

MAJOR REVIEWS IN 2015/16 - RAISING STANDARDS IN PRIVATE RENTED SECTOR ACCOMMODATION - WITNESS SESSION 1

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REASON FOR ITEM

To enable the Committee to gather evidence as part of their Major Review into 'Raising Standards In Private Rented Sector Accommodation'

OPTIONS AVAILABLE TO THE COMMITTEE

1. Question the witnesses
2. Highlight issues for further investigation.
3. To make a note of possible recommendations for the review.

BACKGROUND

At the Committee meeting on 22 April 2015, Members discussed a number of potential review topics for 2015/16 and requested officers to prepare a scoping report on *Raising Standards In Private Rented Sector Accommodation*.

At the 2 July 2015 meeting, a verbal overview of the Private Rented Sector in Hillingdon was given by Housing Officers to assist the Committee in narrowing the focus of the review. The scoping report was agreed at 30 July 2015 meeting.

For this review, there will be 3 witness sessions. The first of which will focus on providing a profile of the sector and its tenants and how this has changed for comparative purposes. It will also provide an overview of the impacts of recent benefits and other relevant legislation, and gives an insight into the (financial) accessibility of the sector.

INFORMATION

A profile of the Private Rented Sector and its tenants

The size and composition of the private rented sector and its occupants

Across the country the private rented sector has grown significantly and this has also been the case in both Hillingdon and in London as a whole. Table 1 below shows how the tenure make-up of LB Hillingdon changed between the 2001 and 2011 census. In 2011 the private rented sector made up 18.2% of the 100,214 households in Hillingdon. The Annual Property Survey suggests that by 2014 the proportion may have grown to as much as 28.2% (note: this is based on a sample survey and as such will be subject to a margin of error).

Table 1

LB Hillingdon	2001	2011	Difference
All Households	96,643	100,214	3,571
Owned; Owned Outright	27,367	27,921	554
Owned; Owned with a Mortgage or Loan	40,985	35,090	-5895
Shared Ownership (Part Owned and Part Rented)	1,322	1,280	-42
Social Rented; Rented from Council (Local Authority)	11,502	10,481	-1,021
Social Rented; Other	4,644	6,271	1,627
Private Rented; Private Landlord or Letting Agency	8,104	16,691	8,587
Private Rented; Other	2,719	1,450	-1,269
Living Rent Free		1,030	

Source: Census 2001 and 2011

There has been a shift from owner occupation to private renting. Outright owner occupation increased, but the number of households buying with a mortgage reduced by almost 6,000 households over this period. At the same time those letting from a private landlord or letting agency increased by over 8,500.

Results from the Survey of English Housing¹ show the following comparisons between the private rented sector and other housing tenures:

- During 2013/14, 35% of private renters moved home, compared to 9% of those in the social rented sector and 5% of home owners.
- Figure 1 below shows the length of residence in the current home by tenure across England in 2013/14. Just below 80% of private sector

¹ Survey of English Housing: Demographic and economic data on social and private renters. Tables published 10th August 2015, <https://www.gov.uk/government/statistical-data-sets/social-and-private-renters>

residents have been in their current home for less than five years and almost 70% have been in their home for less than three years.

- The age of household is considerably younger in the private rented sector than in other tenures. See Figure 2.

