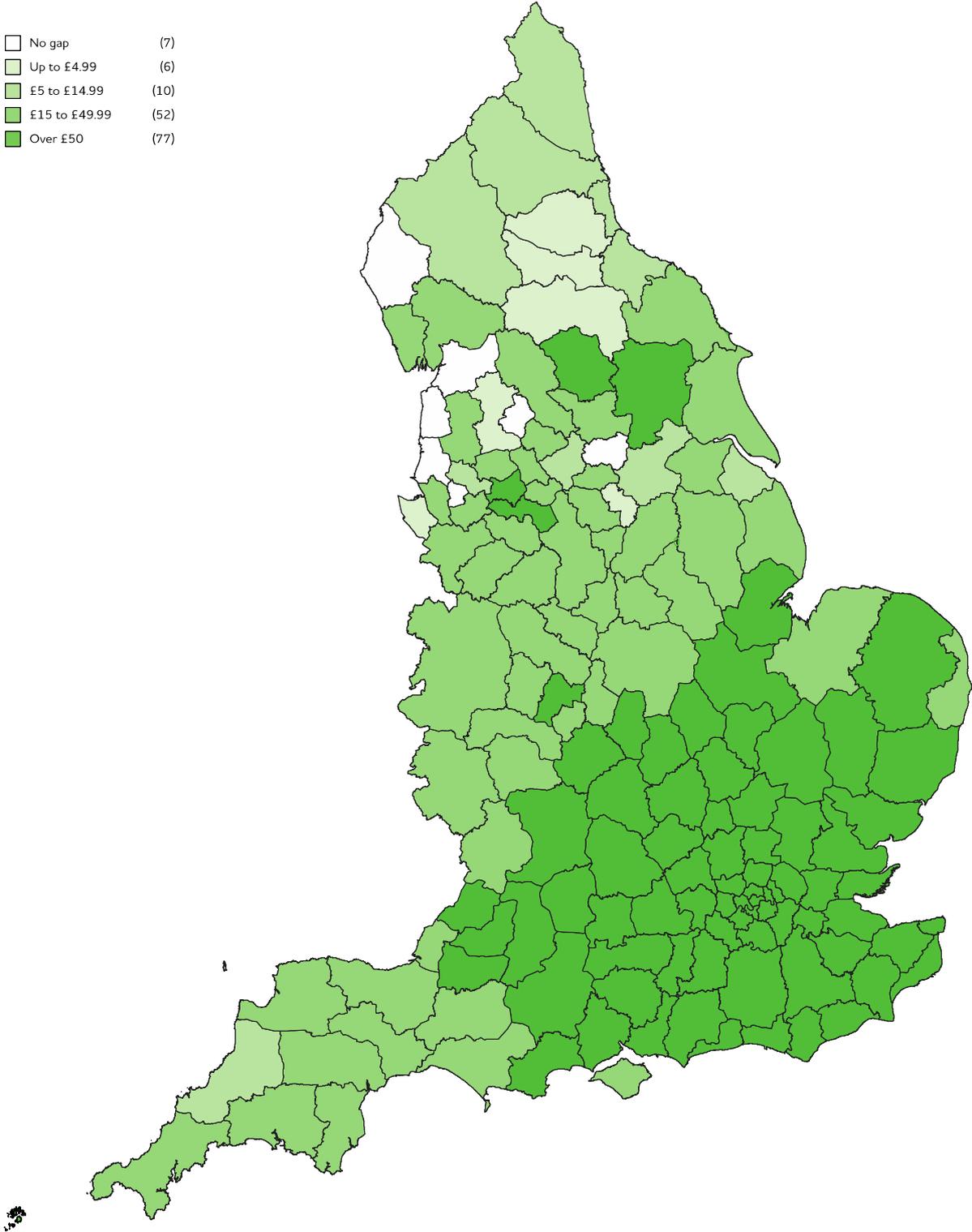
Source: Authors' calculations on government estimates of market rents using data from: Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019 (Valuation Office Agency, 2018)

