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Written Response to the Communities and Culture Committee's Report on Making the Most of the Private Rented Sector in Wales by Jocelyn Davies, Deputy Minister for Housing and Regeneration

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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 Assembly 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 importance of the private rented sector is reflected in "Improving Lives and Communities: Homes in Wales". The strategy reflects our commitment to do more to improve this important part of the housing market.

The publication of the Communities and Culture Committee's report is timely as it coincides with the steps we are taking to look critically at ways in which improvements can be made to the private rented sector to help landlords, tenants and prospective tenants.

The pressures on both capital and revenue budgets are well known and will have a bearing on future developments. However, that it not to say that change is not possible without finance. Certain improvements to the sector will only require a revision of existing practices while others might involve a different approach. In this respect the important areas that the Committee has pinpointed are particularly relevant. We will continue to work with others to make the necessary changes for the private rented sector to be an option that people choose. In doing so, there are a range of issues that we need to consider carefully with local authorities, the Welsh Local Government Association and other organisations.

The Committee report recognises the significant challenge posed by the forthcoming changes to the housing benefit system for the private rented sector. I am pleased that there is consensus that this is an issue on which all Assembly Members should continue to lobby the UK Government.

I welcome the Committee's report and have set out my detailed response to its recommendations in the following pages.

Detailed responses to the report's recommendations:

The Committee recommends that:

1. The Welsh Government actively seeks to promote a positive public image of the private rented sector as a tenure of choice in Wales.

Response: Accept

I accept this recommendation. We will continue to promote this by working with local and national organisations to address the issues that affect the way that some people perceive the sector. We established Landlord Accreditation Wales in 2008 and regard this as a very positive step towards promoting the image of the private rented sector as a desirable place to live. It is pleasing to see that all local authorities chose to become involved in the scheme. The accreditation scheme provides landlords with information and professional development opportunities to allow them to operate a successful business whilst providing their tenants with safe, high quality accommodation, thereby reducing the need for intervention from local authorities.

Our national housing strategy highlights the importance of the private rented sector in meeting housing need.

We have also introduced a number of measures to improve the condition and management of privately rented homes. The measures, which include such initiatives as the Tenancy Deposit Scheme, enhance and develop earlier arrangements to help ensure that tenants are able to enjoy greater security in homes that are well managed and in good condition.

Financial Implications – Any additional costs will be met from existing programme budgets.

2. The Welsh Government promotes the development and use of Social Letting Agency schemes and Private Leasing schemes by local authorities.

Response: Accept

I accept this recommendation. We have been promoting such schemes for a number of years and will continue to do so.

The written evidence I submitted to the Committee prior to its scrutiny session outlined some of the measures we have taken to date. For example, the homelessness action plan includes work on promoting access to the sector through social lettings agencies and bond schemes.

Furthermore, as part of new funding for homelessness prevention in 20010/11, financial support has been provided for the development of four social lettings schemes across eight local authority areas in Wales. In addition, 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. These schemes are currently being evaluated.

Financial Implications – Any additional costs will be met from existing programme budgets.

3. The Welsh Government produces a specific strategy for making the most of the private rented sector in Wales.

Response: Accept in principle

I accept this recommendation in principle. I sense that behind the Committee's recommendation is a desire to see a co-ordinated programme of action that delivers improvements on the issues that it has identified in its report. I share that desire but have some concern about developing another strategy that sits apart from our national housing strategy.

Our national housing strategy provides a single framework to address all aspects of housing, many of which are interrelated. It provides the foundation for co-ordinated programmes of action, which can capture the matters raised by the Committee.

As Part of the development of the national strategy I established a Programme Board to identify priorities and drive forward action. The board, which has a very good representative membership from the housing sector, reports to me. I believe that this, and the fact that its role also includes monitoring and evaluating progress, will meet the aim of the Committee's recommendation.

We have already taken the opportunity to establish a specific sub-group of the Programme Board to consider the need for action in the private rented sector in detail.

