

NO HOME LEFT BEHIND

**AN INQUIRY INTO STANDARDS IN THE
NORTH'S PRIVATE RENTED SECTOR**

SALE

TO LET

NOVEMBER 2020

APPG for Housing in the North

About the All-Party Parliamentary Group on Housing in the North

The All-Party Parliamentary Group on Housing in the North (APPG) is a forum for Parliamentarians to discuss and advance housing and related policy across the three Northern regions. It brings together MPs and Peers from across all political parties to better understand these issues and seeks to ensure the needs and ambitions of Northern communities are addressed in housing policy development.

The Northern Housing Consortium provides the secretariat to the APPG and supports it in an administrative and operational capacity.

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Chair's Foreword: reflections on the private rented sector

Ian Mearns MP, Chair of the All Party Parliamentary Group for Housing in the North

I have long been aware of the issue of poor quality private rented properties through my own constituency work and terrible impact this can have on people who, for a combination of reasons, have little choice about where they live.

When the private rented sector is working well, it offers flexibility, choice and good location. But this isn't always the case. It is essential that the sector offers a positive choice and not a tenure of last resort.

Over a year ago we decided to pursue an in-depth inquiry to understand the reasons for continued poor standards in the private rented sector. The Inquiry was based on earlier work carried out by the APPG looking at the quality of existing housing generally in the North and the need for regeneration of local areas.

We heard from a range of expert speakers and we also accepted written evidence from stakeholders and are grateful to the organisations and individuals who submitted their views. A list of individuals and organisations who helped our Inquiry can be found at the end of this report.

There have undoubtedly been some achievements in improving the worst quality housing in recent years. The Homes (Fitness for Human Habitation) Act 2018 will go some way to improving housing standards by providing protections for tenants. If this goes hand in hand with the promised security of tenure it will be a big leap forward. Unfortunately, the APPG inquiry has identified ongoing major problems in the lower end of the private rented sector in the North.

The private rented sector houses some of the most vulnerable people in our society and the Covid-19 pandemic has provided a powerful reminder that the time is long overdue for taking action to address this. Through our recommendations, we hope we will help the living conditions for many people. It is not acceptable in the 21st century for so many tenants to be living in sub-standard and often dangerous homes.

This is not an issue which can be ignored. The role of housing in contributing to carbon reductions is essential and poor standard of some private rentals must be addressed if we are to reach the UK Government's targets on Net Zero.

The Inquiry provides an important cross-party Northern perspective in the debate of what a healthy private rented sector should look like as part of a functioning local housing market.

We have set out clear options in this report on the policy levers that could be used to raise standards in sub-standard private rented stock.

We call on the Government to accept the recommendations in this report and make them the basis from which they can work to improve housing standards and make better connections between housing and public health challenges, thus improving life for this and future generations of people.

Executive Summary

The Inquiry has identified four key levers which provide opportunities for raising standards in the North's private rented sector: an effective regulatory framework; security for tenants so they feel empowered to utilise the framework's provisions; a clear role for enforcement to ensure raised standards are met; and, underpinning all of this - the need for a clear vision of the role the private rented sector plays within the wider housing market.

The proposals in this report aim to rationalise existing powers. By identifying the sub-standard properties through a national register, the capacity for enforcement will be used where it needs to be – to crack down on rogue landlords - rather than wasting time seeking out poor management practices. We propose a twin-tracked approach of identifying landlords and connecting to energy performance data. Our proposals aim to support tenants to access well-managed properties, stemming the flow of tenants to the worst properties and this goes hand-in-hand with reviewing the use of public subsidy for non-compliant private rentals. The freedom for local councils to make full use enforcement powers should be extended to selective licensing decisions which should be made locally and held to account locally. Finally, local housing providers who are willing and able to turn around areas dominated by poor quality private rentals should be supported with an investment boost to set in motion a response to local market failures.

Each topic is explored in a separate chapter and set in the context of the current public health crisis which has added urgency to the policy response required.

Chapter 1 addresses the effectiveness of the private rented sector regulatory framework. One of the key objects of housing policy is to ensure that accommodation is fit for people to live in. The legislation defines standards and provides mechanisms for enforcement. Witnesses agreed that the regulatory and enforcement powers are indeed comprehensive, but the regulations are not fit for purpose. Local authorities said that housing standards are regulated by a complicated mixture of statute and case law with a hugely complex range of regulations which do not always align with each other in a way that can be used to protect people and make homes fit to live in. Rogue landlords can exploit this environment which enables poor standards to continue to flourish. **We propose a full review by the Law Commission of private rented sector legislation, and an evaluation of whether the framework is succeeding in meeting policy objectives.**

A major challenge to improving standards is the identification of private landlords and those properties with poor energy standards. Considerable resource is given over just to this one activity. We have concluded that a nationwide landlord register is an essential means to professionalise the sector. Identifying sub-standard cold and leaky properties as efficiently as possible is also essential. Reaching minimum energy efficiency standards will require much better use of existing data, or risk further increasing the burden on council resources at a time of limited capacity. **We recommend a national landlord identification database which should include details of the landlords, their properties, and the energy efficiency ratings.**

Standards in the private rented sector are closely connected with the welfare benefit system, particularly public subsidy of rent through housing benefit (or the housing element of UC). The link between rental subsidy and poor-quality housing and therefore poor value for money for housing costs is recognised by Government departments administering the system but without a solution. **We recommend DWP instigate a trial of linking payment of housing benefit to minimum quality standards in the private rented sector and that DWP pilot a minimum-standard approach in a Northern district.**

Chapter 2 considers the empowerment of tenants and the effectiveness or otherwise of reform on improving property standards. It was agreed by most witnesses that the system remains too reactive with a complex range of different policies and a heavy reliance on action by tenants despite continued real fear of eviction. A Government pledge to repeal Section 21 with the introduction of the Renters' Reform Bill would represent a significant change and a welcome one. **Renters Reform should be brought forward without delay, against the background of a review of the regulatory framework for the private rented sector.**

It is essential to make better use of the existing stock and support tenants into good quality, well-managed homes. One way to achieve this could be through growth of Social (or Ethical) Lettings Agencies. **Central support is needed to grow the scale and number of social lettings agencies which help tenants to access well managed properties.**

Chapter 3 considers the effectiveness of enforcement to improve standards. Local authorities reported severe constraints on capacity, limiting their ability to effectively use enforcement tools. In addition to reduced capacity, there is a shortage of the right people in the right roles. Many of the roles needed in local councils to support tenants are non-statutory and have been lost as councils have had to reduce to core services. Revenue raising streams are an unreliable source from which to build back capacity. **We are calling for support to protect local enforcement teams by maintaining properly resourced services with the right level of professionally qualified staff.**

Enforcement of minimum energy standards across the whole sector is too big a task as a local enforcement issue alone. The rate of progress needed to bring private rented properties up to standard is unrealistic given the current usability of MEES and the scale of the challenge. The proposal to raise the energy performance to Band C for all tenancies from 2028 is welcome but will mean that enforcing the MEES will become a significantly harder challenge for local authorities. **For MEES to be enforceable, we are calling for it to be aligned to landlord registration alongside licensing; better use of data to identify private rented sector homes without an EPC; capacity in local authorities and empowering tenants.**

During this Inquiry we were aware of the changing nature of the private rented sector and new challenges such as the rise of private homes being used as short-term lets. Concerns are growing including the use of residential properties as letting businesses in breach of regulations and the challenges local authorities face in taking enforcement action. **Research is needed into the need for regulation of short-term lettings, investigating the different ways that shared housing is being let and managed to assess exactly how this type of housing should be treated in context of forthcoming renter reforms.**

Selective Licensing is the most powerful enforcement tool available to councils and is used as a last resort when all else has failed. It has been used sparingly and when needed. Those local authorities who have been through the process agreed that the framework is unnecessarily bureaucratic, requiring significant time and money upfront. Local areas are seeking the freedom to act at local level when selective licensing is deemed the appropriate intervention. **We propose greater local freedom over Selective Licensing so that local authorities can intervene in the worst areas.**

Chapter 4 addresses the opportunities for a private rented sector which is fit for the future, providing homes which are safe, warm and part of thriving neighbourhoods. Private landlords are required to meet minimum energy efficiency standards, but local authorities are concerned that these standards are difficult to enforce because they do not have access to the relevant data and the standards do not align to other regulations. Although legally binding, energy efficiency targets are not being met in all private rented properties and this means the sector is not playing its full part in meeting the UK's net zero targets. The introduction of the Green Homes Grant, available to landlords, is a welcome boost to the funding of energy efficiency measures especially as we heard

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that the Energy Company Obligation (ECO), a supplier-led scheme, has faced challenges including the extent to which it has reached the private rented sector. **A transformation of the next phase of the Energy Company Obligation is needed to one which is a local authority led, area-based scheme.**

Green initiatives to accelerate improvements to existing private rented stock will not only contribute towards the UK's net-zero target, but will provide an immediate economic stimulus, creating jobs through retrofitting existing homes across the North. A long-term commitment to regeneration through a Housing Quality Investment Fund would support local collaborative, partnership working to drive wider improvements in housing quality across tenures and bring a new focus to raising the standards of the North's existing stock. This offers the opportunity for a post-Covid-19 stimulus package to introduce good quality, well paid jobs in construction and retrofitting. **We propose a Housing Quality Investment Fund to level-up housing quality in the North. The aim would be to boost investment for cross-tenure housing improvement in neighborhoods with concentrations of poor-quality homes.**

Introduction

The Inquiry investigated the factors contributing to sustained poor quality private rented housing within Northern markets which feature lower property values, strong rental yields, older housing stock and large expanses of poorer quality housing with a higher proportion of vulnerable tenants than other areas.

Despite powers for intervention through penalties and barring of the rogue operators, coupled with greater consumer empowerment, the quality and decency of private rented sector still lags behind the social rented sector.

The doubling of the size of the sector since the mid-2000s has been through growth of all of the sub-sectors within the private sector. Homes can move from one sub-sector to another and each may present different challenges in relation to supply, management, and standards. Sub-sectors include: Houses in Multiple Occupation (HMOs); short term lets; purpose-built student accommodation; and the growing market of build to rent properties.

Investment in new private rentals is has grown strongly in many cities in the North. The 2017 Housing White Paper¹ highlighted a commitment to the build to rent sector² and many Northern planning authorities have welcomed the contribution build-to-rent developments can make to meet local housing needs.

Our Inquiry has focused on a different aspect of the market. Older, poorer quality homes, often acquired at very low cost, which have grown the lower-end of the market are the subject of this Inquiry.

The Northern private rental market presents certain challenges. Nearly a third of all Northern private rented sector homes were built before 1919. Large concentrations of terraced housing can be the most challenging to modernise especially where they have not had the investment to remain habitable. The Northern private rented sector houses some of the most vulnerable tenants with 23% of people with a long-term illness or disability living in non-decent private rented sector homes.³ It is concerning that only 8% of applications for Disabled Facilities Grants come from private tenants, although the numbers of disabled tenants are similar in each tenure. This highlights tenure inequity when disabled people are increasingly living in the private rented sector.⁴

We are confident that the Inquiry has collated views from across the main stakeholders involved in private rented sector standards and we can therefore make recommendations to Government from a well-informed standpoint.

