

Cabinet

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Supporting the Private Rented Housing Sector



Report of Corporate Management Team

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Purpose of the Report

1. The purpose of this report is to provide an overview of how resources are currently being targeted to contribute to improvements in the private rented housing sector. It also proposes the introduction of a Landlord Accreditation Scheme in the County.

Background

2. Durham is a large and diverse area with different parts of the county having distinct characteristics and needs and this is true of the housing sector as much as any part of the County's infrastructure.
3. According to the 2011 Census, there are 223,803 occupied households in the County:-
 - 147,835 or 66.10% are owner occupied
 - 45,004 or 20.11% are social rented
 - 28,142 or 12.58% are privately rented
 - 2,822 or 1.21% other
4. There has been significant growth in the private rented sector in the last ten years since the previous census in 2001. The number of private rented homes in the County has increased by 78% between 2001 and 2011, from 15,825 to 28,142 households.
5. Apart from the concentration of private rented housing in Durham City serving its student population, private rented housing in County Durham tends to be concentrated in areas of relative deprivation, where the housing market is weak. Private rented housing is often older types of housing stock, in poor condition and failing to meet the Decent Homes Standard. A decent home should meet the following four criteria:-
 - Current statutory minimum standard for housing
 - Is in a reasonable state of repair

- Has reasonably modern facilities and services
 - Provides a reasonable degree of thermal comfort
6. Private rented accommodation is an important and growing part of the housing market. It provides flexibility for people who choose not to buy and can provide affordable accommodation for those who cannot afford to purchase their own home. Private renting is the tenure of choice for an increasing number of County Durham residents. It is a key objective of the County's Housing Strategy to improve the standards of accommodation and management practices in the private rented sector.
7. The majority of landlords operating in the County provide good quality homes and are aware of their responsibilities and deliver a good service to their tenants. However, a small number of landlords operate poor management practices and allow tenants to live in unsatisfactory housing conditions. This can have a negative impact both on neighbours and the neighbourhood and also the tenants' health and wellbeing.

Improving Standards in the Private Rented Sector

8. Poor management standards or housing conditions in the private rented sector can cause significant problems for individuals together with their neighbours and the communities that they are part of. These can include:-
- Environmental impact of poorly maintained homes
 - Negative impact of clusters of empty homes
 - Higher incidences of anti-social behaviour
 - Homes that fail the Decent Homes Standard
 - Negative impact on the physical and mental well-being of people living in sub-standard accommodation
 - Lack of long term security of tenure leading to instability for individuals and families and lack of long term sustainability for communities.
9. In working to address these issues, the Council has set itself three objectives with respect to improving standards in the Private Rented Sector:-
- Improving access to good quality information and advice
 - Improving management standards
 - Improving property conditions

Improving access to good quality information and advice

10. The Council provides a range of information and advice services to both tenants and landlords. Supporting tenants to:-
- Understand what their choices are
 - What standards they can expect
 - What to do if things go wrong

Supporting landlords to:-

- Access external funding to deliver improvements
- Best practice in terms of management practices and
- Other information and advice to deliver a quality service

11. The Council provides information and advice through:-

- The Advice Line telephone service for tenants and landlords
- Durham County Council website
- Input into the local landlord forum
- Individual, face to face advice and support where necessary

Improving Management Standards

12. As well as providing information and advice to landlords and tenants to raise management standards, the Council also runs selective licensing schemes in three areas of the County. Paragraphs 28-41 of this report proposes an accreditation scheme to ensure management standards are further improved.

Improving Property Conditions

13. The Council believes that it makes good business sense for landlords to maintain properties to a decent standard, as well as providing better homes for people and pleasant neighbourhoods to live in. The Council provides a range of measures to support improving standards in the sector, using both 'carrot' and 'stick' approaches, targeting those landlords who are interested in delivering better homes as well as taking action against those who fail to deliver homes that meet the minimum acceptable standards.

14. A number of the measures already mentioned impact positively on the objective of raising property standards, including:-

- The Council's Advice Line and Website
- Selective Licensing schemes
- Proposed landlord accreditation scheme

15. The Council also has a number of initiatives that support the delivery of better quality private rented homes, including:-

- Financial Assistance Policy – low cost loans to landlords to enable them to undertake essential works
- Empty Homes funding – access to grants and loans to bring empty homes back into use

- Disabled Facilities Grant – a fund for private owners and private rented sector tenants to apply for in order to fund adaptations to their home to enable them to continue to live there independently
 - Energy efficiency measures – access to loans and subsidies to improve the energy efficiency of homes
 - Action through the Council’s Environmental Health Service if the conditions are so poor that they represent a significant hazard or health risk
16. Funding for these measures is not only provided by the County Council, it is supported by Central Government and energy companies and is delivered through a range of different providers which is complimented by the Council’s work to ensure that private sector landlords and tenants are kept up to date and aware of the opportunities that exist to improve privately rented homes.

