

**OVERVIEW AND SCRUTINY COMMITTEE**  
**8 FEBRUARY 2017**

**NOTTINGHAM'S PRIVATE RENTED SECTOR: CURRENT ISSUES AND THE COUNCIL'S APPROACH**

**1. Introduction**

1.1 This paper examines the current issues affecting the private rented sector (PRS) in Nottingham, its place within the City's housing market, and the Council's approach to the sector, from both a strategic and an operational perspective. The Council Plan 2015-2019 identifies the PRS as a focus for improvement as part of an overall objective to improve the quality of the City's housing, whether rented or owner occupied.

**2. Nottingham's PRS in context**

2.1 Nottingham has significantly lower levels of home ownership than the rest of the country: 42% compared with 64% nationally. Lower than average earnings makes home ownership more challenging within the City, despite the lower than average house prices. Therefore the Council recognises the importance of the PRS as part of the City's housing market. It is an easy-access, relatively affordable housing type which fits with the lifestyle and life choices for many of the population. The sector helps to support the City's economy and ambitions for growth by providing a source of accommodation for young professionals working in the City. Many of these workers are not able to access socially rented properties and not yet ready to make the step up to home ownership and thus seek the flexibility that private renting offers. The sector also supports the City's large student population and provides housing for people on lower incomes through the local housing allowance (LHA) system.

2.2 The City's PRS has expanded dramatically in recent years:

Table 1: the growth and relative share of market: (2001 census, 2011 census, BRE survey 2016, English Housing Survey 2015)

<b>Data Source</b>	<b>Nottm/National</b>	<b>PRS</b>	<b>%</b>	<b>Owned</b>	<b>%</b>	<b>Local Authority</b>	<b>%</b>	<b>Housing Association</b>	<b>%</b>
2001 census	Nottm	15,035	6.5	58,063	50	31,200	33.4	7,590	6.5
	National	2.5m	11	14m	69	2.7m	13.2	1.2m	6.1
2011 census	Nottm	27,300	21.6	56,867	45	26,176	20.8	11,310	9
	National	3.4m	15.4	14m	63.4	2.01m	9.4	1.8m	6.3
2015/16	Nottm (BRE 2016)*	43,364	32	56,416	42	All social housing 35,619			26
	National (English Housing Survey 2015)*	4.3m	19	14.3m	64	All social housing 3.9m			17

*\*For most recent updates the sources are The 2016 BRE Survey commissioned by the Council (Nottingham) and the 2015 English Housing Survey (National). Neither of these studies separate local authority and housing association stock and therefore have a combined social housing total.*

*NB census percentages do not necessarily add up to 100% owing to "other" categories in the data.*

The growth of the PRS has been largely at the expense of owner occupation, but the social sector has declined also. The reasons for the growth of the PRS are complex; however limited access to ownership is the main reason and this reflects a national trend. The reasons for the increase in the PRS in the UK were well summarised by the University of Sheffield in 2015:

*“The first is the decline in council housing (due to privatization and failure to replace units sold), which pushes more poor households into the private rented sector. Indeed the increasing cost of private renting, especially at the lower end of the market, may be due to the inflationary effects of housing benefit.*

*The second reason behind the expansion of the private rented sector is the massive growth of buy to let landlords. The deregulation of the private rented sector in the late 1980s removed rent controls and introduced shorter tenancy agreements, which enhanced the attractiveness of the sector to investors. But it was only when banks rolled out mortgage products designed for buy-to-let landlords, in 1996, that the private rented sector began to grow more rapidly. In concert with the larger global credit boom, house prices rose dramatically over the late 1990s through 2007, securing large capital gains for buy to let landlords.*

*A third reason the private rented sector has been growing is that homeownership is increasingly out of reach in the UK. House prices have been rising faster than earnings, in part due to buy-to-let landlords, who primarily invest in existing housing stock. Thus the nation’s private rented sector is growing because both council housing and homeownership are less and less available, while also becoming a site for investment with the loosening of regulations and increase in financing”<sup>1</sup>*

In Nottingham the increase in student accommodation also accounts for some of the increase, although the growth in this area has probably ceased due to the Council’s adoption of a citywide Article 4 Direction and the large scale expansion of the purpose built student accommodation market.

