



**We change lives**

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# **Nacro's response to the MHCLG consultation on Overcoming the Barriers to Longer Tenancies in the Private Rented Sector**

**26 August 2018**

## About Nacro

We are a national social justice charity with more than 50 years' experience of changing lives, building stronger communities and reducing crime. We house, we educate, we support, we advise and we speak out for, and with, disadvantaged young people and adults. We are passionate about changing lives. We never give up. In 2016/17 we supported more than 38,000 disadvantaged young people and adults who face challenges with education, housing, health or who have a history of offending. We aspire for our work to be consistently high quality, innovative and based on evidence. We work in partnership with more than a hundred organisations within the public, private and charity sectors. We use our knowledge of 'what works' to help inform policy and shape practice.

## Introduction

Over the last 50 years, Nacro has developed specialist housing knowledge and expertise in delivering housing solutions for vulnerable groups. We are a registered social housing provider and operate a social lettings agency. Currently, we provide a range of accommodation options mainly comprised of self-contained accommodation and support across England and Wales. Our housing services cater for people who are homeless; care leavers; young people including teenage parents; women only projects; families; former members of the regular armed forces; survivors of domestic abuse, people experiencing mental illness or impairment; people experiencing alcohol or drug issues; people leaving prison; and people in wider contact with the criminal justice system.

As a social justice charity, Nacro's main aim is to ensure that disadvantaged and vulnerable young people and adults reach their full potential in life. We understand that good quality, appropriate and secure housing is often the first step to unlocking this potential by laying the foundations for stability and development. Housing is, therefore, integral to our work, and we promote equitable and fair access to housing for everyone at every opportunity. Therefore, within our response, we highlight the positive impact that these proposals may have, as well as how the proposals could be strengthened to ensure that the private rented sector (PRS) works for disadvantaged and vulnerable people. We have also highlighted good practice in relation to the PRS from Wales where we have supported housing projects.

We have focused on responding to the questions which are most relevant to our experience and expertise. We hope that the government considers the issues that we present throughout our response. We are more than happy to expand or clarify our response. If you have further questions, please contact Rachel Annison: [rachel.annison@nacro.org.uk](mailto:rachel.annison@nacro.org.uk) or 020 7902 5437.

## Response

In principle, we support the longer tenancy model. We believe that it will provide longer-term housing security, which helps our service users moving on from our supported housing, to maintain the stability and independence they have achieved through our support. Current practices in the PRS (including a dramatic increase in the number of 'no fault' evictions), creates a precarious and unstable environment where service users cannot be sure that they will still be housed in the next year. This causes a backdrop of stress and anxiety which may, in turn, impact on health and other needs. If service users are frequently made homeless, this may result in their destabilisation. The risk is that needs accumulate, the individual regresses and the years of support and progress are undone, leading to repeated stays in supported housing — and more cost to the public purse. However, we believe that there are other pressing issues that also need to be addressed in relation to the PRS and vulnerable people — namely obtaining access to the PRS in the first place.

Assisting service users to find a home to move on from our services is always challenging due to the housing crisis. But in recent years, council and housing association properties, with security of tenure, have become increasingly hard to secure, leaving the PRS as the main route. In areas where housing demand is high, landlords have a choice of tenants, and often choose not to rent to people moving on from supported housing, especially those in receipt of benefits. This is for a number of reasons. As one of Nacro's housing managers argued:

*“Our city is populated with a significant student population, graduates and professionals. What we find is that our service users are pipped to the post because why would a private landlord want to give a tenancy to someone who is coming out of supported accommodation and has had a history of drug use or offending, where they could have a professional couple, that work, have no children, have no pets and probably don't smoke. These are the tenants that private landlords believe they will receive their rent from, and will probably have their rent deposit and one month's deposit in cash.”*

Many of the people we support do not have the funds described above, and are not able to demonstrate a history of maintaining tenancies independent of support. In addition, we have recently observed a decrease in the length of support (often a mere six months) that local authority contracts will allow us to provide to turn a person's life around and stabilise their needs. This makes it even more difficult for service users to demonstrate a period of stability which is palatable to private landlords. For some service users, it is arguable that they may require some form of low level support for the rest of their lives (due to the complexity of their needs) to maintain tenancies in the PRS.

