

SOLUTIONS TO HOMELESSNESS

THROUGH SOCIAL IMPACT INVESTMENT

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ABOUT THIS REPORT

Resonance, working with St Mungo's, has created three homelessness property impact investment funds, with the same social purpose: to help people at risk of homelessness to become more independent, linking stable housing to positive development in other parts of their lives. This is a report on the impact being delivered by these funds. The three funds are:

1. Real Lettings Property Fund (RLPF1)
2. National Homelessness Property Fund1 (NHPF)
3. Real Lettings Property Fund2 (RLPF2)

This social impact report covers the year of operation from April 2019 to the end of March 2020, although it includes some extra data for the 2020/2021 year where this was available.

This report was prepared by Andy Schofield and Anna Crooks of the Transformational Index (TI) Group, with active contributions from the Resonance and St Mungo's teams. The authors gratefully acknowledge the help of all of the staff and tenants who made the writing of this report possible.



All Resonance impact investment funds, including those covered in this report, make significant contributions to the United Nation's Sustainable Development Goals (SDGs). The specific SDGs on which the homelessness property funds have an impact are shown below.



SUMMARY

Real Lettings is a social enterprise lettings agency run by homelessness charity St Mungo's. It is unusual because it houses people who are homeless or at risk of homelessness in stable, private tenancies without deposits. The properties are provided by three Homelessness Property Funds that are run by Resonance in partnership with St Mungo's. Resonance buys properties and refurbishes them to a high standard, whilst Real Lettings manages the tenancies and supports tenants, working with other partners to help them access services and become part of local communities.

The finance to buy the properties is provided by socially motivated investors. Rent from the properties, a large proportion of which comes from Local Housing Allowance, pays St Mungo's and Resonance and provides a yield to the investors.

Three homelessness property impact investment funds have been set up so far, with the same social purpose: to help people at risk of homelessness to become more independent, linking stable housing to positive development in other parts of their lives. The three Funds are:

1. Real Lettings Property Fund (RLPF1)

London-focused, and the pioneer fund for this initiative, launched in 2013.
Closed for investment.

2. National Homelessness Property Fund (NHPF)

Launched in December 2015, it operates in Bristol, Milton Keynes and Oxford.
Closed for investment.

3. Real Lettings Property Fund2 (RLPF2)

Launched in January 2017, this extends the work in London. 2019/2020 was the third full year of operations, during which RLPF2 largely completed buying its portfolio of homes. Closed for investment.

Capital raised across all three funds since their launch was £196.4m at the end of March 2020, which translates to 813 properties purchased so far. 714 are occupied and were housing 1,756 people, 893 adults and 863 children, at the end of the financial year.

The context in which Real Lettings operates is one of profound national need, with over 93,000 households currently living in unsuitable and expensive temporary accommodation, and over 1 million people on the waiting list for social housing. Real Lettings provides an effective pathway for tenants who are ready for independent living but would otherwise struggle to access private rented sector housing; in many cases they would be stuck in temporary accommodation for long periods. Real Lettings provides a stable home, with the intention that people can move on when they are ready.

Rising house prices and rents on the one hand, and government policies that have constrained some benefits on the other, present significant challenges particularly in London. In addition, the recent pandemic has also raised new challenges, which are covered in Appendix B of this report.

However, given the overall success of the Funds, Resonance is currently working to establish two further property funds:

- **National Homelessness Property fund 2 (NHPF2)**

The fund will initially focus on establishing the model in the North West, in partnership with Let Us, an ethical lettings agency in Greater Manchester as well as investment from a pension fund.

- **Resonance Everyone In fund**

This is a new London fund, with a new charity partner, that specifically responds to coronavirus and the opportunity to rehouse people who were homeless.

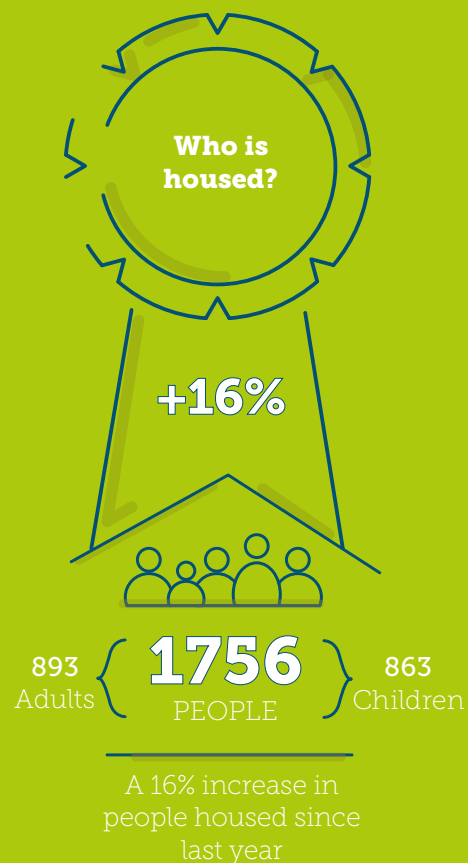
Information on these two funds and two other areas of need where Resonance has recently established new property funds – one for people with learning disabilities and one for vulnerable women – are mentioned at the end of this report.



