

REPORT

IPPR
NORTH



BACK TO RISING DAMP

ADDRESSING HOUSING QUALITY IN THE PRIVATE RENTED SECTOR

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Institute for Public Policy Research

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ABOUT IPPR NORTH

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IDEAS to
CHANGE LIVES

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EXECUTIVE SUMMARY

Private renting is the fastest growing sector of housing. Low levels of housebuilding, diminishing stock, rising prices and a shift in state spending from building houses to subsidising rent, mean that the percentage of households renting their homes increased in all English regions in the decade to 2011. Policy debates around the growth of people renting privately have focused on an inability to get on the housing ladder and the ever-rising cost of rent subsidy for those on housing benefit. But there are broader issues that this debate is failing to recognise that have a profound effect on the lives of individuals and families in the sector and the places where they live.

The growth of an under-regulated private rented sector (PRS) means that more state expenditure is directed towards property and services which it is unable to influence. Housing standards vary wildly. Also, tenants in the PRS may have less access to support services as well as the relative security of tenure associated with social housing, which may impact on wider life chances and other community benefits.

Between 2001 and 2011, the number of private renters in poverty doubled from 2 million to 4 million (Aldridge et al 2013). Moreover, a third of privately rented homes failed to meet the Decent Homes criteria. There are serious challenges of quality and safety in this sector, which must be faced if we are to ensure housing is not a barrier to the health and prosperity of individuals and their families, and if we are to enable strong and cohesive neighbourhoods where people want to live.

By giving more powers to local authorities we can deliver a safer, better standard of housing in the private rented sector benefiting both the life chances of tenants and the areas in which they live.

This paper explores the nature of the private rented sector as it exists today, looking at changing patterns of occupancy and the characteristics of the sector itself. It explores the growth of the submarket of housing benefit within the sector, and what the tenure means for tenants themselves and the neighbourhoods that private rented housing helps to shape. Our recommendations are summarised below.

1. Better use should be made by local authorities of existing powers, such as the use of selective licensing, improvement notices, hazard awareness orders and demolition orders, to persuade private landlords to maintain their property to a good standard. We recommend that now local authorities have a 'general consent' to establish selective licensing arrangements, and don't have to apply to the secretary of state for permission, and that they maximise use of licensing procedures.
2. We argue that community housing agencies should be established by local authorities using the General Power of Competence provision of the Localism Act 2011. These not-for-profit agencies would be dedicated to working within the private rented sector and would be responsible for operating a system of landlord accreditation, tenant matching and other management services.

These agencies would provide an offer to landlords by competing with private letting companies. For-profit agencies charge landlords on average around 10 per cent of the annual rental income, but a not-for-profit community housing agency could be competitive in this market. Agencies would need access to a large base of tenants, helping to reduce void timescales. Community housing agencies could also act as rent guarantor for recipients of local housing allowance (LHA) or universal credit. They could offer wider services to landlords such as damage

and rent insurance, as well as property management (including coordination of maintenance). Such agencies could provide a useful service for tenants as well, if they worked *only* with accredited landlords, and had greater powers to monitor and drive up standards. They would act as broker between those looking for accommodation and landlords looking for tenants, and would provide a first port of call for LHA recipients.

3. Working alongside housing management services there should be multi-agency PRS support teams who would work to support vulnerable private tenants. The teams would be run by the community housing agency or the local authority. The teams would work with tenants to assess any support they might need, such as debt advice, support in domestic violence situations, mental health advocacy or signposting, drug and alcohol support services or support for carers. The team would ensure tenants were aware of the full-range of local services available and would have the power to make referrals to statutory agencies where necessary.
4. Councils who already have an accreditation system in place should ensure home improvement grants and loans are available to landlords to enable them to meet Decent Homes criteria. Landlords should also be able to deduct investments on home improvements (over and above current wear-and-tear allowances) from the tax payable on their profit.

Although set up as not-for-profit entities, community housing agencies are intended to be self-financing and any surpluses they may create could be used to support PRS teams and home improvement grants. It is clear that some councils have found the means to introduce such initiatives already (with the prospect of future savings on other services) and it is hoped that through the better use and management of stock, or earlier identification of potential problems, any cost efficiencies could generate real returns that could be reinvested in associated programmes. If over time there is greater decentralisation of housing benefit through a mechanism such as an affordable housing fund (Hull and Cooke 2012, Cooke and Davies forthcoming) then there would be even greater scope to finance such initiatives. Alternatively, in the short term, local authorities could explore other funds or reserves for this use.

Addressing housing quality and support for tenants in the PRS in this way will not tackle the root causes of the housing crisis. However, it may help prevent an unregulated sector from exploiting people in need of housing, and go some way to help support more vulnerable families overcome discrimination in the private rental market, and improve the physical infrastructure of neighbourhoods with prominent buy-to-let markets.

1. INTRODUCTION

The nature of housing in the UK is changing. The number of people owning their own properties has been growing since the 1970s, and owner occupiers are now a majority. However, of late, the distribution of tenures has been shifting. Levels of home ownership have been falling consistently, as low levels of housebuilding, difficulties for even middle-income earners to satisfy mortgage criteria, and inflated property values (especially in London), as well as significant negative equity in other parts of the country have seen people increasingly excluded from housing markets. Rising prices have closed off options for owner occupation for many aspirants, forcing them to continue renting accommodation privately, while those on lower incomes attempt to claim rental subsidies to support often high private rents. This has been accompanied by a broader shift in state spending over decades from supporting housing construction to subsidising rental levels, along with the sale of a large proportion of state-owned housing (Hull and Cooke 2012). Housing supply accessible to those on low incomes has increasingly failed to keep pace with demand, and more people are receiving state subsidy to live in the private rented sector who might previously have owned their own home or lived in social housing. Overall, the percentage of households renting increased in all English regions and in Wales in the decade to 2011 (ONS 2013a).

The recent focus in policy circles has been on the rising cost of subsidies to the private rented sector, the effects on first-time buyers' chances of getting on the property ladder, and opportunities for tenants to move from reliance on rental subsidies to meet the full costs of ever-rising rent payments. These are pertinent issues, but it is also important to look beyond these immediate challenges to problems that are growing beneath the surface – namely, the quality of the housing that people are increasingly forced to inhabit in the private rented sector, and the implications of poor housing quality on peoples' wellbeing and their life chances, as well as the potential effects of poor housing on the local neighbourhood.

We know that housing standards affect inhabitants' quality of life directly, and exacerbate lack of access to opportunity. Poor housing in childhood can lead to a greater likelihood of ill-health, greater risk of mental health and behavioural problems; influences lower educational attainment levels, and therefore the prospect of increased unemployment and poverty in later life (Harker 2006).

Housing quality impacts on the physical and social fabric of a neighbourhood and has a key role to play in how satisfied people feel with their local area (Cox et al 2013). Type and quality of housing in an area are good indicators of neighbourhood deprivation, and occupancy status can influence how residents relate to their homes and their neighbourhoods. For example, home ownership may foster local activism by homeowners (Hull and Cooke 2012). Social housing can provide security and stability for families, enable strong, cohesive communities, and also ensure a high standard of accommodation, particularly following statutory requirements such as the Decent Homes criteria.

It is the private rented sector that gives the greatest cause for current concern. Between 2001 and 2011, the number of private renters in poverty doubled from 2 million to 4 million (Aldridge 2013). Over a third of privately rented homes fail to meet the Decent Homes criteria. The state has less ability to protect people from unscrupulous landlords in the private sector or substandard housing conditions. It has no ability to restrict rent levels and can only inflict punitive sanction via the LHA on private tenants who access more expensive housing. With a declining number of managed local authority rental properties,

the state has less information on the quality of housing that tenants are able to access in the sector. It has a reduced ability to support positive community cohesion and tackle social issues at the local level, and no influence over landlord–tenant relationships.

