

## Planning and Housing Committee

6 July 2011

### Transcript of Item 4: Housing Conditions in London's Private Rented Sector

**Jenny Jones (Chair):** Thank you all very much indeed for coming. Peter [Kemp], I would like to start by asking you whether there should be a minimum standard across all private rented sector homes in the same way that there is a Decent Homes Standard for social housing.

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** That is two questions: one about the private rented sector and a second question about people who local authorities place in private rented housing.

You could do that, but I do not see any harm in having a standard because it sets expectations, which I think are a good thing. Then one has to remember that while some landlords who are professional belong to professional bodies, or business landlords or whatever. Others are amateur landlords with no particular qualification in managing property, but just happen to have a buy-to-let property or two. A very high proportion of private landlords only have one property; that is the most common. Then at the bottom end you have rogue landlords. The professional landlords will know about the standard and may or may not do anything about it; they may leave their properties below a standard. It just depends what level of set up is. The amateur landlords will not know about it but they might have it drawn to their attention by a managing agent; only about half of landlords have managing agents. Then the rogue landlords are not likely to do much about it.

I think it would not be a bad thing, but I think you have to ask yourself what difference would it make, and it might have a relatively limited impact, but as a signal to say, "This is what we expect serious and responsible landlords to let their property as a basic minimum." I think it would be a good thing from that point of view.

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** I broadly agree with what a lot of what Professor Kemp has said. I suppose you could actually argue that there already is a standard in the form of the health and safety rating. As Peter said, not everybody abides by that. Equally, it could be argued that if local authorities are placing homeless people in the private sector then those homes should also meet the Decent Homes Standard. I guess if I was a private landlord I might actually say, "Well what about all your homes as well?" because not all local authorities have a particularly great record in that field, and it is very difficult to argue that somebody should quite literally put their houses in order when their own homes are not in order. I think we need to be careful of perhaps opening a can of worms which may not be all that popular in certain local authorities.

**Sir Robin Wales (Mayor of Newham):** I would agree. I would start off by saying that I think one of the most important phrases we must stop using is people being placed in the private rental sector by local authorities. One of the things Newham has been very clear about is that people should be looking to find their own way through things: they should be building resilience. One of the things we have fought for, for many years, is to stop the concept of homelessness and then saying, "You place people in this property; you place in the private rented sector". People, we would argue, need to be encouraged to take responsibility for themselves. We think the argument that the local authority is going to look after you in the sense of, "There is private rental so we will find it for you," is not necessarily the best approach. People can find it themselves and we should help them to do that. Our views are quite strong but those views are why we think we have undercut people for some time, and undercut the resilience and the capacity.

Going on to the question of licensing: we did something called the Neighbourhood Improvement Zone in Little Ilford. We have a lot of numbers and figures about what is actually happening out there. We have licensed a number of private landlords in this area. About one-third were very happy to do it; about one-third would be dragged along with it, and the other one-third of landlords were not really interested at all. About a quarter of cash-in-hand landlords, and you bet your life are the same as the third back there: We think we should be licensing properties; we think you can and we mean to. The sort of things we would argue in terms of private rented sector (PRS) things. The Decent Homes standard is not the same in a PRS property as in a council property, so we would say gas and electricity safety, written tenancy agreement, inventory, referees, requirement for the landlord to tackle anti-social behaviour, safe furniture and fitting, smoke alarm, protection of bond deposits - those sorts of things that will actually help to protect tenants and get a better relationship.

The other thing we would probably argue is that the issue for us is PRS. I will come on to tenure later - it was the very impact licensing had in our area because we were able to license all properties. There are quite substantial powers if you start to license. We think it has driven up the standards in some of the more rogue elements, and we have a number of court cases pending now arising from that.

**Jenny Jones (Chair):** When you talk about people's resilience, presumably different people need different levels of resilience?

**Sir Robin Wales (Mayor of Newham):** For 50 years we have managed to destroy people's resilience and for 50 years we have worked at making sure that we look after people: we feel very strongly. We should have an infrastructure we should be supporting. We should be helping us, but we have to encourage people to take steps themselves. Private rented sector, why are we placing in the private rented sector? Why are councils in the middle? If you are genuinely vulnerable and in need of course we should be in there doing it, but in far too many cases what we have done - the whole homelessness legislation is all about you proving you are needier than I am. If you can prove that you are incapable of doing anything then you may get a council place at the end of that time.

We were the ones that went to the House of Lords in the Ahmed case and said, “We should stop housing by need and house by waiting time and actually encourage people to take more responsibility”. We intend to provide social housing by employment, because I am tired of dealing with people who are working really hard and their rents are too high.

**Jenny Jones (Chair):** That approach is how the original use of social housing was managed.

**Sir Robin Wales (Mayor of Newham):** That is correct.

**Mike Tuffrey (AM):** My question for Richard [Blakeway] is what is the role of the GLA in a strategic sense to improve standards in the private rented sector? Well, how, but let me preface it with the advantage of having had a session before that in a sense, the solutions are already starting to emerge. It seems to me, please tell me if I am wrong, is that in terms of enforcing minimum safety standards we should be, not going for accrediting and licensing but enforcing the laws of the land: that gives you a basic property standard that has to be met. Then you are into landlord behaviour type; there I do see there is a role for local authorities. Your point about the language we use, but if the local authorities are using private rented sector then there is a case for licensing and those sorts of things. Indeed there is a case for encouraging behaviour, by setting, as it were, good behaviour standards, but I am curious as to whether we need a new quality safety standard at the bottom or whether we can use existing rules. What is the role of the GLA in all of this?

**Richard Blakeway (Mayor’s Adviser for Housing):** I might not tell you about the role of the GLA but I may say that you are right. I think one of the first things I would like to say on all of this is if you look at the English housing survey, 80% of tenants in London say that they feel the quality of accommodation is good. That percentage is higher than the rest of England. Given that we have such a large stock of private rented property compared to the rest of England I think that is a positive thing and we should not lose sight of it. I know during this next couple of hours there will be a big focus on the rogue landlords and poor conditions but we should always bear in mind there are a lot of people happy.

Specifically on your question, it picks up on the points which have been made already. We do have existing legislation to deal with much of this. We have section 11 of the 1984 Landlords and Tenant Act. Section 11 deals with the gas safety, the electricity and all that. We had more recent legislation in the Housing Act in 2004 which gave boroughs more power to intervene, and Robin has already referred to the stuff which the Neighbourhood Improvement Zone is doing in Newham. Absolute credit to Newham here because I think they are the only borough south of Manchester that have actually been doing this stuff, so absolute credit there.

There are existing powers and it really is a case of the local authorities employing them. Insofar as the Mayor is concerned, therefore, I would have thought a strategic approach is probably threefold. The first is to encourage and promote the use of the existing powers that boroughs have and try and ensure there is consistency. One of the things, which I am sure your inquiry will show us, is that there is a great deal of inconsistency between the level of intervention by boroughs. To a degree that is up to the boroughs, but I think trying to promote an active role, and to try and ensure there is a consistent approach to the powers is something which we can

do and something which we can possibly promote through the revisions to the Mayor's social housing strategy.

The second thing is exactly what you say, Mike on the behaviour of landlords and indeed of letting agents and the day-to-day management of properties. There is a clear role that the Mayor can play to promote accreditation. I have no doubt we will come on to accreditation in more detail, so I will not dwell on it now, but there is a lot more we can be doing around accreditation.

The third thing, and this is where I am going to go into a horrible misuse of language, because I am going to say for households that are not placed, but will live in the private rented sector then I think, particularly with new powers which are coming to local authorities under the Localism Bill, it is absolutely right that those households are placed into homes where the landlord is accredited and that is a point which we have made to Government and that is a point which we will make in the housing strategy.

**Mike Tuffrey (AM):** That makes sense. One of the things that came out for me powerfully in the previous session we had is that focusing on the quality and standards in the existing stock without focusing on growing supply is missing a huge piece of the puzzle, because the balance of power between landlords and tenants, because of the shortage of supply is what is driving quite a lot at the bottom end. Can I put it to you that the strategic approach of the GLA to standards in the private rented sector is about growing the private rented sector and getting supply and demand into a better balance? That alone would do an awful lot to rebalance the power in the market.