¹ [Housing White Paper](#) Fixing Our Broken Housing Market 2017

² Build to Rent - launched in 2012 to increase the supply of homes available for market rent in the private sector. The Fund closed in 2016 and was replaced by the [Home Building Fund](#), providing funding for private sector development schemes including build for rent.

³ The Hidden Cost of Poor Quality Housing in the North published 2019, Smith Institute

⁴ [Disabled Facilities Grant External Review 2018](#)

KEY FACTS

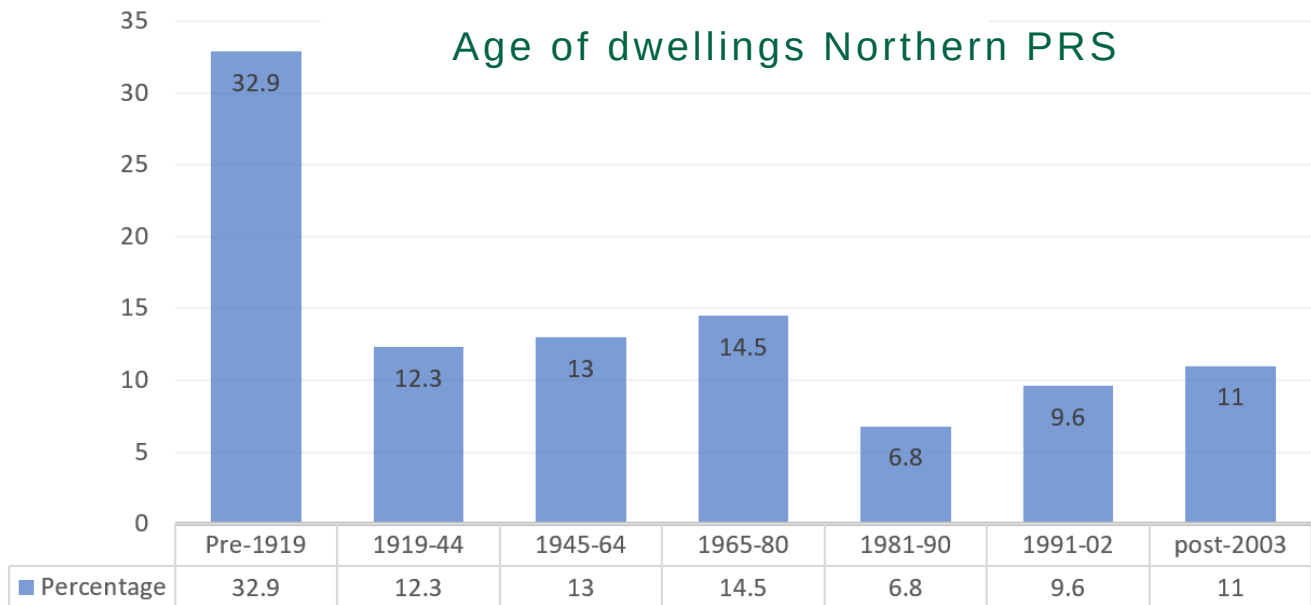
A third of all Northern private rented sector homes were built before 1919. 24% of these older homes in the North – 354,000 properties - are non-decent

The Northern PRS is home to 1 in 5 people.

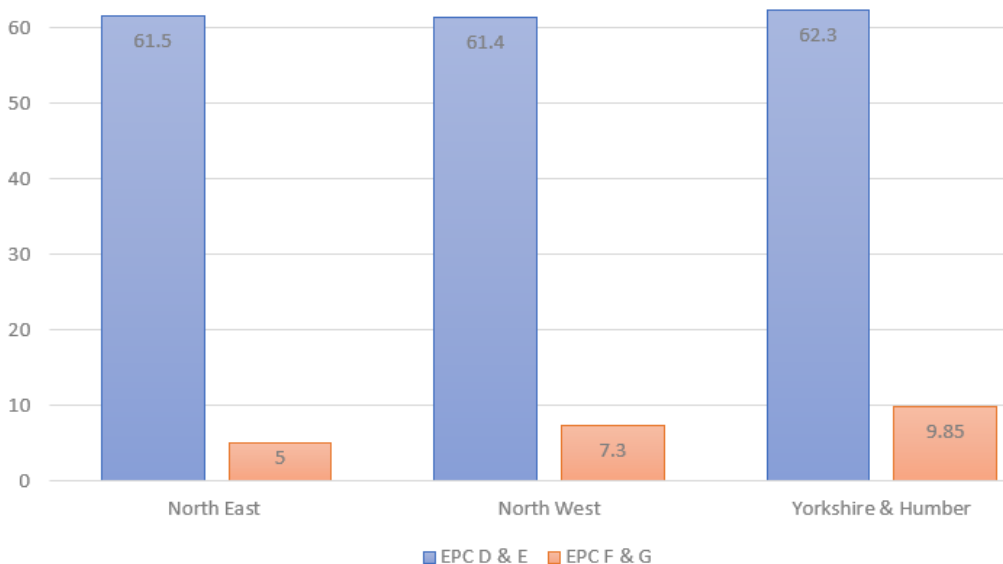
(1.25 million people)



Age of dwellings Northern PRS



% Northern PRS Rates Below EPC Band C



Reaching Band D by 2025 will require work to 773,000 more PRS homes.

Reaching Band C by 2030 will include a further 2,398,000 PRS homes.

The PRS makes up 18% of all dwellings in the North



Private renters in the North are paying on average 25% of their income on rent

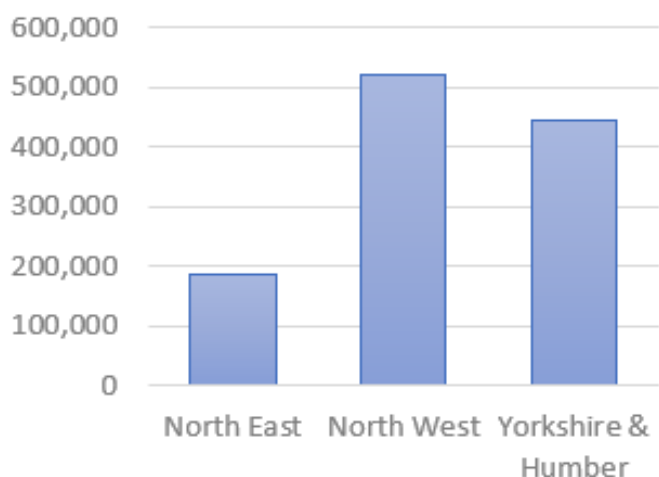


KEY FACTS



Housing in the North

Numbers PRS stock



£2.2 billion - Estimated cost of making all PRS homes in the North decent



In the North, 69% of the PRS is below 'C' with 63,000 homes in the worst Bands F and G



27% of Northern PRS homes fails to meet the decent homes standard



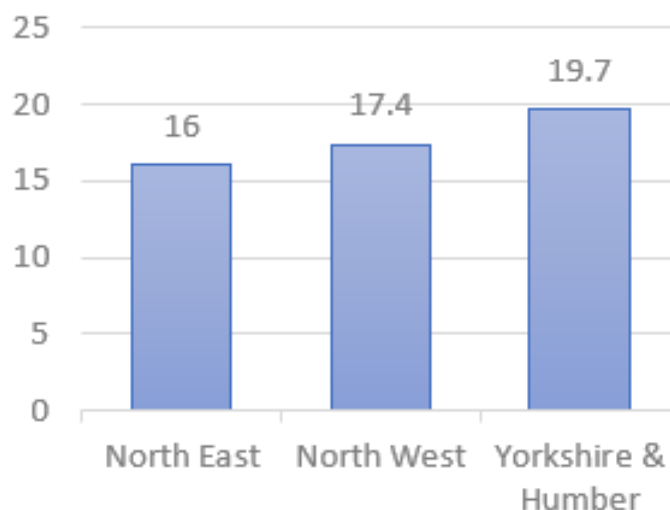
45% of private rented homes were built before 1945



31% of tenants in the North are in receipt of housing subsidy Compared to 26% nationally



% of PRS stock



£6,521 Average cost per PRS dwelling in North to make decent



6% of PRS homes in the North are rated F & G (Four areas in the North, all rural, have PRS stock with over 20% F and G rated properties)



In the North 23% of people with a long-term illness or disability live in non-decent PRS homes



In the North, 14% of PRS homes have a Category 1 hazard



Recommendations

Regulatory Framework

Recommendation 1. The Law Commission should be requested to undertake a review of private rented sector legislation. This could provide useful insight into the regulatory framework as a whole and an evaluation of whether the framework is succeeding in meeting policy objectives and raising standards in the private rented sector.

Recommendation 2. The introduction of a national landlord identification database is necessary which should include details of private sector landlords, their properties, and EPC data on energy efficiency ratings to rationalise and streamline existing data to support the identification of sub-standard properties.

Recommendation 3. DWP should instigate a trial of linking payment of housing benefit to quality standards in the private rented sector with a pilot approach trialled.

Tenant Empowerment

Recommendation 4. We urge Government to follow through on its commitment for a Renters Reform Bill which would include abolishing Section 21 of the Housing Act 2004 and for Parliamentary time to be made available within this session for this important piece of legislation.

Recommendation 5. We propose Government reviews the enabling, regulatory and funding environment to support the viability of start-up for Social Lettings Agencies (SLA) to be sustainable and self-financing by the second year of operation. This could include a national scheme to underwrite the risks for SLAs in the early years of set up.

Enforcing Standards

Recommendation 6. To build Local Authority capacity, a sustained increase in local government funding must support, not only appropriate capacity building, but also the development of the right skills.

Recommendation 7. For Minimum Energy Efficiency Standards to be enforceable, particularly at higher standards for new tenancies by 2025 and all tenancies by 2028, a regulatory framework will require: landlord registration alongside licensing; better use of data to identify private rented sector homes without an EPC; capacity in local authorities and the empowering of tenants.

Recommendation 8. Further research is required between DCMS and MHCLG into the different ways that shared housing is being let and managed in the short-term let market to assess exactly how this type of housing should be treated in context of forthcoming renter reforms.

Recommendation 9. Selective licensing powers should be returned to local authorities. Furthermore, local freedoms and powers, when they are extended to all areas, should include the powers over licensing of private rented properties currently held by the Secretary of State for Housing, Communities and Local Government so that Mayoral Authorities are empowered with the democratic responsibility and accountability for the approval of licensing schemes.

Opportunities for the Future Role of the private rented sector

Recommendation 10. A transformation for the next phase of ECO should create a local authority led area-based scheme to tackle fuel poverty, with prioritisation taking place at a local level on an area basis to support neighbourhoods with higher levels of fuel poverty.

Recommendation 11. Housing Renewal and Green Recovery. To enable holistic housing renewal, and place-making through wider-scale acquisitions of poor standard accommodation, Government should set up a Housing Quality Investment Fund to level-up housing quality in the North.

