

Bleak Houses

Improving London's private rented housing

December 2011



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**Greater London Authority
December 2011**

Published by
Greater London Authority
City Hall
The Queen's Walk
More London
London SE1 2AA
www.london.gov.uk

enquiries 020 7983 4100
minicom 020 7983 4458

ISBN

This publication is printed on recycled paper

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Terms of reference

- To assess London's private rented housing sector in relation to its state of repair, the standard of facilities provided and the degree of comfort, health, energy and water efficiency it provides;
- To assess wider opportunities for improving London's private rented housing and whether there is a need for the Mayor to co-ordinate further efforts to improve this sector;
- To review any examples of improvement programmes being run by London boroughs or community enterprises that might offer scope for the wider application across London.

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Chair's foreword



The private rented sector is the only growing housing tenure in London, almost doubling in size over the last ten years. One in four London households now rents privately. But public policy has not kept pace with this growth and dealt with the problems that many private tenants face.

To give one example, London boroughs subsidise private rentals by more than £400 million a year without securing decent housing conditions or increased security of tenure in return.

About a third of privately rented homes fail to meet the 'decent homes' standard used in the social rented sector, and one in three private landlords is considered to be 'rogue', leaving tenants at the mercy of poor conditions or sudden eviction.

Sadly, rogue landlords are once again becoming the public face of a sector that is, in many ways, a success story. But we heard that it isn't just the most vulnerable tenants suffering poor conditions at the hands of the worst landlords. Well meaning but poorly informed landlords struggle to invest in repairs, and relatively well off tenants can be evicted at short notice in retaliation when they ask for repairs from cash-strapped landlords.

But we also heard about positive efforts to enforce health and safety standards and to take rogue landlords out of the picture. This report makes recommendations to build on this good work and to reinforce it with clear standards for landlords and properties that are rigorously enforced, with more secure tenants better able to exercise their rights and with better incentives for landlords to invest in well maintained homes.

The private rented sector will continue to grow in London in coming years, and is increasingly taking on the functions of the social rented sector. In view of this, the Mayor needs to accord it the same priority. Standards must be more widely understood and enforced, and both tenants and landlords should feel confident and secure about their future.

A handwritten signature in black ink that reads "Jenny Jones". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Jenny Jones AM

Chair of the Planning and Housing Committee

Executive summary

London's private rented sector is growing rapidly and now represents some 850,000 homes in the capital. It has nearly doubled in size in the last ten years. One in four households in London now rent privately.

There are many reasons for this growth. Legislative and financial reforms that introduced short-hold tenancies, lifted rent controls and introduced buy-to-let mortgages stimulated the supply of private rented homes. More recently, and especially in London, the rising cost of home ownership (where the average house price is 14 times the average salary) and the relative lack of social rented housing has "pushed" many more people into the sector.

These trends look to continue well into the future and the Mayor has recognised that, if the private rented sector is to play an increasing role in housing Londoners, it must be a viable housing option for a broad spectrum of London households. The two key issues identified by the Committee are: improving physical conditions in the sector and making it an attractive long-term housing option for families.

Previously, private renting provided housing for those who had just arrived in London or for mobile workers who needed the flexibility the sector provides. But now different types of households are renting privately. Furthermore, as a result of the Localism Act, the private rented sector will increasingly be housing households on low incomes and in receipt of benefits, and it will house a large number of families with children; a situation that requires guaranteed minimum standards of comfort and long tenancies. These are characteristics traditionally lacking in the private rented sector.

The private rented sector needs to offer good housing conditions and be well managed. However, property conditions in the private rented sector, while improving, are still worse than in either social housing or owner occupation. About a third of the private rented sector in London (some 280,500 homes) fails to meet the 'decent homes' standard set for social rent homes and the sector contains one and a half times as many dwellings with serious health and safety hazards compared to the owner occupied sector.

The scale of the problem is huge and the Committee estimates that the cost to make London's private rented sector 'decent' is probably over £1.4 billion – comparable to the total budget for affordable

housing that is planned to build more than 54,000 new homes over the next four years.

Some sections of the private rented sector are receiving increasing amounts of public subsidy through housing benefits paid to landlords – more than £400 million annually by some estimates – and so it is right that these landlords should provide decent homes for all that live there.

London needs to adopt an achievable minimum standard of housing in the private rented sector that applies to landlords and their properties, something akin to the ‘decent homes’ standard that is applied to the social rented sector. The Mayor, in conjunction with London boroughs and the private rented sector, should develop a London ‘accreditation badge’ that sets acceptable housing standards in this tenure.

Landlords, estate agents and managing agents need to be encouraged to ensure the properties they advertise and rent meet this standard. Local authorities should ensure that they only discharge their duty of homelessness by offering housing in the private rented sector that meets them. Tenants and prospective tenants need to be aware of what the accreditation standard is and more effective monitoring is needed to ensure private landlords continue to meet these standards.

For a minority of landlords, often termed ‘rogue’ landlords, no amount of encouragement or incentives to improve will work. In his revised London Housing Strategy, the Mayor should review the selective licensing approach that Newham is implementing, in terms of its cost effectiveness and ability to target improvements in the worst private rented sector housing. The Committee views this as one of a number of possible approaches that could prove valuable in terms of targeting rogue private sector landlords and poor quality housing in London boroughs.

The difference in the length of tenancy traditionally provided by the social rented sector (until now typically a ‘lifetime’ tenancy) and the shorter tenancy characteristic of private rented housing, raises another key issue that needs to be addressed if this sector is to provide an attractive option in the future.

Most people who rent privately have an Assured Shorthold Tenancy that lasts for six months or one year. Landlords offering this type of tenancy only need to give two months' notice to evict the tenant, and can give notice at any time after the first four months without needing to provide a reason. Because of this, many tenants are reluctant to challenge their landlord or exercise their rights for fear of being evicted – known as 'retaliatory eviction'. Families need the security of long tenancies as this is vital for bringing up children, for example in terms of planning for schools.

The Government's new Affordable Rent model is expected to offer flexible tenancies for at least five years in the majority of cases, since it recognises that stability for families is important. This may offer a "way in" to justify longer tenancies in the private rented sector.

There are many ways in which longer tenancies could be encouraged, for example by using Localism Act regulations to recognise the issues of longer tenancies and retaliatory eviction to promote security; and the Mayor should lobby Government to examine this in forthcoming regulations.

The Mayor also needs to encourage London boroughs that intend to house people in the private rented sector to negotiate longer tenancy agreements with private landlords before the tenants are placed in these homes. Where local authorities discharge their duty of homelessness to families into the private rented sector, there should be an aim towards a minimum tenancy offer of five years as long as there are no adverse impacts on flexibility and supply.

Financial incentives are another potential source of improvement; for example, the Government could explore offering tax incentives to landlords who offer longer tenancies. The Mayor should also ensure contracts he signs with housing providers (where public subsidy is given for new mixed tenure housing developments) encourage landlords of private rented sector homes offer a range of tenancy lengths to support tenants in this sector.

1. Introduction

- 1.1 The private rented sector is once again a large and important housing option in London. Two generations ago, it was more common for Londoners to rent from a private landlord than to own their own homes or live in a council house. Over the course of the next 50 years, the fortunes of the private rented sector shifted dramatically. It fell to a third of its former size by 1991 (only 14 per cent of homes), but has bounced back. It now houses around one quarter of all Londoners.
- 1.2 After years of decline, we are seeing more and more people renting their homes from private landlords. At present, the private rented sector is the only growing housing tenure in London. Between 2000 and 2010, the private rented sector grew from 464,000 households to 850,000 (an increase of 83 per cent). In 2010, 25.8 per cent of all London households were in the private rented sector – compared with an average for England of 17.4 per cent.
- 1.3 With its re-emergence, its role has also changed. At its low point, around 1990, it provided a kind of ‘niche’ housing service for those who had just arrived in London or for those mobile workers who needed the kind of flexibility it provided. Now it represents a large and important sector, housing a wide range of different people.
- 1.4 There are many reasons for the growth of this sector. Appendix 1 sets out these in more detail and includes:
 - The trends in size and proportion of the sector relative to the rest of the country and other countries, as well as its distribution across London;
 - An analysis of the financial implications of this growth in terms of rising levels of rent and public subsidy; and,
 - A picture of who rents, and who lets.
- 1.5 The cost of home ownership in London means it is ever more difficult for first time buyers to get onto the housing ladder. If they choose to stay in the city, it means they will be more likely to spend longer in private rented housing than the previous two generations of Londoners and may well want to start their families there. Increasingly, the private rented sector is being used to house the homeless, as a result of measures in the Localism Act. The private sector could therefore be housing more families with children and other vulnerable households that previously may have lived in social rented housing, if they had reached the top of the waiting list. In social rented housing they would have benefitted from officially

defined minimum standards relating to property condition and security of tenure that are not available in the private sector.

