



**Submission of written evidence to the National Assembly for
Wales' Communities and Culture Committee**

Making the Most of the Private Rented Housing Sector

**A response by the Chartered Institute of Housing (CIH)
Cymru**

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The Chartered Institute of Housing is the only professional organisation representing all those working in housing. Its purpose is to maximise the contribution that housing professionals make to the well being of communities.

In Wales, we aim to provide a professional and impartial voice for housing across all sectors to emphasise the particular context of housing in Wales and to work with organisations to identify housing solutions.

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The Chartered Institute of Housing (CIH) Cymru is committed to working with our members, the Welsh Assembly Government and all our other partners to deliver safe, warm and affordable homes for all. We welcome the opportunity to provide evidence to the National Assembly for Wales' Communities and Culture Committee for its inquiry in to the private rented sector in Wales. CIH is clear that if we are to look at a more fluid and comprehensive approach to individuals' housing options and housing careers, then a good quality private rented sector must play a key role and we need to ensure that it can fulfil this role. Recent growth in private rental provision means timely to review how well the sector is currently operating.

In the recent past the PRS has not been seen as nationally or locally as important as other sectors in meeting housing need. Well managed, well maintained, affordable private housing can play an important and complimentary role in housing markets. It can play a significant role in meeting both short and longer term housing need, providing choices for a wide range of consumers that meet their needs at a particular moment in time. In recent years, as affordability and supply issues have become pronounced, the private rented sector has increasingly provided a valid housing option in many parts of the country. It does however vary in terms of access and quality, both in terms of accommodation and landlord services.

It is now accepted that housing problems need 'whole system' solutions and there is an expectation that the PRS will have to play an increasingly important role in the future. Although this aspiration is widely shared, there is some frustration that we have not been able to develop a robust policy and practice framework to take this forward. In addition our knowledge and understanding of the PRS in Wales is hampered by the lack of specific research into its characteristics, drivers and barriers to its development.

In putting together this written submission CIH Cymru has undertaken extensive consultation with our members and the wider housing sector, including representatives from the local authority sector, registered social landlords, the third sector and a range of private sector organisations including private house builders. This paper aims to consolidate the views obtained during individual meetings with key partners, written evidence that was submitted to us directly from members, and a specific consultation event organised by CIH Cymru in October 2010. We have attempted to reflect as many of the views and issues raised although we acknowledge that the breadth of this subject and

the range of discussions that it generated have made it impossible for us to reflect every individual view point.

Background

In the past the private rented sector has been undervalued and overlooked , mainly playing a residual role for those who cant access social housing or owner occupation. There is now however an increasing recognition that it caters for demand in the wider housing market, meeting a variety and diversity of needs and becoming the tenure of first choice for some households.

CIH has been promoting a 'one housing system' approach to housing policy making, based on the premise that there are complex interactions between different parts of the housing sector and that any interventions in part of the sector have consequences for the whole system.

Any changes within the homeownership or social renting sector will have an impact on the private rented sector. Current trends which are likely to have an impact on the role and purpose of the PRS include, for example:

Housing supply – recent research by Professor Alan Holmans of Cambridge University ¹ has suggested that we are facing a housing supply time bomb in Wales. According to this study, we need to build 284,000 homes by 2026 in order to meet our housing need which equates to around 14, 200 per year.

Affordability and the mortgage market – housing prices and the availability of mortgage finance continue to present a significant barrier to people accessing owner occupation. The average age of a first time buyer (without help from their parents) is now 37. This is affecting the ability of people to meet their housing need through this tenure.

Changing aspirations - there is some evidence to suggest that people's aspirations for homeownership are changing somewhat - a recent CIH / You Gov survey indicated that not all young people want to buy – people under 25 were much less likely to see

¹ Holmans, A. and Monk, S (2010) *Housing Need and Demand in Wales 2006 to 2026*, Cambridge Centre for Housing and Planning Research

themselves owning a home in 10 years and were less likely to see it as a good long term investment.

The future of social housing – recent announcements in the Comprehensive Spending Review indicate a fundamental shift in the way that social housing is funded and indeed in the role it will play in meeting housing need going forward. In order to access grant, landlords in England will be expected to offer intermediate rents at 80% of market rent. Whilst this does not yet apply in Wales, we are not immune from the impact of policy changes at the UK level.