**Richard Blakeway (Mayor's Adviser for Housing):** Yes I agree. The private rented market is going in London. You will have seen over the last decade there was broadly a doubling in the growth of the market. Obviously the downturn led to a bit of a blip, but we are now seeing a return to buy-to-let mortgages and Paragon I think are offering more buy-to-let mortgages. I think we have seen an increase of about a third over the last year, so it is coming back. The supply side has actually been quite healthy. In the capital you are right to say that encouraging supply is important. There are powers which boroughs have. I think I am right to say that Ealing makes it mandatory for landlords to be accredited. Accreditation is something which we could do more on.

**Andrew Boff (AM):** Regarding that specific point I know nothing of Ealing, but I assume you do, that accreditation only applies for tenants who are being placed by the local authority. Can it be that every landlord is accredited?

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** Yes, I think it can.

**Sir Robin Wales (Mayor of Newham):** It would be possible to license them. You can license every landlord. That is what we have done in the improvement zone and that is what we need to do throughout our borough.

**Nicky Gavron (Deputy Chair):** Does that mean you were given a special power to do that?

**Sir Robin Wales (Mayor of Newham):** No. It is a power you can use.

**Nicky Gavron (Deputy Chair):** You mean every landlord?

**Sir Robin Wales (Mayor of Newham):** You have to consult for six months: it is very expensive. Can I say one of the things is to be careful on powers. Yes, there are lots of powers that are expensive and bureaucratic and very, very difficult to carry through. If you were looking at one thing, looking at how you would simplify some of those things would be very helpful. For example, four years after you have done something you are able to bypass the planning regulations: that is very difficult for us. It is different in different boroughs. I am sure Wandsworth is very different from Newham; we would never say we are the same. We have the highest number of PRS and it is only going one way.

I think one of the things London is going to have to get used to is it is going one way, and there is going to be more private rented sectors. People do not want to sell their house and prefer to take the income. It is a major part now and will be an increasing part of where we are. One of the questions you should ask economically is: how does that stack up in business, because people are making money out of it, and so a big issue for us is tenure. The private rented sector is often better. Let us be honest, we have sold most of our good properties, so it is often better. The issue becomes tenure, and that then seems to me we should change the Government tax breaks for people who are prepared to get properties for 10 and 20 years, so you can get proper tenure; then you can bring your kids up. That is the sort of infrastructure where we can be supporting people so they can begin to use private rented sector.

I think the other thing we would be going for is the ability for councils to purchase properties in the market so we could be working in the private rented sector. Particularly with the housing benefit issues that come along, we would be able to then look at the level of rents we set and perhaps make it possible for people on benefit to continue to say in Newham, because of the 30% we can look at doing things like that. It is the ability, I think, of local authorities to get in and help; we are already a third of the market sales anyway. Those things are actually quite significant: some of the economic powers, some of the things the Government can do. They could also get after the landlords that do not pay tax, that receive cash in hand - 25%, a little over. I suspect it is not like that in Wandsworth.

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** The bulk of our private rented sector is, if you like, at the higher end. You know, young professionals, because obviously we are very close to the centre of London with the rail and Tube links. I think that sector is largely self-regulating, because the clientele are educated, they have money, there are certain standards that they are willing to accept and landlords react accordingly, because obviously they get a much higher rent. The problem, as we all acknowledge is really, if you like, at the very bottom end of it, where frankly a lot of landlords just could not care less.

One way I think we could perhaps look at it is to say that a lot of the people who are at the very low end of the market, where frankly the homes are not fit for human habitation - I went out with our officers the other day, our Enforcement Team, and frankly a couple of properties that

we visited you would not put your pet dog to live in. They really were awful. These people of course were on full housing benefits, and so in a way the State is perpetuating this, because we are not actually linking the benefit that people are receiving to the standard that they are getting in return. So, in the case of one particular property where there were three or possibly four flats in this house - we only looked at one of them- my estimate was that this landlord was raking in between £30,000 and £40,000 a year from the taxpayer and frankly giving absolutely nothing back in return, because they know how to work the system in terms of enforcement and so on. In the meantime the tenants' lives are made a misery, it is costing us as taxpayers a fortune and they are raking it in. You could actually tailor housing benefit, perhaps, in the way that mortgage lenders do. If you are buying a house that needs refurbishment say, "We will withhold a certain percentage of your home loan until you get the works done." Perhaps that could be something we could consider doing as far as housing benefit is concerned: whether it would work or not I do not know.

**Nicky Gavron (Deputy Chair):** Why can't you do it now?

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** I do not think you can.

**Mike Tuffrey (AM):** That is your third point; it seems to me, kind of accreditation and so forth. We are quite helpfully opening up the issues and we will want to drill in, so why don't I just finish the strategic thing and then we will drill into some of these thing, including investment. Private money into private rented is a question we want to come to, but I really just want to push Richard back and say you are right that the private rented sector has grown and there are issues about whether we want more and more buy-to-let, or a bigger and better solution. I think last year I saw a statistic that private rents in London went up 17% last year alone. If that statistic is about right that is why you can say, "Well we should not be letting those properties out," but you still have to house people and you have to take what the market is saying. I am absolutely convinced that growing the private rented sector faster than it is naturally growing anyway is part of the solution to standards. I do think there is a fourth pillar to the strategic approach, which I know is on your radar.

**Richard Blakeway (Mayor's Adviser for Housing):** It is on the radar, as you know. It is interesting to look at how rents have gone up. You say 17%, which is a figure I have seen also, although I cannot remember whose figure. Data which I think is quite accurate, because partly it is based on the Valuation Office audit data show, which we use on the London Rents Map - and we can break it down and provide to the Committee by bedroom size - the increases on the one-bed over the last year has been about 8%, and on a two-bed 6%, something like that. We can provide a breakdown but I think the largest increase was around 14%: still sizeable, so it is clearly there.

I think part of the problem here is there is, as I say, a lot of supply of private rented accommodation in capital. You are seeing house builders, Berkeley as well, who are doing not for sale but for rent. There is, and we will come onto it, a lot of talk around institutional investment.

One of the big issues though is that when people cannot access mortgage finance and cannot purchase on the open market, they are in the private rented sector, they have larger disposable incomes and, therefore, they are able to afford higher rents and people, therefore, are charging higher rents. It is not just about the supply side there, it is also about the access to mortgages.

**Nicky Gavron (Deputy Chair):** There are a lot of landlords who are not being held to account for breaches and I just wondered, starting perhaps with Robin and then going to councillors, whether you actually think the local authorities have sufficient powers to enforce standards?

**Sir Robin Wales (Mayor of Newham):** It is the bureaucracy around the powers; it is always the bureaucracy around the powers. They obviously have to draw up lovely ideas about powers and they always take forever to implement - very, very difficult. I think if we did legislation which allowed the local authorities to perhaps write some of the simpler things it may make life a bit easier. Having said that, we believe we have the power to license all our -- we agreed last night we will do the borough for the next five years and try to extend so that every part of the borough is licensed. We intend to start straightaway with houses in multiple occupation (HMO) licensing across the borough, which is a real problem. We are not condemning super shacks: people building in their gardens. They have been described to me as 'chalets.' They are not bloody chalets, I will tell you, if you go and look at them! That is right across London, but it is worse in some of the areas where people own their garden and people are living in appalling conditions. We can go and rip them down, but you know how long it takes to enforce planning. The way it works is if you can build something and get hundreds of pounds a week it does not take long before it has been worth your while, even if we come and knock it down. The key to all of this has to be getting after people and costing them money! If it costs money to do something they will not do it. If somebody can make enough profit out of it they will do it, then they will knock it down and they will do it again. We believe we have the powers on licensing. We believe we can do more.

**Nicky Gavron (Deputy Chair):** You have the power now?

**Sir Robin Wales (Mayor of Newham):** Yes, we can license, we have done that in Neighbourhood Improvement Zone in Little Ilford. What we did was we put a whole lot of powers, a whole lot of joining up together in an area and we have identified the things we think work best, which is very hard planning enforcement, then licensing properties. The beauty of that, is if somebody does not license you can then fine them a year. If you are paying rent you have to pay a year's rent to the person who has been paying the rent, or a year's housing benefit back to the borough, which we think is terrific: we are very keen on that. For us we always look at how do you make it pay, how you make it not stack up financially? Always in these things, it is always much too bureaucratic. It is not the powers; it is the bureaucracy that goes with the powers. I think that is the problem. In the meantime, that is how we intend to go about it. We are fairly comfortable now, having done the Neighbourhood Improvement Zone; we are fairly comfortable we have learned enough. The other thing we are working with is the Inland Revenue and the Borders Agency. The Borders Agency cannot send anyone back; that is the problem. Nobody ever gets deported back, it is impossible - it cannot be done. The Borders Agency does not send anybody back! It does not happen. If you think they do, it does not happen. For example, if it has been going on for two weeks and India do not reply within

the two weeks, you cannot send them back. The Borders Agency try really hard, but do not imagine for one minute that they are doing anything about it. We have numbers on irregular immigration. We have numbers on the scam colleges. We have the British Council out in India telling people to come to the scam colleges that we are trying to close down, even as they do it: the whole area is a complete mess.

