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# Poverty focused review of housing organisations' strategic and business plans

## Interim Report: Landlords' written strategies to address poverty and disadvantage

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Executive Summary .....	4
1. Introduction .....	9
About the project .....	9
Context .....	10
Key findings from the literature .....	13
2. To what extent does tackling poverty/area deprivation feature in plans? .....	14
Analysing the Documents .....	14
Specific commitments to reduce poverty .....	15
Rent and Service Charge setting .....	16
Helping tenants to find cheaper homes.....	18
Advice and support provided .....	19
Income maximisation activities .....	20
Addressing Fuel Poverty and Energy Costs .....	22
3. Balancing the needs of different types of households .....	26
Decisions over what to build and where to build .....	26
Building new affordable housing .....	29
Conversions between tenures .....	31
Asset management.....	32
Allocations schemes, and who to prioritise for housing.....	34
The use of flexible tenancies .....	38
Homelessness duties – discharging to the private rented sector.....	39
4. How far are strategies delivered in partnership? .....	40
Partnerships in the production of policy and strategy.....	40
Partnerships in the provision of advice or support services.....	41
Partnerships in development of housing .....	42
5. What are features of organisations most focussed on poverty? .....	43
Classifying organisations for analysis .....	43
Strategic Goals.....	44
Allocating Housing and Tenancy Types.....	47
Support Services .....	50
Political Control .....	51
6. Conclusions .....	53
Appendix 1: Methodology.....	56
Appendix 2: Analysis Framework .....	61
Bibliography .....	66
Acronyms.....	67

## Terminology

### Types of Landlord:

- **Private Landlord** – A provider of rented housing not registered with the Homes and Communities Agency (HCA)
- **Social Landlord** – A provider of rented Affordable Housing registered with the Homes and Communities Agency under powers in the 2008 Housing and Regeneration Act. They may be a Local Authority, ALMO (Arm's Length Management Organisation), Housing Association, Housing Co-operative or Almshouse Charity.
- **Arm's Length Management Organisation (ALMO)** – An independent organisation set up to manage housing owned by a Local Authority on its behalf.
- **Housing Association** – The most common type of social landlord, a not for profit organisation set up to provide low cost housing. In this report we include Housing Co-operatives and Almshouse Charities (but not Local Authorities or ALMOs) within this group unless otherwise stated.
- **Housing Co-operative** – A type of social landlord where tenants jointly manage the housing on a not-for-profit basis.
- **Almshouse Charity** – A type of social landlord, generally providing small quantities of housing for a specific group of people in need, usually maintained by trustees of a charity or bequest.

### Types of Housing:

- **Affordable Housing** – housing managed by a social landlord and provided to eligible households whose needs are not met by the market. This umbrella term includes social rented, Affordable Rented, Intermediate and Shared Ownership housing, as well as Supported Housing.
- **Social Rented Housing** – housing managed by a social landlord where rents are regulated by the Homes and Communities Agency, for which guideline target rents are determined through the national rent regime.
- **Affordable Rented Housing** – housing managed by a social landlord where rents are limited to a maximum of 80 percent of the market rent for the individual property.
- **Shared Ownership** – housing managed by a social landlord where the occupier owns a share of the property and the Landlord owns the rest. Rent is often payable on the social landlord's share.

# Executive Summary

## Introduction

Low rent housing has made a significant contribution to reducing poverty in England. However welfare reform is weakening the link between rent and benefit levels and much new affordable housing supply is funded through higher rents for new tenancies.

In addition rents have risen above inflation, and faster than earnings. This presents major challenges for landlords around how best to tackle poverty and material deprivation, including who to house, how much to charge and what services to provide. How are landlords responding to these challenges? What can we learn from examining their written strategies and documents, such as business plans and allocation policies?

## Context

The provision of low rent housing has made a significant contribution to reducing poverty and the effects of low incomes in the UK. Housing Benefit has reduced the impact of rents on poverty levels, though this effect has to some extent diminished with welfare reform, as the connection between rent levels and benefit levels is weakened.

Alongside this, developing social landlords<sup>1</sup> are having to think through the full implications of lower capital grants to provide new housing, with the difference being made up by charging higher “Affordable” rents. This has little impact in areas where social and market rents are close, but in high cost areas can result in much higher rents. In addition to this, to fund development, many social rented properties are being converted to Affordable Rent.

In 2013, there were 23,500 lettings of Affordable Rent properties, making up 12 per cent of the total lettings of social housing in that year. Given the increased demand which associations face in high value areas (as private rents increase and home ownership becomes unaffordable for many) there is some logic in associations looking harder at how far they continue to house principally those in the *most* need, as compared with housing larger numbers of people in lower levels of need but who still cannot afford to buy or rent in the market. This could potentially leave the private rented sector to become the ‘tenure of last resort’ for those most in need.

## To what extent does tackling poverty/area deprivation feature in plans?

The JRF define poverty as “when the material resources are not enough to cover basic essentials”. A specific commitment to reduce poverty, in this sense, was mentioned by only a small number of social landlords. The majority instead mentioned a wider social mission which included addressing disadvantage and providing housing for those in need.

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<sup>1</sup> The term “social landlord”, in this report, is taken to include all providers of Affordable Housing, including Local Authorities, ALMOs, Housing Associations, Housing Co-operatives and Almshouse Charities

However, the research found no correlation between an articulated strategy of reducing poverty and the presence of detailed actions and plans to combat it. The landlords who had the most documentation around what they were doing to tackle poverty did not necessarily state this to be a core aim.

## **Rent setting**

Rent setting clearly has a critical impact on poverty among tenants, as do the service charges levied by some landlords. However the research found that social landlords rarely publish clear statements on their rent setting policy, either for new-build or for their existing stock. Letting agencies' only mention of rent setting was usually aimed at potential private landlords and focused on maximising rental income.

Around half of social landlords who gave some indication of the overall aim of their rent setting mentioned a desire to maximise rental income whilst ensuring that tenants can claim full Housing Benefit to help them with their rent if needed. However, similar numbers mentioned minimising rent or service charge increases wherever possible. These statements were often in relation to Affordable Rent, where they had more discretion over rents charged.

Local Authorities and Housing Associations face different pressures and this is reflected in their stance on rent setting and conversions to Affordable Rent. Local Authorities face statutory duties to homeless households and pressure from those in housing need on their waiting lists, although they are often reliant on nomination arrangements with Housing Associations in order to house their applicants. Housing Associations, in contrast faced significantly different priorities and pressures arising from their need to reduce the risks of unpaid rent, to ensure their business viability and fund future development of new housing.

While higher rents offer much greater potential for funding development, and therefore serving a larger number of people who need help, the risk is that they may make housing unaffordable to the poorest people. This is tacitly admitted by some social landlords when they restrict Affordable Rented housing to those who can afford it or who are employed.

Most Local Authorities sought to restrict the rents charged and the circumstances in which Housing Associations could convert social housing to Affordable Rent. Conditions imposed covered a wide range of exclusions ranging from the size of home to housing market conditions, and followed no clear patterns.

Responses to this dilemma among Housing Associations vary; a small number have started to put a lesser emphasis on helping those in the most severe poverty. At the opposite end of the spectrum, a small number have rejected increasing rents altogether, instead deciding to cut back their development programme.

## **Increasing tenants' disposable incomes**

Maximising tenants' incomes is seen by many social landlords as a key way to address poverty. Three quarters of social landlords provided some at least one form of advice or assistance to help tenants find work or training, with a third mentioning three or more

services. This included activities such as providing work experience opportunities, and individual support with accessing work or training opportunities. No private landlords or letting agencies had written strategies mentioning this kind of work.

Unlike rent reductions, a focus on fuel efficiency does not result in any loss of income to the landlord, and helps all tenants, even if their rent is met in full by Housing Benefit. It was therefore, unsurprisingly, a focus of much of the anti-poverty work mentioned in strategies. However, many of the programmes mentioned were funded wholly or mainly by government grants, some of which have since been scaled back.

Large social landlords, regardless of their strategic direction regarding poverty, made more mention of support services such as those helping tenants into work. However, this may be because they are more likely to report on their activities in written documents. Numerous social landlords referred clients to advice or support services provided by other organisations rather than providing them in-house. However, the nature of these referrals varied substantially, from jointly provided services and formal referral schemes to simple signposting.

## **Decisions over what to build and where to build**

The large majority of Housing Associations and Local Authorities had a focus on building new housing or supporting its construction. There is clearly a growing focus amongst developing associations on building market housing for market sale and/or rent, with many making some mention of this type of development.

Justifications varied for this; some were explicit that this is a commercial activity intended to generate cross-subsidy with which to help fulfil their social objectives, while others see the development of market housing as also fulfilling a social need – by providing housing for local people. However, when associations have charitable status (which most do), their work to develop housing for market sale or rent legally must be explicitly an investment activity to generate returns to support their provision of Affordable Housing programmes. Similar restrictions usually also apply to Local Authorities and ALMOs.

The large majority of developing Housing Associations stated that they were building at least some homes for letting at Affordable Rents. Most were not explicit about the proportion of their new housing which would be at Affordable Rent, or indeed whether there would be any future social rented housing developed or not. Only two associations specifically stated that they were not going to build Affordable Rented housing, so as to avoid having to raise rents on their existing stock.

## Allocations schemes, and who to prioritise for housing

Two key groups emerged among Housing Associations, roughly equal in numbers:

- Those re-asserting their traditional role as a social landlord, of housing those most in need
- Those seeking to diversify the group of people they housed to include a wider range of people, on occasion openly raising the possibility that they would no longer focus on those on the lowest incomes.

In some cases this diversifying approach was linked to a focus on increasing neighbourhood mix.

The idea of moving away from housing the poorest to housing a wider range of households was exclusively found among Housing Associations, most often in the south of England, and never among Local Authorities, whether stock-owning or not. There was also a clear link with organisation size; smaller organisations were significantly more likely to be focusing on those households in the most need. Interestingly, those moving toward housing people further up the income scale were just as likely to talk about reducing poverty as those emphasising their commitment to housing those in the most need. The reasons behind these differences in approach will be explored in the next phase of the research.

Local Authorities, with a statutory obligation to house local homeless households, were usually much less interested in housing those with lesser levels of need, and more focused on secure housing for those with a local connection and in the most need.

Around half of the social housing allocations policies excluded those on higher incomes from applying for social housing. A similar number of Housing Associations stated that they would check that their new tenants could afford their rents. There was little overlap between these two groups of Housing Associations – those who imposed upper limits were less likely to be excluding poorer tenants. Local Authorities fell largely with in the first group – imposing upper income limits but less concerned to ensure new tenants could afford the rent.

Letting agents employed no upper income limits but typically required no more than 33-40 per cent of net income to be spent on rent for a property to be considered affordable<sup>2</sup>. Whether benefit income could be included in this net income figure was usually left unstated, as, in most cases, was the policy on letting to unemployed tenants or employed tenants on benefits.

Eleven of the 61 affordable housing allocation schemes examined mentioned that some additional priority was given to employed households. This suggests that there has been, as yet, limited enthusiasm for making use of the government's new freedoms granted to prioritise on this basis.

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<sup>2</sup> A JRF report from 2013 found that the poorest fifth of private renters spent an average of 56 per cent of their income on rent, though it is possible that some of these may have seen their incomes fall after taking on a tenancy. Private renters on middle incomes spent an average of 30 per cent of their income on rent (*Monitoring Poverty and Social Exclusion*, JRF 2013).

## Conclusions

The findings from this stage in the research are based on analysis of written policy and strategy documents, which may differ from actions in practice. Nevertheless, a picture has emerged of a diverse sector, with a wide range of ways of dealing with an environment of rapid economic and policy change, and a range of competing visions of their social mission.

While few social landlords issue documents specifically talking about their role in combating poverty, most remain keen to stress their wider social mission which included actions to tackle area deprivation and improve the housing and lives of low income people. However, there was no clear link between explicitly mentioning a goal of alleviating poverty and having detailed strategies to carry out activities which might reduce poverty.

This stage of the research has highlighted some crucial differences between social and private landlords. Operating in very different regulatory frameworks, there are huge differences between the sectors in terms of the presence of written strategies. The private rented sector in all 15 of the case study areas is largely owned by small-scale landlords and managed by small-scale letting agencies, who have only very limited written documentation detailing their plans or strategies.

The next stage of research will explore the extent to which policies and strategies actually reflect practice, the drivers behind any change in strategies and future direction of travel. The final stage of this research, to be published in 2015, will enable us to explore further the relationship between strategy and practice by interviewing the staff of housing organisations, including landlords of all types.



# 1. Introduction

Low rent housing has long been recognised as making a significant contribution to reducing poverty in England (Murie, 1983, Stephens & van Steen, 2011). In recent decades, those households in poverty have also been directly assisted by social landlords, for example receiving support and advice services, and help to escape worklessness or increase their earnings.

However, the new economic and policy environment has brought substantial changes to this. Welfare reform is weakening the link between rent and benefit levels, and much new affordable housing supply is funded through higher rents for new tenancies. In addition, rents have risen above inflation, and faster than earnings. In short, it is no longer guaranteed that all of the people eligible for social housing will be able to afford the housing they are allocated.

This presents major challenges for social landlords around how best to tackle poverty and material deprivation, including who to house, how much to charge, and what services to provide. As government increasingly looks both to the public and private sector to house those in need, private landlords will also see an increasing demand for them to confront these challenges.

## About the project

The overall aim of this project is to assess how far the strategic and business plans of landlords in England take into account the needs of households and individuals experiencing poverty, and to what extent this is reflected in practice. This report works toward this goal by analysing landlord policy and strategy documents, and in the forthcoming final report, this will be complemented by follow-up interviews to consider links between policy and practice.

The study recognises that the focus on addressing poverty per se is often implicit rather than explicit in the strategies and operational processes of housing organisations. In addition, impacts on poverty clearly do not arise only from deliberate actions and policies, but also as unintended consequences, or as side-effects of policies which have another main purpose.

Recognising the substantial shift in the range of organisations delivering housing to low income households in recent years (Kemp, 2011), the scope of the study will include not only Local Authorities, ALMOs (Arm's Length Management Organisations) and Housing Associations<sup>3</sup>, but also private landlords and letting agencies.

The research project runs from June 2013 until December 2014, and comprises three stages of work:

1. An initial set-up stage
2. A review of documents and strategies

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<sup>3</sup> The term "Housing Association", in this report, is taken to include Housing Associations, Housing Co-Operatives and Almshouse Charities, but not Local Authorities or ALMOs

### 3. Exploration of the implementation of strategy in practice

An initial report was published in December 2013 which presented the findings from the first stage of the work, including the literature and policy review, housing market analysis and development of a framework for analysing the strategies and documents of housing organisations.

This interim report presents findings and conclusions from the second stage, the review of documents and strategies of housing organisations.

The key questions to be answered by this stage of the research work are:

- To what extent does poverty/area deprivation feature in formal plans?
- What trade-offs are made by landlords between types of households?
- How much is there targeting of support to different groups?
- How far are strategies delivered in partnership?
- Do strategies take a whole market approach?
- What are the features of organisations most and least focussed on poverty?

## Context

As noted in previous JRF research (Tunstall, et al., 2013), the cost of rental housing is a crucial issue in relation to poverty; lower rents enable people to have more disposable income after paying their housing costs.

Nevertheless, the way in which the rent and benefit system has functioned over recent decades has meant that social landlords in particular have not had to interact with their tenants regarding their ability to pay, as Housing Benefit has generally covered the entire rent for low income tenants. The rent levels charged on social rented properties (or on private rented ones within Local Housing Allowance limits) therefore have had very little direct bearing on tenants' disposable incomes, if the households concerned were poor enough to be claiming full Housing Benefit.

