

Housing and Regeneration Committee

18 July 2012

Transcript of Item 4: Strategic Housing and Regeneration

Darren Johnson (Deputy Chair): Welcome to all our guests. The private rented sector is going to be a key area for investigation for us. This is the first in a series of meetings and we certainly look forward to your input and expertise.

Just to start things off, can I ask for views on how the private rented sector in London has changed and what role it will play in housing Londoners in the future?

Chris Norris (Head of Policy, National Landlords Association): Sure. Most obviously, the size of the private rented sector in London and the UK in general is the most significant change that you will see from the outset. I think we are probably looking at around 25% of households in the capital living within private rented property of one type or another.

With that has come a change in demographics. Whereas if you look back perhaps to the mid to late 1980s there was a niche market that existed with a certain type of tenant or type of household that was served by the private rented sector, I think now if you look at the demographics throughout the sector you will see all types of household and all types of community. This means that, particularly where the National Landlords Association (NLA) comes into this, private landlords are having to serve a totally different and far more diverse client group than they ever have done previously, meaning that there are a lot of different needs there and a lot of different consumer demands. That diversity is served well by the flexibility that exists in the sector and, generally speaking, I think it is served quite well by those housing providers. There are obviously challenges there and those have been brought into focus by the greater proportion of housing that sits within private renting, but they are issues that need to be addressed by the providers.

Darren Johnson (Deputy Chair): Thank you. Let us have a view from Shelter, Robbie [de Santos] and Rachael [Orr].

Rachael Orr (London Campaign Manager, Shelter): I think we would absolutely echo what Chris [Norris] has said about the growth in the size of the sector. The private rented sector is now bigger than the social rented sector in London and it is the only growing housing tenure at the moment.

I think that we would absolutely say that the main driver has been house price affordability. We saw first-home buyers dropping off as early as 2001 and it is increasingly meaning that households who may have expected to have been able to move into home ownership are

completely priced out of that market. Nationally, generally we have seen people in the middle income, maybe around £20,000-30,000, as being the most likely to rent privately. However, I think the most significant thing about the growth in the last ten years has been the squeeze around each side of that income bracket; people who may have been in social housing are now moving into the private rented sector and, as I said, people who may have expected to be able to afford to own are also moving into the private rented sector. That means particularly in London the sector is now a kind of medium to long-term destination for an increasing number of households, low-paid workers, young professionals, but particularly families. There has been a huge growth in the number of families in London who are living in the private rented sector not just for a couple of years but over the longer term.

In terms of the future picture, I think it depends an awful lot on the economic recovery and the amount of social housing that is built. We commissioned some research from the University of Cambridge that modelled various different scenarios and it found that with a sustained weak economy and little social rented accommodation built, London's private rented sector (PRS) could increase to 41% of households by 2025. I think there is a real need to address the rapid growth and potentially continuing growth in this sector now.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): Yes. Clearly, I would agree with the comments about demographics. I think from a local authority perspective the change we have seen around the private rented sector is the extent to which we have seen it as a housing option that we need to work with in order to meet housing demand, which my colleague mentioned. In the last probably ten years, local authorities have increasingly worked with a particular group of landlords within the private sector to meet housing need either in terms of preventing homelessness or in terms of advice and signposting people into the private rented sector as an option for those that we do not have a statutory duty towards. In the current context, that is something with housing supply in terms of social housing shrinking that we see increasingly is an option.

I think the challenge for us at the moment, and the thing that we are struggling with, is the drawing back of some landlords from working with local authorities because of either the actual impact of welfare reform and what that may do around people's ability to afford it, or the perceived impact that they think it will have on them in terms of the amount that they can charge for rents. We recently did a little bit of a survey of some of our single households who have been affected by the single room rate. We had some statistics from our housing benefit colleagues about households whom we had modelled and it said the amount of Local Housing Allowance (LHA) they receive will fall because they are affected by the single room rate. Of the 61 households we managed to contact out of the 244 that dropped out of getting the full amount to pay their rent in the first five months of this year, we did not find a single one that had been able to negotiate a lower rent level, for example, with their landlord. We found 20 - so a third - who said that they could afford to pay it, 16 already in rent arrears, 2 who had borrowed money to pay and 21 - so another third - who had actually had to move on because they could no longer afford to rent. There is definitely a shift there. The single room rate changes will obviously make a change around single people living in the private rented sector and what they are going for and what they can afford.

I think, for us, we feel that there are significant challenges for us in terms of maintaining a relationship and the supply of property to meet housing demand alongside the social housing offer that we have.

Darren Johnson (Deputy Chair): You mentioned the shrinkage of the social rented sector. Would you say that is the biggest factor in terms of the growth that we are seeing in the private rented sector?

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I think it is clearly uncertain. At the moment in Lewisham we have a good, healthy programme of new build that has been delivered for the last couple of years and is being delivered this year, but there is uncertainty about that future pipeline in the future in terms of what registered providers (RP) are going to develop.

Darren Johnson (Deputy Chair): Thank you. We will now hear from Neil Wightman from the Association of Housing Advice Services.

Neil Wightman (Chair, Association of Housing Advice Services): Good morning. I am also the Head of Housing Needs in Lambeth as well, but I am here as the Association of Housing Advice Services (AHAS).

I will not repeat what colleagues have said. One of the features for me over the last 20-25 years working in the private rented sector is recognising the complexity that is the private rented sector. There are multi markets within the private rented sector. Within a local authority you could count six or seven different local markets depending on geography, depending on affordability, depending on the landlord's attitude to renting to housing benefit, housing benefit being a distinct market. I think when we look at the private rented sector we need to recognise that there is a multiple layered sector within that. For local authorities, as Karen [Shaw] said, the housing benefit market is clearly the one that we are looking towards.

I think, with the changes that we have seen, the demographic changes with the increase in the private rented sector, it has become much more of a complicated landlord as well. You know, 20-25 years ago we had much greater numbers of large institutional landlords. We now have a market that is dominated by landlords who have one to three properties, the small landlord. That brings with it opportunities around working with landlords but it also brings issues around the knowledge base that landlords bring to it. I am not criticising landlords and I am not talking about rogue landlords. I am just talking about landlords who have busy day jobs, have buy-to-let mortgages and rent out a property. They may have inherited it or bought it on buy-to-let. I think it is a really complex and diverse market, much more so than it was ten years ago, even twenty years ago.

I would echo what my colleagues from Shelter said about it being increasingly a long-term option. I think we need to recognise that security of tenure is not an issue for us in a way because it is seen now as a medium to long-term, almost a stable market in itself. You may look at that as a bad thing or a good thing. I look at that as a good thing myself. It offers flexibility and choice in many ways. I think there are some real pluses to it and we are going to see it

grow. It has grown enormously over the last couple of years. What market grows is going to be an interesting issue, what local market grows, whether it is the professional market, whether it is the benefit market, etc.

Nicky Gavron (AM): Just one thing. What do you mean when you say you think security of tenure is not an issue?

Neil Wightman (Chair, Association of Housing Advice Services): Just echoing what our colleagues in Shelter say, it is a long to medium-term settled solution for renters. AHAS has done a couple of pieces of research and in the first report we produced we found that only 2.3% of renters rented for six months, so the majority were longer term. Those that rent for more than five years and particularly - and this came through the Rugg and Rhodes report ["Unfair Shares: A report on the impact of extending the Shared Accommodation Rate of Housing Benefit"] from a couple of years ago - housing benefit renters are your longer-term renters, so you have a dominance of longer-term renters who are on benefits and that is plus five years.

Nicky Gavron (AM): In the same property?

Neil Wightman (Chair, Association of Housing Advice Services): In the same property with the same landlord. What we found through our research is that both the landlord and the tenant want to stay put. As Karen [Shaw] said, the challenge for us for the next 24 months is the impact of the welfare reform changes because then that is an affordability issue that we are going to be looking at. But at the moment it is quite a stable environment.

Nicky Gavron (AM): That is contrary to most perceptions.

Neil Wightman (Chair, Association of Housing Advice Services): Yes.

Darren Johnson (Deputy Chair): Thank you. We will have time to go through this more fully but, finally, if we can hear from Andy Hull, you have written on this topic for the Institute of Public Policy Research (IPPR).

Andy Hull (Report Author, Institute of Public Policy Research): Thanks, Darren. Yes. I think, just to step back for a moment, we ought to be looking initially at the demand backdrop to all this, which is that this is going to see about 35,000 additional households each year in London and even in the best year before the crash we built about 23,000 homes, so demand is significantly outstripping supply even when we are building well and at the moment we are not. Things are set to look like they are going to get worse. That means the capital's population is growing at the rate of one borough every four years, just to put it in perspective. That is quite rapid growth. Housing demand in London will increase by 20% by 2025, according to an average of the projections, so that is the demand/supply backdrop.

What that means, I think, is that home ownership is becoming increasingly unaffordable, so, as others have said, the average house price tripled in the course of a decade up to 2007 whilst wages stagnated. That means that deposits have become a real barrier to access to home ownership and, unless you have the Bank of Mum and Dad on your side, you are not going to

be able to buy, which is compounding intergenerational inequality. Home ownership is becoming increasingly unaffordable while social housing is becoming increasingly residualised, which is what happens when you have limited stock dished out on the basis primarily of need. That is meaning that a large squeezed middle, if you like, is being funnelled into the private rented sector which, in my view, is too often not decent, insecure and unaffordable, despite as a country we as taxpayers sinking £8 billion a year through LHA into that sector, you know, private landlords in the LHA submarket of the private rented sector. That is the kind of backdrop.

I would agree with what people have said about the changing demography. We have said in our report that there are now a million families in the private rented sector nationally with children, which is twice the number there was a decade ago, so the demography has changed markedly. It is now also the sector that is being hardest hit by the current raft of welfare reforms with the changes to the LHA that the Government has brought in. In my borough, Islington, where I am also a councillor, it is the large numbers in the private rented sector who are having to leave, so Ambler School in Finsbury Park where I am a governor has lost 15 kids so far, all from large Somali families in the private sector. There are a few views.

Darren Johnson (Deputy Chair): Thank you very much. I am going to bring in other Members now on the general picture in terms of the private rented sector before we move on to some of the specific areas, so, Andrew, you wanted to come in?

Andrew Boff (AM): Yes, specifically on what Rachael was saying. You were saying, just to confirm, that you started to see problems in the private rented sector in 2001. Is that correct?

Rachael Orr (London Campaign Manager, Shelter): That is when we saw first-time buyers really starting to drop off, starting to decrease, so that seemed to be when we first started seeing a decrease in first-time buyers and it was when real affordability of house prices started to become more and more out of reach. That was when we started to see that shift in London with more of those households moving into the private rented sector.

Andrew Boff (AM): That was about 4 years after the house-building slumped in 1997 and stayed at a low for 15 years. We have not recovered those pre-1997 builds in that process. Is that coincidental or is that a contributing factor, the reduction in the number of new builds?

Rachael Orr (London Campaign Manager, Shelter): No, I think, as with most things in housing, if we could have a big change in the amount of supply, then I think we would see a lot of pressure relieved on a number of things. Yes, ultimately, we need to be building a lot more homes and that will help significantly with house price affordability and will help relieve some of the pressure on the private rented sector.

Andrew Boff (AM): Mr Wightman, you were saying that people are staying in rental accommodation. I should declare an interest. I have been renting the same property for the past 11 years and I have no desire to shift whatsoever. However, the frustration amongst people who rent is that they find it very difficult to get longer-term agreements. They tend to be yearly agreements and of course, for some kind of incentive, it would be great if landlords

could offer a five-year agreement. However, that is really not on offer from most landlords or at least have never heard of them.

Neil Wightman (Chair, Association of Housing Advice Services): No, I think that is right. What we encourage - and I can probably speak for Karen [Shaw] as well - in our local authorities with our private renting schemes and our work with landlords is we encourage much longer-term tenancies, so three-year tenancies are becoming quite popular or were up until six or seven months ago. What we find often with landlords is they like to test the market, start with a one-year agreement and then they may go on to a longer-term tenancy.