**Jenny Jones (Chair):** This is fascinating.

**Sir Robin Wales (Mayor of Newham):** Anyway, in the meantime we think we have the powers. It will take a lot of money, time and effort but it is worth doing.

**Nicky Gavron (Deputy Chair):** Can I just ask Councillor Ellis, what do you think on this issue?

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** It is quite worrying actually, because I find myself agreeing quite a lot with what Sir Robin is saying.

**Sir Robin Wales (Mayor of Newham):** It is nice you have come around to our way of thinking.

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** At some point we are going to disagree: I agree with an awful lot of that. I think one of the other problems arising out of the 2004 Housing Act - there were some very good things that came out because it did actually say what sort of hazards existed and so on and we looked at that, whereas before it was probably a bit more subjective - was this bureaucracy theme. My understanding is that if enforcement officers want to go and visit premises, if they feel that there may be enforcement action necessary they have to notify all sorts of people. The tenant has to get a letter; the landlord has to get a letter, the freeholder, if the landlord is a leaseholder, the letting agent, if there is one of those. Again, one of my officers was saying that next week she is visiting about seven or eight properties and sent the whole morning sending these letters out to people, because she knows most of these landlords, in the full knowledge that the appointments will be agreed and at the last moment there will be various bouts of ill health and dental appointments and whatever, so everything has to be put back. Then eventually the visits are made. This drags on for weeks and weeks and weeks. Then to get the assurance that the works have been completed or they are being completed, and then they go through the same rigmarole all over again to inspect the works, which of course nothing has happened, and this just drags on and drags on. I think that is one of the bad things that came out of the Housing Act. Probably done with very good intentions but, like a lot of things, the rogue landlords will always be able to find a way of 'driving a coach and horses' through it.

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** I am not an expert on the law and obviously I wish to defer to my local authority colleagues on whether they have enough powers. I think the key issue is whether there is a political will and whether there are the resources, and I think we are coming on to that, to make use of the powers that there is. There has not been much research on this but the research that has been done by Tony Crook at Sheffield University [Professor of Housing Studies] some years ago, looking at how local authorities were making use of their powers in relation to houses in multiple occupation found

that really it was a back room, non-sexy, bit of the work of environmental health officers, and it was not a political priority and they did not have the resources: that was really where the problem lay. I know there is more political will now in some places, not in others perhaps. Much of the focus, perhaps in Oxford, for example, is a function of homeowners complaining about HMOs in their road, noise, nuisance, property values and so on, rather than a holistic concern about the bottom end of the private rented sector, which is where I think any action needs to be focused. Someone said the middle and the upper parts of the market are largely self regulating, it is the bottom end where resources and action and thought needs to be focused. I would not actually agree with idea of linking housing benefit to property standards.

**Nicky Gavron (Deputy Chair):** Do you think that is a good idea?

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** No, I think it is a superficially attractive idea. Sorry, I do not mean people have superficially suggested it. At first sight it is an attractive idea, but when you start poking it around you find it is actually less attractive and in some senses impractical. In the United States of America, which is the only country I know of which has a minimum dwelling standard for housing benefit recipients, it is called a Housing Choice Voucher Programme. The research in the US finds that the people that lose out from those sorts of links are the poor, large families, people from minority ethnic groups, lone parents and the elderly, people who are relatively less powerful in the housing market. If the landlord does not, for whatever reason, improve the property, where are you going to go? If you cannot get access to property because it does not meet the property standard, if you cannot meet the housing benefit on those properties, then the alternative might be homelessness. Although it sounds terrible it is better to have people in a house which does not meet the minimum standard you are talking about than to have them on the streets or knocking on the local authority door under the homeless legislation.

**Nicky Gavron (Deputy Chair):** Back to Mike's point that you have to have more supply because then you have more of a lever.

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** I do not want to pre-empt you questions. I have seen your possible questions. It is three words: supply, supply, supply. Because if you look at the history of the private rented sector since the Second World War, up until the mid-1990s, there was significant excess demand for privately rented housing, partly because of rent controls, but all sorts of other aspects to the economics of the housing markets. Landlords could let grot because people at the bottom end had no choice but to rent it from them. That has begun to change because of the significant increase in supply from the late 1990s onwards under the buy-to-let legislation.

Property standards have improved in the private rented sector. The latest survey of English housing stock conditions certainly, I think, shows that a trend over the last 15 years has continued, but conditions have improved. If you look at why conditions have improved it is for two reasons: an increase in the supply of new construction - from 1945 until the late 1990s there was almost none - with the buy-to-let properties there has been a massive boom in new properties: that has improved the quality of supply significantly. If you look at the English House Condition Survey over successive waves, tracking individual properties, what you find is

that the conditions of property improve because of transfers from owner occupation into private rental, and the transfer out of private rental into own occupation of grot. It is less in situ improvements and more properties transferring from home ownership, and over the last decade and a half buy-to-let. What we need to do, as Mr Tuffrey said, is increase supply, if we can, and shift the balance away from landlords and more towards tenants that would lead to the change. That is a long-term process and very difficult, particularly in London, where pressures of demand are such that overcrowding is increasing. It is not just private rented housing it is supply as a whole. We need to take the pressure off.

**Nicky Gavron (Deputy Chair):** It is all sectors?

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** Yes, across all sectors, because why are some people renting? Because they cannot buy. Why are some people renting privately? Because they cannot get access to social housing. That is the most simple, most important thing I think the GLA could do, is if it could in some way provide the land, or whatever, to enable more supply to be built.

**Nicky Gavron (Deputy Chair):** That was really interesting. I want to return to a rather narrower point which I want to explore. Which is: do you echo what was said by the councillors, which is that it is very bureaucratic? Would you echo that?

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** I am not an expert on the detailed law of regulation of private landlords, except I know that it is very complex and in lots of different places. What you are talking about is 'interfering', if that is the right word, in private property effectively. I assume, therefore, that you need proper controls to ensure that actually people's rights are protected. I assume that is why the bureaucracy is there; I may be wrong. I doubt if civil servants deliberately invent bureaucracy just to stop things happening - although maybe they might.

**Nicky Gavron (Deputy Chair):** I also want to know, given you talked about the bureaucracy and so on, whether you think you have sufficient resources to police all this? Now I go back to the councillors.

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** I am sure if we went to any of our officers in any authority in the country and said, "Have you got that much money you do not know what to do with it?" they are not going to say yes they have. The honest answer is of course there are never enough resources to do whatever you want, but I think we also have to be realistic and say that in the current economic climate there is not going to be much more. I think it is really more a case of what do you do with those resources. My view is that you adopt a much more proactive, rather than a reactive approach. I am sure a lot of officers, who are in any form of enforcement, will say that if they just sat back and waited for the phone to ring they are going have fairly quiet days in many cases. What we really need to be doing, I think, is to be targeting, in many cases, geographical areas. I am sure it is the same in Newham as well, where frankly there are lot of these pretty grotty properties.

**Nicky Gavron (Deputy Chair):** Can I just put a point to you? This obviously bears on what we have said before. For quite a chunk of time I headed up the department, as a councillor, that had the environmental health officers in it. We were so stretched, and this was in much better times than now. It was very hard to be proactive, because you were constantly reacting. This idea the phone does not ring is nonsense. The phone was ringing all the time because people were being troubled. This is exactly what was being said, owner-occupiers were complaining about HMOs, or about hostels, or about noise next door, and it was always very reactive. There were not enough people, if you like to do it, and this is in good times. I would like some comments on that.