- 1.6 Because the private rented sector is forecast to grow, it needs to offer good housing conditions that are well managed. However, property conditions in the private rented sector, while improving, are still worse than in either social housing or owner occupation. Appendix 2 provides a snapshot of the physical condition of London's private housing in terms of its relationship to the "Decent Homes" standard, health and safety hazards, and the estimated costs of bringing the sector up to standard.
- 1.7 Generally, London's private rented housing stock is old: nearly half date before 1919 and were built to a standard that falls below modern requirements. In England, 40 per cent of private rented property failed to meet the 'Decent Homes' standard in 2006¹ - although the private rented sector in London appears to be in a better condition.
- 1.8 The private rented sector is less energy efficient and has less insulation, double-glazing and central heating. The sector also contains more fire risks than other housing tenures. About a third are converted flats and a third are purpose built flats. Terraced housing forms much of the remainder.
- 1.9 The Mayor has recognised that, if the private rented sector is to play an increasing role in housing Londoners, it must offer an attractive environment, so improving conditions in this sector is a key priority for everyone involved. The sector is featuring with increasing importance in the Mayor's housing strategy for London as it evolves over time. The Mayor is working to provide more private rented homes and improve the sector as a whole but the Committee is of the view that more can be done.
- 1.10 This report looks at what more needs to be done if the private rented sector is to offer a standard and quality of housing that is generally equivalent to that found in the social housing or home ownership sectors. It looks to offer answers to the following questions:
 - How can the physical standard of the private rented sector be improved?
 - How can the quality of service given by private rented sector landlords and letting agents be raised?

- How can tenants be properly protected from poor conditions?
And;
- What is the future for the private rented sector in London and how does it need to change so that housing conditions for families are enhanced?

1.11 The analysis is based on a range of written views from stakeholders across London², two meetings with experts representing the key players in the sector³, a visit to Newham's Neighbourhood Improvement Zone in September 2011, and a specially commissioned report that looked at the physical state of London's private rented housing.⁴ The evidence base is set out in Appendix 3.

1.12 The report's conclusions highlight significant improvements that need to be made and make specific recommendations to the Mayor for inclusion in his proposals to revise the Housing Strategy.⁵

2. Improving conditions in London's private rented sector

2.1 This section of the report looks at how the private rented sector is regulated in terms of identifying poor housing conditions and the ways boroughs are trying to work with landlords to effect improvements. The scope for establishing a minimum property standard is explored, alongside a discussion on the adequacy of existing regulations that apply to the sector and the enforcement of these regulations.

The scale of the problem

2.2 From the survey data set out in Appendix 2, the Committee estimates that the cost to make London's private rented sector 'decent' is probably over £1.4 billion.⁶ This is a huge figure and compares with, for example, the £1.8 billion budget allocated to London through government subsidy for building more than 54,000 new affordable homes from 2011 to 2015.

2.3 As set out above (in paragraphs 1.7 and 1.8), one of the principal explanatory factors with regard to poor conditions in the private rented sector is the age of the stock. Many properties in the private rented sector were built to lower standards than would be required of modern buildings.

2.4 The sector is in a worse condition than other tenures. About a third of the private rented sector in London fails to meet the Decent Homes standard – and this equates to some 280,500 homes. The sector contains one and a half times as many dwellings with serious hazards (compared to the owner occupied sector) that pose risks to the health and safety of their occupants.

Statutory standards relating to housing conditions

2.5 There is no equivalent in the private rented sector to the Decent Homes standard that exists in the social rented sector. Instead, local authorities can assess private rented sector properties in relation to hazards under the Housing Health and Safety Rating System (HHSRS).

2.6 The HHSRS is a system designed to show whether dwellings pose a risk to the health and safety of their occupants. It focuses on threats to health and safety rather than degrees of comfort and convenience.⁷

2.7 Local authorities have extensive powers under the Housing Act 2004 to help improve the management of the private rented sector. They have powers to assess the risks and hazards in all privately rented

properties. If a property is found to contain serious hazards, the local authority has a duty to take action.

- 2.8 The local authority is able to instruct the landlord or person responsible for management to undertake any works necessary to ensure the property is safe. If, following formal action, the landlord fails to carry out the necessary works, local authorities have powers to carry out the works themselves and recoup the costs from the landlord.
- 2.9 However, both the National Landlords Association and Chartered Institute of Environmental Health highlight the fact that the standards required of private landlords by different London councils can vary considerably across boroughs. This can cause confusion for some property owners in terms of knowing what is required of them.⁸

Obstacles to improvements

- 2.10 The continued existence of poor conditions in the private rented sector suggests that there are still barriers to improvement. One of the principal factors for this in London is the continued imbalance between the demand and supply of private rented housing. As the London borough of Redbridge put it, "It would usually be expected that competition in this market would improve standards and keep rents at a reasonable rate. However, the demand for private rented properties is now so great that the opposite is taking place, with standards declining and rents increasing."⁹ Over the period 1994 to 2007 rents in London, already twice as high as the rest of England, more than doubled.¹⁰ Appendix 4 sets out private sector rents by London borough.
- 2.11 Other factors include the lack of financial incentives for landlords to improve the condition of their properties and, in many cases, the lack of pressure from tenants who may feel unable to demand their landlords make sufficient physical improvements to their rented homes for fear of eviction.
- 2.12 Greater efforts are required to upgrade the sector, and the Committee reviewed a number of approaches that may offer the potential for delivering real improvements to the quality of private rented sector housing.

Policy levers for improving conditions in the private sector

- 2.13 In relation to improving physical conditions in the private rented sector two distinct areas have been identified: hazards in relation to the health and safety of tenants and, perhaps more prevalent, issues relating to the “thermal comfort” given by the properties. These need different measures and approaches to effect the improvements needed.
- 2.14 Alongside the existing statutory local authority powers, a number of other policy options exist that could give landlords, tenants and local authorities the opportunity to improve conditions. These include identifying a minimum standard for privately rented homes, introduced either by the Mayor (through some kind of accreditation standard) or by the government as part of its housing reforms through supporting regulations to the Localism Act.
- 2.15 Alongside Mayoral initiatives such as the RE:NEW programme, landlords will be required to improve the energy efficiency of the sector through new minimum energy efficiency standards set out in the Energy Act (2011). The Green Deal will also enable the provision of fixed improvements to the energy efficiency of households (as well as non-domestic properties), funded by a charge on energy bills that avoids the need for consumers to pay upfront costs. Further details of these initiatives are set out in Appendix 5 and are covered in the Assembly’s Health and Public Services Committee report on fuel poverty in London.

Borough improvement programmes

- 2.16 The Committee also received evidence that there are a number of examples of where local authorities have provided grants and assistance to improve the physical condition of the private rented sector.
- Camden has completed a one-year project in 2011 that targeted homeowners and tenants in privately owned blocks of flats where 487 flats in 53 blocks received loft and cavity wall insulation.¹¹
 - Redbridge has provided energy efficiency measures to vulnerable private tenants including a basic hazard-spotting survey, so that serious hazards which are not heating related, are reported to the enforcement team to take action.¹²
 - Southwark’s Private Rented Housing Improvement Project tackled nearly 100 houses in multiple occupation and succeeded in improving conditions for 540 people.¹³

A London standard supported by the Mayor?

- 2.17 Statutory standards do exist (as set out above) however, the profile of London's private landlords suggests that more needs to be done to emphasise the importance of reaching minimum acceptable housing standards. The vast majority of landlords are "amateur landlords with no particular qualification in managing property".¹⁴ Recent CLG figures suggest 89 per cent of landlords are individuals as opposed to companies and they are responsible for 71 per cent of all privately rented properties (further details of who rents and who are the landlords are set out in Appendix 6). It is vital that these landlords understand that they are expected to behave responsibly in terms of the minimum conditions of properties they let to Londoners.
- 2.18 There was consensus in the submissions to the Committee that local authorities need to be certain that, when they house families in the private rented sector, and particularly where public subsidy is required, these properties meet certain minimum standards, and that these standards should generally accord with the Decent Homes standard.¹⁵
- 2.19 The Committee supports the Government's thinking that emerged during the Commons Report stage of the Localism Bill. This would seek a minimum standard for private rented housing where homeless households are offered accommodation in this sector by local authorities.¹⁶ The Committee urges the Government to set out the minimum required standards of private rented sector accommodation offered by local authorities in subsequent regulations affecting the implementation of homelessness measures in the Localism Act.
- 2.20 In order to create an incentive for private landlords to meet agreed physical standards, the Mayor's Housing Taskforce set out a case for the Mayor, London boroughs and the housing sector to develop a 'kitemark' – or some kind of 'accreditation badge'. This could be published annually so that Londoners can make informed choices.¹⁷ The resulting quality mark or badge would guarantee a property meets a certain minimum standard (equivalent to the Decent Homes standard) so that local authorities would be assured that tenants would be housed in suitable accommodation.
- 2.21 The Committee believes that there is a strong case for an achievable minimum standard in the private rented sector. Local authorities need to be reassured that families they house in this sector will live in decent rented homes. This conclusion is reinforced by the fact that an

increasing amount of public subsidy is received by private landlords in the form of housing benefits and allowances.

- 2.22 The Committee agrees with a recently published report commissioned by the Mayor that “London needs a top-down drive to support accreditation and to give it some political impetus.”¹⁸ We also need this political leadership to promote pan-London standards in the private sector. This will reassure boroughs that families, placed by them in other boroughs, get housing that meets minimum standards of quality.

Recommendation 1

The Mayor, in conjunction with London boroughs and the private rented housing sector, develops a ‘kitemark’ for London’s private rented housing in the form of an ‘accreditation badge’ that sets out an achievable minimum standard in the private rented sector that applies to landlords and property, in his forthcoming revision to the housing strategy.

This should be accompanied by a comprehensive publicity campaign to ensure that tenants and prospective tenants are aware of the accreditation scheme, as well as an appropriate monitoring regime to ensure that landlords continue to meet the accreditation requirements.

Recommendation 2

The Mayor should set out in his housing strategy how he will work with estate and managing agents to encourage them to require rented properties to have the ‘accreditation badge’ before advertising them for rent. Local authorities should ensure that they only discharge their duty of homelessness by offering housing in the private rented sector that meet minimum standards based on the Mayor’s ‘accreditation badge’ once this has been established.

