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SHUSU
SUSTAINABLE HOUSING & URBAN STUDIES UNIT

Living Rents and Renting in Salford

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About the authors

The Sustainable Housing & Urban Studies Unit (SHUSU) is a dedicated multi-disciplinary research and consultancy unit providing a range of services relating to housing and urban management to public and private sector clients. The Unit brings together researchers drawn from a range of disciplines including: social policy, housing management, urban geography, environmental management, psychology, social care and social work.

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Executive Summary

This briefing explores the possibility and potential for a 'living rent' policy by Salford City Council to help ensure housing affordability for Salford residents. While various proposals have been put forward around 'fair' or 'living' rents as responses to our housing crisis, the focus of this report remains the proposal for a living rent that emerged through a partnership between Savills and the Joseph Rowntree Foundation (JRF). At present there exist three forms of regulated rents. These are:

- Fair rent: Only applicable to tenants who entered their tenancy agreement before 1989, and therefore remain protected under the 1977 Rent Act which allows rents to be regulated by a Valuation Office Agency Rent Officer.
- Social rent: Based on a formula set into place in 2002, and calculated using 30% of the rent levied being based on the existing use value of the property and 70% based on average weekly manual earnings, based on county data derived from the New Earnings Survey.
- Affordable rent: Rent set by the National Planning Policy Framework as at most 80% of local market rent.

The JRF and Savills (2015) have proposed what they call a living rent, which ensures that rent continues to be tied to income rather than market values. They argue that this could usefully replace 'affordable' rents (which they do not consider to be genuinely affordable) or be used in addition to affordable rents to expand the range of housing options available to families on lower incomes.

- Living rent: A rent tied to the lower quartile of the Annual Survey of Hours and Earnings (ASHE), compiled by the Office for National Statistics and adjusted for family size

This briefing explores the many complexities of government benefit and cap structures, while also drawing on interviews with private and social landlords based in Salford to evaluate the usefulness of a living rent in Salford. It finds that the high levels of central government control over benefits and housing caps combined with current market rent levels mean that implementation of the living rent would serve to make rent less affordable than current 'affordable' rent for a majority of households. A downward shift in the housing market would result in an even wider gap.

Should market rates continue to rise, living rent could become a useful part of a broader rent offer from providers in that it would ensure rents remain tied to income. Overall, however, adressing Salford's housing crisis needs to be part of a broader government solution that both ensures long-term, protected tenancies, and that controls rent rises. Further work on developing living rents within Salford without a broader movement seems likely to have little purchase.

1. Introduction

The current housing crisis in Salford has various dimensions, with affordability being principal among them. While this is primarily an issue for tenants within the quickly expanding private rented sector, changing definitions of affordability and the growing diversification by housing providers means that definitions of 'affordable housing' tied to market rents is pushing housing increasingly out of reach for many. While Salford's Mayor remains committed to prioritising the retention and new build of housing at social rents, this cannot provide an immediate solution to the housing problems of many Salfordians under the current funding regime. This report looks at the feasibility of a 'living rent' replacing 'affordable rents' as one potential way to address the gap between income and steadily rising rents in both the private rented and social housing sectors.

The private rental sector (PRS) has grown tremendously in Salford over the past two decades. Between 2001 and 2011, it increased by 70% to accommodate around 19% of all households across the city. By 2017 it represented 22.2% of Salford's private sector housing stock – a total of over 80,000 units. Rents have also been steadily increasing. The average private asking rent has increased from £587pcm in 2009 to £756 in 2018. This represents an increase of 29% across the city, with Broughton, Irwell Riverside, and Langworthy showing the highest increase in rent levels. Between 2016/17 and 2018/19 alone, there was a 10% increase in average rent for a studio flat, and a 15.7% increase in average rents for a 2-bedroom. The average asking price for a studio in Salford was £612 per month.[1] As also identified in SHUSU's 2017 report ***Precarious Lives: Lived Experiences of the Private Rented Sector in Salford***, the principal four issues currently facing tenants at the lower end of the private rented sector are high rents alongside barriers to entry in the form of deposits and fees, insecurity of tenure and poor conditions. These findings echo multiple studies carried out across the UK (Dorling 2015; Walker and Jeraj 2016; Shelter 2017b). Better understanding of the impact of steady rent rises on poverty is needed given that Salford is already in the top 10% of most deprived local authority districts in England (DCLG 2015).

As private rents continue to rise they also impact on parts of the social housing sector given their impact on how 'affordable rents' are set.A growing number of people and institutions, from Shelter Scotland to the Joseph Rowntree Foundation (JRF) to the mayor of London, have called for consideration of a 'living' or 'fair' rent among other policy solutions to address a growing crisis in housing affordability (Shelter 2017a; Harney 2014). The newly established London model has described its own living rent policy as 'a type of affordable housing for middle-income Londoners' with an upper household income limit of £60,000 allowing them to save to buy their own home (Mayor of London 2017). It consists of benchmarks that once set then rise with inflation. The average rent for a two-bedroom house is around £1,000 per month, but the growing divergence in rents for similar units has been increasingly criticised (Hollander 2018).

1 Data drawn from Vizzie Homes and Zoopla from 2009-2018, provided by Salford City council.

An alternative is the living rent methodology put forward by the JRF working with Savills (2015), posed as either a possible way to replace the current definition of 'affordable rent' or to expand the offering of rents available to families on lower incomes. Rather than being calculated as 80% of local market rent as 'affordable' rents are currently defined by government, the living rent would be calculated as a percentage of income, established using the lower quartile of the Annual Survey of Hours and Earnings (ASHE). Clearly there is a great divergence and confusion in the ways in which the terms 'affordable', 'living' and 'fair' rents are used in policy and in the literature. These terms will be defined more precisely in reference to history and policy in Section III. This report will use the term 'living rent' in evaluating feasibility for use of such a model in Salford.

This living rent briefing was commissioned by Salford City Council (SCC) to explore if and how a living rent as defined in the JRF model could be adopted within Salford. In addition, SHUSU was asked to explore the alternative use of the living wage as a base for calculating a living rent. This study thus had the following objectives:

- To undertake a review of the policy framework as it applies to living rents
- To undertake consultations with social housing organisations and private landlords in order to assess the feasibility and deliverability of a living rent approach in Salford
- To jointly evaluate with the local authority the findings and co-design future development of any such initiative in Salford
- To evaluate the delivery of living rents in Salford across all tenures

The briefing is divided into seven sections: 1) introduction; 2) study methodology; 3) a brief history of rent regulation in England; 4) a mapping of the current constraints on rent levels and current rents; 5) what the council is currently doing in response; 6) the potential for living rents and a brief look at other possible policy or regulatory avenues; 7) recommendations.