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** I suppose "it ain't what you do it's the way that you do it" is the key thing. The approach that I think is the more sensible approach is not to go at everything with a big stick: not all landlords are bad. Some are bad, we accept that, but not all are. Let us say when the tenant rings to make a complaint about whatever the problem is, the first thing that they will be asked is, "Have you actually spoken to your landlord?" In surprisingly largely cases they have not: it is slightly bizarre. That would be the first stop, we would say, "Speak to your landlord. You can write to your landlord about it". If that does not solve the problem then rather than send people out to inspect the property, which obviously is time-consuming and so on, we would normally just write to the landlord and say, "It has been brought to our attention that the following matters are unsatisfactory: these are your obligations. What are you going to do about it?"

In very many cases that will actually solve the problem. I suppose it is the equivalent of the traffic warden saying, "Do you realise you cannot park here?" It is the warning; some people will accept that. Not all, by all means, but it will actually cure some of the problems. If that does not work then obviously then a visit is made and perhaps a preliminary enforcement notice is put, and that will cure the problems. That is how you get rid of an awful lot of the problems. Then you get the really hard nuts at the bottom that we have been talking about earlier: that is what I mean really by more proactive than reactive.

Also I think there has to be a lot more joined-up behaviour than perhaps there has been in the past. So if our noise people get a complaint about excessive noise from a property, because there is a lot of people living in it, then that information is then passed on to the housing people. That did not always happen. It should have done but it did not. I think there needs to be a lot more of that. You are exactly right, neighbours and so on will make complaints about it and that is where it all comes from. In many cases I think the officers actually know where all these properties are.

**Nicky Gavron (Deputy Chair):** Robin, have you got enough people?

**Sir Robin Wales (Mayor of Newham):** There are only two separations here. What Peter was saying, I think is right in a lot of cases. We have people who have got property, have some capital, and choose to rent it out. They are who are working. Quite often they are better off, and they recognise their investment is important to them and they rent perfectly good private rented sector- you do not have to bother with them particularly. Our experience in Little Ilford, and remember with real estate in London a third of the landlords say, "Yes of course we will

license" a third said, "We will not license" and the other third said, "No, we are not coming in". For us that works out at about 12,000 properties if we take it across Newham: the scale is enormous. If you add to that stuff that is happening with housing benefit where people have a choice they are either going to have to move to cheaper places or live together. You take all the sort of construction work and stuff that is going on in Newham, so we have hundreds and hundreds of HMOs. The scale of our problem is enormous.

As I say, you go to Stratford, all the new stuff that has been built, the new village will have loads of people renting: it will be very nice. It will not be a problem. They will not be the ones we will be bothered by. If we go and say, "Would you license?" they will say, "Well of course we will." That is not a problem. It is about 12,000, and getting around the back streets, getting in to see where they have built stuff in the back without people seeing it, see where they have built these ridiculous places and then put families into them. Our record is 38 people in one house. That is the record we have - many of them are kids. We looked at that from the point of view why we have so many people coming into our schools.

We have a big problem that is replicated in other parts of London. You want to talk about resources: I think there is a very strong case to say, "Well where are these problems?" It does not exist everywhere. As I say, in large parts of Stratford I would say we do not need any resources, it is not the problem.

**Nicky Gavron (Deputy Chair):** You have got enough to target.

**Sir Robin Wales (Mayor of Newham):** We are going to have to make it happen. I have had £67 million cut in two years. The result of that is we are not able to do the equity share we wanted, we are not able to buy the property. We had all sorts of things we were applying to do to try to impact this. We will have to find the money, Nicky, so that means something else will have to go.

**Nicky Gavron (Deputy Chair):** Have you cut any of your environmental health officers?

**Sir Robin Wales (Mayor of Newham):** No: we agreed last night that we would not expand. Then partly, I have to say, we have stopped them doing other things because some of the stuff they do is pointless. If you visit premises that there is no compliance, for example a restaurant, you go in and it is a mess, you say, "You have to clean it up" you come back a week later they have cleaned it up. When you go back a year later it is a mess again. It is a whole process that is ...

I would say that if we are serious about tackling this, and there is plenty of will to go after the band landlords, not the good ones - quite a lot of people in my borough live in a much better property in the private sector than they do in the council sector: that is fantastic. If you want resources we should be looking at where we have a real issue and enforce very heavily: it does cost millions and millions of pounds. We discussed it last night and agreed that once we know that the cuts we are doing this year are actually are taken and we are safe in our budget we plan to put millions into it.

**Andrew Boff (AM):** Does everyone accept that the more regulation you have the smaller the amount of stock is going to be in private rental?

**Sir Robin Wales (Mayor of Newham):** No, because the property is there. What we find happens is that when you regulate and go after the rogue landlords they will sell up and they will sell to somebody else who might be prepared to put some investment in. The bottom line is you might build new properties, but that number of properties is there: there is the property. What we would like to do is purchase it, upgrade it and then perhaps sell it ourselves: that is the sort of thing we want to do.

**Andrew Boff (AM):** I am not saying decent rented accommodation, I am saying rented accommodation in general, if you are going to regulate there is going to be less of it, isn't it, because as you say the people are making their money on --

**Sir Robin Wales (Mayor of Newham):** I honestly do not believe that. I think people have put money in. What you might get is less HMOs, so less people living in one house. That will be an issue, I accept that.

**Andrew Boff (AM):** There is less accommodation.

**Sir Robin Wales (Mayor of Newham):** There is less people packed into --

**Andrew Boff (AM):** There is less accommodation.

**Sir Robin Wales (Mayor of Newham):** No, there would still be the property you would just have less people in it.

**Andrew Boff (AM):** Where do they go once you have regulated?

**Sir Robin Wales (Mayor of Newham):** That is an issue, but the bottom line is we cannot have people sitting in those sorts of properties. The property is still there though so it is not less properties. Maybe fewer people, like maybe we do not have the 38 people living in one property situation--

**Andrew Boff (AM):** From my own personal experience - I was one of those well-meaning crap landlords, 15 years ago or something, did not maintain the property, could not be bothered - just did not want to deal with the problem really. I did not have any regulation to do and I provided accommodation for somebody for a period of four or five years that they would not have had otherwise. I am sure if I would have had a form to fill out I would not have bothered.

**Sir Robin Wales (Mayor of Newham):** Somebody else moved in afterward. There is still the same amount of housing.

**Jenny Jones (Chair):** He is just saying there is more potential homelessness, so it increases a different problem.

**Sir Robin Wales (Mayor of Newham):** Much more likely somebody will buy it and rent it out, because that is what people are buying properties out for now. There is much less on occupation, and much less people and so what will happen is he might not get as much if we throw this out. The cost or the value of properties may go down a bit on supply and demand but there is still the same property. If somebody goes and buys it, they are not going to rent somewhere else. Do you know what I mean? We are conscious of it, we will have people sitting in one place, and we have had this and we are saying, "You are going to have to move." There is an issue around that, but the actual property is not lost.

**Andrew Boff (AM):** I am very conscious that the local authorities have regulations. Discretion is something that officers do not often have an ability to exercise. If there are rules there are rules. Somebody is, as Professor Kent indicated, in a marginally compliant property and that opportunity is regulated out then that creates a problem for the local authority, it creates a problem for the landlord, obviously, and creates a problem for the family.

**Sir Robin Wales (Mayor of Newham):** I do not think that happens. I think it would be unfair for the officers to do it. They do try to find ways around and they do try to work with people. My problem is making them enforce properly. My problem is always getting them to enforce rigorously! People are going to find it difficult to say no, really difficult. My experience of enforcement, very much, is: getting people to enforce is very difficult because it is a difficult thing to do. I do not think that is right, honestly. Certainly in the pilot we have run that has not been something that has come out.

**Andrew Boff (AM):** Mr Ellis, I think your view is rather different.

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** I think we have just reached the point where Sir Robin and I are going to disagree with each other, so thank you for that.

**Sir Robin Wales (Mayor of Newham):** Thank you.

**Cllr Paul Ellis, (Cabinet Member for Housing, LB Wandsworth):** I think you are exactly right. If you over regulate there are going to be certain landlords, particularly the ones that are not causing us any problems that are going to say, "I cannot be bothered with all this". The people like yourself who have a property you have inherited or you bought, you say, "I cannot be bothered with all this red tape and paperwork. I am just trying to make a bit of money out of this and provide a reasonable standard of accommodation." You may well just decide to sell up and somebody buys it and they may or may not rent it out or they may live in it themselves. You do not know.

I think what we do not need is more regulation all over. I do agree that if you have regulations they will apply to everybody. The people who are most inclined to accept them are the people who do not cause any problems anyway. What we do need to do is to target things more, the rogue landlords, the people who are just frankly running a 'coach and horses' through everything. They are the ones that we need to be going at, not the decent landlords, who frankly cause no problems to anybody.