Figure 1

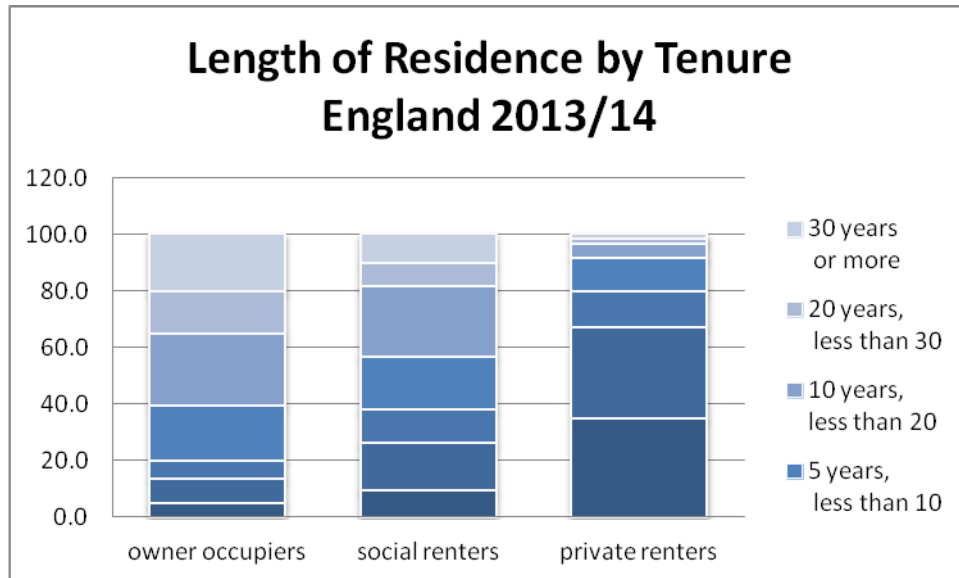
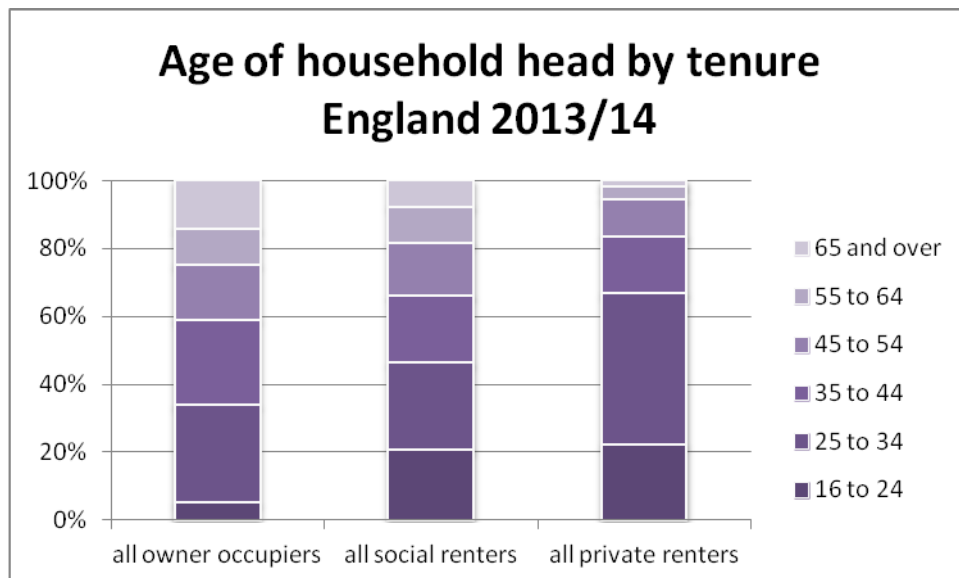


Figure 2



The differences within the private rented sector in different parts of Hillingdon

The number of households renting privately has increased in all wards in Hillingdon, but there is significant variation. The wards with the largest numbers of private renters are Heathrow Villages, Townfield, Uxbridge South,