Figure 13: LHA gap (£ per calendar month), two-bedroom properties, 2015



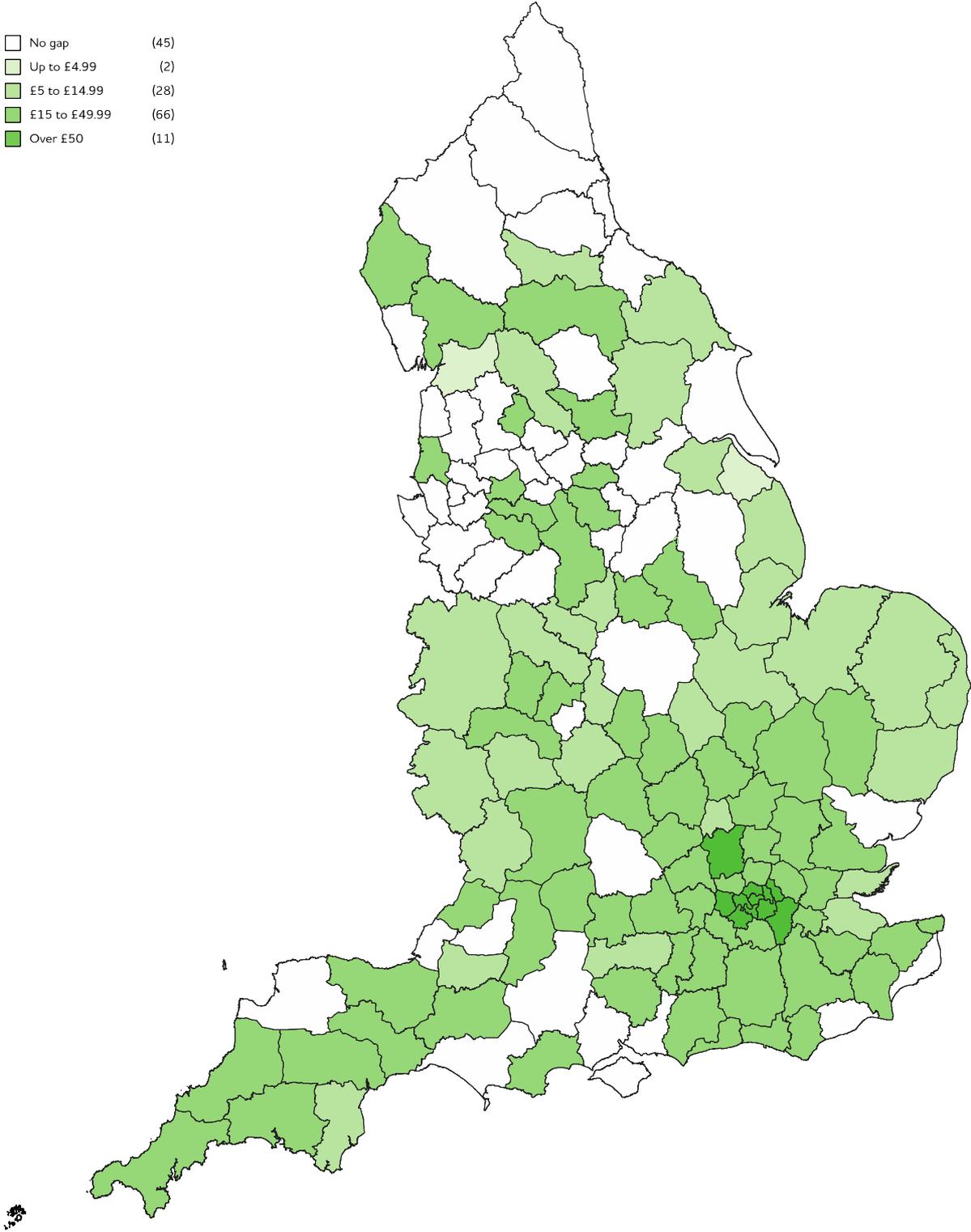
Source: Authors' calculations on government estimates of market rents using data from: Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019 (Valuation Office Agency, 2018)