From the 1960s onwards, sub-market social rented housing provision was directed towards the poorest households and in that sense it became a key factor in driving down levels of poverty (Murie, 1983).

Over more recent years, social landlords<sup>4</sup> have benefited from a relatively benign operating environment involving:

- a coherent rents policy based, since 2002, on a measure of affordability for low income working tenants, with above RPI (Retail Prices Index) rent increases

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<sup>4</sup> The term "social landlord", in this report, is taken to include all providers of Affordable Housing, including Local Authorities, ALMOs, Housing Associations, Housing Co-Operatives and Almshouse Charities

- grant rates for new Housing Association development based on achieving social rents
- the availability of Housing Benefit covering the rent in full if necessary to support low-income households
- Housing Benefit being paid directly to landlords

Low waged working tenants, not quite eligible for full Housing Benefit would be the only group whose poverty might be prevented by lower rent, as those dependent on full Housing Benefit see no direct benefits from low rents. The sub-market nature of social housing means that demand usually outstrips supply regardless of the precise rent level. This means that social rents are controlled by regulation rather than market forces. Although social landlords might have a financial incentive to increase rents in order to increase their income, for this tenure they are restrained from doing so by regulation.

Current policy poses real challenges to this role and threatens to undermine this historic positive link between housing and poverty. Social landlords now face considerable challenges as the government has significantly reduced grant rates for new homes and is pressing those receiving grant to develop new homes to increase rents to a higher Affordable Rent, much nearer to that which the market determines. The same applies to Local Authorities funding their activities reusing capital receipts or Housing Associations using Recycled Capital Grant Funding. Until 2015, social rents in England can rise by RPI inflation plus 0.5 per cent, plus an extra £2 a week for those social landlords who are not yet charging target rents. In a change announced last year, rents can rise at CPI (Consumer Price Index) inflation plus 1 per cent from 2015.

Moreover, whilst before the financial crash increases in earnings regularly outstripped inflation and rents, following the crash this reversed and rent rises have outstripped increases in earnings. This has meant that over the last few years rising rents have been a significant source of cost inflation for working tenants, and government expenditure on Housing Benefit has been significantly increased as a consequence.

By raising rents at a time when:

- wages for those on low incomes are still stagnant;
- benefits are reducing in real terms;
- welfare reform is generating increased rent collection costs and reduced income for associations;
- government is proposing to pay the housing element of Universal Credit directly to tenants;

social landlords are clearly in danger of increasing financial pressures on tenants, and thus adding to poverty. There is widespread recognition that to avoid this but also to work within the policy framework, landlords will need a proactive approach which understands tenants' financial pressures and supports their ability to pay.

Alongside this, developing Housing Associations are having to think through the full implications of lower capital grants to provide new housing with the difference being made up by charging higher “Affordable Rents” rather than social rents. This does not alter affordability to the tenant in areas of the country where there is no major difference between social and market rents. However, in high cost areas, raising rents for those on low incomes is a key issue. It is not just that no new grant-supported housing is being built at social rents, but that to fund development substantial numbers of social rented properties are being converted to Affordable Rents.

Data from CORE show that in 2013, there were 23,500 lettings of Affordable Rent properties, making up 12% of the total lettings of social housing in that year. These were made up of 12,500 conversions from social rent (8% of all relets of social rent properties), 4,700 relets of existing Affordable Rent, and 6,300 new properties (22% of all new build social housing).

Moreover, given the increased demand which social landlords face in high value areas (as private rents increase and home ownership becomes unaffordable for many) there is some logic in those landlords looking harder at how far they continue to house principally those in the *most* need, as compared with housing larger numbers of people in lower levels of need but who still cannot afford to buy or rent in the market. This could potentially leave the private rented sector to become the ‘tenure of last resort’ for those most in need, rather than the social rented sector.

Welfare reforms have also started to increase the link between rent levels and poverty. The household benefit cap of £500 per week for a family has impacted mainly in higher priced areas and on larger families, who can no longer afford rents at the Local Housing Allowance level without making substantial cuts to their living expenses. Finding a low rent property now makes a big difference to the poverty levels of those affected by the cap. The Housing Benefit cuts for social tenants who under-occupy (the ‘bedroom tax’) have also had a bigger impact on those in high rent properties, and have forced social landlords and tenants to look more closely at the size match between household and dwelling, and at considering carefully what their tenants can afford.

In the private rented sector, the reduction of the maximum payment of Local Housing Allowance to the 30<sup>th</sup> percentile of local rents, cuts to Housing Benefit for the under 35s, as well as the household benefit cap, have reduced the potential income for private landlords from these tenants in comparison with working tenants who can pay the rent in full. Private landlords may be wary of further changes to the benefits system and see tenants reliant on Housing Benefit as a payment risk even where the benefit initially covers the rent in full.

The introduction of Universal Credit, will bring with it changes to benefit levels, and will also introduce payments to tenants, rather than to their landlords, for the rental component. This has also highlighted the need for landlords to engage with their tenants about what they can afford, and how they will pay for it.

## Key findings from the literature

The Initial Report, published in December, explored the key findings from the literature in terms of the role of poverty in the strategies of housing organisations. It concluded that:

- There has been relatively little literature discussing explicit anti-poverty strategies produced in recent years.
- A stream of early 1990s Housing Corporation work concluded that anti-poverty work should not be seen as an 'optional extra' but as a fully integrated part of general management and development strategy.
- Currently, the Joseph Rowntree Housing Trust have what would appear the most explicit agenda of 'becoming an anti-poverty landlord', with a focus on individual case work, financial inclusion, staff pay, affordable credit and 'poverty-testing' policies.
- There is debate around how Housing Associations should balance commercial aims, developments requiring rent maximisation and the traditional goals of a social landlord, such as addressing poverty and homelessness.
- The provision of low rent housing has made a significant contribution to reducing poverty and the effects of low incomes in the UK (Stephens & van Steen, 2011). There is evidence that high rents lead can lead to overcrowding (Tower Hamlets Fairness Commission, 2013).
- Housing Benefit has reduced the impact of rents on poverty levels, though this outcome is likely to diminish with welfare reforms, as the connection between rent levels and benefit levels is weakened.
- The new 'Affordable Rent' product, where rents can be up to 80% of the market rent, has given social landlords greater control over rent-setting, but is likely to increase the poverty of in-work tenants, or those for whom Housing Benefit does not cover their entire rent.
- Private landlords do not face the same constraints as social landlords in setting rents though there are limits to the amount of Housing Benefit that may be paid for low income tenants. Recent welfare reforms have reduced these limits, which may increase poverty if tenants fail to find accommodation within the new limits.
- Social landlords' activities can affect their tenants disposable incomes and help mitigate the effects of poverty by:
  - Increasing energy efficiency of their homes;
  - Helping tenants access support services, or providing support directly;
  - Improving access to market housing;
  - Improving neighbourhoods and community cohesion;
  - Tackling worklessness by helping tenants find paid work, or increasing tenants earnings, for example through providing advice or training.

## **2. To what extent does tackling poverty/area deprivation feature in plans?**

### **Introduction**

This section of the report examines the extent to which providers are motivated by tackling poverty, and the range of activities they carry out which could have an impact on poverty. These range from deliberate efforts to reduce poverty, to actions which might be in the financial interest of the organisation, but happen to impact on poverty. The areas covered include:

- Rent and Service Charge setting
- Advice and support provided to tenants, including employment advice
- Activities which reduce costs for tenants – e.g. fuel efficiency improvements

### **Analysing the Documents**

The conclusions drawn in this report are based on an extensive quantitative and qualitative analysis of policy and strategy documents provided by landlords, either on their websites or on request. The analysis is designed to be as representative as possible of the situation in England as a whole, drawing on evidence from a sample of housing providers in 15 case study areas, selected using cluster analysis to cover the full range of housing market types in England. Detailed information about the methodology used may be found in Appendix 1.

The range of policy and strategy documents produced by housing organisations varies widely. The database used to analyse the documents therefore combines evidence for each organisation from a broad range of their documents identified as relevant to poverty, identifying the activities within each of those documents likely to have an impact on poverty. It should be remembered that many organisations are likely to do things relevant to poverty which they don't mention in any documents, and therefore will not be picked up by this type of documentary analysis. The technique used to analyse the documents is covered in detail in Appendix 2.

This stage of the research has highlighted some crucial differences between social and private landlords. Operating in very different regulatory frameworks, there are huge differences between the sectors in terms of the presence of written strategies covering allocations, housing management, investment or overall mission or purpose. The private rented sector in all 15 of the case study areas is largely owned by small-scale private landlords and managed by small-scale letting agencies, who have only very limited written documentation detailing their plans or strategies, which limits the analysis possible here. Informal discussions suggest that the focus of what they do have is generally framed around ensuring a good service to both private landlords and tenants. The resulting gaps in the documentary analysis will be addressed by follow-up work in Stage 3.

## Specific commitments to reduce poverty

The Joseph Rowntree Foundation defines poverty as occurring when a person's resources are not sufficient to meet their minimum needs, including social participation. While few explicit references to poverty were found in any documents, many social landlords justified their actions in terms of helping people in need; however none specifically defined this group.

Despite this, there was great variation in the outlook of social landlords regarding poverty (or people in need), even among Housing Associations. There was also substantial variation between social landlords in their practical approach. The variety illustrates that for local people, the actions of a social landlord can and do make a substantial difference to their long term prospects as well as their immediate housing circumstances.

A substantial number of the business plans and annual reports examined made mention of the problems of poverty, often in relation to the impact of welfare reform. For instance:

*"Those who live in our communities face harder times than ever. That makes the work of Aster Group, and its businesses, ever more vital."*

(Aster Group: *Financial Statement for the Year Ended 31 March 2012/13*, p3)

*"The current recession started in 2008 and, as we enter Quarter 17, its depth and duration are proving far greater than the downturns of the 1980s and 1990s. In some respects, the country has gone into reverse. We have seen the re-emergence of "old" diseases like rickets... We have also seen a sharp increase in the number of food banks operating locally as a response to increasing poverty and malnutrition."*

(South Yorkshire Housing Association: *Strategic Plan 2013-14*, p2)

This did not necessarily translate to a specific commitment for the organisation to address poverty in all cases. However, a total of 16 organisations (six Local Authorities and ten Housing Associations) stated something that could be considered a strategic aim to address poverty and its consequences. Seven of these (three Local Authorities and four Housing Associations) actually used the word 'poverty' such as:

*"[We will] improve life chances by contributing to tackling poverty."*

(Southwark Council: *Housing Strategy*, p39)

*"All of the residents in East Suffolk will have the opportunity to live in a decent home in a healthy, inclusive and cohesive community where the incidence of poverty will have been reduced."*

(Suffolk Coastal District Council: *East Suffolk Local Investment Plan*, p13)

A further four Housing Associations implied a focus on reducing poverty in all but name, such as:

*"We recognise that many people who live in our homes do not enjoy the economic, employment, education or health benefits and opportunities that those living in the*

*wider community enjoy. We believe this gap in opportunity is not fair and are actively seeking to redress this imbalance through the development of healthy, wealthy and wise investment in our communities."*

(Acis Group: *Corporate Strategy*, p5)

*"Key outcomes include: reduced levels of debt and hardship within communities."*

(Metropolitan Housing Group: *Community Regeneration Strategy 2012-2015*, p29)

Some implied that addressing poverty was a current priority, but not necessarily a permanent part of their 'mission':

*"Our main focus this year has been tackling financial exclusion and poverty."*

(Southern Housing Group, *A Year to be Proud of: Group Financial Statements*, p8)

Others, such as the Liversage Trust, were set up specifically for this purpose:

*"The Liversage Trust was set up under the Will of Robert Liversage in 1529 for the relief of poverty."*

(The Liversage Trust: <http://www.liversagecourt.org/>, Home Page).

Five other Housing Associations mentioned an aim to reduce poverty via employment initiatives, and a further five organisations (three Local Authorities and two Housing Associations) mentioned aims to address the wider consequences of poverty such as disadvantage and life chances.

In some instances, poverty or disadvantage was regarded as an issue affecting particular areas or populations:

*"[We will] develop joint working to maximise the positive impact of public sector interventions to address rural disadvantage."*

(East Riding of Yorkshire Council: *Rural Strategy 2013-2016*, p28)

*"[We will] stop disadvantage being passed from one generation to the next."*

(WM Housing Group: *Different Perspectives: Residents Corporate Plan 2011-2015*, p5)

## **Rent and Service Charge setting**

In the past, social landlords could reasonably assume that Housing Benefit would in normal circumstances cover 100% of rent for eligible tenants. However, with the introduction of welfare reform and new social housing tenures with rents linked to market prices, this has started to be eroded. The various measures introduced under welfare reform (outlined in Chapter 1) have meant that in some cases Housing Benefit levels can be reduced to less than the rent payable, for instance when tenants have spare bedrooms. The setting of rents has therefore taken on a new significance which it did not have previously.



The majority of social landlords had no published documents setting out their approach to rent setting or service charges, and were reluctant to send any such strategy or policy on request. Many of the social landlords that did provide documents detailing their rent setting policies simply stated that they would be continuing to move towards target rents. Seven Housing Associations stated that they would be maximising rents on their social rented property, moving to 105% of target rent for each individual property where possible.

However, there was much more variation in policy in relation to setting rents for Affordable Rented housing. Two Housing Associations (SYHA and WM Housing Group) stated that they would set them at 80% of market rent in all cases, and one other that they would set them at 80% outside London and 70% in London. Others limited rents in less formulaic ways, for example Great Places:

*“To promote affordability, we will introduce a cap to restrict the price differential between target rent and the affordable rent for an equivalent property in any given area. The implementation of this cap will result in Great Places not maximising the potential additional income from affordable rents on all our conversions, as the affordable rent we charge will not always be at 80% of local market rent levels.”*

(Great Places: *Tenancy Policy*, p4)

A few Housing Associations had a more generic policy of maximising rent wherever possible in order to cross-subsidise new development and one organisation (Genesis) stated that they would always let properties at higher rates where there are no restrictions preventing this, and that they were considering removing restrictions arising from grant obligations where the pay-back period associated with repaying the grant is short (Genesis: *The Genesis Way: Our Corporate Strategy for 2012-15*, p29)

Local Authorities' policies, where they stated a view on rent setting, were clearly framed with a view to balancing different policy drivers, whilst ensuring that tenants would be able to claim Housing Benefit to cover their rent in full if necessary. For instance, Surrey's Local Investment Plan supplement stated that rents for larger properties should preferably be capped at Local Housing Allowance levels, and that Housing Associations were encouraged to exercise caution in rent setting and avoid setting Affordable Rents for households affected by the benefit cap for larger properties (i.e. families likely to be requiring three or more bedrooms.)

In contrast, 13 Housing Associations and two Local Authorities stated explicitly that they were seeking to minimise rent, or at least not to charge the maximum possible because of concerns around affordability. In four of these cases, the focus was specifically on Affordable Rented housing. For instance, Notting Hill Housing Association stated that they would set Affordable Rents at 65% of market rents, whilst Yorkshire Housing stated that they would ensure they “fit local markets” and were affordable to local people.

Two of the organisations who were seeking to avoid maximising rent were focussing just on specific client groups or areas: Hendon Christian Housing Association sought to keep rents as low as possible on properties for visually impaired people, whilst East Riding of Yorkshire

Council were advising social landlords to keep rents as low as possible on their more deprived estates (East Riding, *Affordable Rent Policy*, p6).