Financial incentives to landlords

- 2.23 There are a number of theories that explain why there is continuing poor physical conditions in many private rented homes. These include:

- Landlords face a number of financial disincentives to keep property in good repair. According to the English House Condition Survey, gross rental yields are higher on non-decent homes than on homes that were decent.
- Some landlords, especially those in the housing benefit market, claim that their profit margins are too small for them to be able to afford to carry out repairs on their properties.¹⁹
- Research on landlords' rent-setting strategies has indicated that landlords often simply seek to cover their mortgage costs, or aim to slightly undercut the market rate as a way of keeping good tenants and so do not have financial reserves to pay for repairs.
- Landlords may be able to use their rental income to effect ongoing maintenance and repairs, but may not have access to larger capital sums to effect substantial improvements, such as damp-proofing and the installation of central heating.

2.24 In the UK, landlords cannot claim any kind of depreciation allowance for residential dwellings to contribute to upgrading their property. The way that income from rents is taxed, or the existence or investment in private rented housing is encouraged, through tax breaks, varies in other countries, but, as a London School of Economics study found, "in many the tax regimes are rather more favourable to landlords. Both depreciation and the setting of rental losses against other income (often called 'negative gearing') are allowable in Germany, France, the USA and Australia" ... "In Germany, for example, landlords can deduct mortgage interest, and allowances for depreciation and expenses incurred on the administration and the refurbishment of a dwelling can be deducted from their total taxable income."²⁰

2.25 Landlords in London, especially the smaller ones, do not seem to regard the long-term maintenance of their property as a priority and the tax system does not reward them for addressing the issue. Financial incentives are needed to encourage landlords to want to invest in improving their properties.²¹ These would complement the other initiatives detailed in Appendix 5.

Recommendation 3

The Government should review the viability of tax incentives to private landlords with the aim of encouraging them to make physical improvements in their property.

Is more regulation needed?

- 2.26 Despite the existence of statutory powers to enforce against poor conditions in the private rented sector, some commentators believe the current framework is inadequate. There is a debate about whether more regulation would stifle the supply of new private rented sector housing or if it is necessary to deal with abuses in the sector.
- 2.27 Shelter argues that there is little evidence that current regulations are having a significant impact on improving the physical condition of properties in the private rented sector - "boroughs are very unlikely to prosecute landlords who break the law, and if they do prosecute, the punishment for landlords barely acts as a deterrent".²²
- 2.28 The National Landlords Association takes the counter view and argues "the more regulation the higher the costs", a viewpoint that individual landlords have reported to the Chartered Institute of Environmental Health (although this is not a position supported by the Institute).²³
- 2.29 It is difficult to judge the effect of further regulation on the supply of private rented accommodation. A recent London School of Economics report concluded "countries [with previous] experience of heavy and inflexible regulation with respect to rents and security are fearful of any re-introduction lest it stop investment in its tracks". Yet the report also found evidence from other countries where "large scale, stable private rented sectors and well defined regulatory frameworks, such as Germany, suggests that greater certainty with respect to rents and longer term tenancies help smaller investors to obtain the returns they require."²⁴
- 2.30 The previous Government was considering a review of the regulatory framework to encourage higher standards and professionalism in the private rented sector.²⁵ However, in 2010 the present Government announced it had no plans to introduce any further regulations beyond the established legal framework, and instead, urged councils to use the full range of existing powers to tackle rogue landlords who provide a poor service to tenants.²⁶
- 2.31 On the balance of the evidence, the Committee is not calling for further regulation relating to the health and safety of private rented properties, as there are adequate tools for local authorities to ensure conditions in the private rented sector are improved. The key issue is

how regulations are enforced and how local authorities can use their limited resources to improve the sector.

Enforcement of regulations

- 2.32 Shelter argues that boroughs need more resources to enforce legislation and that there should be greater punishments for landlords acting unlawfully and letting out properties in poor condition.
- 2.33 Approaches to the enforcement of regulation vary considerably across London.²⁷ Variable levels of enforcement activity are likely to be exacerbated by potential budget reductions. The Camden Federation of Private Tenants has “been told by officers in Camden that agents and landlords are already aware that their service has been reduced by 25 per cent as a result of the cuts to local authority funding.”²⁸ In evidence to the Committee, the British Property Federation highlighted significant variations in the statistics between different boroughs in relation to licensing houses in multiple occupation, suggesting differences in approach, process or resource.²⁹
- 2.34 However, the Committee has found a number of examples where local authorities are using innovative approaches to enforcement:
- The West London private sector housing plan uses shared resources to ensure effective checks on non-accredited landlords and stock;³⁰ and,
 - Newham council has started a joint enforcement group comprising team leaders from environmental health, police, housing benefit, trading standards, planning enforcement, counter fraud, health and safety, licensing, houses in multiple occupation, private rented sector and public protection teams to take a proactive approach to tackling and punishing rogue landlords.
- 2.35 Given current pressures on local authority budgets, there are resource implications for any encouragement to increase levels of enforcement activity. However, there are examples where ‘smarter’ approaches to co-ordinated and targeted enforcement seem to be producing effective results.
- 2.36 The Committee urges boroughs to make the enforcement of regulation a higher political and resourcing priority. Evidence suggests that proactively addressing the problem can bring real improvements³¹ and can represent “the most cost-effective way forward for all parties in

tackling the problems of poor standards that persist at this end of the market, without threatening supply.”³²

Protecting tenants

- 2.37 Existing regulation, to a large degree, relies on tenants raising the issue of poor standards with landlords (and with local authorities in terms of initiating enforcement action). This can be problematic as many tenants are unaware of their statutory rights.³³ Even where a tenant is aware of their rights, the lack of statutory security of tenure may discourage tenants from seeking to enforce them (such as being able to ask for improvements in their home) because of the fear of ‘retaliatory eviction’.³⁴
- 2.38 Some housing charities have argued for a London-wide programme of advertising and education, especially targeted at those renting in the lower end of the market. This would make tenants more aware of their rights and responsibilities and of the responsibilities of their landlord. It may ensure that tenants become more empowered to ask questions and make good decisions about their housing: “the Mayor is ideally placed to ensure that tenant education efforts have the widest possible reach.”³⁵

A need for longer tenancies?

- 2.39 Most people who rent privately have an Assured Shorthold Tenancy that lasts for six months or one year. Landlords offering this type of tenancy only need to give two months’ notice to evict the tenant, and can give notice at any time after the first four months without needing to provide a reason. Families need the security of long tenancies as this is vital for bringing up children, for example in terms of planning for schools. Consumer Focus argues that this amounts to ‘retaliatory eviction’ and that “many tenants are reluctant to challenge their landlord or exercise their rights for fear of being evicted, well aware that the landlord will have little difficulty in getting a new tenant.”³⁶
- 2.40 However, the National Landlords Association recognises the price paid by their members for a high turnover of tenants. “A high turnover of tenancies generates significant costs for landlords: ‘voids’ (periods where properties are left empty between tenancies) and any transition costs between tenancies, both mean that high tenancy turnovers are inefficient in generating rent.”³⁷ Landlords, therefore, have a financial stake in trying to ensure tenancies last longer.

- 2.41 Nevertheless, private landlords can use Section 21 of the Housing Act 1988 to end an assured shorthold tenancy agreement without needing to provide any reason why. In 2008, Citizens Advice Bureaux recorded 6,000 such cases.³⁸
- 2.42 Increasingly, the private rented sector is being asked to take on a new role in housing Londoners. It is going to be expected to house additional households that may in the past have been offered a home in the social rented sector where there are minimum standards and long tenancies, or with secure home ownership designed to offer stable conditions for occupants.
- 2.43 This is particularly important for families where the security of long tenancies is vital for bringing up children (for example in terms of planning for schools). The Chartered Institute of Environmental Health reported, “We have already got lots of acceptances of new homeless families. We often find that we are recycling the same families within the sector. We move them from Newham to Havering to Barking and Dagenham. Often with little children, [the families] are moving every six months or ten months, which is really not on”.³⁹
- 2.44 There are examples where landlords can be persuaded to offer longer tenancies in return for tenant management services. Brent Private Tenants’ Rights Group cites the example of Real Lettings, a scheme run by homelessness charity Broadway that helps formerly homeless people find suitable homes and maintain their tenancies. It offers landlords a complete property management service, including health and safety checks, with guaranteed rent and zero voids. Landlords benefit from guaranteed rent for five years in return for a five year tenancy agreement.⁴⁰
- 2.45 There is scope to expand such schemes and to encourage more ‘mainstream’ landlords, such as boroughs, to let through such agencies.⁴¹
- 2.46 The Government’s new Affordable Rent model is expected to offer flexible tenancies for at least five years in the majority of cases since it recognises that stability for families is important. This may offer a ‘way in’ to justify longer tenancies in the private rented sector.

- 2.47 Shelter argues that longer tenancies are vital to make private renting more secure and stable, and that the Mayor should lobby central Government for the option of longer-term tenancies.
- 2.48 This is a view that the Mayor appears to agree with. In August 2011, he published proposals to review his statutory housing strategy including moves to encourage landlords to offer tenancies that are for a longer period than the statutory minimum and encourage boroughs to use only those landlords with a recognised accreditation, especially where the homelessness duty is discharged into the private rented sector.⁴²
- 2.49 The Committee supports proposals to make tenants more aware of their legal rights and responsibilities (see Recommendation 1 above), and to increase the length of tenancies for families renting in the private sector.