Figure 14: LHA gap (£ per calendar month), two-bedroom properties, 2018



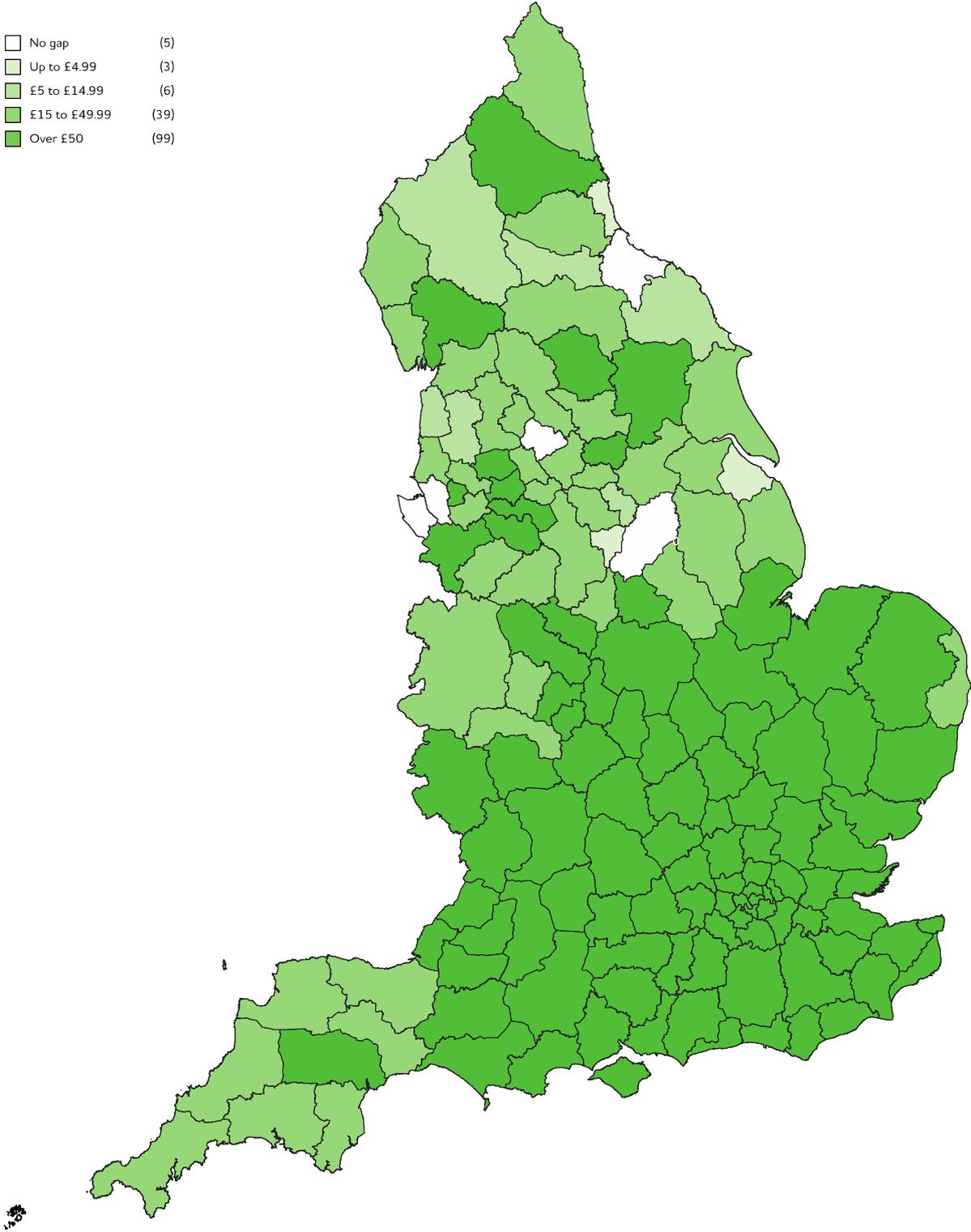
Source: Authors' calculations on government estimates of market rents using data from: Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019 (Valuation Office Agency, 2018)