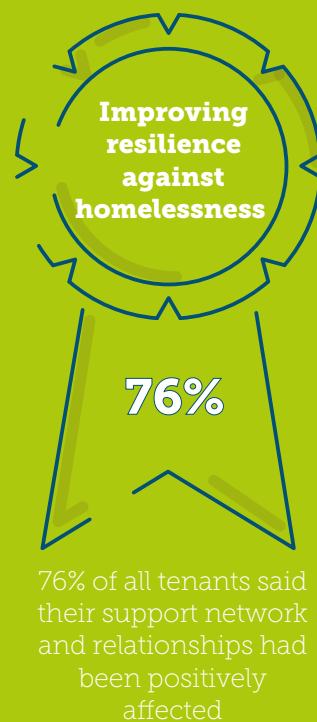
IMPACT IN THE LAST YEAR

Data for one year ending 31 March 2020

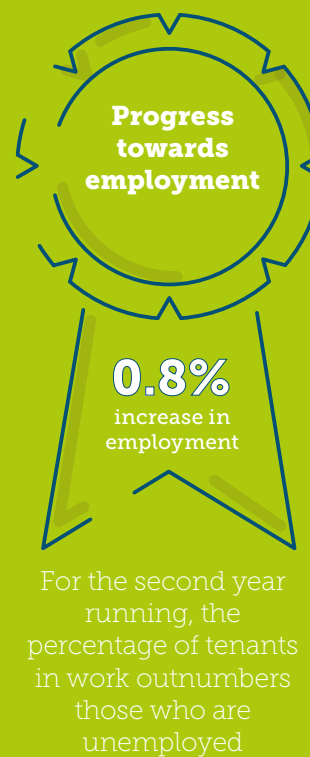
Stable Accommodation for Families



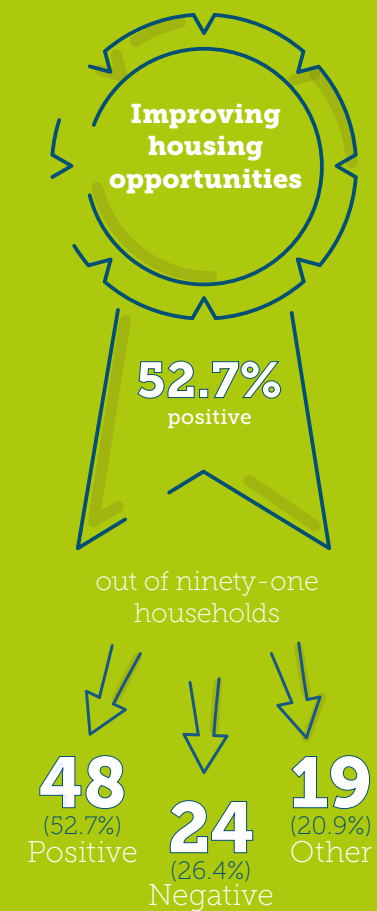
Positive Relationships



More Employment



More Households Move On Positively



IMPACT OF THE FUNDS

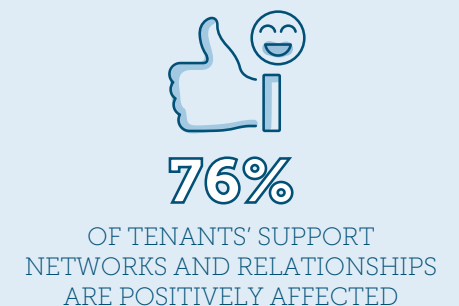
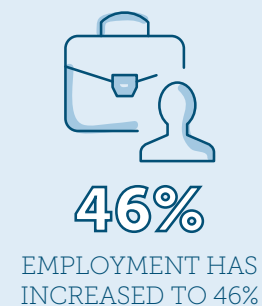
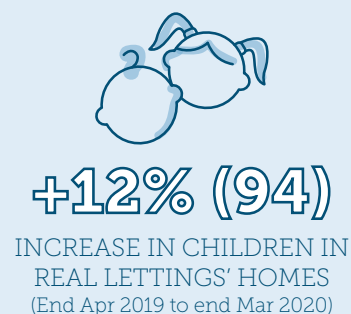
The impact of the Funds can be seen primarily in four areas. The first three were chosen before the Funds began, whereas the fourth has been added in response to the experience of housing families, particularly single parents with children:

1. Improving housing options

Sustained tenancies, especially for the critical first six months after someone moves in, has been constant at 100% for the last three years for RLPF1 and NHPF. RLPF2, which includes some more vulnerable client groups, has done well with 99% tenancy sustainment. Unfortunately there has been a drop of 10 percentage points in the numbers now saving for a deposit: From a high of 25% of tenants last year to 14.7% this year, this represents a change from the positive trend of the previous three years.

2. Progressing towards work

Having a stable place to live can help people take steps towards work, including training, education and putting childcare in place. This is evident in the three Funds. Employment has increased in the last four years to just over 46%, which is a good number given that most tenants also have caring responsibilities. For the second time in the history of the Funds, the percentage of tenants in work outnumbers those who are unemployed.



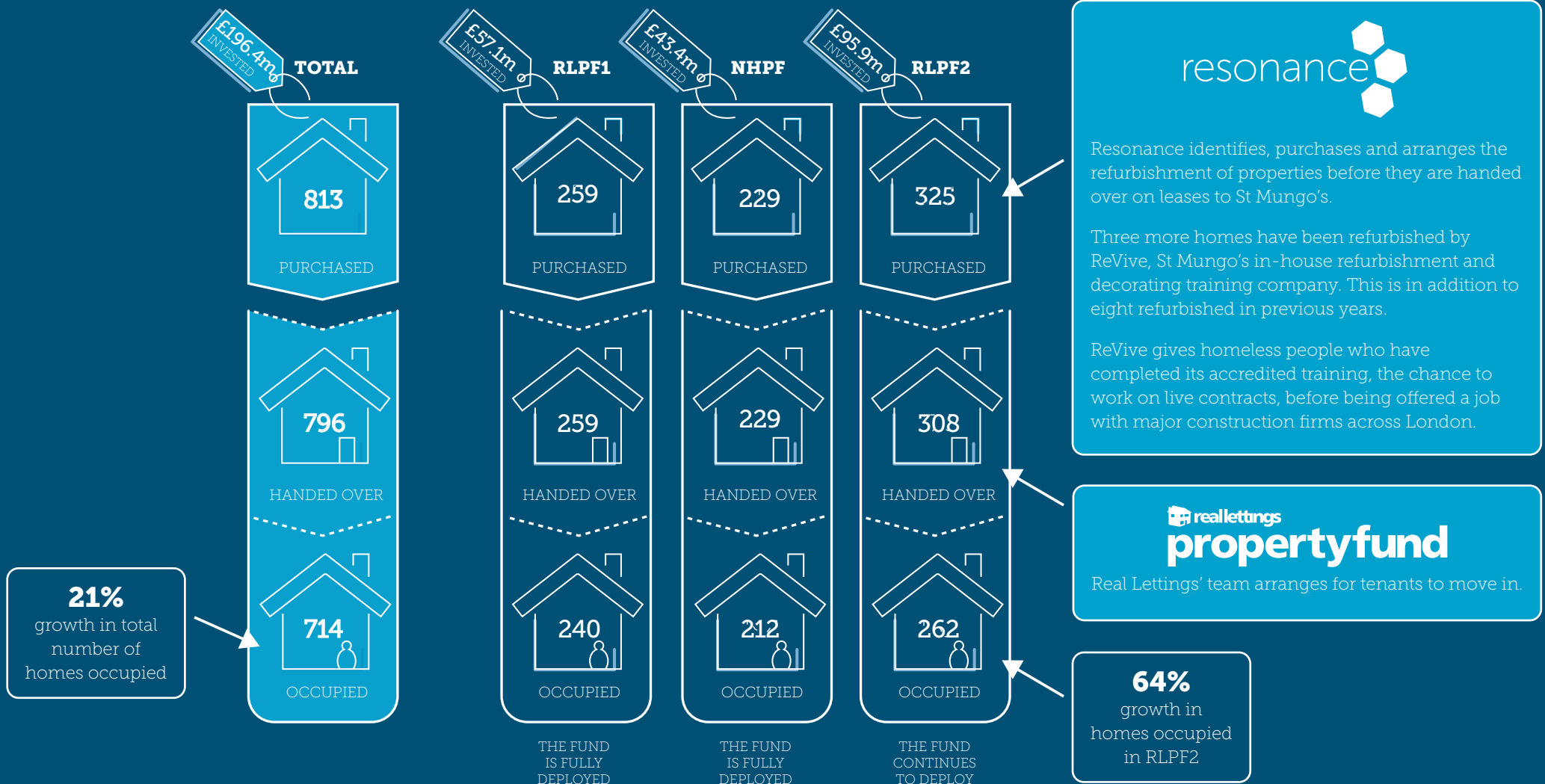
3. Improving resilience against homelessness

This has several dimensions, ranging from people knowing how to look after their home to meeting people locally and integrating with communities. Currently 76% of all tenants say their support network and relationships have been positively affected by living in a Real Lettings' home, within the upper and lower ranges (73%-81%) of the last three years. More than half of the households who moved on this year did so positively, having benefitted from the stability of a Real Lettings' home.

