

Comparison of stock, rents and service charges among different types of social landlords

Summary

Introduction

A series of social housing policies over the past two decades have changed the picture of ownership in England by resulting in four types of landlords. These include traditional or mixed funded Registered Social Landlords¹ (RSLs, henceforth traditional RSLs), RSLs who have taken over council housing stock (Large Scale Voluntary Transfer (LSVT) RSLs), Local Authorities (LAs) retaining council housing and related operations (traditional LAs), and those outsourcing housing management (Arms Length Management Organisations (ALMO) LAs).

Following on from last year's baseline study of stock, net rents and service charges across these types of social landlords, this paper further investigates the substantial differences between landlord types in 2008/09 based on key variables, and looks particularly at the extent to which coherence has developed among them by also using time series analyses spanning the last eight years. A more substantial analysis of the stock profile among landlord types has also been included in this paper. For clarification, the landlord types have been split into six categories as outlined in the table below:

Categorisation of landlord types

LA sector	RSL sector
traditional LA *	traditional RSL †
partial transfer LA **	LSVT RSL †† i) local ii) diversified
ALMO LA ***	

* LAs having retained whole ownership and the relevant operation of council housing.

** Partial transfer LAs have a mixed style of stock ownership, which means (a) they retain council housing units after partial transfers to RSLs, (b) they may own units subject to a partial transfer but the programme was not implemented at the survey point and (c) they may own units subject to a partial ALMO programme.

*** These may include LAs whose ALMO scheme was incomplete at the end of 2008/09.

† These RSLs include those that own former council housing stock through partial LSVT packages.

†† These are newly established RSLs which arise from whole stock transfer from an LA to an LSVT RSL. They are then disaggregated by their stock location - stock in their original LA areas are termed i) local and stock in diversified areas, ii) diversified.

¹ From 2010, Registered Social Landlords (RSLs) are known as Registered Providers of Social Housing, although as the analyses in this paper are based on 2008/09 data, we use the original term 'RSLs'.

Datasets

The source of the latest RSL sector data is the long version of the Regulatory and Statistical Return (RSR) 2009, which contains stock and rent levels as at 31 March 2009. Data for local authority rents and stock are based on returns made annually to the Department of Communities and Local Government (CLG). In order to ensure appropriate comparisons, analysis has been restricted to self-contained housing stock. All rent and service charge data are expressed in pounds (GBP) per week, unless specified otherwise.

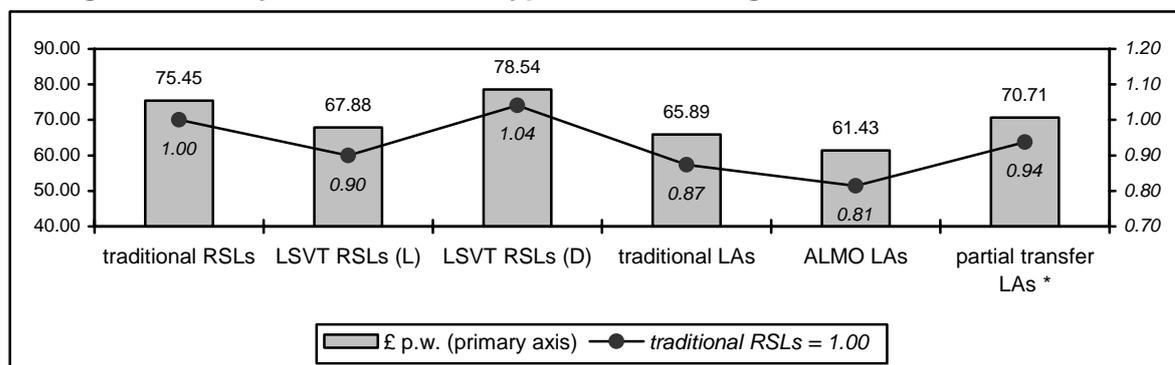
Key findings

Distribution of housing stock between landlord types in 2008/09

- The social housing sector comprises almost 4m units in total, divided between the RSL and LA sub-sectors.
- Traditional RSLs had the largest stock of 1,036,000 units in total.
- LSVT RSLs had around 971,000 units, of which 919,000 (95%) were located in original LA areas.
- 1,829,000 units were owned by LAs. Of those, 898,000 were managed by LAs themselves while an estimated 768,000 were managed by ALMOs.
- Around 163,000 units were LA housing stock that remained as such after partial LSVT and/or ALMO programmes.² This type of landlord was observed only in large urban concentrations.

Net rents by landlord type in 2008/09

Average net rent by social landlord type: all sizes, England



Note: The RSL stock contains bedspaces. Source: For the RSL sector, the RSR 2009 Part O. For the LA sector, CLG (2009) available at www.communities.gov.uk/documents/housing/xls/table600.xls.

- Excluding partial transfer LAs, which are biased by urban settings, the remaining five social landlord types can be categorised into two groups: a group with relatively high rents made up of landlords in the RSL sector (except local LSVT RSLs), and a low rent group consisting of LA landlords and local LSVT RSLs.
- Diversified LSVT RSLs³ had the highest average net rent of £78.54.
- The average net rent charged by traditional RSLs was reasonably close to this level, at £75.45 – a gap of 4% (using the traditional RSL level as reference).
- The average rents of local LSVT RSLs (£67.88) and traditional LAs (£65.88) were relatively close to one another – 10% and 13% below the traditional RSL average respectively.