Financial Implications – Any additional costs will be met from existing programme budgets.

4. The Welsh Government continues to promote Landlord Accreditation Wales, working with publicly funded bodies and bodies representing the interests of both landlords and tenants to share and develop understanding and incentives for landlords to become accredited.

Response: Accept

I accept this recommendation. We will build upon the initial backing we gave to the scheme by funding its introduction, not least by continuing to promote its value across the private rented sector.

My officials regularly receive feedback about its operation from Cardiff City Council, which is the lead local authority in relation to the scheme. We also

receive feedback through other established networks, such as the all-Wales Heads of Environmental Health Technical Panel. This engagement with publicly funded bodies is ongoing.

The sub-group of the housing strategy implementation programme board (see above) is considering incentives for improvement. Some local authorities already offer incentives for landlords to join the accreditation scheme. These incentives can include grants to improve individual properties or discounts in relation to fees for the licensing schemes we have already introduced.

Financial Implications - Any additional costs will be met from existing programme budgets.

5. The Welsh Government researches the potential effectiveness of a mandatory licensing or registration scheme for all managers of private rented sector accommodation (including landlords) in Wales.

Response: Accept

I accept this recommendation. We have already consulted on the issue of a compulsory registration scheme for all landlords and should such a scheme be introduced, I would expect it also to include managers. Further research on how a scheme would operate in practice is needed, together with further consultation with the sector on how such a scheme might be operated and administered.

The introduction of a compulsory registration scheme would not be a simple task to undertake even with additional legislative powers for the private rented sector. Several matters would need to be explored before considering how such a scheme could work in practice. For example, how the removal of a landlord or appointed agent from a register of might be achieved and what penalties would be involved? Who would take over responsibility for managing a property? Would it fall to local authorities to regulate and enforce? Such issues require detailed legal advice and wide consultation.

A fundamental issue would be the funding of a mandatory registration scheme for landlords and/or their appointed agents. In the current financial climate, and the associated effects on capital and revenue budgets, the possibility of the Assembly Government providing initial funding and continued support for such a development would require careful consideration in terms of the costs and benefits. Similarly, if the scheme was to be self-financing, the impact of additional financial burdens on landlords will need careful consideration.

Consideration would also need to be given to how a registration scheme would fit in with existing mandatory and additional licensing schemes for houses in multiple occupation, which currently affect some private sector landlords.

Financial Implications – There may be significant financial implications associated with setting up a mandatory registration scheme, together with

associated administration costs. The latter could however be offset or met by registration fees.

6. The Welsh Government takes appropriate legislative action to enable the introduction of statutory regulation for all letting agencies in Wales.

Response: Accept in principle

I accept this recommendation in principle, as it is an issue on which we have consulted. My comments in response to the above recommendation (No 5) also apply here. Important issues include determining who would take control of a letting agency if its existing management arrangements were deemed to inappropriate or unacceptable and whether there should be a requirement for a professional qualification for letting agents, which was an issue raised in the responses to the consultation.

Even with additional powers for the Assembly, addressing the legal issues associated with regulating letting agencies would need further consideration. It is not clear whether existing housing powers could be used to regulate letting agencies and legal clarification would be needed.

For the same reasons, the funding issue would also require careful consideration. The introduction of a compulsory registration scheme may pose problems in the current financial climate.

I would not rule out the need for additional legislation to address issues raised in respect of letting agencies but would like to see all options considered before a decision is reached. The work of the Programme Board will enable this to be done.

Financial Implications – There may be significant financial implications associated with the statutory regulation of letting agencies, together with associated administration costs. The latter could however be offset or met by fees.

7. The Welsh Government encourages Local Authorities to continue to improve the strategic co-ordination of their different departments' engagement with the private rented sector.