It should be mentioned that rents are not the only influence landlords have over their tenants' finances; many landlords (including private landlords) also levy service charges. These can apply to many types of property, but are often higher in supported housing. Depending on the composition of the service charge, this may or may not be covered by Housing Benefit; clearly where it is not, it is of particular significance to tenants.

Although many social landlords stated that they were in the process of revising their service charges, it was often far from clear what the end state of those charges would be, and how they would interact with Housing Benefit. This is partly due to the complexity of this area, but may also reflect a reluctance to commit to this. Data from the 2013 Global Accounts indicates a substantial increase, of 13 per cent, in service charges between 2012-13 and 2013-14, suggesting that some social landlords might be responding to financial pressure by transferring costs to tenants and/or Housing Benefit via service charges. However, this is not likely to be something they would want to draw attention to in their publications.

Perhaps unsurprisingly, given their purpose of attracting private landlord clients, the focus on maximising rents featured much more strongly in letting agents' websites, 14 of which mentioned their strengths in maximising rents:

*"We are able to maximise rental prices with a combination of marketing expertise and working closely with our extensive database of registered tenants."*

(Andrew Grant, letting agent in Worcester, [www.andrew-grant.co.uk/rent/letting-your-property/](http://www.andrew-grant.co.uk/rent/letting-your-property/))

*"As Letting Agents we are committed to maximising your rental returns."*

(Let Us Let It, letting agent in Milton Keynes, [www.letusletit.com/landlords.asp](http://www.letusletit.com/landlords.asp))

## **Helping tenants to find cheaper homes**

One other way to reduce the rent paid by tenants is to move them to a property which they can better afford. In total, seven Local Authorities and 15 Housing Associations mentioned a focus on helping tenants to find a smaller or more affordable home. Until recently the impetus for this type of work was generally the need to make better use of existing housing stock, and free up larger homes for overcrowded families.

However, the reduction of Housing Benefit for households of working age with spare bedrooms has shifted the focus onto the under-occupiers themselves, and their need to live in a property they can afford, which is reflected in the large majority of strategies written within the last few years. Social landlords were offering advice and assistance to those whose Housing Benefit no longer covered their rent, promoting mutual exchanges and prioritising downsizers within their allocations schemes. The focus of this work was almost always within the social sector, with just one social landlord (Derby Homes, an ALMO) mentioning that they were working with both social and private landlords in order to reduce under-occupation and make better use of housing stock.

## Advice and support provided

The ability of landlords to assist tenants in poverty is not restricted to measures to reduce their rent; they can also seek to increase the tenants' income through advice and support, to help them find employment, become more employable, or simply to claim all of the benefits to which they may be entitled.

Nearly all social landlords who supplied documents (73 out of 77, or 95%), including all Local Authorities and ALMOs, mentioned providing support or advice of some form to their tenants. Of the remaining four, it is unclear whether no advice was provided, or whether it was simply not mentioned in the documents supplied. Local Authorities often extended the offer of support and advice to the wider community, in line with their role as a general provider of services to the community, although this was rare among Housing Associations, and occurred almost exclusively where they had entered into contracts with Local Authorities to provide those services. For example, Calico Homes are working with Lancashire County Council to provide public contact points for council services in the communities in which they have a presence (Calico Homes: *Calico Annual Report 2013*, p20).

The summary table overleaf shows the number of organisations mentioning the provision of each form of advice. As will be explored in more detail later, some organisations do not provide advice in-house, but via a partnership or referral; however, this is not always possible to distinguish from published documents.

The most widespread forms of advice and support were those which offered an immediate return to organisations – financial advice regarding benefits, budgeting or debt. However, activities with a longer term impact, relating to employment and training, were still offered by a majority giving information about this subject area. In some areas (highlighted in **bold** in the table below) there were differences between Housing Associations and Local Authorities; in particular Local Authorities were more likely to assist tenants with finding low cost loans, and less likely to be involved in IT-based initiatives, or to offer in-house training, volunteering or work experience opportunities.

**Table 2.1 Organisations mentioning provision of different forms of support and advice**

Type of advice or support	Housing Associations		Local Authorities and ALMOs	
<i>Base</i>	55		18	
Advice on finding employment	37	67%	12	67%
Advice on finding training or volunteering opportunities	31	56%	8	44%
Advice or help to reduce fuel bills	24	44%	11	61%
Crisis support services	<b>2</b>	<b>4%</b>	<b>7</b>	<b>39%</b>
Advice regarding Bank Accounts	25	45%	5	28%
Advice on Benefits or Grants	48	87%	15	83%
Advice on Budgeting	39	71%	10	56%
Advice on Debt	40	73%	12	67%
Advice on Insurance	5	9%	4	22%
Grants to residents for one-off expenses	22	40%	3	17%
IT Training or Digital Inclusion work	<b>23</b>	<b>42%</b>	<b>2</b>	<b>11%</b>
Advice on Low Cost Loans	<b>15</b>	<b>27%</b>	<b>11</b>	<b>61%</b>
Offering training, volunteering or work experience opportunities	<b>35</b>	<b>64%</b>	<b>4</b>	<b>22%</b>
Youth Work	<b>22</b>	<b>44%</b>	<b>0</b>	<b>0%</b>
Advice at end of fixed term tenancy	<b>6</b>	<b>11%</b>	<b>7</b>	<b>39%</b>
Advice on rehousing to a smaller or cheaper property	15	27%	7	39%

*Source: Database of Policy and Strategy Documents*

## Income maximisation activities

### Advice or help finding employment

Many organisations seek to assist their tenants out of poverty by helping them to access employment, either in line with the organisation's social goals or a more business-focused priority of reducing arrears.

A clear majority (54 of 73, or 74 per cent) of the social landlords who provided relevant information operate at least one service seeking to assist local residents or customers to improve their employment prospects and income from wages. A large minority (27 of 73, or 37 per cent) operate three or more services.

The importance of this kind of support to find employment was frequently cited in the context of welfare reform.

The exact nature of the employment support services varies greatly, ranging from referral to other organisations to extensive in-house programmes. Some organisations provide this

type of assistance to any client who feels they need it, while others target the service at specific population groups, such as young people or those affected by the welfare reform.

Eleven organisations made specific reference to targeting people who have been affected by welfare reforms. This seems quite low, given the current focus on welfare reform in the housing sector, but may be the consequence of examining written strategies, which although 'current' were in fact written several years ago. This highlights the fact that organisations have had to develop their responses to policy changes at a faster pace than some strategies and written documents would normally be updated.

Nevertheless some organisations had produced whole documents focusing on the need to respond to welfare reforms (such as Portsmouth City Council: *Welfare Reforms: City of Portsmouth Risk Assessment* or Family Mosaic: *Welfare Reform - the operational response*).

Other documents produced within the last one to two years made mention of the need to respond to welfare reforms and support affected tenants, both to help the tenants and minimise the impact on their own income. For instance:

*“Significant reform of the housing and welfare benefits system is underway and we are committed to supporting our residents and communities, as well as protecting the income streams that enable us to deliver our current levels of service and provide more homes. We have identified households impacted by the initial reforms, evaluated the potential impact and are implementing our strategy, focused on offering more financial management and budgeting support; providing a comprehensive range of cost-effective payment options with direct debits as a preferred option; continuing to provide welfare benefits advice; supporting residents in accessing financial products or institutions; and assisting more residents to get and stay online.”*

(Peabody: *Report and Financial Statements 2013*, p12)

*“Meanwhile, our residents are now beginning to face welfare reforms which will affect some of them profoundly. We are doing everything we can to help. During 2012 we contacted residents to provide information, advice and support about the introduction of the new under occupation criteria for Housing Benefit, direct payment of benefits and Universal Credit.”*

(London and Quadrant: *Financial Statements 2013*, p11)

### **Training or volunteering opportunities: Advice and in-house provision**

A majority of the social landlords who provided relevant information (43 of 73, or 59 per cent) mentioned some provision of help or support finding training or volunteering opportunities. Again, the exact nature, scope and method of service provision varied greatly. Many of the services were targeted at young people, who were seen to be at greatest risk. For instance, in 2012/13, some 425 young people were engaged in A2Dominion's "Be Inspired" scheme which provides in-house enterprise workshops, events and projects, as well as bursaries for other training programmes (A2Dominion: *Value for Money: Self-Assessment 2012-2013*, p16).

Many of the larger social landlords operated extensive in-house training programmes for a broad clientele base. Examples of these include “Southern Works” by Southern Housing Group and “Opportunities Plus” by Genesis (Southern Housing Group: *Value for Money Statement 2012/13*, p14; Genesis Housing Association: *Residents Report 2013*, p9).

Meanwhile, Notting Hill Housing Association’s Youth Engagement Team helped 19 young people into education and 12 into volunteering in 2012/13 (Notting Hill Housing Association, *Annual Standards Report: General Needs Housing and Notting Hill Pathways 2012/13*, p29). A few others, such as Midland Heart, reported offering volunteering opportunities for residents within the Housing Association (Midland Heart, *Customer Annual Report 2013*, p15).

## **Addressing Fuel Poverty and Energy Costs**

While landlords can combat poverty by working to reduce their rents or service charges to tenants, or by increasing tenants’ incomes, a further option is to take action to reduce the tenant’s expenditure on utilities, and in particular on fuel for heating homes. Unlike rent reductions, a focus on fuel efficiency does not result in any loss of income to the landlord, and helps all tenants, even if their rent is met in full by Housing Benefit. It was therefore, unsurprisingly, a key focus of much of the anti-poverty work mentioned in strategies.

There were three elements to the work:

- Physical improvements to properties (or building new properties to higher standards) in order to improve their thermal efficiency
- Offering advice or help to tenants to enable them reduce their fuel bills
- Disposing of lower quality or older properties with poor fuel efficiency, either by demolition or by selling them into the private market.

Whilst the first two of these result in an unambiguous reduction in poverty, the last highlights one of the areas in which social landlords may have to choose between strategies that benefit their current tenants, and those that benefit the whole housing market, discussed further in Chapter 3. Selling off the least fuel-efficient housing stock could result in it being occupied by low income people in the private rented sector who also struggle to afford the high fuel bills.

About three quarters of Local Authorities and Housing Associations included in this study (59 of 77, or 77%) mentioned the issue of energy efficiency or the cost of energy in at least one of the documents included in this research. Nearly all of these (58 of 59, or 98%) promised improvements to the fuel efficiency of properties. Only one of the 35 organisations offering advice on fuel efficiency did not also mention making fuel efficiency improvements to properties.

The specific activities coded varied greatly in terms of scope, effect, mode of delivery and target group. While some organisations simply mentioned targeting an improvement in their housing stock's average SAP (Standard Assessment Procedure) rating without giving a justification, among those who did mention reasons for their work, the motivation was clearly twofold, with environmental issues apparent as well as addressing fuel poverty. Improving health was also mentioned by some documents, and occasionally revenue.

*"[This programme has] the vital associated benefit of lower fuel bills for our customers at a time when many are at risk of falling into fuel poverty..."*

(Circle Housing: *Report of the Board and Financial Statements Year Ended 31 March 2013*, p8)

*"These panels will: generate over 2MW of clean electricity a year; lower carbon emissions by 1,046 tons of CO<sub>2</sub>; reduce the communal electricity bills for 2,840 of our residents... The panels will also provide revenue of over £20m in the next 25 years, which is being invested back into our 2012/15 sustainability strategy."*

(London and Quadrant Housing: *Corporate Social Responsibility Report 2013*, p34)

### **Fuel poverty in organisations' own stock**

The majority of energy efficiency improvements were focussed on social housing or affordable housing stock. The activities carried out included a broad range of practical actions, such as water saving devices, heating system replacements, loft insulation and new boilers. Programmes varied between the extensive, covering every property with minor upgrades, to intensive interventions on a small number of properties:

*"[Our] Rolling programme includes heating upgrades, improved loft insulation..."*

(AmicusHorizon: *Financial Statements 2012-13*, p12)

*"[We will aim for] a full central heating system fitted to every property, loft insulation installed up to 270mm, cavity wall insulation installed wherever suitable, funding opportunities explored to undertake external wall insulation for solid walls."*

(Calico Homes: *Calico Home Standard*, p2)

*"55 Solar thermal hot water heating units and 10 air source heat pumps have been installed into existing homes, bringing in nearly £80,000 of grant funding."*

(Hyde Group: *Hyde Sustainability Report 2013*, p4)

In some cases organisations inherited properties with particular problems, resulting in programmes such as BPHA's programme to replace solid fuel systems (BPHA: *Annual Report 2013: Towards a Better Future*, p5), and North Tyneside Homes' renovation of Orlit properties to insulate them to modern standards.

Some larger stock-owning Local Authorities have ambitious plans. Southwark, for example, is planning to retro-fit insulation to 14,000 council rented properties over the next three

years; upgrade individual and communal heating systems and develop energy schemes such as solar heating schemes (Southwark Council: *Southwark Housing Strategy*, p21).

Many organisations provide advice to their tenants on cutting their fuel bills via visiting property services employees and housing officers. A2Dominion, for example, targeted a "priority neighbourhood" with energy saving advice to 1,000 residents via 40 partners (A2Dominion: *Value for Money: Self-Assessment 2012-2013*, p16). AmicusHorizon provides advice to help residents to find the cheapest fuel deals via drop-in sessions, resident workshops, door-to-door visits, and telephone support jointly with Groundwork (AmicusHorizon: *Sustainability Strategy 2011-14*, p5). Some organisations, such as Viridian, also negotiate with energy, home insurance and phone companies to get better deals for tenants (Viridian: *Value for Money Strategy 2012-2017*, p5).

One alternative approach to improving fuel efficiency in Housing Associations' stock is to sell poorly performing property (North Tyneside Homes: *Asset Management Strategy 2010 to 2015*, p11). While this certainly improves the overall situation for tenants of that particular landlord, the overall impact on poverty in the community as a whole depends on the destination of the stock and nature of the property. Some housing is likely to go to higher income households, and in this case the impact on poverty is unambiguously a reduction. But where the likely market of the property is the cheaper end of the private rented sector, it is unlikely improvement works will take place, and so it is quite probable that the new residents will also be in fuel poverty.

### **Fuel poverty in the wider community**

A number of Local Authorities (but not Housing Associations) aimed to improve the fuel efficiency of private sector property in their wider area. These types of measures were typically mentioned in Private Sector Housing Renewal Strategies, Housing Strategies, Housing Assistance Policies or Fuel Poverty Strategies. The specific actions undertaken by Local Authorities vary from general educational campaigns on energy consumption and environmental awareness to promotion of government funding schemes to increase energy efficiency in private sector homes. Some Local Authorities mentioned current schemes offering low-cost or interest-free loans to private landlords or homeowners to improve their SAP ratings, and several others indicated that they may contemplate doing this in the future.

*"The Dorset Home Service will offer advice and minor works assistance to low income residents."*

(East Dorset District Council: *Housing Strategy for Christchurch and East Dorset 2013 to 2016*, p22)

Several Local Authorities included in this study mentioned non-government grants available for fuel efficiency improvements in the private sector, and some others mentioned having successfully carried out area-based initiatives to improve the energy efficiency of all housing stock in a given location, including private sector.

Apart from area-based initiatives, grants and other financial support are commonly targeted at a specific population group, such as benefit recipients (e.g. Sheffield City Council),



vulnerable and older households (e.g. Southwark Council and East Dorset District Council), or people who have been assessed as living in fuel poverty in a property with low SAP rating (e.g. Portsmouth City Council).