2. Methodology

This study commenced with a workshop involving key SCC officers in order to draw together existing knowledge and innovation from amongst council staff as part of the co-production of questions to be included in the consultation phase. The gaps in knowledge as established by staff confirmed the need for questions around 1) landlord understandings of the trade-off between business profit and sustainability and tenant stability, and 2) the possible support or incentives needed by landlords to maintain more affordable rents and provide more security of tenure. The workshop also established a level of consensus among staff around the structural nature of the housing crisis, the concerted effort already being taken to do as much as currently lies within the power of the council to support tenants, and the very real constraints around further effective action without a significant change in policy at government level. These findings will be explored further in Section IV.

Council staff provided a full list of social landlords to be contacted, and two names of management companies currently working closely with developers at the higher end of the rental market. Of these, six social landlords responded and were willing to be interviewed for the study as well as one management company. Contact with private landlords was facilitated through a presentation by the research team at the council-run Salford Landlord Forum and an invitation to be part of the project included in the forum newsletter. Social media was also utilised. The Residential Landlord Forum was contacted in order to invite them to be interviewed as well as with a request for the invitation to be included in their newsletter. While they initially seemed supportive of the project, they did not participate in the study. A social lettings agency forwarded the invitation to all of the private landlords they currently work with, as did a member of the Salford Housing Options team. Despite this support of partners in promoting the project and asking for landlord participation, only two came forward willing to be interviewed. A total of 11 semi-structured interviews were undertaken and these lasted between 30 minutes to an hour. The interview guide can be found in appendix A. The results were thematically analysed using QSR Nvivo analysis software. The policy analysis that follows is thus illustrated by drawing on the accounts of those interviewed for the study.

The project had also initially envisaged undertaking a Cost Benefit Analysis of a living rents policy. However, given the great complexity and variation between rents as explored below and without access to debt loads and projections, budgets or profit and loss declarations, this cannot be undertaken with any level of robustness. This study however does include an updated version of the various rent levels building on the substantial analysis already undertaken by Shahla Zandi of Salford City Council's Strategy and Enabling Team at a borough-wide level (2017). It includes some ward level data, which does show how some sizable differences between social rents in the various wards and suggests that solutions could be grounded at this level.

3. Brief history of rent regulation in the UK

Some form of rent control has existed in the UK from 1915 to 1989. It was first put in place during WWI with the 1915 ***Increase of Rent and Mortgage Interest (War Restrictions) Act*** in response to the Glasgow-wide rent strike, coming alongside widespread complaints and rent strikes nationally. The Act froze rent to its pre-war levels for most private sector rented accommodation, which made up nine-tenths of the housing stock in 1915 (Wilson 2017a).

Decontrolled to some extent between wars, WWII saw the reintroduction of stricter rent and tenancy controls, which again were steadily decontrolled over the decades that followed as investment in the private rental sector fell away. 1965 saw the introduction of ***fair rents*** under Labour, and fair rents are currently regulated by the ***Rent Act 1977***. Under this system a tenant entered a contract with a landlord, but could then apply for a fair rent to be registered for the property. This rent was determined by an independent rent officer based on the size, quality and location of the dwelling along with additional factors such as furnishings. It could not be based on the personal circumstances of the tenant, nor a 'scarcity premium', ie rent officers had to assume a balanced market in which similar dwellings were not scarce. Once the rent was so registered it became the legal maximum for rent, to be re-evaluated every two years (Malpass 2005; Wilson 2014). This gave both security of tenure and the institution of a limited system of rent control.

In 1970 homeowner occupation became the leading tenure in the country for the first time as the private sector steadily declined to make up only one-tenth of the housing stock by 1991. Numerous factors played a role: the new welfare state founded on a commitment to full employment (Malpass 2005) led to growing equality and steadily rising incomes, even as mortgages became increasingly available (Wilson 2017b). Also by 1979, nearly six million council houses housed approximately a third of the population (Lowe 2004). Council housing provided a huge improvement over private housing for its tenants, at least in its early decades, and attracted many of the better-off workers during much of this period (Broughton 2018).

The 1980s, however, brought caps on council borrowing and building alongside the Conservative government's policy of right to buy. The policy of selling social housing without being able to replace it is often cited as one cause of the present shortage of housing people can afford (Murie 1997; Danny Dorling 2015). Over 1.15 million households currently sit on council waiting lists for social housing in 2018 while only 290,000 units across the country became available (Press Association 2018). The number of cases going to the fair rents commission increased, and 'fair' rents on the whole were rising, and after 1991 when the high court ruled that scarcity of property meant market rates could be considered in rent setting, rents began rising and in some cases by several thousand pounds a month in affluent areas (Wilson 2014).

The ***1988 Rent Act*** ended fair rents regulation for all new tenancies entered into after 15 January 1989, though tenancies entered before that date continue to be regulated under the old legislation. In 2000 this represented only 6% of tenancies (Wilson 2014). While there does not currently exist any count of existing regulated tenancies, but it is estimated to be negligible (Davies et al. 2017).

Private renting is now the second largest tenure in the UK after owner-occupation (Wilson 2017a), doubling between 2001, and 2014, and housing one in five households in 2015 (Lisowski 2015). The social housing sector has also become much more complex. Some housing remains in council ownership, but much more was transferred to Housing Associations. This was for the most part to get around the limits to council's ability to borrow money, and ensure that funding could be acquired to fix and maintain properties. However, over time it has meant that housing is provided through a variety of means across a spectrum of affordability. Once again, however, social housing is being increasingly seen as more desirable as private tenants are experiencing many of the same issues around poor conditions, high rents and insecurity of tenure as those seen at the beginning of last century (Dorling 2017; Parker and Isaksen 2017).

This erosion of social housing also means that housing benefit is increasingly being paid to private owners. The DWP estimated the growth in spending as a result of rising private rents to be £2.9 billion, or 33% of benefit expenditure in 2010/11 (2017b). While the response of the current government has been to reduce eligibility and impose caps on housing benefit to reduce costs, this is doing nothing to address the underlying causes of the issue. These are a combination of unemployment/underemployment, low wages and scarcity of decent, genuinely affordable housing (Dorling 2015; Fitzpatrick et al. 2017). The importance of the housing crisis as a political issue has led to the compilation of briefing papers for the House of Commons on rent controls (Wilson, 2017a, 2017b) and fair rents (Wilson, 2014), and is addressed in two recent white papers (2017, 2018) alongside a growing number of proposals from across the political spectrum.

Thus, there has been a growing interest in the idea of 'fair' or 'living' rents from both sides of the political spectrum, primarily to replace what is currently called 'affordable' rent. This report explores the potential these ideas might have as responses to crisis, but it must be recognised that they bring additional complexity to ongoing discussions. To define each of the concepts of rent in brief:

Social rent: A formula was set in 2002 as a target rate for social rents charged by both councils and housing associations, and is calculated using 30% of the rent levied being based on the existing use value of the property and 70% based on average weekly manual earnings, based on county data derived from the New Earnings Survey (Savills 2015). There continues to be some variation in social rents actually being charged, which is explored further below.

Affordable rent: This is defined in Annex 2 of the National Planning Policy Framework as rent set at most 80% of local market rent.