Figure 15: LHA gap (£ per calendar month), three-bedroom properties, 2015



Source: Authors' calculations on government estimates of market rents using data from: Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019 (Valuation Office Agency, 2018)

Figure 16: LHA gap (£ per calendar month), three-bedroom properties, 2018



Source: Authors' calculations on government estimates of market rents using data from: Local Housing Allowance (LHA) rates applicable from April 2018 to March 2019 (Valuation Office Agency, 2018)

Appendix 3: Overview of the case studies

Changing Lives' HomeLife Project

Access

Properties let through Changing Lives are intended for 'vulnerable' tenants, defined as people suffering from or at risk of homelessness, people escaping domestic violence, people rehabilitating from drug or alcohol dependencies and often – although not exclusively – people who have gone through the charity's broader support services. This group would otherwise struggle to access private rented accommodation.

Tenants cited not having to go through the usual high-street lettings agent route and pay their fees as a major benefit. One tenant said that "going through a letting agent is a nightmare, they're invasive, take admin fees and rent and the cost is ridiculously high".

Affordability

Tenants are supported with arranging rent payments (for example, benefit applications) and have regular meetings with a housing officer to ensure that things are running smoothly. Rents are capped at LHA rates for private tenancies and affordable rents³⁴ for social tenancies.

LHA changes have had an impact in terms of people being unable to afford rent. UC is also having an impact. Changing Lives is in a UC pilot area and there have been difficulties setting up Direct Payments, which has resulted in Changing Lives not receiving monies and people falling into significant rent arrears.

Conditions

Tenants living in Changing Lives' properties compared the experience favourably to other tenures. One tenant, Anna, commented that her previous experience in private renting was: "Awful. I hate private renting. Changing Lives is alright though; Changing Lives is the best private rent I've had."

All three Changing Lives' tenants interviewed reported satisfaction with conditions in their home, citing the responsiveness and support of Changing Lives as a key factor in this. Where problems arose, they were resolved quickly: "I'm not ignored or feel like I'm a pain; they make you feel at ease. They are welcome and caring" (Tony).

Tenants have autonomy to decorate their rented properties, and one interviewee cited considerable health and wellbeing for her and her partner (a recovering drug addict) due to "knowing it's a stable home, especially with the kids; there are literally no problems with its condition" (Sophie).

Stability

While presenting itself as offering long-term accommodation, at the outset Changing Lives was actually only offering six-month assured shorthold tenancies. Efforts are under way to change this by converting tenancies to full assured tenancies to offer greater stability. One tenant, Tony, had given up a secure council tenancy to rent from Changing Lives, largely due to unhappiness in his previous tenancy (because of neighbourhood problems) and a perception that a Changing Lives' property would be the best way of coping with his mental health problems. Tony compared the experience favourably to living in council housing:

“I’ve had mental health problems and they [Changing Lives] have been very understanding and helpful, to the point where I can’t fault them. They’ve been absolutely brilliant. Where you could have had empathy with the council, you’re just a statistic. Changing Lives get more involved with tenants and that’s a big plus for me. Knowing that the people who I get the property from are like that makes it more reassuring for me that everything will be ok. I’m not worried constantly. It’s a big tick for my mental health.”

Tony, tenant

In addition, it is clear that the organisation takes a sympathetic view to rent arrears, recognising it almost as an ‘occupational hazard’. However, there have been around six instances where it has had to evict tenants, and it is also recognised that it ultimately has to meet costs and manage properties efficiently.