4. Stable housing for children

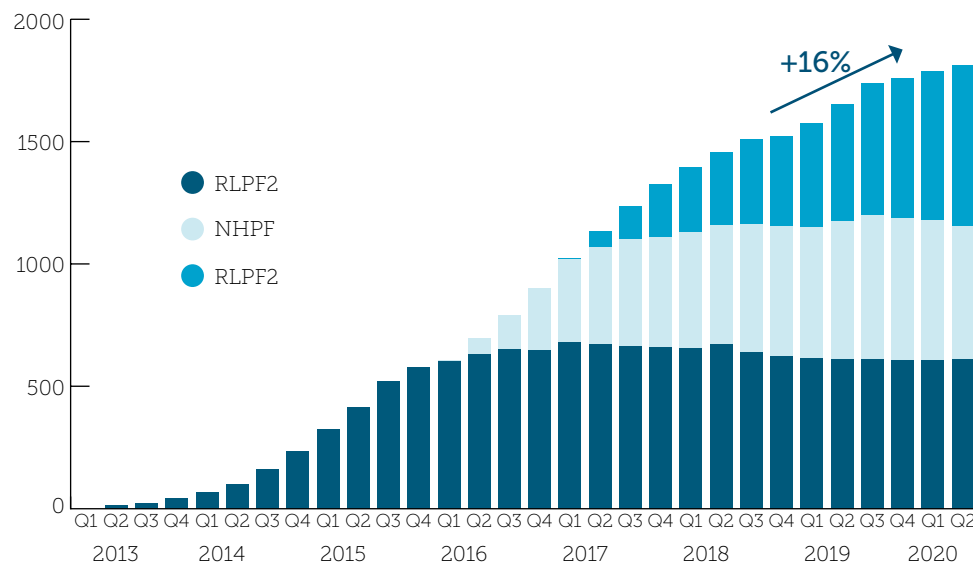
Real Lettings provides a home for almost as many children as adults. Children in particular benefit from good quality, stable housing, in terms of their emotional, physical and social development, supported by access to public services such as health and education. There has been an increase of 9 percentage points in the number of households with children who have registered with a GP, with the extra support this can bring.

PROPERTIES TO PEOPLE



WHO LIVES IN THE FUNDS' HOMES

Population of the three Property Funds

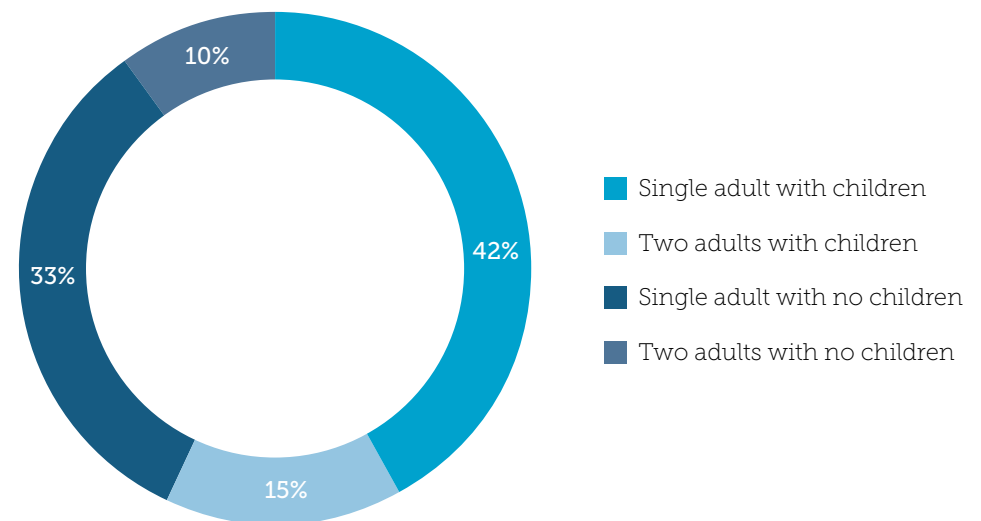


Note the quarters cover the financial year quarters, i.e. the end of Q4 is the end of March.

The bar graph shows how the total number of people housed has grown during the life of the three Funds, up to the end of June 2020.

RLPF2 has seen the most substantial increase in tenancy numbers as the investment raised and properties purchased in previous years, have enabled more people to move in this year. Overall, for the twelve month period, the Funds increased tenants housed by 16%.

Composition of Households

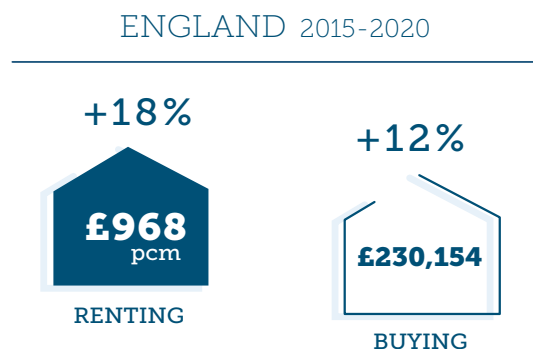


Most households have children, with the majority of these being families with one adult. With the property funds housing comparable numbers of adults and children, the impact of the Funds for both adults and children needs to be considered. This is explored further in this report, including in several of the tenant case studies.

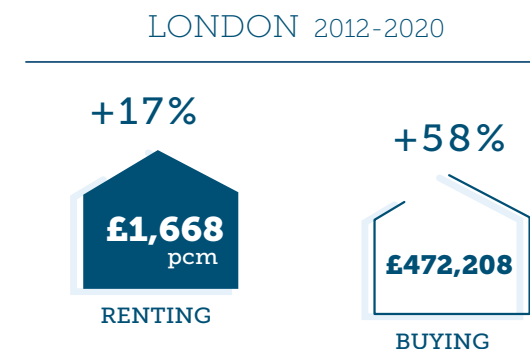
Whilst single adults with children remains the most common household type, there has been a reduction in the proportion over the last three years, with a corresponding increase in the number of single adults without children. One factor here is the increase in the number of one-bed properties purchased in RLPF2 in line with the requirements of the GLA's investment in January 2018, which was focused on single bed properties for higher support need individuals.

THE CONTEXT THE FUNDS OPERATE IN

THE MARKET COST OF HOUSING



Start dates for England align with the start of NHPF in 2015.



Start dates for London align with the start of RLPF1 in 2012.

THE CHALLENGE NEEDS FOR DIFFERENT HOUSEHOLDS



The latest data for social housing waiting lists is from 2019. The reduction is largely due to a change that allowed local authorities to remove people from their waiting lists.

TENANTS' STORIES



Pethelma, 58, Brent

Pethelma, lives with her 19 year old daughter. Before moving into a Real Lettings' property almost five years ago, she had stayed in shared private accommodation and, with no stable home, had to move every six months, eventually staying in a hostel. Living in her Real Lettings' property has given Pethelma peace of mind and stability. She has made friends locally and enjoys going to the bingo and the local park. Stability hugely benefited her daughter during her teenage years, both in terms of friendships and academically as she did not have to constantly change schools during exams and was able to make more progress.

Pethelma likes the property and would like to be able to stay in it for a long time. She is aware that originally the tenancy was offered on a short-term basis, yet she has become a long-term tenant. She says the main barrier for her moving on is the price of private rented accommodation. She has approached the council for help to find private accommodation but says they have been unhelpful. Being able to stay in the property for this extended length of time has had a positive impact on her and she feels that having to move home would disrupt her life again.

COVID-19 effects:

Due to COVID-19, Pethelma unfortunately lost her job as a teaching assistant in the spring. She was employed as an agency worker on a zero-hours contract and now has to claim Universal Credit. However, her daughter has finished her studies and is now working.



Paul, 60, Hackney

Paul had an alcohol problem and was sleeping rough before moving into a hostel. He was then moved into a temporary one-bedroom flat provided by a housing provider. Paul was grateful for the 'roof over his head' but did not like the flat as he did not feel it was a safe environment as there was drug use and other tenants who drank heavily. He was aware that he could be moved on at any time. The housing provider then referred him to Real Lettings.