Some innovative solutions were also mentioned, for example Derby City Council working together with Dyson Insulations Ltd on the “*Warm Homes for Derby Scheme*” to offer free or heavily discounted cavity wall and loft insulation to people living in privately owned and privately rented accommodation (Derby City Council, *Derby Housing Market Area and HCA Local Investment Plan January 2011*, p51). The Council also provide free advice and information to all of Derby’s residents on ways to improve the energy efficiency of their homes and raise awareness of financial and other assistance.

In Guildford, the Borough Council is working in partnership with Climate Energy and six other Local Authorities to offer grants for insulation improvement under the “*Warmth for 1000*” scheme, which has so far benefitted over 500 homeowners (Guildford Borough Council, *Housing Strategy Interim Statement 2011*, p52).

Although many schemes are open only to owner-occupiers, some (e.g. Derby, East Riding of Yorkshire) are open to private landlords as well, and others were considering extending their schemes to cover this sector (e.g. East Dorset, Worcester City).

## Funding

The funding of all of these programmes is, however, an important issue. Although most did not specify the funding sources for their programmes, it was very frequently stated that projects were entirely funded by external grants, and the ECO (Energy Companies Obligation) scheme was often mentioned. Many governmental grant sources have experienced substantial recent funding cuts since the publication of the documents gathered for this research, and therefore the continuation of much of this work must be in doubt.

**Table 2.2 Organisations mentioning plans to make improvements to the fuel efficiency of their housing stock**

Organisation Type	Base	Mention improving fuel efficiency of own stock	
Local Authority	18	18	100%
Housing Association	51	40	78%
Private Sector	13	3	23%
All	82	61	74%

Source: Database of Policy and Strategy Documents

### 3. Balancing the needs of different types of households

This section explores the trade-offs made by landlords and Local Authorities between types of households. Social landlords sometimes need to decide whether to focus resources on assisting their existing tenants, future tenants or whether to take a 'whole market approach' looking at the needs of the community as a whole. Budgets are finite and they must also decide on whether to target support on different client groups. The research uncovered several key areas where decisions were being made including:

- Decisions over what to build and where to build
- Asset management with decisions about disposals, improvements and acquisitions
- Allocations schemes, and who to prioritise for housing
- Using housing to incentivise people into work
- Targeting wider support work

#### Decisions over what to build and where to build

##### Whether to build

Most Housing Associations and Local Authorities had a focus on building new housing, often seeing this as a key part of their mission. Just one document (CDS Co-operatives: *Corporate Plan 2012/13 to 2015/16*) explicitly stated that they were not seeking to expand their housing stock, and this was only a pause due to internal restructuring.

Only one private landlord or letting agent analysed in the case study areas (Grainger) published or submitted any written strategy concerning the development of new housing, despite the rapid growth in the private rented sector over recent years.

In Value for Money Strategies and Reports it was made clear that many Housing Associations see their mission as being to maximise their housing provision. In total, 21 of 41, or 51% of organisations who provided information on their approach to Value for Money mentioned this. This rose to 17 of 27, or 63%, among larger organisations with more than 10,000 units. For example, for Jephson Homes the number of homes developed is a key value for money indicator; meanwhile Southern Housing Group state that they aim to:

*"...enhance our financial viability so that we can continue to develop and grow as an independent housing provider with or without subsidy."*

(Southern Housing Group: *Value for Money Statement 2012/13*, p2)

This emphasis on growth is important, since it is an example of one of the key choices facing housing organisations; the extent to which available surplus funds are directed toward developing housing, in the process combating poverty in the wider community, as opposed to combating poverty among existing tenants. While no organisation in the sample quantified this balancing of resources in their published documents, and nearly all organisations gave

some priority to both broad objectives, it was clear that the emphasis given to these objectives did vary at least to some extent:

*“The key priority for Waterloo Housing Group’s use of surplus is development of new affordable homes.”*

(Waterloo Housing Group: *Value for Money Strategy 2012-15*, p3)

*“We will... maximise profits to cross subsidise any customers unable to pay...”*

(Viridian: *Corporate Strategy 2012-16*, p2)

However, this should not be overstated; as shown in the table below, there was no statistical link found between taking a development-oriented approach and lower provision of services to existing tenants.

**Table 3.1 Mean number of support and advice services provided by organisations mentioning maximising development as part of their approach to Value for Money**

Mention maximizing development of new housing as a Value for Money objective?	Base	Mean number of support and advice services provided
Yes	21	8.4
No	20	8.1
Total	41	8.2

Source: Database of Policy and Strategy Documents

### What kind of areas to invest in?

Most of the strategies examined were not explicit regarding the types of areas in which landlords planned to develop. This may be due to a reluctance to release documents for research purposes which show this type of information, or in some cases to a more opportunistic approach to development, focusing on the areas where they already have a presence.

Two organisations (Genesis and Notting Hill) were focusing their new development specifically on poorer areas:

*“We believe that increasing our market rent portfolio will directly support our social purpose, as we concentrate on growth of these homes in less expensive areas, so that London has more quality and affordable rented stock for people who need it.”*

(Notting Hill Housing Association: *Value for Money Self-Assessment as at 31 March 2013*, p2)

In contrast, two Housing Associations had strategies to develop in more expensive areas:

*“We will remain within our current geographical area, focusing our activity on high value, high demand locations”*

(Hyde Group: *Corporate Plan*, p11)

Two other Housing Associations with a focus on shared ownership as a tenure also saw a need to “*focus more on strongly performing markets*” in order to fund future activities through property sales (Metropolitan, *Annual Report to Customers 2012/13*, p14).

### **What tenures to build?**

It was clear that Housing Associations, big and small, were diversifying the tenure of properties they build away from the traditional focus on social rented housing. In total 46 of the Housing Associations included some information about the tenure(s) they were building or planning to build in their written strategies. Whilst all of these included some form of Affordable Housing within their development programmes, the majority (23 of the 46, or 50%) also mentioned that they had built or were currently building housing for market sale, and one more (or 2%) mentioned plans to do so in the near future.

*“We will consider diversifying our activity – market rent, home ownership, housing for sale...”*

(Rosemary Simmons HA: *Corporate Plan 2012-15*, p8)

Market rented housing, to be owned and managed by the Housing Association, was also a growing area for investment. Eleven of the 46 Housing Associations (or 24%) who gave details on the tenure they were building reported that they had built or were currently building housing for market rent, and nine more (or 20%) mentioned plans to do so in the near future, suggesting that this is an increasingly popular choice for social landlords. The extent of involvement varied greatly within this, with some building market rent properties only “occasionally” (e.g. Hastoe Group) and others making it a major part of their business (e.g. Aldwyck Housing Association). While none of the Local Authorities in the sample stated that they were currently doing this, two of the 16 who gave relevant information (or 13%) mentioned plans to do so in future.

Some organisations explained that the role of market housing was to provide cross-subsidy for their core mission of providing sub-market housing for those in need; others justified it as an end in itself, or a contribution to providing for a wider range of households, or to build for the needs of groups in need of housing but not traditionally catered for by social rented housing such as students and key workers.

*“There is a growing need for [private] rented accommodation for those unable to access home ownership or social housing... We’ll expand this area of operations and agree targets in 2014.”*

(AmicusHorizon: *Strategic Plan 2013-16*, p15)

*“Our diverse business streams mean that we are very able to deal with the impending risks to our revenue income through welfare reform and enable us to support our residents through this difficult period.”*

(Thames Valley Housing Association: *Consolidated Financial Statements: Year ended 31 March 2013*, p5)

When associations have charitable status (which most do), their work to develop housing for market sale or rent legally must be explicitly an investment activity to generate returns to support their provision of Affordable Housing programmes. Similar restrictions usually also apply to Local Authorities and ALMOs.

Just one organisation (Yorkshire Housing) explicitly stated that they were *not* planning to diversify their activities into areas such as building market housing, although many other organisations simply did not mention market housing in their policies and strategies. Only one Local Authority in our case study areas specifically mentioned that they were considering funding housing through diversification (Guildford Council).

Using the proceeds from commercial ventures to reduce poverty depends on commercial success, which is rarely if ever guaranteed. Many organisations acknowledge the risks of their approach in their Annual Accounts or Business Plans. For example, Derwent Living notes the need for a cautious approach to relying on a single source of cross-subsidy:

*“We rely heavily on student accommodation to generate commercial surpluses. The introduction of significant student fees has had an immediate impact on applications for University places in 2012. In addition, an oversupply of private halls in student cities, a falling population of student age range in the next decade, and refinancing of higher education, lead us to be cautious about future prospects.”*

(Derwent Living: *Business Plan 2012-2014*, p9)

Nevertheless, it is clear that Housing Associations are looking for alternative means to subsidise their future development programmes, in the light of cuts to government funding, and that developing housing for private sale or market renting is a significant growing area of activity.

## **Building new affordable housing**

Affordable Rent with rents set to a maximum of 80% of market value (as assessed for the individual property), is now the only type of rented housing which will be supported by HCA (Homes and Communities Agency) funding for new development; social landlords wishing to build social rent housing in future must do so using their own resources.

The large majority of developing Housing Associations stated that they were building at least some homes for let at Affordable Rents. Among Local Authorities managing social housing, only one mentioned providing Affordable Rent themselves as a future possibility in published documents (Guildford Council); however, this may be partly due to differing approaches to publishing development plans.

In total, 39 of the 46 Housing Associations (85%) who specified the tenures of housing they were developing mentioned Affordable Rent in their plans. A small number of organisations explicitly stated that they would no longer build housing for social rent, moving all affordable housing development activity to Affordable Rent.

*“It is our aim to continue to build more new homes, with 50% for Affordable Rent and 50% for home ownership.”*

(Metropolitan: *Putting our house in order: annual report to customers 2012/13*, p14)

However, this is difficult to quantify since many organisations leave their intentions ambiguous in published documents. For example, throughout AmicusHorizon's documents, they discuss at length the quantity of rented housing they are planning to develop but at no point is it clarified whether any social rent housing is included in their programme:

*"We aim to deliver at least 200 new homes each year in our core areas. These will be a flexible mix of rent, and shared ownership to respond to new initiatives, changing markets, and diverse customer needs."*

(AmicusHorizon: *Strategic Plan 2013-16*, p15)

Just two developing organisations (Derby Homes and Family Mosaic) stated explicitly that they were not going to develop Affordable Rented housing, on the grounds that the rents were too high. However, while this keeps rents low for tenants in poverty, it has had impacts on their development programmes:

*"We have decided to maintain rents at 'social' rent levels under the previous rent restructuring regime, rather than move to the higher 'affordable' levels now available i.e. up to 80% of market rent. This has required a big change in our development programme, which now includes private sale to provide the subsidy previously coming from government grant. Because of this increased dependence on sales, and the higher borrowing to support it, our new homes programme is much smaller than previously, and we are more dependent on our sales success to achieve it."*

(Family Mosaic: *Annual Accounts 2013*, p15)

Clearly for households in poverty who are not Family Mosaic tenants, this substantially reduces their chances of becoming a Family Mosaic tenant in future, and of benefiting from the lower rents and range of anti-poverty services they provide as a social landlord. On the other hand, developing only higher rent housing to maximise the number of units built risks pricing out those in poverty. The approach taken by Southern Housing Group to allocating their Affordable Rent housing spells out the issue in stark terms:

*"Our policy on Affordable Rent lettings is to prioritise working households, but not to exclude others who can also meet the eligibility criteria. However, it is important to ensure that households moving into Affordable Rent homes can afford to pay their rent, sustain the tenancy and look after the property for the long term."*

(Southern Housing Group: *Annual Review 2012/13*, p5)

This tacitly acknowledges that with the move to Affordable Rent they would, at least in some circumstances, be unable to cater to the poorest potential tenants, since their income could not be guaranteed to cover the cost of Affordable Rent housing.

In an era of reduced funding and increased need, it is clear that social landlords operating in the high value areas face a choice of whether to provide intensive help to a small number of people experiencing severe poverty, the route taken by Family Mosaic and others, or to cater for a larger number of people though providing them with a less subsidised, and

therefore higher rent product. Social landlords in the cheaper parts of the country have less discretion in this area as social rents are quite close to Affordable Rents in many areas.

## **Conversions between tenures**

In order to provide cross-subsidy for Affordable Rents, the HCA require Housing Associations to convert at least some social rented properties to Affordable Rent at the point of re-letting. In total 22 Housing Associations (48% of the 46 specifying tenures of development) published or provided strategies that included the conversion of social rent to Affordable Rent on at least some of their relets, with just one (Family Mosaic) explicitly stating that they would *not* convert to Affordable Rent “*for the benefit of our customers*”.

Two Housing Associations (Genesis and Paradigm Housing) explicitly stated that they would convert all re-lets to Affordable Rent wherever possible. Among the remaining 20 carrying out conversions, only one Housing Association stated what the proportion of conversions would be. The motive for conversions for Affordable Rent above and beyond the HCA requirement was usually justified in terms of financial benefits to the organisation, in particular for development:

*“As a major provider of affordable housing in London, we recognise the need for change and support the requirement for increased freedom and flexibility in the way social housing is let, both in terms of who we house and the terms on which housing is offered. This is necessary not only to increase housing options for those in need of affordable good-quality homes but also to maximise funding opportunities to develop new homes.”*

(Peabody: *Business Plan 2011-14*, p5)

A few social landlords took a middle route to Affordable Rent conversions, placing restrictions on the rent charged, or on the types of property to be converted to the tenure. A number of social landlords stated that they would not allow rents in their Affordable Rent properties to rise above the level of Local Housing Allowance either because they felt it was in conflict with their social goals, or to avoid competition with the private rented sector. These decisions too have a trade-off in terms of potential development capacity.

Three associations stated that they would not convert larger properties to Affordable Rent, because of concerns about affordability; one stated that they would not convert hard-to-let properties; and two others that they would convert properties to Affordable Rent at the end of fixed term tenancies in certain circumstances (such as when the occupant’s financial circumstances had improved).

One Housing Association, Affinity Sutton, mentioned that Local Authorities were restricting their programme of conversions:

*However, conversions of existing homes to Affordable Rent levels has progressed more slowly than expected due to a drop off in letting rates for existing stock, and, in some areas, local authority resistance.*

Documents gathered from Local Authorities suggest that opposition to Affordable Rent conversions is quite widespread. Many Local Authority documents had a strong emphasis on placing limits on Affordable Rent, reflecting their concern that those households in the most need might not be able to afford the tenure. Only one Local Authority (Burnley Council) actively encouraged conversions to Affordable Rent (Burnley Council: *Tenancy Strategy 2012*, p6), most likely because in their local market the change in rent levels would be minimal, while the advantages in terms of subsidy are quite large.

In Barnet, the Council took an alternative approach, encouraging the conversion of social housing to Shared Ownership (Barnet Council: *Housing Strategy 2010-2025*, p20); although this could improve the situation of households struggling to buy, in an area with high housing prices such as Barnet this would not be likely to benefit those in poverty as it would reduce the supply of low cost rented housing.

In total, eight Local Authorities had documents which sought to restrict Housing Associations making conversions to Affordable Rent, and two others (Worcester City Council and North Tyneside Council) sought to prevent Housing Associations making any conversions to the tenure at all, although they both recognised that they did not have the power to prevent it entirely (Worcester City Council: *Tenancy Strategy (Draft) Version 10*, p27).