**Murad Qureshi (AM):** 'My exposure to the private rented sector is essentially central London, and it is very rare that the owners themselves are managing the property, it is estate agents. I was just wondering what could be done there, given that they are acting as management agents for lots of owners of properties, and whether that is where we should actually concentrate some of our time and effort. Because, like I said, I would say 80% of private rented in central London is probably managed by estate agents. If anything, there are disputes between the owners and the estate agents with service charge levels for supposedly managing a property. I just wondered Alan and Richard, whether you have any views, because I think our two councillors here have probably got an outer London perspective on this, rather than a central London perspective.

**Richard Blakeway (Mayor's Adviser for Housing):** Directly on that question, you are absolutely right, we need to engage the letting agents more. I think the figure I recall is about 60% of properties across London, so it is not just central London, that is managed by letting agents. We have been having conversations with the National Approved Letting Scheme (NLAS). You have the National Landlords Association, who are obviously your landlords and then you have the NLAS, who are the letting agents. They themselves are trying to do a campaign to improve standards but we can come on to this later, I am sure. We want to wrap it all up into this single accreditation system, which includes letting agents as well. I believe your point is absolutely right.

Regarding the point which Andrew was making earlier around regulation; I think one of the issues - and it links also with the issue around supply - and a concern I would have is around the supply and the number of private rental properties available in London. The biggest impact I think you can have, the thing which would see it decrease the most is rent control. When you saw in the 1988 Housing Act the lifting of rent control, you saw an explosion of properties available and the experience of other countries - New York and elsewhere - rent controls would seriously hamper supply and discourage the number of private landlords and reduce the amount of private rental property.

**Alan Benson, Head of Housing (GLA):** I think rent controls may be a more interesting thing to pursue, but Murad's point is very well made. If you are going to regulate landlords there is an even more compelling case for regulating agents. The satisfaction levels of tenants, across the economic range, are much lower when properties are managed by agents than when they are managed by landlords directly: it is as much complicated as it would be regulating landlords.

But whether you regulate per se is an interesting and challenging question. We have heard different opinions there. In any policy area, whether it is housing, or roll-on, roll-off ferries or banks, the more you regulate a market the more you potentially suppress a market. But there is a balance between the costs of regulation and whether it is worthwhile having that regulation, and accepting that more will have some degree of market suppression.

I feel that the private rented sector housing in London is strongly driven by the supply and demand dynamics, in a way that house prices are not. I tend to take Sir Robin Wales' view here; that it is very unlikely that those properties would not end up in the rented market through

another landlord. They are not likely to stay empty as there is a huge demand for that rented accommodation. They would be likely to end up with a different landlord in the private rented market. If you over regulate then clearly that would be an issue. But it is very difficult to unpick, through the 1980s and 1990s, what caused the growth in the private rented sector. Was it the end of regulation? Was it just the economic upturn? Was it house prices rising? The private rented sector was growing before buy-to-let mortgages happened. It is part of the dynamic that has made London an economic success, the private rented sector has grown along with that. It is very hard to unpick cause and effect to determine what drove the growth in the market.

**Murad Qureshi (AM):** Just on Alan's comment, I do want to reinforce that. I think the key is actually making the management agents give decent management services, because I think it is not just the landlords, it is very often the private tenants are not happy with what they are getting in response to maintenance issues and what-have-you. I am glad that has come out.

What can be done to make landlord's invest in poor quality homes so that they are brought up to a common decent standard in the near future?

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** If we knew the answer to that question we would have done it a long time ago. You do need market rents. We have that. What we do not have in Britain, which most of the advanced industrial countries that have a significantly large private rented sector have is a tax regime that incentivises investment in privately rented housing. If we look at Germany and Switzerland, Canada, Australia and the US, they have depreciation allowances. In Germany it is 2% per annum. They also allow landlords to offset any losses on their private rented housing against their other income. Again that is something that encourages people to invest in the property that they have.

These are two things that are very common in countries that have successful private rental sectors. However, if you were to go to the Treasury and say, "Please, Treasury, this would improve the quantity and quality of supply" they are just going to say, "Oh it is too difficult". Nonetheless, countries that have successful private rented sectors, even those that have a kind of soft form of rent reduction, do these two things and we do not.

**Murad Qureshi (AM):** That is a useful point to pick up in a subsequent report. I think it has parallels with land valuation taxation of empty sites, and would probably help keep properties occupied rather than empty in the private sector.

I just wanted to pursue another area, again in the central London perspective. The bottom end is the fair rented sector, which is regulated by rent officers who go to places like Earls Court and Camden. There is still a fair concentration of that. Is there anything there that a rent officer in the Valuation Office can do to improve circumstances of those living in some of the poorest housing in central London?

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** It is not just the bottom end. I know people who are fair rent tenants living in new dimension flats. The number of people that are living in pre-1989 tenancies is rapidly declining. I think nationally it is about

65,000 or less. It is falling rapidly, although obviously it is an issue. The rents are very low, they are not economic rents. Rent officers have the law that they have to adhere to in terms of setting fair rents and so on and rent increases. You cannot do anything about that. Many of these people have been living in these properties for many years and the properties are in poor condition. What you could do is increase the rent. You could get rid of fair rents but then people would not be able to afford those properties. I am not really sure there is an awful lot. Actually, I think the focus needs to be on prioritising the worst housing, focusing on that, some of which may be properties that are fair rent. I do not have the figure on the top of my head, but something like 80% of private tenants have lived at their current address for less than three years: there is a massive turnover. It is a very small proportion of people you are talking about and I think we just need to focus on the bottom end.

**Murad Qureshi (AM):** Like I said it is a very centralised and specific context. I dare say a lot of that 80,000-odd is probably concentrated in central London.

Just to defend fair rented accommodation, I think cities like New York and San Francisco have still got healthy stocks of rent controlled properties, and I think it adds to those cities.

What scope is there through the Mayor's efforts here in his RE:NEW programme, about targeting poor performance in the private rented sector to improve the physical condition of the stock in Newham. Newham's housing stock is certainly known to me to be quite poor generally.

**Sir Robin Wales (Mayor of Newham):** Paul [Ellis] and I would like to point out that Newham and Wandsworth are both in central London as well and we should be included as Inner London. I think it is important that we recognise that.

We have some pretty decent property. I remember I did a tour with the Sir Simon Milton [the late Deputy Mayor of London and Chief of Staff] and he made a comment on a property. He said, "If this property was in Chelsea it would be worth an absolute fortune". We have some decent stock; in a lot of cases people have invested in stock. I think the streets and things are decent, but people have moved out of them to rent and it is a perfectly good system. There are, however, poor areas and I think my comment would be we think we know what we are going to do about it, which is we think we are going to look to licence whole areas, go and work with landlords. As I said, two-thirds of them are no problem. The other third will be a problem, but they are often cash landlords. Those are the people we would want to look at. We know what we want to do, so if the Mayor can help with resource, support that would be great. Recognising that the Mayor is very supportive of the concept of convergence: taking the East End of London and converging it with the rest of London. If we recognise that the East End London have quite a lot of difficult properties and helping us then to do something around the licensing would be extremely helpful. We think we have a way forward on it and support and assistance would be very helpful.

I do not want to lose issue in tenure - because I think lobbying the Government to give breaks so people can have longer tenure would be a positive thing - the private rented sector is not bad in many cases. It is tenure that is a problem. We have, I think it is, 60%-odd churn in our private rented sector. It is 5% in the social sector and 10% in the other occupations, so massive

churn and lots of people moving out. We want to slow that down and develop communities. Helping to do something around that and supporting us in that and doing something to increase stay would be the sort of thing the Mayor could do.

**Murad Qureshi (AM):** Just supplementary to that, there is proposed Government legislation coming from Department of Energy and Climate Change from Chris Huhne [Secretary of State] about incentives to at least warm homes and investment against properties. Do you see that plan a role at all?

**Sir Robin Wales (Mayor of Newham):** That is always helpful. I think on the warm homes investment we were the leading borough because we pushed it very, very hard. Of course that is good thing. It makes a lot of sense; it would be very helpful. It does not necessarily alter the nature of some of the properties. The rogue landlords are not some of the ones that would take advantage of that. We absolutely support a programme on that.

**Sir Robin Wales (Mayor of Newham):** That is one part of the regulation I thought we were not going to raise at the moment, forcing them to do things.