Recommendation 4

In any forthcoming Localism Act regulations, the Mayor should lobby Government to examine the issues of longer tenancies and retaliatory eviction. Where local authorities discharge their duty of homelessness to families into the private rented sector, there should be an aim towards a minimum tenancy offer of five years, resolving concerns about possible adverse impacts upon flexibility and supply.

- 2.50 London's private rented housing has grown rapidly in size and now houses a more than a million Londoners. As such, it is important that the sector is considered as a significant contributor in meeting London's future housing needs. In the London housing strategy the Mayor needs to ensure, as a strategic priority, that policies exist to enable the sector to offer safe, secure and well-managed homes.
- 2.51 The Government and the Mayor should explore a number of new policies that would result in longer tenancies that are more suitable for families that need to live in the private rented sector.

Recommendation 5

The Government should explore offering tax incentives to landlords who offer longer tenancies than the 6 month Assured Shorthold Tenancy minimum [see also recommendation 3 for the context and justification for tax incentives].

Recommendation 6

In his housing strategy, and through contracts he signs with housing providers, the Mayor should ensure that where public subsidy is given for new mixed tenure housing developments, landlords offering private rented sector homes offer a range of tenancy lengths to support tenants in the private rented sector.

Recommendation 7

In his housing strategy, the Mayor should encourage London boroughs that intend to discharge their homelessness duty in the private rented sector to negotiate longer tenancy agreements with private landlords before the tenants are placed in these homes. There should be an aim towards a minimum tenancy offer of five years, resolving concerns about possible adverse impacts upon flexibility and supply.

3. Improving the quality of private landlords

- 3.1 The professionalism of the private landlord has been identified as an important issue for developing the sector. A long-term policy goal of Government is to improve the quality of management in the private rented sector in order to make the sector more attractive to tenants.
- 3.2 The Rugg Review identified that “one of the more frequent criticisms of the private rented sector relates to the quality of landlord management practice. It has been argued that the popularity of Buy-to-Let mortgages has brought a mass of ‘amateur’ landlords into private renting, who are unacquainted with the law and poorly skilled in the business of letting property.”⁴³
- 3.3 As noted above, the fact that the demand for private rented housing in London exceeds supply means “private landlords are very much in the driving seat, and there is little pressure on them to operate professionally and ensure that they have a good reputation, which in turn can cause problems for tenants and lead to dissatisfaction”.⁴⁴

Landlord accreditation

- 3.4 Growing attention has been paid to the potential of accreditation frameworks as a means of recognising good practice, so that landlords reaching prescribed standards can advertise accordingly and so gain market advantage.
- 3.5 Landlord accreditation schemes vary enormously in response to different local circumstances - some accredit properties, some just landlords and some accredit both. Accreditation means different things in different areas, from simple lists of private landlords and their properties, to a fully developed scheme where active engagement, checking, training, services and inducements are offered to private sector landlords. The Government argues “this diversity makes sense in that, at present, accreditation works best when it reflects local markets.”⁴⁵
- 3.6 There are a number of such schemes in operation and the British Property Federation believes there has been significant improvement in this direction: “the three main national landlord organizations – British Property Federation, National Landlords Association and Residential Landlords Association, offer their own codes of practice and training aimed at the smaller landlord.”⁴⁶

3.7 The National Landlords Association's accreditation scheme is based on the belief that the more knowledge and awareness landlords have regarding the key property management issues:

- The more likely it is that their properties will be maintained to a higher standard;
- Their tenants' safety and health will be improved; and,
- Their businesses will be better protected against falling foul of the complex laws surrounding the letting of residential properties.⁴⁷

3.8 The value of accreditation schemes is most evident amongst landlords who let with the intention of becoming more professional. Landlords can use such schemes to access up-to-date information, services such as template tenancy agreements, and guidance on regulations.

3.9 The Mayor continues to promote the London Landlord Accreditation Scheme (LLAS), having more than doubled the number of accredited landlords in London from 4,104 in 2008⁴⁸ to 9,618 at the end of May 2011. Details of this scheme are set out in Appendix 7.⁴⁹

3.10 The Committee heard however there are shortcomings with accreditation schemes:

- "It must be recognised that such schemes are voluntary and self selecting";⁵⁰
- "A deliberately 'bad' landlord is not going to join the LLAS";⁵¹
- "A voluntary code will not work simply because it will not include the worst culprits";⁵²
- "It will tend to be the better landlords that are part of those schemes" and it is rare for scheme administrators to "withdraw accreditation if complaints are made."⁵³

3.11 Very few local authorities can claim to have more than two per cent of local landlords signed up to landlord accreditation schemes.⁵⁴

Newham, which has been relatively successful in engaging landlords, has around 600 members on its landlord forum and accreditation schemes and 270 members of the London Landlord Accreditation scheme. However, there are estimated to be 4,000 private landlords who operate in the borough.⁵⁵

Removing accreditation from bad landlords

3.12 Once a landlord has received accreditation it appears the chances of this being removed are remote. Evidence from the National Landlord

Association suggests that it has yet to remove an accredited landlord from its scheme (it has to date received only two complaints against accredited landlords).⁵⁶

- 3.13 Since 2004, the London Landlord Accreditation Scheme (which has accredited nearly 1,000 landlords and 800 managing agents) has received 116 complaints against accredited landlords or agents. Yet only six have been removed from the scheme, seven are currently suspended and a further seven have been reinstated.⁵⁷
- 3.14 This lack of activity in terms of removing accreditation might suggest either that the scheme is working or, alternatively, that there is insufficient awareness on the part of tenants of the complaints procedure.

Giving more power to tenants?

- 3.15 The London borough of Camden argues it is time to enhance current landlord and agent accreditation schemes to enable tenants to rate their landlords or accommodation in terms of cost, conditions and management.⁵⁸
- 3.16 Consumer Focus suggests there is potential for introducing an online scheme of 'reputational regulation' in the private rented sector. Such a scheme would give private sector tenants the opportunity to share feedback and reviews on their landlord or letting agency, and allow prospective tenants to find out information online about a landlord or letting agency's performance and reputation, before they commit to a tenancy.⁵⁹ If linked to the LLAS it could provide a mechanism for stripping bad landlords of accreditation.
- 3.17 At one level, this suggestion seems to offer benefits in the same way that TripAdvisor, the travel website, has assisted consumers in gathering travel information, posting reviews and opinions of travel-related service providers. However, further consideration is needed on how prospective tenants would be protected, eg. in the event that a landlord forms a negative view of any potential tenant as a result of any previous comments regarding the standards of property or management service.

Selective landlord licensing

- 3.18 There is another potential approach towards improving the quality of landlords and their properties which is a more powerful instrument in

taking forward the desire to improve the private rented sector. This allows local authorities to intervene by designating areas for selective landlord licensing especially where an “area is experiencing a significant and persistent problem caused by anti-social behaviour and that some or all private landlords in that area are not taking appropriate action to tackle this.”⁶⁰

3.19 The Housing Act 2004 introduced three different types of licensing:

- Mandatory HMO licensing
- Additional HMO licensing
- Selective licensing of all privately rented housing in specific areas

3.20 The Housing Act 2004 allows local authorities to selectively license properties in areas suffering from low housing demand and/or significant incidence of anti-social behaviour. Since April 2010, local authorities no longer require approval from CLG to introduce licensing schemes.

3.21 To date there are some 26 local authorities in England that are operating some kind of landlord licensing scheme. Five of them are in London. Appendix 8 lists these authorities and some details of the licensing schemes.

3.22 Newham has piloted a Neighbourhood Improvement Zone under its selective licensing powers that aims to improve many of the problems arising from high numbers of private rented sector properties. As part of this project it has required all landlords (in a small pilot area of the borough) to apply for a licence to rent accommodation to ensure that rented accommodation is well managed and meets required standards.

3.23 It has identified an area of the borough (Little Ilford ward) and, since March 2010, required all private rented landlords in the area to be licensed. It has achieved 88 per cent compliance and to date:

- 196 residential properties have been licensed;
- 48 landlords have been or are being prosecuted for failure to license;
- £76,750 has been collected in licensing fees;
- 237 private rented homes have been inspected, resulting in 104 housing enforcement notices being served with 56 notices complied with, and currently 48 live enforcement notices;

- Rent Repayment Orders (RRO) are being sought for repayment of benefits from prosecuted landlords allowing the council to recover up to 12 months rent from non-compliant landlords;
- It has served four Notices of RRO proceedings.
- It is also working with tenants, Shelter and trading standards officers to ensure that all deposits/bonds taken are protected in one of the statutory schemes.

3.24 Further details of Newham’s programme are set out in Appendix 9.

3.25 In return for the licence landlords get the following services:

- Discounted license fee for early applications (£300, all other licences are £500);
- Inspection of the property and detailed instruction on how to improve the property to meet current regulations and requirements and free SAP assessment and energy efficiency measures; and
- Landlord accreditation or training credit and a dedicated referral network for housing standards and tenancy issues.

3.26 This is the only such instance of 100 per cent selective licensing in London. According to Newham, this co-ordinated approach, targeting known areas of poor private rented sector housing, offers a cost effective way forward that is delivering real results in improving the private rented sector.

3.27 In September 2011, the borough launched a public consultation on whether to roll out the scheme across the whole borough – effectively requiring all private landlords to be licensed in order to rent homes in Newham.⁶¹

Conclusion

3.28 While it may not be a suitable approach for all boroughs to take, or applicable to all private rented housing, selective licensing may offer a way forward in terms of improving the physical conditions in the private rented sector. It has the potential of offering some degree of control over the ‘bottom third’ of landlords that offer the worst service and a means of engaging more of the “well meaning amateur” landlords. It allows boroughs to concentrate on the areas of their boroughs where the poorest housing conditions exist and to target rogue landlords.