Nottingham’s PRS breaks down into the following broad uses:

Student housing – approx. 14%

Housing benefit – approx. 22%

“Mainstream” PRS users – approx. 64%

**NB these proportions are very rough estimates.**

### **3. Key issues in the sector – nationally and locally**

3.1 National policy: The 2015 Summer Budget signalled a very clear shift in Government policy towards the PRS. Clearly concerned about the decline in home ownership, the Government sought to introduce what it saw as more of a level playing field between people buying for occupation and buy to let purchasers by removing tax relief on buy to let mortgages. It also removed the tax allowance on wear and tear and placed an additional 3% stamp duty on buy

---

<sup>1</sup> Comment: “The growth of the investor class within the private rented sector”, University of Sheffield website April 30<sup>th</sup> 2015

to let property sales. The long term impact of these policies remains to be seen, but landlord groups have stated that they could significantly deter buy to let landlords and lead to a decrease in the supply of PRS homes.

The current Government has also shown a greater interest in increasing regulation in the PRS, shown by its recent proposals to extend the scope of mandatory HMO licensing. Proposals were recently consulted upon, and the responses being analysed by Government. The proposals could result in a significant extension of licensing across the HMO sector.

3.2 Local property conditions: The Council recently commissioned the Building Research Establishment (BRE) to carry out a survey of private housing. Some of the key findings were:

- properties in the private sector are more than twice as likely to experience disrepair as those that are owner occupied;
- the incidence of Health and Housing Safety Rating System (HHRS) Category One hazards is 21% for the PRS and 18% in the owner occupied sector;
- areas with a high proportion of PRS are more than twice as likely to experience issues of disrepair and 1.5 times more likely to experience excess cold.

(Source: Integrated Dwelling Level Housing Stock Modelling for Nottingham, BRE, October 2016)

Our own data shows that two thirds of complaints about property disrepair or poor/sub standards received by the Council (2009-15) are attributable to private rented properties that are not HMOs.

### 3.3 Trends in rents

Table 2: trends in rents in the PRS in Nottingham

	<b>Dec-2016</b>	<b>Aug-2016</b>	<b>Jun-2016</b>	<b>Mar-2016</b>	<b>Dec-2015</b>	<b>Jul-2016</b>	<b>Mar-2015</b>
<b>1 bed</b>	121	114	114	109	misrecorded	103	103
<b>2 bed</b>	132	160	126	121	125	126	126
<b>3 bed</b>	150	144	144	137	138	137	136

Source: Hometrack

Rising rents can potentially be seen as a proxy for increased demand; so from this point of view demand for PRS accommodation in the City is healthy.

Table 3: Nottingham's rents in comparison to other cities:

	<b>Nottingham</b>	<b>Leicester</b>	<b>Lincoln</b>	<b>Sheffield</b>	<b>Derby</b>
<b>1 bed</b>	121	115	108	114	103
<b>2 bed</b>	132	138	126	126	121
<b>3 bed</b>	150	167	143	144	144
<b>4 bed</b>	234	260	150	206	184

Source: Hometrack

## 4. The Council's Approach to raising standards in the PRS

The Council has a multi-faceted approach to raising standards in the PRS with this work primarily being carried out in Community Protection, Environmental Health and Safer Housing team. There are two interacting teams:

### 4.1 Safer Housing

The Council is committed to improving housing conditions in the private rented sector via its Safer Housing team this service provides a one stop shop for all in relation to private rented homes. The team's primary purpose is the protection of the safety health and wellbeing of citizens.

The team leads on the following:

- one stop shop for all private rented housing matters;
- responding to citizen requests for support;
- support and enabling landlords and tenants;
- enforcement associated with landlords that fail to licence houses in multiple occupation (HMO) or run sub standards properties;
- rogue landlords;
- illegal (linked to rogue landlord or unlicensed HMO) and retaliatory evictions;
- accreditation - work with DASH and UNIPOL deliverers of the Nottingham Standard accreditation scheme (see "Accreditation" below);
- responses to exploitation, crime, fraud and safeguarding affecting tenants and associated with the PRS housing conditions and management;
- burglary reduction in HMO's;
- partnership approaches with the fire service, students, universities and others;
- proactive approaches to respond to PRS matters that affect citizen health or fall within the council's statutory responsibilities/priorities a current area of focus is fuel poverty reduction.

