

AGENDA ITEM

REPORT TO CABINET

6 NOVEMBER 2014

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Housing and Community Safety – Lead Cabinet Member - Councillor S Nelson

PRIVATE RENTED HOUSING - DRIVING UP STANDARDS

1. Summary

The Private Rented Sector (PRS) has been growing nationally at an unprecedented rate over recent years, a position which is reflected in the Borough. Against this background local authorities across the country are seeking to work in a proactive manner with PRS landlords, one which seeks to support good landlords and ensures unscrupulous landlords are targeted in an effective manner.

The purpose of this report is to seek approval from Cabinet to support the introduction of a '10 Point Plan' (which includes the adoption of the 'Stockton Rental Standard'). The actions detailed in the '10 Point Plan' are aimed at sending a clear message regarding the Councils intention to promote best practice and drive up standards (both property condition and management) across the PRS.

2. Recommendation

Cabinet are asked to:

1. Support the introduction of a '10 Point Plan' and 'Stockton Rental Standard'.
2. Following completion of a detailed consultation exercise (as detailed in paragraph 14), delegate approval to make any necessary revisions to the '10 Point Plan' and 'Stockton Rental Standard' to the Corporate Director of Development and Neighbourhood Services, in consultation with the Cabinet Member for Housing and Community Safety.
3. Agree that an evaluation report be brought back to Cabinet 12 months after the formal launch of the '10 Point Plan' / 'Stockton Rental Standard'.

2. Reasons for the Recommendation/Decision

A safe, healthy and sustainable PRS will play a key role in ensuring the viability of all communities across the Borough. In addition, given the significant concentration of PRS properties in central Stockton, a proactive and targeted approach to dealing with rogue landlords will play a supporting role in delivering a vibrant town centre.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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SUMMARY

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The purpose of this report is to seek approval from Cabinet to support the introduction of a '10 Point Plan' (which includes the adoption of the 'Stockton Rental Standard'). The actions detailed in the '10 Point Plan' are aimed at sending a clear message regarding the Councils intention to promote best practice and drive up standards (both property condition and management) across the PRS.

RECOMMENDATION

Cabinet are asked to:

1. Support the introduction of a '10 Point Plan' and 'Stockton Rental Standard'.
2. Following completion of a detailed consultation exercise (as detailed in paragraph 14), delegate approval to make any necessary revisions to the '10 Point Plan' and 'Stockton Rental Standard' to the Corporate Director of Development and Neighbourhood Services, in consultation with the Cabinet Member for Housing and Community Safety.
3. Agree that an evaluation report be brought back to Cabinet 12 months after the formal launch of the '10 Point Plan' / 'Stockton Rental Standard'.

DETAIL

Background

1. Nationally, the Private Rented Sector (PRS) has doubled in size since 1992 and now accounts for 18% of all households in England. This is the second biggest tenure in the country (after home ownership) and by 2020 is predicted will accommodate around 25% of all households.
2. Locally the PRS has also increased significantly (see table overleaf). Between the 2001 and 2011 census the PRS tenure increased by 7.9% (from 5.2 to 13.1% of the Boroughs tenure profile) and is likely to continue to increase. Based on information provided by Council Tax in

2011 there were 82,628 properties in the borough, a PRS of 13.1% equates to 10,825 properties.

Area Name	Tenure - Private Rented (%)	Tenure - Private Rented (%)	Tenure - Private Rented (%)	Tenure - Rented from LA/HA (%)	Tenure - Rented from LA/HA (%)	Tenure - Rented from LA/HA (%)	Tenure - Owner-Occupied (%)	Tenure - Owner-Occupied (%)	Tenure - Owner-Occupied (%)
	2001	2011	2013	2001	2011	2013	2001	2011	2013
Hartlepool	8.3	18.2		18.1	15.5		71.7	65.3	
Darlington	7.4	14.8		26.6	23.5		63.0	60.3	
Middlesbrough	7.1	16.6		28.2	23.9		61.4	57.8	
Redcar & Cleveland	5.5	12.4		22.9	19.4		69.6	67.0	
Stockton	5.2	13.1		21.5	17.2		71.6	68.8	
Tees Valley	6.1	13.7		24.3	19.6		67.3	64.4	
North East	-			-			-		
National	8.8	16.7	18.0	19.3	17.6	17.0	68.7	64.3	65.0

3. Attached at **Appendix 1** is a table detailing tenure change (between 2001 and 2011) on a ward by ward basis. As Members will note all wards have seen an increase in the levels of private rented accommodation. In Mandale and Victoria, Norton South, Parkfield and Oxbridge and Stockton Town centre the PRS now accounts for in excess of 20% of each wards tenure profile.
4. The PRS is a diverse tenure, however there are a number of significant factors which need to be considered in terms of informing the Councils approach to this tenure group: -

Viable stock condition

- The English Housing Survey (Profile of English housing report: 2012) identified that of all non-decent dwellings 35% of properties were in the PRS (higher than any other tenure).
 - o In terms of this tenure profile PRS homes are generally older properties with a high proportion not meeting modern standards when compared to other tenures.