However, what landlords clearly say to us is that what they want is a long-term renter. They do not want changes to tenants. That creates costs in terms of void periods and re-letting expenses. That is what the tenant wants as well. It is about how we match those two things together and what local authorities are trying to do through their services is provide better services for landlords as well. Traditionally it has been quite adversarial towards landlords and it is now working in partnership with landlords, providing services, and it is all about sustaining tenancies. It is all about keeping those tenancies sustained. Clearly, in the future, there is going to be a big issue and from April next year onwards with the overall cap changes.

Darren Johnson (Deputy Chair): I will just bring in Andy Hull on that.

Andy Hull (Report Author, Institute of Public Policy Research): Thank you, Chair. I just wanted to echo that. Good landlords do not want to evict good tenants and most tenancies are terminated by the tenants, not by the landlords, after an average of three years. That said, and with respect to what I think Nicky [Gavron] was hinting at earlier, 11% of people accepted as homeless cite the reason for their homelessness as being the termination of their tenancy by their landlord, so it is not the case that there are no landlords terminating these tenancies earlier than the tenants would like.

Darren Johnson (Deputy Chair): I will bring in Rachael [Orr] and Neil [Wightman] in a minute. I just wanted to throw in another point as well. With this widening demographic of who is using the private rented sector, that obviously throws up particular challenges for families, for more vulnerable tenants, elderly people and so on. Could you also comment on that? I will go to Rachael first and do say whatever else you want to say.

Rachael Orr (London Campaign Manager, Shelter): I will let Robbie take this one.

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): Yes. It is really heartening to hear that Mr Wightman is seeing more of these longer-term tenancies coming into the market. However, that is a very specific section of the market, that lower-end side.

When we look at the whole market, you just see very, very few of these available. We have done some mystery shopping of letting agents in London which we have not yet published, but the picture was that in the boroughs we looked at, not a single letting agent advised their landlords to offer anything more than a 12-month tenancy. What they were saying is they would do 12 months and then another 12 months. I think what you have to imagine is, if you

are a family with children, you want to have that long-term certainty that your children are going to be in school, you are going to have that stability; you are going to be lay down roots, maybe even throw a lick of paint on the walls and make it a home. The picture is in that wider middle market. There is just is not anything available yet.

I completely agree with the points that Andy [Hull] has made and I am sure that Chris [Wightman] will make that actually good landlords who are in it for the long term want to have long-term tenants. It is only a small job, actually, to match up those interests. It is just that we need to start matching them up and experimenting with longer-term tenancies in the middle market. Certainly, nationally, a third of the private rented sector is over 45. They do not want to be moving every year. As we have highlighted, there are a million families with children who, again, do not want to be moving every year, so I think there is really an untapped market here that needs to be explored.

Darren Johnson (Deputy Chair): Very useful points. Neil, I think you wanted to add something.

Neil Wightman (Chair, Association of Housing Advice Services): I cannot remember the point now. I just do not think there is any evidence that families are being forced to move on, on a yearly basis. There is no doubt that the standard tenancy agreement now is a year tenancy agreement. Five or six years ago, it was a six-month tenancy agreement. The market shifts. Yes, agents encourage landlords to not give longer-term tenancies. There are economic reasons for that from the agent's point of view.

There are things, I think - and I am sure we are going to come on to accreditation - through better training and talking to landlords about the benefits of a longer-term tenancy. When I was working in Camden, over a third of our tenancy starts working with landlords were for three or more year tenancies because we just simply talked to landlords about the benefits of having that stability.

So, yes, the market does dominate in terms of a one-year tenancy. There are factors that influence that which I think we need to change by having a better conversation with landlords, personally.

Darren Johnson (Deputy Chair): Thank you.

Andy Hull (Report Author, Institute of Public Policy Research): I was just going to add to that. I think the point I was trying to make was that the facts suggest, as you say, that it is not the case that loads of landlords up and down the country or in London are kicking out their tenants on a whim. The point is more one of psychology. It is about that reassurance that a family needs. They are going to feel more reassured if they have a piece of paper to fall back on. Often what you have is a landlord thinking in their own head that this is a secure tenancy because they have no intention of evicting the tenant, but the tenant does not have that reassurance and feels much less secure, so a piece of paper with a signature on it saying that they have that security would be of significant psychological support and value for those tenants.

Darren Johnson (Deputy Chair): I will bring in Karen [Shaw] and Rachael [Orr] and then I will come back to Members.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I just wanted to address the specific question you asked about perhaps families or more vulnerable households and their ability to buy into the sector. I think that is something that we have started to see changing over the last little while, whilst we have also found it harder to negotiate those longer terms in tenancies. I think that is about the impact of welfare and landlords' concerns about how long things can last and what shifts will happen that might affect what they can draw in. Effectively, those vulnerable tenants are now competing with other people in the market who might have been looking at a first-time buy and who now cannot do it, so they are going into the rental market and they are competing against our housing benefit tenants and households in housing need whom we are trying to help into the private rented sector. They are winning out because of perceptions about what housing benefit means and about the uncertainty and instability that some landlords feel is being injected into that kind of picture at the moment.

Darren Johnson (Deputy Chair): Thank you.

Rachael Orr (London Campaign Manager, Shelter): Two quick points. I think I would echo what Andy says. I think there is a section of the market where actually tenants may be in the same property for two, three or four years but at each point they are only given a one-year tenancy and actually looking at an offer where they could have a three or five-year tenancy, as you said, Andrew [Hull], would be a really good offer for them.

Also, just on the specific point about people having to move on a six-month or annual basis, Shelter sees people where that happens to them every single day. We have advisors who see people are moving every eight or nine months because their rent is going up. That kind of uncertainty and that transition is absolutely a factor in the market as well that we have to be aware of.

Chris Norris (Head of Policy, National Landlords Association): I certainly cannot dispute anything that is being said there, although I would like to add that our research demonstrates that for a landlord to bring one tenancy uncontested to an end, to market a property, to prepare a property go to back for a new tenancy, to secure a new tenancy and take on that risk costs on average around £1,800 per time. It is in their business interests to keep the tenancies going. However, there is a difference between a tenancy and tenure. I take on board entirely the psychological points that Andy [Hull] mentioned about the difference between a renewable or a periodic tenancy that rolls on, but in the landlord's mind that is a tenancy that is sustaining and that is a tenancy with a good tenant more often than not who is paying the rent regularly, who is actually keeping their costs down and who is actually very good for their business.

There is an issue with misunderstanding, and I am sure we will come on to it when we talk about accreditation and standards of management within the sector, but there is a great deal of misunderstanding on the tenants' part and the landlords' part about what can be done with the

current statutory framework. There is a great number of landlords who believe that you can only give 6 or 12-month tenancy, for instance, largely because letting agents tell them that you can only have a 12-month tenancy because they want to charge a commission at the end of that 12 months for setting up a new tenancy, which makes economic sense for them but there is more to the tenancy agreement than actually a lot of people understand and a lot of landlords, unfortunately, understand.

Tom Copley (AM): It was just because it has been raised several times now, the point about letting agencies. Neil [Wightman] made the point that these days, rather than landlords tending to be very big organisations, they are individuals or couples who maybe have one or two properties, are not that experienced at managing these properties, are not very confident with it and so will go to agents. Obviously, anyone can set themselves up as an agency. There is no regulation. Do you think there is a growing problem, which is agents behaving neither in the interests of landlords or tenants?

Neil Wightman (Chair, Association of Housing Advice Services): I think there has been a problem for a long time, personally. It is an unlicensed, unregulated sector and I do not think they represent either interest particularly well. I think that is why we have seen a growing number of local authorities - and I know Karen [Shaw] is setting up a social letting agency - there have been a number over a number of years set up where local authorities have tried to step into that role in partnership with other organisations and Registered Social Landlords (RSL) have been doing that, so I do think we need to encourage that sort of business. Yes, I think some better codes of practice would be definitely a good thing.

Darren Johnson (Deputy Chair): That view is echoed by Lewisham and Shelter, we can see.

Nicky Gavron (AM): You do you think letting agents should be regulated?

Neil Wightman (Chair, Association of Housing Advice Services): I think there needs to be a minimum of some standards, a code of practice, whether that is full regulation, licensing, mandatory accreditation. I do not know, obviously. There is nothing, so we need something. I am not sure to what extent or how far we need to go.

Nicky Gavron (AM): Can I just ask? Between you, you have been saying that it is in the interests of landlords to have longer tenancies. Is not the norm, though, short-hold tenancies which now seem to be about a year but used to be six months? Is that not the norm?

Neil Wightman (Chair, Association of Housing Advice Services): Yes. The default tenancy is an assured short-hold tenancy. The security of tenure for that is a minimum six months. The standard tenancy agreement pretty much now is a one-year fixed-term assured short-hold tenancy, so that is the agreement.

Nicky Gavron (AM): That serves the letting agents, does it not?

Neil Wightman (Chair, Association of Housing Advice Services): It serves the letting agents really well and obviously the Office of Fair Trading did intervene with a large agent a

couple of years ago about practices around renewal fees to landlords, so there is a big issue around that. It is in the letting agents' interests to renew these because there are additional fees attached to that process. It is not in the landlords' interests and it is certainly not in the tenants' interests.

Nicky Gavron (AM): Finally, do you have the statistics on how much of the market in London is run by the large, the Graingers and so on, who presumably do not use letting agents, and how much is run by smaller ones and how much of those smaller ones use letting agents?

Neil Wightman (Chair, Association of Housing Advice Services): In our survey from two years ago, which we redid a year ago and which we are trying to do as an annual tracker survey, 19.9% of landlords have more than 20 properties, so we class those as large. We do not know whether they are institutional landlords or just have a significant portfolio.

Nicky Gavron (AM): This is London?

Neil Wightman (Chair, Association of Housing Advice Services): This is nationally. We have breakdowns by region but there are not particular significant differences regionally. The largest proportion, 35.8%, has one to three properties, so it is dominated by small landlords.

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): The Department for Communities and Local Government (CLG) did a survey of private landlords last year which found that 46% of landlords used a letting agent. However, what you will see is that the bulk of the middle market is probably higher, so maybe the housing benefit market does not tend to go through a letting agent. Therefore, it is your people on middle incomes up to higher income who will invariably go through a letting agent for that room and so will probably only have an offer of 12-month tenancies that are renewed every year if they have a letting agent that has an ongoing contract and interest with that landlord.

Darren Johnson (Deputy Chair): We can reference both those pieces of research that you referred to. I am keen now that we move on to some specific questions from Members.

Fiona Twycross (AM): Thanks for your opening remarks. I think that is really helpful in setting the scene. As you know, this is the first of a series of meetings around a review of the private rented sector and we are obviously very keen to make sure we cover the pertinent issues, so it will be really helpful to hear what you all think the main issues are that we should be investigating as part of our review of the private rented sector. Maybe we could start with Chris?

Chris Norris (Head of Policy, National Landlords Association): Touching on the conversations we have all had here, I think what is really lacking in the sector in some genuine insight into what consumers want from the market. We assume that there are lots of people living in the private rented sector who do want secure, longer-term tenancies because they have families and because they want to plan for schooling, which is no doubt true to a certain extent. Yet we do not actually know exactly what kind of product offering from a landlord will meet with a positive reception. We do not know what proportion actually would favour flexibility,

would favour probationary tenancies that run into longer-term tenancies for instance that have been tried elsewhere, or actually are quite happy with the flexibility that comes with a 12-month tenancy and an option to remain on a statutory periodic or to renew or to move on. Getting some real insight from tenant groups and individual tenants across all these demographics we are talking about to find out what they actually want and need from the sector beyond the usual quality issues and management standards issues and things that we know do need to be addressed, and looking at what they actually want in terms of service from the sector would be very useful.

Beyond that, actually looking at the different markets that exist within London would be very useful. We talk about affordability and that is no doubt an issue, but we talk as if London is one homogenous mass. We certainly cannot say that families trying to secure a sustainable tenancy in Barking and Dagenham face the same affordability issues as those trying to sustain a tenancy in Kensington and Chelsea, for instance, yet there is not to my knowledge a great deal of data that can come down to that extent to see what the different challenges are in the different areas. That is going to then inform the challenges that face local authorities in improving the standards.