All of these factors point to an increasing role for the private rented sector in future, and the likelihood that it will fall to this sector to ‘pick up the slack’ caused by wider policy changes.

How can better use be made of the private rented sector so that it will become a tenure of choice and contribute more effectively to meeting housing need in Wales?

The PRS is often a positive lifestyle choice for people as it is the most appropriate way of meeting their needs at a particular point in their housing careers. As a tenure it has a lot of positive features, including

- open access
- responsiveness, especially in meeting demand from new and emerging markets
- flexibility which makes it easy for people in work to move around, especially across longer distances
- enabling people to house share more easily than owner occupation or social renting
- diversity and choice in terms of property type, character and location (e.g access to housing benefit to help meet housing costs (c.f. owner occupied sector)
- freedom from responsibility for repairs and improvements.

If the PRS is to become a tenure of choice in Wales, it is important that potential renters are aware of the positive benefits of renting privately. It is our view that all partners could take responsibility for promoting a more positive image of the PRS.

However, there are occasions when the PRS is not the first choice for people but is a tenure of last resort, accessed when people cannot access the social rented sector or owner occupation and therefore have no other option. Issues of security and quality are significant here and these are addressed in more detail below, but we also need to look at what we can do to make the sector work better for people for example by making it more affordable and ensuring that high standards of management are in place.

What can be done to address the poor condition of some properties and standards of property management within the PRS?

The private rented sector has traditionally been associated with being the tenure with the poorest standards of property condition and property management. We would acknowledge that local authorities have in recent years made great strides to improve standards in the Private Rented Sector and to engage with landlords at a more strategic level through registration schemes, enforcement, HMO licensing and more general advice and support.

The most recent data we have is from the Living in Wales Survey 2004 which revealed that the PRS had far higher levels of poor housing than other tenures. (Data from the 2008 Living in Wales property survey is due out soon and it will be interesting to see how these two surveys compare and what changes have occurred over the last few years.) This links to a separate issue regarding the evidence base related to the PRS in Wales which is very limited and makes it difficult to target policy interventions for this sector.

Whilst there are some exceptional landlords operating in this tenure, unfortunately there are also some bad landlords. It is essential that good quality landlords are promoted and supported – particularly in the current environment where changes to housing benefit mean that landlords might be considering exiting the market

Management standards in the private rented sector remain a concern, particularly in relation to that undertaken by letting agencies. The regulation of letting agencies was a suggestion put forward in the Rugg review and the subsequent WAG consultation on the PRS earlier this year. This issue has seems to have now fallen off the agenda, but is arguably one of the biggest causes of concern in relation to the PRS at present. CIH Cymru would recommend that this issue be taken forward as a matter of urgency.

Many landlords are attracted by the offer of handing over the management of their property for a small fee. This is a service that a number of social landlords (both RSLs and local authorities) now offer, where they act as a high street agent with a non-profit making capacity. If these services were expanded and mainstreamed it is CIH Cymru view that this would help raise quality of management standards within the PRS. Not all social landlords offer this service and there is scope for those who don't to learn from the experiences of those that are involved in this type of activity. This could be done through a learning exchange event / seminar.

Overall it is essential that the Welsh Assembly Government sets a longer term vision / aspiration for quality within the PRS in Wales. The first national housing strategy, better homes for people in Wales, suggested that the Welsh Housing Quality Standard might be applied to the private sector but this aspiration is not reflected in the current national housing strategy, *'Improving Lives and Communities'*. CIH Cymru is currently developing the concept of 'Scenario 2015' and trying to pull together a collective vision for what we want the housing sector to look like in 5 years time. The quality of accommodation in the private rented sector will be a key theme in this piece of work.

Is there sufficient engagement with the PRS through voluntary initiatives like Accreditation Schemes and Landlords Forums to help raise standards across the sector or is more enforcement and regulation needed? Do these efforts need more strategic co-ordination at a national level?

Local authorities' work with the private rented sector has long been seen as a 'Cinderella' function. In many areas it has been considered less important than services such as provision of social housing, tackling homelessness, or development control for new housing. It has been under-resourced and seen as a low priority service which the council will use to intervene to ensure a minimum standard as and when problems are reported.