Having a fixed term tenancy has offered Paul a stable and safe environment, which has been crucial to his recovery from alcoholism and to rebuilding his life. He stopped drinking as soon as he moved to this property because he felt happier and safer. Being stable and settled is key to him being able to remain sober and alcohol free, as Paul finds change detrimental to his progress. He enjoys the fact that he lives close to his children and grandchildren. He says he gets on with neighbours and enjoys going to the local markets.

Paul has been working as a self-employed tradesman and making regular deposits into a savings account to help him move on in the future.

COVID-19 effects:

Unfortunately, due to the pandemic and being self-employed Paul had to claim Universal Credit for a period of time and was unable to continue saving, but he is now happy to be back at work. Paul says he feels supported by Real Lettings, which meant he had not been left on his own and he feels reassured that there is always someone at the end of the phone should he need it.



Sahada, 38, Feltham

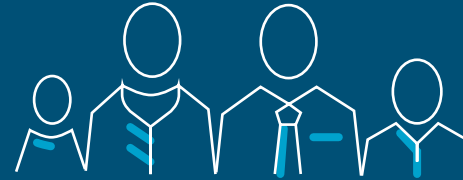
Sahada was living in temporary accommodation in Golders Green provided by her local authority; a one-bedroom flat with a tiny living room and kitchen and no storage space. It was too small for her, her husband and daughter, especially as she was expecting a second child. She had no sense of security at this property. The neighbours were noisy and disruptive, and she often could not sleep.

For Sahada, having a fixed term tenancy with Real Lettings and a much more spacious place to call home has made a big difference. It has allowed her young daughter to have her own bedroom. She enjoys living in the area, which she finds peaceful and she gets on well with the neighbours. In addition, Sahada's husband is in the process of extending his visa, which involves expensive Home Office and solicitor fees. The family is looking into getting a mortgage to buy a house in the countryside where it is more affordable. They have been advised on ways to work towards this, including opening a savings account.

Whenever Sahada has made contact with Real Lettings she has always had a positive experience. She says that everybody she has spoken to has been helpful.

COVID-19 effects:

The initial lockdown meant that nurseries closed, making it more challenging to look after her daughter at home. Due to the pandemic, Sahada's husband was on furlough for a few months, which has meant a reduction to their household income. It has been a struggle for the family to meet all outgoing expenses, especially council tax.



Jamie, 26, and Martina, 32, Oxford

Jamie and Martina live together with their two young children. In early 2019, Martina was suffering with PTSD and also received a diagnosis of endometriosis and later hypotonia, a muscle weakness following childbirth. Jamie had to give up his work as a labourer to become a full-time carer for his wife and children, which drove the family to the brink of homelessness. They were unable to afford the rent on their property and couldn't save to move to new accommodation either.

After approaching their local authority, they were referred to Real Lettings, which offered the family a two-bedroom apartment in Abingdon, eight miles from Oxford City Centre. This has allowed Jamie and Martina the space and stability to assess their situation and consider different possibilities. Jamie declared bankruptcy in January 2020, enabling more progress on their finances, whilst Martina's diagnosis reduced their anxiety and meant that they could plan their return to East Oxford. Due to their circumstances, the family have been accepted for a local authority property in their preferred area, which is close to the hospital so Martina can receive treatment. It is also near a school their eldest son is familiar with, as well as close to family members who can support with childcare, so that Jamie can return to work.

Jamie says he has felt very supported by their housing officer at Real Lettings, who has been consistently responsive. He says St Mungo's is the best landlord they have had so far.



Mason*, 27, Bristol

Mason's father had a drug problem, so from when he was 10, his older sister fostered him and his twin brother until they were 16. He was given shared supported housing between the ages of 16 and 25, and then was moved into his own one-bedroom flat. He went through the bidding process on the council website and was offered the option of a Real Lettings' flat. It was in the area he knew, close to his support network, newly refurbished and in good condition, so he accepted. He has lived in his Real Lettings' home for two years.

The stability provided by this flat and being close to family has helped him feel secure and stable enough to complete courses in carpentry and barbering. However, he fell behind on rent payments when he was moved to Universal Credit. Through a multi-agency approach between St Mungo's, the local authority and Citizen's Advice Bureau, the arrears issues were resolved, although this experience was very stressful for Mason and had a negative impact on his ability to work.

Mason has since passed his driving test and enjoys the freedom of driving to see family. He has been discussing options for moving into private rented accommodation with Real Lettings, and although he is not currently in a position to do so, he is going to investigate what is available in his area. He was given advice to open a savings account and begin saving for a deposit. Mason would like the stability of a permanent flat through the council and hopes to stay in the same area where he feels settled.

COVID-19 effects:

Mason was looking for work as a barber earlier this year, but unfortunately this has been put on hold due to COVID-19. Mason also has a back problem and is receiving disability benefits (PIP), which means he has limited capability for work.



Emilia*, 56, Milton Keynes

Emilia lives in a two-bedroom Real Lettings' property in Milton Keynes where she works in the public sector. Around five years ago, she lived with her husband and two children in a home they owned. The breakdown of her marriage due to a combination of domestic violence and her husband's debt meant she lost her home. After renting privately and living for a while in a static caravan, her adult son's mental health deteriorated, and Emilia approached the local authority for help. She was initially offered a temporary property in Luton, which was too far away from her workplace.

She was then referred to a Real Lettings property for her, which found a suitable, safe and secure home for Emilia and her son, who has finally received a diagnosis and support from local mental health teams. Her new home has meant Emilia is close to her support network, especially her mum and her son's carer who both support him. His mental health has improved since they arrived at the new property.

However, Emilia's adult daughter has since also received a mental health diagnosis, which has meant that she had to move in with Emilia and her brother. As a result, Real Lettings has supported Emilia to get back on the local authority's housing list as her circumstances have changed. This has caused stress for Emilia, who also has health needs of her own and feels PRS is not an option for her. She is currently in Band B of the housing register and is hoping to be rehoused in a three-bed property. Though this is a difficult situation, Emilia has said she has appreciated the empathetic and proactive support from the Real Lettings' team.

*Not real names

LEARNING AND IMPROVEMENT

We have highlighted three themes this year, for learning and improvement.

1 MAJORITY OF TENANTS CONTINUE TO MAKE PROGRESS WITH STABLE TENANCIES AND POSITIVE SOCIAL IMPACT

The Homelessness Property Funds seek to improve resilience against homelessness, make progress towards employment, improve housing options, and provide stable housing for children. There is largely positive progress across all of these aims.

Improving resilience against homelessness

Tenancy sustainment for the critical first six months has been consistent at 100% for RLPF1 and NHPF; RLPF2 is at 99%, influenced by two negative move-ons from a new and growing client group. It is also worth noting that in RLPF2, out of eight move-ons in the first six months, six were positive.

Progress towards employment

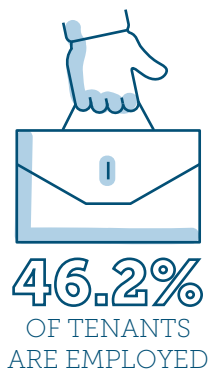
The long-term trend of increasing employment and decreasing unemployment across all Funds continues: 46.2% of tenants are employed, up 0.8 percentage points from last year, and 37% are unemployed (2.5 percentage points down on last year). The remainder are not eligible for work. Most encouraging, RLPF2 showed a decrease of 9.6 percentage points in unemployment compared to last year, bringing it down to 37.6% of all tenants unemployed, in line with the Funds average. The change is due both to an increase in the percentage of tenants employed, particularly in part time work (working sixteen or more hours per week but less than thirty-five) and a small increase in the proportion not eligible for work.