**Mike Tuffrey (AM):** Different strands at work there, and certainly on the Green Deal. It seems to me it will take a number of years to come in, but it does slightly revamp the power in tenants favour on the energy efficiency and stuff.

**Roger Evans (AM):** Richard, how effective are the accreditation schemes? Are they something that we want to see spread more widely?

**Richard Blakeway (Mayor's Adviser for Housing):** I think they are effectively. You will have seen the pledge to double the number of accredited landlords in the Mayoral term: we have achieved that already.

**Roger Evans (AM):** Maybe your target was too low.

**Richard Blakeway (Mayor's Adviser for Housing):** It was doubling, so that was a stretching target to double the number of accredited landlords.

I think we have 9,618 accredited landlords now, so we are just shy of 10,000 accredited landlords. One of the issues here is trying to accurately say how many landlords there are in London. The largest private rented stock as a proportion of overall stock is, Newham. I think Newham has about 24% stock there and that is estimated at about 4,000 landlords. 9,000, is not an insignificant number of landlords across the capital that are now accredited.

The issue for us is how we take accreditation forward. I think there are two things that we want to pursue, and we are doing a lot of work on those, which I know the Committee is familiar with. The first is to have a single system - a kind of accreditation badge for London - and that kind wrap in the London Rents Map which obviously gives tenants information about affordability and so on, and it can also bring together the various accreditation schemes for landlords. The main accreditation we have in the capital is London Landlord Accreditation Scheme (LLAS)

which is part funded by the boroughs. That National Landlords Association also has its own accreditation system, but they do not actively promote it in the capital. What I would like to see is both pursuing accreditation in the capital under a single banner and passporting between the different schemes. Although the elements of both schemes are pretty similar there are differences with one online and the other you have to attend a face-to-face session. If we could have passporting under a single badge I think that would be quite powerful.

I also think that the system could be self-financing and we have proposals to make the scheme self-financing.

The second section is to make accreditation something really meaningful for the consumer so if you are a landlord, having an accredited property is something that is attractive from a consumer perspective, and will help consumer behaviour. It becomes quite clear those landlords who are not accredited: it helps shine a light on them.

The third bit is making accreditation attractive for landlords: it would be attractive if they felt that having an accredited property is going to be more attractive to the consumer. You could also have incentives, and this is something I am keen to explore further. Some boroughs do have incentives in place. Redbridge, for example, have training sessions or discounts on handyman work if you are an accredited landlord. You could have another incentive, which requires exploration with Government, for those landlords where the tenant is in receipt of a local housing allowance, the housing allowance is paid direct to them if they are accredited: that might be an incentive.

In short, we want a single badge that brings together the letting agents and all the various landlord schemes. We want something that consumers have confidence in, which starts to change consumer behaviour, and finally, something that is even more attractive to landlords because they all get discounts or additional incentives through it. You could, for example, give them preferential access to retrofitting schemes if you were accredited and that might be another incentive.

**Roger Evans (AM):** Who tends to get accredited? Are they large landlords or individuals who are renting properties out?

**Richard Blakeway (Mayor's Adviser for Housing):** That is a very good question. I suspect they tend to be larger landlords. The forums I have gone to which have been hosted by Boroughs - for example, earlier this year I was in Bexley at their forum - most of the landlords were accredited. LLAS was also there trying to push accreditation and I remember most of the landlords there had in excess of 50 properties so I imagine it is larger landlords but, Alan, do you have any detail on it?

**Alan Benson (Head of Housing, GLA):** There is no full detailed breakdown of it, but the assumption we have made is that it is the people who we would expect, who would want to be accredited; the better quality landlords, who also tend to be some of the larger landlords. Although it is a small percentage of the overall number of landlords in London, it is probably a

much larger percentage of the stock because these people do not tend to hold one or two properties.

**Roger Evans (AM):** My personal experience is that, I bought a flat to live in ten years ago and over the time I have been in there a lot of my neighbours have moved on to other properties, but they have not been able to sell their properties so they have rented them out as individuals rather than as large landlords. I think very often those people need some help and advice. I have had experience of neighbours who run into awful problems and I have had some pretty difficult neighbours as a result so it is a problem to other people who live there as well as to the landlord. Do you think there is a barrier for smaller single-property landlords to get themselves accredited and where do they go for the advice that they need?

**Richard Blakeway (Mayor's Adviser for Housing):** That is a good question: is there a barrier? I suspect again if there were more incentives there would seem less of a barrier.

**Roger Evans (AM):** Many do not even know about it. They may just say, "I will rent my property out to someone who will pay me" and there will be no relationship with their local council or the public sector at all.

**Richard Blakeway (Mayor's Adviser for Housing):** I think that is a risk. One element we are planning to do - this London landlord badge, if you like - is to ensure it is very actively promoted to encourage landlords who maybe own one or two properties to engage.

**Roger Evans (AM):** I would be interested in hearing the experience of Newham over this because, Sir Robin, the figures we have here say you have got 4,000 landlords which has to be an estimate and you have got 250 or something like that accredited. What is the barrier that you are experiencing?

**Jenny Jones (Chair):** Could I add to that because I would like to know what would make a rogue landlord want to be accredited?

**Sir Robin Wales (Mayor of Newham):** Accreditation would deal with it. Going back to Andrew's comment, accreditation is good because people are volunteering and we can help them do it right: of course that is the preferred option. I bet you of the 400 accredited landlords we have, none of them are the ones that we are getting into difficulty with: It will be the big ones. We would be supportive of anything that would help smaller landlords and encourage them to do better: we support the accreditation scheme. It does not deal with our problem but if you can say, "That is what we are doing and that is good" then it keeps reducing the number you have then got to worry about. It is not a big deal for us and it will not deal with our problem. 400 out of 4,000 will give you some idea of the scale, and we could put in incentives we might get it up a bit more and that has to be a good thing.

**Roger Evans (AM):** Certainly with my experience I know the Residents Association are trying to improve the area. They are seeking some form of impartial advice that they can provide to

neighbours to help them to avoid the pitfalls that people who are new to this fall into: you must have a lot of people like that in Wandsworth.

**Cllr Paul Ellis (Cabinet Member for Housing, LB Wandsworth):** I agree with just about everything that has been said in the case of the very bad landlords. You can give them as many accreditations as you like, and it is not going to improve anything. One small way we can improve neighbourhoods and increase the housing supply is to bring empty properties back into use. I think last year there were 80 or 90 properties in Wandsworth, which may not sound very much but it is a very troublesome area because obviously a derelict property in the street brings down the whole street with undesirable elements gathering outside and so on.

One of the conditions we have imposed on people who are in receipt of the improvement grants is one that they do become accredited as landlords and two, for three years the Council has nomination rights into those properties. That is increasing our supply of people but also ensuring the standards are higher: I think all councils could do that.

Going back to the earlier question about what sort of GLA or mayoral role could there be in this: one could be in trying to attract the cash into London that is available for empty home grants, and to perhaps channel it through the boroughs because at least we have the enforcement powers rather than through registered social landlords (RSL), which I think is the Government's proposal, who have no enforcement powers. If more boroughs brought more of their empty properties into use, that would also increase the supply and indeed the quality of the supply.

**Roger Evans (AM):** We wanted to talk about the kite mark tying up with the possible decent homes standard whether or not the kite mark could be seen as a private sector decent home standard. What would you say to that?

**Richard Blakeway (Mayor's Adviser for Housing):** First I would echo what Paul said around the empty homes. On the kite mark we would refer to it as a badge. I like the word kite mark but technically it brings with it lots of legal responsibilities; a bit like safety and who is responsible and all the rest of it. Given we could not go into that legal territory, given our powers; I think we are looking at a badge. I see a kite mark/badge as around the behaviour and day-to-day management - that is obviously separate - and the point Mike made at the outset to the standard and quality of the accommodation.

I make a couple of observations on the standard and quality of accommodation: in addition to the environmental changes contained in the Energy Bill, the previous Government did try to look at this and when they brought out the Decent Homes Standard in the original draft plans they were going to have a Decent Homes Standard for private rented stock; this was back in 2007. They said that 70% of the private rented stock should be Decent Homes by 2010. After all the machinations, when the Public Service Agreements (PSA) were eventually published it had gone, and it was left quite vague. I think that shows that previously the Government did look at this and it is a difficult thing for the Mayor to get a Decent Home Standard across the private rented sector, but it is something possibly the Government could do and I think we need to look at why the last Government decided in the end that it was something they could not do.