Furthermore, our service users often rely on benefits to fund all or part of their housing costs. Yet we know from research that private landlords are reluctant to rent to those on benefits.<sup>1</sup> Recent policy changes have complicated this situation further as the reality and perception of UC is causing private landlords to further shy away from offering accommodation to these groups.<sup>2</sup> The properties which tend to be more available to vulnerable people on benefits are usually of a lower quality, and thus, may impact on an individual's stability.

Therefore, we believe that more can be done, in addition to the longer tenancy model, to ensure that the government achieves its commitment to delivering a fairer, good quality and more accessible and affordable PRS for vulnerable and disadvantaged people.

## **Incentivising landlords to offer longer term tenancies**

Through our experience of working with private landlords, we believe that the key incentive to longer tenancies for vulnerable and disadvantaged people, is providing some form of support for both parties. Engaging with landlords has revealed that many hold a number of beliefs in relation to people moving on from supported housing. We found that private landlords were concerned that, by default, vulnerable people who were on benefits would be bad tenants, damage their property and would fall into rent arrears. This would, in turn, require more of the landlord's time which they could not give. Some of the landlords we spoke to only agree to rent to tenants for six months at a time. They believe that tenants are less likely to destroy their property during shorter tenancies. These beliefs can be reinforced by insurance companies who operate policies which do not allow landlords to rent to people on housing benefit or only at a higher premium.

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<sup>1</sup> Shelter & National Housing Federation (2018) *Stop DSS Discrimination: Ending prejudice against renters on housing benefit* London: Shelter

<sup>2</sup> Simcock T (2017) *Welfare Reform and Universal Credit: The impact on the private rented sector* London: Residential Landlords Association

We believe that the government should carry out research to fully understand landlord motivations for offering shorter tenancy agreements, to ensure that this is addressed within the longer tenancy model.

We believe that tenancy support for both vulnerable tenants and prospective landlords, as a product, will substantially incentivise landlords to rent their properties to vulnerable and disadvantaged people. In addition, this will ensure that should a vulnerable tenant's circumstances change that they have timely access to support to maintain their tenancy. Council and housing association tenants have traditionally had access to tenancy support through tenancy sustainment officers; however, this function has not fully translated into the PRS for vulnerable tenants.

By a third party acting for both landlord and tenant, we have been able to dispel any myths about renting to vulnerable people as well as providing opportunities, assurances and support so that vulnerable people can demonstrate that they can be good tenants. Below we highlight examples of tenancy support initiatives that we have developed. They illustrate how we have incentivised landlords to rent to our service users moving on from supported housing.

### **Nacro Homes Agency**

Nacro Homes Agency (NHA) is a social lettings agency, specialising in supporting and securing homes for people with vulnerabilities. We developed the NHA as a result of exploring what we could do to address our service users' need to access the PRS. The NHA positively intervenes in the PRS for the benefit of vulnerable people who otherwise may not have been successful in securing this type of accommodation by themselves.

Currently it caters for service users moving on from our supported housing in NHA areas, as well as people who are homeless or experiencing insecure housing who are referred to us by local authorities we work in partnership with. The NHA currently operates across South Yorkshire, the West and East Midlands, Lincolnshire, Merseyside, Greater Manchester, Staffordshire and parts of Essex. We have plans to expand the NHA into new areas.

We lease properties directly from private landlords and use our resources to provide and underwrite rental deposits including all void and bad debt loss. In effect, Nacro takes over the role of the landlord by managing these properties including paying the council tax and utility bills, as well as inspecting and reporting any repairs. Currently, the majority of our NHA properties come from landlords with large investment portfolios.

We typically offer our landlords three-year leases for properties, taking away the hassle of property management and providing them with a tangible social impact. We ensure that NHA tenants are provided with quality housing. We work with landlords to bring their properties up to a high standard before we will rent them out. We also ensure that rent and tenure are suited to individual circumstances, as well as providing low level support and coaching to help them maintain their tenancies.