We have mentioned very briefly rogue landlords and trying to drive up standards, but we have not really mentioned what exists to enforce against those landlords and what the challenges are to local authorities and to enforcement agencies in actually achieving positive outcomes for landlords working in the sector and tenants living in the sector. At the moment neither of those parties seem to be best served by lots of the actions that are carried out or not carried out by enforcement agencies across the capital. Looking at what those barriers are to improving outcomes would be really beneficial to the sector in general.

Fiona Twycross (AM): Thank you.

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): We have heard a lot already about how many problems and different angles there are to come at the private rented sector, so the Committee could have a lot of work on their hands.

What I would encourage you to do is to really be aware of what is going on in the Greater London Authority (GLA) as well. Private renting is now a massive priority for the officers there and there is imminent work that will go on over the next six months. I think, if the inquiry is really to have the most impact, part of it is going to have to focus on what they are doing, how we can feed into that and how we can really make sure that that opportunity for scrutiny and input is able to be most impactful. That is my first point.

For Shelter families are a big issue. We have talked about it quite a lot. I can say that 48% of families renting in the country worry about rent increases and we know that from a consumer survey 66% of private renters in the country generally would like the option of a longer-term tenancy, so there is definitely something fruitful there. I think, if you are going to be dedicating resources and investigating, that is something that has significance both for London and for the rest of the country and would be really worthwhile investigating.

One of the big issues over the next few months is going to be the [Sir Adrian] Montague review into institutional investment in the private rented sector. London is clearly a hotbed for testing out ideas about how new supply can be brought in through different methods. I think it would be really valuable for the inquiry to be plugged into what is going on with the Montague review and look at the opportunities for using new investment to improve standards, to improve affordability and to improve the diversity of offers that are out there in the private rented sector.

We have touched on rogue landlords and the inquiry last year looking at standards and conditions, so probably not so much new stuff to do there but I think some evaluation of what is working, kind of what Chris [Norris] was saying: Is it making a difference? What are the factors that are making a difference to tackling rogue landlords across the capital?

Finally, letting agents. We have heard about it already. It is clearly a big issue and we know that it can cost up to £2,000 every time a tenant has to move through a letting agent, so there really has to be some investigation of how we can improve that experience and the options that tenants and landlords have when it comes to managing and letting property.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I would not disagree with any of that, but what I would say is, if we are going to look at what tenants want from the market, if we are trying to draw landlords into this market to deal with households in housing need, we need to get a better understanding of what landlords want from the market. We tried to do that in Lewisham and in the Southeast London housing sub-region where we did a piece of survey work to get views from landlords about what they wanted from local authorities in terms of engaging with them and offering up properties for housing need. I think some more work around that would actually be quite useful in terms of getting a clear picture about what it is that would make landlords engage with the public sector to meet housing need.

I have mentioned several times about affordability and I think the impact of what is going on currently in terms of the market and how tenants are able to afford to live within this market is something that we do need to focus on. We cannot deny that it is one of the major issues facing us at the moment.

Then, just to echo what my colleague from Shelter said around institutional investment and increasing supply, I think we have said a number of times here today that small landlords dominate in the sector. That leaves us, as local authorities, working with that sector with considerable uncertainty in terms of a pipeline supply to meet housing need. Looking at some of the models and ways that we could bring larger players into the market who wanted to work with the social sector would be really important.

Neil Wightman (Chair, Association of Housing Advice Services): I echo a number of those points. For me, I really would hope that this is an opportunity not to focus on standards and security of tenure. They are well-trodden paths. I have different views from colleagues around the table. I have held different views for a long time. We represent many local authority housing advice services and, for us, I think the issues are things around affordability. I do not

think the LHA changes from 2011 had impact at all. It was largely not an issue for most local authorities.

The changes next year are very different. They are going to have a very significant impact. Working with the Department for Work and Pensions and looking at those families affected in each local authority is what we are really focusing on at the moment. For instance, in Lambeth, we know that between 700 and 1,000 families are going to be affected from April, so it is how we work together.

From that, the other issue is around mobility. We are talking about having security of tenure and people staying put. However, the reality for many people is that we are going to have to focus on mobility issues because there are going to be, as we all probably know from all the information that has been published, hot spots of unaffordable housing benefit rented properties. We as local authorities have to work in partnership with one another co-operatively but inevitably some people are going to have to make some difficult choices. There are going to be issues around overcrowding, the impact on children and things like that, which is of great concern.

That takes me on to another issue, which is around how we strategically prioritise the work with the private rented sector and the impacts. There has been a lot of investment - and I am not criticising it in any way - in off-the-street homeless. Single homeless and non-priority homeless is a focus and it is a real issue. However, for me the greatest impact is going to be on children and families. I think we need to start focusing on the impacts of changes on children and I think we have lost that a little bit.

My final point is to echo around new supply. With new supply, there are things that we could be looking at and joining some of these things together. Obviously a lot is being done around empty properties, but getting back to linking longer-term tenancies to empty properties that have been brought back into use and trying to look at how we can maybe encourage an easier route to where standards are particularly bad and properties are very poor - and some local authorities are doing some very good work around enforced sales and where debts are owed to the local authority - but freeing that up a little bit more and then bringing that supply back in, in terms of affordable private rented sector accommodation. Those are some of my thoughts.

Darren Johnson (Deputy Chair): Andy, did you have any comments on Fiona's question?

Andy Hull (Report Author, Institute of Public Policy Research): Yes. I would try and frame it according to what tenants need and want, which is security, decency and affordability. I would agree that I would put my emphasis, if I were you, on affordability. I think that is the main problem in the PRS in London. It is why we wrote a report at the IPPR called "Affordable Capital" that you are welcome to read which focuses almost exclusively on the affordability dimension of all this.

I would not get distracted if I were you by some of the hideous but actually quite small in number things like the really bad rogue landlords and so on, which obviously attract headlines

but actually are not the main problem here. The main problem is that you have a whole sector that is largely unaffordable to ordinary working Londoners.

Secondly, I would think more about the quid pro quo with landlords and the state, so if we are going to spend 40% of the housing benefit nationally on the LHA, i.e. subsidising landlords, what are we getting in return? I think at the moment we ask for next to nothing and that is what we get. We should be asking much more of our landlords.

I would not dwell on that now. Then, as other people have suggested, I think you need to be thinking what deals can be struck between maybe the Mayor, the tenants and the landlords where you rack your brains for what the tenants want and what the landlords want and what each can offer the other. In our final report that is mentioned in your brief, we have page 50 where we list things we think landlords want and things we think tenants want that could be put into a pot for a deal that would be a win-win. I think that is the kind of way you need to be looking.

I would say that there is no shortage of analysis out there. I would try and focus if you can on the solutions. This stuff can be analysed to death but someone needs to make a difference. I think the Mayor and the GLA are in a strong position to try and do that.

I think you also need to be disciplined about thinking how you can do more with the money you have, rather than imagining there is loads more money down the back of the couch somewhere because there is not. One thing we have been suggesting at IPPR, for instance, is to use better the £5 billion that is currently spent on housing benefit each year in London to get more bang for our buck.

In terms of specific policy suggestions, I have plenty for increasing supply, for regulation and for the housing benefit reform I mentioned, but maybe that will come up in discussion.

Darren Johnson (Deputy Chair): They will come up when we explore the individual topic areas. I will bring Andrew in and then we will move on to Tom's questions.

Andrew Boff (AM): A number of you have mentioned empty properties. It has been said that there are over 16,000 empty properties in either local authority or housing association ownership in London which are not coming back into the market. Do you recognise that figure and, if you do, do you think we should be looking at how we can build relationships with landlords to bring those back into operation?

Andy Hull (Report Author, Institute of Public Policy Research): I do not know about the figure. I know the national figures that have been bandied around which are 700,000 empty homes nationally and 266,000 empty commercial properties. That is a lot of empty buildings out there.

I would suggest removing council tax discounts on long-term empty properties. I think also we need to be encouraging people to use better under-occupied rather than empty properties, so I would maybe up-rate with the Retail Price Index (RPI) the relief on income tax for renting out a

spare room. However, some of these are things that Government has to do that you cannot do here. I think more assertive use of Empty Dwelling Management Orders. Since those have been on statute, they have barely been used and we should be using them more assertively, I would say.

Andrew Boff (AM): I absolutely agree with you in regard to the council tax discount. It is available to local authorities at the moment and it is a choice of the boroughs as to whether or not they apply a discount or indeed double it as an incentive not to maintain empty properties. Specifically it is the role of private landlords. Is there a partnership arrangement that we could come to, to bring those properties back into operation with private landlords?

Neil Wightman (Chair, Association of Housing Advice Services): I think it is a headline that is constantly brought out. I am not sure. Having previously managed Empty Property Services in terms of trying to bring properties back into use, it is a very complex and difficult area. There are lots of reasons. One of the main reasons is intestacy issues around property ownership, which is why properties are left for a long time. My Empty Property Officer spent most of her time actually working with the landlords to work through some of these issues, usually quite elderly people who did not really know what to do. It was quite a complex area.

Empty Dwelling Management Orders, I agree, are not used. They are one of the most complex and difficult pieces of legislation there are. There is no incentive on local authorities to use them because of the bureaucracy involved. There are easier and better ways and I think some local authorities, Haringey, for instance, have some very interesting ways that they deal with standards and empty properties which are debt-driven issues, which are much easier to use. I think a lot of time is trying to bring these back but we do not get that many.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I am going to agree with Neil [Wightman], but I was specifically going to mention the Empty Dwelling Management Orders (EDMO) issue because I think they are marginal in terms of the amount of use that local authorities can make of them. In Lewisham we have obtained a number. Financially, to get full long-term EDMOs is massively expensive. They do not stack up financially to make them work, so the number that local authorities can actually get involved in doing in the way that they are currently constructed is relatively small. In terms of a solution around empty properties that is going to make a real big difference, they are not it at the moment as they are currently formed.

Tom Copley (AM): Chair, I wanted to raise a few points around the issue of LHA and public subsidy and I am going to come to the point that Andy [Hull] made about what we get back from the large public subsidy that goes to private landlords.

First of all, I wanted to pick up on something that Neil [Wightman] said. Am I right in saying that you said you do not think that the LHA reforms that have already been put in place have had any impact? Is that right?

Neil Wightman (Chair, Association of Housing Advice Services): They have had fairly minimal impacts, if I just look at my authority. What most local authorities are doing is

proactively working with all of those families and tenants affected. We are still going through transitional protection, so some LHA-affected tenants are still being affected this year. We had about 900 households affected. Of those, so far, only nine have gone into temporary accommodation, so where tenancies have failed. We have actually proactively worked with over 600 households and our failure rate, as I see it, is 9, so it is a relatively low impact. We have managed to do a lot of negotiation with landlords to reduce rents. We have increased the length of tenancies, so we have done a lot of really hard work, but we have managed it. I think next year's changes are a different issue completely.

Tom Copley (AM): I want to bring Karen [Shaw] in because this seemed to contradict Karen's experience in Lewisham.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I think our experience around the single-room rate is that a lot of people are struggling around that, with a third of that very small sample we surveyed having to move on. Many of those are not people we are going to be dealing with in terms of statutory homelessness. Many of them will be finding other accommodation under their own steam and that may be quite difficult for them.

In terms of the things like the percentile change and things like that that went on last year, they have not had big effects either on Lambeth or Lewisham or most authorities in London. The numbers we are dealing with are relatively small. What I would say is that where they have had an impact they are some of the more difficult cases for us to solve because often they are big families and we have nowhere to put them, being frank. I know at the moment we are dealing with a family who has been affected by the welfare reforms and who we have in temporary accommodation and it is a man, a woman and nine children. Our solutions to solve that family's housing need are relatively limited. Our housing supply in terms of large properties is very small. We are not dealing with big numbers at the moment around the changes that happened on welfare last year.

Tom Copley (AM): But you think that when the total benefit cap comes in, that is going to be the big issue?

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): The numbers we have for Lewisham suggest between 800 and 1,000 affected with people being affected from as little as a few pence a week to over £800 and Lewisham is one of the more affordable boroughs in London. I know one of our colleagues did some modelling around future affordability and in some parts of our borough in two or three years' time, two-thirds of the properties that are currently affordable on benefits will not be.

Tom Copley (AM): I know Shelter has done some work on this, so can I bring in Rachael just quickly on this one?