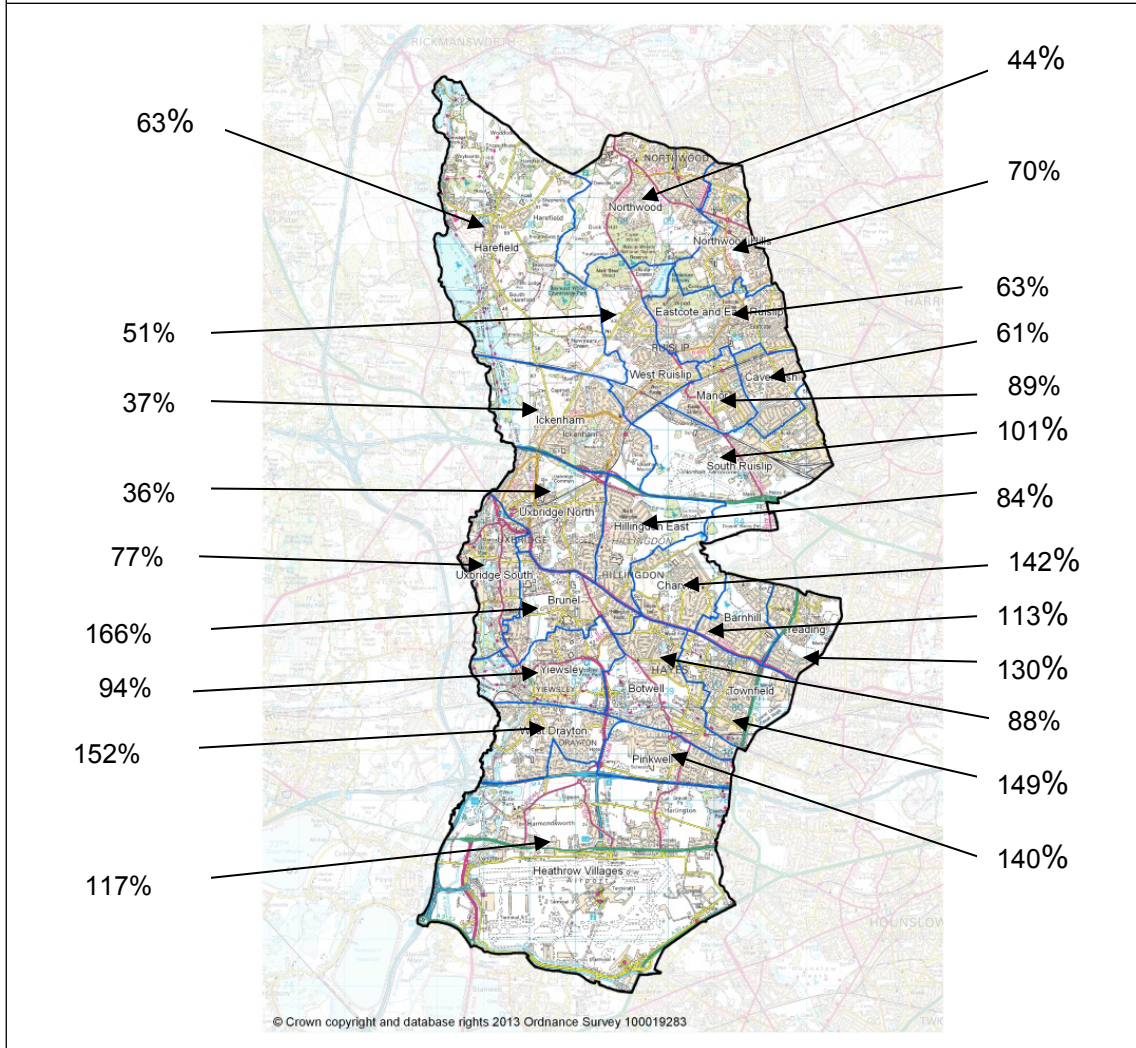
and Yiewsley. The biggest increase between the census years in the number of households renting privately was in Heathrow Villages (805) and the largest percentage increase was in Brunel (166%), owing in part to the continued expansion of the university. Within wards the percentage of households living in the private rented sector, at the time of the 2011 census ranged from 8.8% in Eastcote and East Ruislip to 35% in Heathrow Villages.

Table 2

Wards	2011 % of households in PRS	Households in PRS		Difference 2001 to 2011	% inc 2001 to 2011
		2001	2011		
Barnhill	21.7%	413	881	468	113
Botwell	21.1%	526	988	462	88
Brunel	21.8%	354	943	589	166
Cavendish	10.1%	258	416	158	61
Charville	17%	285	691	406	142
Eastcote and East Ruislip	8.8%	239	390	151	63
Harefield	11.3%	188	307	119	63
Heathrow Villages	35%	690	1,495	805	117
Hillingdon East	15.4%	361	664	303	84
Ickenham	9.4%	251	345	94	37
Manor	14.1%	316	597	281	89
Northwood	21.2%	630	908	278	44
Northwood Hills	17.1%	443	753	310	70
Pinkwell	20.7%	385	924	539	140
South Ruislip	19.7%	440	884	444	101
Townfield	22.8%	402	1,002	600	149
Uxbridge North	19.4%	637	867	230	36
Uxbridge South	26.4%	705	1,246	541	77
West Drayton	19.5%	395	997	602	152
West Ruislip	19.7%	567	856	289	51
Yeading	21.2%	394	906	512	130
Yiewsley	22.6%	557	1,081	524	94