There is one area for improvement here, in that there has been an increase nationally in the number of those who are eligible for childcare who do not have it in place. That is a an increase of 20.5 percentage points from 14.2% last year to 34.6% this year. Lower levels of childcare may make it harder for people to access education, training and employment. However, the numbers progressing towards work, including volunteering, in education or training, childcare in place, or actively seeking interviews, are stable overall.

Improving housing opportunities

76% of all tenants that completed the review, across all Funds, said that their relationships had been positively affected, down marginally from 78% from the year before. Historically, data suggests that new tenants initially feel less positive about their relationships, when establishing themselves in a new home and neighbourhood. RLPF2 confirms this, with the lowest level of positive effects on relationships, but the greatest number of new tenants. This feels like an area to monitor rather than a serious concern.

More people moved on positively than last year: 48 compared to 45. However, the proportion of negative move-ons across the Funds has also risen in 2019/2020, to 26% versus 13% in the previous year. Rent arrears are the main cause of these negative move-ons and this is discussed later in the report.



Positive effects on children

The Funds continue to house a similar number of children to adults, making families a major beneficiary of Real Lettings' homes. This has been identified as an important additional impact that has emerged over time.

Reports from respected organisations continue to reinforce the importance of having a safe, suitable and stable home for the development and wellbeing of children and young people. Last year's report referenced a number of publications: 'An Unstable Start' (2015), for the NSPCC and the Anna Freud Centre, and 'Impacts of homelessness on children - research with teachers' (2017), by Kantar Public for Shelter. More recently the Children's Commissioner published 'Bleak houses: Tackling the crisis of family homelessness in England', and Shelter published 'Generation Homeless: The numbers behind the story', as supporting evidence to its Christmas appeal, focusing on temporary accommodation. The Property Funds provide a better quality and more stable alternative, particularly compared to temporary accommodation, which is what over half of Real Lettings' tenants have previously called home.

The total number of children housed is now 863, almost half of the people in the Funds.



About two thirds or 64% are under 5 - The mental and physical health of children in their early years correlates to their life chances. In that light it is encouraging to see an increase across all Funds in the proportion of households with children registering with a GP, from 48.8% previously to 57.4% in 2019/2020. Better access to healthcare – related to the stability of the home and potentially the support of Real Lettings – should mean better health over the shorter and longer term.

Just over one third or 36% of children are of school age - Physical and mental health continue to be relevant, whilst behaviour, educational attainment and relationships with peers become more significant for this age group. The Fund does not currently have a way to measure these, but the positive impact on relationships as well as wider satisfaction with their homes suggests that it is likely children and young people are benefitting significantly, particularly compared to temporary accommodation.



2 THE POSITIVE IMPACT ACHIEVED COEXISTS WITH ONGOING FINANCIAL STRESS FOR SOME TENANTS

Rent arrears and saving

Self-reported and actual rent arrears data shows that a significant proportion of tenants are in rent arrears. Based on self-reporting, 26% of tenants say they are in rent arrears, compared to 55% of tenants who say they pay their rent in full and on time, consistent with St Mungo's data on actual rent arrears and almost identical to last year's figures. 19% say they are sometimes late but up to date, which is up slightly (1 percentage point) from last year. This is not uncommon, as the timing of rent, salary and benefit entitlements often does not line up, so someone may technically be late in paying, but in practice consistently pays within the month. This is not concerning in terms of arrears, but it does indicate that some people have little or no financial buffer.

This is also reflected in reduced savings rates: there is a 13.6 percentage point rise in households not saving for a deposit since last year and a corresponding 10% fall in those who are able to make deposits or are planning to in the future. This pattern is reflected both in the London and national funds. Reduced savings is not just as a result of new RLPF2 tenants, which might be expected as tenants establish themselves in their new home and life. This suggests more widespread financial challenges for tenants.

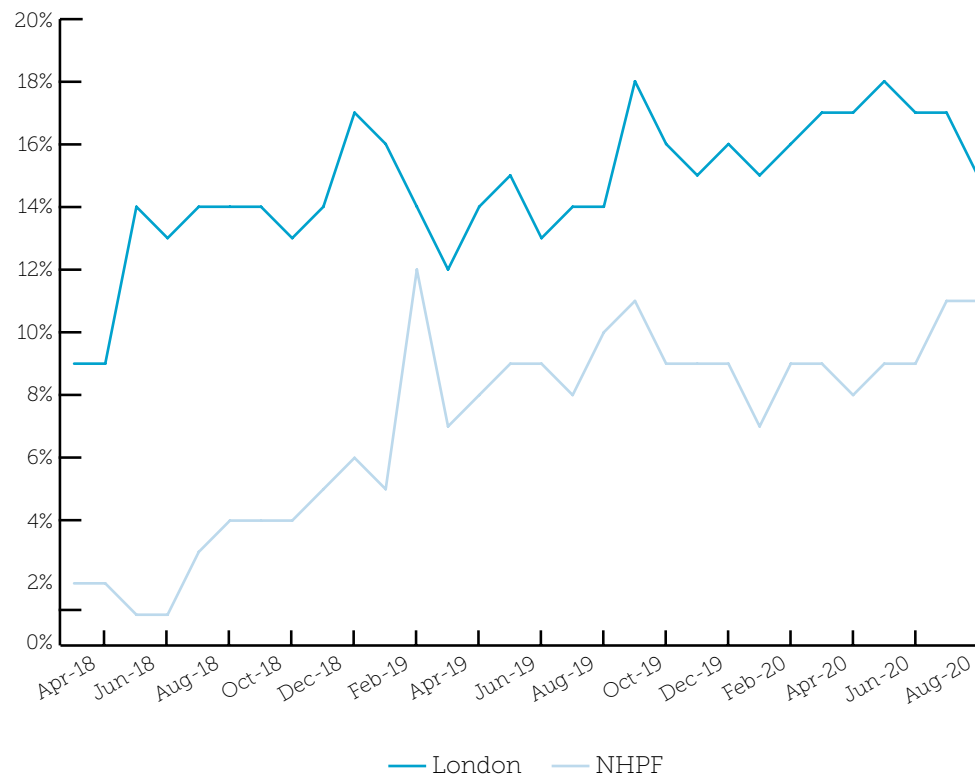
One of the commitments in last year's report was to better understand rent arrears. In terms of impact, rent arrears suggest that some people are struggling to cope with the outgoings of their home, and may well be short of money more generally. Arrears also have an adverse effect if tenants want to move to another home in future. In addition, if arrears worsen and a client does not engage after repeated attempts to discuss their situation, St Mungo's may be forced to seek to repossess the home as a last resort.

The self-reported numbers above – 55% paying in full and on time, and 19% sometimes late – leaves 26% who identify themselves as being in rent arrears. Whilst it is not possible to match up self-reported and actual rent arrears on an individual basis, to protect privacy, this is similar to the averages for tenancies facing more than one month of arrears (in excess of £2k): 17% of NHPF tenants and 25% of London (RLPF1 and RLPF2) tenants.

Rent arrears become increasingly problematic for families and for St. Mungo's when they reach significantly high levels. The Funds use £3,000 as an indicator of when rent arrears may be becoming a significant challenge.