**Jenny Jones (Chair):** I am curious about what you said about the Mayor's deal with Government on empty properties. That might not be something you have time to go into now but a letter on that would be good.

**Richard Blakeway (Mayor's Adviser for Housing):** I am very happy to write what we propose.

**Jenny Jones (Chair):** I did not know about it. Does anybody know what Richard is talking about?

**Richard Blakeway (Mayor's Adviser for Housing):** Sorry, it is not public. All it is is that the Government has made available £100 million --

**Jenny Jones (Chair):** Just now?

**Richard Blakeway (Mayor's Adviser for Housing):** Yes. They have been shy in talking about it.

**Nicky Gavron (Deputy Chair):** They made it available to RSLs because RSLs cannot get Decent Homes money and otherwise they cannot do up their street properties and so on.

**Richard Blakeway (Mayor's Adviser for Housing):** The Decent Homes property; it is a different pot.

**Nicky Gavron (Deputy Chair):** I do not agree because they do not have the Decent Homes money.

**Richard Blakeway (Mayor's Adviser for Housing):** The empty homes have nothing to do with Decent Homes.

**Alan Benson (Head of Housing, GLA):** Just to clarify, RSLs could not use that empty homes pot on their own stock.

**Nicky Gavron (Deputy Chair):** In the past they used to buy up empty homes.

**Alan Benson (Head of Housing, GLA):** They can buy empty homes --

**Nicky Gavron (Deputy Chair):** It has been allowed for them to go back to doing that?

**Richard Blakeway (Mayor's Adviser for Housing):** I will write to you on this.

**Nicky Gavron (Deputy Chair):** Thank you. That is a good idea.

**Jenny Jones (Chair):** I would like to raise the potential approach for initiatives to allow tenants to post feedback on landlord or letting agencies' performance and reputation.

**Alan Benson (Head of Housing, GLA):** An approach similar to Trip Adviser.

**Jenny Jones (Chair):** Some of the things we heard a lot about in our last session were to do with what landlords are doing to their tenants, and doing to them with complete impunity, for example retaliatory evictions. I wonder if you have any comment on that, and if you felt that there was something that you could do about it as local authorities or as the Mayor?

**Sir Robin Wales (Mayor of Newham):** We want them to sell their properties and drag these people out of the business. That is exactly what we want to do. We want to go after the bad landlords whilst supporting the good landlords. We have 25% of landlords currently going through legal action and we want to drive them out of business because they are cash landlords that do not give a toss about the tenants. We would much rather have decent landlords who actually cared about the people that are living there.

**Jenny Jones (Chair):** Not every borough is doing the same.

**Sir Robin Wales (Mayor of Newham):** I am sure the Labour Party boroughs will, because they are good boroughs!

We have only just done the Neighbourhood Improvement pilot in Little Ilford. We did not know what would work; we did all sorts of things. We have come down to a much slimmer set of powers that we are going to use because the whole purpose is to do it effectively. We are now going to extend 4 wards of our 20 and then move on to do the whole borough. You have to do this geographically.

**Jenny Jones (Chair):** Are you sharing this with the other boroughs?

**Sir Robin Wales (Mayor of Newham):** It was only last night that we received the final paper that said, "This is what we are going to do" so of course we will do that. We will write it up, and then expand to a further area. Yes, of course we will but it is going to cost money. It will be £1 million so it is going to be difficult! We will only start it once we are absolutely certain that our budget is delivered, before we spend any money on any new initiative.

**Richard Blakeway (Mayor's Adviser for Housing):** I am reiterating something I said in answer to Mike [Tuffrey] earlier, which is this: I think the powers rest with the boroughs and our job is to encourage them and to promote consistency.

**Jenny Jones (Chair):** The Mayor could, for example, recommend to Government changes in tenure; changes in tenants' rights generally?

**Richard Blakeway (Mayor's Adviser for Housing):** Yes that is possible; we could look at all of those proposals. It is an interesting idea if you have a longer tenancy: should there be a tax incentive? These are interesting ideas that we can look at.

**Andrew Boff (AM):** It was originally a pilot scheme in Newham; a small scheme we now want to expand further and further so that the entire privately rented sector is regulated and you cannot do anything unless you go through a council officer.

**Sir Robin Wales (Mayor of Newham):** What happens is landlords go, "Great, we like this" and it will be a very light touch; another one-third will come quite happily. Our problem is that we have one-third of landlords who are difficult landlords so we have to do something about them. The private rented sector is an option for a lot of people who are poor; it is a very good option sometimes for the better quality housing. If I were to say that to people that we have to work to make sure that private rented properties are a good option, and it is not just some slum landlord creating awful conditions where kids are living --

**Andrew Boff (AM):** Can you understand from my perspective, Sir Robin, that after being a landlord myself many years ago, but now a tenant and choosing to be in the private rented sector, that under the regime you are quoting, not only would I not have been allowed to be a landlord, because it would have been too much bureaucracy, but I would probably be homeless as well because I do not think my landlord would have wanted to provide that.

**Sir Robin Wales (Mayor of Newham):** That is not true. I suspect you are not the sort of landlord that we have to deal with. Come and look at the super shacks that are built; come and look at the accommodation that people are being asked to live in and that we are trying to stop. It is not the same thing as an amateur trying to rent a place. If you are trying to rent your place out, we are not interested in being difficult; we will help you. My view is you help people to enable them to do a bit better and be a bit more professional.

**Andrew Boff (AM):** Is it not true that the majority of people that you will licence will not need to be licensed? And if that is the case what is the point of licensing them?

**Sir Robin Wales (Mayor of Newham):** Because I have got to do something about it.

**Andrew Boff (AM):** Is that not the point of addressing them?

**Sir Robin Wales (Mayor of Newham):** If we can get them accredited, and we will do light touch and all this then of course we will do that. We have to do something about the third that are allowing people to live in very bad conditions. Housing is changing: you have social housing and that is where the bulk of people are going to live. It is surely right that we look at the quality and standard of PRSs and try to make sure that people are not being ripped off by landlords.

**Roger Evans (AM):** Sir Robin, it sounds like an interesting initiative that you are doing and I hope it delivers you results, but have you considered that it might drive some of these bank landlords to take up properties in boroughs neighbouring to Newham who may not have millions of pounds in their budget available to carry out the same sort of crack-down? Is that something we are going to have to worry about in places such as Barking and Dagenham, Havering and Redbridge?

**Jenny Jones (Chair):** He is going to give you his plan and all the boroughs and enforce it.

**Roger Evans (AM):** I am worried he is going to give us his problem.

**Sir Robin Wales (Mayor of Newham):** We will see if it works. If it works a lot of boroughs will better handle things: that is what happens; that is how local government works. If they see something working and begin to get problems they will simply replicate what we are doing. It is interesting that we said that this is the only one save for Manchester. Manchester and Newham do lots of things in this area to try to be innovative. My view is that if it does drive people out, other boroughs will then pick it up and run with it, however we have the biggest problem so naturally it starts with us.

**Jenny Jones (Chair):** I think it is a great initiative and we would like to hear more about what you are really going to do with the rogue landlords.

**Mike Tuffrey (AM):** My interpretation is that it is great you are taking it to enough scale to see whether it will have the effects that these guys are worrying about. It is called localism and it is about you learning the lesson, so full marks.

**Sir Robin Wales (Mayor of Newham):** Correct.

**Mike Tuffrey (AM):** Did I hear you say that there are the powers to recoup the money from rogue landlords?

**Sir Robin Wales (Mayor of Newham):** There is the possibility. If you do not licence there are some abilities to take a year's rent and things, and that for us is quite important.

**Mike Tuffrey (AM):** You are testing that out?

**Sir Robin Wales (Mayor of Newham):** If they sling something up, let us sustain it for three or four months. They make enough money and then if we make them knock it down it does not matter; they have made their money.

**Mike Tuffrey (AM):** On a polluter pays principle it seems to me rather than expecting the council taxpayers to pay another £1 million to try to get some sort of seizure of assets --

**Sir Robin Wales (Mayor of Newham):** We had a discussion last night as to whether or not we should set the licence fee high enough so it paid everything back and the view of my members was that we should not be hitting the good landlords and taxing them heavily, because it is not their fault that there are rogue landlords.