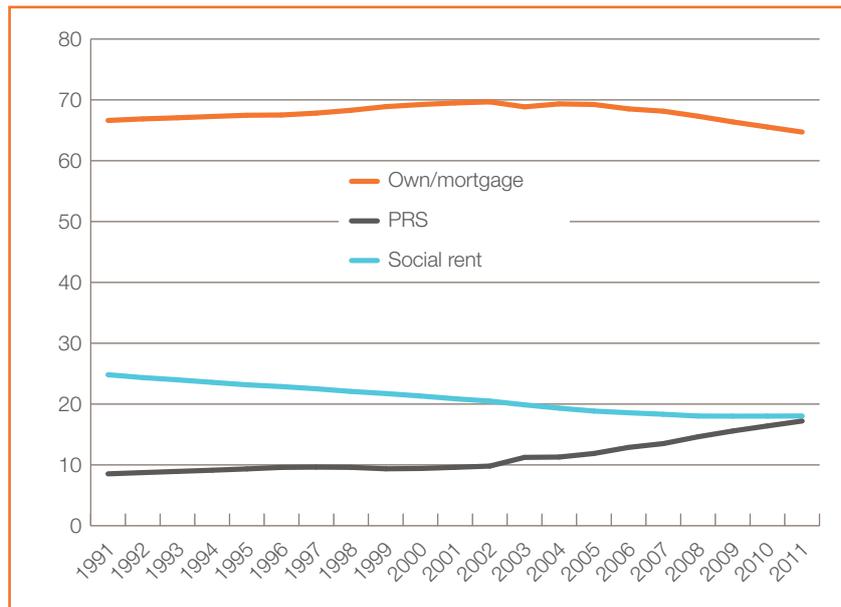
As home ownership is a declining proportion of overall tenure ratios, and private renting a rising one, the challenge for policymakers is to ensure that the quality of housing in the private rented sector can meet the high standards of other tenures, and that housing standards are not a barrier to opportunity. Just as with any other tenure, privately rented housing must enable inhabitants to fulfil their potential, and contribute to neighbourhoods where people want to live and work.

2. THE NATURE OF THE PRIVATE RENTED SECTOR

2.1 Changing patterns of occupancy

Patterns of home ownership in England have been shifting towards greater owner occupation over the course of the 20th century with a steady but considerable rise in mortgage holders and (even today) outright owners. Yet, at the beginning of the century, the private rented sector was by far the most common tenure, with almost 90 per cent of households renting privately in 1914 (Merrett 1982). Intermittently, from 1890 (and with policies of both Tory and Labour governments) until 1956, and from 1961 to 1968, local and municipal authorities were mandated to embark on significant social housing programmes. From 1973, the 'voluntary housing movement' (mostly housing associations) was expanded to improve the standard of rental stock (Short 1982: 61). By 1981, 31 per cent of the population lived in social housing (CLG 2013b). Alongside this were active home ownership policies, such as the 'right to buy' in the Housing Act of 1980. Home ownership reached a peak in 2001 with 69 per cent of the population owning a home (CLG 2013b).

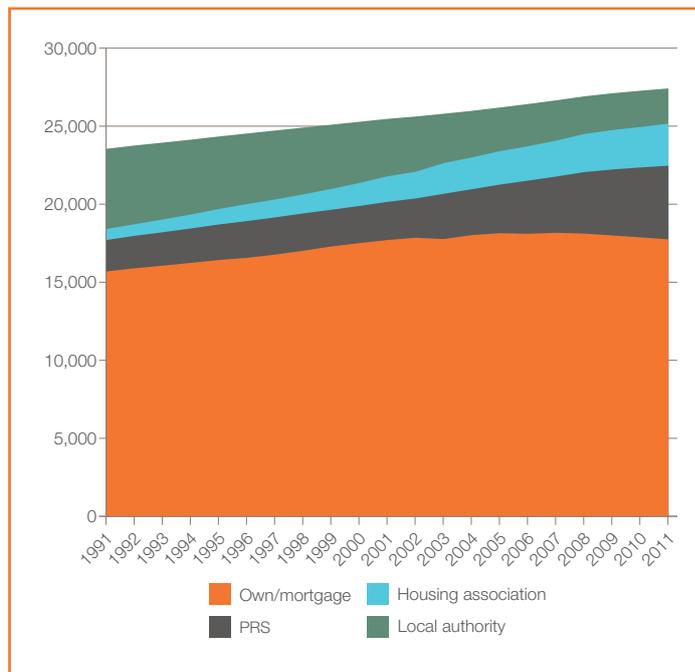
Figure 2.1
Share of dwelling stock
(percentage)



Source: CLG 2013b

From 1991 to 2001, the share of the PRS within total dwelling stock was stable for the best part of a decade, until it began to rise dramatically. As figure 2.2 shows, the number of people living in private rented accommodation has increased in recent years. The slight decline in home ownership since 2001 is linked to a decade of rising house prices, lower rates of building, tighter lending requirements since the 2008 financial crash, and low wage growth.

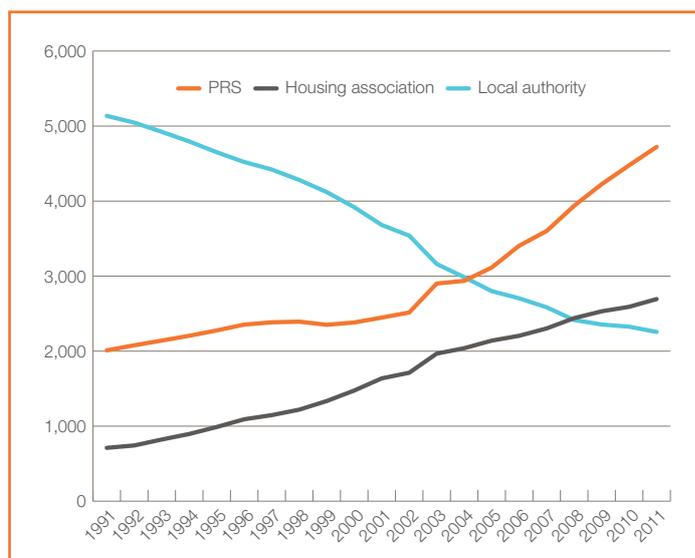
Figure 2.2
Breakdown of the rental market by tenure ('000s)



Source: CLG 2013b

When we strip out owner occupation, more specific patterns are noticeable in the rental market itself.

Figure 2.3
Landlords in the rental market



Source: CLG 2013b

Data from Communities and Local Government (CLG, above) shows that the tenure share of local authorities as landlords has more than halved, and the position of the private rented sector has (since 2004) surpassed the position of local authorities and, by 2008, housing associations as well. The consequence of this gradual, but significant, shift is that

over the last two decades control over the authority of social housing within the rental market has weakened considerably.

The revival of the private rental tenure is most likely to be a result of reduced stock in the public sector, enticing revenues for prospective landlords in the buy-to-let market, the withering of rent controls, prohibitive house prices for new market entrants extending rental occupation, and a growth in the student population.