We also prepare NHA tenants for a planned move into independent accommodation including support with applications to housing providers, accessing a bond or rent deposit as well as support with moving into the new property, securing furnishings and white goods etc., settling into the local community, change of benefits, budget support, and setting up accounts with utility companies. Maintaining positive and strong relationships with landlords is key. The support we offer tenants is also crucial to the landlord agreeing to work with us as they have peace of mind that every eventuality has been covered.

## Resettlement schemes and supported housing aftercare services

In some projects outside of the NHA, we operate effective resettlement schemes which essentially act as a brokerage service between landlords and service users as potential tenants. Through these schemes we have developed strong relationships with local landlords. We listen to what the landlord is looking for in a tenant, and match them accordingly with our service users who are ready to move on. In addition, some projects have been commissioned to provide tenants with aftercare through a drop in surgery. Because positive relationships have been established with service users before their move into the PRS, they are more likely to seek help with the same supporting organisation in the future if things start to go wrong.

Under section 180 of the Housing Act 1996, the Welsh Government set aside funds for tenancy support through the Homelessness Grant Programme. The Programme provides wide-ranging support including private sector lettings and associated bond schemes. They are delivered by a variety of providers including Nacro. Nacro's scheme has developed and elaborated beyond simple bond provision to ensure that tenants and landlords are supported during the tenancy.

Recently, schemes have adapted to meet landlord needs for support in relation to Universal Credit (UC) claims made by tenants. One Nacro housing manager stated:

*"They [landlords] want you to continue to work with them for six months or more so that everything is working smoothly and benefits are being paid directly to them or otherwise paid by the tenant. Currently the DWP are struggling with UC and Housing Benefit. You get passed around and still come out with no answers. This is affecting landlord confidence in the system. It has been beneficial for us to act as an independent party to liaise between the tenant and the landlord to sort these claims out."*

We recommend that the government ensures that all vulnerable and disadvantaged people and landlords renting to this group have access to some form of tenancy support. Introducing this type of support should be seen as a way to prevent repeated stays in supported housing in the future.

## Frequency and level of rent increases

We are concerned that the longer tenancy model may not yield the required effect in relation to providing vulnerable tenants with longer-term security of tenure in practice. People in receipt of benefits often have tight budgets. Any increases to their monthly outgoings can quickly result in shortfalls and debt. As benefits are not likely to increase substantially in the near future, even though the landlord is upfront about the rent increases over the three years, vulnerable tenants may be inclined, out of desperation, to sign the contract regardless. When coming to the end of the first year, these tenants may give notice knowing that they cannot afford the first rent increase. Therefore, the cycle of shorter tenancies may continue in practice.

We believe that the government should do more to ensure that the PRS is more affordable for people who rely on benefits for housing costs, including ensuring that reasonable rent increases in private accommodation are covered. We look forward to working with the government to look at affordability in the PRS, with a view to developing policy options for post-2020 when the current Local Housing Allowance freeze ends.

## **Potential impact on people with protected characteristics**

Research demonstrates that people with protected characteristics are more likely to be in receipt of benefits.<sup>3</sup> Landlords are already reluctant to rent to people on benefits, and the longer tenancy model may further discourage landlords to rent to this group due to the uncertainty and problems with the welfare system. This may result in the longer tenancy model having an adverse impact on this group. The impact of the model needs to be monitored closely. If it shows signs that people with protected characteristics are being increasingly excluded from the PRS, timely and appropriate revisions need to be made.

## **Other comments**

We believe that the government's rogue landlord banning orders initiative can be further strengthened by introducing a registering scheme similar to Rent Smart Wales (RSW). RSW obligates private landlords to register with the registering body if they want to use a court to legally evict a tenant. This approach ensures that PRS accommodation is up to standard and that landlords are legally compliant.

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<sup>3</sup> Hudson-Sharp N, Munro-Lott N, Rolfe H and Runge J (2018) *The impact of welfare reform and welfare-to-work programmes: an evidence review* Manchester: Equality and Human Rights Commission