Chapter 1

The Regulatory Framework

Overview of the Regulation of the Sector

- 1.1 There is a great deal of relevant law relating to private sector housing conditions. It is very complex with different but overlapping types of regulation, some enforceable by local authorities. A streamlined, coherent framework is needed to ensure all parties understand their roles, rights and responsibilities. Without this, poor standards will continue to flourish.
- 1.2 With diminished resources in local authority enforcement teams, a complex regulatory environment, and a fear by private renters to exercise their consumer rights, the regulatory framework is failing to protect renters from living with poor standards.
- 1.3 It was a common view of witnesses that the regulatory framework has become piecemeal and fragmented, and this weakens impact. Local authorities commented that housing standards are regulated by a complicated mixture of statute and case law with a hugely complex range of regulations. City of York Council told us, *"The volume of new legislation, whilst well intentioned, has added even more complexity to ensuring compliance in the private rented sector."*
- 1.4 The most pessimistic view of the regulatory framework is that it fails to prevent the exploitation of people in most need.

Range of Powers

- 1.5 Most witnesses believed that, in the main, the range of enforcement powers across the regulatory framework is comprehensive with recent additions focused on the worst elements of the sector. If used to their fullest effect through full capacity teams and by removing inhibiting factors, legal powers could better enforce standards, however there was evidence that both local authorities and tenants face barriers to making full use of powers. For local authorities, barriers included limited capacity, leadership, prioritisation within local areas, lack of sustained revenue, and resistance from landlords.

Root and Branch Review

- 1.6 There were calls for a root and branch review, not just from local authority enforcement teams but also from the landlords themselves. Wakefield Council commented, *"A single piece of legislation combining existing requirements and supported by relevant guidance would be preferable to provide clarity for all stakeholders."* Landlord representatives point to the burden of existing regulation and the impact of continuous change on landlords.
- 1.7 Our evidence concurs with the view of the Housing, Communities and Local Government Select Committee report on the Private Rented Sector (2018) which recommended that the Law Commission should, *"undertake a review of private rented sector legislation."*⁵ With its aim to ensure the law is fair, modern, simple and cost effective, the Law Commission is well placed to review current arrangements and recommend a streamlined and fit-for-purpose future framework.

⁵ [Housing, Communities and Local Government Committee Private Rented Sector Report April 2018](#)

Recommendation 1 – Review of the Regulatory Framework. The Law Commission should be requested to undertake a review of private rented sector legislation. This could provide useful insight into the regulatory framework as a whole and an evaluation of whether the framework is succeeding in meeting policy objectives and raising standards in the private rented sector.

- 1.8 The remainder of this Inquiry report contains detailed evidence and recommendations leading to what we believe is a minimum framework to tackle poor standards.

Identification of Private Landlords

- 1.9 The identification of private landlords, and therefore sub-standard properties, underpins all enforcement work. Considerable resource is given over just to this one activity in local authorities. Being able to identify landlords in a designated area was cited by local authorities as one of the main benefits of selective licensing. If knowledge about the sector in local areas is not readily available, this inhibits local agencies' capacity to tackle poor quality housing.
- 1.10 Local enforcement teams were clear that they are motivated to root out the few landlords who act unprofessionally and, sometimes, criminally and identification is key to this. The Rogue Landlord Database has, since 2018, recorded landlords who are subject to a banning order, however, due to the lack of transparency of this data, it has not served tenants well.
- 1.11 As the sector has continued to grow, it has become easier for the worst landlords to hide. The diverse make up of landlords in the private rented sector can make consultation and engagement challenging. A fifth of landlords have just one rental property⁶ and this makes identification challenging for enforcing authorities who described feeling disempowered by being able to do nothing more than react to complaints. City of York Council said, *"75% of private rented sector homes in York are owned by landlords with less than three properties, and this can often indicate miscomprehension in licensing law and required quality standards."*

Existing data sources

- 1.12 Local authorities require sufficiently detailed data which is easily accessible to local enforcement teams. Although data is collected, it is disparate and is not always up to date, accurate or complete.
- 1.13 Sources of data about the private rented sector include council tax or housing benefit data which can be critical to identifying the most financially vulnerable tenants. This information can be used locally to cross-reference with housing condition data enabling proactive inspection for tenants unable or unwilling to complain. The move to Universal Credit, with support for housing costs paid directly to the tenant rather than via the local authority, was referred to by most local authority witnesses as having substantial implications in reducing the information available about those in receipt of support for housing costs and putting at further risk, the rental arrears of many tenants.
- 1.14 Identifying private rented sector properties without an EPC is harder. Without a full landlord register it may be possible to identify sub-standard properties using data from council tax, housing benefit/ UC, HMO and selective licensing schemes or HMRC data where there is a declaration of taxable income from the collection of rent. The latter could identify legitimate landlords and potentially helps identify the 'hidden economy' with options for tax-registration checks to be incorporated into selective licensing schemes. While there is the potential of wider data sharing and triangulation in

⁶ [MHCLG English Private Landlord Survey 2018, published January 2019](#)

identifying private rented sector properties and landlords, the coordination of data in one place is the most efficient approach.

Coordinating existing data sources

- 1.15 As noted in the first part of this report, the regulatory framework does not align in a way that supports understanding and management of the sector. Similarly, the data that underpins the sector is currently uncoordinated. The opportunity exists to bring together a range of existing datasets to enhance our understanding of the PRS at local level.
- 1.16 Our evidence strongly supports a view that a nationwide private rented sector landlord register for England is the only means by which private rented properties and their landlords can be efficiently and systematically identified. There was strong support in our evidence for a national landlord register as a simple identification tool while some witnesses expressed a view that landlord identification should include evidence of independent property inspection – a so-called property MOT.⁷ Others expressed concern about the pitfalls of this arrangement such as who would carry out the property inspections i.e. who regulates the inspectors and also the matching of sufficient capacity to operate such a scheme.
- 1.17 Whilst there were mixed views on the practicalities of adopting full property inspection, there was near full support for action on the identification of properties performing poorly on energy efficiency. Identifying sub-standard cold and leaky properties as easily as possible was deemed to be essential, yet it was evident the energy efficiency regulations are not achieving what they are meant to do. We heard that this was in part due to several misalignments in the regulatory framework and that local authorities lacked the essential information to be able to fully enforce minimum energy standards. An Action Plan on Energy Performance Certificates for Buildings published in September 2020 acknowledged the lack of consistency between EPC and PRS regulations.⁸
- 1.18 On 30 September, BEIS published a consultation on improving energy performance in the private rented sector which noted, *“Anecdotal feedback from the BEIS Enforcement Pilots suggests that LAs spend a disproportionate amount of time on efforts to identify non-compliant properties, both in the domestic and non-domestic PRS.”* The consultation document proposes a ‘property compliance and exemptions database’ be set up, not a landlord registry, despite the proposals covering Wales which operates a register.⁹
- 1.19 Also on 30 September, MHCLG launched a re-modelled Energy Performance of Buildings Register storing the data collected by energy assessors. It is a step forward that a set of energy performance data is again regularly published by the department as open access data with MHCLG taking the running of a digital service back in-house. MHCLG has stated that in the future the usefulness of the data will be improved by linking the energy performance data with Ordnance Survey’s unique property reference numbers (UPRNs), which are being licensed as open data from July 2020.¹⁰ This will make it much easier for data users to link energy performance data with other datasets about buildings. What is still missing is the identification and connection to landlord properties addresses for the private rented sector.

⁷ Rugg J and Rhodes D (2018) The evolving private rented sector: its contribution and potential Centre for Housing Policy, University of York

⁸ [MHCLG BEIS Energy Performance Certificates for Buildings published in September 2020](#)

⁹ [BEIS Improving the energy performance of privately rented homes published 30th September](#)

¹⁰ [MHCLG Digital Launching the Energy Performance of Buildings Register 30 September 2020](#)

- 1.20 These proposals will be widely welcomed and will go a long way towards supporting better standards in the private rented sector. But we believe this is a missed opportunity for full registration connected to the energy performance of the private rented stock and creates an even more complex arrangement for data.
- 1.21 A statutory register of landlords was regarded by witnesses as vital to the professionalisation of the sector. The Committee on Fuel Poverty in its most recent annual report stated, “*We would encourage the Ministry of Housing, Communities and Local Government to reconsider their reluctance to set up a national register and look beyond focusing mainly on ‘rogue’ landlords.*”¹¹ Due to the imperative of the climate emergency, the level of harmful emissions from housing, and the number of vulnerable people living in cold housing, it is also necessary to link energy efficiency ratings to the register.
- 1.22 The introduction of such a scheme would need to be assessed fully in relation to its impact on existing enforcement and on the alternative sources of information about property tenure using existing data gathering mechanisms such as EPC information, data from tenancy deposit schemes, council tax returns and Land Registry data, but this does not require additional data collection, rather a rationalisation and best use of existing data.

Recommendation 2 – Identifying Landlords. We recommend the introduction of a national landlord identification database. This should include details of the private sector landlords, their properties, and EPC data on energy efficiency ratings of their properties to rationalise and streamline existing data to support the identification of sub-standard properties.

Housing subsidy and links to quality

- 1.23 The continued economic viability of low-quality homes is a function of our housing crisis, shored-up by the lack of alternative options for those on low incomes. Many of our witnesses expressed frustration that Housing Benefit or Universal Credit payments underpin the economic viability of this market for low-quality housing.
- 1.24 This policy influence, which is not within the control of local councils to resolve, is creating adverse financial incentives, affecting demand for private rented properties generally and impacting where low-income tenants can live as well as acting as a key barrier to driving improvement in the private rented sector.

Welfare Reforms

- 1.25 Since 2010, welfare reforms have impacted the amount of Housing Benefit that can be paid to tenants living in private rented housing. This includes the introduction of caps to the Local Housing Allowance (LHA), the introduction of Universal Credit, the benefit cap, and benefit freezes. In the North approximately 31% of tenants are in receipt of housing subsidy, compared to 26% for private renters nationally.¹² Research has shown that renters receiving Housing Benefit are 1.3 times more likely than renters not in receipt of housing benefit to live in poor condition housing.¹³

¹¹ [Committee on Fuel Poverty](#): Annual Report, June 2020

¹² Source: Valuation Office Agency (VOA)

¹³ Which, ‘Reform of the private rental sector: the consumer view’, 2018, as cited in the Hidden Costs of Poor-Quality Housing in the North published 2019 Smith Institute

- 1.26 It was repeated by witnesses that a freeze on LHA since 2016 severely restricted renters' ability to exercise choice, creating shortfalls between rents, even at the bottom of the market. In response to the Covid-19 crisis, the Government has readjusted the LHA rate to the 30th percentile of local market rents from April 2020 for universal credit and housing benefit claimants. This will remain in place until March 2021. The HCLG Select Committee reported that *"the rise in the LHA rate was warmly welcomed, although several organisations called for the Government to go further."*¹⁴
- 1.27 In some places, rents are set around LHA levels regardless of quality and this provides no incentive for landlords to provide higher quality homes. Blackpool Council where the proportion of Housing Benefit claimants in the private rented sector is the highest in the country at 73% of all HB claimants, told us that, *"As 80% of private rented tenants are receiving Housing Benefit or UC, and the private rented sector is the primary tenure for the 30% of households in Blackpool who receive help with their housing costs, there is little incentive for landlords to raise quality."*

Scale of the Market

- 1.28 In 2016-17 £9bn was spent on housing support in the private rented sector and an estimated £2.5bn of working age housing benefit spend in the private rented sector was for tenants in non-decent accommodation. This represents 38% of housing benefit spend for poor quality PRS.¹⁵ In Greater Manchester, between 55,000 and 65,000 low value private rented dwellings are supported by housing benefit payments¹⁶ with an estimated £5m a week paid to private landlords through Housing Benefit and Universal Credit with no link made to property condition and management standard.¹⁷
- 1.29 In 2017 the Public Accounts Committee asked whether the Government had investigated using its housing benefit expenditure to leverage an improvement in standards in the private rented sector. The response was that its preferred approach was to focus on the most egregious examples of bad practice in the private rented sector and use of such measures to tackle rogue landlords were introduced in the Housing and Planning Act 2016.¹⁸

Options for incentives to improve standards

- 1.30 Reforming Housing Benefit so that it supports quality and affordability for tenants, while incentivising and rewarding the provision of good quality property was regarded as fundamental to reform by many witnesses. The market in the North would benefit from financial incentives to make it in landlords' interest to offer a better product.
- 1.31 Potential approaches put forward by witnesses included:
- Reviewing the role that public investment in the form of LHA can play in providing the incentive.
 - Implementing fair rents to control the rent which can be charged within a specific renewal area reflecting the condition of local property
 - Ensuring minimum standards are met by any private landlord accepting benefit funds as rental income through an MOT style system or inspection for property fitness
 - Using Homes Fit for Human Habitation as a basis for setting rents.