The graph below shows that the trend is one of increasing levels of significant arrears (above £3k). Interestingly, for the London funds (RLPF 1 & 2), the proportion of households in significant arrears declined a little towards the end of 2019/2020. NHPF households in significant arrears increased during the year but from a lower level. Real Lettings has been undertaking work with the Department for Work & Pensions (DWP) to flag Real Lettings' properties on their database, finding payment dates, and introducing some automation based on these data, such as reminders to pay rent, thank-you messages when it is paid, and nudges if it is not.

Percent of properties with arrears over £3k



One of the consequences of high levels of rent arrears, well above the £3k marker and typically in excess of £10k, is an increase in negative move-ons, which are driven primarily by evictions due to rent arrears, and a decrease in positive move-ons. Although over half of people still move on positively (52.7%), this is a drop of 4.9 percentage points from last year. Meanwhile negative move-ons rose to 26.4% of all move-ons, up from 13.6% last year. This should be seen in context though: of 714 households, 24 negative move-ons represents 3.4% of the total. Additional rents data, shared below, shows that these evictions represent a small minority of people that the Funds struggle to assist (see point 3 on page 20 below).

Considering affordability

This year, Resonance, St Mungo's and the TI Group have been analysing affordability of rents and its relationship to benefits, as a significant – but not the only – source of income for most tenants. Most benefits to households of working age are spent on four areas: tax credits to top-up the incomes of families with someone in paid work but on low earnings; housing benefit to help those on low incomes meet the cost of rent; and disability, incapacity and sickness benefits for those with work-limiting health issues or additional costs of living as a consequence of ill-health; and unemployment benefits. The Homelessness Property Funds support people from these four main categories and they are, therefore, affected by government policies such as the de-coupling of the link between housing benefits and rents in 2013 and, more recently, the benefits cap. Around two million households of working age derive at least 80% of their income from benefits, a vulnerable group that includes some Homelessness Property Funds' tenants.

The benefits cap has implications for affordability in all parts of the Funds, but especially so in London, where rents are disproportionately high. Rent is set based on the Local Housing Allowance, which accounts for property size and location.

The benefits cap is £23k in Greater London and from June 2019 to August 2019, 18,000 households (most in London) had their benefits capped for the first time. Many tenants in RLPF1 and RLPF2 are affected by the benefits cap. Comparing the cap to the rents of two-bed properties owned by the Funds, we see that:

- At the cheapest rent in the Funds, £10,810 per annum, rent is 47% of the benefits cap

PROFIT THROUGH PURPOSE

- For the median rent of £13,910, rent is 60% of the benefits cap
- For the maximum rent of £16,960, rent is 74% of the benefits cap

This is higher than the figures in NHPF. Although the benefits cap is £20k outside Greater London, two-beds in Milton Keynes and Bristol have rent of 42% of the cap, or 50% in Oxford.

Whilst a small group of people rely on benefits that are exempt from the benefits cap, for instance linked to disability or caring responsibilities, this is a small proportion of Real Lettings' tenants (3-4%). They are likely to have other costs, for instance stemming from care needs. We cannot meaningfully estimate affordability without knowing more about their circumstances.

Roughly half of tenants, not in work and not on exempt benefits, will be reliant on benefits that are capped. For them, affordability will become more challenging due to inflation, rent increases and macro-economic shocks, in the absence of policy changes. For the 46% that are in employment of some kind, all are reliant on a mixture of benefits and employment earnings:

- 9% of residents work for less than sixteen hours per week and another 2% report that they are on zero-hours contracts; this makes 11%, almost a quarter of those tenants in work. Affordability is a potential issue for this group and the benefits cap will apply if they do not earn the equivalent of sixteen hours of work at minimum wage. Finding a route into work and out of paying a greater proportion of benefits in rent is not easy.
- In addition, we can see that tenants who report working in excess of sixteen hours per week, including being full time, (35% of tenants) are all claiming Universal Credit, most of them in combination with other benefits. This suggests that their incomes are quite low. Affordability may be an issue for some in this group; although they should be exempt from the benefits cap, the decline in benefits as income increases, is a sharp one.

The circumstances are a cause for concern: whilst this year's report does not deal with the 2020/2021 year (the next year of impact reporting), the economic shocks from coronavirus and Brexit, including the effects on employment, are likely to have an adverse effect on at least some of the people in work.

Some of the initiatives which St Mungo's and Resonance are taking to address these issues are summarised opposite.

Besides St Mungo's ongoing work to support people in understanding and maximising their choices, both in terms of receiving their entitlements and encouraging them to consider work and steps towards it, there are four approaches underway that could help mitigate this:

- The partners increase rent in line with changes to Local Housing Allowance in January of each year. Tenants are notified in January and the rent is increased in April. However, when the new, higher coronavirus rate was announced on 27 March, the partners chose not to increase rent outside of the usual annual cycle, in consideration of the benefits caps and coronavirus, as well as the short notice this would have given tenants. The average increase in rent across the London portfolio based on the new rate would have been 13%.
- Use of Discretionary Housing Payments – some local authority investors have used their own money to support people where housing costs are an issue, working with St Mungo's.
- Resonance has been working with St Mungo's to obtain funding from Innovate UK for the SAVE data project (see opposite) that will use digital tools to help prioritise resources for tenants at greater risk.
- Resonance and St Mungo's are together exploring different ways of understanding people's income, including modelling the effects of the benefits cap and investigating the use of Minimum Income Standards by Loughborough University with the Joseph Rowntree Foundation and Trust for London. Understanding people's financial wellbeing, to ensure that they have a reasonable standard of living, is becoming increasingly important for social impact and to understand the interplay between benefits, work and rent levels. (This is picked up in the commitments section.)



The SAVE project

The SAVE project (Sustainable Alleviation of Vulnerable populations using big data analytics and Evaluation) is funded by Innovate UK. Working with St Mungo's and Resonance, Alice (a social enterprise technology venture) is creating digital tools to target resources to meet the needs of vulnerable tenants through collecting, analysing and visualising support services data. The intention is that this should have multiple benefits, including:

- Providing insights on tenants with financial difficulties and predicting the probability of them being in rent arrears in order to take preventative measures
- Enabling efficiency gains for staff
- Strengthening impact reporting
- Improving collaboration between funders and service providers

The project is still in development but, if successful, could be a useful additional tool to complement Real Lettings' existing work.



3 A SMALL NUMBER OF PEOPLE HAVE HIGHER NEEDS THAT NEED TO BE ADDRESSED DIFFERENTLY

Findings are emerging on a small group of tenants that are harder to help. This also overlaps with a minority of people who incur high rent arrears.

Real Lettings identified the top ten households with the highest arrears in each of the London funds (ten in RLPF1 and ten in RLPF2) and the top ten in each city in which NHPF operates i.e. Bristol, Milton Keynes and Oxford (thirty people). This showed that at the end of March 2020:

- Twenty people in London – 4% of tenants – accounted for 26% of total arrears in the two funds
- Thirty people in the three NHPF cities – 17% of tenants – accounted for 49% of arrears

The amount owed by these tenants with high levels of arrears was just over £4,000 each in NHPF (equivalent to four to five months rent), and over £10,000 in London (approximately eight months rent). It is indicative of a minority of people with needs that the Fund cannot meet (using its standard support model for individuals ready for independent living) creating a disproportionate social impact risk and a disproportionate financial risk for St Mungo's.