Rachael Orr (London Campaign Manager, Shelter): Yes, just a couple of points. First of all, the fact that there has not been the impact that maybe some people were expecting is a huge testament to the work that a lot of local authorities have done and the kind of proactive approach that they have taken. We are starting to see a real increase in people coming to

Shelter for advice as a result of the housing benefit changes and potentially, because of the transitional protection, it is going to be something that we will see more and more of. I spoke to someone at Hackney quite recently and they were saying they were expecting October to be a real pinch-point. I think it's fantastic that it is not as bad as we thought but absolutely we are not out of the woods yet. Certainly a big impact that we are seeing is families moving into really terrible overcrowding, so families either choosing to move into much smaller properties or just being forced to because that is the only option they have left. Certainly the main impact that we are seeing is a real increase in overcrowding.

Tom Copley (AM): What evidence do you have about the likelihood of landlords to, for example, accept a lower rent? What percentage of landlords?

Rachael Orr (London Campaign Manager, Shelter): We have not done any kind of really recent stuff but quite a lot of surveys were done when the benefit changes were introduced and I think most of them concluded that landlords were unlikely to want to reduce their rents, particularly when the shortfall was more than £20 a week. They did not see that that was a financially viable option for them. If there are different experiences coming forward, then that is really interesting and really positive for tenants, but I think the big shortfall is coming and that is going to be the case with the total benefit cap and has been the case for some households this year. That is when we are going to see a real problem.

Tom Copley (AM): Quickly come in on this because then I want to move on to another point.

Chris Norris (Head of Policy, National Landlords Association): If I may just quickly, I can add to that. We run a regular survey of members who self-declare that they are involved in the housing benefit market. We ran one in February. At that time, we saw that around 24-25% of landlords had been approached by local authorities to negotiate those rents and had in some way been able to in order to sustain a tenancy. A big driving force in that has been an agreement to arrange for direct payment of the LHA to that landlord. It is quite a major negotiating chip because it manages to secure that income stream and reduces the risk of default for the landlord. When they are looking to invest in their housing portfolio, that is a really major issue for them.

That leads on to just one other quick point I would make about the changes to welfare reform and eventually universal credit. I agree that the transitional arrangements have had a lessening effect on the impact. We are starting to see a change now that the single room rate changes have come into force. What we are certainly seeing from our membership is a growth in uncertainty. They are thinking about how they are going to invest over the next two, five or ten years and at the moment there is a real lack of understanding, a lack of information out there, a lack of certainty about what the housing benefit market, and therefore the rest of the market will look like, and what the potential income will be from letting to those tenants.

Tom Copley (AM): OK, so the uncertainty of perhaps more reforms, more changes and even the existing reforms?

Chris Norris (Head of Policy, National Landlords Association): Even with the existing reforms. We see draft regulations at the moment that are before the Social Security Advisory Committee, but we do not actually see the guidelines that go along with that. At the moment we know there are very clear trigger points. If arrears happen, for instance, after eight weeks of arrears, that LHA payment can be made to the landlord and that limits the arrears to two months. At the moment, that provision has been removed. We say there will be guidelines that will allow discretion on the part of local authorities but that is going to come along much closer to the implementation date and we are only now looking at April next year for the pilots. Landlords do not know how, where, when or if to invest in more property.

Andy Hull (Report Author, Institute of Public Policy Research): I will just add one really quick thing. We should not give the impression that just because someone has not lost the roof over their head they have not been affected. It might be that relatively few people have been evicted but loads of impoverished people have been made poorer still.

Tom Copley (AM): Yes. No, that is a very good point. Just on this topic, I think about a third of all recipients of housing benefit in London are in the private rented sector and about a third of homes in the private rented sector fail to meet the Decent Homes Standard. Picking up on the point that you made earlier, Andy, do you think that we need to get something back from landlords in terms of guaranteed conditions of properties in return for the very large public subsidy which goes to them in the form of housing benefit?

Andy Hull (Report Author, Institute of Public Policy Research): I think we do need to get more out of them. Part of the problem is who does that negotiating. At the moment, obviously, housing benefit is a national welfare fund and it is difficult for the Mayor or local authorities to be doing much negotiating with it given that local authorities are really just administering it as opposed to really controlling it. I do think we have to see housing as a system in the round. That is why one of our suggestions would be the devolution of housing benefit, in London, for instance, to the Mayor so that he could really play with that bargaining chip.

Yes, I think it is important that we get more bang for the buck. If you are racking your brains for what else landlords might be offered, then I think mention of either an initial payment of LHA direct to the landlord or a more rapid reversion to that once someone gets into arrears would be the sort of thing that might appeal to them. However, I do think it has been a landlord enrichment scheme, really, in too many ways and I do not think that is acceptable.

The trouble, obviously, is that the more demands you make of landlords in the LHA submarket of the PRS, the more threaten to leave it altogether. That is compounded by the fact that lots of landlords will not go there in the first place, which I think is essentially discriminatory because that money is as good as any other money. That is made worse by the fact that lots of banks and lenders who are lending them the buy-to-let mortgages apply a condition that says they are not allowed to rent them out to housing benefit claimants. I think there is an argument to be had with the banks there, too.

Tom Copley (AM): Certainly the nationalised ones.

Darren Johnson (Deputy Chair): We will look in more detail at conditions and regulation around that under Caroline's questions, but do carry on. Have you more questions, Tom?

Tom Copley (AM): I wanted to get a view on this from Shelter, if that is all right. Also on devolution, actually, of housing benefit as well, if you could respond to that, too?

Rachael Orr (London Campaign Manager, Shelter): Yes. On the point about housing benefit, this is a really difficult one for us and it puts you in the realms of ideal versus reality. In an ideal world, of course, we would not be paying housing benefit to landlords who are letting out properties in really poor condition, who do not carry out repairs and who treat their tenants really poorly, which is something that we see at Shelter. However, we also know how difficult it is for tenants to find properties at the bottom end of the private rented sector in London and imposing something that will make it even more difficult is hugely problematic. Hackney Citizens Advice Bureau (CAB) did some mystery shopping in June on Rightmove and Gumtree. They found 1,585 properties for rent in Hackney that day and 143 were affordable within the housing benefit limits and 1% of those would let to people on housing benefit. Those are the kind of numbers that we are looking at. That is the kind of competition that exists and the reality of the housing situation in London at the moment is that we cannot make that market any smaller.

I think we need to take a step back and look at where we put subsidy into housing. I think some of the questions around this are, should we be subsidising individuals or should we be subsidising through building homes? But that is a much bigger question. We have just done a report on this which we will happily share with you. So, yes, I think it is a really challenging proposition but I am not sure that it is a solution to make those properties less available.

In terms of devolving the housing benefit down to the Mayor, it is not something that we have looked into very much. We would be happy to think some more about it and probably leave Andy [Hull] to be the expert on that one.

Neil Wightman (Chair, Association of Housing Advice Services): I just wanted to come back on a couple of those points. I cannot see how housing benefit could possibly change with the universal credit that is steamrolling along. Housing costs are integral to the overall cap in April. That is unavoidable. Universal credit from October rolled out next year: I cannot see how we can separate that out from the national politics. I just do not see it.

In terms of the cost and the subsidies to private landlords, I think there is more complexity to this issue as well. I think it needs to be looked at in terms of the overall public purse. If we did not subsidise housing benefit into the private rented sector and into private landlords, those families would not go into the private rented sector. They would be in temporary accommodation, which is more expensive and so the public purse is equally diminished. I think there are economics and there is a balance to that argument.

In terms of standards as well, I think there is a much more complex argument. I do not think there is a direct correlation myself. I think the private rented sector is a much older stock. It is

dominated by pre-1919 properties and therefore energy efficiency is never going to be something you can improve in that stock unless the investment is absolutely huge. I do think there are other issues and other avenues that we have to not close off.

Andy Hull (Report Author, Institute of Public Policy Research): On this overall public purse point and the bigger picture, I do not think anything is unavoidable. We are in a state now where over four years as a country we will spend £95 billion on housing benefit and less than £5 billion on building homes. That is not the right balance and we need to shift it back, but I am not sure your Committee can do that. However, you can be a voice calling for it.

Tom Copley (AM): Chris, did you want to comment on these points?

Chris Norris (Head of Policy, National Landlords Association): I can certainly echo a few of the points. The pre-1919 stock is a crucial issue because 40% of the private rented sector nationally - and I would suspect a higher proportion in London - falls into that category and that leads to a lot of the issues of non-decency, unfortunately. They are very, very hard to treat, which I think the term we come to, which is the same in terms of energy efficiency.

I would touch on the subsidies to private landlords just very quickly because the rhetoric is very charged. We do not talk about income support subsidising Tesco in terms of paying for people's weekly grocery shopping but we do talk about housing benefit enriching landlords and subsidising landlords. It is a payment to a tenant to pay for their housing costs. They have to pay for those housing costs in the private rented sector because there is not a supply of other property or they choose to go to that property. To look at it simply as a subsidy for an individual landlord to get rich seems to be a very simplistic view. Separating that out and looking at something that is a housing cost subsidy would be far more beneficial.

Nicky Gavron (AM): I want to skip back to the first part of Tom's question, which was about the impact of housing benefit and the Local Housing Allowance this year. Is it not true that it is being phased in and for many people it has not yet been introduced? Is that taken account of in your calculations?

Neil Wightman (Chair, Association of Housing Advice Services): No, you are absolutely correct. Transitional protection we still have, we are about six-tenths of the way through that, so I am looking at those families that we have helped so far. Each month up to December, about 100 new households are affected by the LHA changes.

However, the reason why it is not an issue is because the LHA change, the percentile, basically moved back to a 50th percentile naturally over that year period. The actual impact on reductions in housing benefit was very low, so we have been able to have a very significant impact on reducing rents.

Nicky Gavron (AM): This has not gone down to the bottom 30th?

Neil Wightman (Chair, Association of Housing Advice Services): It went down to the 30th percentile, but because there was a natural increase it is almost back at the 50th percentile of what it was in April 2011. The market has sort of adjusted.

Nicky Gavron (AM): This is something you have not talked about. I know that the total benefit cap is coming in next April, but what about tagging rents no longer to market but to the Consumer Price Index (CPI)? What about tagging the area housing allowance to the CPI?

Neil Wightman (Chair, Association of Housing Advice Services): That is going to be a big issue because obviously that is going to have a significant impact over time-

Nicky Gavron (AM): It is the CPI and I think it is going to be a very big issue, too.

Neil Wightman (Chair, Association of Housing Advice Services): I agree with you. Over time that is going to have a negative downward impact on those rents. I agree. Altogether, it is going to be a significant issue.

Just on the affordability as well, I would say that it is not just the private rented sector that is going to be affected. It is the social sector and RSLs. This is not a sector issue, as far as I am concerned. It is a large family affordability issue. We have a number of our social tenants and RSL tenants and people in temporary accommodation who are going to be affected. There are some rumours that temporary accommodation might be changed or might be brought out of that, but at the moment people in temporary accommodation are affected by the overall cap in April just like everybody else, so it is a cross-sector issue from next April.

Nicky Gavron (AM): If you think it is going to have the impact you think it is, tagging benefit to the CPI, then is it not the case that you believe that rents are really going to go on increasing rather substantially? Otherwise, it would not have an impact.

Neil Wightman (Chair, Association of Housing Advice Services): It is difficult to say. Predicting market rents is just so hard. Every time we have had changes over the last 20 years from bringing in the Housing Act 1988 and deregulating security of tenure, we have seen the market shift and adapt every single time, so I do not know whether it will --

Darren Johnson (Deputy Chair): While we are discussing this, could we just get a sense of what the profit margin is for a private rental property on average? Do you have that?

Neil Wightman (Chair, Association of Housing Advice Services): I cannot give you a figure but I think it is relatively low.

Chris Norris (Head of Policy, National Landlords Association): In comparison to other investments, yes. Our membership is slightly skewed because they have slightly larger portfolios. Within our membership, an average yield is around 6-6.5% annually.

Darren Johnson (Deputy Chair): That is net of profit?

Chris Norris (Head of Policy, National Landlords Association): That is their gross yield. If you look at the smaller end of that market, you will see that it is much lower. In fact, I can submit that in a note afterwards. We have some data just back this week.