Varied ownership of the PRS

- Most private landlords are individuals with only 1 or 2 properties and very few are full time professional landlords. A survey carried out by DCLG in 2010 identified that 89% of landlords are individuals with small portfolios and of these 40% have a single property.
- Many are 'accidental landlords' and have become landlords through inheritance or a change of circumstances (i.e. are unable to sell).
 - o This position is likely to be reflected in our Borough; the implication of this is that many landlords are not always familiar with their legal obligations which can lead to variable/inconsistent levels of property condition and management. Whilst many landlords are well intended, there needs to be an increased professionalism in the sector.
 - o There are also concerns that this may be a fragile market in terms of not providing long-term housing solutions i.e. will properties be sold if mortgage rates increase or properties no longer attract current rental value returns.

Statutory/legal obligations

- The PRS was substantially de-regulated in the 1980's.
- There are **minimum** safety standards for PRS properties and these are assessed using the Housing, Health and Safety Rating System (HHSRS).
 - o The HHSRS does not set out a minimum standard; rather it is concerned with removing or reducing the risk of harm from housing related hazards. This risk based approach considers the potential effect of conditions which threaten the health and safety of occupiers. For example when an Officer inspects a dwelling they will identify defects and deficiencies that are present, they will then consider the likelihood of a harmful occurrence affecting the potential or actual occupier over the next 12 month and the range of harms that could result from this occurrence.

- There are 29 categories of hazard in the HHSRS including; damp and mould growth, excess cold, excess heat etc.
- LA's have powers to carry out inspections and to take appropriate action (using for example an improvement notice) to address arising issues.
 - However it is **not currently an offence** to rent a property with serious hazards, unless a notice has been issued and not complied with, **no** offence has been committed.

The role of the PRS

- Is increasingly playing an essential role in housing markets at both a national and local level.
 - It accommodates a diverse range of households varying from:
 - Those seeking flexible, short-term accommodation (addressing the needs of an ever increasing mobile population).
 - Those priced out of homeownership.
 - Households where social housing is not a viable solution i.e. not in the right location or providing the correct property type. Anecdotal evidence from our Registered Provider partners suggests a number of their tenants have moved to this tenure as a means of addressing the implications of the 'spare room subsidy'.
 - An ability to reduce rents to meet the Local Housing Allowance and extend tenure periods has made the PRS increasingly popular, particularly in respect of family sized accommodation where white goods and carpeting are often provided.
 - Households who may not be able to access to social housing and in some instances the PRS sector may be the tenure of 'last resort'.
 - Recent research undertaken by Shelter has highlighted that nationally there is a growing number of households with children in the PRS (they estimate 1 in 5 families).
5. Whilst most PRS landlords are good landlords, there is a number who are either unaware of their legal responsibilities or a small minority of unscrupulous / rogue landlords who exploit vulnerable people.

Options for working to improve property and management in the PRS

6. In response to this changing PRS and the associated issues/concerns that this *may* bring (i.e. poor stock condition, increasing complaints regarding anti-social behaviour etc.), many authorities are now reviewing their approaches to working with this sector and are moving towards a more pro-active service delivery. For some this has included the introduction of licensing schemes.
7. At this present time there is a requirement for landlords to obtain a licence from their LA to let a HMO (House of Multiple Occupation) in **some** circumstances (as detailed below):
- Statutory duty on LA's to license larger (high risk) HMO's – properties which are 3 or more storeys / housing 5 or more unrelated persons. Letting or managing a property without a license or a breach of a licence condition is an offence and subject to a fine.
8. However LA's do have discretion to extend the above requirement and a number have or are exploring 'selective licensing schemes'. Via a discretionary power LA's are able to licence all privately rented properties in a designated area if it can be evidenced that the area suffers from low housing demand and/or is subject to significant and persistent anti-social behaviour. Some LA's have implemented 'borough wide schemes' and others 'area based' schemes. Prior to implementation LA's must carry out robust consultation with local residents, landlords and tenants and ensure there is a vigorous evidence base for such a scheme (i.e. demonstrate there is a significant management issue that needs addressing within a designated area). There are clear pros and cons of this approach:

Pro's	Con's
All PRS properties within the designated area must have a license (of which a fee must be paid)*	Works to 'punish' good landlords by requiring them to pay for a licence*
Tenants have some reassurance that property management and condition meets a minimum standard	Can be very LA resource intensive (both pre and post implementation) - to be effective LA's must 'back' the scheme up (enforcement/prosecution of landlords)
Can be an effective tool to tackle poor housing conditions/address ASB	Are subject to considerable constraints i.e. can only be put in operation if authorities have a robust evidence base
Can be an effective tool to address low demand housing	Are generally opposed by landlords and have been subject to frequent legal challenge by private landlords
Can be an effective tool to tackle the behaviour of private landlords i.e. poor management practices	Some LA's have noted that landlords have chosen to invest elsewhere (i.e. outside of the designated area)

*Each PRS property within the designated area will be required to pay a fee for a licence. Fees are determined by individual LA's and must be justified (i.e. they should not be over and above the cost of administering the scheme). By way of an example in a neighbouring LA the cost of the licence is £450.00 per property (to cover a 5 year period).

9. Whilst selective licensing schemes are clearly a means to improve PRS standards, an initial evaluation of this approach (including discussion with other authorities) has confirmed that implementation can be a very protracted, time-consuming and potentially costly.
10. An alternative to this approach is to re-focus our current activity, which at this time tends to be more responsive (i.e. we inspect properties/make contact with landlords following requests for assistance from private tenants). A revised approach would be more **pro-active**, spearheaded by the implementation of the '10 Point Plan' (and supported by the introduction of the 'Stockton Rental Standard'). This proactive approach would aim to fully utilise existing powers available to both Housing Service and other Council service teams, by targeting known problem PRS landlords and/or areas. We are confident that this approach would:
 - Build upon existing relationships with the majority of good landlords in our borough.
 - Build upon the range of existing services provided to PRS landlords by the Housing and Community Safety service (such as the Landlord Accreditation and Landlord Liaison schemes).
 - Allow us to actively seeking out and tackling the minority of poor landlords in our Borough.

Unlike selective licensing schemes which require a substantial pre-implementation phase (evidence gathering and consultation), our aim (subject to Cabinet approval) would be to move towards this revised approach with immediate effect (as detailed in paragraphs 16 - 17).

'10 Point Plan'

11. The aim of the '10 Point Plan' is simple; **to signal the Councils clear intent to drive up standards consistently in the PRS** and to describe how this will be achieved. It has been informed by examining what the Private Sector Housing Team and other colleagues do now (i.e. does it work well/could services be improved etc.), reviewing the varying approaches/initiatives and successes operated by other LA's (such as Liverpool and Doncaster, plus the London Rental Standard recently introduced by the Mayor of London), lobbying organisations such as Shelter, emerging national policy and wanting to build upon on the positive relationships we have with the majority of good landlords in the Borough.
12. Attached at **Appendix 2** is a draft of the '10 Point Plan', as Members will note some of the points listed are already successfully undertaken by the Council however it is intended that

they are re-launched with the aim of encouraging better take-up particularly with new landlords. In addition there are a number of proposed new approaches detailed such as a 'Know Your Landlord Service' and a 'Rogue Landlord Hit Squad'. The Rogue Landlord Hit Squad is specifically aimed at pulling together representatives from Council service teams who have a role in identifying and targeting poor landlords, landlords whose actions contribute to the blight and decline of our local communities. Led by the Private Sector Housing Team it will share intelligence across council service teams (and other partners such as the police/fire brigade) and target rogue landlords via the collective use of each partner's legal powers.

13. Also included within the '10 Point Plan' is the 'Stockton Rental Standard' (draft attached at **Appendix 3**). The aim of the 'Stockton Rental Standard' is to detail in an easy read format what the Council expects from all PRS landlords (managing and lettings agents) operating in the Borough in terms of detailing their legal requirements, plus what is expected in terms of best practice.