¹⁴ HCLG Committee: Protecting Rough Sleepers and Renters Report May 2020

¹⁵ Committee of Public Accounts Inquiry Correspondence to the Committee Chair in response to Housing – Station of the Nation 2018

¹⁶ PRS Markets in Greater Manchester: A Summary of Evidence and Strategic Issues Arc4 March 2019

¹⁷ Evidence submitted by Salix Living

¹⁸ Public Accounts Committee - Housing: State of the Nation published 28 April 2017

- 1.32 The issues raised through this Inquiry demonstrate that a connection between Housing Benefit (and Universal Credit payments) to measures of housing quality merit careful evaluation. Public investment through LHA is not currently being levered to raise standards.

Recommendation 3 – Housing Benefit and Poor Standards. We recommend DWP instigate a trial of linking payment of housing benefit to poor quality standards in the private rented sector and that DWP pilot a minimum-standard approach in a Northern district.

Chapter 2

Tenant Empowerment

Strengthening Consumer Redress

- 2.1 It is a positive and welcome shift in emphasis that renters should be treated as consumers with proposals for strengthening consumer redress in housing.¹⁹ Having a secure home is a basic human right and it is important that this is recognised. Through such recognition tenants can influence better property standards by being able to act without fear of repercussions. They can secure longer term tenancies without fear of eviction and whole communities' benefit from greater stability.
- 2.2 The Government proposes, 'when Parliamentary time allows', to bring forward legislation to require landlords, regardless of whether they employ an agent, to be a member of a redress scheme. A new Housing Complaints Resolution Service will act as a single access portal through which consumers will be able to access redress.²⁰ This has the intention of developing into a comprehensive 'Code of Practice' on complaint handling for the whole housing sector.
- 2.3 We would urge that this additional layer of regulation be considered holistically across the regulatory framework for the private rental sector, as described in Recommendation 1 of this report.

Ongoing Limitations of tenant empowerment

- 2.4 The Inquiry heard that barriers to tenants seeking redress at present include:
 - Fear of eviction or other landlord retaliation
 - Lack of tenant knowledge about the options available
 - Vulnerability of many tenants
 - Fear of having to attend court and limited access to legal advice and casework support
 - Prohibitive costs of taking action alongside the limited availability of Legal Aid.
- 2.5 All witnesses confirmed that the system remains very much reactive, relying on tenants to raise the alarm on poor standards. Cheshire East Council commented, "*Significant investment would be needed to be able to be proactive and seek out hidden, unrecognised or unarticulated issues around poor-quality housing conditions.*"
- 2.6 It was emphasised by witnesses that there will always be a proportion of tenants who will be unable to access redress without the support of a caseworker either from the local authority or the third sector. As part of the reform of consumer redress in housing, whatever power is given to tenants, there must be an accompanying emphasis on supporting tenants to take and use that power. Such roles within local authorities, tenant advocacy officers, welfare support, debt advice and casework support officers, as well as securing tenant rights, also ensure that oversight of property issues are maintained with escalation to enforcement teams if necessary. This report discusses local authority roles and capacity in Chapter 3 including its impact on enforcing better standards.

¹⁹ [Strengthening Consumer Redress in the Housing Market](#): A consultation February 2018

²⁰ [Strengthening consumer Redress in the Housing Market: Government response to the consultation January 2019](#)

Security of Tenure

- 2.7 Despite the positive additions of the Homes Act and the Tenant Fees Act, both intended to increase consumer power, our evidence showed that legal redress remains inaccessible for many tenants. With 354,000 private rented properties in the North failing to meet the decent homes standard²¹, these new provisions allow tenants to sue landlords for defects, including damp and mould. It is agreed that the Homes Act plugs a gap in the regulations, but due to the vulnerability of some tenants, 'empowerment' through its provisions is rendered impractical.
- 2.8 One of the key barriers to redress continues to be the fear of eviction in retaliation following complaints about property standards. There is a direct link between retaliatory evictions and property standards despite some limited protection through the Deregulation Act 2015 which prevents landlords from issuing a Section 21 eviction notice within six months of having been issued an improvement notice. Three in five tenants (57%) who received a Section 21 eviction notice had made some kind of complaint or request for repairs in the six months before receiving it, compared to less than a quarter of those who had not (22%).²²

Renters Reform

- 2.9 During lockdown, the Government acted quickly to put emergency powers in place with a temporary end to evictions and this swift action was widely welcomed. The Government has already outlined plans for new legislation to repeal Section 21 of the Housing Act 1988 putting an end to 'no-fault' evictions with plans to introduce a Renters' Reform Bill. This would effectively create open-ended tenancies and represents a significant change in the law that governs private renting. This proposed reform was warmly welcomed by local authorities and tenants' representatives during our evidence gathering. It will be impossible to balance the rights of tenants and landlords unless tenants have meaningful protection from retaliatory eviction.
- 2.10 Security of tenure sits alongside calls for greater direct rent regulation. The threat of rent increases adds to insecurity for assured shorthold tenants. The Government consultation on barriers to longer tenancies referenced the possibility of limiting rent increases within longer tenancies, for example, to the Retail Price Index. Our evidence supports the view that the Renters Reform Bill should include limiting rent increases within longer tenancies, for example, to the Retail Price Index.

Recommendation 4 - Tenancy Reform. We urge Government to follow through on its commitment for a Renters Reform Bill which would include abolishing Section 21 of the Housing Act 2004 and for Parliamentary time to be made available within this session for this important piece of legislation.

Access to good quality private rented properties

- 2.11 Making best use of the better-quality private rental stock and supporting tenants to access well-managed homes is an important part of driving rogue elements out of the sector by starving the supply of tenants to badly managed properties.
- 2.12 It is possible for the private rented sector to meet demand at all levels of the market, including for tenants with experiences of homelessness, and with sometimes complex housing needs. However, meeting demand is often dependent on the operation of a trusted intermediary organisation.

²¹ The Hidden Costs of Poor-Quality Housing in the North published 2019, Smith Institute

²² Citizen's Advice [Touch and Go](#) How to Protect Private Renters from Retaliatory Eviction published August 2018

Social Lettings Agencies

- 2.13 Social Lettings Agencies (SLAs - sometimes also known as 'Ethical Lettings Agencies') are not-for-profit lettings agents that support low-income or vulnerable tenants with access to the private rented sector. In helping tenants to access to decent housing they can help the private rental market function more like the social rented sector. The type of business varies and can be run by local authorities, housing associations or social enterprises. This affects how they are financed and what incentives are used to attract landlords. There has been modest growth of SLAs and in places where they operate, they are starting to make a difference to the options available for private renters, particularly those accessing the market at LHA rates.
- 2.14 Salix Living was established in 2012 and delivers private-sector leasing on behalf of Salix Homes, a Salford Housing Association. It provides a comprehensive private-lettings and property management service across Salford and Trafford and currently leases and manages around 230 properties in the private sector, working with 80+ landlords. The business model is based on the local housing allowance level to ensure properties are available for those on housing benefit. Last year 70% of lets were to homeless or people at risk of homelessness.
- 2.15 The Ethical Lettings Agency (TELA - Redcar) manages around 150 private rented sector properties in the Teesside area on behalf of private landlords and the majority are let to tenants in receipt of benefits thereby occupying lower value stock. It has a core social mission to acquire properties for the purpose of providing rental properties to those in housing need including homeless people.
- 2.16 While there are varying models of SLA, the commonalities are that the setting up and early years are reliant on grant funding, but agencies were able to become financially self-sufficient once they reached a certain scale. Some local authorities had accessed funding from the MHCLG Rapid Rehousing Pathway (RRP) which in 2020-21 was combined with the Rough Sleeping Initiative and MCHLG data showed this has supported 42 dedicated Local Lettings Agencies.²³
- 2.17 While this is a welcome boost to support a part of the market which works with the most vulnerable in the private rented sector, the Centre for Social Justice has argued that the Government should invest £40 million Capital Funding to aid the expansion of SLAs. A key aim of the fund would be to ensure that SLAs become financially self-sustaining so that they are not reliant on grant funding.²⁴
- 2.18 In building up a landlord base of support which is essential for viability of SLAs, it was evident that landlords preferred a more commercial identity, and some local authority schemes were trying to take this approach. Reputation and trust were key enablers in building support. Some smaller authorities had entered arrangements with local commercial lettings agents to deliver these services. This was motivated by necessity due to limited local government capacity but there appeared to be a benefit of the approach to building confidence and trust with the landlords.
- 2.19 Pressures on staff resources in local authorities remain a significant barrier to exploring new initiatives such as setting up an SLA. Models whereby local authorities, housing associations, social enterprise and existing agencies develop packages together would reduce risk with costs to be shared through collaboration through the setting up a consortium across local areas.
- 2.20 In terms of building the market for SLAs a key issue emerging from evidence is the financial context for SLAs provided by variations in Local Housing Allowance rates across the region in relation to

²³ MHCLG [Rapid Rehousing Pathway Funding Allocations](#)

²⁴ [Centre for Social Justice: Home Improvements – A social justice approach to housing policy](#)

market rents. While LHAs were frozen and market rents growing this established a gap between the rent landlords expect and the amount covered by LHA. For SLAs this means that there is little margin that could be used to cover letting and management fees. This can be a critical barrier to a viable business model. The LHA rates increased on 1 April 2020 after a 5-year freeze and the short-term increase in the LHA will support the operation of SLAs.