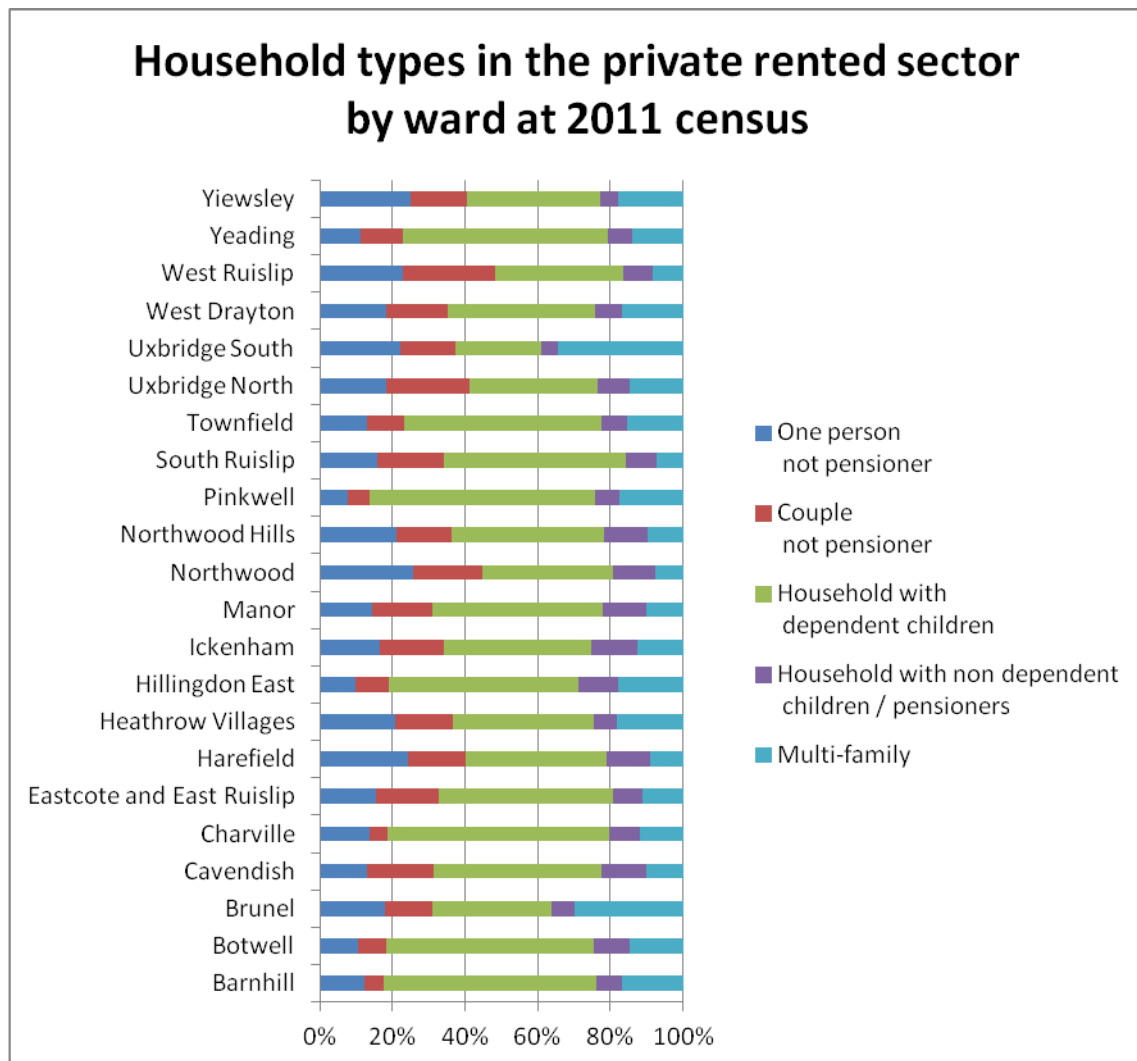
Figure 3

Map showing percentage increase in private rented sector households by Ward 2001 to 2011