This highlights a core dilemma for SLAs – they have a strong social focus, but this needs to be balanced with prudent financial management, as one Changing Lives’ employee described:

“This is something we wrestle with, particularly when tenants owe us money and are not paying rent. We have a strong social focus and we’re part of a national charity, so we have that strong social focus, but there’s got to be a commercial element to this because – and this is how I square it – if I don’t run a viable business, I’m not able to do a social purpose and we can’t expect the charity to bail us out.”

Changing Lives’ employee

Ethical Lettings (Surrey)

Access

A major benefit for tenants of Ethical Lettings is access to decent housing in the PRS. Ethical Lettings’ client group is largely made up of people who are ‘in and out of work’, in insecure work, on a low income or in receipt of benefits and who struggle to pass referencing checks. Box 9 illustrates how access to PRS housing can be barred for some, and how Ethical Lettings’ model works differently.

Box 9: Tenant experience from Ethical Lettings (Surrey)

James and Hannah were renting a one-bedroom house from Ethical Lettings. Both were unable to work due to physical and mental health conditions and had struggled to access a decent property in the PRS before Ethical Lettings, never making it past referencing checks. The couple described the properties they were able to access in the past as “very poor”: “It was basically the garage that had had a single-skin wall put round it and the bathroom and that was £650 a month. It was just two rooms and a bathroom for £650 a month, no windows, no fire alarm, nothing.” Hannah and James explained how they had been threatened with eviction twice before presenting at Waverley Homechoice at Waverley Borough Council.

Affordability

Ethical Lettings’ model works through negotiating rents with landlords (just below market rates) to ensure affordability for the tenant. Tenants interviewed had encountered problems with affordability in the PRS, in terms of whether saving up for a deposit or paying the first month’s rent up-front, being able to afford the top-up on their rent payment, or passing income-assessed referencing checks. Most tenants were paying a small top-up on their rent with Ethical Lettings but found this ‘value for money’ in the sense that the quality of the property was much higher. James and Hannah were paying a top-up of £86 every fortnight on their rent but said that “we manage; we get a little bit more ESA [Employment and Support Allowance] because we’re in the Support Group, which helps cover the price of the top-up ... but what we pay is fine ‘cos we’re happy”.

Tenants explained how Waverley Borough Council had covered the cost of the bond and this was reported as being a huge help, especially as they had not received refunds of previous deposits from former private landlords.

Conditions

All tenants interviewed commented on the quality of their housing with Ethical Lettings (“I love my new one; it’s all modern and nice”; “It’s much nicer to have my own space”). For James and Hannah, this had had a positive impact on their health and wellbeing. James explained how it had helped them out of the very desperate situation they were in before and significantly improved their quality of life:

“It’s improved our mental health and wellbeing as well; like it’s given us stability and just so many other things like the natural light that comes into the house now, because in the garage we didn’t get any light. It’s just lovely to wake up here to be honest.”

James, tenant

Landlords also benefited from Ethical Lettings’ full property management service in terms of keeping their properties in good repair. In terms of wider benefits, Ethical Lettings may be seen as setting a precedent for quality and value-for-money property management.

Stability

All of Ethical Lettings’ tenants are offered assured shorthold tenancies. Its average tenancy length, according to its 2017 end-of-year report, is 650 days. Through its tailored support packages, its staff have managed to establish positive relationships with clients “right from the start” and this has helped them to achieve high rent collection rates (98% at the end of 2017).

It was clear from interviews with tenants that they trusted Ethical Lettings and perhaps as a consequence felt safer and more secure in their tenancies. One tenant spoke of how this increased sense of security helped to make his rented house feel more like ‘home’. This increased sense of security was compared with completely opposite past experiences in the PRS where “you’re never really secure” (Becky, tenant).