- 2.21 Three years on from the Housing White Paper which aimed to 'consider whether social lettings agencies can be an effective tool for securing more housing for households who would otherwise struggle'²⁵ and in a time of crisis when much good work could be reversed, the time is right for Government to reconsider the funding and enabling environment for SLAs.

Recommendation 5 – Support access to good quality private rented sector homes. We propose Government reviews the enabling, regulatory and funding environment to improve the viability for Social Lettings Agencies (SLA) to start up and be sustainable and self-financing by the second year of operation. This could include a national scheme to underwrite the risks for SLAs in the early years of set up.

²⁵ [Fixing our broken housing market February 2017](#)

Chapter 3

Enforcing Standards

Barriers to enforcement at local level

- 3.1 Local authority enforcement teams were clear in their evidence that their role in raising standards is to support and reward good landlords and to use enforcement powers in the minority of cases. Most landlords do not appear to deliberately ignore their responsibilities and so enforcement is always a last resort and is used with a minority of landlords.
- 3.2 There was general agreement from council's that the range of enforcement tools available to tackle bad practice is comprehensive but full use of the measures faces barriers. These include:
- Constraints on local authority capacity, (as described in the following section).
 - Complexity of the regulatory framework with the operation of regulations often acting against each other.
 - Sources of income such as through civil penalties cannot be relied upon for funding long term posts.
 - Enforcement is resource intensive and heavily bureaucratic which added to the resource challenges means that regulation is not always being used to full effect.
 - Enforcement activity often requires upfront investment from councils
 - Resistance from landlords is labour intensive for councils, and exemptions from standards such as Minimum Energy Efficiency Standards may be too easily obtained.

Local authority capacity

- 3.3 Local authorities have a vital role to play in enforcing good standards. But for many, capacity shortages are a principal barrier. A reduction in service spend across local authorities has been particularly marked for Northern authorities, leading to significant loss of housing and planning capacity.
- 3.4 The change in average net spend per local authority in the North between 2010/11 and 2018/19 stood at -54% for housing services compared to a reduction of 34% in the rest of England. This means that councils in the North now spend 1.9p of every £1 on housing, compared to 3.7p in the rest of England.²⁶ This includes private sector housing renewal, homelessness and housing advice, and housing-related support services. The evidence is clear that the private rented sector is continuing to grow, and these frontline local authority teams are crucial to support and protect the most vulnerable people in society.
- 3.5 While capacity has reduced, responsibilities have increased for councils to regulate the private rented sector - energy efficiency requirements, tackling empty properties, the need to inspect properties used for refugee and asylum seeker contracts, as well as extended licensing of Houses in Multiple Occupation and an increasing problem with the quality and safety of conversions from office to residential accommodation, many of which end up as private rental. Also, the complexity of private rented sector regulation means that duties are split within councils. The CIEH told us that *"Housing related legislation enforcement is split between trading standards and environmental*

²⁶ Local Authority Housing and Planning Capacity in the North of England, UK Collaborative Centre for Housing Evidence (Cache) for the Northern Housing Consortium 2019

health." This means that requiring private rented properties to have an EPC sits with trading standards while most other functions of enforcement are with environmental health teams.

- 3.6 Where councils have implemented selective licensing schemes, the fee structure has supported an increase in professional staff to maintain and operate the scheme for the designated area but not all schemes were self-financing. Other revenue-raising enforcement activity such as civil penalties were welcomed but did not provide a reliable source of income to recruit and maintain professional staff. Bradford Council told us, *"Assurances that the Council would be able to retain income from monetary fines to subsidise enforcement services was welcomed but has proven exceptionally difficult to deliver. The Council has served a significant number of monetary fines, such as Civil Penalty Notices (CPNs) but is experiencing a high number of appeals and, despite close working with Debt Recovery, is struggling to recover the debts owed."*
- 3.7 We spoke to local authority officers during lockdown who told us that within councils, officers have been re-assigned to areas of need. These council teams have unique local knowledge to co-ordinate the response to the public health crisis in every community, but this is further stretching limited capacity and this 'moving the deck chairs' can only cover so much support. The early evidence that we have from the lockdown period is that there will be sharp increase in tenants needing support from their local authority, either to maintain their tenancy or when a tenancy is ended. Services that are already stretched will need to find new resources.
- 3.8 'Building back better' will require a good level of public services. In our discussions with local authorities it was clear that reductions in capacity had particularly impacted on their access to specialist skills. Priorities on capacity-building have focused on the council's statutory functions, while expertise and understanding of complex local housing market dynamics has been lost.
- 3.9 Services which are needed to be at full capacity to level-up the Northern regions include:
 - Housing and homelessness to ensure that the achievements during Covid-19 to reduce rough sleeping are maintained
 - Private rented sector enforcements teams which have taken on significant workloads to avoid unnecessary evictions and homelessness
 - Forthcoming renters reform will require a public sector response, and roles will be required to ensure tenant rights are used such as tenant advocacy roles.
 - Decarbonising the housing stock is a function that will grow as net zero targets come closer
 - New roles and new skills will be needed to enforce carbon reduction measures

Recommendation 6 - Local Government Capacity. A sustained increase in local government funding must support not only appropriate capacity building, but also develop skill levels for recovery.

Models used by local authorities

- 3.10 It is evident that operational delivery can vary greatly between councils. Enforcement teams told us that local decisions on how to tackle poor standards are the result of a mixture of the local conditions and political will, capacity, experience of using various approaches and the relative success or otherwise of activity in their local patch.
- 3.11 A frequent criticism by landlords is a perception of over-zealous activity in one area and a more casual approach to enforcement in another area. There are a number of factors at play when there are variations of enforcement activity. Local authorities will inevitably deal with a variety of different challenges based on their geographical location, urban or rural status, levels of deprivation, and the

number and type of private landlords operating in their locality. There is no 'one-size-fits-all' response to the challenges of poor standards in the private rented sector.

- 3.12 We heard that where councils' political leaders had elevated the importance of private rented sector standards, this had driven the level of local investment in capacity and the robustness of the enforcement activity, despite limitations on local authority capacity in general. This political prioritisation of poor-quality standards can boost the capacity of councils which in turn will determine the degree to which a council is able to be proactive.
- 3.13 A transparent approach is needed from local authorities to share openly their reasoning for enforcement activity, and this must include the development of an enforcement strategy which is kept up to date and demonstrates the involvement of the political leadership of the council. The Local Government Association has recently provided a toolkit to support councils with this approach.²⁷

Case Study: Manchester City Council – Setting a Strategy

In Manchester, the private rented sector's growth has continued at pace, with it now overtaking owner occupation as the largest sector (38%) in the city, expanding outside of the traditional city centre and student markets. Whilst this growth has expanded the higher end of the market, with an increasing supply and quality of rented homes providing a real alternative to owner occupation, the bottom end of the market has also concentrated over time requiring a more intensive housing management approach.

To address this, Manchester City Council developed The Market Rental Sector Strategy 2015-20 setting out how the Council, along with other stakeholders, would meet its commitment to developing a quality private rented sector.

The lifetime of the strategy has seen a range of successful interventions including:

- Area Regeneration - In the Ben Street area, 151 properties were improved via facelifting, which has helped to ensure an improvement to all of the properties.
- Matrix Homes - The council has directly intervened in the private rented sector in the joint venture arrangement with the Greater Manchester Pension Fund (GMPF). Through this joint venture the Council and GMPF have developed 120 new homes for rent in Chorlton, Wythenshawe and Gorton.
- Retaining properties in the social rented sector – the council has acted as an intermediary in the disposal of properties by Registered Providers. All members of the Greater Manchester Housing Providers group agreed to offer any properties that they no longer want to own and manage to other Registered Providers in the city rather than simply selling them into the private sector.

The Council also held a social media take over day in January 2020 to raise awareness about how the council is delivering solutions to meet the city's wide-ranging housing needs. Messages included the rights of those in private rented accommodation, and action taken against non-compliant landlords.

Housing, health and safety rating system (HHSRS)

- 3.14 The Housing, Health and Safety Rating System (HHSRS) introduced by the Housing Act 2004 is crucial to identifying poor standards in the private rented sector.

²⁷ [Improving the Private Rented Sector: A toolkit for councils August 2020](#)

- 3.15 In the North, 14% of homes in the private rented sector have a Category 1 hazard, which local authorities have a duty to address. Health related risks because of damp and mould growth, excess cold, excess heat and indoor pollutant hazards all make respiratory problems worse, a key risk in light of Covid-19. As reported by the University of Huddersfield, *'Lockdown in housing with limited living space, an absence of outdoor space, issues that make housing unfit for habitation and, cramped and overcrowded living arrangements will likely have severe impacts on mental health.'*²⁸
- 3.16 The Yorkshire and Humber region has the highest percentage of the most serious category of hazards of any region at 15.8%.²⁹ Category 1 hazards have reduced significantly from 30% to 14% in the last two decades but there are still 691,000 private rented homes with the most serious hazard, and these homes are often occupied by the most vulnerable people.³⁰

Review of the HHSRS

- 3.17 At the time of this Inquiry a comprehensive review of HHSRS had been commissioned by MHCLG and most witnesses agreed this was long overdue. The initial outcome of the scoping review was that simplification of the assessment process was needed making the system easier to understand for landlords and tenants.³¹
- 3.18 This risk-based system has not been updated in over 12 years and landlords, tenants and local authorities report it is complicated and inefficient to use. Suggestions for change included:
- Setting higher standards – the standard is regarded as setting a low bar
 - Include a greater focus on health and safety
 - Measure the impact of cold homes on the vulnerable groups including children.
 - Aligned to other standards such as the decency standard which is met by social housing stock
 - Align the risk assessment to energy standards (MEES) through a rationalised approach.
- 3.19 The outcome of the first phase of the review provides an extensive remit to explore in the second phase. No timescale has been set for the second phase, but it is likely to take some time to complete. On the basis that the review is in progress, this Inquiry has not made recommendations in relation to HHSRS but notes that the scope of the review is long overdue and underlines the need for an overhaul of the regulatory framework.

Enforcing minimum energy efficiency standards (MEES)

- 3.20 While there have undoubtedly been performance improvements in the private rented sector, the sector still has the highest proportion of any sector of the worst energy-performing properties.
- 3.21 MEES was developed to improve the energy efficiency of existing housing, helping deliver carbon reduction targets and reducing fuel poverty.³² MEES focuses on the least energy-efficient private rental properties – the 'worst-first' principle - those rated EPC F or G which the regulations state are sub-standard. Landlords are required to carry out enough of the works listed in the EPC's recommendation report to improve the energy rating to at least E and are not required to spend

²⁸ 'Lockdown, Rundown, Breakdown' The COVID-19 lockdown and the impact of poor-quality housing on occupants in the North of England. Philip Brown, Dillon Newton, Rachel Armitage, and Leanne Monchuk
October 2020 University of Huddersfield, Northern Housing Consortium, Nationwide Foundation

²⁹ English Housing Survey Stock Profile and Condition Annex 2.8

³⁰ English Housing Survey Private Rented Sector 2017-18

³¹ [Outcomes of Report on HHSRS Scoping Review 11 July 2019](#)

³² Building Regulations ensure new properties meet energy efficiency and MEES regulates existing properties.

more than £3,500 per property. If the EPC rating cannot be improved to E after spending £3,500, then the landlord is entitled to register an exemption.

