

WRITTEN EVIDENCE TO THE COMMUNITIES AND CULTURE COMMITTEE INQUIRY: MAKING THE MOST OF THE PRIVATE RENTED HOUSING SECTOR

Introduction

This paper provides written evidence on behalf of the Deputy Minister for Housing and Regeneration for the Committee's inquiry into the private rented sector for its meeting on 13 January 2011.

Background

The private rented sector accounts for around 12% of the housing stock and provides approximately 136,000 homes for people across Wales. Around 20,000 of these homes are Houses in Multiple Occupation (HMO) and these provide accommodation for some of the more vulnerable members of society. The largest concentration of HMOs is in University towns and cities and in coastal areas where previous holiday properties have been purchased to provide rented accommodation. Large concentrations of HMOs can pose problems in themselves, often having a detrimental effect on the character and amenity of areas that were formerly primarily residential in their make-up.

A strong private rented sector is an essential part of a well functioning housing market. In Wales, the private rented sector performs a critical role in supporting economic mobility, providing flexibility and choice to those who choose not to enter into home ownership and providing housing to many of the most vulnerable in society. The recent financial downturn has also highlighted an increasingly important role for the sector in the housing market of the future, both in providing homes for younger people, and in contributing towards an increase in the supply of homes.

The Welsh Government is committed to the development and maintenance of a private rented sector in Wales with well-managed homes that are in good condition. We recognise the contribution that privately rented homes can make to help address housing need and the wider benefits they can bring.

The Welsh Government would like to see further improvement in the private rented sector. This includes improvements in the quality and management of homes and action to help tenants to be assertive and well-informed consumers. Fulfilling this ambition may involve increased regulation, which we have recently consulted on, or it may involve education and information to highlight tenants existing rights and the responsibilities that landlords have a duty to perform.

The importance of the private rented sector is reflected in "Improving Lives and Communities", the National Housing Strategy. The strategy reflects the Welsh Government's commitment for further action to improve this important part of the housing market in Wales.

Action to Date

We have already introduced a number of measures to improve the condition and management of privately rented homes. The measures enhance and develop earlier arrangements to help ensure that tenants are able to enjoy homes that are well managed and in good condition. This followed the deregulation of the former Home Renovation Grant arrangements.

The measures introduced over recent years include:

(i) Tenancy Deposit Protection Scheme. Since its implementation in April 2007, the Scheme has protected 1.69 million deposits equivalent to £1.626 billion in England and Wales

(ii) The Housing, Health and Safety Rating System and associated enforcement powers for local authorities to ensure higher basic standards (June 2006);

(iii) Mandatory Licensing for the highest risk Houses in Multiple Occupation (HMOs) together with the option for local authorities to introduce additional licensing schemes for lower risk HMOs (June 2006);

(iv) Selective Licensing, to enable local authorities to licence other privately rented property (October 2006);

(v) Deregulation of the former home renovation grant system which enabled local authorities to give a wider, more flexible range of assistance, including help for landlords (July 2002);

(vi) The Wales National Landlord Accreditation Scheme for landlords and letting agents (November 2008); and

(vii) Landlord fora to improve communication between local authorities and landlords throughout Wales (ongoing).

The introduction of the joint England/Wales **Tenancy Deposit Protection Scheme** has provided protection for private sector tenants and more certainty for both tenants and landlords about the way deposits are handled and how disputes are resolved. The operation of this scheme on an England/Wales basis has worked well.

The introduction of the **Housing Health and Safety Rating System**, coupled with **HMO Licensing and Selective Licensing**, has provided an opportunity to drive up management standards by supporting reputable landlords and penalising those who are not prepared to meet the standards that apply.

As a result of the **deregulation of the former home renovation grant arrangements**, local authorities are able to give assistance to

private sector landlords to help them improve their properties or convert other buildings into living accommodation. This can be coupled with grant conditions which could include nomination rights for local authorities and registered social landlords. There are excellent examples of the success of this approach in Wales.

The Welsh Government has also worked closely with Welsh Local Authorities and the National Landlords Association to develop an all-Wales **National Landlord Accreditation Scheme**. It has also supported the development of improved links between local authorities and landlords through the establishment of **landlord fora** in local authority areas in Wales.