2.2 Characteristics of the private rented sector

It is difficult to make generalisations about the PRS due to the diversity of the sector and the actors within it. Nevertheless, there are consistent trends that stand out:

- **Amateurism:** Just under 75 per cent of all landlords are private individuals or couples rather than companies, and over half of all landlords own fewer than five properties with only three per cent of landlords owning over 250 (Ball 2010). According to Shelter (2011), many of the complaints made against landlords result from amateur landlords not being aware of their responsibilities rather than deliberate neglect. Equally, research by IPPR has found that private landlords can feel unsupported by the local authority, especially when it comes to dealing with ‘problem tenants’ (Viitanen 2012).
- **High rents:** Between 2000 and 2007, across the UK market rents rose by 35 per cent, substantially above the level of inflation, but significantly less than house prices, which rose by 124 per cent (Dolphin and Griffith 2011). The recession ushered in a period of below inflation rent rises across England, but the National Housing Federation (2013) predicts more rapid rises in the future, with private rents to rise by 39 per cent by 2020. In terms of regional differentiation, the rental market has shifted in a similar way to house prices, with the fastest nominal increases in the south and east of England, and London (NHF 2013). While rent setting in this unregulated sector has become a matter for landlords’ discretion, the costs of rising rents are borne in part by the taxpayer through rental subsidy. The more rents rise, the more citizens on low incomes require support for it, or the more public policy will have to constrain subsidy to ensure budgetary restraint. Not only is the PRS the most expensive rental option, but CLG (2013a) reports that, typically, private tenants pay more rent than owner occupiers spend on their mortgage payments (£164 compared with £141 per week), making it the most expensive of all tenure options.
- **Flexibility and insecurity:** The assured shorthold tenancy (AST) has become the standard tenancy agreement in the UK. For landlords, and perhaps certain tenants, this delivers flexibility and choice, and the PRS is often regarded as a ‘lifestyle’ or ‘stage in life’ housing choice (Ball 2010). For others this may indicate a more fluid or less settled and much less secure existence. AST results in higher churn in the PRS, as table 2.1 shows.¹

Table 2.1 Effect of shorthold tenancy on occupancy duration

Type of tenure	Median length of stay between moves
Private rented accommodation	1 year
Social housing	7 years
Owner occupation	11 years

Source: Social Trends 2013

¹ There was, however, a significant minority (around 20 per cent) who had lived at their current address for five years or more. While the PRS tends to be a more ‘transient’ sector in general terms, it is not the case for a significant minority.

- **Higher satisfaction?** In spite of poorer recorded levels of quality in the private rented sector, the general levels of satisfaction among tenants in the PRS are marginally higher compared to the social housing sector, but tenants of registered social landlords (RSLs) tend to be more satisfied by their accommodation than PRS tenants, and PRS tenants tend to be more satisfied than local authority tenants (CLG 2013a). Any amateurism within the PRS did not seem to affect satisfaction levels: there were also no significant differences in tenant satisfaction levels by size of landlord, or by whether the landlord was full-time or part-time (HM Treasury 2010).

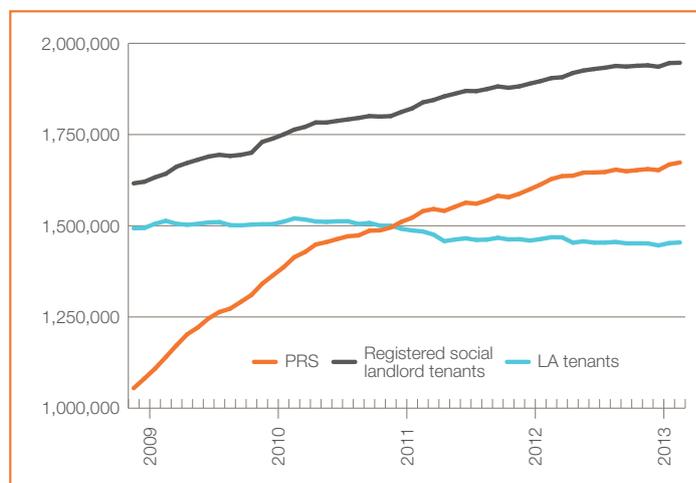
Reported tenant satisfaction levels for smaller individual landlords are in fact marginally higher than for those managed by companies, partnerships or other organisations (ibid). While the levels of satisfaction between private renters and their landlords are higher, relationships with intermediary organisations are more complicated. In particular, private letting agents were a particularly unsatisfactory element of the general experience of private renting. YouGov (2012) found that 23 per cent of people recalled having been charged unfair fees. Innovative ‘mystery shopper’ research by the Resolution Foundation shed light on the complex web of charges that renters face when dealing with letting agents, and identified these charges as posing significant burdens on families of lower and middle incomes (Darian 2011).

These characteristics have both positive and negative consequences for tenants.² The PRS is often upheld for an imagined choice and flexibility it offers to households. However, among certain subsectors of the PRS any advantages all but disappear, notably in the ‘low value’ subsectors such as LHA and ‘slum’ rentals. We have focused on the rental subsidy (LHA) market below as the largest of these subsectors, where data is most widely available.

2.3 Growth of the rental subsidy submarket

One of the marked features of the private rented sector is found in the growth of its position in receiving rental subsidies. The number of housing benefit and LHA recipients living in the PRS increased by around 1 million between 2002 and 2013, from 711,000 in 2002/03, to nearly 1.7 million in 2012/13 (see figure 2.4).

Figure 2.4
Subsidised tenancies, by tenure



Source: DWP 2013

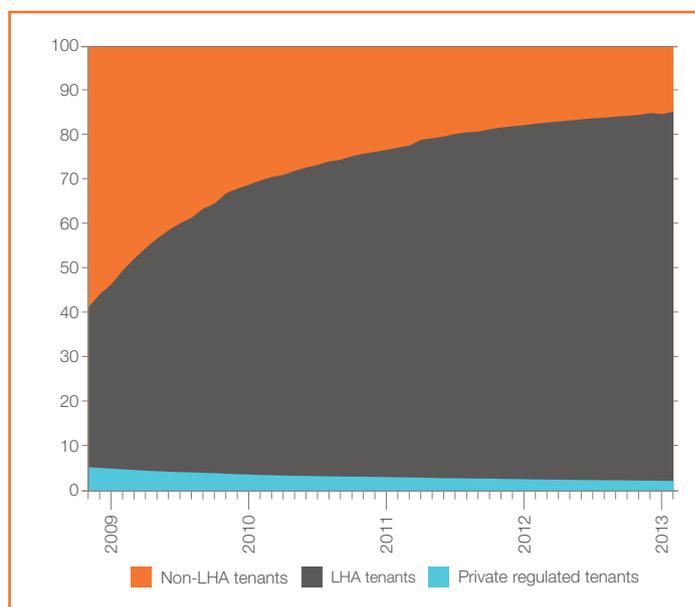
² In thinking about this it is useful to refer to analysis carried out as part of the research by Rugg and Rhodes (2008), which identified 10 separate, but not exclusive, submarkets within the PRS: accommodation targeting young professionals, students, housing benefit and LHA recipients, high-income renters, new migrants and asylum-seekers; plus, ‘slum’ rentals, tied housing, temporary accommodation, and regulated tenancies.

With a significant rise in the number of subsidy recipients since the recession, both in work and out of work, the private rented sector and RSLs have been absorbing most of the new demand, while local authorities' previous 'claim' to the majority of the subsidy-supported tenancies has gradually diminished.

The rising numbers of rental subsidy recipients in work and living in the PRS, coupled with a decline in the numbers living in local authority accommodation may imply a growing trend towards tenancy mix in the working (but subsidised) population. As a large amount of money is now being spent on subsidising rents in the private sector, it is an opportune moment to consider what standards should be demanded in return.

The subsectors of the PRS have adjusted to the changing imperatives of public policy. Figure 2.5 shows the disappearance of regulated tenancies (long-term private tenancies with fixed rent rises built in);³ those outside of this tenancy category (the vast majority) have their rents determined largely by market forces. However, figure 2.5 also shows the introduction of the LHA for those outside the shrinking regulated market. The LHA has attempted to bring a stronger degree of control over rents paid to private landlords, yet LHA rents are still significantly higher than social housing rents or regulated PRS rents.

