

TONBRIDGE & MALLING BOROUGH COUNCIL

STRATEGIC HOUSING ADVISORY BOARD

23 February 2009

Report of the Director of Health and Housing

Part 1- Public

Matters for Information

1 THE FINDINGS OF THE RUGG REVIEW OF THE PRIVATE RENTED SECTOR

Summary

This report looks at the findings and the main proposals from the recent Rugg review, commissioned by Government, and highlights those findings that are likely to impact on the Council.

1.1 Background

1.1.1 The Rugg review was commissioned by Communities and Local Government and carried out by independent academics Dr Julie Rugg and David Rhodes from the University of York. The report 'The Private Rented Sector: its contribution and potential' was published in October 2008.

1.1.2 The reason for the review was the wish by Government to see private renting as a less marginal, poorly regarded 'third' option, behind owner occupation and social renting.

1.1.3 The Private Rented Sector (PRS) fills a multitude of roles for housing supply:

- first port of call for new households;
- 'bolt hole' when housing circumstances change;
- a 'stopping off' point as people change jobs and move house; and
- a long term home.

1.1.4 The PRS meets the demands of diverse groups of renters, for example:

- young professionals;
- students;
- housing benefit market;
- vulnerable households;

- tied housing;
- high income renters;
- immigrants;
- asylum seekers; and
- temporary accommodation.

1.1.5 The PRS is very complex and diverse. Because of this the review was to look at existing data, such as what is known about landlords and the rental markets they serve. This can then provide the evidence for future policy development.

1.2 Findings from the Rugg review

1.2.1 The review looks at the existing contribution of the PRS and at areas where it is under performing and then proposes six policy directions of travel for the way forward, namely:

- developing a sound evidence base;
- promoting housing management;
- 'growing' the business of letting;
- equalising the rental choice;
- light touch licensing with effective redress; and
- tenancy frameworks.

1.3 Developing a sound evidence base

1.3.1 At a national and local level there is poor understanding of the PRS and how it works. Therefore there is a need to develop a sound evidence base on which to base policy, through:

- national data;
- sharing of experiences between local authorities on PRS data management;
- sharing of data across local authority departments, such as environmental health and homelessness;
- classification of the different rental markets to assess the potential impact of policies; and
- research of Housing Benefit market.

1.4 Promoting Housing Management

1.4.1 The PRS is dominated by concerns about poor management practice and rogue landlords. The report recommends:

- the important role of accreditation schemes in encouraging landlords to become better property managers and highlights the Landlord Development Manual as an example of best practice;
- managing and letting agents should be subject to mandatory licensing by an independent body. This would include conditions for property management training and knowledge of regulations on property conditions. Licence conditions could require agencies to deal with properties that meet the Decent Homes standard; and
- housing associations to be encouraged to offer management services for private landlords and property investors.

1.5 'Growing' the business of letting

1.5.1 The review highlights the need for landlords to become more "business like", rather than viewing the purchase of property to let mainly as an investment. This could be encouraged by:

- local authorities placing frontline landlord liaison activities within their small business advice units; and
- requiring buy-to-let mortgage applicants to provide a business plan.

1.5.2 Also, working with mortgage lenders to create tenancy protection for buy-to-let property tenants and tax reforms to landlords, for example expenditure on property improvements to be reclaimable and for changes to stamp duty. This, the report argues, can then promote better quality property and management.

1.6 Equalising the rental choice

1.6.1 Proposals to improve access to the PRS are based on increasing professionalism and extending current initiatives for vulnerable groups. Local authorities can make the PRS more efficient by promoting tenancy sustainment, for example activity around rent arrears and anti-social behaviour. The report recommends that a social lettings agency (SLA) should be developed in each local authority area offering a competitive management fee to landlords, in return for full property management. The SLA could then absorb all the PRS procurement functions within the local authority area to procure PRS properties for all public agencies, for example temporary accommodation, Supporting People and the UK Border agency. This it claims can help avoid market distortion leading to rental inflation.

