Subject: Proposal for an Investigation into Housing Conditions in London's Private Rented Sector

Report to: Planning and Housing Committee	
Report of: Executive Director of Secretariat	Date: 17 May 2011
This report will be considered in public	

1. Summary

1.1 The Mayor sees the private rented sector as a challenge to ensuring all of London's housing meets uniformly high levels of quality and management. This report proposes that the Committee carry out an investigation into the housing conditions in London's private rented sector in order to identify potential mechanisms to improve the quality of accommodation in a sector that is growing in importance, and one that is set to increase further in the future.

2. Recommendation

- 2.1 That the Committee agrees to investigate the housing conditions in London's private rented housing with the following term of reference:
 - To assess London's private rented housing sector in relation to its state of repair, the standard of facilities provided and the degree of comfort, health, energy and water efficiency it provides;
 - To assess wider opportunities for improving London's private rented housing and whether there is a need for the Mayor to co-ordinate further efforts to improve this sector;
 - To review any examples of improvement programmes being run by London boroughs or community enterprises that might offer scope for the wider application across London.

3. Background

The role of the private rented sector

3.1 Private rented housing is an important and often relatively affordable housing option. It is the first choice for most of the thousands of people who move to London every year. The private rented sector supports a more flexible workforce; enabling people not just to move into London but to move about it as circumstances and employment changes.¹ A wide range of Londoners rent privately, including young professionals, students, economic migrants and people in housing need. The sector is also increasingly used to house those waiting for social rented housing.

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¹ http://www.london.gov.uk/shaping-london/london-plan/docs/housing-technical-paper.rtf City Hall, The Queen's Walk, London SE1 2AA

Trends in housing tenure in London, 1961 to 2001

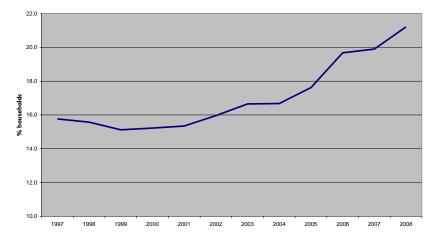
- 3.2 The last four decades have seen considerable change in London's tenure mix. Owner occupation rose steadily, especially in the 1980s as many council tenants exercised their Right to Buy and restrictions on mortgage lending were relaxed. Social renting rose in the 1960s and 1970s only to fall back, again due to the Right to Buy as well as declining levels of new supply. The private rented sector, which in the early 1960s was home to nearly half of London's households, fell to a third of its former size by 1981, but has bounced back and since 2001 has become the fastest growing tenure.
- 3.3 A major review commissioned by CLG in 2008 (the Rugg Review)² identified four factors as explanation for the recent upturn in private renting. In terms of rough chronology the factors include:
 - The Housing Act 1988, which introduced short-hold tenancies and lifted rent controls on new tenancies;
 - Properties that became available for rental in the early 1990s following a slump in housing prices: a number of individuals who were unable to sell their properties let them
 - The expansion of demand groups for private rental; and
 - From 1996, the availability of buy-to- let mortgages, which offered cheaper financial deals for the purchase of property to let.
- 3.4 Since then added factors, that are specific to London, have contributed to the rise in private renting. These generally relate to the impact of the credit crunch in terms of the reduced access to mortgages, the significantly high cost of deposits for mortgages and the increasing cost of housing relative to incomes. These factors have meant that a significant number of Londoners, who would have moved into the owner occupied sector, can now only afford to rent privately.

Private rented sector in London

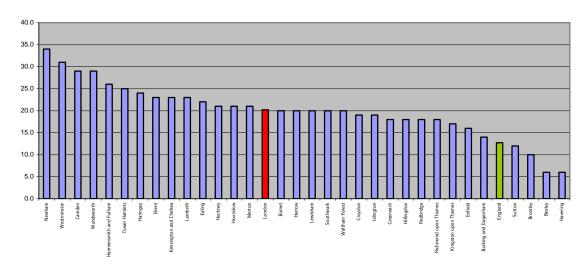
- 3.5 London has the highest number and proportion of private rented housing in England. In 2009 there were 690,000 households (20.2 per cent of all London households) compared with an average for England of 12.7 per cent. Between 2001 and 2006 the number of private rented properties in London has grown from 476,000 to 597,000 a 25 per cent growth in five years.
- 3.6 Across London the rate of private renting varies from 34 per cent in Newham to just 6 per cent in Havering. Private rented housing forms more than a quarter of all housing stock in six London boroughs.