Figure 2.5
Subsidised PRS
tenancies by subsector



Source: DWP 2013

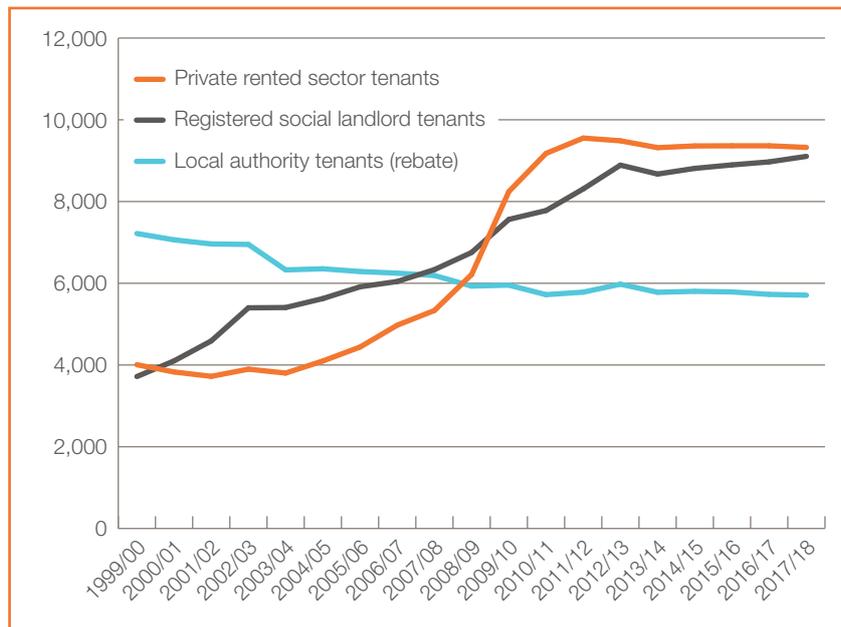
Changes to public policy have become more market-focused over time, and have led to new cost pressures. Spending on rental subsidies in the UK has increased substantially since the mid-1970s. In the financial year 1975/76, £1.2 billion was spent on rental subsidies compared to £23.7 billion projected for this financial year (2013/14) (HM Treasury 2013).

As figure 2.6 shows, an increasing share of this expenditure is channelled towards the PRS. The number of people in work receiving subsidy has been rising at a rate of 10,000 per month. This higher number of working recipients has driven much of the acceleration

³ Regulated tenancies are generally those made before 1989, and guarantee strong rights for the tenant and considerably lower rents.

in state expenditure on the PRS (Hull and Cooke 2012), and analysis by BSHF (2010) has shown that recipient numbers and rising rents have accounted for 66 per cent of the growth in expenditure. The orange line in figure 2.6 gives a clear indication of the rising costs of housing people in the private rented sector.

Figure 2.6
Expenditure by tenure
(GBP millions)



Source: HM Treasury 2013

The cost of private renting to the public purse is considerable, with all rental subsidies costing £9.3 billion per annum (DWP 2013). Yet these figures also need to be put into the context of the decreasing availability of local authority housing. The number of council-owned dwellings has diminished significantly as a result of lack of investment in replacement stock to counter right-to-buy losses, and voluntary sales and transfers rendered to housing associations. In this respect, rising expenditure on rental subsidies is inevitable as the private sector absorbs the strain of increased numbers of low-income tenants.

Whichever way it is considered, it is clear that an increasing volume and proportion of public money is being given to private, often amateur, investors to respond to a social need.

The quality of housing in this subsector of the PRS has some specific and troubling attributes. Indeed, it is different to the wider PRS both in terms of household characteristics and some of the challenges presented, most notably in relation to housing standards and maintenance.

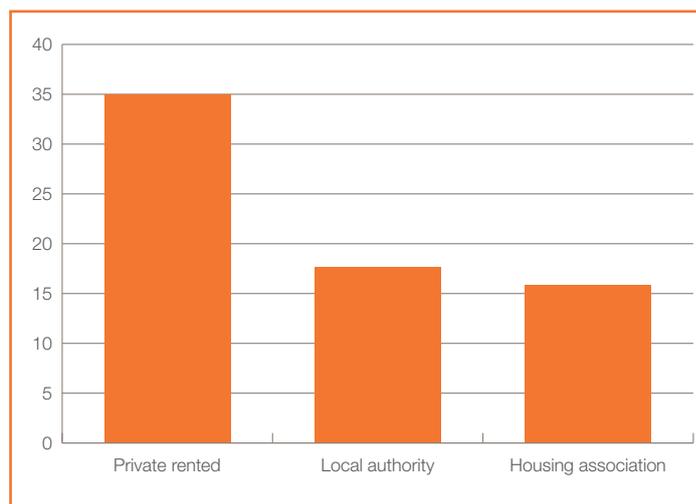
Research commissioned by the Department for Work and Pensions (DWP) (McKay and Rhodes 2010) focusing on low-income households in the PRS discovered that those receiving rental subsidies as private tenants, compared to low income non-recipients living in the PRS, were:

- older (only 10 per cent of recipients were under 25, compared to 23 per cent of low income non-recipients)
- more likely to have no qualifications (nearly half of recipients had no formal qualifications, compared to less than 10 per cent of low income non-recipients)

- more likely to have dependent children in the household, and especially more likely to be lone parents (35 per cent of recipients compared with 5 per cent of low-income non-recipients)
- more likely to be living in the north west of England and in London, compared to the other regions of Great Britain.

There are also considerable questions with regard to the quality of housing available, and the PRS in general has poorer housing conditions than other sectors. Currently, some 35 per cent of private rented homes are classified as ‘non-decent’, compared to 18 per cent of homes in local authority hands, and 16 per cent in the housing association sector, as shown in figure 2.7 (CLG 2013a).

Figure 2.7
Substandard housing
by tenure, 2011
(percentage)



Source: CLG 2013a

Furthermore, substantial disrepair (defined as costing over £20/m² or at least £1,800) is also a greater problem in the PRS (CLG 2013a).

One explanation of the sector’s poorer quality is its age. Nearly 40 per cent of pre-1919 stock is in the PRS, compared with 21 per cent in the owner occupied sector, 4 per cent in local authority ownership and 9 per cent in housing association hands. Bearing in mind the overall size of the PRS, this tells us a large proportion of PRS stock is older, meaning that decency and repair are more significant challenges. Furthermore, McKay and Rhodes (ibid) found that rental subsidy recipients were more likely to be living in older properties than their non-recipient low-income peers.

Specific rates of substandard housing in this submarket have not been published. CLG (2010) has produced some figures on vulnerable households (defined as those in receipt of more than one income or disability benefit) that act as a reasonable proxy, as many of these individuals will also be in receipt of housing benefit or LHA. In 2007, 3.1 million vulnerable households were living in private sector housing (as owner occupiers as well as the PRS), and of this broad category, CLG estimates that 61 per cent are living in ‘non-decent’ (that is, substandard) housing, and that 48 per cent of this inadequate housing is in the PRS, amounting to nearly one million vulnerable households in substandard private rented accommodation (ibid).

Alarming, evidence from the housing market renewal pathfinders (HMRP), which focused on areas of low housing demand, shows that there are pockets where substandard housing is even more prevalent. In some HMRP areas, rates of ‘non-decency’ in the PRS reached 50 to 70 per cent. Indeed, the recent CLG select committee inquiry into decent homes reiterated that sections of the PRS presented a cause for deep concern. Evidence received from local authorities suggested that the PRS was a last resort for many vulnerable and impoverished households. In some local authority areas, two thirds of all privately renting households were supported by state subsidy (CLG 2010: 61).

Worse still, research by Shelter has shown that socio-economic groups further down the scale (C2, D and E) are less likely to have their problems or complaints solved by their landlord (22 per cent) compared to ‘higher’ socio-economic groups (A, B, and C1) at 37 per cent. The former were also twice as likely to avoid taking action against a landlord for fear of adverse consequences (10 per cent against five per cent) (Shelter 2011).