Ethical Lettings Agency (Redcar)

Access

Interviews with staff, landlords and tenants demonstrated that Redcar’s Ethical Lettings Agency (ELA) is improving access to the PRS for those on a low income or claiming LHA. ELA’s central ethos to support low-income households is backed up by a staff team with experience and skills in the benefits system. This has allowed ELA to offer tailored support to tenants and landlords, and it often acts as the intermediary between tenants, landlords, the local authority and the centralised UC teams. This has been a significant aspect to ELA’s success. In addition, the staff team are adept at helping tenants to maintain and uphold the terms of their tenancies and providing landlords with reassurances that letting to tenants in receipt of UC and LHA is a worthwhile financial proposition. Tenants and staff also reported that other local lettings agents are becoming increasingly unlikely to let properties to people claiming HB.

Affordability

ELA has made strides to improve the affordability of private renting in its local catchment area. First, it does not now charge a fee to tenants, and ensures that there are no hidden fees. Even before new regulations limiting tenant fees, ELA made no charge to tenants who claimed LHA and charged £175 to all other tenants – which tenants reported to be far cheaper than all other local lettings agents. In addition, ELA has been successful in reducing its landlords’ requirements for deposits. As one tenant, Paul, commented: “The person understood that we wouldn’t have any money for deposits, rent in advance, anything like that. We just don’t have it.” ELA has had some success in negotiating rent reductions with landlords. By offering a bespoke tenancy management service, and demonstrating their expertise, staff have been able to persuade some landlords to bring rents closer to the local LHA rate. In addition, all prospective tenants are asked to undertake an affordability assessment. Staff are able to provide a ‘reality check’ on the overall housing costs of renting a property and offer advice about making benefit claims (including Discretionary Housing Payments). This is particularly important given that the majority of tenants are required to pay a ‘top-up’ of approximately £40 to £60 a month (the shortfall between the rent and the LHA).

Conditions

Staff interviews revealed that offering decent housing to all tenants is central to ELA's ethos. All properties are inspected before sign-up, and have to meet a certain standard. Staff often advise landlords on any improvements required before the property is let. ELA has rejected some properties that are below standard. In addition, properties are inspected monthly. This is partly to ensure that the tenant is maintaining the property, but it is also an opportunity to chat with them, find out whether the tenancy is going well and identify any problems at an early stage. Several interviews with less experienced landlords suggested that ELA has asked for improvements to properties that would not otherwise have been made before letting.

Stability

ELA uses assured shorthold tenancies in all cases. Staff reported that turnover of properties is relatively low, suggesting that there is stability of tenancies. Tenants interviewed also suggested that they are happy with the security of tenure offered. As one young woman, Gemma, said: "I feel really settled here now. I'm not worried about losing it. And if I did have to leave, [ELA] would help me get somewhere else." The experience and skills of staff at ELA go a long way towards giving tenants this reassurance, and supporting them to sustain their tenancies. One impressive finding was the knowledge that tenants had about their tenancy responsibilities, including the importance of paying rent on time. One young man, James, commented: "They've always been on at me to pay the rent and keep the place tidy; I've got it now."

HomeCome

Access

HomeCome in Leicester has enabled households to access PRS accommodation who may otherwise have had difficulties. Interviewees suggested that the impact of securing a HomeCome home has been significant for them, with some describing how it has enabled them to leave or avoid temporary hostel accommodation. One interviewee joined HomeCome after spending an extended period in a hostel, and being a young single person may have struggled to secure other social rented housing: "I was living in a hostel ... yeah I was a bit young and naïve, I couldn't wait to leave and get my own place ... I signed up to the council and they offered [a HomeCome home] to me" (Jasmine).

For other interviewees, previous attempts to secure social housing provided by Leicester City Council had failed, with choice-based lettings applications for social housing properties resulting in them being "107th in the list" (Becky), despite being in the highest priority band. Finding a home became an urgent priority for this individual as her previous tenancy came to an end. Avoiding a period of homelessness, HomeCome allowed her to view the property on the Friday, and enabled her to move in on the Monday.