² The private rented sector: its contribution and potential, Centre for Housing Policy, University of York, 2008

Percentage of private rented households in London, 2009



Percentage private rented sector by London borough 2009



Rents

3.7 Existing rents in the housing association sector tend to be around the target rent set by the Housing Corporation, with local authority rents lower. Nevertheless, even the cheaper properties in the private sector typically cost double this amount.³

Housing conditions in the private rented sector

- 3.8 Property condition in the private rented sector, while improving, is still worse than in either social housing or owner occupation. Forty per cent of private rented property failed to meet the Decent Homes standard in 2006.⁴ Households in receipt of at least one of the main means-tested benefits were more likely to live in properties failing to meet the Decent Home standard.
- 3.9 This is a significant factor when the amount of public subsidy (through housing benefit) to the private rented sector is taken into account. At the end of 2010 there were 264,360 households in the private sector in receipt of housing benefit (32 per cent of all housing benefit recipients).
- 3.10 Figures from CIPFA for 2008/09⁵ show how the private rented sector was used to house people in temporary accommodation:

³ http://legacy.london.gov.uk/mayor/housing/prices/docs/SHMA-main-report.rtf

⁴ http://www.communities.gov.uk/documents/housing/pdf/1229922.pdf

⁵ Figures from CIPFA show that in 2009/10 just five London boroughs spent more than £54 million in securing temporary accommodation in the private rented sector.

- Private sector accommodation leased by London boroughs: £311 million
- Private sector accommodation leased or managed by RSLs: £20 million
- Paid directly to a private sector landlord: £58 million

4. Issues for Consideration

Decent Homes Standard

- 4.1 A Decent Home is a home that is warm, weatherproof and has reasonably modern facilities. In 2000 the government set out a target to "ensure that all social housing meets set standards of decency by 2010." The "decent home standard" covered statutory minimum conditions for housing; it must be in a reasonable state of repair; it must have reasonably modern facilities and services; and it must provide a reasonable degree of thermal comfort.
- 4.2 At the start of 2010, CLG announced that 95 per cent of Council homes would meet the standard by the end of the year. However, figures published in September of that year showed that a quarter of Council homes in London still fell below the standard. A National Audit Office report estimated that, as of November 2009, around 1.4 million local authority homes received work under the Programme at an estimated cost of £22 billion. The Mayor's Housing Strategy contains funding commitments of some £440 million for 2008 11 to enable London boroughs to meet the Decent Homes standard by 2011.
- 4.3 In 2002 and 2007 Decent Homes was extended to cover vulnerable people (those in receipt of one or more of the principal income-related or disability benefits, the elderly or those with children) living in privately rented homes.
- 4.4 In 2010 the Communities and Local Government Committee report "Beyond Decent Homes" concluded: "the decent homes programme in the private sector, meanwhile, has been much less effective. Resources have been cut and the target downgraded, meaning that many private homes remain non-decent and progress has stalled. The Government needs to lead a concerted effort, backed by an ambitious long-term target, if its aim of "a decent home for all" is to be achieved in the private sector."
- 4.5 The cost of significantly improving the housing conditions in London's private rented sector is not known but, if the Decent Homes programme is used as a guide, it can be estimated that the cost to improve private rented homes would be significant. Public funding or subsidy for such programmes is unlikely to be available for many years.

Housing stock condition surveys

- 4.6 Nationally, the English Housing Survey (EHS) also measures stock condition on a continuous basis and reports annually. Data is collected relating to Decent Homes, energy efficiency, quality of local environments and the Housing Health and Safety Rating System.⁷
- 4.7 At the local level this has been traditionally measured by less frequent private sector stock condition surveys. Local authorities have a statutory duty to understand the housing conditions of private sector housing in their areas. The 2004 Housing Act sets out that "a local housing authority must keep the housing conditions in their area under review with a view to identifying any action that may need to be taken by them." Most, but not all, local authorities discharge this duty through commissioning stock condition surveys.