There are however, some excellent examples of good practice being undertaken at a local level to engage with landlords and ensure that best use is made of the sector as a tool for meeting housing need. Most local authorities now have landlord forums and offer packages of advice and support to landlords with the aim of improving standards in the sector.

One problem is that local authorities currently engage with private landlords in a variety of different ways, and this is often carried out by different departments within the local authority. For example, one section will have responsibility for dealing with standards and enforcement, while another will be trying to engage landlords from a housing options/homelessness perspective. It is rare that one post or department takes a strategic lead within a local authority for co-ordinating the approach to the PRS and joining up these different functions. Having a dedicated post to take a strategic lead on the PRS within a local authority would be a good way of ensuring that the authority is making best possible use of this sector.

CIH Cymru is aware of the toolkit that is currently being produced by the WLGA and we think this will lead to some positive outcomes in improving the strategic approach to the private rented sector that is taken by local authorities in Wales.

In relation to the National Accreditation Scheme CIH Cymru would strongly support the future continuation of this scheme. Whilst it is still in the early days of operation, we know it is making good progress in training and accrediting landlords and is also helping to achieve a common approach and the sharing of good practice across local authorities in Wales. There is a danger that in the current financial climate local authorities may have difficulty in committing resources to the scheme – if the role and remit of the scheme is to be developed in future it will be essential that national resources and support are committed. CIH Cymru would strongly recommend that the Welsh Assembly Government commits to supporting the national accreditation scheme in future.

Is security of tenure an obstacle to developing the PRS further? Are there other critical barriers preventing access to the PRS? How can these be overcome?

Most accommodation in the private rented sector is offered on Assured Shorthold Tenancies (AST), which means that after the initial lease expires, unless it is renewed, tenants can be evicted at two months notice. Although a landlord can evict a tenant on a typical 6 or 12 month AST at short notice, most landlords focus on keeping reliable tenants who will pay the rent on time and maintain the condition of the property. The NLA for example, has estimated that the average private sector tenancy actually lasts for 11 years. Yet for many people, the lack of security of tenure in the PRS is a barrier. It is difficult for a family with children to settle, link up to services e.g. schools, GPs, etc. and then have to do this all again, in 6 months for example. Insecurity, is considered a problem for families with children who, although positive about the choice the sector could offer, fear that they would be required to move at short notice.

Most landlords come to the market in good faith and wish to comply with their legal obligations. Often where breaches do occur it is due to lack of knowledge and not wilful refusal to comply. Equally, most tenants are unaware of their rights with respect to their tenancy, for example most tenants are unaware that clauses in their agreement may be void if they are unfair. The landlord and tenant's respective rights and obligations are a complex mixture of express, implied, and in some cases, void terms. The rules which determine whether an express or implied term takes precedence are not straightforward. Additional complexity arises from the facts that there several separate legal codes that could apply to residential lettings (e.g. regulated tenancies, assured tenancies, tenancies outside the Housing or Rent Acts, residential licenses and other types of agreement such as lettings with employment), and that each legal code has its own unique procedures that need to be followed. The result is that the law regulating landlords and tenants is excessively process driven, making it a technical minefield for the uninitiated and where the person who acts in good faith can be easily tripped up. It is little wonder that landlords and tenants are often unclear as to their rights and obligations. This complexity does not promote responsible behaviour amongst landlords or tenants because it can serve to shelter the irresponsible party behind a screen of legal procedure and technical defences.

CIH Cymru's starting position is that you should not have to be a housing lawyer in order to rent property successfully. The Law Commission's proposals for Renting Homes sweep away most of this unnecessary procedural bureaucracy whilst managing to maintain similar levels of protection for landlords and tenants that they currently enjoy, and as such should be taken forward. As part of the scheme all tenants would be entitled to written agreement which clearly states their rights as consumers (including any 'hidden' implied terms), and there would be significant streamlining of both the content and types of tenancy agreements. The simplicity and clarity of this scheme could help improve investor confidence and help expand the market. Both tenants and landlords would benefit from a much clearer understanding as to their rights and obligations – this should help facilitate improved housing management. A whole raft of procedurally based regulation would be swept away and in doing so would help to highlight the landlord's responsibility to maintain the dwelling.