Living rent: This proposal has been laid out by the Joseph Rowntree Foundation working with Savills as a way to ensure that rent affordability remains tied to local incomes rather than property values. It bases its calculations on the lower quartile of the Annual Survey of Hours and Earnings (ASHE), compiled by the Office for National Statistics and adjusted for family size, to try and ensure not more than 33% of any household's income is paid towards rents (Savills 2015).

Fair rent: Any tenant who has entered into a tenancy agreement before 15 January 1989 is protected under the 1977 Rent Act. This entitles them to a rent set by an independent and statutorily appointed Valuation Office Agency Rent Officer, who can set a 'fair rent' based on age, character, locality and state of repair of the dwelling and furniture. This is not supposed to include scarcity of housing, and therefore tends to remain under market rents (Wilson 2014).

4. Current constraints on rents

4.1 Income

This briefing will only touch briefly on income and wages, but the growth of not just poverty but 'working' poverty has been widely acknowledged in Britain, where wages and weekly earnings have failed to keep up with rising costs of housing, food and heat among other necessities (Hick and Lanau 2017; Palmer et al. 2016). As one respondent highlighted in thinking about the meaning of 'affordability', it has everything to do with what people can pay towards rent.

> ***I think that issue around affordability is probably more to do with growing cost of living, wages not keeping up with that. All the zero-hours contracts discussion when we first started talking about it, I don't think we felt the impact. I think we are seeing more and more people coming through now on zero-hours' contracts, which is a real challenge.***

Many respondents brought up low wages, zero hour contracts and uncertainty in work. Several emphasised that for some, no amount of rent was affordable given their extreme poverty and precarity in the absence of an adequate wage or benefits system.

4.2 The private property market

Private rents have been rising steadily across much of the country and the private rented sector as a whole has grown. This represents a major shift in England's housing market, and has been driven by several decades of policy (Ryan-Collins, Lloyd, and Macfarlane 2017). Principally this has been the Right to Buy legislation enacted under the Thatcher government of the 1980s, in combination with restrictions on council borrowing to replace units lost from supply. The selling off of council housing has also run alongside multiple other measures promoted by both conservatives and labour promoting homeownership above all other forms of tenure through a series of tax breaks and subsidies to homebuyers as well as homeowners and private developers (Dorling 2015; Ryan-Collins, Lloyd, and Macfarlane 2017). While the availability of social housing has been steadily shrinking and house prices soaring out of reach, the buy-to-let market has been booming since the introduction of mortgages in 1996 that no longer required owner occupancy (***The Economist*** 2017). Many of those taking advantage of this nationally have been smaller amateur landlords, with 6 in 10 owning just one rental property (***The Economist*** 2017). Rents have been climbing. Vacancy rates are very low, ranging from 1.73% in Irlam to 5.46% in Ordsall.[2]

2 Council Tax Data, April 2018

Recent policy changes, however, mean that the current landscape of small, independent landlords within the PRS may also be changing in ways that will impact heavily on tenants. As the Chartered Institute of Housing notes in their 2018 state of housing report, the Build to Rent (BTR) market is already overtaking that of the Buy to Let market given recent tax changes. This market has begun to channel the great increase in institutional and overseas investment into large blocks of new-built flats, most visible in Salford and Manchester City Centre. Investment has been expanding beyond student accommodation since 2012, primarily due to the BTR fund put in place in 2012, which covered up to 50% of eligible development costs, now replaced by £3 billion for loans covering development and infrastructure. These are primarily units being let at higher rents, although it is possible that a wider range of rents could be incorporated (Stephens et al. 2018). As one respondent pointed out, echoed by broad agreement in the staff focus group, institutional ownership allows better integrated and regulated property management that prioritises service while also regulating rent increases and making secure tenancies the default option. The many barriers to ensuring these shifts work to the benefit of low-income renters are explored further below.

On the other hand, changes made in policy affecting smaller landlords—like the majority of those operating in Salford and particularly those participating in the empty homes scheme, or working with the council in their bond scheme to house people off of the waiting lists—are more likely to have a negative impact on low income tenants. In brief the changes that took place in 2016 are:

- 3% increase on stamp tax duty for second-home buyers
- abolishing of 'wear and tear' allowance for letting of furnished properties
- tightening of rules for writing off interest against income tax
- tightening regulation on mortgages with higher underwriting requirements

As noted by both ***The Economist*** (2017) and some of those interviewed, this is raising costs for small landlords. ***'The Coalition government clearly had a plan to try and reduce the proportion of landlords that currently own just one or two properties'*** stated one respondent. For those landlords interviewed with ten or more properties, it was still enough to make them consider leaving the business altogether. For those who chose to remain, increased costs will mean landlords are less willing to take on risk, such as a tenant on housing benefit in receipt of Universal Credit.

It is still uncertain what result these changes will have on the sector. It was felt by several respondents that it could squeeze out smaller landlords, particularly those willing to work with the councils' landlord accreditation and bond schemes, and cause a growing polarisation between good quality rental accommodation under professional management and large, more unscrupulous landlords at the bottom end of the housing market.

4.3 The Social housing market

Rapid policy changes and budget cuts have created a climate of great instability and fiscal insecurity for housing providers. While current mechanisms for setting rents seem central to evaluating the potential impacts or success of any kind of living rent policy, the current landscape is extremely complex and can differ significantly from one area to another. This complexity is partly historical, partly a result of the shifting housing market. The key legislation and policies underlying social rents are briefly explained below to better understand the impact of a new rent policy:

4.3.1 *Rent convergence:*

In 2002, New Labour declared deeply problematic the difference in rents for similar properties charged by councils, all of them typically lower than rents charged by registered providers. Council rent levels had been dependent on when and where the housing had been built, changes in capital and subsidies over time, and differing rent-setting policies (Wilson 2017c). Under the policy of rent convergence, actual rents for all social housing units would converge on a nationally set target rent. The initial deadline set was 2012. Target rent was set annually for each council based on a combination of individual property values and average earnings in each area, and governed by the Regulation Committee within the Homes and Communities Agency (HCA). Each council was to create an annual plan to achieve that rent though a policy of increasing social rents by a maximum of RPI (Rental Price Index)+0.5% per week (Wilson 2017c). The Coalition Government elected in 2010 initially extended the convergence policy, with weekly increases set at RPI+0.5%+£2 to offset falling inflation.

4.3.2 *Shift from government housing subsidy based on actual rents to HRA self-financing:*

The coalition government's first major policy shift brought the implementation of Housing Revenue Account (HRA) self-financing in 2012, with Government withdrawing the Housing Subsidy system. This required that local authorities support their stock entirely through their rental income. Many councils, including Salford, took on billions in additional debt to become self-financing and build additional social housing under 30-year business plans which incorporated the projected income based on the convergence formulas (Report of Strategic Director and Chief Financial Officer to Salford City Mayor 2012; Perry, Smith, and Pitt 2016). Recent policy changes have sizeably diminished the income for financing this debt, with reduced rents, changes in the period before right to buy can be invoked from 5 to 3 years, and greater difficulties in collecting rent under welfare reform (Perry, Smith, and Pitt 2016).