It also proposes, assistance with deposits and rent in advance for tenants on Housing Benefit, should be made mandatory.

1.7 Light touch licensing with effective redress

1.7.1 Landlords would be required to pay a small fee for a permit or licence to let. The permit or licence would be administered nationally and would operate similar to a driving licence, with landlords unable to operate if they receive too many points because of not meeting legal requirements on housing management and property conditions. The licence fee income to then provide funding for a new independent complaint and redress procedure for tenants.

1.8 Tenancy frameworks

1.8.1 The report concluded there is insufficient evidence that the existing tenancy frameworks are problematic for landlords and tenants. It does not propose any changes to the section 21 Housing Act 1988 Notices to prevent retaliatory eviction. It argues the evidence base is weak and it is better to deal with any issues by removing unscrupulous landlords, for example by removing their licence to operate detailed in 1.7.1.

1.8.2 The report does suggest that where tenancies cannot be Assured Shorthold Tenancies because the annual rental income exceeds £25,000, this limit should be reviewed. Currently, tenants of these properties are unable to benefit from the new national tenancy deposit protection scheme.

1.9 Ministerial statement of intent

1.9.1 The report argues that a Ministerial statement of intent would help to underline the importance of the PRS to the operation of housing and labour markets. It would help to frame the broader objectives for local authority activity and include a 'private rented' dimension to the new National Indicators.

1.10 Conclusion

1.10.1 The review seeks to promote the case that the PRS can help deliver on providing affordable and quality housing and the role it has in homelessness prevention and discharging homelessness duty. It also argues that national and local policies should concentrate on helping good landlords of all sizes to expand their portfolios to increase the supply of affordable, good quality housing. It puts the case for achieving this by 'professionalising' rental housing management and improving property quality.

1.10.2 Local authority accreditation schemes can play an important role in 'professionalising' landlords and coincidentally your officers are currently looking at a potential Kent wide landlord accreditation scheme. The findings from this will be reported to Members at a future meeting of this Board.

- 1.10.3 The mandatory licensing of managing and letting agents with the aim of driving-up standards of property management and property conditions need very careful consideration. It will be particularly appropriate for this to be overseen by an independent body, to remove any question of bias.
- 1.10.4 It is not clear whether the light touch licensing proposed for landlords would complement or replace the current mandatory and discretionary licensing regimes under the Housing Act 2004. The proposal would be a fundamental change and would involve further lengthy implementation very soon on the heels of mandatory licensing of Houses in Multiple Occupation. As ever with such interventions, a balance has to be struck between striving for high standards and driving operations out of the market.
- 1.10.5 It is disappointing that there is no change to section 21 notices to prevent retaliatory evictions but the case is made that light touch licensing would be effective in removing unscrupulous landlords from the housing supply market.
- 1.10.6 The change to include the private rented sector within the suite of National Indicators would help to raise the profile of effective regulation in the PRS and possibly help demonstrate the important role the PRS has in terms of housing supply. It can also indicate the need for adequate resources to be in place to be able to deliver.
- 1.10.7 The tax exemptions and other financial incentives for the PRS, along with the setting up of a SLA would require changes to legislation and resourcing.
- 1.10.8 Whilst the review provides very interesting analysis of the potential role of the PRS in modern Britain, the more interesting analysis will be of how Government responds to its findings. It is thought that some proposals from this review will be taken up in the forthcoming Housing Reform Green Paper.

1.11 Legal Implications

- 1.11.1 None arising from this report.

1.12 Financial and Value for Money Considerations

- 1.12.1 None arising from this report.

1.13 Risk Assessment

- 1.13.1 None arising from this report.

Background papers:

contact: Hazel Skinner

The Private Rented Sector: its contribution and potential by Julie Rugg and David Rhodes

hqn – ‘The Private Rented Sector: its contribution and potential (The Rugg Review)’

LACORS ‘Understanding the Rugg Review – Next Steps’

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