**Mike Tuffrey (AM):** Finally then, back to this issue of private sector investment big time in the rented sector. Richard, we have debated this a number of times; we have talked about buy-to-let. I do not personally see buy-to-let as the solution. It plays a part but it is not a big time solution. We have been talking this for four years and nothing seems to be happening to scale. What is the GLA really doing? The London Housing Company seems to be on hold but the

taskforce has just come out and highlighted this area, so tell us what the GLA is really doing to drive institutional investment in the private rented sector.

**Richard Blakeway (Mayor's Adviser for Housing):** I know Robin will want to talk about this as well. The taskforce is absolutely right when it points at the potential in this area and I do agree with the point around supply. I would, however, like to reinforce the point that we have seen a significant increase since 1988 with the lifting of rent control with supply in this area. We have seen over the last decade, even when you could get 125% mortgage, an increase in people choosing to rent privately in the capital. And we have seen murmurings of buy-to-let returning.

What you are talking about is the institutionally backed private rented sector area. You have also referred to the Housing Company. The Housing Company will happen because the GLA will have new powers under the Localism Bill. The Housing Company effectively is a procurement model and we will have a London land panel that will bring forward publicly owned land for the market. We have existing sites where we have talked extensively with institutional investors and with developers about both sites. They have looked at those sites and in some cases have decided that for them it is not viable to do it on a particular site, but there has been a lot of examination over the last couple of years to make this happen and we are committed to making it happen.

There are challenges though which I think are worth highlighting and it differs depending on who you are talking to, whether it is the developer or the institution. Those challenges can include, for example, the institutions wanting a rental guarantee. There are challenges that they want their yield topped up; I do not think that is justifiable to put public money in to topping up the yield for a private company. Instead, that money should be invested into conventional affordable housing. There are challenges sometimes on the location of sites and a lot of them want to be bang in the centre of London. There is a challenge that they do not want to do the management of the properties, but that is easily solved, and there is a challenge that some of them do not want to take development risk. Essentially they say, "Build it. Pay for all of that and then we will think about it."

I list all of those challenges because we have talked endlessly about the opportunity and that opportunity is very firmly there, and we are very committed to making it happen but I think it is important to also list the challenges so it is clear it is not a quick win or an easy win. I have had three meetings this week already around this point with different people so there is a lot of activity going on. I am confident that we will get this off the ground, but I also highlight that stuff is happening already. This week a French company will launch their own fund. Things are happening and we should recognise that this market is developing and that should be welcomed.

**Mike Tuffrey (AM):** There are straws in the wind, so that is great. The bonds that the Housing Associations are issuing, even with the grant cut and the benefit squeeze, they are still being over-subscribed, so there are lots of straws in the wind now that there is private money out there. Taking two points Peter [Kemp] made earlier (1) if it was blindingly obvious it would have happened, so clearly there are some issues that need to be removed; and (2) other

markets. We debated before with Continental Europe that this is a viable sector so the question is what is different? Can we get some other views from the panel? What can we do to really move this forward given the straws are blowing more strongly in the wind to get a real step change?

**Sir Robin Wales (Mayor of Newham):** I will give you an example: six years ago we set up our Housing Association. We put in 450 properties; we borrowed £200 million off the Bank of Canada; we bought 1,500 properties or 1,000 properties; we have people living in those. The original intention was to generate a substantial sum of money that we could then use to provide social housing but in 2023 the business model says we will have put another £50 million in; we get £430 million in assets and have paid off the bank loan. We will have about 1,000 properties that we can socially rent which we could use for a rental stream and then use the money to borrow other money: so we have actually done it.

There are also some imperfections in what we did because we were seeing how it worked. For us we want to be given the powers to get in on three bases: one, purchase properties to rent at market rent; two, purchase properties to rent at social rent; and three, purchase properties so we can do equity for people on middle incomes which is, "You buy half; we buy half but we do not charge you rent on our half" because I am tired of seeing people on low incomes not get anything out of the property market. If you earn £80,000 you can buy a house in Newham. If you have £30,000 you cannot buy three-eighths of a house. Someone else can explain to me how that is fair or how public policy is not supporting people who are working and earning lower wages. When do we do something about that? We are going to look at perhaps taking pension fund money; giving assets back. All the money is called a Newham Fund so it all comes back to us. They will argue they want to develop but that is OK.

**Peter Kemp (Barnett Professor of Social Policy, University of Oxford):** There are countries where financial institutions are important in the private rent, so Canada, the USA, Finland, Germany, the Netherlands and Switzerland. They all have a significant amount of investment by financial institutions in property, but in all of those countries it is a very small part of the private rentals, even in the USA where they have a well-developed real estate investment trust: it is only I am told 1% of their total stock. I think we should be trying to get financial institutions to invest long-term in private rented property. It will only ever be a small part of the private rented sector stock. The private rented sector, in every country where it is vibrant, it is mostly what in America they call 'mom and pop landlords'. We should still try to get institutions in because you would hope it would be long term and high quality. The way the private rented sector is going is that increasingly low and moderate income households are going to have to rent more long term.

For much of the last 20 or 30 years it has been short-term young professionals, however that is increasingly changing with longer-term renters. There are problems in getting financial institutions and I have done several research projects interviewing financial institutions as well as financial modelling. One is the novelty; they have not done it for years. In the 1930s they invested a lot of mansion blocks in England and Wales. They expect a risk premium as they are not used to it; the rental yields they say are too low. If they have £30 million to invest, it is actually difficult to find £30 million of property to invest in because the private rented sector is

dominated by very small landlords. The other thing they are concerned with is reputational risk, although it is declining, as the image of the private landlord has, for the most part, improved. There is the issue of cost and quality of management; that is something that they always mention. They always used to mention stamp duty land tax, however that has been addressed.

I would like to mention are: this is probably the best time since the Second World War for investing in private rented housing for financial institutions. The demand is there; interest rates are relatively low; yields are a bit higher. I think there is scope and there are opportunities. If you read the Financial Times you regularly see companies starting up so there are “green shoots of investment” and I think it could potentially take off, however if it does not take off now we can forget it.

**Richard Blakeway (Mayor’s Adviser for Housing):** This is an area where I really do think there is a great opportunity in London, but we also need to understand the scale of that opportunity.

One model that has proved very successful is student accommodation and, secondly, with planning, they have an advantage there and would you want to forgo conventional affordable housing in exchange? The second point that reinforces the point about scale: Aviva have talked about a £500 million fund; I remember the Homes and Communities Agency when they did a private rented sector initiative that talked about £3-5 billion as the scale of this opportunity here. Nigel Hugill [Executive Chair of Urban & Civic] told me last year, “Guess how much money went into the private rented sector from individual landlords? £15 billion” so do not dismiss the private landlord and the amount of money that they are putting in. I have not checked that figure, but I assume it is right. That shows that we have to keep in context the scale of the opportunity, but there is clearly an opportunity here and one that we are pursuing.

**Alan Benson (Head of Housing, GLA):** Peter’s comments imply to me that the challenge is mythical. And I think the problem is simple and the answer is obvious. Institutional investment is a very small part of the market in other countries. . It is a bit of a myth that it is out there in a large way. It is not the answer to our supply issues in London, necessarily. Where it does work is usually where they have a very small social rented sector and institutions tend to deliver for that market with some Government support. Aviva launched their £0.5 billion fund on 3 November 2009 and they have people paid stratospheric salaries to work this up, yet they failed to do so in nearly two years. For institutions the return is insufficient; the rents are not high enough. The private rented sector does not give them a big enough annual return in order to fund institutional investment. It gives an individual landlord a sufficient annual return to pay his mortgage and accumulate an asset over time. But financial institutions do not want to accumulate assets; they want an annual return and rents are not high enough. That is why every institution wants some degree of public support. They are looking for free land rent guarantees, etc, and the state cannot do it because that would be state aid to the private rented sector, and that is what screwed up the PRSI initiative. The answer is obvious: doing a mixed tenure led development<sup>1</sup>.

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<sup>1</sup> “where there is a justification for state subsidy” – clarified following the meeting by Alan Benson

**Jenny Jones (Chair):** That is a very nice note to end on.

**Nicky Gavron (Deputy Chair):** In a way it is what we began with when we were advised to look for an intermediate rented sector.

**Jenny Jones (Chair):** Thank you all very much indeed. I hope this session has been useful for you as well and, Robin, in particular we look forward to all the information you are going to send us. A copy of our report will of course be sent to you all when it is completed.