- 3.22 During the Inquiry, BEIS published an intention to raise the energy performance standard to EPC Band C for the private rented sector with a phased trajectory for achieving the improvements for new tenancies only from 2025 and for all tenancies from 2028.³³
- 3.23 Local authorities told us that enforcing minimum energy standards has not been straightforward and consequently there have been low levels of enforcement action. Difficulties using MEES were reported to include:
- Disjointedness with how MEES aligns with other enforcement regulations
 - Unreliable data and based on EPC data which itself is flawed
 - Reactive, relying on tenants reporting issues
 - No alignment with measures to improve fuel poverty
 - Too many landlords are unaware of the standards
 - Landlord are able to secure exemptions from carrying out improvement works
 - HHSRS (which itself requires comprehensive review) is being used instead of MEES to tackle cold homes in the private rented sector
- 3.24 The use of EPCs as the trigger for enforcement activity was raised a hindrance for many witnesses. EPCs were originally designed to provide a basic indicator of the energy cost of running a home but are increasingly influencing the retrofit of existing housing - a purpose for which they were not intended and for which they may be inadequate, particularly for older housing stock. New proposals were issued during the Inquiry which would permit LAs to use EPC Open Data which our evidence indicates would support enforcement.³⁴
- 3.25 We strongly welcome the new proposals for higher standards of energy performance in the private rented sector, but such an ambitious trajectory will not be without challenge. The current minimum standard of Band E is mandatory, enforceable by financial penalties, but this was not met in all cases by 1 April 2020 with 6.3% of private rented homes (263,000 in England) at Band F or G. The most recent survey of landlords showed that 42% were not aware of the mandatory requirement and 17% were aware but did not have a full understanding of the details.³⁵
- 3.26 During the Inquiry it was noted that BEIS had run pilot studies looking into how local authorities can best implement the MEES regulations. Issues identified in Phase 1 had included property and landlord identification, and issues with matching EPC data against a wide range of datasets making it difficult to identify properties and landlords of interest. All pilots reported to varying degrees that sections of the MEES legislation are complex, particularly where the regulations intersect with other existing legislation. In some cases, this resulted in officers having to engage their own legal advice services to develop internal guidance and agree interpretations of the regulatory requirements.³⁶
- 3.27 The view of witnesses is that enforcement of minimum energy standards across the whole sector is too big a task as a local enforcement issue alone. The rate of progress needed to bring private rented properties up to standard is unrealistic given the current usability of MEES and the scale of the

³³ BEIS Improving the energy performance of privately rented homes published 30th September

³⁴ BEIS Improving the energy performance of privately rented homes published 30th September

³⁵ [MHCLG English Private Landlord Survey 2018, published January 2019](#)

³⁶ [CSE MEES Pilot Schemes](#), started November 2018

challenge. The proposal to raise the energy performance to Band C for all tenancies from 2028³⁷ is welcome but will mean that enforcing the MEES will become a significantly harder challenge for local authorities - bolstering the case for Recommendation 6 on local authority capacity funding.

- 3.28 In 2019, the Committee on Fuel Poverty commissioned research into the question: To achieve the housing stock improvement and reduction in fuel poverty sought from the new Minimum Energy Efficiency Standards, what alternative enforcement models could be adopted and how might they work?³⁸ The conclusions in answer to the question included: a national mandatory private rental registration scheme should be set up; better use should be made of existing data to help create a register and identify private rented properties that may lack an EPC; empowering tenants and building capacity in local authorities.³⁹
- 3.29 The evidence from our Inquiry supports the conclusion of the Committee on Fuel Poverty that work should take place across Government Departments which brings together the aspirations of BEIS to address fuel poverty and climate change with the MHCLG's broader responsibilities to maintain and make accessible the EPC database. We therefore welcome the joint BEIS and MHCLG: Energy Performance Certificates for Buildings Action Plan published in September 2020.⁴⁰

Recommendation 7 – Minimum Energy Efficiency Standards. For MEES to be enforceable, particularly at higher standards for new tenancies by 2025 and all tenancies by 2028, a regulatory framework will require: landlord registration alongside licensing; better use of data to identify private rented sector homes without an EPC; capacity in local authorities and empowering tenants.

Standards in rural areas

- 3.30 Non-compliance with existing MEES is much higher in rural areas, particularly those where a high proportion of properties are without a mains gas supply. The ten areas with the highest proportion of F and G rated properties are largely rural areas. Each region of the North has rural areas with above average numbers of private rented properties below Band E - in the North West - South Lakeland (20%), in the North East - Northumberland (15%) and in Yorkshire and Humber - Ryedale (25%).⁴¹
- 3.31 These properties are often in conservation areas or are listed making the prospect of adaptations even more difficult. Eden council told us, *"The housing stock in this area is very old, some properties date back 300 years. There are lots of conservation areas in the district preventing double glazing from being installed. This makes it very difficult for the SAP value of the property to be increased."* Many of these landlords successfully apply for MEES exemptions.
- 3.32 Emissions from homes that are situated off the gas-grid have been highlighted by BEIS as an immediate area of priority for decarbonisation⁴² and we believe more could be done through a transformation of ECO to ensure that rural communities receive a fairer share of funding.

³⁷ BEIS consultation Improving the Energy Performance of Privately Rented Homes in England and Wales 30 September 2020

³⁸ [Committee on Fuel Poverty](#) recommendations from the report on Enforcing the Enhancement of Energy Efficiency Regulations in the English Private Rented Sector (PRS) 31 May 2019

³⁹ [RSM Enforcing the enhancement of energy efficiency regulations in the English private rented sector June 2019](#)

⁴⁰ BEIS & MHCLG Energy Performance Certificates for Buildings Action Plan September 2020

⁴¹ BEIS statistics www.gov.uk/government/statistics/msoa-estimates-of-households-not-connected-to-the-gas-network

⁴² [Heating in Rural Off-Gas Grid Dwelling 2018](#)

Informal approaches including Voluntary Accreditation Schemes

- 3.33 Many local authorities run accreditation schemes aimed at the private sector. For example, Wirral Council has adopted a comprehensive approach to landlord engagement with 1,675 private rented properties accredited through a voluntary borough-wide property accreditation scheme. A Landlord Forum is held annually and an incentive to becoming accredited includes making it a condition of eligibility for empty homes grants.
- 3.34 Informal arrangements generate vital support from landlords within the sector which is invaluable in reaching other landlords who may be less engaged. The most responsible landlords have an interest themselves in driving out the worst elements of the sector and promoting better standards, without the need for further regulation and enforcement.

Case Study: Leeds City Council – Working with Landlords

The inner city of Leeds has seen a major increase in the private rented sector with between 50% and 58% in some areas. The private rented sector has a higher percentage of category 1 HHSRS hazards, lower SAP ratings, and lower band EPC ratings.

The council has been able to implement a strategy of working with good professional landlords and targeting poor landlords. This strategy notably involves:

- Self-regulation of the sector by the sector with the Leeds Rental Standard allowing landlords to self-regulate themselves. The scheme is run by Unipol, the National Landlords Association and the Residential Landlords Association and supported by Leeds City Council.
- A Leeds Landlord Scheme to work with the sector supporting the provision of homes in the private rented sector by providing incentives to Landlords; bonds, upfront rent, damage liability, tenant support; to support landlords to rehouse those seeking homes.
- A Rogue Landlord Unit to target criminal landlords in a partnership including the Police and HMRC.
- Proactive targeting including the geographical based gathering of intelligence covering for example the prevalence of poor housing stock and empty homes. This is a partnership approach to address standards but also address household needs linked to poverty, employment, health, energy efficiency.

The council has recognised the importance of the private rented sector and the issues it causes in certain neighbourhoods and has increased resources to address issues. Since 2010 20 additional posts have been created to deal with the problems as part of its base budget.

The council has also invested in both energy efficiency and empty homes with over £10m in two priority areas for whole house improvements in predominately lower rental market areas. This has included energy efficiency works, including external wall insulation. Works have reduced household bills by at least a third, improved over 420 mainly private rented sector properties, with landlords providing at least 10% of the cost.

- 3.35 The RLA told us that they support a system of self-regulation for landlords, whereby compliant landlords join a co-regulation scheme which deals with standards and complaints in the first instance, while those outside the scheme remain under the scope of local authority enforcement.
- 3.36 Softer approaches can be highly beneficial and avoid escalation, but schemes do not generate any funding to sustain their operation and must be supplemented with resources drawn from the

council's general fund. We believe greater resources are needed at a local authority level for this type of informal activity otherwise, perverse incentives are created for councils to escalate issues into enforcement measures prematurely.

Civil Penalties

- 3.37 Local authorities told us they welcomed the introduction of powers to issue civil penalties along with banning orders through the Housing and Planning Act 2016. The ability to retain income from civil penalties is beneficial, although the recovery of money through penalties is proving to be difficult, time consuming and expensive. City of York Council told us; *"Although councils have welcomed the ability to retain income from civil penalty noticesthe recovery of money through the civil courts from CPNs is not proving to be simple or straight forward and certainly cannot be relied on to provide a reliable source of funding for service delivery."*
- 3.38 While most landlords pay, either in full or instalments, the view repeated by many witnesses was that recovering any debt from landlords is difficult. Some landlords stretch the process out so that the costs awarded to the council rarely cover the full costs of taking the case.
- 3.39 While the ability to retain money has been helpful, as a source of funding it is unreliable so does not allow authorities to increase capacity. The view of many local authorities is that the most severe penalty, at £30,000, would still not be enough to break many rogue landlords' business models. There was also a view that those landlords who are not deterred by repeat penalties should have the severity of the penalty raised. Some witnesses felt that a first penalty should be sufficient for entry to the rogue landlord database, rather than two civil penalties within 12 months. We would urge that the effectiveness of penalties is included in our recommended review of the regulatory framework.

Mandatory licensing

- 3.40 Shared accommodation, or houses in multiple occupation (HMOs), have become an increasingly significant part of the private rented sector. However, some of the worst property and management conditions, as well as criminality and exploitation, are found in HMOs. As set out in 'The Evolving Private Rented Sector', 'overtly criminal letting' and 'slum rental' is likely to be concentrated in HMOs.⁴³
- 3.41 An HMO is a property rented out by at least 3 people who are not from one 'household' (for example a family) but share facilities like the bathroom and kitchen and a license is required. CIEH told us that, *"all types of HMOs are considered high risk by environmental health practitioners, due to many occupants from different households sharing facilities and means of escape."*⁴⁴
- 3.42 We were also aware of growing concerns regarding the sub-division of properties which evade the licencing regime so that local councils must not only enforce the licensing regime but detect and monitor those properties flouting the law by avoiding a license.
- 3.43 Sanctions for non-compliance with licensing should operate in a clear, staged way with increasing severity applied at different points, each of which gives the landlord the opportunity and incentive to comply, with management orders being the final sanction. This approach will ideally be reflected in a local enforcing authority strategy.