Darren Johnson (Deputy Chair): It would be useful to get some written data on that.

Nicky Gavron (AM): I just wondered whether anyone else had a comment to make on the fact that tagging rents to CPI is going to come in.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I think it will have an impact.

Nicky Gavron (AM): Tagging benefits will?

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): Yes, I do think it will affect that market and it is one of the changes that we are significantly concerned about. Whilst we have both said that from the perspective of the local authorities where we work the number of people we have seen who have come to us in terms of statutorily homeless at the moment is relatively small, that is not necessarily the same in every borough. There are some boroughs where the impact of increased rents has made the LHA market so out of touch with what people can get that people just cannot get into that market. One of our neighbouring boroughs, Bromley, has had that problem significantly. That has had a very significant impact for them in terms of the number of households that they have accepted as homeless being placed in temporary accommodation and particularly in the use of bed-and-breakfasts, which is starting to rise across London because of the pressure we are finding in not being able to source enough private rented homes into our market to meet housing needs. We are having to go out there and use types of accommodation that we would rather not.

Andy Hull (Report Author, Institute of Public Policy Research): All I wanted to add on that is that if we keep seeing these individual benefit changes in isolation, then we might keep seeing that none of those have brought Armageddon to pass. However, if we look at them the way I think we should, which is as a package with LHA and work capability and Family Tax Credits this year and with the general benefit cap and the Disability Living Allowance (DLA) and the bedroom tax next year, then, when you look at the combined impact of all of those, I think we are seeing a significant worsening of the position of lots of poor people in our communities. I do think that picking them off one by one is not the way to approach it. That is all.

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): At the moment, we know that London rents increased by 6.8% across the board over the last year, which is far above CPI and even RPI at this rate, which I think is just at 2-point-something per cent, so it is a real issue. The Government has committed to reviewing the link between CPI and RPI as part of their welfare reform process and what we have been really encouraging is that that review is taken very seriously, and that they look at, compared to what is going on in the market, has private renting for housing benefit tenants become even more unaffordable? We would urge you to

keep the pressure on Government as well and make sure that it does not get even further out of sync.

Darren Johnson (Deputy Chair): Let us move on now and look at housing conditions. Caroline, you are leading off on this.

Caroline Pidgeon (AM): Thank you, Chair. I think we have already touched on and Neil [Wightman] mentioned and Tom [Copley] mentioned the issue of the poor quality. About a third of private rented does not meet the Decent Homes Standard - though I have to say when I was a councillor I did not think the Decent Homes Standard was what I would call decent - but that sort of standard, the energy efficiency challenges around it, serious hazards in the properties and so on. What really do you see as the main obstacles to getting the conditions of the private rented sector up to a decent reasonable standard? Are there opportunities out there, perhaps, for trying to raise those? Maybe, Chris, you might like to start off.

Chris Norris (Head of Policy, National Landlords Association): Yes, I think most simply cost. If you look at the stock that exists within the private sector particularly and I think even more so in London, as I mentioned before, around 40% of that is pre-1919. I think just shy of 20% is 1919-1944 stock, so we are talking about relatively old properties, a large proportion of which are converted homes. I think around 15% of the private rented sector in London are flats converted from larger buildings which have not necessarily been converted to modern standards and require a lot of work to bring them up to standard. The nature of the fabric of these buildings tends to be single-skinned, single-glazed and relatively inefficient in terms of energy usage and there is a lot to do there.

We are actually very optimistic that the Government's Green Deal rolling out this year will have an impact in overcoming what we refer to as the split incentive, the fact that the landlord as the responsible individual for the property has to meet the costs of the improvements but does not necessarily see the benefits because the cost savings and quality improvements are quite rightly enjoyed by the tenant. We hope when we see more detail of the Green Deal that that will actually enable lots of landlords to meet the upfront costs of getting a lot of that work done.

To bring it back very slightly to housing benefits and the way that the LHA particularly can be used to improve those standards, the National Landlords Association for a long time has pushed for a link between landlord accreditation and the payment of the LHA. There is a great deal of scope there to encourage landlords to commit to a programme of continued professional development, of improvement of management standards, of understanding their responsibilities and making the improvements necessary in return for, for instance, direct payment of the LHA that someone mentioned earlier on.

Chris Norris (Head of Policy, National Landlords Association): You could link a commitment to landlord accreditation, for instance, and commitment to continued professional development, improvements in management standards and potentially improvements to the fabric of the building to conditions of the LHA payment or in future the housing component of universal credit. There are ways there to encourage those individuals to make improvements in return for a package that makes it easier to work with local authorities to house benefit

recipients. However, actually overcoming the inherent upfront costs of treating what is relatively old stock is the number one issue there for them.

Caroline Pidgeon (AM): Karen [Shaw], Neil [Wightman], do you want to come in on that?

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I do not disagree. I think the problem is that we are dealing as well with many -- we have talked about the small landlords that we are dealing with, and the sort of investment in those properties to bring them up to standard and the ability of the local authority to help through grant and loan regimes is limited. With the direct payment issue and the incentivising, I just do not see how that is going to work with universal credit, because everything we have had back in terms of dialogue with the Department for Work and Pensions suggests that we are just not going to get that ability to make direct payments. I know that in the test areas they are looking at mechanisms where they may pay rent directly, but they are not linking it around the landlord or anything the landlord is doing. They are looking at issues around the vulnerability of the individual who lives there, and that is not going to help this position. But it is an absolutely critical thing for landlords in terms of confidence, in terms of working with us. So I think that would be very important.

I think one of the issues we are finding at the moment as well is obviously we have lots of singles now moving into Houses in Multiple Occupation (HMO) and I think HMOs in the future are a considerable concern. We have recently discovered several HMOs in the borough where the standards of accommodation are just dreadful, really, really dreadful. We have been able to work with one particular of those, who had two HMOs with over 20 households in each, to actually bring the standards up. They are not what you would call anything like decent homes, but bring them up to a standard where they were safe, but still quite unsatisfactory. I think the challenge of those kind of properties in the future is what we are quite concerned about.

Caroline Pidgeon (AM): Neil, did you want to comment further?

Neil Wightman (Chair, Association of Housing Advice Services): I look at the great strides that have been made over 20 years to improve standards in the sector. I mean what we have now is so much better than what we had. I have seen that improving all the time. There are shocking examples of standards out there; I think it is a relatively low number. I think the HMO and the over-crowding of large numbers of singles into small properties, I think that is a massive issue. I kind of worry that the standards are going to reduce over the next few years, and we need to sort of deal with that and look at that. As the yields reduce, as the margins reduce for landlords, inevitably they are not going to spend money on doing works. If we are successful at sort of reducing rents next year, if we are going to reduce those yields, then inevitably that is going to directly impact on long-term improvements in standards. I think that cumulative impact will be quite significant.

I think the energy performance issues, the Energy Act and the fact that when that is introduced, if the sector has not improved in terms of its energy efficiency, in 2018, 20% of the sector would be wiped out overnight because it would fail to meet the energy performance rating, and so it would be unlettable. That is a real worry, it is a few years away, but again that cumulative

impact of the lower yields, the landlords are not going to invest, and so I think the green deal is something we have to really embrace and look towards.

Rachael Orr (London Campaign Manager, Shelter): Following on from that, in terms of improving conditions, we need to make sure that the resources that are available, I think we need to make the case for there to be more, but that they are really focused where the problems are worst. Actually, there is a huge problem around lack of enforcement, around persistently bad landlords. We did a Freedom of Information request last year and there were 15,000 complaints made across London in terms of conditions of properties and 110 landlord prosecutions. There needs to be more resources available for local authorities to be able to prosecute those landlords. There needs to be more political will to divert resource into doing that. Newham have made a decision that they are going to be putting quite a lot of resource into a very proactive approach and I think it will be very interesting to see what the impacts of that approach are.

I also think there is a kind of discussion to be had with courts and magistrates, because, if you as a local authority invest an awful lot of time and resource into taking a landlord to court and they get fined £150, that is absolutely not worth your while. We need to address it at that level as well.

Caroline Pidgeon (AM): We will just pick up and move on, because we are talking about what we can do in terms of licensing, all sorts of ways we could try to regulate the sector, accreditation schemes and so on. What is your assessment of existing licensing regimes and other sort of ways to try to take enforcement action? Andy [Hull], you have been indicating, so why do you not make your point and then comment on that?

Andy Hull (Report Author, Institute of Public Policy Research): Just on what was just said. I do not think we should allow anyone to pretend that it is a tiny number. Your papers say a third of all accommodation in the private rented sector in London is not decent, and the decent homes standard, as you said, is not even that high. This is not a tiny fraction of the landlords out there.

Nor should we, I think, be held over a barrel in terms of exit and flight from that sector. People leave, 20% of them will get wiped out. They are not going to raze those buildings to the ground. Those buildings are there then for first-time buyers to buy and so on. While we do need to preserve a private rented sector of a certain size, I just think we need to be a bit careful about what happens. If people are threatening to leave a market that is not the same as those houses being taken out of the stock altogether.

Who is going to pay for these improvements? Some of it is going to have to, in the end, come from that 6% profit margin, that is the honest truth of it. We have done some work at IPPR on what you might offer landlords as opposed to what you might ask of them, and I do not know if it would be useful to mention a couple of the ingredients of that, because they are the sort of things that I would put in an accreditation scheme that you have just mentioned.

One would be a kind of supply of tenants from the local housing waiting list. That is less of an attractive offer in London, where there is no shortage of potential tenants, than it is elsewhere in the country. We have talked about direct payment of LHA, which I think is really appealing to landlords. I think you could include more on behavioural conditionality, more support from the local authority to kick out a bad tenant basically from a private home, because landlords tell us that sometimes they find that quite difficult and they do not find the local authority very supportive. We have talked about low-cost loans to bring up energy efficiency and so on, although it is hard to figure out where that money would come from in local authorities. Access to council contractors maybe for things like gas checks, energy certificates and repairs. Regular updates on legislation that is coming in or on regulation that is coming into force. Then accreditation as an accepted provider. There are lots of different things that relatively cheaply could be offered to landlords that they might actually want, in return for some of the improved decency, security or affordability we are talking about.

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): Just to echo what Andy was saying, I think there is a real opportunity with the London rental standard as a kind of high-profile accreditation scheme to really drive that forward in London. I think, back to what Andy said before, really starting with what tenants and landlords want in the market, we do not really know what the GLA is thinking in terms of the London rental standard and its shape and its offer. If the Assembly really wants to make sure that makes a difference to ordinary Londoners renting in the private market, then making sure that it is a decent consumer offer that both tenants and landlords are going to jump up and say, "I want that", that is how you make a difference with it.

Coming back to what Rachael [Orr] was saying before, what we have seen in enforcement and licensing in the past is it is not so much about what you have, it is what you do with it. If there is the political will at a local level to take action, to use licensing as a tool to raise standards, then that is great. With HMO licensing, which has been in for five years now, you see a very patchy picture. Some boroughs just do not really put that much effort into enforcing it. Just having licensing for licensing's sake is not going to make a difference. Equally, there are boroughs that do not use licensing that take a really tough action by visiting lots of places they have had complaints about, triaging the complaints they receive, and so they are able to prioritise the high-risk ones. Then they are able to resolve issues and reduce the overall number of complaints. I think it is just that question of, "What is the political will; what is the organisational culture; and what are they doing about it?"

Caroline Pidgeon (AM): I just wanted to pick up, in terms of incentivising local authorities to work more constructively in the private sector in thinking what do the landlords want, are there any other things that we need to do to make sure local authorities really embrace more working with the private sector?

Neil Wightman (Chair, Association of Housing Advice Services): Our report from two years ago was titled, "What Landlords Want". It was a large survey done with some focus work with about 40 landlords. There is a lot of stuff in there, lots of local authorities were implementing a lot of these ideas. It is about sustainability, sustaining tenancies, it is about giving landlords different services to what they get at the moment. Perhaps the yields can be

improved by avoiding the use of agents, so you have a profit instantly, with the local authority stepping into that role.