Importantly, among those authorities imposing restrictions, there was no consensus over what type of restrictions to impose, and as a result the properties Local Authorities aimed to protect from conversion varied markedly. There was no clear pattern by region or housing market type:

- Larger homes (6)
- Smaller homes (3)
- High priced areas (3)
- Sheltered or supported housing (2)
- Low priced areas (1)
- Hard to lets (1)
- Where social housing is scarce (1)
- On council owned land (1)

## **Asset management**

### **Asset management – selling stock**

Many organisations mentioned that they had sold stock or planned to do so. In total, 34 organisations mentioned that they had sold or planned to sell some of their stock, including



four of the Local Authorities, three ALMOs and 27 Housing Associations. There were several key reasons why stock was sold.

Fifteen (all Housing Associations) stated that they would sell stock in order to consolidate their stock in areas where it could be most efficiently managed. For instance, A2Dominion planned to reduce the number of Local Authorities in which they operated from 90 in 2012 to 54 by 2016 (*Value for Money: Self-Assessment 2012-2013*, p17). This usually entailed direct swaps with other Housing Associations who were more active in the area where the stock was located, but on some occasions would entail selling tenanted stock from one Housing Association to another. Such transactions have little effect on the overall location or nature of housing available to low income households, as the units remain in the same tenure, and with the same occupants; they simply change from one social landlord to another.

Of more significance are the disposals of vacant stock that will then be demolished or sold to the private market. A commonly cited reason for this was that the stock was “*poorly performing*”. The nature of this poor performance was not always explicitly cited, though nine organisations mentioned stock that had high maintenance costs, and five mentioned the high costs of refurbishing the stock in question to an acceptable standard.

Beyond the need to consolidate their stock in an area that could be efficiently managed, most associations were not explicit about which types of areas they were intending to reduce their investment in, with the focus more on individual properties or types of properties which were inefficient to manage. However, seven organisations mentioned that they would sell properties that were less popular or in low demand, or in a low demand area. Meanwhile nine organisations mentioned that properties would be sold off when they were failing to generate sufficient income, which would more often occur in areas with low rents, i.e. cheaper areas. One other organisation (Derby City Council) mentioned that one of their objectives for stock disposals was tenure diversification, which would also tend to mean selling social rented stock in cheaper areas more commonly associated with high proportions of social renting.

In contrast, three organisations (Notting Hill, Genesis and Paradigm, all based in London and the south east) stated that they had a policy of selling off stock in areas with a high market value in order to generate profits in order to build more housing elsewhere.

In addition, two organisations reported that they had been forced to sell off supported housing schemes after they lost contracts for funding the support costs, and four organisations stated that they were selling off types of housing no longer required such as “outdated sheltered blocks”. One further organisation (Genesis) had a policy, apparently still in operation in 2012-13, of selling off their smaller units, perhaps surprising considering the predictable changes in demand caused by the cuts in Housing Benefit for under-occupiers.

Costs to the tenant were rarely mentioned as reasons for selling properties, with the potential for unaffordable rent on conversion to Affordable Rent not mentioned at all, and only three organisations mentioning the cost of heating as a reason to sell properties.

## **Allocations schemes, and who to prioritise for housing**

### **Housing those in most need or “a wider range of households”?**

Many social housing allocation policies, tenancy strategies and wider corporate plans stated in general terms, what the focus of the housing organisation was. There were two key themes emerging here. Firstly, there was what could be termed a re-assertion of the traditional role of social landlords on housing those in the most need:

*“Metropolitan aims to house those in greatest housing need.”*

(Metropolitan: *Available Homes Policy*, p4)

*“Our vision is to be the leading national housing and care business provider for those with the greatest need.”*

(Midland Heart: *Our Financial Statement 2012-13*, p15)

In some cases, they related this focus to the original mission of their organisation:

*“The Society is formed for the benefit of the community. Its object shall be to carry on...the business of providing housing, accommodation and assistance to help house people... for poor people or for the relief of aged, disabled, handicapped...”*

(Home Group: *Rules*, p2)

In other cases, the link was made with the current economic situation:

*“There is a housing crisis; a chronic shortfall in supply resulting in many hundreds of thousands of people living in dire circumstances. Our core objective is to provide homes for people who need them...”*

(Longhurst Group: *Business Plan 2013-2016*, p13)

In total, 35 of 59 Housing Associations (59%) and 15 of 18 Local Authorities and ALMOs (83%) provided strategy documents showing that their priority in housing provision was to cater for those in the most need.

In contrast, the other theme emerging was the need to widen the role of social landlords in order to accommodate a wider range of people, often linking to the debate around the provision of Affordable Rent housing outlined above, which in some circumstances may not be affordable to households in poverty.

Sometimes this was expressed simply in terms of a need for business diversification:

*“This year, a key focus was to secure the pipeline of new homes under construction and to diversify our range of housing options.”*

(A2Dominion, *Annual Report and Accounts 2013*, p3)

*“[We will] continue to broaden our operating base, our portfolio of housing tenure, our range of housing and support services and our social and commercial customer base.”*

(Worcester Community Housing, *Our Strategy 2012-2015*, p7)

Others actively wanted to work with a wider range of income groups, sometimes on the basis of seeking to bring social benefits to the whole community, not just those in poverty or with the highest level of need:

*“We have found that the demand for [Affordable Rent] properties, although lower than before, remains good and we have been able to let them quickly in most cases. Affordable rents are still at a significant discount to the market rents and therefore a social dividend is being delivered in making this stock available to our customers; but of course less than was the case before the current coalition government’s budget adjustments.”*

(Notting Hill Housing Group: *Financial statements for the year to 31 March 2013*, p4)

*“We provide all kinds of homes for all kinds of people in all kinds of places...”*

(Acis Group, *Corporate Strategy 2009-2019 (2013 update)*, p11)

Finally, some Housing Associations and Local Authorities sought to use both their allocation and tenure policies to ensure more mixed or sustainable communities:

*“A mix of sub-market rental opportunities could increase aspiration, improve mobility and encourage a wider cross-section of people into our neighbourhoods.”*

(Peabody, *Business Plan 2011-14*, p6)

*“We have... adopted more commercial advertising methods to attract 'economically active' working people...”*

(Places for People, *Annual Review 2012-13*, p10)

*“Where the Council believes this would support sustainable communities and broad access to housing, it may set a quota for properties to be allocated to households who are not homeless or threatened with homelessness within 28 days.”*

(Rutland County Council, *Housing Allocation Policy*, p6)

Meanwhile, in other cases the justification was more around improving the growth prospects of the organisation in an environment of continuing benefit cuts and reduction in subsidies for development:

*“Given the current and likely enduring shortage of public funding for new housing we consider that an increased focus on providing intermediate and market based products, such as shared ownership, shared equity, intermediate rent, market rent and outright sales, is important in meeting today’s housing problems. We recognise*

*that as an independent modern organisation we should be less reliant on increasingly scarce government funding and more self-sufficient looking to see how we can use the value within our existing portfolio to meet our objectives.”*

(Genesis, *Annual Review 2012-13*, p4)

In total 16 of the 59 Housing Associations (27%) had written statements of some sort that implied a focus on broadening their customer base and accommodating a wider range of people. In contrast, none of the documents examined from Local Authorities included such statements. The reasons for this will be explored further in Stage 3 of the research.

### **Prioritising the needs of existing tenants**

On a related topic, social landlords face another allocations choice which is relevant to poverty; whether when a property becomes available they should prioritise their own tenants, or require all potential tenants to go through the same application process, prioritising those who best fit the allocation criteria. This latter approach would tend to prioritise poverty in their own stock equally with poverty in the wider community. It was noted that co-operatives and almshouse charities tend to make particularly strong statements about prioritising existing tenants, although a few small or medium sized Housing Associations also gave this high priority:

*“When vacancies arise, are offered on an alternating basis to existing members in shared flats and Southwark Borough Housing”*

(Brandrams Housing Co-operative: <http://www.cch.coop/coops/brandrams.html>)

*“The remaining 25% of lettings and all new homes built since 2004, will still usually be advertised through Home Choice Plus but will be let to WCH priorities, including WCH tenants wishing to transfer.”*

(Worcester Community Housing: *Access to Housing Policy*, p5)

Most medium sized and larger organisations offered priority to existing tenants only in emergencies, if at all. However, this is frequently linked to the under-occupation penalty; in the current circumstances this could be argued to have a substantial effect in terms of poverty reduction:

*“We will develop a revised allocations policy which will give greater priority for existing tenants to move, and establish targets for rehousing transfer applicants. This revised approach will also include enhancing the scale of our existing downsizing initiative.”*

(Great Places: *Tenancy Policy*, p3)

### **Excluding Housing Benefit claimants**

Only one of the letting agents' websites reviewed stated explicitly that people in receipt of Housing Benefit would be barred from renting homes. However, six others stated that they would only let to those in employment or whose income met a certain threshold, or stated that they would not include benefit income when assessing affordability. Three letting agents implied that they would let to people in receipt of Housing Benefit if the private landlord allowed it, stating “DSS welcome” (referring to the former government Department for Social Security) or mentioning that they would take people via the Local Authority Bond scheme.

Unexpectedly, one Housing Association (Aldwyck Housing Group) stated that it would not let its market rent properties to those in receipt of any Housing Benefit (Aldwyck: *Access to Housing Policy*, p13); this is because they regard the properties as a commercial investment, not as part of their social mission. It should be noted that very few Housing Associations published or submitted any strategies or policies regarding their market rent or market sale housing beyond reporting on its construction and the benefits for the business. This is an area to explore further in Stage 3.

### **Testing affordability**

There are two different types of affordability testing carried out by Housing Associations and Local Authorities. About half of those who detailed their allocations policies excluded those on higher incomes from applying for social housing, either using a fixed upper limit (such as £60,000 per year) or tying it to market rents, so that those who could afford market rents without paying out more than 30% of their income would be refused access.

Similarly, about half of the social landlords who detailed their allocation policies (19 of 36) wanted to check that their new tenants could afford their social rents (with Housing Benefit if necessary), although it should be noted these were not usually the same social landlords which tested for high incomes, with only six of those surveyed mentioning both forms of test. A variety of systems were in use to check whether tenants could afford their rent. Some deemed rent at a set proportion of total income to be affordable, such as 30% of net income. However, some simply stated that if Housing Benefit awarded, together with any earned income, would not cover all the rent, a tenancy may be refused.

One Housing Association, First Wessex, stated that employed applicants must prove that they could still pay the full rent through Housing Benefit should they become unemployed, regardless of the security of their current employment. It was clear that some of these affordability tests had been brought in recently, in response to welfare reforms and the 'bedroom tax' in particular.

Letting agents employed no upper income limits, but typically required that no more than 33-40% of income was spent on rent for a property to be considered affordable<sup>5</sup>. Some stated that they would relax these limits if the prospective tenants could provide a guarantor.

### **Prioritising those in employment**

Ten of the social housing allocation schemes examined mentioned that some additional priority was given to those in employment, or in one case defined more broadly as “*making a positive contribution to the community*”. Employed applications would generally have to demonstrate some form of housing need, but would typically be moved one band higher, or prioritised within their band.

One other policy stated that only those in employment would be considered for Affordable Rent properties, due to concerns about affordability. In addition, one small Housing Association gave priority to certain church employees and retirees.

### **The use of flexible tenancies**

Many social landlords are now making use of the fixed term or ‘flexible’ tenancies they are now able to offer for new tenants. Most were not explicit about the circumstances in which they would renew such tenancies, however some were.

One potential role for such tenancies is to incentivise employment but this was only mentioned in passing by one ALMO (Barnet Homes).

A further three social landlords stated specifically that they would avoid the use of flexible tenancies because of concern that to terminate a tenancy of a tenant who managed to find better paid employment might discourage economic activity. Seven social landlords however stated that they expected not to renew a fixed term tenancy when the tenant’s circumstances had improved and they could afford accommodation in the private sector. The way in which they would determine whether tenants could afford private rented housing was in most cases not, as yet, spelled out.

Using fixed term tenancies in order to make better use of stock, and encourage downsizing was mentioned similarly often, with eight social landlords stating that they would consider ending a fixed term tenancy in cases of under-occupation. Some stated that they would not end a tenancy until suitable alternative accommodation had been found for the occupant, but were not specific about this, though the details of when to end a fixed term tenancy may be yet to be developed in many organisations.

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<sup>5</sup> A JRF report from 2013 found that the poorest fifth of private renters spent an average of 56 per cent of their income on rent, though it is possible that some of these may have seen their incomes fall after taking on a tenancy. Private renters on middle incomes spent an average of 30 per cent of their income on rent (*Monitoring Poverty and Social Exclusion*, JRF 2013).

## Homelessness duties – discharging to the private rented sector

Making use of the private rented sector for people who are homeless or high priority on the housing register is now widespread with 13 of the 15 Local Authority strategies examined either stating explicitly that they would discharge duties to the private rented sector for some homeless applicants, or stating in more general terms that they would use private rented housing where possible:

*“This offer of accommodation will be a social housing tenancy or a twelve month assured short hold privately rented tenancy.”*

(Derby Homes: *Derby Homefinder Allocation Policy*, p9)

*“All statutory homeless applicants will be assessed for social and private rent opportunities, in accordance with the sub-regional policy for discharging duties to statutory homeless applicants.”*

(Suffolk Coastal District Council: *Gateway to Homechoice*, p15)

*“[We will] Develop a suitable private rented sector offer for all clients.”*

(East Riding of Yorkshire District Council: *Homelessness Strategy 2013-2018*, p33)

No Local Authority stated that it would not discharge homeless duties into the private rented sector, though two stated that this would only be used for specific client groups (singles aged under 35 in one case, and those with no support needs in the other). Seven Local Authorities mentioned that they sought to smooth the path of households into private rented housing by offering mediation services between tenants and private landlords, and four offered social lettings agencies, or other similar services which put tenants in contact with local private landlords.

*“The Council already makes use of the sector: in 2011 it assisted 600 households to find a home in the private rented sector.”*

(Milton Keynes Council: *Housing Strategy*, p16)

Housing Associations did not mention any similar ventures, as might be expected given they do not normally administer area waiting lists. One Housing Association (Bernicia) did mention taking over a letting agency, but this was carried out purely as a commercial venture in order to subsidise the social housing business.

## 4. How far are strategies delivered in partnership?

### Partnerships in the production of policy and strategy

As noted above, many of the documents gathered as part of this research were co-authored by multiple organisations, sometimes through formal partnership organisations, and sometimes simply one-off collaborations on individual strategies. Housing Strategies or Homelessness Strategies may be produced in partnership across a sub-region, either replacing or complementing a Local Authority level strategy. For example the South East London Housing Partnership was formed to reduce costs and improve cross-boundary working among a group of London Boroughs, including Southwark:

*Sub regional working is not a luxury or an extra – it often represents the most effective or efficient way of getting something done. A strategy to shape sub regional working is therefore particularly relevant in a time of expenditure cuts and austerity. As a partnership we are convinced about the benefits of working together towards an agreed strategic vision and the added value this brings.*

(South East London Housing Partnership: *The Strategy of the South East London Housing Partnership 2010-14*, p5)

At one extreme, virtually all policies of East Dorset District Council were produced in partnership with other Local Authorities, and indeed many of the operations of the Council are merged with neighbouring Christchurch District Council. This might be expected given the small size of the district; however, other authorities with similarly small areas, such as East Staffordshire, still did not engage in this type of cross-boundary policy making.

However, East Staffordshire did engage in a different type of partnership work, working with local Housing Association partners to produce an allocations policy, ensuring that conflicts between Local Authority and Housing Association priorities did not occur. Given the differing priorities discussed earlier this may be valuable; indeed, some Housing Associations had specific annexes to their own allocation policies due to disagreements on policy with particular Local Authorities, illustrating the potential for this type of working to streamline the process, providing additional assistance to tenants in poverty.