Recommendation 8

In his revised London housing strategy the Mayor should review the selective licensing approach that Newham is implementing, in terms of its cost effectiveness and ability to target improvements in the worst private rented sector housing.

- 3.29 The Committee views this as one of a number of possible approaches that could prove valuable in terms of targeting rogue private sector landlords and poor quality housing in London boroughs and would be interested in seeing the results of this review.
- 3.30 In the meantime, the Committee recognises that the majority of landlords wish to improve their levels of knowledge and quality of service, to make renting a successful business. Existing accreditation schemes will assist in this process and London's landlords need to be encouraged to sign up for such schemes. Managing agents, who are playing an increasingly important role in London's private rented sector, need to be brought into this process too.

Recommendation 9

The London housing strategy needs to detail how the Mayor and boroughs should incentivise landlords and managing agents to take part in accreditation schemes. This could possibly take the form of a relaxation in the licensing requirements for individual properties where those properties are managed by an accredited managing agent.

4. The role of the private rented sector in the Mayor's Housing Strategy

4.1 The private rented sector in London is growing and continues to face challenges associated with poor housing conditions and a minority of rogue landlords. Increasingly it will take on a new role in housing Londoners who, in the past, would have lived in the social rented or owner occupied sectors. It is vital therefore that the Mayor and boroughs work together to make changes to the sector in the following ways.

Improving the quality of the sector

4.2 Challenges remain for improving the sector, as market forces are not adequately 'policing' management quality in the private rented sector. This is, in part, because there is an excess of demand for rental property at the bottom of the sector.

4.3 The Mayor and boroughs need to ensure that private sector landlords have incentives to improve the quality of their accommodation and the service they provide to tenants, particularly where public subsidy is required to house vulnerable families in this sector.

Encouraging better standards

4.4 Some sections of the private rented sector are receiving increasing amounts of public subsidy through housing benefits paid to landlords and so it is right that these landlords should provide decent homes for all that live there. This growing level of public subsidy to private landlords means "it is wrong that public money is being poured into substandard housing for those in the private rented sector."⁶²

4.5 There is a strong case for an achievable minimum standard in the private rented sector, one that is reinforced by the fact that an increasing number of private landlords are paid public subsidies. The Mayor and boroughs must work together to ensure that these standards are achieved.

More security of tenure – especially for families

4.6 In the future, the private rented sector will take on a new role. It will house a large number of families with children who need minimum standards and long tenancies. These are characteristics traditionally lacking in the private rented sector, and this needs to change.

- 4.7 London boroughs that intend to house families in the private rented sector should consider the requirement for longer tenancy agreements with private landlords before the families are placed in these homes and the Mayor needs to support this move.
- 4.8 It is in the landlord's interest to provide secure and longer tenancies if they want to avoid a high turnover of tenants, and the loss of rental income this produces. Landlords therefore, have a financial stake in trying to make the sector a more attractive alternative tenure for families to live in. Longer tenancies and the stability of rental income this produces will create an incentive for landlords to invest in their properties.

Making the private rented sector a strategic housing priority

- 4.9 The overall strategic priority for the Mayor should be increasing the level of new housing supply in London across all housing tenures, including social rent and low cost home ownership. However, for the reasons set out in Appendix 1, the private rented sector will continue to grow in London and therefore play an increasingly important part of the solution to London's housing problem.
- 4.10 Increasing the supply in the private rented sector will help meet the increased demand for housing across London and should help to drive up quality through offering greater competition and choice. In strategic policy terms, the Mayor has so far focused on attracting institutional investment to provide new supply of private rented housing, but it will be important that steps are also taken to increase supply from the smaller landlords. These have the greatest potential to bring forward more homes.
- 4.11 This sector has grown sufficiently in size and now houses a significant number of Londoners. In his forthcoming revision of the housing strategy, the Mayor needs to ensure that increasing the amount of private rented sector housing in London is addressed as a strategic priority, with specific policies and resources identified as a matter of urgency.

Recommendations

Recommendation 1

The Mayor, in conjunction with London boroughs and the private rented housing sector, develops a 'kitemark' for London's private rented housing in the form of an 'accreditation badge' that sets out an achievable minimum standard in the private rented sector that applies to landlords and property, in his forthcoming revision to the housing strategy.

This should be accompanied by a comprehensive publicity campaign to ensure that tenants and prospective tenants are aware of the accreditation scheme, as well as an appropriate monitoring regime to ensure that landlords continue to meet the accreditation requirements.

Recommendation 2

The Mayor should set out in his housing strategy how he will work with estate and managing agents to encourage them to require rented properties to have the 'accreditation badge' before advertising them for rent. Local authorities should ensure that they only discharge their duty of homelessness by offering housing in the private rented sector that meet minimum standards based on the Mayor's 'accreditation badge' once this has been established.

Recommendation 3

The Government should review the viability of tax incentives to private landlords with the aim of encouraging them to make physical improvements in their property.

Recommendation 4

In any forthcoming Localism Act regulations, the Mayor should lobby Government to examine the issues of longer tenancies and retaliatory eviction. Where local authorities discharge their duty of homelessness to families into the private rented sector, there should be an aim towards a minimum tenancy offer of five years, resolving concerns about possible adverse impacts upon flexibility and supply.

Recommendation 5

The Government should explore offering tax incentives to landlords who offer longer tenancies than the 6 month Assured Shorthold Tenancy minimum [see also recommendation 3 for the context and justification for tax incentives].

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In his housing strategy, the Mayor should encourage London boroughs that intend to discharge their homelessness duty in the private rented sector to negotiate longer tenancy agreements with private landlords before the tenants are placed in these homes. There should be an aim towards a minimum tenancy offer of five years, resolving concerns about possible adverse impacts upon flexibility and supply.

Recommendation 8

In his revised London housing strategy the Mayor should review the selective licensing approach that Newham is implementing, in terms of its cost effectiveness and ability to target improvements in the worst private rented sector housing.

Recommendation 9

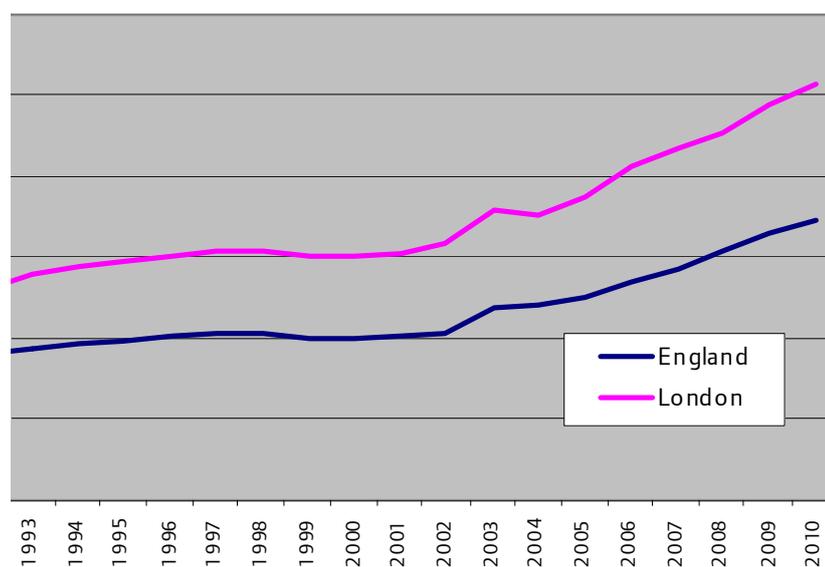
The London housing strategy needs to detail how the Mayor and boroughs should incentivise landlords and managing agents to take part in accreditation schemes. This could possibly take the form of a relaxation in the licensing requirements for individual properties where those properties are managed by an accredited managing agent.

Appendix 1 - The growth of London's private rented sector

Size and growth of the sector

London has the highest number and proportion of private rented housing in England. In 2010, 25.8 per cent of all London households (850,000) were in the private rented sector – compared with an average for England of 17.4 per cent. Government figures show that the private rented sector in London grew by 83 per cent between 2000 and 2010. The reasons for this dramatic growth are discussed in more detail below.