The 2011 census data shows that households with children are the largest private rented sector client group in all LB Hillingdon wards and form more than half of all private rented sector households in 8 out of the 22 boroughs. In both Pinkwell and Charville the proportion was over 60% in 2011.

Figure 4



The various sub-markets within the sector

The private rented sector has expanded beyond its traditional student and young professional, single person and couples market and now houses a wide range of people. Tenants in the sector come from a range of backgrounds, affluence levels household type, age, and jobs. There are now many more families with children than was previously the case. Many households in the private rented sector are reliant on Housing Benefit.

Competition in the housing market comes not just from groups of households that previously entered owner occupation, but also from other borough councils. There are inter-borough monitoring arrangements in place through which we are made aware of placements in temporary accommodation made in our borough by other London Boroughs and likewise by LB Hillingdon to other boroughs. Many are short term placements in bed and breakfast but

some relate to longer term placements in leased properties. Local authorities also make available homelessness prevention incentives for clients to 'find their own' home. These incentives vary borough by borough and there is no available data through which we are able to track movements in to the borough that result from such incentives. It is also likely that there are additional families that decide for themselves to move given even higher rental costs in other London boroughs and housing benefit restrictions.

Professional portfolio landlords are increasingly willing to try operating bed and breakfast accommodation. LB Hillingdon has long standing leases which landlords have not been willing to renew but instead have been re-presented to us as bed and breakfast with a price premium. LB Hillingdon works with landlords to encourage them to make their properties available to the council for use through the 'Finder's Fee' or direct leasing scheme.

Current market trends and the effect this has had on the private rental market?

The growth of the private rented sector has been a defining feature of the housing market since the early 2000s. From housing 10% of households in England in 2000, it has grown to house 19% of households according to the latest English Housing Survey. The private rented sector in London forms a larger proportion of dwellings than it does in other parts of the country.

Savills conducted a You Gov survey of private renters in 2013 which found that some people were renting because they liked the flexibility offered and others stated that they were renting because they chose to invest their money elsewhere. Flexibility was of greater importance to affluent households but unsurprisingly it was deposit affordability that was the biggest barrier to home ownership and reason for renting across all market segments.

The availability of high loan to value lending (LTV) is still a long way from pre-2008 levels and the relatively high levels of deposits required means house purchase remains relatively expensive. The marginal cost of the top 5% slice of a 95% mortgage remains expensive compared to a 90% loan. The number of first time buyers is still historically low. In the five years before the credit crunch, 2.4 million first time buyers across the country bought homes with a mortgage. In the last five years, just half that number secured their first home. Those who in the past would have been purchasers are remaining longer in the parental home or moving into the private rented sector.

Driven partly by rising rents, particularly in London and the South East, the buy-to-let market is booming. A report by mortgage lender Kent Reliance shows landlords made £67.2bn in capital gains, and £44.3bn from rent in the year to March 2015.

Hillingdon is a housing hot spot and this poses significant problems for the borough in procuring properties, with rising house prices and rents that far exceed housing benefit subsidy.

The table below clearly illustrates the widening differential between what LB Hillingdon can claim within Housing Benefit subsidy rates and what the private market can command.