*“Opportunities for Aldwyck tenants to move in the Milton Keynes area are more limited than in other local authority areas, and we recognise that some of our tenants may develop a significant housing need during the course of their tenancy. We therefore hold a transfer list solely for our tenants currently living in Milton Keynes...”*

(Aldwyck: *Access to Housing Policy*, p6)

Allocation policies (usually Choice Based Lettings Schemes) were also produced by partnerships of Housing Associations, and/or in partnership between groups of Local Authorities and Housing Associations, for example in Suffolk Coastal.



## Partnerships in the provision of advice or support services

Numerous organisations referred clients to advice or support services provided by other organisations rather than providing them in-house. However, the nature of these referrals varied substantially, as did the extent to which there was communication (or a partnership agreement) with the provider of the advice or support. This difference was not always made clear in published documents, making trends in this area difficult to quantify.

For example, like other social landlords in the sample, North Tyneside Homes pro-actively refer tenants to the local Citizen's Advice Bureau for debt advice (North Tyneside Homes: *Income Management Policy*, p10), providing a valuable source of help for those in arrears or at risk of arrears. But there is a potential difficulty with this approach; North Tyneside Citizen's Advice Bureau themselves acknowledge on their website that:

*"The demand for our free service outstrips our resources and any donations to our service will enable us to help more people."*

(North Tyneside Citizen's Advice Bureau: [www.ntcab.org.uk/about](http://www.ntcab.org.uk/about))

In this case, North Tyneside Homes briefly mention working in partnership with North Tyneside Citizen's Advice Bureau, implying that in this case resources might be allocated to avoid referrals becoming a drain on the limited resources of the Citizen's Advice Bureau. However, it can easily be imagined that where this is not the case, there could be the potential for referrals to fail or for referrals from social landlords to overwhelm a service. This could have an impact on both tenants in poverty – who might find the service unable to help them on referral – and the wider community, who might experience reduced access to the service as a result.

However, although the documentary analysis highlights this potential issue, it does not allow us to identify with confidence those social landlords who are engaging in negotiated partnerships to provide high quality services, as opposed to those who might be replacing an in-house service with referrals to weak provision purely in order to reduce costs.

It should be highlighted that there is no one correct method of delivering advice; for a small social landlord, delivering more specialist forms of advice in-house may not be economically feasible, or may result in poor quality advice being given. In the example of North Tyneside Homes, above, advice on other topics such as entitlement to benefits is provided in-house (North Tyneside Homes: *Income Management Policy*, p10).

Meanwhile, larger social landlords can use economies of scale to offer comprehensive and high quality in-house services; five Housing Associations, all of whom were in the sample for this research, were found to be working together to provide stronger in-house financial advice services, in this case in partnership with Lloyds Bank:

*"A partnership of five housing associations AmicusHorizon, L&Q Group, Metropolitan Housing Partnership (MHP), Circle 33 Housing Trust (Circle 33) and The Hyde Group (who acted as the lead organisation), developed a Money Guidance Programme (MGP) to provide early access to preventative money advice and guidance as a key financial capability intervention for their residents."*

(The Hyde Group: *Money Guidance Programme: Evaluation Report*, p4)

Similar issues also applied to employment and training initiatives, with referrals, partnerships and in-house provision all being widely offered by social landlords, but often difficult to distinguish by consulting published documents.

To give one example, South East London Housing Partnership, in which Southwark Council participates, has formed partnerships with third sector organisations to provide their tenants training in the renovation of empty dwellings (South East London Housing Partnership: *The Strategy of the South East London Housing Partnership 2010-14*, p26).

## **Partnerships in development of housing**

Many social landlords work in partnership with developers or Local Authorities to deliver both affordable and market housing. For instance, Midland Heart uses a subsidiary, *Cygnets Property*, to develop market housing, whilst Synergy Housing (part of the Aster Group) mentioned plans to build 50 homes for market sale in a joint venture with Galliford Try, a commercial developer. These arrangements may have an indirect impact on poverty when they provide opportunities to provide affordable housing which would not otherwise be built.

## 5. What are features of organisations most focussed on poverty?

A key aim of this research is to assess the types of organisation most likely to have a strong focus on poverty. This chapter assesses this using information derived from the policy documents gathered.

When statistics are produced, only those organisations which provided sufficient information about the relevant policies are considered. The base size therefore varies between tables. The dataset used for analysis included a wide range of variables based on and derived from the framework outlined in Appendix 2. In order to present a coherent picture, the analysis focuses on variables which are relevant to the question of identifying organisations most focussed on poverty, and which show statistically significant differences.<sup>6</sup>

### Classifying organisations for analysis

In this section of the report, we compare three broad areas of England (“Southern” including London, “Midlands and South West”, and “Northern”). This reduced number of regions was used to maximise the sample in the three areas, allowing comparisons to be made. Landlords were classified by region based on the location of the largest proportion of their stock (Table 5.1).

**Table 5.1 Regions used for analysis**

Regions used in this analysis	ONS Regions
Southern	South East
	London
	East of England
Midlands and South West	South West
	East Midlands
	West Midlands
Northern	North East
	North West
	Yorkshire and the Humber

The database also included information on the types of Housing Market the organisations operate in, based on a cluster analysis of Local Authority areas, summarised below in Table 5.2 (see the Initial Report for details) .

<sup>6</sup> Statistically significant differences were located by comparing the distributions of responses for different organisation characteristics using the z-test, at a 95% confidence interval.

**Table 5.2 Housing Market Types used for analysis**

<p><b>‘Homeowners in the Countryside’</b> Rural Areas, Older People, Owner-occupation, but low rents and house prices Mostly outside London and the South East</p>	<p><b>‘The Squeezed Middle’</b> Close to average on most measures Medium to low rents and low incomes Largest increase in benefit claimants in last 10 years</p>	<p><b>‘The Affluent South East’</b> Older people, Owner-occupiers, with high rents and house prices Mostly in the South East Relatively little poverty</p>
<p><b>‘Industrial Towns’</b> Low rents, high poverty in the private rented sector Many benefit recipients, low levels of qualifications Mostly in North of England</p>	<p><b>‘Pressured City Housing Markets’</b> High rents, young people, rental tenures, HMOs, homelessness Outer London and other major cities</p>	<p><b>‘Inner London’</b> Very high rents, homelessness Many young people, HMOs High levels of qualifications Inner London</p>

Landlords operating in different environments might be expected to have different policies, although patterns are made less clear by the presence of large national or multi-regional organisations, which operate in all types of market area. In this research they have been considered as ‘belonging’ to the Housing Market Type in which the largest proportion of their stock is located. Few instances were found of larger landlords varying their written policies between regions within the organisation, although some had policies which varied in small ways between different subsidiaries as a legacy of past mergers.

It should be noted that in general, smaller social landlords provided fewer documents than larger organisations, resulting in a relative lack of data. This could indicate that they are less effective at publicising their policies or responding to document requests; or it could indicate that they have fewer documents relevant to poverty. This makes comparing large and small organisations difficult.

## Strategic Goals

One key measure of interest was whether organisations’ strategies specifically committed to tackle poverty, either among their residents or the wider community. While some organisations did make this commitment, there were no statistically significant links between this and any other activity or organisation type characteristic. This suggests that organisations who mention poverty in a mission statement may not always carry through with policies or strategies that deal with poverty; conversely those who do have policies and strategies that tackle poverty do not always articulate their overarching mission in terms of poverty reduction.

However, as mentioned in Chapter 3, organisations also made a choice, often expressed in their business or development plans, between focusing their housing provision on those in the most need (35 of 77, or 45%), or on housing a wider range of people (16 of 77, or 21%) – producing housing which, while it might have social value, may not be affordable to those in poverty. Some organisations promised both of these approaches in the documents gathered (11 of 77, or 14%), or mentioned neither (15 of 77, or 19%), usually due to a lack of

published documents dealing with strategy. This latter group have been excluded from the subsequent analysis.

Surprisingly, there was no link between this strategic decision and talking about reducing poverty as a strategic goal. The table below does not show any statistically significant trends; however it does illustrate the lack of any link, even in an indicative sense. Those moving toward housing people further up the income scale were at least as likely to talk about reducing poverty as those emphasising their commitment to housing those in the most need (Table 5.3).

**Table 5.3 Strategic direction – focusing on those in the most need or a wider range of potential tenants by mentioning poverty as a strategic goal**

Strategic Direction	Base	Mention reducing poverty as a strategic goal	
		Count	Percentage
Most need	35	11	31%
Unclear	11	1	9%
Wider range	16	7	44%
Total	62	19	31%

Source: Database of Policy and Strategy Documents

However, there were links to a range of organisation characteristics. The idea of moving away from housing the poorest to housing a wider range of households was exclusively found among Housing Associations, and never among Local Authorities. Most Local Authorities mentioned a key focus of helping those in need; only two, Barnet and Burnley, were unclear on this point. In the case of Barnet policy was in flux; there was a strong strategic focus on housing those in employment, alongside an allocations policy which continued to give a high priority to those in urgent need. In Burnley, an excessive supply of low cost but poor quality market housing led to a lesser focus on the supply of low cost housing, and meant strategic priorities tended to be more on improving quality than affordability.

There was also a clear link with organisation size. Smaller organisations were significantly more likely to be focusing on those households in the most need, and therefore the highest levels of poverty (Table 5.4). The possible reasons for this will be explored in Stage 3.

**Table 5.4 Strategic direction – focusing on those in the most need or a wider range of potential tenants: by Organisation Size**

Organisation Size	Base	Strategic direction – focusing on those in the most need or a wider range of potential tenants			
		Most need		Wider range	
Under 10,000 units	19	11	58%	3	16%
10,000 units or more	38	19	50%	13	34%
Total	62	35	56%	16	26%

Source: Database of Policy and Strategy Documents

In line with this, smaller social landlords are also significantly less likely to be talking about subsidising their social housing with other business activities (seven of 18 smaller social landlords compared to 20 of 29 larger social landlords).

This raises the difficult question of whether, in the current policy environment where many social landlords see diversification as a source of funding, a single-minded focus on the provision of social housing services to those most in need necessarily means a greater impact on poverty.

There is also a significant geographical pattern; those Housing Associations operating primarily in the south eastern corner of England, in higher pressure housing markets, are far more likely to have moved away from focusing solely on those in the most need, as shown in the Table 5.5 below.

**Table 5.5 Strategic direction – focusing on those in the most need or a wider range of potential tenants: by Large Region**

Large Region	Base	Strategic direction – focusing on those in the most need or a wider range of potential tenants			
		Most need		Wider range	
Southern	32	13	41%	12	38%
Midlands and Southwest	16	11	69%	3	19%
Northern	14	11	79%	1	7%
Total	62	35	56%	16	26%

Source: Database of Policy and Strategy Documents

This may reflect a number of factors:

- Providing Affordable Rent in cheaper markets does not threaten affordability to the poorest to the same extent, if at all, since Affordable Rents are close to social rents in these areas in any case;
- High land values mean that providing units at social rent in the “Southern” region is expensive in terms of cross-subsidy, given that the HCA will not fund it;
- There are a wider income range of households unable to afford to rent or buy market housing in high-priced areas;
- There are greater commercial gains to be found from catering to a wider range of tenants in areas where rents are higher.

By Housing Market type links were less clear, partly due to the small sample size; however, in line with the regional pattern above, organisations operating predominantly in the Inner London and Squeezed Middle markets (and to a lesser extent Pressured City and Affluent South East markets) were significantly more likely to be moving toward housing a wider range of tenants.

Finally, those who sought to prioritise those in the most need were much more likely to place restrictions on the conversion of existing dwellings to Affordable Rent housing, as shown in the table below. The link to building Affordable Rent housing was less clear, but still significant. However, there was no link with the construction of Market Rent or Market Sale housing, illustrating that these are usually constructed by Housing Associations for cross-subsidy purposes, not for social purposes (Table 5.6).

**Table 5.6 Attitude to converting property to Affordable Rent, by strategic direction**

Strategic direction	Base	Attitude to converting property to Affordable Rent			
		Mention conversions to Affordable Rent without mentioning any restrictions		Mention restrictions on conversions of social rent to Affordable Rent	
Most need	32	24	75%	9	28%
Wider range	16	14	88%	1	6%
Unclear	14	11	100%	0	0%
Total	62	49	79%	10	16%

Source: Database of Policy and Strategy Documents

In addition to these overarching strategic considerations, there were some other differences noted between types of organisation.

## Allocating Housing and Tenancy Types

A very notable area of difference between Local Authorities and Housing Associations was in allocation and tenancy policies. Unlike Local Authorities, not all Housing Associations have Allocation Policies, since they may have devolved their allocations entirely to Local Authorities or Choice Based Lettings schemes. However, a total of 43 Housing Associations did provide detail on their internal allocation priorities in the documents they provided; and there were clear differences between their priorities and those of Local Authorities.

Local Authorities were much keener to prioritise applicants with a local connection, with nearly three quarters of those who gave information about their allocations policy mentioning this (Table 5.7)

**Table 5.7 Organisations mentioning giving high priority to local connections in allocation of housing, by organisation type<sup>7</sup>**

Organisation Type	Base	Mention giving high priority to local connections in allocation of housing	
Local Authority	18	13	72%
Housing Association	43	9	21%
All	61	22	36%

Source: Database of Policy and Strategy Documents

Housing Associations were also much more likely to mention testing the ability of potential tenants to afford housing in advance of granting a tenancy than Local Authorities, as shown in Table 5.8, although they were no more or less likely to set an upper income limit for potential tenants. This may be because of the different incentives acting on Local Authorities: if a Local Authority rejects a household from council housing due to inability to pay, the financial responsibility to provide them with some form of housing will often fall on the Local Authority.

<sup>7</sup> Insufficient data was created by the document gathering exercise to compare Private Landlords with other groups.

**Table 5.8 Organisations mentioning testing of income, by organisation type**

Organisation Type	Base	Mention testing income of tenants prior to granting a tenancy	
Local Authority	17	5	29%
Housing Association	29	18	62%
Private Sector	27	9	33%
All	73	32	44%

Source: Database of Policy and Strategy Documents

The relatively low figure for private landlords and letting agencies may reflect the lack of detail on lettings in these organisations, rather than a lack of focus on tenants' ability to afford. This will be explored in Stage 3.

Meanwhile, Local Authorities were generally very clear that they wanted to retain security of tenure; this was not the case among Housing Associations. This is clearly a major point of difference between these types of housing provider (Table 5.9).

**Table 5.9 Organisations mentioning intention to use secure tenancies where possible, by organisation type<sup>8</sup>**

Organisation Type	Base	Mention intention to use secure tenancies where possible	
Local Authority	18	15	83%
Housing Association	51	18	35%
All	69	33	48%

Source: Database of Policy and Strategy Documents

Local Authorities were also more proactive than Housing Associations in prioritising those seeking to downsize in their allocation policies (Table 5.10). Not all allocation policies give a rationale for the priorities chosen, and so it is difficult to determine the extent to which this is motivated by a goal of alleviating potential poverty caused by the under-occupation penalty for working age households, or simply by a desire to help people (including older people) downsize for social reasons.

**Table 5.10 Organisations giving a high priority to those seeking to downsize when allocating housing**

Organisation Type	Base	Mention giving a high priority to those seeking to downsize when allocating housing	
Local Authority	18	7	39%
Housing Association	43	6	14%
All	61	13	21%

Source: Database of Policy and Strategy Documents

There were also significant geographical differences in allocation priorities, by housing market type and region. For example none of the organisations whose predominant area of operation was in the Industrial Towns cluster gave a high priority to local connections, indicating a statistically significant difference to most other clusters. The table below shows the proportion of organisations which operate in each cluster giving a high priority to local

<sup>8</sup> No private landlords or letting agencies mentioned offering secure tenancies



connections. The clearer division is between urban and rural clusters rather than areas of high and low demand (Table 5.11).