The housing stock in the PRS is mixed, but those on the lowest incomes are not only the most likely to live in substandard PRS housing, they are the least likely group to have their housing problems addressed. **Intervention will be needed as market forces do not adequately enforce high-enough standards in less expensive PRS housing, due to an excess of demand for rental property at this end of the market.** Low standards are compounded by perverse incentives: for example, rental yields can be higher on property that is in poor condition, due to a variety of factors including lower management costs and lower expectation from the tenants (Rugg and Rhodes 2008). Moreover, the CLG select committee (2010) found that rents were generally not influenced so much by the condition of the property as they are by its location. Low-value stock in less sought-after locations would not necessarily yield more rental income even if investments were made in improvements.

What we may be witnessing is the polarisation of the PRS in terms of quality. While the more expensive end of the sector offers tenants flexibility and choice, at the other end of the sector there are too many instances of housing that does not meet basic standards and landlords that are not keeping up with repairs and maintenance of their properties. Yet this is a sector in receipt of substantial sums of taxpayers’ money in the form of rental subsidies. It is time we asked if we are getting enough in return for the amount of money being spent by the public purse. And in the process of so doing it is essential that good landlords are supported while bad ones are weeded out.

The urgency of this problem is likely to be intensified now that local authorities are able to dispatch their homelessness duty through the PRS since the passing of the Localism Act 2011. In the past, homeless individuals and families had the option of rejecting an offer to be housed in the PRS, and wait for the local authority to find a social housing option. Given the shortage of social housing, this is certain to result in more vulnerable and homeless households being housed in the PRS in the future, making these findings all the more concerning. The next section considers the impacts of poor housing management in the PRS on individuals, families and neighbourhoods before going on to consider options for policy reform.

2.4 The PRS and neighbourhoods

The problems outlined in section 2.3 pose challenges not only for individuals and families living in inadequate privately rented accommodation, but also for wider neighbourhoods. It is difficult to expect landlords in the PRS to take on a significant role in the neighbourhoods where their houses are located, but it is important to recognise that the housing they supply has an impact on those neighbourhoods, and therefore that they have a degree of responsibility for the impact.

For instance, Kelling and Coles' (1996) 'broken windows theory' asserts that the physical upkeep of an area sends a message about the sort of behaviour that is acceptable. Neighbourhoods with high levels of littering and vandalism, or poorly maintained properties, can imply that anti-social behaviour is tolerated, and upkeep of residential areas is not important.

Landlords of private properties, whether they live locally or not, have a key part to play in the appearance of a neighbourhood. Indeed, research by IPPR North into why some deprived neighbourhoods improve while other seemingly similar ones lag – or even decline – found the role of private landlords appeared to be pivotal in a downward trajectory (Cox et al 2013).

Cheap house prices in areas characterised by low demand or market failure resulted in private (often absentee) landlords buying multiple properties which were then not well maintained or managed. This contributed to a vicious circle of deteriorating physical fabric, increasing criminality and drug-related activity, which reinforced negative reputation and stigmatisation. In turn, those that left were replaced by the most vulnerable and those with limited opportunities. The result were localities where inhabitants had entrenched multiple social and economic disadvantages (Cox and Schmuecker 2010). One could expand this to suggest that people may not want to invest in a business, move or work in a locality or otherwise contribute to a place, if they do not think of it somewhere good to live.

Poor private landlords were not the sole drivers of this decline, but they were a common factor across case studies. These suppositions are not unique to the UK. A US study (Elorza 2007) calls attention to negative externalities caused by absentee landlords in deprived neighbourhoods. These landlords buy up cheap property and push potential low-income homeowners out of the market; they may have no interest in factors that might contribute to an increase in crime, or failing schools and worsening deprivation, so long as they have tenants in place.

All housing providers ought to have a keen interest in neighbourhood 'wellbeing' themselves. As local asset holders, their 'businesses' (whether as social or private landlords) are affected by the improvement or decline of neighbourhoods, as the value of property, desirability of the area and profile of potential tenants moves in tandem.

The decline of the physical fabric in an area can also inhibit local authority investment in disadvantaged areas and other efforts at revitalisation.

2.5 The PRS and tenants

As significant as the impact of poor housing on local neighbourhoods is the impact on individual tenants and families themselves. As Shelter identified back in 2000, 'not only can bad housing be an underlying cause of poor health, education and personal development but it can also result in people being excluded from general service

provision or more specialist support services'. Further evidence has shown that poor housing in childhood can lead to a higher incidence of sickness, greater risk of mental health and behavioural problems, lower educational attainment and thus increased unemployment and poverty in later life (Harker 2006).

Moreover, as we have already indicated, the PRS is less secure than other sectors, inhibiting life chances and generating adverse health outcomes still further. Longer tenancies provide residents with an incentive to invest energy in the houses they live in as well as the social life of neighbourhoods. If tenants can live in one place for a long time, they may exert more energy in looking after it. Secondly, longer-term tenancies will allow residents to build relationships with others.

Assured shorthold tenancies are currently the norm. Flexibility enabled by such tenancies is good for students and people on temporary contracts as well as landlords, but longer tenancies should be available to those who need them, and IPPR (Hull and Cooke 2012) and Shelter (2013) have made strong recommendations for longer tenancies (up to five years for families). Longer-term tenancies would provide more security for landlords too, with lower voids and therefore greater certainty over future returns on their investment.

The PRS houses a million households with children, twice the figure of a decade ago (Hull and Cooke 2012). The more secure and permanent a home, the easier it is for children to have a stable education, build friendships with other children, and for the family itself to build positive local relationships. As Hull and Cooke state: 'more and more families with children ... need the comfort of knowing that they cannot be evicted at a moment's notice'.

Yet private tenancies are incredibly insecure, with most ASTs fixed at just six months, with a two-month period after the AST ends, placing all tenants in a constant state of exceptional jeopardy. According to Rugg and Pleace (2013), the ending of a shorthold tenancy is the chief cause of homelessness cited by 11 per cent of households. Their most recent research shows that in the past two years there has been a 39 per cent increase in the number of households becoming homeless when an AST expires.

The fear of losing a tenancy also means that those living in the PRS are less likely to complain about poor conditions. Many tenants are reluctant to complain about their housing conditions because their landlords have the legal right to either raise their rent or simply evict them without giving any reason for ending the tenancy agreement. In a survey of environmental health and tenancy officers, Citizens Advice Bureaux found that all private tenants are put off seeking assistance at some point in their renting existence due to the fear of endangering their tenancy (Institute for Health Equity 2007), and Shelter has found that the fear of retaliatory eviction is a key factor in the underreporting of bad landlords (Shelter 2011). As mentioned above, this is even more problematic for poorer socioeconomic groups who are twice as likely to avoid taking action against the landlord for fear of adverse consequences (10 per cent against 5 per cent for better-off tenants) (ibid).

As recommended by Hull and Cooke (2012), the law on shorthold tenancy should be amended to offer an additional, alternative 'family tenancy', with a five-year secure period and five months notice period after this expires. Hull and Cooke suggest that these tenancies should be available specifically for those with children. As well as security of tenure, there are important support mechanisms that those in the social housing sector often benefit from that are more difficult to access for those in the PRS. Many vulnerable

people are living increasingly in the private rented sector, and it is now the main option for people moving on from hostels and supported housing. People in the private rented sector are less likely to be able to access support services, whereas often a local authority or housing association would have an 'early warning system' for tenants who are beginning to experience difficulties.

Housing associations and local authorities work with a range of agencies providing support and care services. These are focused around tackling problems such as dealing with anti-social behaviour, or drug and alcohol problems. Many also provide services such as help in tackling debt or rent arrears, supporting people into work, signposting those who have mental health problems, as well as those who need help to gain the skills and confidence to live on their own and manage their household and tenancy. For example, L&Q Housing Association runs a service called KiT service ('Keep it' as in 'keep your tenancy') which tries to help residents deal with problems that may put their homes at risk, such as high rent arrears or anti-social behaviour.