Selective Licensing

17. One approach that has been used within County Durham to date is selective licensing. The Housing Act 2004 gave local authorities the power to licence private sector landlords in areas in an attempt to tackle low demand and anti-social behaviour associated with the designated area. The Council currently operates three selective licensing schemes in Dean Bank, Ferryhill, Chilton West and Wembley in Easington. Selective licensing has a number of components:-
- Issuing of licenses, including checks that landlords are ‘fit and proper persons’
 - Taking action against landlords that fail to comply with the requirement to obtain a licence
 - Management of the designations on the ground, including undertaking property inspections, taking joint action with landlords to address anti-social behaviour and ensuring compliance with licence requirements
 - Tenant referencing, ensuring that all tenants applying to move into private rented accommodation in a designated area are referenced, providing advice and support to both tenant and landlord should the reference highlight any areas of concern
18. Recent evaluation and renewal of the three licensing schemes in the County found improvements were evident in relation to crime and anti-social behaviour, private landlord management practices, levels of fly-tipping, graffiti and vandalism in all three designated areas. However, there was no discernible improvement identified in housing demand, although there was a reduction in empty homes in all three areas.

19. It must be noted that selective licencing does not work as a stand-alone initiative. At the time the three areas were first licenced, the council had other forms of intervention ongoing eg group repair and external works. In addition these areas were intensely managed alongside the police and anti-social behaviour teams.
20. In reviewing the designations and agreeing to renew them for a further 5 year period, the Council's Cabinet agreed that selective licensing was making a positive contribution to sustaining the three communities in question.
21. Selective licensing schemes place a considerable financial burden on landlords. While they can provide value for money for landlords who make the best use of them, helping to sustain tenancies and maximise rent collection, the Council must be mindful of the additional financial burden that the introduction of selective licensing can bring to landlords, many of which operate in markets with very low rental levels.
22. Whilst selective licensing can be an effective tool, it is also very resource intensive and the three schemes in Durham are not self-financing. In the current context of reducing funding for Council services, further extension of selective licensing in the County would only be considered if additional external funding could be identified to financially support their introduction.
23. The Council must undertake a minimum of ten weeks consultation with persons likely to be affected by the scheme including residents, landlords, managing agents, other stakeholders including the police and other housing providers operating in the area. This is completed by:-
 - Online consultation for residents and landlords
 - Postal consultation for the whole of the area
 - Focus Groups
24. The administrative function of selective licencing includes processing and issuing licences, revoking licences and undertaking prosecutions for non-compliance with the requirement to hold a licence and monitoring of the scheme. As these duties are part of the wider team function it is estimated these costs equate to approximately £60,000 until the area is fully licenced.
25. The Management function of selective licensing includes undertaking Housing Health & Safety Rating System inspections (HHSRS) of all licensable properties, enforcing management standards in line with the licence conditions, undertaking prosecutions for breach of licence conditions, resolving landlord and tenant disputes, assisting landlords with anti-social behaviour from their tenants, housing prospective tenants in appropriate accommodation, with appropriate support if required and resolving issues that could lead to illegal eviction. These duties are again part of the wider role and are resource intensive.

26. Based on these calculations, staff resources for the three designations would equate to approximately £235,000 for a 5 year scheme. Selective licensing attracts £450 per property generating a total income of £180,000 for a 5 year scheme of 400 properties. This income partially funds the cost of administering the scheme but would never be self-financing. Selective licensing is therefore costly to deliver and within the current financial context, further roll out appears unlikely.

Landlord Accreditation Scheme

27. A landlord accreditation scheme could be an alternative to selective licensing and this is currently being piloted within the County.
28. Landlord accreditation schemes have been developed over the last 15 years and are used as a quality mark to demonstrate that accredited landlords meet agreed standards and that this has been checked and verified by the accrediting body. Landlord accreditation schemes are voluntary and are designed to improve both management standards and property standards.
29. Management standards are improved by setting out what practices must be adopted as a minimum to achieve accreditation and by supporting development within the sector through sharing best practice and offering further training and development opportunities.
30. Accreditation schemes improve housing conditions by setting out minimum standards to achieve accreditation. These can either be self-certified, with recourse for tenants if they feel that the standards are not being achieved or inspected and verified by the accrediting body.
31. It is proposed as part of the development of the private rented sector in the County, that the County Council launches its own landlord accreditation scheme, encouraging all Durham private landlords to become members.
32. The Durham Landlord Accreditation Scheme will:-
- Offer landlords the option of advertising their properties through the Council's letting scheme, Durham Key Options (DKO) – this is already being piloted with a number of landlords.
 - Offer all tenants housed in private rented accommodation through DKO support tailored to their needs, provided by the Council's floating support provider, Stonham Housing.
 - Enable landlords to request a reference for tenants who have come to them through DKO, supporting them in providing better management services.
 - Offer landlords advice and training to improve their working practices.