There are several factors at work here. Real Lettings has described the circumstances of the top thirty (twenty from two London Funds and the top ten from NHPF) and tried to identify a primary factor, although this is tricky given the complex nature of many of these cases. In declining order, these were:

- Longstanding benefits issues, typically to do with earlier versions of Universal Credit and errors related to the housing element (seven out of thirty cases)
- Abandonments or suspected abandonments of properties (also seven out of thirty, the most frequent)
- Mental health (five out of thirty)
- Other support needs (four out of thirty)
- Long-term non-engagement with Real Lettings (also four occurrences)
- Three other complex cases

In practice, these factors interact: one anonymised example was of someone who had made a mistake in their original housing benefit form, incurred arrears as a result, was unable to pay these, then experienced depression. The arrears from the error were eventually recovered but they had by this point lost their job, in part due to their mental health, and were without earned income. People in these circumstances need more help than Real Lettings can provide. Its housing officers work with 100-150 tenants each. Real Lettings increased staffing in Autumn 2019, but nonetheless the time required to deal with these complex cases is high. It also needs to be borne in mind that in the last year typically 17% of NHPF tenants and 25% of London (RLPF1 and RLPF2) tenants had arrears over £2k, i.e. a level that is more than a missed month, and that arrears is only one of multiple issues that housing managers have to deal with.

Significant work has been done to assess referral routes for tenants and how support interventions can be improved to address these issues. The graphic overleaf gives some indications.

INTERVENTIONS AND SUPPORT FOR TENANTS WITH HIGH NEEDS

CURRENT SITUATION

BEFORE MOVING IN



Some people referred in error – not ready for independent living -

Systems pressures – Real Lettings seen as a better option, more secure option for those referring tenants, within St Mungo's and externally -

Clarity of communication and extent and quality of support vary – some transitions to Real Lettings more successful. Better practice includes the local authority explaining the type of tenancy and implications of accepting it +

IN THE HOME (LOWER SUPPORT)



Sign up issues -

Contacting the household to make sure they understand the importance of paying their rent. +

Some people suffer one or more setbacks, such as a health problem, family issue, benefits or employment issue, that have adversely affected their finances ±

St Mungo's improvements – increased staffing +

Real Lettings has been undertaking work with the DWP to flag Real Lettings properties on their database, finding payment dates, and introducing some automation based on these data +

IN THE HOME (HIGHER SUPPORT)



Best efforts of housing managers – pinch point in terms of resources makes this hard to do effectively ±

Use of Discretionary Housing Payment by some local authorities – very helpful but cannot be relied on +

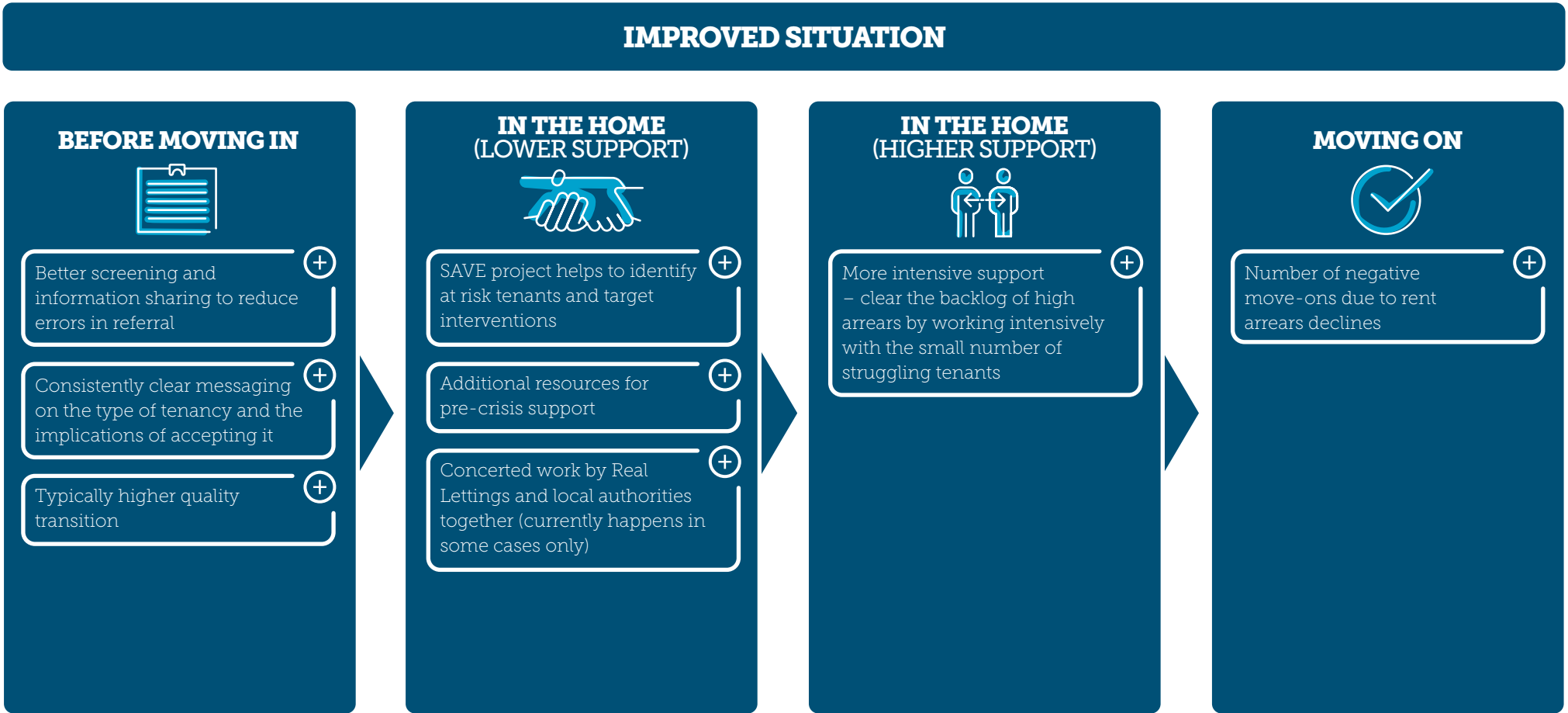
MOVING ON



Of twenty-four negative move ons, nineteen were evictions due to rent arrears -

Real Lettings only evicts as a last resort and after very significant efforts to rectify the situation +

The improved situation described in the table has three main advantages: firstly, it would reduce the number of referral errors and make it less likely that people whose needs are too high for Real Lettings are admitted; secondly, the best current practices become standard across the Funds and cities; and, thirdly, it reduces the need for intervention by tackling issues sooner. It also makes sense to rectify some long-standing issues, supporting tenants who have additional support needs and who, without intervention, are likely to be facing eviction. This is an undesirable cycle that could be broken, to the benefit of the individual tenants, as well as to the wider impact of the Funds, as staff time is freed up.



KEY COMMITMENTS

Each year, rather than offering recommendations, the partners work alongside the TI Group to identify areas of action for the year ahead.

1. Work more closely with other partners referring people to Real Lettings to:

- Clarify what Real Lettings is and what Real Lettings can offer, both with partners' staff and in the communications they provide to prospective tenants. Improving the suitability of referrals will lead to better outcomes.
- Spread existing but localised good practices at the point of transition, so that these become normal across the Funds.
- Understand the resources that all partners have available – across departments in St Mungo's and equally in local authorities. This should include how all partners work together when a tenant begins to experience difficulties.

This is an extension of the commitment in the previous social impact report to work together; Real Lettings and Resonance would like to explore this further with partners.