Response: Accept

I accept this recommendation and am pleased to say that this work is already underway. We will continue to encourage local authorities to adopt a corporate, co-ordinated, approach to the private rented sector in their areas and to support their development. I have allocated funding to the Welsh Local Government Association to help local authorities to develop their strategic housing role.

The Private Rented Sector Toolkit that the Association has produced could be very useful in this respect. The toolkit encourages a corporate approach to the private rented sector by raising awareness of the importance of the sector in delivering a range of local government priorities, as well as providing value for money.

The toolkit encourages all local authority departments that work in the private rented sector to adopt a more co-ordinated approach in their dealings with landlords. It has been successfully piloted in a number of local authority areas.

My officials will also continue to encourage local authorities to improve co-ordination across local authority departments that deal with the private rented sector through the all-Wales Heads of Environmental Health Technical panel.

Financial Implications - Any additional costs will be met from existing programme budgets.

8. The Welsh Government works with local authorities to develop ways of increasing tenants' knowledge of their legal rights.

Response: Accept

I accept this recommendation. The Committee will be aware that we consulted on the issue of introducing legislation that would make it compulsory for tenants in the private rented sector to be issued with written tenancy agreements when they initially take-up a tenancy. This would go a long way in terms safeguarding the rights of tenants and we intend to pursue this measure at the earliest legislative opportunity.

At the present time, information for tenants is available via agencies such as Shelter Cymru, which provides a valuable advocacy service to tenants in the private rented sector. The Citizens Advice Bureau also plays a vital role in providing information to existing and prospective tenants on their rights and responsibilities.

Local authority housing advice centres and tenancy liaison officers also play an important role in the provision of information to tenants. My officials will raise this matter with the all-Wales Heads of Environmental Health Technical Panel at the next available opportunity to gauge practitioners views on what more can be done in this regard.

Financial Implications - Any additional costs will be met from existing programme budgets.

9. The Welsh Government works with local authorities to develop and disseminate further guidance on bringing empty homes back into use, including the provision of examples of good practice, and monitors the outcomes of such guidance.

Response: Accept in principle

I accept this recommendation in principle. The Committee's report acknowledges the guidance on bringing empty homes back into use, which we published in September 2010. The development of this guidance was the subject of extensive review and consultation. It includes a great deal of detailed good practice, as well as a lengthy section on the Kent 'No Use empty' model, detailed examples in the form of case studies on the current powers available to local authorities to bring empty homes back into use, examples of local authority empty property strategies and much more besides.

The guidance was prepared in partnership with Shelter Cymru and local authorities.

I welcome and share the Committee's emphasis on more action to bring empty homes back into use. However, before reaching a decision on the need for more guidance, I would like action undertaken with local authorities and other organisations to monitor the impact and outcome of the guidance issued last year as the basis for identifying the need for any further revisions.

Financial Implications - Any additional costs will be met from existing programme budgets.

10. The Welsh Government examines the potential for developing a ring-fenced fund, from which local authorities can allocate grants or recyclable loans to landlords and property developers, with the purpose of improving empty properties, recycling them back into use for renting to vulnerable people.

Response: Accept

I accept this recommendation. My officials are already considering such a pilot scheme in relation to empty properties. During the course of the preparation of the guidance referred to above, this option was discussed at length. I am pleased to say that we are currently considering the detail of how such a scheme might be introduced, its operation, and how effectiveness could be evaluated.

There are detailed legal matters that need to be considered for the introduction of this type of scheme along with the financial considerations. Whilst I accept this recommendation it will require the next Assembly Government being able to identify capital and revenue funding for its development. Members of the Committee will appreciate the pressures on current and future budgets, which I highlighted earlier in this paper.

Should it be possible to introduce such a scheme, we would wish to see the resources offered by a new ring-fenced fund add to, and not be a substitute

for, resources that local authorities currently use to deal with empty properties.

Financial Implications - There are significant financial implications associated with the introduction of a grant or recyclable loan scheme for private sector landlords or owners to bring empty properties back into use.