Lack of collective power and neighbour-to-neighbour support is also a challenge for tenants within the PRS. The isolated nature of individuals in the sector, whose relationship is directly with (often absent) landlords means they have less power to shift the quality of their accommodation. Tenants and residents associations and cooperative housing all enable a collective voice for tenants to help lever improvements and have a collective environmental impact, including addressing problems like anti-social behaviour, noise nuisance and vandalism.

There is an urgent need to review the security, access to support and the power deficit for tenants within the private rented sector. Our recommendations in the following chapter should go some way to help address this.

3. REFORMING THE PRIVATE RENTED SECTOR

The private rented sector is being forced to take on the effects of social crisis effected by deficits in statutory housing provision. Some landlords fulfil their responsibilities in an exemplary manner, and well-maintained properties and ‘good’ landlords should be free from restrictive regulation. However, there are too many properties in the PRS in a bad state of repair, and too many inadequate landlords and letting agents, to ignore the need for increased regulatory sanction. Tenant security and housing quality need to be ensured throughout the housing system, and incentives offered and criteria placed on landlords both need reformulating.

Local councils need to use the powers they have and be given extra responsibilities and authority to enforce improved housing standards and maintenance that can enhance both tenants’ quality of living and local environments. Local authorities need, therefore, to be able to manage private sector landlords as part of a wider strategy for sustainable communities. This section first reviews powers already available to local authorities that could be used more purposefully, before outlining some options for reform.

3.1 Making better use of existing powers

New legislation may not be necessary to promote better standards in the PRS. Local authorities already have enough powers to target many areas of concern.

Recommendation: Better use should be made by local authorities of existing powers such as the use of improvement notices, prohibition orders, hazard awareness orders and demolition orders. More local authorities should look to use selective licensing, and they should no longer have to apply to the secretary of state for consent to operate a licensing scheme.

Health and safety: Councils have the power to take action against landlords for infringing health and safety regulation. Legislation in 2004 established the Housing Health and Safety Rating System (HHSRS),⁴ but evidence suggests that even by 2010, only a third of landlords had heard of it (CLG 2010b). Powers include serving improvement notices, prohibition orders, hazard awareness notices, clearance orders, and even demolition orders. There are four rating classes, and councils have a duty to intervene in the most severe cases (category 1). More than 20 per cent of privately rented homes are in category 1,⁵ double that of local authority housing, and triple the proportion of housing association stock (CLG 2012).

Environmental health: Local authorities have a duty to inspect properties if they receive a complaint. This applies not only to the interior of the property but can extend to hazards or nuisance to the wider neighbourhood resulting from disrepair (for example unsafe roof tiles falling onto the pavement). The local authority can then require the landlord to make repairs. Some councils (such as Gloucester City Council) are beginning to use their environmental health teams more proactively to drive better standards in the PRS through the existing HHSRS rules, rather than simply responding to complaints.

Licensing: The Housing Act 2004 introduced mandatory licensing for the highest risk houses in multiple occupation (HMOs) together with the option for local authorities to introduce discretionary selective licensing regimes in specific areas. Selective licensing

4 See <https://www.gov.uk/government/publications/hhsrs-operating-guidance-housing-act-2004-guidance-about-inspections-and-assessment-of-hazards-given-under-section-9>

5 For description of these, and recommendation responses, see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7853/safetyratingsystem.pdf

can be directed at other categories of HMO or even all privately rented property in areas of low housing demand. Being subject to licensing requires landlords to pass a 'fit and proper person' test, and enables local authorities to impose conditions on management standards. Since implementation in April 2006, over 20,000 licences have been issued to landlords of mandatory licensable HMOs, 13 selective licensing designations have been awarded to 10 local authorities, and one additional licensing designation has been granted.

A survey of local authorities carried out in 2010 found licensing of HMOs to be partially successful. While there were some landlords evading registration, this was thought to be fewer than 20 per cent of cases. The cost of a licence varies between local authorities, ranging from no cost to £1,500, with some councils offering discounts to landlords who become part of a local property accreditation scheme. Reported positive impacts (even after only two years of the regulation being in force) include reduced overcrowding and improvements to the physical condition of property (Nicol et al 2010). Other effects of the regulation included conversion of properties into self-contained flats to avoid mandatory licensing, or sale.⁶ Numbers of landlords taking these actions have not been recorded. The survey also found that local authority approaches to licensing varied wildly, with some refusing to license or abandoning schemes early on while others used the regulation to maximal effect.

Box 3.1 Newham Council's neighbourhood improvement zones

Newham Council in east London has introduced a system of compulsory licensing of privately rented property within defined neighbourhood improvement zones (NIZs) 'to improve many of the problems residents are concerned about ... through coordinating and focusing council services. In particular [the local authority] will be tackling residents' concerns regarding the high numbers of properties that are rented [that] often have a detrimental impact on [a neighbourhood]'.

All privately rented property within the defined zone must be licensed, irrespective of size or occupancy. Any landlords who do not apply for and obtain a licence are liable to prosecution and a fine.

Licensing requirements have now been applied to all PRS landlords in the local authority jurisdiction, and landlords who do not fulfil their obligations will be liable for a fine of up to £20,000. The licence is also used to encourage landlords to terminate tenancies of those reported for anti-social behaviour. The fee for the licence is £500 for a five-year period.

The London Borough of Newham has faced extreme housing deprivation in the private rental sector with the phenomenon of 'beds in sheds' that received national media attention. While this level of deprivation may be unusual, there is much that can be learned from Newham's licensing approach, but it may be more appropriate for local authorities to offer landlords incentives while ensuring higher standards of rental housing.

Source: Newham Council 2013

⁶ While this may not have been the intended policy outcome, in some areas with very high numbers of HMOs, and demonstrably poor conditions, this may be desirable.

Apart from regulation and enforcement, there are ‘softer’ routes for local authorities to encourage better standards, most notably landlord accreditation schemes. It is estimated that two-thirds of local authorities have landlord registration schemes which can offer a variety of training options, legal support and other incentives to signatory landlords (Law Society of England and Wales 2013).

Research into the dynamics of local housing markets could have a critical effect in helping landlord accreditation schemes be successful. Compulsory accreditation that permits landlords to house LHA recipients may impact in divergent ways in different housing markets.

Box 3.2 London Landlord Accreditation Scheme

The London Landlord Accreditation Scheme is a cross-London partnership that brings together London boroughs, landlord associations and educational institutions. Rather than accrediting individual properties, the landlord gains registration after the completion of an approved property management course. The scheme was set up to provide landlords with the necessary skills and information to manage property effectively. It also seeks to provide accredited landlords with a market advantage, for example by providing materials to use in their business, access to preferential rates for insurance, access to grants for housing improvements, improved access to local authority services such as LHA guidance, and in some cases the opportunity to advertise vacancies through local authority choice-based lettings systems.

A research report on the scheme noted its benefits and recommended its expansion. However, the limitations of accreditation systems were also highlighted, with the need identified for a sustained marketing strategy with robust promotion of accreditation to both landlords and tenants for it to be effective. However, it should be noted also that landlords have not reported any substantial benefits to their businesses from accreditation.

Source: GLA 2011

3.2 Community housing agencies

PRS landlords hope to gain a reliable income stream from their investments, and in many areas buy-to-let has become significant to local property markets. Buy-to-let yields are typically around 6 per cent per annum, much higher than many other investments. In return, it is reasonable to expect that landlords execute their responsibilities to tenants and neighbourhoods by ensuring a safe, clean and warm environment.