2. Improve understanding of people's financial wellbeing:

Making sure that people have enough, not just to survive, but to plan and to save, is important to mitigating the financial pressures that some tenants are facing. The consideration shown in not raising rent out of the usual annual cycle and the emerging work on minimum income standards are potentially complementary and could suggest new ways of helping tenants to manage the financial changes they face.

3. Tackle arrears as a human issue first and a financial one second:

Progress has been made on last year's commitment to better understand rent arrears. Whilst a more stable portfolio with less new properties and people will free up some staff time, and improvements have been made to processes related to benefits and rent, these will not be sufficient to address the challenges identified without two further actions:

- Design a once-off intervention to clear the small number of high arrears cases, not by enforcement, but by resourcing case work and creating a rescue package for those that require much more support than Real Lettings can provide. Mental health, general support needs and benefits issues, often operating together, are more than individuals can sort out on their own. Real Lettings has absorbed arrears from people who would normally be pushed out. Additional resources could be focused here to achieve deep social impact for a small number of people.
- Develop pre-crisis support. A modest investment in pre-crisis support can reduce the likelihood that people get into serious arrears by intervening sooner. The SAVE project could help, but in addition this probably requires several staff with relatively small caseloads. This is also a sensible investment to mitigate likely shocks, including from coronavirus.

A APPENDIX

A NOTE ON COVID-19

This report covers the period April 2019 to March 2020. The significance of coronavirus (COVID-19) in the UK became apparent in March 2020, firstly with a statement from Matt Hancock in the House of Commons on 16 March 2020, announcing people should avoid unnecessary social contact. This was followed by a statement on 23 March 2020 from Boris Johnson, requiring certain businesses to close and telling people they must stay at home. However, most of the data on which the analysis of the year is based had already been collected. It is therefore not possible to use the data to understand the impact of the first few weeks of coronavirus and lockdown.

The approach adopted by this report is to:

- Understand and analyse the impact of the Funds as whole. Strengths and weaknesses before coronavirus had a major effect can thus be established.
- Supplement reporting this year with more recent data that considers the impact of coronavirus on tenants and the Funds.

The two main sources of recent data are feedback from Real Lettings' staff, who are in frequent contact with tenants, and data on arrears. A focus group was run by the TI with Real Lettings' staff in mid June 2020, to get a sense of staff and tenants' experience during the first quarter of the year. Emerging findings from this were:

- Coronavirus has been amplifying issues which tenants may face, such as anxiety, psychological shock and stress.
- Many people have lost access to services that had been helping them.
- Financial challenges for tenants related to changes of work circumstances and changes of benefits were compounded by uncertainty about government schemes; some employers were less clear on what they could/should offer, and some experienced a time gap between applying for furlough (where people were eligible) and receiving it.

- Difficulties for tenants engaging with Real Lettings, due to varied factors including the switch to digital communications proving tricky for some (digital access, language, or familiarity with technology), and the pressures of looking after children.

The number of tenants in rent arrears is similar to the 2019/2020 year (although the value of arrears has increased), but Real Lettings' staff report conversations with tenants that indicate a significant number are facing issues and an increase in arrears is likely. This accords with wider experience. Citizens Advice¹ suggests that "4 million people have fallen behind on rent, council tax or a telecoms bill" as a result of coronavirus. Housing associations, which house tenants with incomes comparable to Real Lettings' tenants, are experiencing their highest arrears in more than five years, with London being the worst affected area. The private rented sector (PRS) is also struggling: the London School of Economics² with Trust for London, estimates that evictions could rise to three times the level of before coronavirus, pushing a potential 30,000 additional households into temporary accommodation. Data from a Policy in Practice briefing helps reveal the situation that people are facing, including a 90% increase in claimants of Universal Credit (UC), to 5.7m people, a 117% increase in unemployment numbers, to 2.7m, and a 150% rise in foodbank use in 2020/2021. This is clearly a deep and widespread problem affecting many parts of society, with Real Lettings' tenants being amongst those likely to experience more severe effects.

St Mungo's staff continue to work closely with tenants and have been providing remote support on the issues faced (see the Tenants' Stories for some specific examples). However, given the scale of the shock and challenge, the next annual social impact report is likely to show some adverse effects, as well as how Real Lettings has sought to address these.

1. https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/FINAL01_05%20-%20Near%20the%20cliff-edge_%20how%20to%20protect%20households%20facing%20debt%20during%20COVID-19.pdf

2. https://trustforlondon.fra1.digitaloceanspaces.com/media/documents/Where_now_for_the_private_rented_sector.pdf

B APPENDIX

RESONANCE'S PROPERTY FUNDS

Following the success of Resonance's existing homelessness property funds, Resonance has created four further property funds focusing on three areas of impact:

HOMELESSNESS

National Homelessness Property fund 2 (NHPF2)

NHPF2 has been created following the successful model of the National Homelessness Property Fund. It launched in December 2020 to help meet the increasing demand of those who are homeless or at risk of homelessness and will initially focus on purchasing affordable homes in the Greater Manchester region, before expanding nationally. The fund has partnered with a group of registered housing providers in Greater Manchester and has seen the first investment from a pension fund into one of Resonance's property funds.

This fund will follow the same successful model as National Homeless Property fund. It aims to grow to £100m over its lifetime and provide around 870 affordable homes across the UK.

Resonance Everyone In

Everyone In has been created following the successful model of the National Homelessness Property Fund. It has been established with the Greater London Authority as an emergency response to the impact of COVID-19 on London's rough sleeping population, who have been temporarily housed in hotels during the pandemic and now need options to move into stable accommodation with specialist support. The Everyone In social impact property fund aims to help meet the increasing demand

to house rough sleepers in London. The fund follows on from the successful model of the Resonance Real Lettings Property Funds. It has partnered with a leading social justice charity and will work by acquiring properties and leasing them to the charity to provide individuals who are currently rough sleeping or in temporary hotel accommodation with a settled home.

The fund aims to grow to £15 million and to provide 50 homes for those sleeping rough on London's streets, housing 250 individuals over its lifetime.

LEARNING DISABILITY

Resonance Supported Homes Fund (RSHF)

This Fund aims to provide a solution to the acute housing shortage that leaves thousands of adults with learning disabilities, autism and mental health problems living in inappropriate housing and remaining on long waiting lists. It launched in summer 2020 alongside two initial charity partners – a learning disability housing provider and a learning disability charity.

The initial focus will be on investing in property in Greater Manchester, then other targeted regions, before rolling out across the UK to meet the specific needs of every individual. By working with charity partners the Fund will allow people to move out of unsuitable accommodation and into homes of their choice in

their local communities, and will also be provided with specialist support to lead fulfilled lives with independence and choice.

The Fund has a target size of £100 million and aims to provide homes across the UK where need has been identified.

VULNERABLE WOMEN

Women in Safe Homes fund

Believed to be the world's first gender-lens property fund, Women in Safe Homes has been created as a solution to the lack of affordable, safe and secure homes for women who are experiencing homelessness, have been involved with the criminal justice system, are survivors of domestic abuse or have other complex needs.

It will purchase properties and lease them to its women's sector and homelessness charities which, in turn, will rent homes to women at risk of homelessness with a secure tenancy. The charity partners will provide specialist support to help women recover and find stability.

The fund is run by a joint venture between Resonance and Patron Capital and has received the first investment into a Resonance property fund from an international investor. It aims to provide around 650 affordable homes across the UK and to grow to a target fund size of £100 million.

TO LEARN MORE ABOUT OUR HOMELESSNESS PROPERTY FUNDS PLEASE CONTACT US:



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