Growth of the private rented sector in London and England

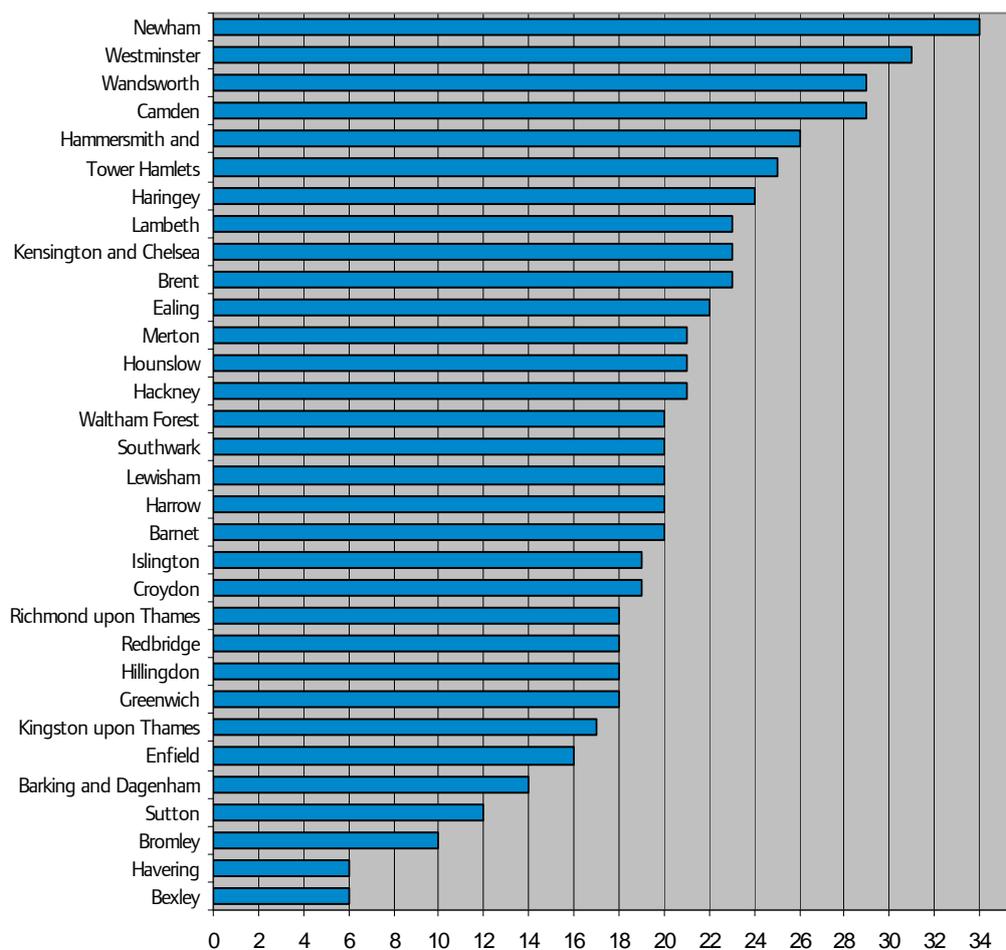


Source: CLG Housing Statistics

Across London, the proportion of private rented sector varies significantly; it ranges from 34 per cent in Newham to just six per cent in Havering. It forms more than a quarter of housing stock in six London boroughs. The graphic overleaf indicates the variation across London.

Despite this rate of growth, London's private rented sector has yet to reach levels seen in some European countries where renting privately is far more common. In Switzerland, it represents some 63 per cent of homes and in Germany 59 per cent. Evidence suggests that London's private rented sector will soon match the levels seen in the USA (32 per cent).⁶³

Percentage private rented sector by borough 2009



Source: CLG Housing Statistics

Why is the sector growing?

There are a number of factors responsible for the recent upturn in private renting. These include legislative reforms that introduced short-hold tenancies and lifted rent controls on new tenancies and the availability of buy-to-let mortgages, which stimulated the supply of property to let through cheaper financial deals for the purchase of property.

Recently, a number of 'push' factors have emerged that have led to different types of households moving into the sector. These are

peculiar to London, and relate to the low rate of home building relative to demand' the rising cost of home ownership and the continuing demand for social rented homes.

Supply of new homes

Despite house building beginning to recover from the effects of the economic downturn in 2007 the rate of house building does not match the demand for new homes. London is estimated to require 32,600 new homes annually to meet demand. In 2010, the number of completed new homes was 15,830 – the number started was 15,450.⁶⁴

Cost of home ownership

The average London house price is now £342,345. This is 14 times the average salary. More cautious mortgage lending means that the average deposit required is now around 27 per cent of the value of the home. Mortgage approvals are now just half the 1993 level.[sources]

Saving for a deposit is placed under even greater pressure by rising rents in the private sector. Rents in London rose last year by 7 per cent and the monthly cost of renting is now at a record high. The average monthly rent passed £1,200 for the first time in August 2011.

Rising house prices mean people have to spend longer saving for a deposit. Rising rents mean they can save at a lower rate than previously. As a result, "First-time buyers with no financial assistance from parents would have to rent in London for an average of 31 years before saving enough to buy their own home, spending £308,558 on rent".⁶⁵ This group has been termed 'Generation Rent'.

Continuing demand for social rented homes

The private rented sector will be increasingly used to house people that in the past would have lived in social rented homes. The Localism Act will make significant changes to the local authority duty to house the homeless. A local authority will be able to fully discharge its duty to the homeless by offering a private rented sector tenancy of 12 months, without the consent of the tenant. Previously the local authority had to offer a social rented home unless the tenant opted for a private tenancy.

The result of these factors means that a significant number of Londoners who, in the past, would have moved into the owner occupied sector, and are excluded on the basis of low priority from the

social rented sector, can now only afford to rent privately. Tenants who no longer have to be housed in the social rented sector will join them. These trends will continue to fuel the supply of, and demand for, privately rented housing in London in the future.

Rising rents

Rents in the private sector are on the rise. Department for Communities and Local Government (CLG) data shows that London private sector rents rose by 111 per cent between 1994 and 2007 compared with a 95 per cent increase in housing association rents.⁶⁶ However, rents in the private sector are more than double the level of rents in the social rented sector and approach twice that for the rest of the country.

Average rents in London broke through the £1,000 per month barrier for the first time in August 2011, rising by nearly seven per cent a year.⁶⁷ In October 2011, Shelter confirmed, "London boroughs are the most expensive in England, with the average rent for a two bedroom home in the capital (£1,360) almost two and a half times the average in the rest of the country (£568).⁶⁸ Details of average private sector rents by London borough are set out in Appendix 4.

Increasing subsidy to the private rented sector

Increasing amounts of public subsidy, through housing benefit, is being paid directly to private landlords. In July 2011, there were 272,400 households in the private sector in receipt of housing benefit through the Local Housing Allowance (LHA). The private rented sector now accounts for some 33 per cent of all recipients of housing benefit in London.⁶⁹

Estimates undertaken by London Councils show that, in 14 London boroughs, more than 25 per cent of private rented properties received some kind of public subsidy through LHA. In Barking and Dagenham, more than 61 per cent of landlords received rent that was paid for through LHA while in Enfield the figure was 51 per cent.⁷⁰

In total, more than £400 million of public subsidy is being paid to private landlords in London annually. Figures from the Chartered Institute of Public Finance and Accountancy show that in 2010 private rented accommodation leased by London boroughs cost some £311 million; accommodation leased or managed by housing associations

cost £20 million and rents paid directly to private sector landlords by London boroughs amounted to £58 million.⁷¹

Appendix 2 – Private rented sector housing conditions

Some of the key statistics from the research commissioned by the Committee are set out below. The Committee published the full research report alongside this report on its website.

Housing conditions in the private rented sector

Increasingly, housing conditions are assessed on the basis of the relationship to the Decent Homes standard and the existence of hazards within the home.

The Decent Homes Standard

In 2000, the government set out a target to “ensure that all social housing meets set standards of decency by 2010, by reducing the number of households living in social housing that does not meet these standards.”

The basic principles of the Decent Homes Standard are:

- It must meet the current statutory minimum standard for housing
- It must be in a reasonable state of repair
- It must have reasonably modern facilities and services
- It provides a reasonable degree of thermal comfort (effective insulation and efficient heating)

Health and Safety Hazards

The Housing Health and Safety Rating System (HHSRS) is a system designed to show whether dwellings pose a risk to the health and safety of their occupants. It focuses upon threats to health and safety rather than degrees of comfort and convenience.

Characteristics of London’s private rented housing

Property conditions in the private rented sector, while improving, are still worse than in either social housing or owner occupation. In England, 40 per cent of private rented property failed to meet the Decent Homes standard in 2006⁷² - although the private rented sector in London appears to be in a better condition.

The Committee commissioned a research report that covered a sample of four London borough private sector stock condition surveys that covered 1,351 homes. We have published the full report on the Committee’s website alongside this report.

Generally, London’s private rented housing stock is old: nearly half dates before 1919 and was built to a standard that falls below modern requirements. The private rented sector is less energy efficient and it has less insulation, double-glazing and central heating. The sector also contains more fire risks than other housing tenures. About a third are converted flats and a third are purpose built flats. Terraced housing forms much of the remainder.

The sector is, as highlighted above, in a worse condition than other tenures. About a third of private rented housing in London fails to meet the Decent Homes standard – and this equates to some 280,500 homes. The sector contains one and a half times as many dwellings with serious hazards (compared to the owner occupied sector) that pose risks to the health and safety of their occupants.

Health and Safety Hazards

Category of worst hazard	Private rented sector	Owner-occupied
Category 1	14.8%	9.6%
Category 2	29.7%	25.9%
No hazards	55.4%	64.6%

In terms of health and safety risks, ‘excess cold’ is the biggest hazard, affecting 13 per cent of the private rented sector in inner London. This is important, as the issue of fuel poverty is becoming a greater concern. Fuel poverty is defined as where a household spends more than 10 per cent of its income on fuel, and Londoners in fuel poverty are expected to form 20 per cent of households next year and quarter of those in fuel poverty are vulnerable including the elderly, sick and children. The Assembly’s Health and Public Services Committee is investigating the role that energy suppliers and the Mayor can play in helping to reduce fuel poverty in the capital.⁷³

In relation to fuel poverty, the recent increases in fuel costs are worrying. According to USwitch (a UK-based price comparison and switching website), the average energy bill across all suppliers has now risen by more than 14 per cent in the past year to £1,293. This is significant because an increasing number of vulnerable people are

living in the private rented sector, including a greater proportion of pensioners and children.