² Henceforth, owners of this type of LA stock are termed as 'partial transfer LAs'. This category includes LAs undertaking a partial ALMO programme.

³ 'Diversified' refers to anything outside a RSL's original LA area – see Section 2 of the main paper for further explanation.

- While local LSVT RSL average rents were generally close to those of LA landlords, this pattern was not uniform across the regions.
- Drawing on the averages relative to the traditional RSL levels, five regions (London, the South East, the South West, the North East and the North West) saw local LSVT RSL rents closer to traditional RSLs than to any LA landlord group.
- The average difference in net rents between landlord types was largest in the North East (26%) and smallest in London (16%).
- The average net rent difference between landlord types in all LA areas was £10.85.

Target rents by landlord type in 2008/09

- The differentiated pattern of net rents between landlord types was also evident in the pattern of average target rents. The differences here, however, were less significant.
- Diversified LSVT RSLs had the highest average target rents of £79.02, followed by partial transfer LAs (£77.52) and traditional RSLs (£76.65).
- The lowest average target rents were among ALMO LAs (£67.37), local LSVT RSLs (£70.93) and traditional LAs (£71.94).
- The average target rent difference between landlord types in all LA areas was £6.18.

Rent convergence rates by landlord type in 2008/09

- Taking all properties together, the three RSL landlord types had rents which had converged with target rents to within the agreed regulation range of $\pm 5\%$.
- The average net rent among diversified LSVT RSLs in particular was almost equal to their average target rent.
- All of the three LA landlord groups had not reached the agreed level of convergence and were more than 5% below target.
- Even when broken down by property size almost all RSL rents were within the 5% range.
- Among LA landlords almost all were outside the 5% range. Even though rents for smaller properties rose more rapidly they were still furthest away from target.
- In the four-bedroom or larger category, partial transfer LAs had an average net rent that was within 5% of target. This was the only case where LA landlords had rents within the $\pm 5\%$ range.

Service charges by landlord type in 2008/09

- For all property sizes, the highest average service charge eligible for housing benefit (henceforth referred to as ESC) were those for traditional RSL properties (£10.14), followed by the diversified LSVT RSLs (£7.51).
- Local LSVT RSLs had the lowest average ESC of £5.04 or almost half of the traditional RSL level.
- The profile of average service charges that were not-eligible for housing benefit varied less between the landlord types.
- Although the highest and lowest charges were from the same landlord types as in the ESC case, the difference was only 0.16 points.

Rental developments for two-bedroom properties from 2001/02 to 2008/09

- All landlord types (except diversified LSVT RSLs in 2003/04) showed continuous net rent increases for two bedroom properties throughout the observation period.
- The rank order has been stable, with diversified LSVT RSLs charging the highest rents and ALMO LAs charging the lowest.
- The range narrowed from £17.65 in 2001/02 to £16.45 (inflation-adjusted £13.15) in 2008/09.

- Since 2001/02, traditional RSLs and diversified LSVT RSLs rents within the agreed regulation zone of $\pm 5\%$ of target.
- From 2007/08 local LSVT RSLs have brought their net rents within range of target rents, progressing 6.5 percentage points over the period.
- With the latest convergence rates showing net rents at around 10% below target, all LA landlord types need further rent rises if convergence is to be achieved. Traditional LAs and ALMO LAs, however, showed great improvement during the period with declining margins of 8.0 and 6.4 points respectively.

Conclusions

The most recent data show that social rented housing stock in England was more or less evenly distributed among traditional RSLs, local LSVT RSLs, traditional LAs and ALMO LAs, with a small proportion being owned by partial transfer LAs and diversified LSVT RSLs.

The latest net rent comparison reflected the pattern seen in the original baseline study. Excluding partial transfer LAs, which were concentrated in urban areas, the remaining landlord types were split roughly into two subsets: a high rent group made up of landlords in the RSL sector (except local LSVT RSLs) and a low rent group consisting of LA landlords (including local LSVT RSLs).

Net rents among the three RSL landlord types were converging towards target rents and had achieved the agreed regulation zone of $\pm 5\%$, while traditional LAs and ALMO LAs showed continuing convergence over the last eight years. The gap in rents between the social landlord types has declined.

Compared to the charges that were eligible for housing benefit, non-eligible charges appeared relatively evenly spread across the landlord types. This compressed variation may be linked to the nature of the non-eligible service charges which may function to constrain the variation.

The findings of this study suggest that at least three mechanisms are functioning to bring coherence to the social rent structure. These include the LSVT process, the rent restructuring framework and, at least potentially, consumer discipline. While the first two depend on a top-down approach from the government (although early LSVTs were often led by local initiatives), the last tool is principally bottom-up. The LSVT programme in its current form has passed its peak, suggesting that its impact will be less prominent in the future except to the extent that ALMOs are transferred. The rent restructuring framework will be complete within two years and it is not yet clear what will replace it. Consumer pressure on rent setting, on the other hand, may well increase as greater emphasis is placed on giving tenants the opportunity to voice their opinions and concerns. .