The National Landlord Accreditation Scheme, coupled with landlord fora in all 22 local authority areas, has improved communication between local authorities, landlords and private sector tenants. There have also been additional benefits in terms of training opportunities for landlords and improved information systems for local authorities.

The additional measures we recently consulted on included a national register of private sector landlords and the mandatory regulation of letting and managing agents both of which would have been on an England/Wales basis. We also proposed that in future all tenancy agreements should be written and that the threshold for shorthold tenancies should be increased.

We are in the process of improving our evidence base for the sector in Wales in conjunction with others that operate in and around the sector, including local authorities, the National Landlords Association, the Association of Residential Letting Agents and Shelter Cymru. We believe that these measures would have built on those we have already introduced.

The Rugg Review

The Rugg Review of the Private Rented Sector in England, which was published in October 2008, included a number of recommendations ("policy directions of travel") which had direct implications for the private rented sector in Wales. These included a national mandatory registration scheme for all landlords and increased regulation for letting agents. The UK Government published its formal response to the review in the form of a consultation paper in May 2009.

The Rugg review also recommended the adoption of wider-scale accreditation for landlords and letting agents and for the criteria covering the introduction of selective licensing schemes contained in the Housing Act 2004 to be re-evaluated and possibly widened. We already have an all-Wales landlord accreditation scheme which was introduced in November 2008. In addition, the criteria for selective licensing is already broader in Wales and was introduced through subordinate legislation in October 2006. Consequently, not all the Rugg Review recommendations apply to the private rented sector in Wales.

It was anticipated that the implementation of the majority of the Rugg review recommendations would require primary legislation, which would have been on an England and Wales basis. The intention was to take forward the three proposals covering landlord registration, regulation of letting agents and written tenancy agreements. However, the new UK Coalition Government has decided not to take these proposals forward.

This decision does not diminish the value of the comments and contributions received in the consultation exercise. It also does not prevent further action being taken in Wales but requires careful consideration of how the proposals could be taken forward. The responses to the consultation clearly indicated that more work is required on the proposals. The change in position of the UK Government provides an opportunity for the Welsh Government to consider how it can best achieve its objective.

Impact of Housing Benefit Reform

The UK Coalition Government's changes to the Housing Benefit and Welfare benefit regimes more generally are expected to have a significant impact on the private rented sector across the UK.

Local Housing Allowance will be restricted to the 4 bedroom rate. Currently the 5 bedroom rate is the maximum payable. Existing Housing Benefit recipients will be affected when their claim for housing allowance is reviewed, usually at the anniversary point of the claim. New claimants after April 2011 will only be entitled to the 4 bedroom rate even if their family size requires more than 4 bedrooms. This is likely to have severe consequences in terms of overcrowding which, in the case of children, can have a negative impact on their health and well being, including educational attainment.

The Department for Work and Pensions assume that landlords will reduce their rents to reflect the revised Local Housing Allowances. However, if this does not happen the following may occur:

tenants may move to poorer properties at the lower end of the rental market to save money;

there may be increased pressure on social housing as this has traditionally been seen as a more cost-effective option;

people may choose to remain in their own homes and seek to reprioritise household expenditure, which could have an adverse effect on children living in low income families, including their health, well being and general development;

tenants may allow rent arrears to grow and run the risk of eviction; and

tenants may seek other means to pay shortfalls. For example, money lenders, which could lead to increasingly difficult financial circumstances.

If landlords decide that they are prepared to accept lower rents, it could reduce the likelihood of a landlord being prepared to spend money on improving the property, including, for example, more efficient heating systems.

The changes may result in increased pressure on services delivered by local authorities. In terms of Discretionary Housing Payments (DHP), local authorities may not have means to match-fund due to reductions in overall budgets because of the current economic climate. There could in turn be increased pressure on bed and breakfast costs for authorities, increased reliance on temporary accommodation and increased numbers of homeless people.