⁴³ Rugg J and Rhodes D (2018) The evolving private rented sector: its contribution and potential Centre for Housing Policy, University of York

⁴⁴ Written evidence submitted by CIEH

- 3.44 During this Inquiry we were aware of the changing nature of the private rented sector and new challenges such as the rise of private homes being used as short-term lets. Concerns are growing including the use of residential properties as letting businesses in breach of regulations and the challenges local authorities face in taking enforcement action.
- 3.45 The APPG for Tourism, Leisure and the Hospitality Industry held an inquiry into the impact of the shared economy on the UK tourism industry and concluded that the negative impacts of the rapid growth of the sector needed to be addressed. The APPG report, published in July 2018, made a number of recommendations including the implementation of a statutory registration scheme for all tourism accommodation providers, regardless of the type of accommodation provided. The APPG commented, “such a scheme could be devolved to councils and would help resolve the main issues identified by this Inquiry. Namely, it would provide enforcement officers with a database of tourism accommodation properties so that they could target their resources to those properties they deem to be the highest risk.”⁴⁵

Recommendation 8 - Regulation of short-term lettings. Further research is required between DCMS and MHCLG into the different ways that shared housing is being let and managed to assess exactly how this type of housing should be treated in context of forthcoming renter reforms.

Selective Licensing in designated areas

- 3.46 Selective licensing schemes are an important tool for local authorities seeking to improve standards in the private rented sector at neighbourhood level. Without the option of designating areas for licensing, local authorities would struggle to act effectively in those places where poor standards are impacting, not just on individual tenants, but on the whole community.
- 3.47 Schemes can contribute towards the regeneration of an area, and when combined with other measures form part of a strategic response to low housing demand as well as providing a framework for councils' homelessness services. One local authority described it as a 'game-changer.' One local councillor said that it allows them to deal effectively with issues and complaints brought to them by tenants and residents in nearby properties when, without licensing, they felt powerless to act.

Use of selective licensing in the North

- 3.48 As one of the strongest enforcement tools available to local authorities it is used as a last resort. We concluded there is moderate and appropriate use of the schemes. In Northern authorities, 20 of the 72 councils have schemes. None have schemes covering a whole borough and three authorities have sought Secretary of State approval for larger schemes.
- 3.49 Where schemes were in place, evidence of raised standards were evident in individual properties, and the wider area. Rotherham Council told us, “*There have been clear improvements in private rented housing standards in the designated areas with 94% of houses inspected now made compliant, with indications that anti-social behaviour, empty property rates and occupier turnover rates in some areas are beginning to fall, these being the key measures of low housing demand.*”
- 3.50 Selective Licensing also provides a framework for homelessness services where a private rental offer is being considered. The fact that properties being considered are licensed and comply with the license conditions provides an assurance about their suitability. Licensing provides a further degree of protection for tenants from poor landlords in that Section 21 notices are not valid if the landlord

⁴⁵ All Party Parliamentary Group on Tourism, Inquiry into the sharing economy, 18 July 2018

has not obtained a license. This enables the prevention of homelessness or provides additional time for an alternative to be found.

Case Study: Liverpool City Region Local Housing Authorities⁴⁶ – Enforcing Better Standards

The growth of the private rented sector has had a significant impact on the City Region's housing market. LCR local housing authorities are leading the way in taking enforcement action to deal with poor property conditions.

The introduction of Selective and Additional Licensing schemes has facilitated interventions to deal with disrepair and unfitness. Although Selective Licensing deals primarily with management standards, it also enables a 'foot in the door' in more private sector properties to identify poor property conditions. There was a notable high level of non-compliance with license conditions illustrating the poor quality of management in the private rented sector.

In Liverpool it is estimated that 9,452 private rented properties (14%) have category 1 hazards and the estimated cost of mitigating these category 1 hazards is £23.4m. There is a similar picture in Sefton where it is estimated that there are 2,747 properties with category 1 hazards (14%). Liverpool City Council adopted a radical approach to meeting the challenges presented by a rapidly growing private rented sector by declaring the UK's first citywide Selective Licensing scheme which commenced on 1 April 2015. No other scheme provided protection to tenants and residents on this scale. The scheme has been a beacon of good practice and has received national recognition.

The council has adopted a robust approach to enforcement against unlicensed landlords. There have been over 30,119 compliance activities undertaken at licensed properties with only 30% being fully compliant at first visit and 10,330 breaches identified. 3,203 properties have improved their management standards after revisits and further checks.

Sefton introduced its Selective Licensing scheme in March 2018 broadly covering the Bootle area of the borough. Of the 277 compliance inspections undertaken to date in Sefton 73.6% were found to be non-compliant.

Wirral introduced its first selective licensing scheme on 1 July 2015. Of those properties inspected, over 70% have required improvements to the property or management practices to bring them up to the required standard.

The proactive approach to enforcement adopted by the LCR housing authorities has improved outcomes for tenants and has fundamentally changed the dynamic of the sector.

Review of selective licensing

- 3.51 Much of the evidence compiled through this Inquiry, concurs with the conclusions of an independent review of the use and effectiveness of selective licensing commissioned by MHCLG. The independent review concludes, *"Government should consider introducing a national registration scheme for landlords to support and complement selective licensing."* This accords with our evidence that this

⁴⁶ Liverpool City Council, Sefton Metropolitan Borough Council, Wirral Metropolitan Borough Council, Knowsley Metropolitan Borough Council, St Helens Metropolitan Borough Council and Halton Unitary Council.

would build a much better picture of the private rented sector and reduce the resources needed to set up a new licensing scheme.⁴⁷

- 3.52 The independent review notes, “*where there are insufficient upfront resources, [licensing] schemes run the risk of falling at the first hurdle.*”⁴⁸ Although a ring-fenced income is generated for enforcement activity, the licensing schemes we were aware of were not entirely self-financing. The lack of upfront funding to enable councils to implement schemes meant that schemes may be unable to get off the ground, despite the evidential need for the benefit they could bring about
- 3.53 We would urge Government to provide an early response to the independent review as our evidence indicates that many of the measures proposed, such as a national registration scheme and flexibility on selective licensing, would assist local authorities by providing clarity and a flexible framework from which to take forward enforcement action which benefits whole communities. A nationwide landlord register should be integrated with existing licencing schemes (HMO and selective licensing) and not duplicate their role.

Limitation of schemes

- 3.54 Local authorities that have used selective licensing, in addition to describing the benefits, also identify its shortcomings. There was consensus amongst witnesses that setting up a scheme is an extremely intensive process to implement with significant resource implications. Our evidence supported the view taken by the HCLG Select Committee and the independent review that the process was ‘overly bureaucratic and unduly expensive’⁴⁹ and ‘highly complex and unnecessarily bureaucratic, requiring significant time, money and other resources.’⁵⁰
- 3.55 When landlords oppose the introduction of licensing schemes, they cite a number of reasons beyond the requirement to pay fees, whereby ‘good’ landlords consider they are penalised for the minority of rogue landlords. One criticism levelled is that selective licensing makes little difference, partly because the fees do not fund sufficient capacity to do anything other than maintain the administration created with not enough attention given to tackling poor standards.

Alternative approaches to selective licensing

- 3.56 Some witnesses took the firm view that all private rental properties should be licensed, with minimum standards for properties being met before entering the market. The impact of poor housing can be devastating on the health and wellbeing of the customer and it is incongruous that businesses providing a home are subject to less regulation than, say, food sales, or other types of services.
- 3.57 Under such a universal scheme, every landlord would have to sign up to a register, as we have proposed in Chapter 1 of this report, but additionally all properties would be subject to certification deeming them fit for habitation. Such an approach would make selective licensing in a designated area unnecessary, as the whole sector would be covered. A national scheme on this scale would require investigation of the management, administration, and costs as well as examination of how an inspection regime would operate.

⁴⁷ Opinion Research Services for MHCLG An Independent Review of the Use and Effectiveness of Selective Licensing June 2019

⁴⁸ Ibid paragraphs 11.15 to 11.31

⁴⁹ [Housing, Communities and Local Government Committee Private Rented Sector Report April 2018](#)

⁵⁰ Opinion Research Services for MHCLG: An Independent Review of the use of and effectiveness of Selective Licensing June 2019

Flexible options for use of selective licensing

- 3.58 Selective Licensing is potentially the most effective enforcement tool available to local authorities. But many local authorities told us that the current arrangements for setting up and maintaining selective licensing schemes hampered their effectiveness. Resolving these issues could result in significant benefits.
- 3.59 The requirement to seek Secretary of State approval for larger schemes was unpopular with the local authorities we spoke to. The current process for obtaining selective licensing designation in larger areas is seen as bureaucratic, subject to lengthy delays, and 'contrary to the spirit of localism.'⁵¹ Issues mentioned in our evidence gathering included.
- It hampers local authorities' ability to manage area-wide issues
 - Defining too narrow a boundary around a licensing area could have the effect of displacement of unprofessional landlords to other areas, or to neighbouring local authorities
 - Size of the local sector only becomes apparent when work is done to set up a scheme and this can tip schemes over the designation threshold
 - Smaller authorities are disadvantaged by a definition in percentage terms when setting boundaries.
 - There is lack of clarity about the process, along with concerns about potentially significant delays.
- 3.60 The evidence of previous applications demonstrates that a local authority will only aim to establish a scheme over the 20% threshold in cases where all other interventions have failed. In these cases, they will have identified market failings across the geographical area. Witnesses confirmed that it is important that licensing schemes ensure sufficient geographical coverage to address significant failure in management issues.
- 3.61 Whilst acknowledging the need for appropriate checks and balances prior to the setting up of a scheme, it was felt by witnesses that decisions to designate an area for selective licensing should ultimately should rest with the local authority where there is a greater understanding of local need.
- 3.62 This suggests that local devolution of powers to effectively manage the necessary checks and balances and oversee local licensing schemes would allow local authorities to effectively monitor standards in their areas. The evidence in the Inquiry demonstrates that 'red tape' is holding local authorities back in relation to tackling poor standards, and more recognition is needed that local areas are best placed to respond to local issues in the private rented sector.
- 3.63 Selective licensing powers should rest with local authorities, rather than requiring application to the Secretary of State for larger schemes. Whilst acknowledging the need for accountability, decisions to implement selective licensing should ultimately rest with local authorities, which are directly accountable to the local population, and where there is understanding of local need. To provide accountability over a larger area we believe the Metro Mayoral model provides a visible and accountable leader to provide the necessary approval.

Recommendation 9 – Selective Licensing Review. Selective licensing powers should be returned to local authorities. Furthermore, local freedoms and powers, when they are extended to all areas, should include the powers over licensing of private rented properties currently held by the Secretary

⁵¹ [Housing, Communities and Local Government Committee Private Rented Sector Report April 2018](#)



NO HOME LEFT BEHIND: AN INQUIRY INTO STANDARDS IN THE NORTH'S PRIVATE RENTED SECTOR

of State for Housing, Communities and Local Government so that Mayoral and Combined Authorities are empowered with the democratic responsibility and accountability for the approval of licensing schemes.