⁶ http://www.publications.parliament.uk/pa/cm200910/cmselect/cmcomloc/60/6008.htm

⁷ http://www.communities.gov.uk/housing/housingresearch/housingsurveys/englishhousingsurvey/

⁸ http://www.audit-

Landlord accreditation and registration

- 4.8 The London Landlord Accreditation Scheme, developed by boroughs, focuses on improving the quality of landlords' management, providing them with information, training and professional development in order that they provide their tenants with a good standard of management, and safe, environmentally sustainable and high quality accommodation. Under the scheme accreditation is voluntary with a set of standards relating to the management or physical condition of privately rented accommodation.
- 4.9 In Scotland, under Part 8 of the Antisocial Behaviour etc. (Scotland) Act 2004, almost all private landlords must apply for registration with their local authority. The local authority must be satisfied that they are fit and proper persons to let property, before registering them. The system is aimed to ensure that all landlords meet minimum standards and "will remove the worst landlords from the sector". ¹⁰

Mayoral policies and priorities

- 4.10 The Mayor believes that private renting is an important and often relatively affordable housing option. It is the first choice for most of the thousands of people who move to London every year. A wide range of Londoners rent privately, including young professionals, students, economic migrants and people in housing need.
- 4.11 The Mayor has said he will work to provide more and better private rented homes "while most private sector accommodation is well-managed and of good quality, a small proportion at the lower end remains sub-standard."¹¹
- 4.12 The Mayor believes the private rented sector is an essential part of London's future supply and is working to:
 - **Provide more private rented homes** more institutional investment in private renting is being promoted, to improve the image, quality and appeal of the sector.
 - Deliver better access and support The Mayor's London Rents Map is ensuring that
 prospective tenants can easily find out the level of rents in different parts of London, improving
 decision making and potentially raising standards and leading to more competitive rents. The
 private rented sector can play a key role in housing homeless and vulnerable households, where
 it provides high quality housing management and reasonable security of tenure and support is
 available where needed.
 - **Improve conditions and management** The London Landlord Accreditation Scheme is being promoted

Policy and guidance

- 4.13 The Mayor's vision "to promote a vibrant and attractive private rented sector to support London's economic vitality" is supported by a number of policies in his Housing strategy¹²:
 - Policy 1.4A More institutional investment in private renting will be promoted
 - Policy 1.4B The quality of private rented sector homes and landlords will improve, including at least a doubling of the number of accredited landlords by the end of 2011

⁹ http://www.london.gov.uk/sites/default/files/uploads/Housing_Strategy_Final_Feb10.pdf

¹⁰ https://www.landlordregistrationscotland.gov.uk/Pages/Process.aspx?Command=ShowHelpLandlordRegistration

¹¹ http://www.london.gov.uk/priorities/housing/affordable-housing/private-rented-housing

¹² http://www.london.gov.uk/sites/default/files/uploads/Housing_Strategy_Final_Feb10.pdf

- Policy 1.4C Better information on rent levels will be available to those seeking a home in the private rented sector
- Policy 1.4D The private rented sector will play a key role in housing homeless and vulnerable households, where it provides high quality housing management and reasonable security of tenure and where support is available where needed
- Policy 2.2F Private homeowners and landlords will be helped to improve the condition of their homes, particularly their environmental performance

Structure of the investigation

- 4.14 The review will seek to answer a number of questions in support of the terms of reference:
 - What is the state of London's private rented housing?
 - What main improvements are needed, and how can they be delivered?
 - To what extent has the Mayor's efforts to improve the standard of private rented housing proved successful?
 - What examples are there of programmes that are having a significant impact on improving London's private rented housing?
 - Is there a need for the Mayor to drive further efforts to improve this sector?

Methodology and timetable

4.15 It is proposed that the investigation follow the following methodology and timetable:

Action	Time/ Deadline
Approval of investigation	17 May 2011
Written views	Until end June 2011
Data collection and analysis	By mid June
Committee meetings with invited experts	7 June and 6 July
Site visits	Summer 2011
Report agreed	13 September 2011

Key stakeholders

- 4.16 Key stakeholders to be contacted in this review include:
 - London Boroughs
 - Mayor and GLA Group
 - Private landlord representatives and tenant representatives
 - Scottish Government (lessons learned from the landlord registration scheme)
 - Relevant professional bodies such as the Chartered Institute of Housing and Chartered Institute of Environmental Health
 - Other groups involved in programmes designed to improve the sector in terms of providing better private rented sector homes

5. Legal Implications

5.1 The Committee has the power to do what is recommended in the report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report. Financial implications for individual programme of work in 2010/11 will be dealt with separately in reports to the Committee as and when the Committee is required to make relevant decisions.

List of appendices to this report:

None

Local Government (Access to Information) Act 1985

List of Background Papers:

None

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