4.3.3 *1% yearly rent reductions in place of convergence:*

In a second major shift, the Government abandoned the policy of convergence, and declared a 1% yearly decrease in social rents starting in 2016 and running until 2020. It did so to save on housing benefit spending nationally by passing this cost on instead to local providers. As one provider explained, ***'…this was putatively put in place to better align Housing Association rents with council rents, however most argued it was not an effective way to achieve this goal but instead "was a punitive measure"'.*** It also had a huge effect on all providers. One housing provider '***lost 70 people within six months…A lot of those people were people who for right or for wrong, were delivering services that supported the residents, many of whom are vulnerable, many of whom are becoming increasingly more reliant on that sort of tertiary support network because the primary support network had been cut through austerity measures…'***

While this reduction has been waived for the present in the case of supported housing, it continues to be under discussion (Wilson 2018). For general needs housing, the current policy states that after 2020, rents will be again allowed to rise but will be limited to CPI (Consumer Price Index)+1% for 5 years (Wilson 2017c). The result of this combination of policies continues to be a variation in social rents charged across Salford and increasing pressures on the budgets of providers.

Given current uncertainty in future rents, the development of general needs housing has become increasingly risky and increasingly unaffordable. Extra care or sheltered housing schemes bring even more risk. Uncertainty makes it hard to develop the stock that is actually needed by the local community, and there is little money to invest in bringing ageing and unsuitable stock up to higher standards without being part of redevelopment plans that include other kinds of tenures to support their financing and therefore often results in a net loss of social rent units. As understandings change around what kind of housing is optimal for an increasingly elderly population, for example, it is clear that not all existing housing is of the appropriate quality and redevelopment desperately needed.

The cuts to budgets have also resulted in homes being built as cheaply as possible. As one respondent noted, ***'it's been a race to the bottom: who can build the greatest number of houses with none or very little public sector grant? So what do you create? You create a tiny house that no one really can live in … will these become the slums of the middle of the twenty-first century? Quite possibly.'***

4.3.4 *Austerity measures (Universal Credit, benefit caps, 'bedroom tax'):*

These changing policies are, of course, part of a larger project of austerity. The ability of tenants to pay their rents has been impacted by a number of welfare reforms. These include Universal Credit, the cap on overall benefits received which can limit the amount of housing benefit received, the move to limit benefits for anyone under 35 years of age to a shared accommodation rate, the freeze on benefits and the so-called bedroom tax (Hickman, Pattison, and Preece 2018). Of these, there is most concern about Universal Credit, where housing benefit will no longer be paid directly to landlords but to tenants in a lump sum with other benefit allowances once a month. There are additional concerns about the five to six week time lag between applying for UC and receiving the first payment, as well as the requirement that all transactions be carried out online (Hickman, Pattison, and Preece 2018). It is expected that despite the great deal of preparation undertaken by providers, UC will still have a large and negative impact on their income stream as arrears grow, although the exact amount is impossible to predict (Hickman, Pattison, and Preece 2018). The uncertainty and flux in income flow caused by these reforms will also possibly have considerable impact on lenders, who prefer a more secure investment and may increase interest rates as a result (Hickman, Pattison, and Preece 2018).

4.3.5 *Local Housing Allowance Caps and Freeze:*

An additional layer of policy impacts on rents and tenant capacity to pay them is found in the Local Housing Allowance (LHA). The LHA is a flat rate set at the 30th percentile of market rates within a Broad Market Rental Area (BMRA) and calculated for properties of different bedroom sizes (for a maximum of 4 bedrooms). There are also national caps ranging from £260.64 pw for shared accommodation to £417.02 pw for a 4-bedroom accommodation, which impact particularly heavily where market rates are higher (Wilson and Barton 2017). Salford's LHA rates have been increased in April 2019, ranging from £67.20 for shared accommodation to £186.47 for 4 bed properties.

In 2015, Government attempted to impose the LHA as the maximum direct housing subsidy for social rented units as well as private rented for the first time (Wilson and Barton 2017). While they later backtracked from this position, it is believed unlikely that it has been dropped entirely as a desirable policy change (Wilson and Barton 2017). A number of the housing providers interviewed stated that they have made the decision to voluntarily cap their rents at the LHA rate. The council also asks this of new developments where they have provided support.

The four-year freeze on the LHA rate from 2016 has also caused an increasing gap between government payments and market rents. Rates are still tied to the BMRA levels from the twelve months to September 2015. It must also be noted that most local authorities overlap with several BMRAs making comparisons between LHA rates and social rents difficult (Wilson and Barton 2017). While most of Salford is within the Central Greater Manchester BMRA, a small portion of it is within that of the Bury and Bolton BMRA with a significantly lower LHA.

4.3.6 *Impacts:*

As research recently undertaken by the UK Collaborative Centre for Housing Evidence (CaCHE) highlights, welfare reforms have 'removed the link between support with housing costs and market rents' (Hickman, Pattison, and Preece 2018). All of the factors listed here, but above all the 1% reduction, have forced social housing providers into a range of different strategies to survive, and seen the disappearance or merger of many.

This has also been the driving factor behind the almost universal move towards the development of commercial arms able to build market rate housing to help subsidise social goals. Among those interviewed there was great frustration at a lack of understanding that this was being undertaken as a practical measure to achieve stability and provide services fundamental to their core mission in the face of shrinking budgets. This lack of acknowledgement was seen as an issue of ideology. ***'You could look at our organisation and say, they were a social landlord but, actually, a very significant part of the business now is a commercial, profit-making entity; they're moving their focus away from social housing' stated one respondent. 'Well, you have to. You have to. Housing policy is drafted by whoever policy makers are in ways that force you to react in a certain way'.***

Very practically, the LHA has become the primary constraint on the maximum rents that councils, housing providers and private landlords can hope to charge tenants on benefit without a costly additional process to collect a monthly top-up directly from the tenant. Such top-ups are more likely to result in arrears and increase the need for eviction, aside from the human costs they impose on tenants already struggling to survive. A number of the RSLs interviewed are capping their rents at the LHA rate, with at least one striving to ensure that service charges are also included within that total rate. This is also the current rate being used by private landlords working with the council, whether through the bond scheme in partnership with the housing and homelessness unit, or having engaged via the empty homes programme and/or working with a social lettings model. Both these programmes will be explored in more depth in the section on current council response.

4.4 Current rent levels

In Salford at present, shifting to the living rent model would raise rents overall, even for those classed as 'affordable'. This can be seen clearly in Table 1, which compares them to social rents, affordable rents, and rents based on a living wage, as proposed early in the research.

A living rent as opposed to affordable rent would make little difference for single people or households, given it would only be a pound more than affordable rent. It is £20 pw higher, however, for the average home of two bedrooms and £37 pw more for three-bedroom homes. Putting a policy in place that raises rents for everyone, but significantly more for families would be problematic without a strong rationale in support.

Pegging an affordable rent to income earned at living wage working full time sends rents higher still when compared to currently defined affordable rents. Such a formula would do little to create genuinely affordable housing, while also ignoring the realities of employers who do not pay the living wage, and continue to offer part-time work and zero-hour contracts.