Next steps and project review timetable

Consultation

14. Given that all ward members (as evidenced in **Appendix 1**) have a growing private rented housing market, a Member Seminar has been arranged for 10.12.14. It is proposed to use this seminar as an opportunity to put the PRS 'in context', for example to explain its growing importance to the Boroughs housing market, explain the powers available to the Council to tackle poor PRS (condition and management) and seek members views on the draft '10 Point Plan' and 'Stockton Rental Standard'. Running in parallel to this, consultation will also be undertaken with private landlords. The majority of private landlords are 'good' landlords and are keen to work with the Council to ensure that the sector is improved through educating and supporting accidental landlords and effectively tackling rogue landlords.
15. Following completion of the above, Cabinet are asked to delegate approval to make any necessary revisions to the '10 Point Plan' and 'Stockton Rental Standard' to the Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Housing and Community Safety. Copies of the final documents will be shared with all ward members before the '10 Point Plan' is formally launched.

Implementation and launch

16. Subject to Cabinet approval, work will commence immediately to progress each of the work strands detailed in the '10 Point Plan'. Additional earned income (from within the Housing Service) has financed the addition of one new post in the Private Sector Housing team (increasing team numbers to 8), as well as providing a small fund to carrying out necessary works in default (i.e. were the PRS landlord has not complied with a statutory notice and prosecution action is being progressed). This new post will provide the additional capacity in terms of (a) enabling a dedicated lead to be identified to drive forward a pro-active private sector enforcement approach (supported by the wider team) and (b) acting as the co-ordinator for the Rogue Landlord Hit Squad.
17. Following consultation the '10 Point Plan' and 'Stockton Rental Standard' will be formally launched. We will do this via a 2-strand publicity campaign:
 - i. Direct contact with all PRS landlords we are aware of.
 - ii. A broader media campaign aimed at reaching those existing (or prospective) PRS landlords who are either not actively engaged with the council and those who may not fully understand their obligations.

Evaluation and review

18. A review report will be brought back to Cabinet twelve months after formal implementation. The review will evaluate each of the proposals detailed in the '10-Point Plan' to gauge their effectiveness and identify any (positive and negative) cost implications. For example will taking more proactive enforcement action lead to additional costs being incurred by the Council (over and above the small fund additionally identified)? Will it result in staffing/resource pressures on other teams by supporting the 'Hit Squad' approach? At this present time to mitigate this concern the 'Hit Squad' will be piloted initially in the town centre wards (due to their high concentrations of PRS housing). The outcome of this evaluation exercise will also inform potential next steps and provide an essential evidence base for further exploring selective licensing should this be option the Council wish to further explore.

FINANCIAL IMPLICATIONS

19. As detailed above in paragraph 16.

LEGAL IMPLICATIONS

20. None directly from this report.

RISK ASSESSMENT

21. Low risk.

EQUALITIES IMPACT ASSESSMENT

22. An Equality Impact Assessment has not been completed as the proposals detailed within this report do not have any direct policy implications (rather they are a 'refocusing' of current activity).

CONSULTATION INCLUDING WARD/COUNCILLORS

23. As detailed within paragraph 14 a number of consultation exercises will be undertaken to inform the development of the '10 Point Plan' and 'Stockton Rental Standard'.

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Head of Housing and Community Protection

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Education related?

No

Background Papers

None

Ward(s) and Ward Councillors

All wards and ward councillors

Property

As detailed within the body of the report

APPENDIX 1
Breakdown of tenure by ward

Wardname	Census - Tenure - Private Rented (%)	Census - Tenure - Private Rented (%)	Census - Tenure - Rented from LA/HA (%)	Census - Tenure - Rented from LA/HA (%)	Census - Tenure - Owner-Occupied (%)	Census - Tenure - Owner-Occupied (%)
	2001	2011	2001	2011	2001	2011
Billingham Central	5.4	16.0	31.5	24.0	63.1	60.0
Billingham East	3.3	13.5	35.7	28.9	61.0	57.6
Billingham North	1.8	8.1	3.9	3.9	94.3	88.0
Billingham South	6.9	16.1	29.5	25.8	63.5	58.0
Billingham West	1.7	7.1	2.4	2.7	95.9	90.3
Bishopsgarth and Elm Tree	2.0	8.2	12.3	10.5	85.7	81.4
Eaglescliffe	4.0	12.2	6.7	4.8	89.3	82.9
Fairfield	1.4	7.2	7.5	6.7	91.1	86.1
Grangefield	1.7	7.6	10.6	9.3	87.7	83.1
Hardwick	3.2	10.6	57.5	46.7	39.3	42.7
Hartburn	1.7	7.2	1.5	1.1	96.8	91.6
Ingleby Barwick East	3.5	11.9	0.5	0.6	95.9	87.5
Ingleby Barwick West	2.3	10.0	2.1	0.8	95.6	89.3
Mandale and Victoria	12.3	24.8	43.6	32.7	44.0	42.5
Newtown	7.8	18.7	39.0	33.3	53.2	48.1
Northern Parishes	4.4	10.0	5.6	2.7	89.9	87.3
Norton North	7.0	16.7	27.3	23.2	65.8	60.1
Norton South	9.6	20.7	16.6	14.3	73.8	65.0
Norton West	1.6	7.6	5.3	4.3	93.1	88.1
Parkfield and Oxbridge	18.6	31.2	19.2	16.4	62.2	52.5
Roseworth	2.1	10.6	38.6	30.1	59.3	59.3
Stainsby Hill	2.0	10.9	35.1	28.8	62.9	60.3
Stockton Town Centre	15.1	25.5	56.9	51.6	28.0	23.0
Village	2.1	14.5	27.8	22.2	70.1	63.4
Western Parishes	3.0	8.1	11.2	7.6	85.8	84.3
Yarm	4.5	14.0	7.5	6.7	88.0	79.3