Table 3

Monthly Rent Comparisons from LHA, TA and PRS June 2015						
Area	2 Bed LHA	2 Bed TA Sub	2 Bed Market	3 Bed LHA	3 Bed TA Sub	3 Bed Market
Uxbridge, West Drayton, Hayes	£966	£810	£1,200	£1180	£990	£1,400
Differential	-£233	-£390		-£220	-£410	
Ruislip, Ickenham	£1050	£850	£1,350	£1313	£1120	£1,600
Differential	-£300	-£500		-£287	-£480	
Incentives	Circa £3700	Circa £3700	4-6 weeks deposit	Circa £4200	Circa £4200	4-6 weeks deposit
Scheme Type	Finder's Fee	Guaranteed Rental	N/A	Finder's Fee	Guaranteed Rental	N/A

(TA subsidy rate 90% 2011 LHA but excludes £40 management fee)

Welfare reform

Welfare reform is a key issue in current housing policy. The cap on Local Housing Allowance (LHA) rates means that welfare benefits will not cover the rental costs in the more expensive parts of inner London. This sets caps by bedsize with a current maximum of £417.02 for a 4 bed property. In addition an overall benefit cap restricts the amount of benefit that most people aged 16 to 64 can receive to £26,000 per annum (£500 a week) for a family and £18,000 (£350) for a single person. The cap includes Housing Benefit and it is applied by reducing the Housing Benefit or LHA payment. At the beginning of August 2015 there were 247 benefit capped households in LB Hillingdon. This number has remained fairly static although individual households move in and out. The majority of these are private sector tenancies. If a household is capped and has a bedsize need of 3 or more, there will not be dwellings available in Hillingdon with an affordable rent within the benefit cap. In total the Housing Benefit / Local Housing Allowance (LHA) caseload in the PRS in

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LB Hillingdon was 8,686 in May 2015 and there were a further 11,999 claimants in the social rented sector.

The total LHA caseload for London has begun to fall slightly, however this masks a picture of a shift in the caseload from out-of-work claimants to in-work claimants, and from inner London to outer London.

Welfare Reform and Work Bill

This is a Bill to make provision about reports on progress towards:

- full employment and the apprenticeships target;
- to make provision about reports on the effect of certain support for troubled families;
- to make provision about social mobility; to make provision about the benefit cap;
- to make provision about social security and tax credits;
- to make provision for loans for mortgage interest;
- and to make provision about social housing rents. It includes measure that impact directly on housing including lowering the benefit cap.

If passed, the new legislation would lower the benefit cap, so that the total amount of benefits to which a family on out of work benefits can be entitled to in a year will not exceed £20,000 for couples and lone parents, and £13,400 for single claimants, except in Greater London where the cap is set at £23,000 and £15,410 respectively. The legislation removes the link between the level of the cap and average earnings and the requirement for the Secretary of State to review the cap each year, replacing it with the requirement that the Secretary of State must review the cap at least once in each Parliament and allowing the Secretary of State to review it more regularly at their discretion.

It was announced in the Summer Budget that certain social security benefits, including child benefit, and certain elements of working tax credit and child tax credit would be frozen for four tax years starting from 2016-17 to 2019/20. This freeze includes Local Housing Allowance.

Private rental repossessions and the impact on homelessness

Market forces dictate it is very much a landlords market and this is pushing rents up and is also reflected in increased court possession activity. The latest Ministry of Justice (MoJ) figures show that 11,307 renting households in England and Wales were evicted from their homes in the first three months of 2015. This is an 8% rise on the same period in 2014 and the highest number recorded in a single quarter since 2009.

Landlord possession activity in Hillingdon has also increased in Q1 2015 compared to Q1 2014. The increase relates to accelerated landlord possessions under Section 21 of the Housing Act, which increased from 54 to

119 in this period. This could be either private or social landlord actions. Given the highly competitive housing market, the key challenge is to secure a supply of suitable, alternative and affordable accommodation for homeless households, ideally to quickly discharge any duty the Council may have by placing households in the private sector. The competition in the private rented sector for accommodation from private renters and other Local Authorities seeking to place families in Hillingdon is not only increasing the cost of securing private rented accommodation in Hillingdon it is also restricting the supply of affordable accommodation either as temporary accommodation or to place families to avoid homelessness. The result is the need to make greater use of higher cost Bed and Breakfast accommodation. In Hillingdon, nearly all new admissions to temporary accommodation are to Bed and Breakfast: running at approximately 7 a week.