Poor condition private rented housing is the home for some of the most vulnerable Londoners. In Inner London, some 52 per cent of households with two or more pensioners live in private rented housing with the worst hazards. By contrast, more than a quarter of single pensioner households in Outer London live in the most hazardous dwellings, as do those people with support needs.

The generally poorer standard of private rented sector housing is reflected in the cost to bring the sector up to a decent standard. The average cost for urgent repairs in the private rented sector (£2,044) is over one third higher than in the owner occupied sector (£1,675). It will cost nearly £5,000 to make each non-decent home in the private rented sector “decent” – about 40 per cent higher than the owner occupied sector.

Cost of repairs

Repairs category	Private rented sector	Owner-occupied
Urgent repair	£2,044	£1,675
Basic repair	£2,919	£2,445
Comprehensive repair	£5,064	£6,039
Standardised repair cost (/m ²)	£36.2	£26.6

Private rented sector and Decent Homes

Decency	Private rented sector	Owner-occupied
Decent	67.7%	75.2%
Non-decent	32.3%	24.8%
Average cost to make decent	£4,967	£3,522

Appendix 3 – Evidence base

Written submissions received from:

Association of Housing Advice Services
Brent Private Tenants' Rights Group
British Property Federation
Chartered Institute of Housing
Consumer Focus
Department for Communities and Local Government
East London Housing Partnership
Friends of the Earth
HACT
Inclusion London
London borough of Barking and Dagenham
London borough of Camden
London borough of Newham
London borough of Redbridge
London borough of Southwark
London Landlord Accreditation Scheme
National Landlord Association
Nigel Ward
Shelter

Planning and Housing Committee meeting 7 June 2011

Tony Jemmott, Chartered Institute of Environmental Health
Bob Mayho, Chartered Institute of Environmental Health
Rachael Orr, Shelter
Vincenzo Rampulla, National Landlords Association
Robert Taylor, Camden Federation of Private Tenants

Planning and Housing Committee meeting 6 July 2011

Alan Benson, Head of Housing GLA
Richard Blakeway, Mayor's Advisor for Housing
Cllr Paul Ellis, Cabinet Member for Housing LB Wandsworth

Professor Peter Kemp, University of Oxford

Sir Robin Wales, Mayor of Newham

**Committee visit to London borough of Newham's
Neighbourhood Improvement Zone, 28 September 2011**

Members received a presentation on and tour of Newham's
Neighbourhood Improvement Zone.

Cllr Andrew Baikie, Executive Member for Housing

Ian Dick, Divisional Director for Housing

James Dykes, Principal Environmental Health Officer

Kieran Read, Head of Public Policy and Research

Appendix 4 - Private sector monthly rents by London borough

Local authority	Room		One bedroom		Two bedroom		Three bedroom		Four bedroom+	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Barking and Dagenham	£336	£347	£690	£665	£831	£825	£978	£953	*	*
Barnet	£450	£433	£942	£875	£1,202	£1,127	£1,614	£1,500	£2,909	£2,383
Bexley	£390	£390	£638	£643	£790	£795	£976	£950	£1,295	£1,300
Brent	£469	£457	£1,034	£997	£1,344	£1,300	£1,757	£1,517	£2,285	£2,006
Bromley	£433	£400	£750	£725	£954	£900	£1,187	£1,150	£1,849	£1,600
Camden	£581	£575	£1,377	£1,300	£1,876	£1,733	£2,621	£2,297	£4,089	£3,033
City of London	*	*	£1,628	£1,560	*	*	*	*	*	*
City of Westminster	£702	£650	£1,662	£1,603	£2,456	£2,275	£3,650	£3,120	£7,733	£6,500
Croydon	£388	£395	£704	£700	£884	£850	£1,112	£1,100	£1,550	£1,450
Ealing	£450	£450	£902	£885	£1,169	£1,100	£1,394	£1,300	£2,163	£1,925
Enfield	£422	£400	£788	£758	£1,049	£1,000	£1,268	£1,250	£1,902	£1,600
Greenwich	£398	£390	£829	£750	£1,016	£900	£1,145	£1,100	£1,824	£1,325
Hackney	£483	£464	£1,135	£1,083	£1,417	£1,343	£1,704	£1,647	£2,255	£2,167
Hammersmith and Fulham	£586	£559	£1,125	£1,083	£1,564	£1,495	£2,076	£1,950	£3,245	£2,817
Haringey	£441	£430	£941	£910	£1,276	£1,213	£1,589	£1,400	£2,260	£2,058
Harrow	£458	£476	£805	£795	£1,019	£975	£1,278	£1,250	£1,891	£1,750
Havering	£384	£399	£676	£650	£832	£825	£995	£950	£1,574	£1,450
Hillingdon	£409	£400	£764	£750	£968	£925	£1,179	£1,150	£1,763	£1,598
Hounslow	£412	£400	£904	£825	£1,144	£1,000	£1,360	£1,200	£2,501	£1,575
Islington	£543	£500	£1,266	£1,213	£1,718	£1,625	£2,039	£1,950	£2,733	£2,600
Kensington and Chelsea	£696	£650	£1,827	£1,733	£2,714	£2,492	£4,915	£4,333	£9,729	£8,558
Kingston upon Thames	£383	£377	£854	£850	£1,107	£1,068	£1,344	£1,300	£2,018	£1,825
Lambeth	£436	£425	£1,051	£995	£1,321	£1,235	£1,611	£1,532	£2,301	£2,167
Lewisham	£409	£400	£776	£750	£995	£950	£1,223	£1,200	£1,756	£1,651
Merton	£438	£412	£899	£850	£1,165	£1,100	£1,409	£1,300	£1,983	£1,748
Newham	£387	£390	£833	£801	£1,007	£950	£1,189	£1,200	£1,434	£1,350
Redbridge	£397	£400	£724	£700	£937	£900	£1,181	£1,192	£1,667	£1,500
Richmond upon Thames	£387	£367	£966	£901	£1,316	£1,275	£1,753	£1,550	£3,079	£2,900
Southwark	£470	£450	£1,089	£997	£1,407	£1,300	£1,598	£1,500	£2,063	£2,000
Sutton	£418	£430	£684	£675	£868	£850	£1,139	£1,150	£1,694	£1,400
Tower Hamlets	£467	£433	£1,196	£1,148	£1,493	£1,430	£1,833	£1,614	£2,138	£2,080
Waltham Forest	£369	£368	£745	£737	£936	£910	£1,170	£1,150	£1,506	£1,450
Wandsworth	£424	£392	£1,129	£1,100	£1,414	£1,387	£1,737	£1,636	£2,404	£2,167

Source: Shelter Private Rent Watch: Report 1

Appendix 5 – Potential improvement programmes

The Localism Act

The Localism Act will make significant changes to the homelessness duty. A local authority will be able to fully discharge its duty to the homeless by offering a private rented sector tenancy of 12 months, without the consent of the tenant. Previously, the local authority had to offer a social rented home unless the tenant opted for a private tenancy. The Government signalled at the Commons Report stage of the Localism Bill that it was considering minimum standards for private rented housing where homeless households are offered accommodation in this sector.

The Energy Act

The Energy Act (2011) includes provisions to ensure that from April 2016, private residential landlords will be unable to refuse a tenant's reasonable request for consent to energy efficiency improvements where a finance package, such as the Green Deal and/or the Energy Company Obligation (ECO), is available. Provisions in the Act also provide for powers to ensure that from April 2018, it will be unlawful to rent out a residential or business premise that does not reach a minimum energy efficiency standard (the intention is for this to be set at EPC rating 'E').⁷⁴

Green Deal

Green Deal could also offer opportunity for landlords to finance improvements if they can recoup costs from tenant's utility bill savings.⁷⁵

RE:NEW

RE:NEW is a partnership between the Mayor, LDA, London Councils, the Energy Saving Trust and 32 of the London boroughs aimed at householders (including the PRS) to improve energy efficiency of homes and reduce CO2 emissions and fuel bills.

The Mayor's funding is expected to cover 55,000 homes by the end of March 2012 and 200,000 homes by the end of 2012, drawing on other funding streams. The Mayor's target is to reach some 1.2 million homes by 2015 (sources of funding as yet unspecified). The Mayor has also secured funding from the Olympic Delivery Authority to improve an additional 2,000 homes in four of the Olympic boroughs

It presents an opportunity to target poor energy performance in the private rented sector by helping tenants install energy and water

saving measures. RE:NEW has the potential to identify other problems in the private rented sector – such as poor housing conditions and bad management through its focus on individual house visits.⁷⁶

Appendix 6 – Landlords and tenants

Who rents?

Private rented housing has always been important for a city like London. It supports a more flexible workforce, enables people to move into the city and around it as circumstances change. Traditionally, those who rent include young professionals, students, economic migrants and people in housing need.

A major review commissioned by CLG in 2008 (the Rugg Review)⁷⁷ identified 10 distinct groups of people that rent privately:

- Young professionals, whose presence in the private rented sector reflects a complex amalgam of choice and constraint;
- Students, whose needs are increasingly being met by larger, branded, institutional landlords;
- The housing benefit market, where landlord and tenant behaviour is largely framed by housing benefit administration;
- Slum rentals at the very bottom of the private rented sector, where landlords accommodate often vulnerable households in extremely poor quality property;
- Tied housing (only 2.6 per cent of London private rented sector), which is a diminishing sub-sector nationally but still has an important role in some rural locations;
- High-income renters, often in corporate lettings;
- Immigrants whose most immediate option is private renting; asylum seekers, housed through contractual arrangements with government agencies;
- Temporary accommodation, financed through specific subsidy from the Department for Work and Pensions; and
- Regulated tenancies, which are a dwindling portion of the market

To these groups we can now add the ‘Generation Rent’ – those who are staying longer in the private rented sector while they save for a mortgage deposit by buy their first home.