Landlord element:

1. Publish the 'Stockton Rental Standard' for all private rented properties in the Borough

Overview / background:

- Easily accessible / understandable and provides a clear benchmark of what is expected of **all** PRS landlords in the Borough – in terms of legal requirements and best practice.
- Supported by a clear policy and process for dealing with complaints.

2. Re-launch our existing , voluntary Landlord Accreditation Scheme

Overview / background:

- As of Sept. 2014 193 PRS landlords have joined our scheme (874 properties). However there are opportunities to expand this service.
- Service is aimed at supporting landlords in raising professional standards in the Boroughs PRS.
- Service to be promoted and new landlords actively targeted.
- Positive benefits of the service to be 'sold' i.e. provides access to free training and advice / support from Council service teams/ ability to advertise properties free on COMPASS (CBL system) etc.

3. Implement a 'Borough wide' Registration scheme

Overview / background:

- A voluntary, basic scheme for all PRS landlords in the Borough, who will be asked to provide contact details and addresses for all properties they rent.
- A clear expectation that PRS landlords will provide these details.
- Benefits for PRS landlords; enables the Council to contact them quickly if a request for service/ complaint is received (regarding a property they own), enables the Private Sector Housing Team to communicate with them - via e:bulletins and offer training etc.

4. Encourage greater take-up of the free Landlord Liaison Scheme

Overview / background:

- Promotion of the benefits to landlords – free easy to use service.
- Beneficial to landlords in terms of seeking out good tenants (and allowing them to make informed decisions before they let a property).

5. Implement a 'Rogue Landlord Hit Squad'

Overview / background:

- Pulls together a range of council service teams (Housing, CFYA, Technical Services, Planning, Trading Standards, Environmental Health and the police/fire brigade) that have the powers to tackle poor landlords.
- Better shared intelligence (to inform proactive investigation work).
- Use of street walks / joint visits to identify problem properties, landlords and/or locations.
- Aim is to seek out and target rogue landlords
- To be co-ordinated by a dedicated Private Sector Housing Officer.

6. We will actively seek the views of PRS landlords (and letting agents)

Overview / background:

- Build upon existing consultation arrangements (Accreditation Forum, Teesside Landlord Forum, on-line surveys etc.), with the aim of working in partnership with good landlords.

Tenant element:

7. Introduce a free confidential helpline

Overview / background:

- To encourage reporting of poor housing conditions and tenancy management.

8. Explore the implementation of a 'Know your landlord' service

Overview / background:

- With the aim of encouraging prospective tenants to carry out checks on a prospective landlord before moving in i.e. is the property accredited or licensed (if a HMO)?
- Explore the option of tenant 'feedback' scores.

General elements:

9. Develop our current webpages

Overview / background:

- Separate landlord and tenant pages (bespoke to their needs).
- Improved linkages to key external partners/good practise pages i.e. DCLG and Shelter etc.
- Narrative to clearly detail what is expected of *both* PRS landlords and tenants.

10. Implementation of an ongoing Publicity Strategy

Overview / background:

- Use it to reach private landlords (promote services/re-enforce key messages etc.), especially new PRS landlords.
- Help get information out to prospective tenants / a means of supporting tenants / making sure tenants know their rights.
- Reinforce our pro-active targeted approach / “name and shame” following successful prosecutions – to deter rouge landlords (Shelter: Rogue Landlord Toolkit)