In accordance with the enforcement policy the team utilises a 5-stage enforcement model. The enforcement options that are available, having considered all relevant information and evidence are:

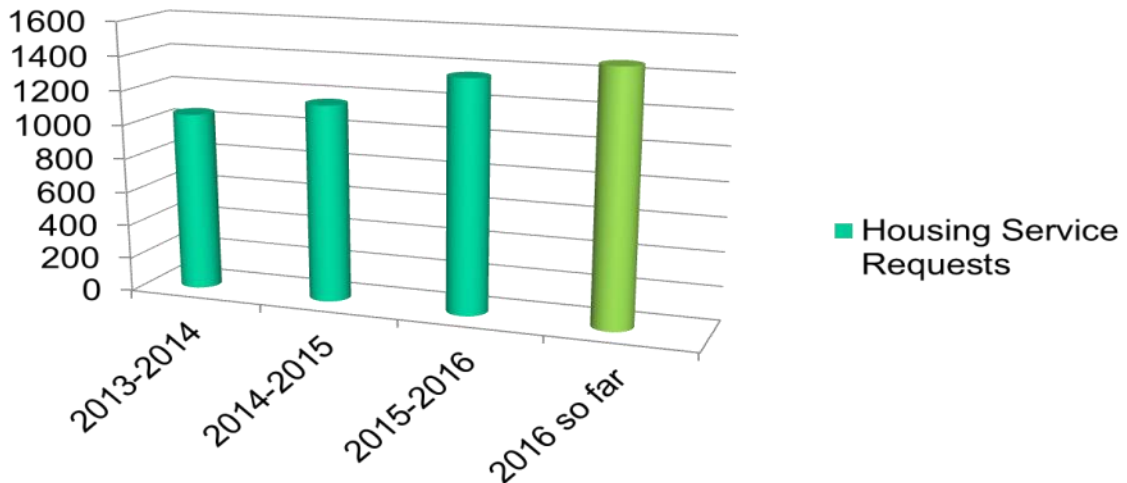
- Stage 1 Advise – providing support and / or seeking co-operation
- Stage 2 Warn – warning letters, threat of legal action
- Stage 3 Initial Enforcement – Legal notices, licence revocation / refusal
- Stage 4 Substantive Enforcement – Legal notices, prosecutions, works in default, interim management orders, simple cautions
- Stage 5 Breach – Prosecution, Final Management Orders

Where there is a history of noncompliance enforcement / prosecution becomes the first option. Responses are based on risk and a service standard is in place providing guidance on response times and approach.

#### Service Requests

Citizen, wider council and partner requests to the team have increased year on year since 2013/14, with over 4,500 having been received since 2013. Requests vary from very dangerous conditions such as structural safety, dangerous gas

and fire risks, filthy and verminous conditions, no heating and hot water to smaller but serious matters that impact on long term physical and mental health and chronic illness. These include recurrent mould from condensation, risk of falls, cold and draughty homes as well as worries about matters such as property security. In this period the team has improved 1866 properties, 824 of which were in 2015/16 when the team received additional funding under the national Rogue Landlord programme to temporarily increase the number of officers and publicise the service.



#### Compliance and Enforcement Performance to November 2016

1441 requests for service.

40 homes have been closed or received emergency works because of dangerous and unsafe conditions. Over 317 hazards removed and 106 formal notices requiring improvement served.

#### Rogue Landlord Initiative

The Council has been successful on 2 separate occasions in applying to CLG for support in tackling rogue landlords. This has enabled the Council to undertake proactive work on identified high risk, poorly managed and properties, landlord and officer training and focussed investigation work in neighbourhoods.

Outcomes included prosecutions for failure to licence and breaches of HMO Management Regulations and failing to comply with Housing Act notices.

Although the funding has now been used, new ways of working have been embedded in the team to allow some of this work to continue. A further bid has been made for funding for 2017- 2019 the outcome of which is due shortly.

#### Information for Tenants and Landlords

The Council already has engagement with landlord's and certain tenants groups through officer and councillor meeting, newsletters and contribution to the landlord's EXPO exhibition for landlords. There is a strong student university council liaison. Further information gathering is underway and once complete it is proposed to operate an operational officer/ landlord liaison group and consider how tenant liaison can be further developed.

The web site is and will increasingly be used as a source of information to support both landlords and tenants.

A partnership approach with the regional Decent and Safe Homes (DASH) organisation provides independent advice and guidance to landlords and tenants.

### Universities and Students

Nottingham as a university city with over 50,000 students, many of whom live in “on street”, ie PRS houses, as well as greater numbers living in purpose-built accommodation. The team has a regular meeting plan and presence at student events to support students living in safe well managed homes many of which fall under HMO licensing (see Housing Licensing and Compliance below).

The Council, through its work with Unipol, secures the accreditation of many student homes to guarantee standards of condition and management above the legal minimum as well as providing advice for students, e.g. directing house hunting students to accredited homes.

### Burglary Reduction

An officer employed in the team is part funded by the police and has a focus on burglary reduction in areas of the city where there was some of the highest rates of burglary. This work has made a difference and has encouraged and required landlords to do security works in properties that have been burgled or are vulnerable to burglary. This year (up to December 16) 47 homes have been improved and protected against burglary.