A lot of landlords were very critical of local authorities around having a single contact point, somebody who was professionally experienced and knew the legislation and was there to advise. Traditionally, local authorities have taken a view of, "Oh, it is a conflict of interest, we cannot advise both parties, blah, blah, blah". You can move through that by having dedicated teams and dedicated services and providing proper services, professional services to landlords, being responsive.

At the moment we can do direct payments relatively easily for those tenants with whom we are working to help prevent homelessness. That is going to change. The regulations, as they are at the moment, allow us to do it. That is going to change in the future, so that is a big issue for landlords. That was the number one thing the landlords wanted, was some kind of guarantee, and they saw the guarantee was through direct payments. If we do not have direct payments then maybe the local authority can step in and say, "We will guarantee some of your income". The way that we make sure that is at low cost to us is that we make sure that we provide the services and support the landlord through that process.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I would agree that discussions we have had in the development of our social letting agency have very much been that they want that clarity in terms of who they liaise with and who they work with. They want some of the added value things that we can do that may be affordable for us as local authorities, but help them to overcome some of the things that they find difficult. For instance some of the advice things, the access to contractors and services maybe that we can offer them, are things that I think they are interested in and expressed that they were interested in. Concerns around things like loss of direct payment, I think will be quite damaging in terms of the work that we can do with that sector.

Some of the things that I think in the past traditionally as local authorities we have thought that people wanted, say, around values of deposits and things like that, that is not what they were telling us they were looking for really. They want certainty and security around the tenant, they want advice and support when things go wrong, they want to know who to speak to in the local authority, if the local authority can support them with thing.

They also talked about, across London, many of them work across borough boundaries, if they have more properties, it is about having a single offer. They find that they work with a number of different local authorities and they all offer different things, provide services in different ways, and what they want is some clarity about who they can work with, having a sort of single offer, which is something we have been talking about within our sub-region in terms of what could we equalise so that it is clearer and easier for landlords.

Tom Copley (AM): I just wanted to pick up on Robbie's [de Santos] point about the idea of the regulation and then the enforcement of the regulation. Do you think that, at the moment, local authorities have enough resources and powers to tackle problems of poor standards and bad landlords?

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): Broadly they do have enough powers. I do not think on the whole they have enough resources. I think, if they do have resources, it is, as I said, down to the political priority that is attached to it. I see that the enforcement problem is about working with chief executives and council leaders to get them to see it as a priority. That is what you see in Newham, it is the Mayor's big priority to do something about it, and whether you agree with the approach that Newham are taking or not, they really do want to do something about it and they will get rid of bad landlords, or a decent number of them, as a result.

Generally, when we did a Freedom of Information request of all local authorities across the country, and it was a very mixed picture, and that was exactly what we saw in London as well. I am not going to name names, but some boroughs were receiving a lot of complaints and they were not really doing anything about them. They were just maybe taking a soft action, maybe calling a landlord, trying to resolve the issue, and then it just looked like the issues dropped off, they did not pursue it. Whereas other authorities were taking a high level of tough actions, serving notices, and they were then seeing, over the years, the number of complaints they received dropped off because they were publicising their actions, landlords in the area were seeing, "Right, I cannot get away with it any more", and actually they were able to reduce their overall level of complaints. I think there is definitely something to be said for prioritising the most urgent issues, taking strong action, and publicising them. Then you might see that the problems you deal with go down.

Chris Norris (Head of Policy, National Landlords Association): I agree with a great deal of what Robbie was saying there. The National Landlords Association run more than 300 local landlord meetings a year, a lot of them with local authorities, and time and time again we hear from professional landlords, good landlords, members of associations, that they know where the bad landlords are. They know complaints are being made against those landlords and they know that nothing has actually been done. Or there has been a slap on the wrist, and they have been able to carry on doing what they do, undercutting the good guys, making their profits because they are not investing in their properties and they are not providing a good service for tenants. They are bringing that perception of the private rented sector down and the reputation of landlords down again.

Enforcement needs to be a major priority and unfortunately it is far too political in many areas. Our one concern probably where we diverge slightly is that in some areas licensing seems to be a distraction. There is a view that you can introduce a discretionary licensing scheme, and Newham may be an example of this, it is early days, but that you will bring in a licensing scheme and because we have licensing therefore that means we will suddenly have more means to enforce. That licensing scheme has a charge attached to it, it only has to cover its own costs. It does not necessarily bankroll a great deal more enforcement. It just adds another layer of bureaucracy in there. Our concern, as we see more and more high-profile licensing schemes, additional licensing, selective licensing, global licensing schemes, they are actually taking resources away from areas that could be beneficial and could improve outcomes. Instead, really getting in there politically, encouraging local authorities to root out the problem landlords, and get the message out, as Robbie [de Santos] said, very publicly that you cannot let your

standards drop. So that the majority that may be in the middle that could do what they do better, but are not actually the rogue landlords, do not let their standards slip and drop into that bottom segment.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): Just from a local authority perspective, I do not think sometimes looking at raw numbers in terms of prosecutions actually tells the whole story, because a lot of the work that local authorities do on the ground with landlords and with their tenants - where there are issues - sorts things out; it is a solution. Prosecution is not necessarily the right solution in every situation where a landlord does something that may breach the law or regulation. Obviously, we are treading a balance in terms of trying to improve landlord practice and get landlords involved in meeting housing need and offering appropriate standards for tenants. Some of the behaviour that goes on with the small landlords who do not know precisely what they are obliged to do on every occasion is really about education and is about us working with them so they understand what is and is not acceptable. Prosecution is not always the right answer.

However, clearly it is in some situations. There is a resourcing issue for many local authorities in doing that. I think the other problem with it is, at the end of the day, you take a case to court - I used to be a tenancy relations officer and that is exactly what I did at the start of my career - you do not get decent penalties from the courts that are worth publicising and are a deterrent. Publicising that you took a landlord to court for illegal eviction and got a conditional discharge is not worth it, it has probably cost you thousands.

John Biggs (AM): I represent people in the East End where I think most of the rented housing is not wonderful, OK there is a whole mixture, but there are some areas where it is absolutely appalling. I could take you to places where no one in this room would want to live. It takes me to a very simple hypothesis, which is that there are good landlords, there are bad landlords, and there are strong tenants and there are weak tenants. I am very clear in my own ideological mind that we need to regulate to help weak tenants with bad landlords, and I am hoping this inquiry will head in that sort of direction.

However, I get lobbied by landlords who say, "We are good guys and we can regulate ourselves". The question I suppose to Mr Norris is, is there a real appetite for serious self-regulation in which people will subscribe to a code, and it will not just be a sort of Mickey Mouse code, it will be something that people can rely on that will take the burden off local authorities to enforce in areas where they do not have to, so they can focus on the problem areas? Then maybe one or two of the other people could critique that and tell me what a naive fool I am in suggesting such a thing.

Chris Norris (Head of Policy, National Association of Landlords): I think there is the appetite, but it cannot be viewed in isolation, it does need to work with a robust statutory framework, which I would argue we do have. The issues are whether you can get the penalties you need, as colleagues have mentioned, and whether you can actually afford to enforce where it is needed.

We would suggest that actually driving professional standards, so using initiatives like accreditation schemes, like local authority landlord forums, engaging with tenants and landlords to try and get them to a point where they can sustain tenancies. Or, alternatively, driving landlords who do not have the skills and are not willing to develop their professional skill-set, towards responsible professional services that can help them. We have spoken quite a lot about the negative side of letting agents, there are also very good letting agents that we would encourage our members to go towards. There are agents who abide by professional codes from the Royal Institute of Chartered Surveyors, Association of Residential Letting Agents, National Approved Letting Scheme, that provide financial protection and adjudication or mediation services to their members that help to try and prevent issues getting to the state where there are legal issues and the need for legal enforcement.

I think the combination of a regulatory framework to hang all of the necessary professional standards from, with a professional and competent agency sector, and real drivers to get a professional competent landlord sector, could work very well together without the need for licensing schemes that do not necessarily have all of the tools they need to meet the really genuine problems that exist at the bottom, in my view.

John Biggs (AM): Just remind us, your view as an association is that the regulations are all there or that we need new ones?

Chris Norris (Head of Policy, National Association of Landlords): Our view is that the regulations are all there, they simply need to be enforced and potentially the penalties do need to be addressed.

Andrew Boff (AM): Can I just get confirmation that the licensing scheme, as carried out by Newham in a sort of a trial, it does not actually give you any more powers of enforcement, is that correct?

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): I think it simply makes it easier to take action because, whether you are licensed or not is a very provable ground in a way that proving disrepair or compliance with an order is harder to do. In a way, it is a way of getting a landlord who you might struggle to get, or it might take a longer time to get, through a different route. They might still be guilty of disrepair or illegal eviction, but whether they comply or not with licensing is just quicker.

Chris Norris (Head of Policy, National Landlords Association): You can certainly prosecute someone for not complying with the licensing scheme. It does not actually provide any additional powers to deal with the disrepair issues, the poor management issues; it provides a means to identify people who put their hand in the air and say, "Yes, I will be licensed", versus those who do not.

Andrew Boff (AM): It does not add any more powers, for example, to remove the beds in sheds that we saw proliferating in that part of Newham, and indeed other parts of London?

Chris Norris (Head of Policy, National Landlords Association): Our major concern is it is those people, those criminals working in the sector, for want of a better term, are not the people who are going to apply for a licence and therefore be identified as people who should not be landlords. They are the ones who are going to try to operate underneath the regulatory regime. Or rather, if they are found for not having a licence, yes, they can be prosecuted for that, but it is a different issue to the actual reasons that local authorities are trying to bring in the schemes.

Andrew Boff (AM): So, is it fair summary to say, from what the contributions have been, is that we have the laws in place, the penalties are probably not being taken seriously, which is obviously something you can address without bringing in new legislation, but the legislation is actually there at the moment to address the problem of these rogue landlords?

Chris Norris (Head of Policy, National Landlords Association): Exactly so.

Andrew Boff (AM): Thank you.

Onkar Sahota (AM): We talked about good landlords and bad landlords. There are also good tenants and bad tenants. How do you view the current balance between landlord and tenant rights and how is it affecting the new private rented housing supply?

Andy Hull (Report Author, Institute of Public Policy Research): Can I just comment on supply, which you mentioned. One thing very briefly is that, if we do want more institutional investment in new-build private rented property in London, which a number of people have said we would like, that might be more possible if we expected greater levels of decency from the rest of the private rented sector, because institutional investors are going to expect to have to provide decent accommodation anyway. If they feel like they are doing that against competition that does not have to and does not feel the need to, that is more difficult for them. I am just saying that, if getting that money in from Aviva or whoever to build new flats to rent is important to us, decency has a part to play in that.

Neil Wightman (Chair, Association of Housing Advice Services): From my point of view, I think the balance has shifted a little bit. I totally agree there are bad landlords and bad tenants and predominantly tenants are good and predominantly landlords are good, so I would like to make a point about the sort of regulation. On the sort of balance of power, I think, within that context, and I alluded to it in the very first thing I said, there is the ignorant landlord as well. They are not wilfully bad, they are not trying to break any laws, they are just a very small landlord doing a day job and trying to manage what is a very complicated and very complex thing. Landlord/tenant law is immensely complicated. We have laws going back to 1925 that are extremely relevant to that relationship. It is incredibly difficult for a small ignorant landlord to understand this. The Law Commission a few years ago - I was part of the panel working on trying to simplify legislation - they put a great paper together. It went nowhere because it was going to be too expensive to actually introduce.

I think for me, where the balance needs to be re-shifted, is trying to help the landlord who does not understand things, to understand those things. Through accreditation, through better

professional relationships with local authorities, through those discussions about what their role and responsibilities are, is the way that we move that back to a better consumer relationship. I think it has moved slightly one way, because of the dominance of the very small landlord.

On the regulations side, I just think regulation is such a blunt tool. I have been involved in probably three or four expert panels looking at regulation over the last 20 years and it always comes to this issue. Swansea University about ten years ago did a really interesting piece of work about saying, "We should just deregulate everything, we should just get rid of everything. We should abandon environmental health, everything. We should actually let the market dictate it all." There was a hypothesis about where that might go. However, I think regulating an entire market, licensing every single property, is not the way forward. It is about targeting the bad landlord and the poor-quality accommodation. As Andy [Hull] said, that rogue landlord is always going to be under the radar. They are always going to be a bad landlord. Regulation does not actually help that. I just do not think it is a successful way of going.