Affordability

Comparisons with median rents in Leicester City suggest that HomeCome properties are relatively affordable for those receiving HB at LHA. Lower-quartile rents in Leicester suggest that other PRS properties could be affordable at LHA levels, although it is unlikely that these would be offered without the need for a deposit, let at the Decent Homes Standard, and with high standards of housing management.

Such comparisons with local rent levels may hide affordability concerns for those needing larger properties, especially if they are affected by the benefit cap. Interviews with HomeCome tenants suggested that this was indeed the case and these households were covering some shortfall between their benefits and rent to HomeCome. However, other tenants noted the extent to which HomeCome had improved the affordability of housing for them: "It's really good ... a smaller private rent was £890, I'm paying £650 now" (Paige).

Conditions

Interviewees suggested that property conditions at the start of their tenancy were good. Exemplifying this, one tenant interviewee noted that "it was immaculate when I moved in" (Jasmine). However, some

interviewees highlighted ongoing issues with their property, such as damp or slow remediation of problems. However, for most, the repairs service provided by HomeCome compared favourably to their previous accommodation. This was particularly the case for those previously in other PRS properties. Two separate interviewees highlighted this:

“I had quite a lot of problems with my old house, rotting door frames and skirting boards ... all the problems [in my current house] the council have come out and sorted them all out.”

Laura, tenant

“[I]t’s less stressful, repairs not on your shoulder ... repairs-wise it’s a lot better.”

Becky, tenant

It is clearly important to landlords that HomeCome returns their property in the condition that it was received in. This has created a large financial burden for HomeCome as it has to remediate significant damage on some properties at the point of turnover.

Stability

While some HomeCome tenants are long-term occupants of their properties, in general they do not receive security of tenure comparable to Leicester City Council tenants. This was most acutely felt in properties leased by HomeCome from a private landlord. Some interviewees worried about when the landlord might take the house back, with the time remaining on the leases of those interviewed ranging from one month to several years. Reflecting on this, one interviewee noted: “I love this home ... but there is still that pressure ... will he want the house back ... I take each day as it comes” (Becky).

Another trade-off for tenants is the lack of opportunities to acquire their home through Right to Buy, or transfer to alternative properties, a downside highlighted by three of the four HomeCome tenants interviewed. One interviewee, while valuing the home they were offered in helping them gain independence, noted: “It feels like I’m private renting to be honest ... I don’t feel like a council tenant because I don’t have the option of a house swap, and I’ll never have the option to buy my home” (Laura).

Throughout, tenant interviewees suggested that if their tenancies ended they would apply to the housing register again, suggesting that in the absence of HomeCome housing, their housing need would again create pressure on the existing social stock. While in simple contractual terms, HomeCome tenants may not experience the same security of tenure as other social housing tenants, there was evidence that interviewees felt an enhanced sense of stability or trust in HomeCome, as compared with previous landlords.

Spring

Access

The tenant sustainment officers interviewed described the different types of tenants that Spring houses. Tenants have a range of backgrounds and reasons for having no other recourse to accommodation, often including relationship breakdowns and PRS evictions. Most of the clients they refer to Spring are single and childless, and who would be categorised as ‘non-priority’.

Tenants who were interviewed described one of the advantages as the speed of getting housed after coming to Spring, from between a few hours to a couple of days. From a strategic perspective, Birmingham City Council suggested that Spring is known for taking on ‘riskier’ tenants (often those who housing associations refuse to take on). Spring has also been working around anti-trafficking and slavery, providing additional support to these vulnerable tenants.

Affordability

Rents are modelled on LHA rates for the local areas. Therefore, rents are different for each area as this is reflected in the lease value of the properties.