Who are the landlords?

The private rented sector is still very much a ‘cottage industry’ with the sector dominated by individual landlords renting one or two properties (increasing from 61 per cent in 1994⁷⁸ to 89 per cent in 2010).⁷⁹ This probably reflects the impact of the buy-to-let phenomenon.

“Landlords comprise the professional, the well meaning and yet not well informed and then the rogue.”⁸⁰ The London borough of

Newham estimates that a third of their landlords are within each of these categories⁸¹ – a profile that most other experts the Committee heard from believe is a reflection of London as a whole.

While the most significant problems are at the ‘bottom end’ of the private rented sector it is generally agreed that there are problems prevalent across the tenure.

- Eighty-nine per cent of landlords were private individual landlords, 5 per cent were company landlords, and 6 per cent were ‘other organisation’ landlords. These were responsible for 71 per cent, 15 per cent and 14 per cent, respectively, of all dwellings in the sector.
- More than three-quarters (78 per cent) of all landlords only owned a single dwelling for rent, comprising 40 per cent of the total private rented housing stock.
- Twenty-two per cent of landlords had let properties for three years or less with two-thirds (69 per cent) for 10 years or less. Only 5 per cent had let for more than 40 years.
- Almost four-fifths (79 per cent) of all landlords earned less than a quarter of their income from letting properties in the private rented sector with 21 per cent of all landlords earning no income at all.
- Only 8 per cent of all landlords in the private rented sector were full-time landlords with the remainder part-time landlords

Source: Private Landlords Survey, CLG October 2011

<http://www.communities.gov.uk/documents/statistics/pdf/2010380.pdf>

Appendix 7 – London Landlord Accreditation Scheme

The London Landlord Accreditation scheme was launched in 2004. LLAS is a pan London scheme designed to help raise standards and recognise good practice in the private rented market.

By participating in the scheme, landlords and agents have an opportunity to gain a wide range of skills and knowledge necessary to make renting a successful business, improve the condition and operation of the rented market and reduce the need for intervention from local authorities. It also aims to enable tenants to recognise private landlords and agents who are committed to providing good quality accommodation.

Since its launch, it has proved to be one of the most popular and successful schemes. It was the first to operate on a regional basis and the first to accredit the landlord or agent on the basis of them undertaking a development course and demonstrating a certain level of understanding confirmed by using the validation exercise (test) at the end of the course. The LLAS model has been followed by other regions including the West Midlands region and Wales. Several local authorities and sub-regions have also joined LLAS with their own branded schemes, but administered by and following the terms and conditions of the LLAS.

LLAS has developed a database called Events and Offences Database – a record of conduct which demonstrates good or bad practices by landlords and managing agents owning or managing properties and tenancies within local authorities' boundaries. Data is currently being collected and held centrally. The database provides information on the activities of private rented sector landlords and agents for participating boroughs.

Before licensing a landlord, a local authority must be satisfied that the landlord is a 'fit and proper person', and in satisfying themselves of this they must have regard to any offence involving fraud, violence, drugs or whether any provisions in the Housing Act have been contravened, therefore without data sharing local authorities are not able to do this for activities carried outside their own boundaries.

<http://www.londonlandlords.org.uk/portal/index/>

Appendix 8 – Housing Act 2004 licensing schemes

The Housing Act 2004 introduced three different types of licensing:

- Mandatory HMO licensing
- Additional HMO licensing
- Selective licensing of all privately rented housing in specific areas

The Act also introduced a new definition of a House in Multiple Occupation (HMO). Part 2 of the Act introduced the mandatory licensing of certain types of HMOs, and enables local authorities to establish discretionary additional HMO licensing schemes. HMOs include bedsits, houses partly converted into self contained flats, hostels, shared houses and shared flats.

Mandatory HMO licensing applies to all privately rented HMOs of three or more storeys and occupied by five or more people who form more than one household. Local authorities can impose conditions on licences such as requirements for properties to be occupied by a specified maximum number of occupants, and that there are adequate amenities in place, whilst landlords will need to be identified as being fit and proper in terms of their suitability to manage the property.⁸²

The following mandatory conditions apply to all licences:

- To provide copies of gas safety certificates annually
- To keep electrical appliances and furniture in a safe condition
- To keep smoke alarms in working order
- To provide tenants with a written tenancy agreement

The Act allows local authorities to selectively license properties in areas suffering from low housing demand and/or significant incidence of anti-social behaviour. Since April 2010, Local authorities no longer require approval from CLG to introduce licensing schemes.

Local councils can choose to introduce additional licensing of other types of HMOs, which are not subject to mandatory licensing. They have to consult local landlords before introducing additional licensing and they have to publicise it when it comes into force.

Selective licensing may be introduced in areas of low demand housing or areas with significant anti-social behaviour problems. All rented property within a selective licensing area has to be licensed, regardless of whether or not the property is an HMO. The local authority has to

consult local landlords before introducing selective licensing in an area and they have to publicise it when it is made.⁸³

Existing discretionary licensing schemes

The following councils had designated discretionary licensing schemes before 29 March 2011, or are setting them up. Councils with additional licensing schemes with consent from CLG:

- LB Ealing
- LB Hillingdon
- LB Hounslow

Councils with additional licensing set up under general consent

- LB Croydon
- East Riding of Yorkshire Council
- Oxford CC
- Peterborough Council
- Slough BC
- Nottingham and Hastings are consulting on additional licensing

Councils with selective licensing with consent from CLG

- Salford CC
- Middlesbrough Council
- Manchester CC
- Gateshead Council
- Burnley Council
- Bolton Council
- Blackburn Council
- Durham CC
- Leeds City Council
- Easington Council
- Hartlepool Council
- LB Newham
- Sunderland CC

Councils with selective licensing set up under general consent

- Newcastle CC
- Hyndburn Council
- Thanet Council
- Oldham Council
- Stoke-on-Trent Council

Appendix 9 – Newham’s Neighbourhood Improvement Zone

Newham’s pilot Neighbourhood Improvement Zone was declared in March 2010 in Little Ilford ward and is still the first and only 100 per cent landlord licensing area in London.

It requires all private rented properties to be licensed, regardless of their occupation and size. Landlords without a licence may be prosecuted and may no longer be able to operate their business.

Little Ilford

Newham chose the Neighbourhood Improvement Zone (NIZ) pilot area based on the link between the private rented sector and service requests received by the council in relation to housing management, anti-social behaviour, vacant buildings and wider environmental complaints.

Little Ilford has 579 residential dwellings and a high level of private rented housing (43 per cent). In 2007-8 approximately 28 per cent of requests for council services in the area were related to the private rented sector.

Landlord requirements

Landlords need to demonstrate to the local authority that:

- The licence holder and managing agents are fit and proper persons;
- Any gas and electrical installations have a required safety certificate;
- Tenants are on written tenancy agreements; and,
- Anti-social behaviour and repairs are effectively managed.

What do landlords get in return for the licence?

- Discounted application fee for early applications (£300, all other licences are £500);
- Inspection of the property and detailed instruction on how to improve the property to meet current regulations and requirements;
- Free SAP assessment and energy efficiency measures;
- Landlord accreditation or training credit; and
- Access to a dedicated referral network for housing standards and tenancy issues.

What happens if a landlord does not get a licence or breaches the licence conditions?

It is a criminal offence for landlords not to license any properties which are required to be licensed in the designated area, and landlords can be prosecuted (maximum fine £20,000) and have control of their unlicensed properties taken away from them.

Any delay in providing the necessary information does not extend the licence period in any way, and may result in a reduction in the maximum licence period.

It is a criminal offence to breach the licensing conditions. On conviction, landlords can face a fine of up to £5,000 for each breach.

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Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Hindi

यदि आपको इस दस्तावेज़ का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফোন করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

Arabic

الوصول على ملخص لهذا المستند بلغتك،
فارجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي أو عنوان البريدي
الالكتروني أعلاه.

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઇ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

Endnotes

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² The evidence based used in the review has been published alongside this report on the Committee's web page here: <http://www.london.gov.uk/who-runs-london/the-london-assembly/publications/housing-planning>

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⁸ National Landlords Association and Chartered Institute of Environmental Health, Planning and Housing Committee, 7 June 2011

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²⁰ Towards a Sustainable Private Rented Sector: Lessons from other Countries. LSE, October 2011

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²² Shelter cites one example where a landlord was forcing his tenants to live in sub-standard conditions was taken to court by a London borough. The magistrate awarded a fine of £12k - reduced to £500 on appeal.

²³ Planning and Housing Committee 7 June 2011

²⁴ Towards a Sustainable Private Rented Sector: Lessons from other Countries. LSE, October 2011

- ²⁵ The private rented sector: professionalism and quality: The Government response to the Rugg Review, CLG May 2009
<http://www.communities.gov.uk/documents/housing/pdf/1229922.pdf>
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- ²⁸ Camden Federation of Private Tenants, Planning and Housing Committee 7 June 2011
- ²⁹ British Property Federation written submission 13 June 2011
- ³⁰ Chartered Institute of Housing, written submission 17 June 2011
- ³¹ Cllr Paul Ellis, London borough of Wandsworth, Planning and Housing Committee 6 July 2011
- ³² Explanatory memorandum: The Selective Licensing Order, ODPM, 2006
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- ³⁴ The Law Commission:
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- ³⁶ Shelter, written submission 3 June 2011
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