- Offer Landlords a single point of contact if they have issues with any tenants. This proactive service would also help to reduce illegal evictions and prevent homelessness.
 - Ensure property standards are maintained and improved, with property inspections for the first property advertised by a landlord, followed by a 10% check.
33. The development of a landlord accreditation scheme will help the Council to develop its understanding of the private rented sector, how it operates and is developing in the County.
34. Joint working across DCC teams would also be further developed and enhanced to ensure a co-ordinated approach to the private sector. Discussions have already been initiated with Environment, Health and Consumer Protection and Revenues & Benefits.
35. The costs of providing the services of the Accreditation Scheme will be met through a fee charged to landlords to become accredited and to enjoy the benefits of the scheme. Over the next few years it is estimated that the scheme will generate sufficient funds to be self-financing.
36. Encouraging landlords to register with the Landlord Accreditation Scheme and to advertise properties through DKO will have the following benefits:-

For the Owner / Landlord:-

- Increased income and / or return on investment
- Reference and police checks for future tenants
- Access to waiting lists of applicants
- Low cost advertising of properties
- Access to training and information sharing
- Support with the tenancy and tenant

For the Community:-

- Helps to address decline in the area
- Reduces anti-social behaviour
- Delivers additional affordable homes
- Increases confidence and appearance in the area

For the Local Authority:-

- Assists in meeting housing need, reducing the number of people on the housing register
- Improves housing conditions
- Produces better relations between local authorities and the private sector landlords

37. It is proposed that the accreditation scheme will go live in April 2015, however a pilot is currently in operation in South Moor and New Kyo.
38. Both these areas have a high percentage of private rented properties:

	South Moor	New Kyo	Total	%
Total Number of Properties	640	412	1052	
Total RSL	60	18	78	7.4%
Total Private Rented	299	186	485	46.1%
Total Owner Occupied	281	208	489	46.5%
Total Long Term Empty	50	23	73	6.9%
Total Short Term Empty	43	19	62	5.9%

39. A project group has been established with 'buy-in' from both internal and external partners. The project group meets monthly to discuss, monitor and address any issues raised and is reporting positive progress on the scheme to date. In terms of external partners, the Police, Stonham, SHAID, Derwentside Homes, Durham & Darlington Fire & Rescue Service and a representative from Derwentside Private Landlord Association are involved and all agencies have to date strongly welcomed the accreditation scheme.
40. Within the last 10 weeks the scheme has attracted 24 Accredited Landlords and 5 Accredited Agents with a total of 487 properties (88 within the accreditation area and 399 outside). In addition 13 properties have been advertised though Durham Key Options.

Conclusion

41. On the basis of the pilot accreditation scheme, early evidence is showing that landlords are keen to access the support available and local residents in the pilot area have welcomed the introduction of a scheme that aims to improve property conditions and management practices. Whilst it would be too ambitious to expect a Landlord Accreditation Scheme to address all issues within the private rented sector, work within the pilot scheme appears to show that such an approach makes a positive contribution to this growing agenda and is deliverable across the wide and diverse geography of County Durham. It is therefore recommended that the pilot scheme be extended across County Durham from April 2015.

Recommendations

42. It is recommended that Cabinet:-
- a) Note the actions being taken under the three objectives for improving standards in the private rented sector

- b) Agree to the introduction of a County wide Landlord Accreditation Scheme in April 2015

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Appendix 1: Implications

Finance –

The initial costs for the development and implementation of the Landlord Accreditation Scheme will be met within existing resources. There will be no additional budget requirement to deliver the scheme as detailed, with fee income to be set to ensure the scheme remains cost neutral.

Staffing –

There are no additional staffing resources required to implement the scheme, the existing pilot and future roll out will be administered through the Housing Solutions team. As the scheme is further developed, any additional staff requirements will be financed through fee income.

Risk –

A risk assessment has been undertaken for the implementation of the new scheme, with mitigation actions identified as appropriate.

Equality and Diversity / Public Sector Equality Duty –

An equality impact assessment will be completed once the scheme is operating countywide ensuring equal access to all groups. There is already an EIA in place for Durham Key Options (DKO) covering the process through which properties will be advertised and prospective tenants are able to bid for properties.

Accommodation –

None

Crime and Disorder – One of the initial drivers for seeking to provide improvements to the management of private sector housing was long standing concerns over anti-social behaviour and low level disorder associated with transient tenant groups and poor management practice. These issues will be addressed through the Accreditation Scheme as proposed. The police are a key partner in the accreditation scheme forming part of the projects steering group and in future will undertake the tenant referencing function as part of the new processes.

Human Rights –

None

Consultation –

Initial scheme design has been undertaken through a project group formed from internal services and external partners. Further consultation and any project refinement will be undertaken through lessons from the current pilot accreditation schemes in South Moor and New Kyo.

Procurement –

None

Disability Issues –

None

Legal Implications - There will be the need to consider and data protection issues around sharing information with landlords. This will be addressed by re drafting the declaration on the application form. In addition, landlords will have limited access to information.