Affordability checks and assessments are conducted pre-tenancy and post-tenancy. Spring manages HB and exempt accommodation claims on behalf of tenants. Tenants interviewed were aware that Spring

gets HB plus exempt accommodation. What is distinct about Spring compared with other SLAs or other local exempt providers is that it has a Rent Relief Fund to support tenants who want to come off exempt-rate HB and get back into work and reduce the amount of HB that they receive:

“We have now developed a fair and transparent scheme that enables the right people across all our services to access support for a fixed period of time. During this timeframe, Spring Housing will support customers to ensure that a percentage of their earned salary is set aside for planned move-on options (deposit/fees/furniture etcetera). Spring will support all customers where possible to seek alternative housing options once the qualifying period has ended.”

Spring employee

Conditions

Spring can have a positive impact on improving PRS standards. Spring emphasised that it has set standards on properties and will only work with landlords who meet them. When landlords do not meet the requirements, their property is handed back.

Stability

Tenants interviewed felt that they were being supported by Spring: from sorting out issues with HB, to health support and training advice. They felt safe and secure in their accommodation and that “staff don’t judge you, they see you as a person” (Andy). A few with anxieties and mental health issues had found support and friendship with other tenants. Tenants also viewed links with other support providers positively.

At the same time, Spring wants its tenants to move on: “What sets us apart is Spring would like their tenants to move on and move forward” (Spring employee). Spring described its average length of tenancy as about 21 to 24 weeks. Most of the tenants interviewed would ideally like to get onto council housing waiting lists and they were frustrated that the council does not regard being single and homeless as a priority.

Town Hall Lettings

Access

Demand within the Cambridge housing market is high, which allows landlords to choose tenants (with widespread use of ‘no DSS’ in order to stop HB/UC claimants applying). The Town Hall Lettings (THL) tenants interviewed moved to properties with THL from temporary hostel accommodation (one tenant moved on when his lease was up) and a situation of homelessness (another following eviction from a property where he was a lodger). The deposits, in both cases, were covered by the council’s rent deposit scheme. The tenants acknowledged that without this they would not have been able to access a PRS property in the area.

Affordability

Affordability is one of the main barriers for residents in Cambridge. There is a stark and increasing gap between market rents and LHA rates (a room in a shared house is around £560 a month on average with bills included; the LHA rate is just under £350 a month).

One THL tenant interviewed was paying rent at the LHA rate (no top-up) for a single room in a shared house. Another tenant was in receipt of HB Plus but acknowledged how this still left a shortfall of approximately £120 a month (which he had to find from his JSA), which left him with £40 a week for living costs. His HB was paid directly from the council to the landlord. One tenant described the support he had received from THL staff to help reinstate his HB claim. He was better off financially as a result.

Where tenants run into arrears, THL works with them ‘as best they can’ and has a pot of money to cover losses to a certain degree. However, if tenants fail to meet rent repayment plans, it eventually has to evict them. This is seen as a last resort.

Conditions

One THL tenant was happy with his most recent THL property but had criticisms of the former one (relating to the condition/energy efficiency of the property, which was compounded by the fact that one of the tenants in the property was not paying his share of the fuel bills). The current property was different as the rent was inclusive of bills: “This one [property] is fine, I’ve no complaints. It’s really warm and the other guys are very quiet and keep the place clean and tidy. So this is as good as you could expect” (Robert).

Stability

One tenant, who had a history of mental ill-health and substance misuse, felt secure in his THL property – having lived there for over three years he felt he had been given the time to prepare for his own housing. He was starting the process of applying for a council property:

“Yeah he just said ‘I know you’ve gone through a lot of bad things’ and I said ‘I couldn’t focus on it before, the questions were doing my head in, but now I’m in a better frame of mind’. It’s a set of stairs, one at a time and one day you’ll get to the top, but yeah they’re going to help me with that.”

Michael, tenant

Another tenant would have preferred a more secure tenure type than an assured shorthold tenancy:

“It’s on the basis of an assured shorthold tenancy, which is four months. Four months isn’t very long but they do roll them over. But I suppose ideally you’d feel a little bit more secure if it was longer than that, I mean a year would be ideal.”

Robert, tenant

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Scaling up social lettings? Scope, impact and barriers

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