### Projects

The joint strategic needs assessments (JSNAs) on excess cold and on housing highlight that cold homes are a major contributor to harm for the young and elderly. Two officers have been trained in the team as energy assessors and are carrying out targeted inspection work to reduce fuel poverty and drive energy efficiency improvements in homes. The team is also supporting, through the partnership with health and across the County, the Warm Homes on Prescription scheme.

There is an advice and inspection plan to support citizens and other Council teams relating to safe housing accommodation for young people and supported housing for vulnerable people as well as developing a Safer Housing Pack that seeks to support landlords.

## 4.2 Housing Licensing and Compliance

The licensing of houses brings in controls that are not available through other legislation: there is a responsibility of the landlords to proactively licence and provide property addresses, a requirement that the landlord is fit and proper, that the property meets minimum standards of safety, size and amenity and that the property/management meets conditions set by the Council in relation to standards. This protects tenant safety and wellbeing, contributes to preventing anti-social behaviour and badly managed homes causing problems in the neighbourhood.

### Mandatory Licensing

The mandatory licensing of HMO (properties of 3 storeys or more with 5 or more occupiers) came into effect in 2006. There are 2000 mandatory licensable HMO's in the city and the 5 year cycle of licensing renewal and compliance checks is the core business of the team. The number of mandatory licensable properties is increasing. The review of performance in October showed the following:

Table 4: Summary of mandatory licensing work to 1 October 2016:

Number of mandatory licensable HMOs at 1 Oct 2016	2000
Prosecutions for failure to licence	45 HMOs 28 landlords
Licences refused or revoked	191
Cautions issued for failure to licence or breach of licence conditions	13 HMOs /8 landlords
% compliant at first inspection	44%
HMO Licensing appeals to property tribunal	23
Properties improved	518
Organisations and partners regularly worked with	17

The scheme has contributed to improving property standards and management. There are clear benefits that have been achieved so far through the Mandatory Licensing scheme including:

- properties with gas and electric safety certificates and licence conditions requiring the licence holder to be pro-active in dealing with issues;
- 518 properties improved;
- improved facilities and amenity provision in properties;
- a 5 year cycle of licence holders and managers having to be re-considered under the criteria in place for issuing licences to them;
- positive working relationship with accreditation partners and many landlords;
- increased awareness of licence holders responsibility and the Council's role in intervening and ensuring compliance;
- collaborative approaches with Planning colleagues.

### Additional Licensing

A discretionary scheme of additional licensing scheme began on 1 January 2014 and runs until 31 December 2018. The scheme covers an anticipated 2900 HMOs of 2 storeys or more with 3 or more occupiers in the inner city wards of the city. The review of performance in October 2016 showed the following:

Table 5: Additional Licensing performance to 1 October 16 (unless detailed)

Licence applications received (January 17) Almost 2000 licences have been issued and all licences applications received to date will have been issued or refused by the end of March 17	2300
% of with extra, property specific conditions / restrictions	72%
Licences refused/ revoked	116

% compliant at first inspection	45%
HMO's known to be improved	176
Prosecutions associated with additional licensing	2

The team works informally and formally with licence holders and managers. Where there has been a pattern of lower level non-compliance officers will try to engage positively, and this approach has been well received and has often brought improvement. Some landlords have welcomed compliance inspections and were pleased that it is not just about issuing licences with no further involvement with the property.

From January this year as most of the licenses are now issued the focus moves to compliance checks to achieve the delivery of the additional licensing scheme outcomes.

### Selective Licensing

The Council is at consultation on a proposal to introduce a citywide licensing scheme for all private rented homes (excluding houses in multiple occupation). If introduced this scheme will bring some 35,000 homes into a licensing scheme. Details of this can be found at [www.nottinghamcity.gov.uk/selectivelicensing](http://www.nottinghamcity.gov.uk/selectivelicensing)

### What's Next for Safer Housing and Housing Licensing and Compliance?

- Possible introduction of Selective Licensing;
- possible additional funding for a Rogue Landlord project;
- review of Additional Licensing and the decision of whether to cease or renew this scheme;
- legislation changes to extend of mandatory licensing;
- introduction of the Housing and Planning Act 2016 which is likely to include:
  - fixed penalty notices;
  - register of rogue landlords;
  - banning orders;
  - strengthening of fit and proper criteria, etc.
- outcomes of the PRS house condition survey and actions required;
- minimum "E" rated Energy Performance Certificates (EPC) for all private rented homes due 2018;
- package of advice available for all landlords;
- possible development of smoke free homes to discourage tobacco use.