While the numbers are clear in looking at Salford as a whole, it is a city with very distinct geographies of housing and employment where rapidly rising rents are felt most strongly in areas close to the city centre and Media City. In looking at average rents by type of provision and by area of Salford, the JRF living rent comes a bit closer to some affordable rents. At the same time, it averages out across 1, 2 and 3-bedroom flats at £126 which is considerably higher than average affordable rents for flats (£96).

Focusing on what is happening to rents on the local level does not shift the main finding: moving from the 'affordable' rent model to a living rent model in Salford's current property market would work to raise rents and reduce affordability for most groups across the whole of Salford. While the JRF model proposes the living rent as a better measure of affordability than what is now termed 'affordable' rent, this gap grows even wider (£16, £42 and £63 pw) if compared to social rents.

The table below highlights, however, that particularly for rental of houses rather than flats, this current relationship between living and affordable rents could change if market rate rents continue their rise. In areas such as London and the South East, rents have been rising longer and faster than in Salford, resulting in 'affordable' housing prices tagged to the housing market far outstripping the ability of people to afford them. In many areas the JRF living rent is much lower than affordable rents, and if rents continue their current rise in Salford this may also become true. Between Brexit, cries of another housing bubble, and the reduction of buy-to-let sales due to the stamp tax, however, the property market remains to a great extent uncertain (Kollewe 2019a, 2019b).

This more detailed view of the geographical spread of rents also demonstrates the impact of the Local Housing Allowance (LHA), which remains above social rents and indeed above many affordable rents for most of the city but far below all market rents. This is already impacting on the ability of those receiving housing benefit to move into the private rented sector, and emphasises the difficulties encountered by staff of Salford Council and social lettings in supporting people into sustainable housing. It also highlights the areas that are steadily moving beyond the reach of those on benefits who are not able to move into social housing.

Salford attracts a relatively high LHA, given that for the most part it falls within the Manchester BMRA as indicated in table 2. However it is still difficult for some households in receipt of housing benefit to find accommodation.

Table 1 Comparison of average rents per week across Salford
(Data sources and calculations used in Tables 1 and 2 can be found in Appendix A.)

SALFORD	1-bedroom/week	2-bedroom/week	3-bedroom/week
Average Social Rent	£81	£84	£92
Living Rent	£97	£126	£155
Affordable Rent	£96	£106	£118
Local Housing Allowance	£102	£120	£133
30% of the Living Wage	£99	£129	£158
33% of Living Wage	£109	£141	£174
PRS Rent	£124	£167	£194

Table 2 Average social, affordable and market rents per week by local area	Average Social Rent: Flat	Average Social Rent: House	Average Affordable Rent: flat	Average Affordable Rent: house	Average LHA	Average Private Rent Asking Price PW
Barton	£80.21	£92.00	£96.90	£117.31		£133
Boothstown & Ellenbrook	£81.50	£98.03				£202
Broughton	£89.10	£89.45				£185
Cadishead	£75.20	£92.37	£89.40	£105.50		£136
Claremont	£82.68	£97.47				£201
Eccles	£81.43	£96.70	£106.60	£122.40		£158
Irlam	£78.03	£91.60	£100.95	£112.27		£147
Irwell Riverside	£89.89	£89.72		£104.80		£189
Kersal	£89.11	£89.73			£105.50	£151
Langworthy	£87.58	£93.78				£173
Little Hulton	£83.33	£89.20	£81.90	£111.01		£130
Ordsall	£88.22	£86.91				£210
Pendlebury	£77.95	£92.93		£107.55		£134
Swinton North	£77.76	£92.98		£111.45		£134
Swinton South	£77.40	£104.98		£113.57		£149
Walkden North	£79.00	£90.67	£82.70	£105.55		£139
Walkden South	£81.17	£94.30		£118.03		£163
Weaste & Seedley	£84.04	£91.12		£132.95		£143
Winton	£79.10	£99.70	£115.40	£114.80		£141
Worsley		£98.65				£235
Salford	**£78.14**	**£93.61**	**£96.26**	**£113.63**		**£175**

5. What Salford is already doing

As highlighted at the beginning of this report, there has been a period of unprecedented housing growth in Salford, particularly in the private rented sector. A total of 20,519 proposed new build units were in the pipeline as of April 2018, of which just over 8,000 (40%) will be developed for the private market. An estimated 33,967 new dwellings will be built between 2017 and 2035 (Salford City Council 2017). Salford City Council has also successfully secured Homes England and Ministry for Housing, Communities and Local Government (MHCLG) funded market housing delivery. This reflects the recognition by Homes England and the government of the challenges Salford is facing. In 2017/18, 258 affordable homes (236 new build homes and 32 empty homes brought back into use or commercial conversions) were delivered with Government funding support. This equates to 16% of all gross new build in the city (Salford City Council 2018d).

Given the 5,867 people waiting on the housing register and the 38% of Salfordians unable to afford a home in 2018 (Salford City Council 2018c), the Council and City Mayor's priority has continued to be advocating for social rents rather than other options. There was fairly broad agreement among council staff, that the issues underlying the continuing housing crisis facing Salford are structural, and can really only be solved by building traditional council housing at social rents. Such housing would both act as a damper on speculation and provide genuinely affordable choice for those on social housing waiting lists or living in unsatisfactory conditions within the private rented sector. Councils have now been released from constraints on borrowing, as the latest green paper 'A new deal for social housing' (2018a) put forward, the key issue is whether they have capacity to borrow prudentially. Changes to Right to Buy are also needed to allow for the long-term amortization of costs and at minimum the ability to replace housing lost to preserve a permanent social housing supply.

At present, the council has some ability to influence development to provide additional social housing where it can control the processes – either because it is the owner of the land or is undertaking the development itself. Its impact on private landlords, however, is extremely limited, and staff are already essentially doing all within their power to increase the stock of decent, low-cost and long-term housing available to residents and supporting people into this housing. Strategies include:

- Landlord licensing scheme
  - Landlord accreditation scheme
  - Enforcement
  - Empty homes programme
  - Bond scheme and tenant support
  - Discretionary housing payments (to cover the gap between LHA and rent)
  - Collection of Section 106 funds and enforcing affordable housing requirements
  - The creation of a new housing development company 'Derive' and a programme of building new social rented units
  - Use of Section 106 in delivering affordable housing
  - Working with Registered Providers partners to deliver affordable housing within the city. 258 affordable homes were delivered in 2017/18 through the City's enabling role.

Each of these responses are limited by their nature in tackling the issue as a whole, and were described by respondents as being limited by resources and staffing.

The landlord registration scheme requires landlords to apply for a license within certain specific areas. This documents ownership and management, and provides a level of oversight over conditions, safety certificates and paperwork provided to tenants (Salford City Council, n.d.). This is supplemented by additional requirements for those owning and managing Houses in Multiple Occupation (HMOs). There is also a voluntary landlord accreditation scheme providing advice and support to landlords from the council. It is a requirement for all landlords wishing to participate in the bond scheme, detailed further below. While 750 landlords owning 3000 properties are currently members of the scheme, this is clearly only a proportion of the total number of landlords in Salford (Salford City Council 2018b).