We are aware that the Welsh Assembly does not currently have law making powers over the private rented sector as part of the housing legislative competence order. However, the forthcoming referendum may create opportunities in this area and if this is the case as part of a long-term vision for a growing private rented sector CIH Cymru would recommend that the Assembly explores increasing security of tenure in the sector.

The other main barrier to accessing the PRS is affordability. Private renting can be expensive, and even at the cheapest end of the market, there can often be a shortfall between housing benefit and rent levels. In most cases landlords will require a deposit of one month's rent, on top of the actual first month's rent, paid at the start of the tenancy. For those claiming benefits or otherwise on low incomes, this can provide a serious impediment to moving into the private rented sector. Many landlords are also reluctant to house people in receipt of housing benefit and the proposed changes to housing benefit outlined in the June budget are likely to further limit people's choice and access to the PRS (see below for further details on the housing benefit reforms).

There are many ways that these access problems can be overcome, all of which require greater partnership working with private landlords. Bond schemes can be effective in helping people with set up costs and there are effective models of these already in place although greater national coordination of such schemes has been highlighted as an area

for improvement. Some private landlords might be willing to offer lower rent levels in return for more long term security of their income stream. Again, this is already in operation via social lettings schemes and the role of and requirement for this type of scheme is likely to expand going forward.

What can Wales, and the Welsh Government, do to prepare for the changes to Housing Benefits announced by the UK Government?

The Chartered Institute of Housing (CIH) has been campaigning for several years for reform of Housing Benefit so that it provides a stable basis for supporting people to get back into work and to plan for the future. Since the budget announcement CIH has been carrying out modelling and analysis on the potential impacts of the changes and we have submitted responses to both the Parliamentary work and pensions select committee and the Social Security Advisory Committee (SSAC) following the changes to housing benefit announced in the June budget. Our briefing on the impact of the proposed changes can be accessed [here](#) and our committee submissions [here](#).

Our main concern about the budget measures is that the package as a whole takes little account of the primary policy objective for which housing benefit was created: to ensure that low income households have access to accommodation that reasonably meets their needs. Our responses are based on a body of research and work that CIH has done since the changes were first announced.

In its comments to the inquiry and consultation CIH stated that whilst it is fully supportive of the need to ensure that the housing benefit bill is brought under control we are disappointed that the changes have been poorly assessed and made in isolation and in advance of the wider welfare reform programme being driven forward by the new Secretary of State. CIH also believes that there has been little consideration given to the cumulative impact of the package as whole which is much more damaging than the sum of the individual components. By dealing with each of the issues separately, the government have made their own reform objectives of improving work incentives and controlling expenditure more difficult to achieve.

CIH is also very concerned that the changes to the social sector will have important effects on business plans and the ability to service existing debt as well as borrowing. The housing benefit bill is the price we are paying for a wider inability to address the provision of insufficient housing across markets.

The impact on the private rented sector will also be significant. Landlords are already reluctant to let to tenants in receipt of Housing Benefit. Within the PRS lettings to tenants on Housing Benefit account for only 18% of lettings overall and some 30% of landlords have never let to tenants on Housing Benefit. Nearly three-quarters (70%) of those with experience of letting to tenants on Housing Benefit would prefer not to let to people on benefits, with landlords frequently dissatisfied with the speed of processing claims (60%).

In relation to the situation in Wales, there are a number of things that the Welsh Assembly Government can do to prepare (and help other stakeholder prepare) for the forthcoming changes:

1. Make the case with DWP for a smooth transition and support for administration costs.

There is a danger that local authority housing benefit administration teams will have their capacity reduced at exactly the time when more resources are needed to cope with the change process. It is essential that housing benefit departments are properly resourced if they are to make the transition period as smooth as possible - this will also help minimise the impact on claimants seeking clarification, information and advice about how the changes are going to effect them.

2. Make sure that Discretionary Housing Payments are being used to maximum impact

At present, not all local authorities are using DHP to its maximum potential, but this will be a crucial strategy in managing the forthcoming changes, albeit it wont pick up all of the slack. The inconsistent application of policies across Wales needs to be address and a clear message given out to housing benefit managers regarding the role of DHP in helping people to meet their housing needs. In some areas, a DHP panel has been a successful way of ensuring that a strategic and holistic approach

to Housing Benefit is being taken in a local authority, and this approach could be rolled out across Wales.