An analysis of eligible, priority, homelessness cases shows more households had a need for a family sized property (3 bed) when comparing 2014/15 to 2013/14; 264 compared to 206 respectively. The most common reason for the priority eligible homeless approaches relate to loss of private rented sector tenancies. In quarter 4 2014/15, of the 380 such approaches from homeless families, 102 were because of the termination of an assured shorthold tenancy (AST) and a further 36 had a notice to quit.

Meeting the need from homeless families is, for the most part, the challenge in securing a stable and affordable supply of alternative accommodation in a very competitive housing market. Demand from homeless households needing to be accommodated has not altered significantly in recent years, but the available supply of temporary accommodation has, resulting in increased use of higher cost B&B accommodation as the availability of private sector leased accommodation has declined. All West London Boroughs have seen an increase in overall numbers of households in temporary accommodation.

Accessibility of the sector including the impact of rental costs and of welfare reform

Not surprisingly, the cost of private renting is very strongly correlated with average house prices. Areas with the highest median house prices also have the highest median rents. Hillingdon has one of the highest rates of property price growth in London. Land Registry data records that lower quartile house prices increased from £111,000 in 2001 to £235,000 in 2014. The Rightmove Index reported a Hillingdon average house price in July 2015 of £444,266 and an annual increase of 17.9%. This index is based on asking prices. The most recent sales data from the Land Registry House Price Index, for June 2015, shows an average price of £342,662 and an annual increase of 15.2%. Knight Frank argues that transport is particularly important in the London property market and Crossrail is driving increased prices near stations along the east/west route which includes Hayes and West Drayton.

Office for National Statistics analysis for 2014 shows a median monthly rent in Hillingdon of £1,138 alongside a median salary of £2,216. Median monthly rent as a % of median gross salary is 51.35%. Comparative percentages for other London boroughs range from 40.39% in Bexley to 78.30% in Westminster. Other West London comparators include Hounslow 58.33%, Brent 65.33% and Ealing 58.34%.

The lower quartile house price to earning ratio for Hillingdon in 2014 was 10.57 compared to 6.19 in 2001. This is evidence of a growing gap between earning and house prices.

Likely future trends

With house prices expected to remain high relative to incomes for some time, it is likely that Hillingdon will continue to see the private rental market expand with people living in it for longer. It is expected that the new pension rules which came into force in April 2015 giving retirees the freedom to spend their pension pot as they wish, will see some investing in rental property. Kent Reliance forecasts that by 2020 the total number of rented homes will have soared from 4.8m currently to 5.5m, representing about one in five households.

Forecast growth in private rental housing numbers

5 year forecast England and Wales	No. Of Households (millions)		Forecast change		% of Households	
	2014	2019	Millions	%	2014	2019
Owner Occupiers	14.87	14.67	-0.2	-1.4%	62%	59%
Private Renters	4.86	6.04	+1.2	+24.3%	20%	24%
Social Renters	4.09	4.04	-0.05	-1.1%	17%	16%

Source: Savills Research

The over 65 are the only age group where numbers of private renters are forecast to fall. Around 80 per cent of over 65s are expected to be owner occupiers by 2019.

Homes in the private rented sector are more likely to be in poorer condition than other tenures. 30% are non-decent compared to 19% of owner-occupied and only 15% of social rented homes according to the English Housing Survey. With the prospect of growing demand, there has been a welcome increase in interest in the sector from institutional investors and this should help improve the quality of the sector.

Government have introduced protection for tenants against “retaliatory

eviction” where they have a legitimate complaint, and have introduced measures to ensure fairness for landlords, making the eviction process more straightforward in appropriate circumstances such as the persistent non-payment of rent. These changes will also come into effect in October 2015. Subject to Parliamentary approval from October 2015, landlords will also be required to install smoke alarms on every floor of their property, and test them at the start of every tenancy, and to install carbon monoxide alarms in high risk rooms.

Immigration Bill

Measures in the forthcoming Immigration Bill will enable landlords to evict illegal immigrant tenants more easily, by giving them the means to end a tenancy when a person’s leave to remain in the UK ends - in some circumstances without a court order.