The enforcement team has been very successful in prosecuting some of Salford's worst landlords, made easier when they are within licencing areas. Close to 100 have been prosecuted successfully (Smithers 2017).

The council has also made a great effort to bring empty homes back into use, and to repurpose other unused buildings as residential development. These have included council owned property such as an old Job Centre, which now contains 41 new flats. Moving from 6,237 vacant properties in 2010 to 2,658 in 2017 has made Salford one of the most successful councils in the country in ensuring empty properties are brought back into use ("Salford City Council and Urban Vision Reduce City's Empty Properties by 57%" 2017). Where subsidies have been offered, covenants have been placed on the buildings to ensure they are let at low rents for at least five years. Many of these are now successfully let and managed through Salix's Social Lettings Agency, ensuring a high quality home and security of tenure to tenants. In this model the property is either leased by the agency who then lets it out, in which case the agency carries all risk for a higher proportion of the rents, or through a basic management agreement. For those properties that have already completed the five years, most have continued as they were. As stated by staff:

> ***But in terms of wanting to maintain the service, they recognise that while they might not get the best income, we are providing guaranteed income, so they can budget against that, they can refinance against that and, as you said previously, all the hassle of managing that property is taken away.***

In terms of the kinds of landlords benefitting from and participating in this programme, they are neither the larger landlords operating at the bottom or the top end of the market, but the smaller, often accidental landlords. These rents are currently all set at the LHA rate.

While their management structure is a scheme that could also work for institutional investors, there are a number of constraints. The principal block is that larger investors are looking to invest over the long term, from 20 to 30 years. While this is seen as optimal by many of those interviewed, the changeability of current government policy and the LHA rate creates too high a level of risk for providers to work at such time scales.

The bond scheme allows a paper bond to be issued to landlords as part of the effort to support households off the waiting list and into housing. The landlord must be accredited, after one year the landlord can collect the bond. Council staff have worked hard to develop relationships with local landlords and provide the support tenants need to maintain the tenancy. For the landlord interviewed who had been working with the council over the past twenty years, this meant any issues with benefits or rent payments could be resolved with a phone call to a single known contact, as could any issues with the tenants themselves. This also made it possible for the council to place tenants who had previous histories of bad credit or other known issues likely to prejudice a housing application. These rents also tended to be set at the LHA rate.

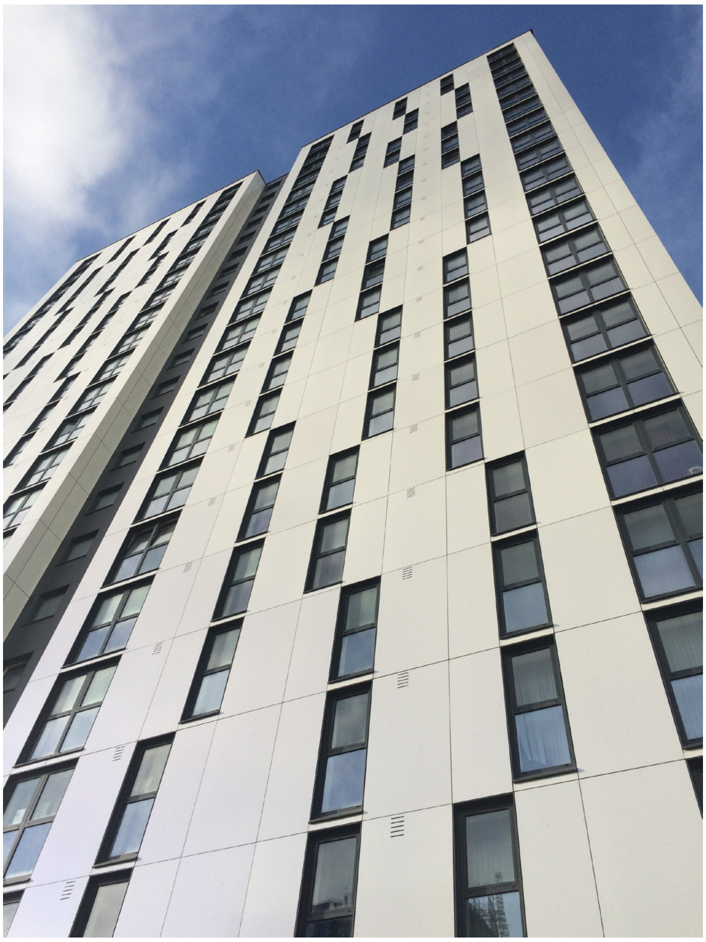
The council has also been successful in building new affordable homes in partnership with Registered Providers. Between April 2007 and March 2018, the affordable housing programme delivered 3,061 additional affordable homes with a pipeline of 1,040 up to March 2024. Of these, 3,625 (89%) are new build homes with the remainder being new delivery including empty properties brought back into use and commercial units converted into residential.

The council has itself also begun to plan a building programme of its own through **Dérive**, a local housing company established and wholly owned by the City of Salford to develop 'truly affordable homes' (Salford City Council 2018a, 1). The goal is for it to not only build and manage housing but also to work as a small development company, selling off a portion of homes to cross-subsidise their affordable and social housing provision. The company has committed to a spend of £15.8 million to deliver 115 homes by 2024, with initial support from the council used to leverage loans, leading to a sustainable business model generating surplus that can be reinvested (Salford City Council 2018a). An exciting opportunity, it will still face many of the same constraints outlined for social housing providers above.

5.1 Principal Challenges

In many ways, in the absence of the ability to quickly build the hundreds of new homes at social rents required to meet the need, the current work of the council has been fairly successful. This groundwork is threatened, however, by two very different factors.

The first of these is market-driven. The success of the strategies outlined above are highest in areas where properties are hard to rent, and rents are therefore stagnating or rising slowly. For one landlord, it was trying to rent properties in such conditions that initially brought him to work with the council, and their success in maintaining that model and a guaranteed level of income meant that he had continued with them even as rents started to rise. Likewise, for those areas of Salford where the LHA is very close to market rents, making it much more attractive for landlords to become involved in council and social lettings schemes. This is, of course, jeopardised by the freeze on the LHA and the uncertainty surrounding future rates. As market rents pull steadily away, this is no longer a strong incentive for landlords. As one staff member put it:



> *Yes. It used to be - say, ten years ago - we used to have a lot of landlords come to us, because they, potentially, wouldn't be able to let the properties - the hard-to-let - either low demand areas, or whatever - whereas now, there's a lot of demand on accommodation. So we try and keep the relationships tight with the landlord, for them to keep coming through to our service, rather than - they don't need us as much as they used to need us, if you like.*

Both the bond scheme and social lettings schemes were better able to develop working relationships with landlords where market rents were not too high, and it is now increasingly a struggle to maintain those relationships. These efforts may continue to be a viable solution in certain areas of Salford, but not in response to rising rents, the increasing use of section 21 and both high demands and turnover.