In the report *Alike in dignity* (Viitanen 2012), IPPR recommended intensive local authority engagement with the private rental sector to ensure good housing standards throughout, including agreements with landlords, alongside continued efforts at enforcement, and as well as incentives. For local authorities, the key issues are higher standards of housing, professionalisation of landlords, and the increasing number of LHA recipients in the PRS, including those housed under local authorities’ duties towards the homeless.

- Areas of high LHA take-up and poor stock conditions should be considered a special case for policy intervention.
- A partnership between the Homes and Communities Agency, local government, PRS organisations and the banking sector should work to develop financial incentives to encourage improvements in stock, to be incorporated into landlord accreditation schemes.

- There is a need to develop (and market) sub-regional landlord accreditation schemes that operate across the wider economic and housing markets to increase transparency in the PRS and clarify the powers and responsibilities of private rented sector landlords, and also PRS tenants' rights. Such a scheme should focus on professional development for landlords and move away from accrediting individual properties.
- Among the benefits to the private landlord of accreditation would be a concordat with the local authority to intervene if tenants in receipt of LHA do not pay their rent (Viitanen 2012).

One year on since publication of *Alike in dignity*, further review of the more recent housing data continues to show a significant section of the PRS is in a poor condition and, at times, even hazardous states of repair, damaging both the physical fabric of neighbourhoods and social fabric of communities. The impact of the recession and cuts to local authority spending will only make things more problematic.

Local authorities should define and assert a mediating role between landlord and tenants, to be undertaken by the local authority itself or an appointed agency.

Recommendation: Using the General Power of Competence, local authorities should create not-for-profit housing agencies dedicated to working with the private rented sector. These agencies would draw on existing staff and expertise in housing and regeneration departments, as well as from environmental protection and community support. Such agencies would help coordinate intervention, benefit both landlords and tenants, and help improve local neighbourhoods.

These non-for-profit agencies would be responsible for operating the system of landlord accreditation to improve PRS housing standards and maintenance, with additional services in tenant matching and management to encourage landlord participation, and compete with existing letting agencies.

The agencies would act as a broker. The service would be available to all people living and moving into an area, not just those in receipt of LHA, and would be the first port of call to help LHA recipients to access appropriate properties if they find themselves in housing need (including downsizing as a result of the bedroom tax, mortgage repossession, or homelessness). Landlords would have to register to access these services.⁷

For those landlords not seeking brokerage services, registration could remain voluntary. The landlord would be charged a fee for registration, and sign up to quality criteria, plus secure tenancy arrangements and voluntary limitations on rental increases (for instance, rent rises could be constrained at 1 per cent above inflation, as in France). Any landlords with housing that did not meet the approved standards would be denied accreditation, and would be forbidden from providing accommodation to LHA recipients.

In exchange for meeting high standards, local housing agencies would provide landlords with certain benefits to registration. A key feature of the offer would be a tenant–property matching service administered by the agency to filter tenants to properties of a good standard, for a fee to landlords competitive with commercial letting agents. The matching of tenants to properties would help guarantee a steady income stream for landlords, reduce

7 Community housing agencies would work above and beyond landlord licensing schemes. While they may operate within a defined area where licensing has been introduced, they are intended to be used more widely and without legal obligations.

voids and provide a large base of potential tenants.^{8,9} To ensure its own income, the agency should adhere to a let-only service offered to landlords at a competitive rate (payable out of the first month's rent when a tenant is housed). This could work on the basis of a 'no let, no fee' basis, to encourage landlords to register their properties with the accreditation scheme.¹⁰ Rates would compare very favourably with other agencies servicing the private rental sector, which currently charge, on average, a minimum of 10 per cent of annual rent.¹¹

To encourage landlord participation further,¹² the agency could act as a rent guarantor for LHA recipients, or the universal credit derivative.¹³ While there is a lack of clarity over the future of universal credit (forthcoming IPPR work will explore the issue of rental subsidies and universal credit further) local authorities should be able to retain the power to pay landlords directly, rather than through tenants, recouping any arrears from DWP payments to the tenant (thus posing no risk to the local authority's financial position). South Gloucestershire set up their own housing agency, SG Homes, to address problems with the PRS, and currently offer damage and rent insurance (up to the value of two months' rent) to landlords in Bristol, in exchange for meeting the conditions of their landlord accreditation scheme.

Finally, local authority housing teams already undertake significant work in maintaining social housing, and with this skills base they could compete with the private sector to offer housing management services for the PRS. South Gloucestershire's SG Homes already operates this commercial strategy, and charges around 8 per cent of annual rent for managing private dwellings (South Gloucestershire Council 2013).¹⁴ Expanding local authorities reach through the management of PRS properties would permit a much more proactive approach to property inspections, and enabling the identification of necessary improvements inside and outside the properties before allowing them to be let. Inspection teams should also link to an associated support team for tenants (see section 2.3) which provides signposting to a broad range of support agencies.

Setting up a community housing agency would enable local authorities to expand their influence into a growing, but problematic market, and to deliver social objectives in a market they are increasingly isolated from. As a not-for-profit local agency, the income from providing lettings and management services should be used also to carry out more checks on landlords, and direct grants and loans to improve properties to ensure that PRS dwellings are fit to live in, safe, energy efficient, and well maintained.^{15,16}

8 The Coalition government has been exploring the potential of matching services with a number of small voluntary organisations, but little has emerged since. See <http://yesminister.org.uk/2011/08/05/new-landlord-and-tenant-matching-service-innovative-fund-announced/>.

9 Wolverhampton Homes, an arm's-length management organisation (ALMO), operates a tenant-landlord matching service for those on social housing waiting lists.

10 As a starting point, agencies could adopt the approach of Newham Council, which gives accredited landlords priority when making referrals of LHA recipients to the PRS.

11 See <http://www.primelocation.com/guides/letting/guide-to-choosing-a-letting-agent/>.

12 And potentially to help leverage stable rents.

13 State-backed insurance for landlords covering arrears is available in France, and some local authorities are offering similar services in exchange for landlord registration. Such an offer may only be justifiable where social housing waiting lists are lengthy, and the quality of available PRS housing sufficiently mixed.

14 SG Homes, a community housing agency working with the PRS, also offers damage and rent insurance (up to the value of two months' payments) to landlords in Bristol, in exchange for meeting the conditions of their landlord accreditation scheme.

15 Principally, the system would have to be demand-led, as it could only work if landlords and tenants were willing to use the service. At first, registration of properties would be slow, and tenant awareness of the agency limited, but this would enable time to develop the brokerage system, and smooth out any operational difficulties.

16 PRS properties tend to be older than in other housing sectors and so achieve low energy efficiency ratings. Forthcoming IPPR research will look at how recent improvements in energy efficiency in the PRS can be enhanced.

The advantages for the tenant under such a system are clear. It would provide a one-stop shop for local tenants to identify accommodation that they know will be of a certain standard, where the tenancy would be guaranteed for a specific duration, and where transparent static or limited rent rises over the lifetime of the contract were set in place. If these conditions were breached either in terms of unagreed rent rises, or if the property fell into disrepair, landlords would have their accreditation removed for a period of five years. The agency would also need to solicit and monitor tenant feedback on issues such as how quickly repairs were dealt with and whether the landlord fulfilled their obligations in a fair and timely manner. This would ensure that the tenant has a voice in the process of accreditation, and that their satisfaction carries some weight.

The need for a stronger approach to regulation of the private rental sector is clear. With the expansion of the sector, local authorities need to utilise their existing powers to motivate better housing standards in their local private rental markets, and use housing brokerage, provision, and regulation as instruments for delivering better and safer and more sustainable neighbourhoods within their jurisdiction.

3.3 PRS support teams

The rising numbers of tenants in the private rented sector experiencing poverty demonstrates that there are many more in this sector needing support than in the past. Scarcity of social housing and ever-lengthening social housing waiting lists mean tenants in the private rented sector are more likely to depend on it in the longer term, and also that more vulnerable tenants, previously guaranteed social housing, will move into the PRS and lack access to support services. Rental subsidies are vital. But other support may also be critical in enabling vulnerable tenants maintain contractual obligations. Tenants in the PRS need to be able to access support services as easily as those in social housing.