**Table 5.11 Organisations mentioning giving high priority to local connections in allocation policies, by Housing Market Cluster**

Housing Markets	Base	Mention giving high priority to local connections	
Homeowners in the Countryside	21	8	38%
Squeezed Middle	26	9	35%
Affluent South East	21	10	48%
Industrial Towns	18	3	17%
Pressured City	31	9	29%
Inner London	14	2	14%

Source: Database of Policy and Strategy Documents

In addition, organisations in “Pressured City” markets were less likely to give a high priority to statutory need, reflecting greater pressure on housing in these markets.

Broadly, Housing Associations in the “Northern” region had allocation and tenancy policies which reflected the broadly lower pressure on housing stock than found in the south. For example, only a third (30%) of the organisations in this region had an allocation policy which fitted the Housing Benefit size criteria, compared to 18 of 24 (75%) in the “Southern” region. This would make residents of social housing in the “Northern” region who depend on Housing Benefit more likely to be subject to the under-occupation penalty in future.

Those in the “Northern” region were also significantly less likely than those in the “Southern” region to test the ability of prospective tenants to afford the rent (2 of 10 or 20% compared to 16 of 24 or 67%), probably reflecting the lesser likelihood in “Northern” region for social landlords to be offering housing with a higher rent than the benefit payments available.

Interestingly, social landlords in the “Southern” region were less likely to mention placing restrictions on the conversion of property to Affordable Rent housing than those in other parts of the UK (2 of 41 or 5%, compared to 7 of 28 or 25% in other regions; Table 5.12). This finding comes despite the fact that such conversions are more likely to create tenant poverty in the “Southern” region, due to the higher market rents to which the Affordable Rents would be pegged.

**Table 5.12 Organisations mentioning restrictions on conversions to Affordable Rent: by large region**

Large Regions	Base	Mention placing restrictions on conversions of existing stock to Affordable Rent tenancies, by large region	
Southern	41	2	5%
Midlands and South West	14	4	29%
Northern	14	3	21%
Total	69	9	13%

Source: Database of Policy and Strategy Documents

## Support Services

The clearest difference between large and small organisations is perhaps in the support services provided, for example advice finding employment or advice to help tenants downsize. Those organisations with less than 10,000 properties were considerably less likely to mention that they provided support services. As shown in the table below, an average of seven types of support service (such as advice on opening a bank account, or help to find employment or training) were mentioned in strategy documents of each Housing Association who gave information in this area. However, this fell to just five among those with less than 10,000 properties, compared to nine among the larger organisations.

Clearly the size of the organisation is likely to make a difference to the ability to deliver support and advice services such as these, and it may be that support and advice services delivered by larger organisations are not always available to all tenants (Table 5.13). In addition, the data does not rule out the possibility that small organisations may be less likely to document the services they provide, or that they may provide services on a more informal basis. This will be further investigated in Stage 3 of the research.

**Table 5.13 Number of types of support service mentioned by organisation size**

Organisation Size	Base	Mean number of different types of advice mentioned by organization		
		Financial Advice	Employment Support	All Support & Advice
Less than 10,000 homes	22	2.7	1.1	5.2
More than 10,000 homes	41	4.0	2.3	8.9
All	67	3.4	1.7	7.2

*Source: Database of Policy and Strategy Documents*

The differences go beyond size; it appears that organisations operating primarily in the “Homeowners in the Countryside” cluster are significantly less likely to mention that they offer advice or support, particularly where it is employment and training related.

The following table shows the overall availability of advice relating to poverty in each housing market type (in this case showing all organisations operating in each area) in terms of the number of forms of advice provided by organisations. Although the sample sizes are small and not all differences shown here are significant, an indicative trend can be seen (Table 5.14).

**Table 5.14 Number of different types of advice mentioned by organisations, by Housing Market Cluster**

Housing Markets	Base	Mean number of different types of advice mentioned by organisation		
		Financial Advice	Employment Support	All Support & Advice
Homeowners in the Countryside	29	3.3	1.1	6.1
Squeezed Middle	35	3.8	1.8	7.9
Affluent South East	27	3.3	1.5	6.6
Industrial Towns	22	3.5	1.9	7.1
Pressured City	40	3.1	2.1	7.2
Inner London	19	3.5	2.1	8.5
All	67	3.4	1.7	7.2

*Source: Database of Policy and Strategy Documents*

This pattern was also reflected in the regional statistics; social landlords in the more urban “Southern” region were most engaged with employment issues; 76% (32 of 42) provided advice or assistance to tenants in finding employment, compared to just 55% (17 of 31) among those operating predominantly in other regions of England. They were also much more likely to provide digital inclusion or IT training, often offered in an employment context – 19 of 42 (45%) compared to 6 out of 31 (19%) in other regions.

Again, this did not extend to other forms of advice or support; indeed organisations operating predominantly in the North were significantly more likely than average to provide advice on opening or operating a bank account (9 out 16 or 56%, compared to 21 of 57 or 37% in other regions).

Finally, Local Authorities were similar to Housing Associations in terms of the poverty-related advice and support services offered. There were some small differences in the detailed types of advice and support offered; Local Authorities were more likely than Housing Associations to promote low cost loans (e.g. via Credit Unions) to tenants, but less likely to provide them with IT or digital inclusion training. It should be mentioned that for Local Authorities (as a result of their wider remit) the target group for advice and support was often wider, aiming at the whole community rather than purely their own tenants.

Although the numbers were small, the policies and strategies of almshouse charities and co-operatives which we saw tended not to mention formal advice services; however, this was also the case for small Housing Associations with more conventional structures.

## **Political Control**

The database also included information on the political control of the Local Authorities in which the housing organisations predominantly operated.

There were very few significant differences here; however there was some evidence to suggest that organisations operating in predominantly Conservative areas were more likely to favour flexible tenancies (14 of 42, or 33 per cent) than those operating in predominantly Labour areas (4 of 30, 13 per cent). This would be supported by the greater tendency among

social landlords operating in Conservative areas to specifically mention reducing the burden on the taxpayer in Value for Money Reports/Strategies (6 of 22 or 27 per cent, compared to none in Labour-controlled areas). Interestingly, Value for Money Strategies and Reports are mainly produced by Housing Associations, not Local Authorities, so these figures might be taken to suggest that even though Housing Associations are independent organisations, the policies and strategies of Housing Associations are influenced by the political debate in the areas in which they operate.

However, it is important to emphasise that the differences here may also relate to the differing housing market circumstances, with areas with Conservative-controlled councils tending to be in areas with a higher level of demand for housing, and a more constrained supply of social housing. Similarly, there is likely to be a mixture of both local political and economic reasons for the greater reported involvement in regeneration projects found among organisations operating predominantly in Labour areas (21 of 29 or 72 per cent, compared to 15 of 33 or 54 per cent in Conservative-held areas).

## 6. Conclusions

Although findings from the research at this early stage remain preliminary, being based exclusively on an analysis of policy and strategy documents, rather than a fuller understanding of practices of housing organisations via interviews, it is still useful to summarise the key findings of the work so far. From the nearly 650 documents analysed, from Housing Associations and Local Authorities, as well as 19 documents and websites from private landlords and letting agencies, a picture was built up of a diverse sector, with a wide range of ways of dealing with an environment of rapid economic and policy change, and a range of competing visions of their social mission.

While few social landlords issue documents specifically talking about their role in combating poverty, most remain keen to stress their wider social mission which included actions to tackle area deprivation and improve the housing and lives of low income people. However, there was no clear link between explicitly mentioning a goal of alleviating poverty and having detailed strategies to carry out activities which might reduce poverty, either in terms of service provision or housing provision. It was clear that for many social landlords the development and management of sub-market housing was an end in itself in terms of fulfilling their social mission, notwithstanding the wide variety of additional activities that were often carried out as well.

It is clear that social landlords carry out a wide range of activities to reduce poverty among their tenants, driven by both the social goal of helping tenants, and a commercial need to reduce tenant arrears. The vast majority mentioned multiple forms of advice and support to tenants that they offered. The most commonly provided services were those aimed at supporting tenants' rental payments, including advice on benefit entitlements, which would both alleviate poverty and ensure business viability. Those services with a longer term return, regarding training and employment, were slightly less widespread. None of the organisations mentioned scaling back on these support and advice services due to the changing economic or policy environment; indeed many talked of enhancing services in response to welfare reform.

Although there was no clear link between advice and support provision and the strategic objectives of organisations, larger social landlords were more likely to mention providing advice and support services of all types, although it may be that in reality smaller social landlords provide a substantial amount of support on an unreported or informal basis. It is also possible that the services mentioned by the larger social landlords may not have been in operation in all the areas in which they worked. The final stage of this research will seek to analyse this issue.

Landlords can also reduce the impact of a lack of income by making their properties cheaper to live in, by making them more fuel efficient. This type of work was very widespread, but the documents often specified that these changes were funded by external grants from government schemes such as ECO (the Energy Companies Obligation), many of which have recently experienced significant funding cuts. This too is something that will be explored in the final stage of the research.

Providing housing at a rent those in poverty can afford is a central issue, as is allocating the housing that is offered to those who would otherwise be in poverty. Until recently, these were

areas over which social landlords had relatively little influence, and which in any case had little impact because rents were almost always covered by benefits. In both of these areas, social landlords now have more control, due to the introduction of Affordable Rent, although this may be severely constrained by economic necessity.

In terms of allocations, there is evidence of something of a move away from housing those in most severe need, in favour of “a wider range of people”, including those on middle incomes. This change is most evident in the written strategies of larger Housing Associations, rather than Local Authorities or smaller Housing Associations, and is statistically linked to the provision of Affordable Rent housing.

Statistically, this approach was found to be most likely in high pressure markets in the south of England, where rents are higher and pressure on social housing most intense.

A wide range of approaches now exist with regard to rent setting. Local Authorities face statutory duties to homeless households and pressure from those in housing need on their waiting lists, whereas Housing Associations faced significantly different priorities and pressures, arising from their need to maximise income from rent.

The cuts to grant rates for developing social housing have had a major impact on the ability of social landlords to develop low cost housing, affordable to people on low incomes. The broad options now available to them include:

- Keeping rents at social rent levels, and accepting a lower rate of new development, or none at all
- Offering market-linked Affordable Rents but keeping them within levels which can be covered by benefits available to people in poverty
- Maximising rents in order to maximise income and fund development, and ensuring that only those able to afford the higher rents become tenants.

While the higher rent options offer much greater potential for funding development, and therefore reaching a larger number of people who need help, the risk for an organisation seeking to address poverty is that they may make the housing unaffordable to the poorest people. This is tacitly admitted by some social landlords providing this type of housing, when they test new tenants for their ability to afford Affordable Rent, or restrict access to employed applicants. Many Local Authorities concerned by this issue urged Housing Associations to keep rents below the Local Housing Allowance level or not to convert to Affordable Rent at all.

Responses to this dilemma among Housing Associations vary; a small number, as outlined above, have started to put a lesser emphasis on helping those in the most severe poverty. At the opposite end of the spectrum, a small number (two in the sample) have rejected increasing rents altogether, instead deciding to cut back their development programme.

However the middle route of developing Affordable Rented housing within limits that can be covered by benefits is clearly the route being taken by a majority of developing Housing Associations, and some Local Authorities. This suggests that, despite reforms to Housing Benefit, Housing Associations remain reliant on this income in order to meet their social mission of providing housing for low income tenants.

This stage of the research has also highlighted some crucial differences between social and private landlords. Operating in very different regulatory frameworks, there are huge differences between the sectors in terms of the presence of written strategies covering allocations, housing management, investment or overall mission or purpose. The private rented sector in all 15 of the case study areas is largely owned by small-scale private landlords and managed by small-scale letting agencies, who have only very limited written documentation detailing their plans or strategies. The focus of what they do have is generally framed around ensuring a good service to both private landlords and tenants. Good tenants are generally seen as those who can pay their rent, meaning that many agencies place lower income limits on new tenants, which may or may not include benefit income. This is in sharp contrast to the large majority of social landlords most of whom articulate some wider social objective for their work, usually including a focus on providing housing for those in need.

What remains missing here is a fuller understanding of the extent to which policies and strategies reflect actual practice. We know what housing organisations say they have done, and will do, but not how they have formulated these strategies, nor how they play out in practice. The final stage of this research, to be published in 2015, will enable us to explore further the relationship between strategy and practice by interviewing the staff of housing organisations, including landlords of all types.

## Appendix 1: Methodology

This stage of the project involved an extensive and thorough analysis of housing organisation policy and strategy documents relevant to poverty. This Appendix provides detail on how this was achieved, describing the sampling, data gathering and data analysis techniques used.

### Case study selection

In order to ensure a representative coverage of both housing organisations and housing markets in England, 15 Local Authority areas were selected as case study areas. Six factors were taken into account when selecting the final 15 Local Authority areas for analysis:

- Typology of housing market (detailed in the Initial Report)
- Regional spread
- Balance of urban and rural areas
- Political control of Local Authorities
- Local Authority population size
- Local Authority council housing status (wholly owned, ALMO or stock transfer)

The resulting selection of Local Authorities closely matches the national distribution on all of these variables, and has produced a sample representative in terms of both the policy and housing market environments encountered by landlords. Poor people live in all types of areas, including those that are – on average – wealthy. This approach ensured that the research did not focus only on areas with high levels of poverty.

The Local Authority areas chosen for analysis are shown in the table below, showing the variation in numbers of households, and their status regarding council housing. Some authorities own and manage social housing in-house, some have undergone Large Scale Voluntary Transfer (LSVT) of housing to a Housing Association, and a few own social housing but devolve its management to an Arm's Length Management Organisation (ALMO).



**Table A1.1 Local Authority areas selected as Case Studies**

Local Authority	Households (Census 2011)	Region	Approach to social / council housing
East Riding of Yorkshire	143,032	Yorkshire and the Humber	In-house
Suffolk Coastal	53,558	East of England	LSVT
East Staffordshire	47,251	West Midlands	LSVT
East Dorset	37,564	South West	LSVT
Sheffield	229,928	Yorkshire and the Humber	In-house
Worcester	42,042	West Midlands	LSVT
Milton Keynes	98,584	South East	In-house
Rutland	15,002	East Midlands	LSVT
Derby	102,271	East Midlands	ALMO
Guildford	53,973	South East	In-house
Burnley	37,550	North West	LSVT
North Tyneside	91,295	North East	In-house <sup>9</sup>
Portsmouth	85,473	South East	In-house
Barnet	135,916	London	ALMO
Southwark	120,422	London	In-house

### Sampling Social Landlords

We identified a total of 74 Housing Associations who were active in the 15 case study areas, as well as three ALMOs<sup>10</sup> and six stock-owning Local Authorities, making a total of 83 social landlords. As the research had aimed for a sample of around 75 social landlords, and a small proportion of the sample shared parent organisations, the full potential sample of 83 social landlords was included. Relevant policies and strategies from the nine non-stock holding Local Authorities were also included, bringing the total sample size to 92.

The sample of Housing Associations also included ten Housing Co-operatives and four Almshouse Charities. These have been referred to throughout this report under the umbrella term “Housing Associations” for ease of reading.

It should be noted that 37 of the Housing Associations were active in multiple case study areas, and that some operated via multiple subsidiaries.