Rising rents, of course, also incentivise a shift in the renting model used by landlords. For social landlords and those renting in areas where rents are lower and properties might sit empty for some time after a tenant leaves, the optimum strategy is to provide affordable and often negotiable rents to try and encourage long term tenancies. As one respondent explained the benefits of such a strategy are numerous:

- Stability
- Avoidance of the refurbishment costs needed after a tenant moves out to rent again
- Avoidance of void costs while trying to re-rent a property
- Changes in council tax mean you still pay it on an empty apartment, more income going out when nothing is coming in
- You still have to pay the manager or agency if you have one, even if there is no tenant to manage
- Avoiding hassle – having to find a new tenant, show round, deal with getting the housing benefit paid (if you are getting it paid) which lately has been taking 9-11 weeks

Where rents are steadily rising and demand is high, however, this calculation can change and suddenly make it worth moving to a different high-turnover strategy to maximise rents.

The greatest immediate challenge, however, is Universal Credit. This was raised in every interview. For the council, the ability to ensure that housing benefit is paid directly to the landlords and to be the main contact for any issues with that benefit has always been a principal selling point of their schemes. Under UC, housing benefit is paid to the tenant as part of a lump sum with their other benefits, and help in resolving issues with that payment is centralised in a distant call centre. Landlords can no longer use long-term relationships with council staff to resolve rent issues, and the difficulties and time wasted in trying to resolve anything with the call centre was detailed at length.

Aside from undercutting these local relationships, UC jeopardises the income streams of both private and social landlords. The 5-6 week waiting period in which benefit claimants await their first payment after moving to UC is one clear danger point, while change from payments direct to the landlord are the other. Both the House of Commons Committee of Public Accounts and the National Audit Organisation have described the ballooning debt arrears and rising evictions caused by the change to UC (House of Commons Committee of Public Accounts 2018; National Audit Office 2018). This is placing an immense amount of risk onto landlords. It has been increasingly more difficult to find landlords willing to accept housing benefit at all as rents distance the LHA rate (Lawrenson 2012), but UC is potentially an even more powerful reason.

The impact on tenants is, of course, even greater and well documented in all of its damage (House of Commons Committee of Public Accounts 2018). This is something that landlords will also need to think about providing support for. All social housing providers described efforts to help their tenants maximise their income and recognised growing debt as a huge issue. One described how people were turning to other sources of help in the absence or reduction of the benefits they are entitled to. ***'Payday loans, payday lenders, high interest rates are typically common. We struggle to really get a handle on loan shark activity but we know there is loan shark activity; we've referred one or two cases to the national team'.***

6. The future of living rents

A number of proposals have been put forward as a solution to the current crisis. All involve a combination of building new housing (without agreement on whether the new rents should be controlled or not and where ownership lies), while also placing some controls on current lettings in the private rented sector (Wilson 2017b; Shelter 2017a; de Santos 2012; Savills 2015).

Given the complexity of rent setting models and the long-term development and debt plans that rent levels are built into, it seems that a living rent could only be successful as part of wider movement and a national strategy looking forward. As one respondent stated: ***'It doesn't make a lot of sense because of the really rigid formulae in which we work, for social and affordable rents'***. Some providers had seriously considered the JRF model of living rents, and believed it could be a useful formula and potentially more future-proof being tied to area incomes rather than market rents at the borough level. It was only being considered for future developments, and not believed feasible to incorporate into models for existing housing or housing already in the development stage given the need to service existing debt. The LHA rate continued to be the most important figure in income projections required to develop new housing.

All those interviewed as well as council staff argued strongly that the crisis is one of supply. As one private landlord stated:

> ***The crisis is really about lack of adequate housing, with councils not building more housing and so less and less is available to tenants. So there is more and more reliance on the private sector, more onus on the private sector to house people but the process is working to de-incentivise private landlords.***

Social landlords discussed the changing strategies needed to develop housing at social rent levels as the main driver for more commercial developments and changing practices. This is also visible in the councils own development strategies through Derive[3]. Some of those interviewed also felt that the current growth in the development of high-end flats for let would loosen supply in older buildings which would ripple down to help resolve the crisis at the lower end of the market. While all felt the power of the council to support such strategies to be limited apart from more support in, and streamlining of, the planning process, most also described one of the major challenges to be access to land.

Moving to a living rent model in Salford could possibly serve to future-proof some level of affordability for housing if the housing market continues to rise as quickly as it has done. However, converting rents to a living rent in the current moment would make it less affordable than current 'affordable' rents for a majority of households, and a downward shift in the market would result in an even wider gap. The key figure for both private and social landlords wishing to preserve some level of affordability will undoubtedly remain the Local Housing Allowance.

3 The new council led housing development organisation.

Thus in thinking about what councils might lobby for in terms of national policy, a living rent methodology to replace the definition of affordable housing is not a recommended option. 'Affordable' rents continue to be more affordable than the living rent in Salford, and there remains great uncertainty for the future.

A wider reform of both housing benefit and rent regulations seem suggested from this research. Two additional approaches are explored below. The first has already been put in place by Scotland to regulate the private rented sector, though it has not been in effect long enough to evaluate the impacts. The second is the German model. Both combine protected long-term tenancies with rent regulation, both of which strategies seem necessary to be effective in the long term.

6.1 Devolved Scotland

Scotland has taken advantage of new powers under devolution to pass the Private Housing (Tenancies) (Scotland) Act 2016. Beginning in December 2017, this will replace the short assured tenancy and assured tenancy with what they term a private residential tenancy. This is an open-ended tenancy, where for no-fault evictions, notice of 84 days must be given. It also limits rent increases to once per year with a three-month notice, and these can be challenged by tenants upon which the case will be referred to a rent officer to decide if they are 'fair'. The Act also allows local authorities to apply to central government for the ability to cap rents in areas, called 'Rent Pressure Zones' in the Act, where rent levels are excessive (The Scottish Government 2017).

6.2 Germany

The new Scottish legislation is very reminiscent of Germany's legislation protecting tenancies. There are, however, a number of differences between the German and the English private rented sector ranging from the broader regulatory and market context to specific laws regulating tenancy length and rent levels (Davies et al. 2017; Whitehead et al. 2016; Fitzsimons 2014). In 2014-15, German PRS tenants paid on average 23-25 percent of their income in comparison to the UK's renters paying on average between 34-40 percent (Davies et al. 2017). In addition to regulation, Germany's higher rate of building resulting in a more stable housing market where supply is keeping much closer to levels of demand, and its greater security of tenure resulting in much longer tenancies have worked to keep rents much lower in Germany in relation to wages.