Homelessness

Our Ten Year Homelessness Plan focuses on prevention and early intervention. It includes action to develop the role of the private rented sector to meet the needs of people who would otherwise be homeless. This includes clear aims for advice services and housing-related support where necessary. The Plan expects local authorities to work with the sector to foster additional housing opportunities for vulnerable people, providing help and incentives to landlords to offer them housing.

The private rented sector offers opportunities for housing in many communities where social housing is not available. Local authority and other advice services now focus increasingly on giving vulnerable people advice on all their housing options including those in the sector. The sector provides vitally needed housing for local authorities to discharge their homelessness duties, both in temporary and permanent accommodation.

The action plan also includes work on promoting access to the sector through social lettings agencies and bond schemes. The Welsh Government is now encouraging bond schemes and social lettings agencies to work together to provide a spectrum of advice and support to people needing access to the sector.

Eighteen bond schemes have been established through the homelessness grant programme. These schemes provide a guarantee for the landlord against loss due to damage or rent arrears. The demand on the Welsh Government's resources to meet bond claims has more than doubled since 2006/7, although the increases have occurred in a minority of schemes, and officials are working with these projects to control these increased claims.

As part of funding for homelessness prevention in 2010/11, £210,000 has been provided to support the development of four social lettings schemes across eight local authority areas in Wales. Support has already been provided for the development of a further six social lettings schemes and these are operating directly with landlords to let properties in the sector to vulnerable people.

Current Actions/Future Plans

As highlighted in paragraph 15 above, the Welsh Government is currently collaborating with other organisations that work in and around the sector. This work is part of a wide-ranging programme for action to implement the national housing strategy. In this context, a number of issues are currently being examined.

Work is currently being undertaken on further developing the evidence base around the private rented sector. This work undertaken thus far has raised a number of questions for further consideration which can be categorised as follows:

"CONSUMER PROTECTION"

- (i) Security of tenure – is there a need to change tenure arrangements? e.g. altering rules regarding Assured Shorthold Tenancies etc.
- (ii) Enforcement – should local authorities have more powers or do they simply need more staff to implement existing powers?
- (iii) Problems and their impact on individuals – how should tenants/landlords be protected from actions of others including tenants/letting agents “disappearing” and landlords not fulfilling promises in relation to repair, Retaliatory eviction etc?
- (iv) Dispute resolution, mediation and less costly alternatives for tenants. What can be learned from the Scottish example of the Private Sector Housing Panel and would it work in other parts of the UK?

"GOVERNMENT POLICY"

- (v) Compulsory registration for landlords?
- (vi) The regulation of letting agents?
- (vii) Enforcement policies – what would be needed in response to issues above?
- (viii) Planning issues?
- (ix) Resourcing, including impact of the Comprehensive Spending Review.
- (x) Impact of UK policy changes in relation to housing benefit and wider welfare benefit reform.

"ACCESS TO THE SECTOR"

- (xi) Affordability – both in terms of rental levels and mortgage availability for landlords.
- (xii) Role and responsibility of housing associations with reference to leasing.
- (xiii) Stock condition – how to improve accommodation standards?

"EDUCATION/TRAINING"

(xiv) Increasing awareness/education in terms of roles, responsibilities and rights of landlords and tenants.

(xv) Sharing best practice across Wales and the UK.

(xvi) More research into the problems and the cause(s), which will inform solutions and identify further evidence on what helps to encourage the take-up of good practice.

Next Steps

The work that is currently being undertaken in conjunction with other organisations will inform the Welsh Government's consideration of priorities and suggestions for future action. It is likely that these recommendations will be submitted around the same time as the Communities and Culture Committee publishes its own report and the combined body of information that will become available will have a role in helping to determine future policy and action.

The Welsh Government's ability to introduce further legislation in the sector will not only depend on effective working arrangements with Whitehall Departments to fulfil its policy aims, but also on the outcome of the Referendum on Additional Powers in March 2011.

Conclusion

This paper has highlighted the important role that the private rented sector has in meeting future housing need in Wales. Building on a summary of action taken to date, it outlines current work that is in hand in conjunction with other organisations and the broader issues being considered. The Committee's inquiry will make a significant contribution to inform future policy and action.