### Sampling Private Landlords

There are no formal reporting requirements for private landlords beyond those operating as registered companies, which makes sampling and contacting them very different to

<sup>9</sup> North Tyneside devolve management of their properties to a semi-independent unit, North Tyneside Homes. Although it lacks legal ALMO status, it has been considered as one for the purposes of this research.

<sup>10</sup> Including North Tyneside Homes.

contacting social landlords. Several routes were attempted to obtain policies and strategies from this group.

Firstly, private landlords most usually do not have their own websites or public contacts, and operate through letting agents. We therefore identified agents (and a small number of private landlords who advertise directly) in the 15 case study areas through advertisements on major property websites (Rightmove, PrimeLocation and Zoopla), and through an additional Google search for private landlords. After a pilot exercise, in which 18 letting agents in the East Riding of Yorkshire were contacted, all 211 letting agents and four private landlords found were contacted by email to request documents and policies. In addition, a random sample of 100 private landlord or letting agent websites were analysed for policy and strategy documents and statements.

All letting agents and most private landlords that we contacted and who were willing to help stated that they did not keep policies or strategies of the sort we were seeking, although one did supply a standard form contract for tenants, and some standard affordability criteria; only one private landlord (Grainger) was able to supply published policy documents as such.

All 17 private Landlord Associations found operating in all case study areas were contacted. Two associations were willing to take part in general terms, but felt that the private landlords they represented were highly unlikely to have any policy or strategy documents, and they were therefore unwilling to ask their members to supply them for research purposes.

In total, very few private landlords or letting agencies were willing and able to supply written documents or strategies for analysis; it seems likely that only a small minority have formal documents similar to those found in the social housing sector.

The third stage of the research exploring the actual practices of private landlords will therefore be critical to understanding its impact on poverty.

## **Document Selection and Document Types**

A wide variety of policy and strategy documents were considered for each organisation, primarily those giving a detailed overview of the organisation's recent, current or future work relating to housing. The key documents considered included Business Plans, Annual Reports and Accounts, Allocation and/or Tenancy Policies and in the case of Local Authorities their Housing and Homelessness Strategies.

Certain Local Authority documents were specifically excluded from the analysis – for example Core Strategies – due to their overarching scope. Housing activities detailed in these documents would usually be given in more detail in other policies.

It is important to note that the documents collected were not strictly limited to the document titles listed in the table below and included all with any likely relevance to tackling poverty. Documents were gathered from organisation websites, and where insufficient published documents could be found, the remainder were requested by either phone or email.

The table below shows the different types of documents found within the 83 organisations examined:

**Table A1.2 Classification of types of documents obtained from landlords**

Type of Document	Aim
Business Plan / Strategic Plan	Sets out overall plan for business in the coming year(s) May contain financial, strategic and/or practical goals
Annual Reports (for stakeholders or tenants)	Detail achievements in the past year(s) May be addressed to tenants or stakeholders, or presented in conjunction with the Annual Accounts
Annual Accounts	Fulfil regulatory requirement Set out future spending intentions
Corporate Brochure or Social Responsibility Publication	Highlights work and aims of the organisation Sets out agenda for Corporate Social Responsibility (CSR)
Housing Strategy	Sets out Local Authority's housing objectives Sets out plans for how to achieve objectives
Private Sector Housing (Renewal) Strategy	Sets out Local Authority's objectives for housing in the private sector; often contained within Housing Strategy
Development Strategy	Sets out plans for new development by the organisation
Tenancy Strategy or Tenancy Policy	Sets out types of tenancies to be issued, and to whom May be issued by a Local Authority or a Housing Association
Rent and Service Charge Setting Policy	Determines level of rents charged within tenures; most relevant where Affordable Rent tenancies are offered
Allocations Policy (for organisation or Local Authority area)	Sets out priorities for allocation and excluded groups Importance depends on the extent to which the provider makes allocations independently of the Local Authority
Homelessness Strategy	Sets out Local Authority objectives and actions on homelessness
Anti-poverty strategy	Sets out strategy to reduce poverty or its consequences
Arrears policy	Sets out policy for handling rent arrears
Research findings	Help formulate own future strategy Produce material for campaigning
Outcome analysis, External Audit or Report	Review success of specific project
Maintenance or housing condition policy	Sets out goals and methods for maintaining housing stock Included primarily for relevance to fuel poverty
Affordable Warmth or Fuel Poverty Strategy	Sets out Local Authority targets and plans for reducing fuel poverty in all housing
Local Investment Plan	Sets out strategic vision for a Local Authority area or wider area; included primarily for any goals relating to housing and poverty
Web Pages	Set out who they are and what they do Provide information to prospective and future tenants Considered only where other documents lacking
Advice Publication	Give information to tenants or prospective tenants advice Considered only where other documents lacking and/or contains detailed information

The table below shows the number of documents stored and analysed in each category.

**Table A1.3 Number of documents gathered, by type of document and landlord**

Type of Document	Total Documents	Local Authorities / ALMOs	Housing Associations	Private Landlords / Letting Agents
Business Plan / Strategic Plan	52	18	34	0
Annual Report (for stakeholders)	42	2	38	2
Annual Report (for tenants)	50	5	45	0
Annual Accounts	50	1	48	1
Corporate Brochure	13	0	12	1
Social Responsibility Publication	17	0	15	2
Housing Strategy	18	18	0	0
Private Sector Housing (Renewal) Strategy	8	8	0	0
Development Strategy	9	2	7	0
Tenancy Strategy or Tenancy Policy	40	19	22	0
Rent and Service Charge Setting Policy	17	2	15	0
Allocations Policy (Organisation)	32	3	30	0
Allocations Policy (Local Authority / Area)	18	17	4	0
Homelessness Strategy	13	12	1	0
Anti-poverty strategy	14	6	8	0
Arrears policy	28	8	20	0
Research findings	14	2	12	0
Outcome analysis, External Audit or Report	1	0	1	0
Maintenance or housing condition policy	25	6	19	0
Affordable Warmth or Fuel Poverty Strategy	17	7	9	1
Local Investment Plan	12	12	0	0
Web Pages	112	0	15	97
Advice Publication	41	1	29	11
Other Strategy Document	18	5	13	0
Other Policy Document	46	21	23	2
Value for Money Policy / Report	23	1	22	0
Total Documents <sup>11</sup>	649	159	377	116
Total Documents (exc. web pages)	537	159	362	19

Source: Database of Policy and Strategy Documents

<sup>11</sup> The numbers in this table represent individual documents rather than organisations. Some documents were placed in more than one category, and some were issued jointly by multiple organisations in the sample. Hence the columns do not sum to the totals given.

## Appendix 2: Analysis Framework

### Analysing Policy and Strategy Documents

The analysis concentrated primarily on identifying practical **activities** described in the policy and strategy documents, where these were likely to have an impact on poverty. In addition, a small number of statements about strategic direction were considered.

The activities were recorded in a bespoke Microsoft Access database, linking each activity to the specific document, and allowing the recording of quotes for qualitative analysis. This allowed analysis of actions planned or taken by different organisations, regardless of which documents they were mentioned in, and allowing activities in documents to be counted for multiple organisations where documents were shared.

The database was also designed to contain background information about geographical areas and organisations, allowing conclusions to be drawn about the types of organisation which carry out particular activities, or about geographical areas where those activities most likely to take place, by exporting data to the statistical analysis software, IBM SPSS.

### Types of housing organisations and organisational structures

Landlords in this research have been divided into two level of groupings for analysis; most quantitative analysis compares Local Authorities (including ALMOs) to Housing Associations, but qualitative analysis usually adds more detail about the type of landlord, for example including co-operative societies or almshouse charities, who were included in the sample but not in large enough numbers for separate quantitative analysis.

- Local Authorities, including:
  - Local Authorities directly providing council housing
- ALMOs
- Housing Associations, in this report also including:
  - Almshouse Charities
  - Co-operative Societies
- Private Landlords and Letting Agents

Some Housing Associations operate within groups. They were analysed as groups in cases where the policies and strategies in operation were produced at this level<sup>12</sup>. Throughout the report, the analysis is based upon documentation and therefore considers only activities which are mentioned in the documents examined. It is very likely that many organisations carry out additional activities which they do not mention in their policies or strategies, or conversely that some do not in reality carry out those which they do mention.

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<sup>12</sup> To deal with organisations at the subsidiary level would risk creating false correlations where a large number of organisations shared a common policy due to common ownership (an issue particularly affecting small co-operatives).

The table below shows the numbers of organisations who made different types of strategies available for the research.

**Table A2.1 Numbers of landlords publishing or submitting documents of each type, by type of landlord**

Type of Document	Total Organisations	Local Authorities / ALMOs	Housing Associations	Private Landlords / Letting Agents
Business Plan / Strategic Plan	50	17	33	0
Annual Report (for stakeholders)	39	2	36	1
Annual Report (for tenants)	45	5	40	0
Annual Accounts	47	1	45	1
Corporate Brochure	11	0	11	0
Social Responsibility Publication	14	0	12	2
Housing Strategy	14	14	0	0
Private Sector Housing (Renewal) Strategy	8	8	0	0
Development Strategy	9	2	7	0
Tenancy Strategy or Tenancy Policy	35	16	19	0
Rent and Service Charge Setting Policy	14	2	12	0
Allocations Policy (Organisation)	29	4	25	0
Allocations Policy (Local Authority / Area)	25	18	7	0
Homelessness Strategy	12	11	1	0
Anti-poverty strategy	12	5	7	0
Arrears policy	22	5	17	0
Research findings	8	2	6	0
Outcome analysis, External Audit or Report	1	0	1	0
Maintenance or housing condition policy	20	5	15	0
Affordable Warmth or Fuel Poverty Strategy	15	6	8	1
Local Investment Plan	12	12	0	0
Web Pages	57	0	12	45
Advice Publication	26	1	16	9
Other Strategy Document	14	4	10	0
Other Policy Document	30	12	16	2
Value for Money Policy / Report	18	1	17	0
Total Organisations in category	128	18	59	51

Source: Database of Policy and Strategy Documents

## The content of policy and strategy documents: building a framework for analysis

The practical activities identified in housing organisation policy and strategy documents could be classified in several ways, for example in terms of their key themes, their expected impact on poverty, and the range of people affected.

The framework for analysis used in this study took the approach of classifying the activities of housing organisations thematically, into eight key areas of activity in which housing organisations have the potential to make an impact on poverty. It was developed initially from pilot interviews and document analysis, but evolved flexibly throughout the document analysis process as a wider range of documents and organisation types were considered.

The table below summarises the framework structure, listing the key activities found in the housing organisation documents which could have an impact on poverty (positive or negative), broken down into the five key themes.

**Table A2.2 Summary of the classification of activities used for analysis**

Theme	Possible actions
Allocations and Lettings	Discharge homelessness duty into private sector
	Exclude Housing Benefit claimants
	Prioritise balanced or sustainable neighbourhoods
	Prioritise by time on waiting list
	Prioritise employed households
	Prioritise local connections
	Prioritise need, by level of need
	Prioritise nominations from Local Authority
	Prioritise own residents in need
	Prioritise under-occupiers
	Require guarantor for Housing Benefit claimants
	Set upper income limit for new residents
	Test ability to afford rent
	Use flexible tenancies to incentivise socio-economic participation
	Use flexible tenancies to prioritise efficient use of stock
	Encourage or assist tenants to take lodgers
	Fuel efficiency improvements to properties
	Issue notice early in arrears process
	Last resort action only against tenants in arrears
	Regeneration activities
	Restrict ending of fixed term tenancies
	Tough action against tenants in arrears
	Build or buy housing, by tenure
	Convert existing housing to a different tenure
	Develop portfolio into cheaper areas
	Develop portfolio into more prestigious areas
	Equity release programme
	Re-invest profits from other activities in affordable housing
Sell housing, by tenure	

Rent and service charge setting	Cap rents at Local Housing Allowance levels
	Make no profit on service charges
	Maximise rent
	Maximise service charges
	Minimise rent
	Minimise service charges
	Move rents toward target rents
Support Activities	Advice finding employment
	Advice on training or volunteering opportunities
	Advice or help to reduce fuel bills
	Financial advice, by type
	Grants to residents for one-off expenses
	Health and well-being improvement work
	IT training or digital inclusion work
	Training, volunteering or work experience opportunities
	Youth Work
Tenancy Support and Housing Advice	Advice on re-housing to smaller or cheaper property
	Encourage private landlords to rent to low income households
	Mortgage rescue scheme
	Rent Deposit or Bond Assurance scheme
	Social Lettings Agency or tenant-landlord introduction service
Strategic Direction and Value for Money	Mention strategic aim of reducing poverty
	Mention aim to expand the business
	Mention competitiveness or business reputation
	Mention need to remain and viable/sustainable business
	Mention social goals
	Mention value to the taxpayer / public purse
	Focus on housing a wider range of people
	Focus on housing those most in need

## Classifying the relationships between the work of housing organisations and poverty

In addition to the thematic breakdown outlined in the framework, the activities found in the policy and strategy documents can alternatively be classified as relating to:

1. The impact of *housing circumstances* on poverty
2. The *wider work of housing organisations* on poverty, above and beyond their basic function of providing housing

In addition, the potential impact on poverty within the strategies can be classified as relating to:

1. Activities with a potential direct impact on poverty
2. Activities with a potential impact on employment and earning potential
3. Activities with a potential impact on wider material deprivation and the consequences of poverty



Taken together, and drawing on Table A2.2, the activities of housing organisations can therefore be classified into six groups. The table below gives examples of the types of work that fall within each of these six groups of activities.

**Table A2.3 Conceptual classification of activities in terms of impacts on poverty**

	<b>Housing circumstances</b>	<b>Wider work of housing organisations</b>
<b>Direct impact on poverty</b>	<p>Low rent</p> <p>Reducing other costs – service charges, fuel, moving in costs</p> <p>Reducing indirect costs – travel to work or services, childcare</p> <p>Improving energy efficiency to reduce fuel poverty/increase disposable income</p>	<p>Helping people into work</p> <p>Helping people maximise their benefit claims</p> <p>Helping people claim any other money or support in kind to which they are entitled (child support, grants, free school meals, free prescriptions, etc)</p> <p>Helping people budget, shop or choose best energy supplier</p>
<b>Impact on employment</b>	<p>Low rent to provide financial incentive to seek work</p> <p>Security of tenure to provide stability needed to help people focus on finding work, and to prevent disruption to employment caused by moving house</p>	<p>Community/youth work to improve future employment opportunities</p> <p>Improving tenants' health and wellbeing to improve employment prospects</p> <p>IT literacy, CV writing help</p> <p>Placements to prepare for work</p>
<b>Impact on wider material consequences of poverty</b>	<p>Stable home with sufficient space to study</p> <p>Energy efficiency</p> <p>Good location providing access to employment, good schools and services</p> <p>Security of tenure to provide comfort and stability and avoid disruption to social networks caused by moving house</p> <p>Homelessness prevention/tenancy sustainment activities</p>	<p>Neighbourhood improvements</p> <p>Community/youth work</p> <p>Tackling ASB and crime, improving community cohesion</p> <p>Improving tenants' health and wellbeing</p>

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## Acronyms

ALMO	Arm's Length Management Organisation
CPI	Consumer Price Index, a measure of inflation
DWP	Department for Work and Pensions
DCLG	Department for Communities and Local Government
ECO	Energy Companies Obligation
HCA	Homes and Communities Agency
HMO	House in Multiple Occupation (such as bedsits occupied by unrelated adults)
JRF	Joseph Rowntree Foundation
LSVT	Large Scale Voluntary Transfer
RPI	Retail Prices Index, a measure of inflation
SAP	Standard Assessment Procedure – for energy efficiency of properties