In the UK, secure tenancies are limited to the social housing sector. PRS tenancies contracted after 1997 are usually Assured Shorthold Tenancies under contract for 6 to 12 months and then typically move to a rolling contract that requires only a month's notice to raise rents

Berliner Mietspiegel 2013 (Local comparison rents)

		Year of construction						
	adress	Before 1919	1919 till 19490	1950 till 1964	1965 till 1972	1973 till 1990 (West)	1973 till 1990 (East)	1991 till 2002
Less than 40 qm	simple	6,66	6,35	5,52	5,86	-	6,13	-
	middle	6,81	6,55	5,72	6,09	-	6,39	-
	good	6,87	6,19	6,45	7,7	-	7,87	-
40 till 59 qm	simple	5,57	5,31	5,19	4,92	6,33	5,27	6,97
	middle	5,82	5,51	5,28	5,28	6,46	5,35	7,1
	good	6,17	6,07	5,53	6,03	7,41	6,64	7,93
60 till 89 qm	simple	5,19	5,22	4,73	4,5	5,88	4,62	6,58
	middle	5,67	5,28	5,23	5,01	6,1	4,75	6,87
	good	6,03	6,08	5,58	6,07	7,74	5,34	7,77
90 qm and more	simple	5,17	5,48	-	4,28	5,63	4,56	6,7
	middle	5,3	5,33	5,45	4,88	6,64	4,64	6,93
	good	5,77	5,56	6,55	7,18	7,92	5,38	8,57
Average value						SenStadtUm 2013		

Figure 1 - *Berlin comparison rents (Wild and Berlin Tenants Association 2018)*

or terminate (Wilson 2017c, 2017b). In contrast, most German tenancies are indefinite. Tenants are required to give three months notice if they wish to move. If the tenants are not in violation of their contract or in rent arrears, landlords can only terminate a tenancy with between three to nine months' notice based on their own change of circumstances. This is an often protracted process if the tenant wishes to challenge them (Davies et al. 2017; Fitzsimons 2014).

In terms of active rent regulation, Germany has two different regulatory systems. The first capped rents at a specific level relative to market rents across the country. This was replaced by a second form of regulation which limits the amount rents can be raised from 15% to 20% over a three year period, with increases occurring after a minimum of 12 months, with a month's notice given the tenant to decide if they wish to accept the increase (Fitzsimons 2014; Davies et al. 2017). This has maintained rents for current tenants fairly well below market rates (Whitehead et al. 2016).

The rent cap (or ***Mietpreisbremse***) was reintroduced in 2015 in a number of specific cities, including Berlin, Hamburg and a number of municipalities across Bavaria and North-Rhine Westphalia. The ***Mietpreisbremse is a rent ceiling that cities can introduce. It is based on the Mietspiegel***, or comparative rent tables, published by each city. A landlord can set rent for a new tenancy at a maximum of 10 per cent over this level (Fitzsimons 2014; Davies et al. 2017). A sample table for Berlin is shown in figure 1.

The formulas are, however, made more complicated by a city's choice of approach to calculating this comparative rent, with 'scientific' ***Mietspeigel*** rent tables derived through use of a hedonic regression analysis, able to include a range of different factors, and adjusted every two years to market levels and recalculated using new information every four years (Fitzsimons 2014). Such rigorous analysis is undertaken by consultants paid by the city, and working with key stakeholders from landlord, property and tenant associations to housing managers and professional and public bodies (Fitzsimons 2014).

To try and ensure that the cap does not negatively impact on supply, it does not apply to new builds or housing that has undergone extensive improvements (Davies et al. 2017). While supportive of the caps, the Berlin Tenant Association notes they are not as effective in controlling rents as was hoped. They argue that this is due to the loopholes created by excepting buildings undergoing extensive renovation, and the difficulties in enforcing the caps when the onus is on the tenant rather than the landlord to show that new rents are within 10% of the comparative rent (Wild and Berlin Tenants Association 2018). They argue that to be effective the loopholes must be closed, there must be penalties for landlords overcharging tenants, and that tenants be allowed to collect the amount they have overpaid from the beginning of their tenancy after winning a challenge. Earlier this year a campaign started to freeze rents altogether for five years, as even these protections were not enough to prevent the doubling of rents in some areas (Schultheis 2019).

The German example seems promising, but quite complex and with definite need for improvement to be effective. Very little seems to have been written on it to date. It is also uncertain what impact it is having on the supply of housing at the lower end of the market, which is where housing continues to be short. Given that supply has not been as big an issue in Germany as much of England (possibly everywhere outside of London with its massive oversupply of high-end apartments sitting empty), more thought should be given to how it might be best implemented here.

7. Recommendations

Given the complexities of government benefit and cap structures, the promotion of a living rent was not seen to be particularly useful, or even feasible, unless it were to take place at government level. It would need to apply to future development, and would still require significant government subsidy as already noted in the initial Savills report (2015). What seems clear, however, is that any solution to Salford's housing crisis needs to be part of a broader government solution that both ensures longer-term and more protected tenancies, and controls rents. Further work on developing living rents within Salford without a broader movement seems likely to have little purchase.

There were a number of suggestions as to what other options the council has, but this is seen to be extremely limited in the current climate. For staff, it was continuing to leverage section 106 as much as possible, working in partnership with Registered Providers and Homes England to maximise affordable housing delivery, building new council housing via ***Dérive*** and continuing the existing work of supporting tenants in the PRS through landlord licensing, the bond scheme, tenant support and enforcement. For others interviewed, it was ensuring the planning process facilitated development to expand supply, and opening up access to affordable land for new construction. There was also some discussion of the need to subsidise tenants above the LHA, particularly to support any social letting scheme at scale, and to support priority need tenants into temporary or permanent PRS housing.

Further investigation into what comparative rents along the German model might be and their impact on the Salford market could, however, be useful. Interviews with housing providers also highlighted the growing numbers of people receiving benefit who have no disposable income after their rents are paid. The lived experience of this kind of housing poverty should be central to further debate around housing affordability. This report therefore recommends:

- no further council action around the living rent at this time;
- support and lobbying for government funding to build new social rent housing;
- work in partnership with Registered Providers and Homes England to maximise affordable housing delivery;
- support and lobbying for government policies that protect and support long-term tenancies, limit no-fault evictions, and cap rent increases;
- further investigation into the true meaning of housing affordability in Salford based on the lived experience of tenants;
- further investigation of rent caps as a possible viable solution, with a potential interchange between Salford and Berlin housing officials and tenant association representatives.

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9. Appendix A

Data Sources and Calculations for Figures 1 and 2

Average affordable rents are from April 2018 and compiled by Salford Council.

Average market rents used in Table 1 and Table 2 are from Zoopla April 2018 complied by Salford Council.

Average Social Rents are from April 2018 and compiled by Salford Council.

Living rents have been calculated using the Savills methodology published in 2015. An OECD-modified equivalence scale has been used to adjust for household size, which gives a multiplier of 1 for a one-bedroom, 1.3 for a 2-bedroom and 1.6 for a 3-bedroom home.

Rents calculated in relation to the living wage have been based on the current living wage for GM set at £8.45, with an average working week of 39 hours. The same adjustments for household size are made as above.

Local Housing Allowance Rates found on Directgov, https://lha-direct.voa.gov.uk/search.aspx last accessed August 2018.

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