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): I think the fact that the private rented sector has grown so much in the last decade suggests that broadly it works quite well for landlords. It is obviously quite an attractive investment. We know that landlords do tend to make good returns, through capital growth as well, into that investment.

As Chris [Norris] said earlier, there is actually quite a lot you can do within the current system that could actually mean tenants have stronger rights within what is under statute already. You could make and ensure a short-haul, five years, seven years, if you wanted, which actually makes me think it is more about how operational are those rights in the kind of market that we have at the moment where supply and demand are just so out of kilter. Tenants just do not have any consumer power to challenge and make the most of their rights and maybe if there were more landlords than tenants then tenants would be able to say, "Can I have a five-year tenancy?" and landlords would be like, "Great, because I have five years' security now". If you want to make the rights and responsibilities work better at the moment, increasing supply is a key way to do that. However, I think there is also an opportunity with the London rental standard, as we were talking about, using a tool to help articulate the different ways that tenants' and landlords' interests can actually correlate. Find the landlords who are in it for the long-term, find the tenants who want longer-term stability, and start making the most of the rights that both have already.

Onkar Sahota (AM): You have answered the question with a view that the tenants are a homogenous group of market, but there is a subsection. My perception probably is that, in the higher rental sector where the free market forces do operate, it is really in the lower, in the housing benefit sector, where we have a weak tenant, that is where the most regulatory frameworks are required, because they are least able to defend themselves. Would you agree with that?

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): I would say that the market forces do not necessarily work well right across the sector. My friends who earn decent salaries are still signing cheques on the day against ten other people to rent a home, so they are not able to articulate what they want, let alone the people right at the very bottom of the

sector. I do not necessarily think regulation would be the answer, but in the absence of that market pressure being there, there has to be a greater incentive on landlords to offer different products to tenants to meet different tenants' needs. It is again looking at what are the incentives that we can offer landlords, whether it is through an accreditation route or whether it is through other incentives, making it easier for them to help meet the different needs of different groups of tenants in the sector.

Andy Hull (Report Author, Institute of Public Policy Research): I would add to that, if the question is, "Will landlords, left to their own devices, police themselves?" which I think speaks to your question of balance of rights, and powers as well, the facts to me suggest the answer is no. If you look at security of tenure, the legal minimum becomes the practical norm, so they offer as little as possible just about. On rents, despite wages stagnating for a decade here in London, the rents just keep going up, and despite the caps on benefits that have come in, those rents keep going up. Someone said earlier they do not dare predict what will happen to rents in London. I dare predict they will go up, because they keep going up.

On decency, those parts of the East End that you represent, John [Biggs], if landlords left to their own devices self-regulate, they would not be as indecent as they now are. I think there is no evidence to suggest that self-regulation works. It is not just a tiny proportion of rogue landlords who are not playing ball, it is big swathes of the market who are not doing what is in the best interests of the residents you guys represent.

John Biggs (AM): You could argue this is playing with words, but I do not think it is, should there be an obligation to register rather than -- because I think landlords are phobic about regulation because it is seen as something sledge-hammering. Do people have to register as a landlord now? You buy a property to rent, you are setting up a small business basically, and at present people can sort of quietly ignore that.

Neil Wightman (Chair, Association of Housing Advice Services): There is no obligation to register at the moment --

John Biggs (AM): Well there should be.

Neil Wightman (Chair, Association of Housing Advice Services) -- and I think that is sort of the way we should go. I am a great fan, I have mentioned several times, of accreditation. I think there should be compulsory accreditation. I think that there should be minimum standards that landlords should go through. I think it is absolutely reasonable that they become part of a kind of accreditation scheme; that they should register. That is a long way from regulation. I just think agents should go through the same; I think the standards on agents should be slightly higher because of their wider commercial interests. However, yes, I think there needs to be some kind of minimum standards, and with that the obligation to go and do some kind of continuing professional development (CPD). I do not think that is unreasonable. I think that local authorities can provide that at weekends, out of hours, so it does not interrupt with their business day. Those for me are the sorts of vehicles of which to improve that relationship.

The London Landlord Accreditation Scheme has a kind of facility to look in and bring rogue landlords to the surface, it is a very under-used facility, but again why do we not empower consumers through a kind of website portal to allow them to look at who is seen as a bad tenant/bad landlord. It works in other consumer environments, why not in landlord/tenant?

Chris Norris (Head of Policy, National Landlords Association): Just to add on the point of accreditation, the National Landlords Association runs a national accreditation scheme, which allows tenants to do exactly that, to go on to the website, put in their name, their registration number, "So yes, they are accredited, they have done their allotted CPD, they therefore have a commitment to being a decent landlord", or they are not there. Obviously, that does not have the critical mass that is necessary to make it a national or London-wide --

Darren Johnson (Deputy Chair): You would be supportive of that route?

Chris Norris (Head of Policy, National Landlords Association): The only caveat I have to registration is, when you have registration for the point of registration. We have a model in Scotland, for instance, where every landlord registers. The Scottish Government's review of landlord registration of last year complained that actually they had about 80-85% compliance with registering, but that register did not actually serve a purpose beyond having a list of landlords. It has to be used in some way to provide value to the parties.

Darren Johnson (Deputy Chair): That can be linked with the points that Neil made.

Rachael Orr (London Campaign Manager, Shelter): Yes, I think I would absolutely echo that, and I think, just to come back to the question, I think it is not as simple as good and bad tenants and good and bad landlords. We have done a lot of campaigning about rogue landlords and that is a huge problem, but it is the accidental, the amateur landlord, that one-day training as part of an accreditation scheme would actually be a really good thing, and a really good thing for tenants. I think there is also a gap in tenants' knowledge of their rights and their responsibilities sometimes, and having some clearer boundaries so tenants know what they can expect, but also what is expected of them in terms of their part of the bargain, is really important.

Darren Johnson (Deputy Chair): OK, good, we are seeing a lot of support for that provided it is linked to a clear object and a clear purpose, and we will move --

Andrew Boff (AM): It is about this compulsory registration. Bearing in mind the problem is scarcity, and we established that at the start today, the problem is scarcity, also bearing in mind that people who register with the National Landlords Association and the other bodies, they will have no problems registering with the local authority. The wish surely that we have that more people open up empty properties to let so we have more opportunities, is registration not another obstacle for those new people coming on to the market who might consider letting?

Darren Johnson (Deputy Chair): During the course of the investigation, we will get different views, but I think we have had one set of views expressed already from --

Andrew Boff (AM): Is it not going to prevent -- I mean especially to Mr Wightman, you said that you think we should have registration, but is registration not another thing that a person who has one flat, two flats, it is another headache to get over?

Neil Wightman (Chair, Association of Housing Advice Services): I do not think it is unreasonable to expect a landlord; after all it is a fairly minimum standard, is it not? If you look at accreditation, it is self-accredited, "I judge myself to be a fit and proper person", I go on a day's training. I just do not think that is unreasonable and I think most reasonable landlords would see that as being absolutely right.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): I do not think it is a barrier if they see there is something in it for them. If that thing in it is that it helps to professionalise them to know what they need to do, how to tackle problems, to have links to advice at the local authority, for example, then people will go for it.

Andy Hull (Report Author, Institute of Public Policy Research): Very quickly just to say that, when we talk about RSLs that means registered social landlords; it is not unreasonable for us to expect the registration of private landlords too.

Nicky Gavron (AM): I just want to put a question forward, which is, in my view, you could have a registration scheme, it is just at the moment we do not know who the landlords are in many cases, and I think it is important that when you become a landlord you register. You can have accreditation schemes, licensing schemes, letting agency schemes on top of that, but we need to know, just like the Scottish model, just register. We do not know who the sector is.

Andrew Boff (AM): If local authorities are not going to enforce the powers they already have, it is irrelevant whether or not they register, is it not?

Nicky Gavron (AM): You will have to register, because otherwise you -- if you register, you have a number, and you cannot --

Darren Johnson (Deputy Chair): We have heard a set of opinions from the guests; let us not argue about what recommendations we may or may not put in our final report, we are not going to write that now. Nicky, can we move on.

Nicky Gavron (AM): I am getting on to my next question. The Mayor has a vision to promote a vibrant and attractive private sector, is the Mayor doing enough to promote that?

Rachael Orr (London Campaign Manager, Shelter): I would say that, in his last term, no. However, I think the signs are quite encouraging that there may be a bit of a stepped change this term, I think. With the London Housing Strategy off the table for the time being, I think there is a focus in the Mayor's Office around the private rented sector. I think there is a recognition of the importance of the sector. It is quite likely that about a third of London voters will be living in the private rented sector by 2016, so it seems like it is a very important thing to be addressing, and to be addressing at this time. I think "promote" is the key. We have mentioned it a few times in some of the answers that we have made. A lot of this is about

political will; it is about someone with quite a lot of profile standing up and saying, “London is not a city where we are going to allow rogue landlords; we need to stamp this out”, where there is more promotion of what landlords’ and tenants’ rights and responsibilities are. I think where there is more emphasis and more political will, we can get some traction without having to spend an awful lot of money. I think that is a really important kind of shift. I think there is a big job for the people sitting here and for the Assembly to make sure that pressure is absolutely maintained on the Mayor’s Office and this remains high on their priority list.

Nicky Gavron (AM): The Mayor’s policies in the Housing Strategy are to have a rent map, which we have, which shows you where the affordable and unaffordable rents are. He has also signed up to an accreditation agency, which is the borough one, which you have just been saying, if I heard correctly, is not really very powerful and does not have proper sanctions. Is that correct, the London Accreditation Agency?

Neil Wightman (Chair, Association of Housing Advice Services): The London Landlords Accreditation Scheme. is a self-diagnostic tool in many ways, apart from a day’s training. I think it is a really good scheme. As Chris Norris mentioned, critical mass, as more and more landlords engage in this, then it will become more powerful as a thing. I think the Mayor is saying he wants 100,000 landlords to be accredited. The more landlords who become accredited, the more powerful it becomes as a brand, as a quality mark, and that you can move forward with that.

Nicky Gavron (AM): But it is voluntary, is it not?

Neil Wightman (Chair, Association of Housing Advice Services): It is voluntary, yes, it is.

Nicky Gavron (AM): It is voluntary, so you are not likely to get rogue landlords wanting to join an accreditation scheme.

Neil Wightman (Chair, Association of Housing Advice Services): No.

Nicky Gavron (AM): It is, at the moment, at 10,000. So in four years it has to go up to 100,000 to meet that objective, 100,000 landlords or letting agents becoming members, correct?

Neil Wightman (Chair, Association of Housing Advice Services): Yes, I think that is correct, yes.

Nicky Gavron (AM): OK, and it has gone up by about 6,000 in the last four years. Do you think that is over-optimistic?

Neil Wightman (Chair, Association of Housing Advice Services): If you look at the figures going backwards, I suppose it is, but I think the focus on it and the aspiration is absolutely great.

Nicky Gavron (AM): Do you think it is as powerful as a national accreditation scheme?

Neil Wightman (Chair, Association of Housing Advice Services): The London landlords scheme has been adopted by many other areas and modelled on it. I am not precious about which scheme you use; there is the landlords' own scheme, but I think a scheme that is run by the local authority gives a sense of independence in some way; I do not know, but I certainly do not object to other schemes. The Welsh scheme is the same as the London scheme for example.

Chris Norris (Head of Policy, National Landlords Association): There are a lot of shared objectives I think between the different schemes. The National Landlords Association scheme is very similar, as far as I understand, to the London-based scheme. The qualifications are, so far as I understand, comparable and exchangeable. The issue with accreditation is getting consumers interested, because an accreditation scheme, particularly a voluntary accreditation scheme, will only become really powerful if your consumer, in this case the prospective tenant, knows to ask, "Are you accredited? Why should I rent from you if you are not accredited?" At the moment I think the real opportunity for the Mayor and the GLA is to promote the benefits of renting from an accredited landlord to people who are out there looking for housing.