Recommendation: Community housing agencies, or local authorities where they have not set up an agency, should establish PRS support teams for vulnerable tenants. Where they have been involved in matching tenants in receipt of LHA to accredited landlords, agencies should guarantee follow-up by a support team after placement to ensure tenants are receiving any services they might need. Support teams should have access to (or, where appropriate, consist of) representatives from a wide range of agencies such as the police, fire service, social services, debt advice services, support in situations of domestic violence, district nursing and child protection services. They should ensure tenants are aware of the full range of local services available and have the power to make referrals to statutory agencies where necessary.

Local authority housing management includes the employment of caretakers (enabling the early identification of problems), and offers other support services for tenants' easy access. Private rental housing can isolate tenants from social networks and institutional safety nets, as well as residents' associations that lobby for local improvements. The individualising nature of the tenancy can obscure many of the challenges tenants face, for which help is available.

The Margate task force (see box 3.3) works in one ward only, rather than with the PRS more widely, but such an area-based approach can be utilised helpfully to target those with complex needs who have not been able to access social housing.

An early warning and supportive intervention system of this kind will prevent the difficulties of tenants escalating, get people the help and support they need on a wide range of issues, and tackle the role that housing tenure currently plays in limiting people's opportunities and life chances.

Box 3.3 Margate task force

Cliftonville West is a ward in Margate suffering from high levels of deprivation. When the area was first developed in the early 20th century, small private hotels and guest houses catered for the many visitors to the (then) thriving holiday resort. Later, Cliftonville West's hotels were converted to flats and bedsits. Many economic migrants settled there, as well as children leaving care, those with drug and alcohol problems, and other vulnerable people moved there by local authorities from across the south east. It was a challenge for the local authority to tackle such intrinsic deprivation, ill health and worklessness.

Thanet Council established this task force bringing together agencies such as the police, fire service, the UK Border Agency, plus health, child protection and social care services. The team is based together in one office and works directly with ward residents. One approach of the task force is to knock on doors to survey residents' support needs as part of the Your Home Your Health initiative.

Source: Cox et al 2013

Box 3.4 Gateshead private rented sector team

Gateshead Council has established a dedicated team working to improve property maintenance and housing conditions in the PRS. The team offers a range of services including:

- general advice, guidance and support to tenants, and
- information and support to help landlords improve housing management and standards of property maintenance and repair.

Gateshead has also set up a PRS accreditation scheme, to promote and recognise good landlord management practices, improve standards in maintenance and repair, and ensure that every property has the relevant safety certificates in place. The scheme hopes to:

- help tenants access accommodation of a good standard
- improve housing conditions for private tenants
- offer advice and support to those suffering anti-social behaviour locally, and investigate complaints associated with the PRS
- provide model tenancy agreements to landlords
- enhance access to information and provide a centralised location to advertise vacancies
- liaise between landlords and tenants to resolve disputes.

Source: Gateshead Council 2013

3.4 Encouraging improvements to rental property

As detailed above, the numbers of homes in the private rented sector which miss Decent Homes criteria are higher than in any other sector, and the stock itself is older. There is little incentive currently for landlords to spend money on their properties, and local authorities have no powers to enforce higher standards, despite the fact that it is the local authority that actually often pays the rent. Alongside the accreditation schemes that we recommend, we feel that there should also be incentives to encourage landlords to invest in raising housing standards.

Recommendation: Councils who have an accreditation system in place should ensure that grants and loans are available to accredited landlords to enable them to improve their homes to meet Decent Homes criteria.

Many local authorities already offer grants and loans to encourage private landlords to improve the condition of their properties. However, there is little incentive to apply for this finance if landlords want simply to profit from their investment with as little effort or intrusion as possible.

Recommendation: Exemptions should be given against tax on profits generated by rental income where it can be proven that work has been undertaken to enable the property meet Decent Homes criteria.

There is nothing in the tax system to encourage landlords to undertake major improvements. Landlords must pay tax on any profit they make from renting out property, after deductions for 'allowable expenses'.

Allowable expenses are things they need to spend money on in the day-to-day running of the property, such as: letting agents' fees, legal fees for lets of a year or less (or for renewing a lease for less than 50 years), accounting fees, buildings and contents insurance, interest on property loans, maintenance and repairs to the property (but not improvements), utility bills, like gas, water and electricity, rent, ground rent, service charges, council tax, services you pay for (such as cleaning or gardening), plus, other direct costs of letting the property, such as phone calls, stationery and advertising.

HMRC criteria for allowable expenses do not include 'capital expenditure' – for instance, on renovating a home beyond repairs to wear and tear. Any other capital expenditure can be claimed back on sale of the property against capital gains tax. At the moment, expenditure during ownership to make substantial improvements to a rental property is not incentivised. We recommend that capital improvements to comply with Decent Homes criteria should no longer be factored into the calculation of capital gains tax payments when the property is sold on, but claimed instead during the tax year itself as allowable expenses. As well as enhance property values, this will benefit tenants as well. There should be minimal impact on HMRC tax revenues as a result of these changes, as claims for improvements will be simply brought forward.

3.5 Financing reforms

Although not-for-profit, community housing agencies are intended to be self-financing, any surplus they generate could be used to support PRS teams and property improvement grants. Some local authorities have introduced such initiatives and it is hoped that through the better use and management of stock, or earlier

identification of problems, community housing agencies could generate real returns that in turn would be reinvested in associated programmes. If in time there is a greater decentralisation of statutory rental subsidies through a mechanism such as the affordable housing fund (Hull and Cooke 2012, Cooke and Davies forthcoming) then this will enable an even greater scope to finance such initiatives. Alternatively, in the short term, local authorities could explore other funds or reserves for this use.

4. CONCLUSIONS

Shifting patterns of housing tenure impact on how neighbourhoods feel and what they look like. The steep rise in private lettings, a product of many factors, has resulted in a largely unregulated sector receiving upwards of £9 billion of public money as rental subsidy to tenants, and this paper has considered what tenants and neighbourhoods should get in return.

On most measurements of quality, the PRS performs worse than local authority and housing association portfolios. If the quality of many neighbourhoods in our cities is to improve, it is imperative to enhance standards of rental property in private ownership.

Local authorities are best placed to identify and determine buildings that need attention, and criteria that need to be met. With statutory powers already granted, **local authorities should establish not-for-profit agencies to act as gatekeepers between landlords and tenants in the PRS and also to act as a guardian of housing standards and rights.** In some cases, strong and targeted licensing procedures will be necessary, while in others, voluntary schemes which encourage landlords to improve the quality of their properties, in exchange for fee-charging property services, could work to enhance housing conditions and improve neighbourhood aesthetics.

The commercial gains from offering lettings and management services should be put to neighbourhood benefit, to improve the quality of the local stock, escalate property inspections, and offer landlords financial support to deliver necessary improvements. It should also be used to fund support teams to ensure vulnerable tenants in the sector have access to the kind of support and advice services as tenants receive in social housing.

To improve housing conditions in the PRS, local authorities should offer private landlords access to grants and loans to enable them to invest in their properties and meet Decent Homes criteria. Central government should ensure that the capital gains tax offset for improving a property is 'moved downstream' and discounted as allowable expenses on a year-by-year basis.

Addressing housing quality and support for tenants in the PRS will not tackle the root causes of the deficit in statutory housing provision for those on low-incomes driving much of the growth in this tenure. These measures may, however, mean that private renting will no longer impact negatively on neighbourhoods and communities, and will go some way to addressing future crises facing vulnerable tenants forced into housing in the sector.

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