This will be triggered by a notice issued by the Home Office confirming that the tenant no longer has the right to rent in the UK. The landlord would then be expected to take action to ensure that the illegal immigrant tenant or occupant leaves the property.

Landlords will be also required to conduct “Right to Rent” checks on their tenants’ immigration status before offering a tenancy agreement.

There will be a new criminal offence targeted at unscrupulous landlords and agents who repeatedly fail to conduct the “right to rent” checks or fail to take steps to remove illegal immigrants from their property. These landlords may face a fine, up to 5 years imprisonment and further sanctions under the Proceeds of Crime Act.

Forthcoming legislation will create a blacklist of persistent rogue landlords and letting agents, helping councils to focus their enforcement action on where it is most needed, and keeping track of those who have been convicted of housing offences.

And new measures will prevent a landlord or letting agent from renting out of properties if they are repeat offenders.

The Department for Communities and Local Government have issued a technical discussion paper on 'Tackling rogue landlords and improving the private rental sector'.

This sets out the proposals for a blacklist of rogue landlords and letting agents, tougher penalties for the worst offenders, extending Rent Repayment Orders and introducing civil penalties.

The report also invites views on tackling the problem of abandonment in the sector, where a tenant simply disappears, leaving the landlord uncertain over their right to repossess.

A separate discussion document about the proposed extension of mandatory licensing for Houses in Multiple Occupation is to be published in due course.

Housing conditions - complaints about standards in the private rented sector

Hillingdon currently employs 4.1 full time equivalent posts as "housing standards officers" (5 staff members two of whom are part time). The team was larger than this, but work has been re-organised to allow these officers to concentrate on raising standards in the private rented sector. Work has been re-assigned to other teams which concentrate on nuisance from rented properties, grants and adaptations to private properties and procuring new landlords and in-house leased properties. The housing standards team is therefore well placed to deal with complaints about standards, in:

- private rented single dwellings
- houses of multiple occupation (HMOs)
- temporary accommodation, such as bed and breakfast hotels
- mobile homes and caravan sites

Where the council provides the accommodation, such in properties leased direct from landlords or through agents such as Orchard and Shipman, the standards team will make sure that adequate standards of accommodation are provided. Where the tenant has a tenancy agreement with the landlord independent of the council, the council's primary role is to respond to complaints from tenants about hazardous conditions, rather than quality or value for money issues which are matters between the tenants and the landlord.

Hazards are assessed under the government's Housing Health and Safety Rating Scheme, introduced to support the enforcement measures in the Housing Act 2004. The most common hazard types in Hillingdon are shown in this table:

Housing Standards	January	February	March	April	May	June	Sum:
PSH HS - Damp and Mould Growth	30	29	18	19	8	12	116
PSH HS - Excess Cold	12	8	1	4		1	26
PSH HS - Pest and Infestation	9	5	1	3	2	6	26
PSH HS - Electricity	7			5	2	4	18
PSH HS - Sanitation and drainage		3	1	3	5	3	15
PSH HS - Gas	4	1		2	2	4	13
PSH HS - Structural collapse	1	3	2	2	2	2	12
PSH HS - Water Supply	1	2	2	3	1	2	11
PSH HS - Lack of Cooking Facilities	1			2	2	4	9
PSH HS - Trips and falls	1	1	1	1		1	5
PSH HS - Fire - Hazards	2						2
PSH HS - Crowding and space				1			1
Sum:	68	52	26	45	24	39	254

Enforcement options include a Hazard Awareness Notice, an Improvement Notice or in extreme cases Emergency Remedial Action, Prohibition Notice or prosecution for non-compliance with the regulations for HMOs. Council officers are obliged to notify landlords when visiting their properties and cannot prevent a landlord from being present. In most cases, even when there is friction between landlord and tenant, conditions can be improved by informal action and landlord agreement.

For example, cases closed between April and June 2015 were dealt with in the following ways:

Improvement notice	1
Informal action	34
No action required	10
Other notice	2