3. Investigate the possibility for exemptions for the supported housing sector

The role of supported housing in providing decent, affordable homes to vulnerable people cannot be underestimated. There are serious concerns that the ability of providers to meet particular needs will be put in jeopardy when the housing benefit changes begin to hold, as they could bring in to question the financial viability of some of these schemes. Research to clarify if any exemptions for supported housing could apply should be carried out as a matter of urgency.

4. Support the provision of advice to those people who are going to be affected

A clear communication strategy for claimants of housing benefit will be essential. We are aware that DWP is carrying out work on this but the Welsh Assembly Government should take responsibility for ensure this work is timely and that it is relevant and appropriate to Wales.

5. Ensure that Housing Benefit managers are aware of the strategic importance of their role

6. Lobby on the changes that are currently up for consideration

The package of changes to housing benefit that were outlined in the emergency budget are likely to be superseded by the introduction of the Universal Credit from 2013 onwards. If a centralised approach to the administration of the Universal Credit is introduced, there is a serious danger that the impact of this will be to break the link between actual housing costs and the support that people get with these costs. The Welsh Assembly Government should take the opportunity to make representation to Westminster to ensure the impacts of these longer term changes on the housing sector in Wales are properly assessed and do not have a detrimental effect here.

How can more empty homes be brought into occupation as rented accommodation?

Research undertaken by CIH Cymru and Shelter Cymru in 2009 suggested that there were 26,000 long term empties in Wales². However the national evidence base in relation to empty homes is still somewhat limited and a more comprehensive survey on empty homes is required to identify:

- how many there are
- where they are
- why they are empty
- what condition they are in
- whether they would be suitable for being brought back in to use

Lots of good work is going on across Wales, joining up empty project initiatives with housing need and homeless, using innovative ways of funding, and working in partnership. Some authorities have been particularly good at working with owners, others at enforcement, however this good practice is not universal and not every local authority has the corporate commitment and / or resources to tackle empty homes in a proactive way. The Welsh Assembly should support local authorities to raise the profile of empty homes and realise their potential as a tool for helping to meet housing need.

Local authorities have the discretionary right to abolish the discount on Council Tax for empty property. A number of local authorities have taken advantage of this power but not all, and this inconsistency should be addressed. The powers within the housing LCO offer the opportunity for Wales to draw down a measure to enable local authorities to charge additional council tax on empty homes - this should be pursued as a matter of urgency. Moreover, local authorities should be given the power to retain the additional income raised to invest directly into empty property work and / or affordable housing.

There are some very interesting models that deliver housing units back into the supply chain for as little as £3 k on the basis of a recyclable fund (for example the Kent 'No Use Empty' project). There is an appetite in Wales for a national scheme which could help to bring large numbers of empty properties back in to use at a significantly lower cost

² Key Information Briefing Issue 9: Empty Properties, Making the Most of the Existing Stock

compared to delivering new homes. CIH Cymru would suggest that a national empty property scheme could offer some 'quick wins' in providing units additional affordable housing and would do so in a way that offers excellent value for money.

Summary of Recommendations

This submission to the Communities and Culture committee has made a wide range of recommendations and suggested courses of action. Some of these are 'quick wins' and others involve more long-term systematic change and relate to the type of housing system we aspire to have in Wales in the future. Our recommendations can be summarised as follows:

- Ensure the PRS is viewed as part of 'one housing system'
- Identify a service lead for the PRS in each local authority
- Organise a seminar for RSLs who want to act as managing agents
- Fund the national landlord accreditation scheme
- Implement the earlier proposals for regulating letting agents
- Learn the lessons from approaches taken in England and Scotland
- Commit to establishing a national empty property scheme
- Explore increasing security of tenure in the PRS
- Understand that by investing in the PRS you get a lot more out
- Ensure that key stakeholders in Wales are supported through the housing benefit changes, and make representation to Westminster on the longer term Welfare reform agenda
- Develop a long term vision for quality in the PRS
- Improve the evidence base in relation to empty homes
- Share good practice in relation to bringing empty homes back in to use and support local authorities to develop a corporate commitment to doing so
- Make the most of the powers under the LCO by introducing a measure to charge additional council tax on empty and second homes.
- Don't be afraid to strive for excellence in the private rented sector – be ambitious!