There is the wider issue of supply around that and in certain parts of the market there is inherently a failure that is going to prevent there being the opportunity to choose, but that bottleneck does not exist everywhere throughout the market. If you can get to a position where you can use the high profile of the Mayor to make tenants aware that it is there, and to ask landlords and demand to see their -- in our case it is a membership card to say you are accredited, there is probably something very similar with the London scheme, and not take that property or ask difficult questions if they cannot provide it. Then you have something that is powerful.

Nicky Gavron (AM): There are about 300,000 landlords, are there not, in London, properties privately rented?

Chris Norris (Head of Policy, National Landlords Association): Estimated, yes.

Nicky Gavron (AM): Sorry, 300,000 landlords I think, and 10,000 currently in the scheme, so something has to happen, does it not? What can the Mayor do to really get more landlords involved in this scheme?

Chris Norris (Head of Policy, National Landlords Association): Landlords are business, like any other, there is a great diversity in there and lots of them are very small and some do not understand all their responsibilities. By nature of being a business, they respond to what their consumers demand. If their consumers know what accreditation is and they demand it and they start asking difficult questions about why you have not spent a day getting trained, then it is very difficult for them to not pay the £50, £70, £100 for the training, whatever it may be, and to say, "No, I did not think that was worthwhile". Provide that value and that value is getting more clients, more consumers, more tenants, and it suddenly becomes a lot more valuable.

Nicky Gavron (AM): Andy [Hull], you spoke about the benefits, the £5 billion benefit being - did I get this right, that there was a case for the Mayor having that?

Andy Hull (Report Author, Institute of Public Policy Research): We think so. On your initial question, is the Mayor doing enough? My basic answer is that I think he and his Deputy [Mayor for Housing, Land and Property], Richard Blakeway, are trying to do a lot on supply, and I think they are trying to do some stuff through the accreditation scheme and other things on decency. I think he is doing nothing like enough on either security or affordability in the sector. Basically I think he is looking at the standards and he is looking to try and build more, but he is not really grappling with the cost of renting or the security tenants enjoy, and I think he could do more of both.

If you look across to New York, as we did in some of our research, they have there, in what is after all the sort of centre of global capitalism, a regime of rent stabilisation where the rises in rents, if not absolute rent levels, are checked by a tripartite board involving tenants, landlords and the local municipality, the equivalent of the Mayor's Office. I think the Mayoralty could be more assertive on affordability.

In terms of housing benefit, yes, basically, if you did devolve housing benefit to the Mayor, and yes that would be £5 billion per annum in London, we think that would complete his set of powers, alongside the powers he already has over land and planning. It would give him a huge bargaining chip with that part of the private rented sector, as we discussed before, when otherwise we are scrambling around for bargaining chips that do not always feel like they are really there. It would enable him to borrow against that money to build much more, which I think all of us on this panel think we need to see. It would allow him to fit the housing benefit levels in London to London's unique and particular set of circumstances, as opposed to a one-size-fits-all national solution. He would have the democratic legitimacy of the million votes he has just won in a way that no civil servant in White Hall could.

I think there is a strong argument for the devolution of housing benefit; it is clearly not without risks, and in our recent research and report we wrote 50 pages of checks and balances and parameters to make sure that it was not abused or exploited by either the Mayor or the local authority leaders, to which he might devolve it. However, if your question is, how do you shift back from that figure of £95 billion on benefits and £5 billion on bricks and mortar, towards something of a more reasonable balance, if the question is, how do you do that, our answer is one way to do it is to devolve a lot of that so that local politicians have their incentives aligned.

At the moment, if you take me for instance as an Islington councillor, I do not need to care how much housing benefit is spent in my borough particularly because it is not coming out of my budget. However, if I were responsible for that pot of money, I might have all the more reason to try and get more people into work, get more homes built, etc.

Nicky Gavron (AM): Do you think, if the Mayor were to have this £5 billion, then the institutional sector would come along and invest the patient money?

Andy Hull (Report Author, Institute of Public Policy Research): I think that is a slightly separate set of issues. I think there are ways to get the private investors in. I am not sure they are directly connected to this set of issues around housing benefit, if I am honest.

Nicky Gavron (AM): It is just that one of the things we want to do surely, we have heard about old stock, and would it not be quite a good idea to encourage, promote, a market sector to rent new build?

Andy Hull (Report Author, Institute of Public Policy Research): Yes, I am all for build-to-let, I could not agree more, it is desirable. I agree that getting institutional investors in would be great. I am just not sure whether this mechanism of housing benefit devolution is the key to unlock that. I absolutely agree, however, a problem has been, buy-to-let kind of cannibalising owner occupation, and what we need is build-to-let, we need new properties. One thing I might say that hopefully is constructive is, getting housing associations into that market, I think, is a way forward. Acting outside of the charitable function, housing associations building property for private rent, I think there is a strong case for it and I think there is a developing sense in the housing association community that is a way forward too. I would be looking there, because I worry that, with institutional investors, it is the holy grail that has been around for decades, and it might be a long wait.

Nicky Gavron (AM): OK, but I just thought, if we had a new kind of private market rent sector, then you would have secure incomes coming in from the rents. But I think what you have said is very imaginative; that if the benefit bill, if the £5 billion came to the Mayor, he could put it in Homes for London, alongside the investment he already has, and use it much more flexibly.

Darren Johnson (Deputy Chair): Let us hear some perspectives from other members of the panel and then we really must move on.

Neil Wightman (Chair, Association of Housing Advice Services): I mean it sounds great, does it not, but you would destroy overnight your private rented housing benefit market. You are talking about putting rent restrictions through a rent tribunal or something, limiting the rents. You are talking about diverting the resource from housing benefit to build. You are just going to kill the private rented market for housing benefit. Where are those families going to go? They are going to go and draw on the public purse in terms of drawing on local authority temporary accommodation, which is going to put a massive resource drain on the local authority. All you are doing is just shifting resources and I cannot think of anything worse for families who are in private rented accommodation, if I am honest.

Darren Johnson (Deputy Chair): That was a clear perspective, a different perspective, and then we will hear from Andy. Let us just quickly hear some more.

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): I think we still at Shelter need to see a bit more of the detail of that, how it would work, but we are definitely committed in principle to the idea that we should be building more and we are very interested to discuss with IPPR how you might do that, how you might start shifting that. It is clearly very risky, but it is obviously a long-term problem that we need long-term solutions for as well.

Rachael Orr (London Campaign Manager, Shelter): Also, just really quickly talking about the Mayor's role, there is the very obvious short-term issues as well, there are the problems that are in the sector now, and I think absolutely the big long-term questions are really important, but there are also the questions about what more can the Mayor be doing around enforcement, around accreditation, around looking at some of the solutions around affordability, to make things better for people who are renting at the moment.

Chris Norris (Head of Policy, National Landlords Association): Simply, it seems like almost every issue we talked about is underpinned by lack of supply. If there are ways that we can encourage diverse investment, new investment, new building into the centre, it provides the opportunity to shop around, it allows tenants to turn their back on very, very poor property, and makes a lot of the other issues easier in the long term, I think, to deal with.

Andrew Boff (AM): I just wondered if Mr Hull was still committed to the idea of rent control, bearing in mind that the growth in New York in rental accommodation comes from unregulated rental properties, and there is actually a decline in the number of rent-controlled properties?

Andy Hull (Report Author, Institute of Public Policy Research): I want to be crystal-clear what I was suggesting, which is one ingredient they have in New York, which is a rent stabilisation mechanism, which is different from straightforward rent regulation or rent capping, which is not what I am suggesting. The stabilisation idea would just be that you need to contain the rises in rents to a reasonable level, so they can still go up but not by excessive amounts, and to me that does not seem like an unreasonable thing to expect,.

Andrew Boff (AM): The rent-stabilised section of New York is the one that has shown the biggest decline. In fact, over three years, it has gone down from 14% of the provision down to 11% of the provision, and that is just in four years.

Andy Hull (Report Author, Institute of Public Policy Research): Again, as I tried to say earlier, that is not equivalent to a reduction in stock, that is stock moving from one tenure to another, which is not necessarily a bad thing. I do think that the main issue with private rent in London is affordability, and so the question is, can you do anything about that and what mechanisms or levers are there that you could bring to bear. I think one that is actually more reasonable than a straightforward first-generation rather crude rent cap is a stabilisation mechanism that brings together landlords, tenants and the Mayor, and discusses what reasonable rises look like. One that you could say only kicks in when vacancies fall below a certain level, because that is when the likelihood of massive rent hikes is highest, maybe if vacancies fall below 5% that is when it kicks in. However, just saying we cannot touch rents I think is a disservice to Londoners.

Andrew Boff (AM): Are they not just all excuses for lack of supply?

Neil Wightman (Chair, Association of Housing Advice Services): Can I just say, as a point of information, we already have that facility. Since 1988 we have had that facility, it is called the Rent Assessment Committee, and they look at reasonable market rents. Every single new assured short-haul tenant can access that. Every rent increase that the landlord proposes can

go to the Rent Assessment Panel, and that is a three-person panel with lay representatives on. That facility is already available, but it is not used that much, so maybe it is an information and an education thing again.

Darren Johnson (Deputy Chair): Let us get a question from Tom and then maybe Shelter can answer both points.

Tom Copley (AM): It was on rent regulation actually, I mean this is one of the things, Nicky mentioned two of the Mayor's manifesto pledges, the rent map and the voluntary accreditation, but the third one was imposing rent control in the private rented sector. Just on the point Andrew made about rent control choking off supply. If you look in Britain, when rent controls were abolished --

Darren Johnson (Deputy Chair): No, we are not debating the issue, Tom, at the moment we are hearing --

Tom Copley (AM): I do have a question on this.

Darren Johnson (Deputy Chair): If there is a question to it, fine.

Tom Copley (AM): But the sector did not grow at all in the 1990s, despite the abolition of rent controls. Manhattan has been mentioned; that is not the only model worldwide. Germany has rent controls, I think Sweden has rent controls, I just wonder if we could get some views from the panel on good international examples of rent control?

Robbie de Santos (Private Rented Sector Policy Lead, Shelter): Rent control is such a blunt term, there are so many different ways of doing it, and I think just saying it, it is like waving red to a bull. We commissioned Jones Lang LaSalle, property consultants, to have a look at how would it actually work, different models for landlords, and what we found is that, if you had a freely negotiated tenancy, so market rent, but you said for five years the rent will go up by retail price index RPI every year, landlords would actually make a better return than they would at the moment. Some landlords do not put up the rent every year, but some landlords do. Actually it is quite sporadic and you do not know what you are going to get. Whereas if you took a French model, which is a three-year tenancy with indexed rent rises, the starting rate is negotiated by the market. The same in Spain, five years with indexed rent rises. Then what you have is, it remains close to market, but it is predictable and protects against the worst excesses of the market. It starts at the market level, so you are not regulating overall rent, and what landlords get is a secure income stream, and tenants know what the rent is going to increase by. A model like that might be much more suitable for this kind of market, and I think it is just a case of seeing whether this is the kind of thing that London could be piloting, seeing as we have the biggest private rental sector in the country.

Darren Johnson (Deputy Chair): That is really useful. We are not going to agree on any models or any recommendations today. This is a longer exercise and we want to hear from a number of witnesses. Finally, can I ask if there are other people we should be talking to in terms of our list of stakeholders in our scoping paper? We have boroughs, we have the

voluntary community sector, we have the Department for Work and Pensions, landlords, the Property Ombudsman, academics and think-tanks, the Mayor, tenants groups, institutional finance representatives, and also looking at the international comparators. Is there anything that we are missing there, or are there particularly any international comparators that have not been mentioned so far that we should be looking at?

Neil Wightman (Chair, Association of Housing Advice Services): I think you mentioned Registered Providers, I mean they are moving more into the sector in terms of intermediate renting solutions, you suggested getting full-blown into the sort of market, so I think somebody from the Registered Providers sector..

Darren Johnson (Deputy Chair): That is a useful point, because it is not as clear-cut as this may be.

Karen Shaw (Housing Needs Manager, London Borough of Lewisham): There are a number of big ones that are already working significantly around the private sector, because they are doing leasing-type arrangements with local authorities so they have that experience as well.

Darren Johnson (Deputy Chair): Thank you for your input today and all your contributions. As I say, this is part of a longer exercise and that will feed into our final report, but many thanks for coming along today.