### Challenges and opportunities:

- demand for the service;
- complexity of interdependencies across different agenda's;
- ability to secure improvements for citizens and landlords – energy – health;
- recognition of importance of housing in the Health and Well Being Strategy;
- Health and Housing Partnership Group refreshed and membership expanded;
- Memorandum of Understanding on Housing and Health, which brings a collaborative approach to housing interventions which have a significant impact on health and wellbeing;
- new legislation.



### 4.3 Landlord and Property Accreditation

As noted above, the Council fully supports and part funds Unipol's student accommodation accreditation service in Nottingham, and has done so since 2007. It also funds an accreditation scheme for non-student homes which is operated by Decent and Safe Homes (DASH), also already referred to in this report. Together, these schemes make up an overarching minimum standard for privately rented accommodation across the City known as the "Nottingham Standard". The Nottingham Standard enables landlords to demonstrate that they manage good quality homes and gives confidence to renters that their accommodation is safe and well managed.

The Nottingham Standard initiative has been successful in attracting good landlords: it now covers nearly 2,500 PRS properties in the City (approx. 6% of the sector). This is however a relatively low level of coverage, leaving over 90% of properties unaccredited for which there is little or no guarantee of basic quality standards, other than those covered by HMO licensing. Like all accreditation schemes membership is voluntary, and the Council's experience with accreditation has shown that it will not achieve the coverage across the sector needed to give comfort of consistently satisfactory standards. This is one of the reasons why the Council has decided to pursue a selective licensing scheme. However, accreditation and licensing are not mutually exclusive tools: they can work together. Accredited landlords lighten the burden on our licensing and enforcement teams, which is why in the proposed selective licensing scheme a significant discount on the licence fee is proposed for accredited landlords.

## **5. The use of the PRS in homelessness prevention**

5.1 The Council makes significant use of the PRS in order to prevent homelessness, via the Nottingham Private Rented Assistance Scheme (NPRAS). This scheme aims to make full use of the PRS as a homelessness prevention tool, as well as a source of suitable accommodation through which full homelessness duties can be discharged.

The scheme assists landlords and tenants by:

- providing a Guarantee Bond in lieu of a deposit for all successful applicants and four weeks rent in advance for those eligible for Housing Benefit;
- NPRAs Tenants' Passport ensures that the holder is tenancy ready and provides proof that the tenant is being assisted by the scheme to secure a privately rented property.

The scheme also offers a range of incentives and support packages to landlords accepting NPRAS clients, including all the benefits of the Nottingham Standard accreditation scheme, updates on changes to Housing Benefit legislation, direct links with the Landlord Liaison team at Housing Benefits, legal advice in relation to tenancies, and referrals to housing related support providers if required.

## **6. Use of Planning Powers**

- 6.1 The Council has successfully made use of planning powers in two key ways in recent years in order to influence the impact of the PRS on local communities:
- lettings boards restrictions: tackling the unsightly preponderance of “To Let” boards in key areas through restrictions on the times they can be displayed and their appearance and placement;
  - citywide Article 4 Direction: In operation since 2012, in order to control the further growth of HMOs, the Direction makes it a requirement to seek planning permission to convert a family home into the HMO class of property.

## **7. Entry of Nottingham City Homes into the market**

- 7.1 Nottingham City Homes (NCH) has set up a market-rented arm which is acquiring private properties for rent outside of its core business of managing the Council’s stock. NCH currently have 33 properties and aim to have 100 properties by March 2018. NCH will bring the high standards of management and maintenance it applies to the Council’s stock to its PRS stock and hopefully be a positive influence on the sector.

## **8. Encouragement of purpose built PRS development**

- 8.1 The Council believes that high quality PRS homes can be a very appropriate, easy access/exit form of housing for young professionals and graduates. Therefore, new development of this type of housing is broadly welcomed. This type of development is preferable to ones for sale which then become pepper-potted with buy to let properties, making the overall control and management of the building more problematic.

## **9. Conclusion**

- 9.1 The PRS is a thriving, fast-growing part of the housing market in Nottingham. This paper has illustrated that the Council values the role of the PRS in providing homes for many of our citizens in a number of different situations. The sector’s growing importance means that it is all the more important that it delivers higher standards. The paper has shown the breadth of the Council’s efforts at both a strategic and operational level to improve the sector. However, it remains an under-regulated part of the market. The Council’s objective is to raise the standard of the PRS as part of a multi tenure approach to improving housing quality. The continuation of the work described above, and the potential introduction of selective licensing will, it is hoped, deliver the improvement we want to see.

Graham de Max, Housing Strategy and Partnerships Manager, Development and Growth

Lorraine Raynor, Chief Environmental Health Officer and Safer Housing Officer, Community Protection Commercial and Operations