Chapter 4

The private rented sector in the wider housing market

Levelling-up

- 4.1 The high prevalence of the private rented sector in some Northern regions means that neighbourhoods can be dominated by private rentals, and where this is in a poor state of repair, this can contribute to neighbourhood decline leading to wider housing market failure. The growth of the private rented sector in some low value areas had virtually eliminated owner occupation as a significant tenure.
- 4.2 Where these sub-standard properties are within cluster areas these were described in evidence as areas of market failure. Rates of 'non-decency' in some of areas can reach up to 70%. This is not only a hazard for individual tenants but is a blight on neighbourhoods.
- 4.3 The scale of lockdown by tenants in non-decent housing in the North, and the public health impact on residents in these properties will potentially reduce the community resilience in these areas. A new report commissioned by the NHC from the University of Huddersfield commented, *'A focus on 'rogue landlords' ignores poor practice and a lack of resilience in the PRS more broadly. Many residents suggested that their landlords were reasonable and non-exploitative. However, this did not ensure that the accommodation they were letting was reasonably adequate or landlords had the necessary expertise and resilience to support households.'*⁵²
- 4.4 Many contributors to the Inquiry described these places with what have become, broken housing markets and there was frustration at the limited range of tools available to address the challenges.
- 4.5 However, the Government has committed to reaching net zero carbon emissions by 2050, which will require the retrofit of almost all existing homes. This work is labour intensive (improving all homes in the North to EPC C by 2030 would require a total of 38,100 FTE jobs⁵³), provides a strong economic multiplier, and can contribute to levelling-up the economy. We believe that the retrofit work which will have to be done to ready homes for net zero can also provide the impetus for more holistic renewal of low-quality homes and the surrounding neighbourhoods.

Meeting UK Net Zero Targets

- 4.6 A quarter of the North's carbon emissions come from our existing homes. Older properties are more likely to leak heat and with 45% of Northern private rented sector properties built pre-1945, the challenge to upgrade them is significant. The private rented sector has the highest proportion of any sector of the worst performing (F and G-rated) properties with 63,000 of the least energy efficient homes. This is exacerbated by around 35% of all fuel poor households living in privately rented homes.⁵⁴

⁵² 'Lockdown, Rundown, Breakdown' The COVID-19 lockdown and the impact of poor-quality housing on occupants in the North of England. Philip Brown, Dillon Newton, Rachel Armitage, and Leanne Monchuk
October 2020 University of Huddersfield, Northern Housing Consortium, Nationwide Foundation

⁵³ The Energy Efficiency Infrastructure Group (EEIG) modelling to 2030

⁵⁴ RSM UK Consulting for the Committee on Fuel Poverty. 'Enforcing regulations to enhance energy efficiency in the private rented sector'

- 4.7 These older properties can be low value but expensive to improve. The average price of a house in the North East is £134,000⁵⁵ and the cost of a net zero retrofit for low carbon heat, light and hot water with the most basic measures can be costed at around £3,200 and a whole house retrofit at up to £40,000 with little prospect for the landlords to gain a return on their investment.⁵⁶

Funding for Energy Improvements

- 4.8 Witnesses agreed that landlords should invest in their own properties, but there was a clear view that if there is no return on investment, there will be no investment. There is a need to work with landlords to supplement and support private investment to make sure that energy efficiency works are carried out, both to improve the living conditions for the tenant and to deliver carbon efficient housing and reduce the overall emissions from housing.
- 4.9 The RLA told us that the progress achieved had come despite a challenging political and regulatory environment. Landlords most commonly had become landlords because property was preferable to other investments and/or to contribute to their pension but the benefit over other investments had been squeezed. Over recent years, PRS landlords have been adversely affected by fiscal changes including the removal of mortgage interest relief for unincorporated landlords, a 3% increase in Stamp Duty Land Tax for buy-to-let and second homes, and a continuing rate of Capital Gains Tax on the disposal of non-primary residence whilst other asset types enjoyed a rate reduction.⁵⁷
- 4.10 The Chancellor's summer economic statement marked a change in approach towards home energy efficiency. On 8 July 2020, a £2 billion Green Homes Grant scheme for energy efficiency upgrades in existing private homes was announced with landlords eligible to apply for funding of up to £5,000.⁵⁸
- 4.11 This new approach must accompany regulation to drive private investment in poor quality private rented properties, and we welcome the proposed higher standards for new tenancies from 2025 and for all tenancies from 2028. Regulation will ensure oversight of the appropriate upgrades and this needs to be accompanied by more robust enforcement which requires the investment in local government capacity we have described in Chapter 3.

Energy Company Obligation

- 4.12 Up until this year, the Energy Company Obligation (ECO) – a supplier obligation – has been the primary source of investment in energy improvements accessible for private sector tenants. There is no doubt that ECO has had an impact on the efficiency of existing housing but evidence to the Inquiry reported that ECO had not been fully effective to ensure reach into the private rented sector, or to private sector fuel poor homes or to rural areas where energy ratings are the lowest. Issues reported in the evidence included:
- Targeting of the 'worst first' is inadequate
 - Poorly focused on fuel poor Band F and G homes
 - Doesn't align to local strategies, and knowledge of local areas
 - Lack of engagement with fuel-poor households
 - Permission from a private landlord is needed for any improvement works (links to security of tenure)

⁵⁵ [UK Land Registry UK House Prices 2020](#)

⁵⁶ SHAP Finance Models for Retrofit 2018

⁵⁷ Evidence to the Inquiry from the RLA July 2019

⁵⁸ [BEIS Green Homes Grant Scheme](#)

- Lack of focus on Band F and G fuel poor homes in rural locations.⁵⁹

- 4.13 An updated approach to ECO could take a whole house retrofit approach with multiple improvements in one visit. This would allow all work to be done in one extended visit – doing more with less contact in line with social distancing measures.
- 4.14 An area-based approach would be more effective as local authorities would be able to upgrade all households together. This would avoid a piecemeal delivery of solid wall insulation, which is likely to be more expensive and disruptive.⁶⁰ Identifying specific areas that should receive energy efficiency upgrades can be achieved through local government and its networks as an efficient way of identifying the ‘worst-first’, such as in rural areas, and achieving value for money.
- 4.15 ECO funding does not currently appear to provide for the extent and depth of improvements needed, and evidence supports a view that the next phase of ECO after 2022 could be transformed from a supplier-led scheme to a local area-based scheme, supported by appropriate delivery arrangements. This would mean a shift from local authorities providing information to energy companies, to the energy suppliers sharing energy consumption and billing information with local authorities. This would deliver a local approach to the scheme and could allow for the blending of ECO with grant funding.

Recommendation 10 - Improving Energy Efficiency. We recommend BEIS proceed with the ambitious MEES trajectory currently out for consultation and further recommend a transformation of the next phase of ECO to create a local authority led area-based scheme to tackle fuel poverty, with prioritisation taking place at a local level on an area basis to support neighbourhoods with higher levels of fuel poverty.

Housing Quality Across Neighbourhoods

- 4.16 Common features of neighbourhoods with concentrations of poor-quality rental property include poor landlord management and often absentee landlords, high benefit investment, crime, high levels of deprivation, lack of community cohesion, and the exploitation of vulnerable people. The precarious nature of tenancies means a high churn of residents contributes to general neighbourhood neglect with fly-tipping and anti-social behaviour prevalent.
- 4.17 Witnesses described the scale of more properties coming straight into the lower end of the market at a quicker pace than enforcement teams can assess the risks. This is a challenge faced by Northern authorities whereby an over-supply of poor-quality housing stock enters the private rental market in high quantities, either through auction sales or through permitted development rights.

Case Study: Hull City Council – Community Regeneration

Hull City Council is a good example of a Local Authority investing in the private rented sector to raise and enforce standards. The private rented sector in Hull accounts for 20% of all housing in the city.

Through securing external funding and working with partners the council has delivered leasing schemes for community partners; the acquisition, demolition and building of new housing; and landlord loans. Of notable interest, Hull City Council has undertaken a programme of external solid wall insulation and frontage boundary treatments

⁵⁹ [Committee on Fuel Poverty Fourth Annual Report 2020](#)

⁶⁰ (ACE 2015, Energy Saving Trust 2018c).

The forming of a Community Regeneration Partnership has helped to transform one area identified as being particularly deprived. Combining ECO funding, Empty Homes Cluster Funding, and Local Authority investment, the Partnership was able to implement a £6m intervention across 500 properties. As well as energy efficiency works, the properties also received replacement rainwater goods including gutters and fall-pipes. The approach of using energy efficiency measures to unlock wider community regeneration led to high sign up and significant improvements made not just to individual properties but whole neighbourhoods.

Conversion through Permitted Development Rights

- 4.18 Witnesses commented that greater freedoms through permitted development rights (PDR) were allowing new unsuitable housing to be introduced to the private rented sector with a proliferation of properties being converted into HMOs. Local enforcements officers reported that many of the homes created in the private rented sector through PDR are likely to contain one or more hazards. Leeds Council told us, *“conversion of offices into residential accommodation under permitted development has seen the development of new housing which when assessed using the Housing Health and Safety Rating System has been found to have serious category 1 hazards.”*
- 4.19 Many councils had expressed concerns about the scale of conversions in their areas. The large number of conversions were beyond what many enforcement teams could keep ahead of. Wakefield Council told us, *“The current regime allows unsuitable housing to be created which Councils are then obliged to address through enforcement.”* Some councils told us they had suspended PDR in local areas using powers under Article 4, but these powers could be modified or cancelled by the Secretary of State.
- 4.20 The Planning White Paper proposes further extensions to the use of PDR subject to compliance with new design codes⁶¹ and on 30th September the Secretary of State confirmed that homes created via PDR must meet the standard of 37^{m2} of floorspace for a one-bed flat with a shower room.⁶² This concession is welcome news, as a reduction of the role of planning whereby local planning authorities are unable to secure a range of planning requirements often lead to stark outcomes for tenants, and generate further enforcement work for local authorities to respond to the impact of these conversions. The Planning White Paper recognises that the proposals on PDR will require further testing. We believe that further review of the impact of PDR is essential as quality of standards goes beyond issues of space. This is perhaps a further example of regulation acting contra to the intended outcomes of a separate standard – in this case, homes which are fit for human habitation.

Area and partnership response

- 4.21 It was clear from our evidence that improving housing quality across places and meeting climate change targets cannot be achieved through regulation alone and there are places where a positive contribution of private rented sector can best be achieved through a neighbourhood and partnership approach.
- 4.22 It is currently very difficult for either local authorities or registered providers to resource whole neighbourhood improvement initiatives. There are good examples of wider place-based regeneration by registered providers. For example, the housing association One Manchester is tackling a

⁶¹ [MHCLG Planning for the Future 2020](#)

⁶² [MHCLG Permitted Development Homes to meet space standards](#)

challenging private rented sector market in Gorton, where 25% of the market is made up of the private rented sector and there are over 600 landlords.

Case Study: One Manchester – Acquisition and Refurbishment

Central to One Manchester's intervention in the private rented sector is the planned acquisition of 300 properties in north and east Manchester which could otherwise have been sold to speculator landlords and relet into the lower end of the private rented market. Acquiring the properties will provide new, previously empty homes at the Local Housing Allowance, making them affordable to residents on Universal Credit or other benefits. Properties will be refurbished to meet the regulatory standards and will be available for rent and shared ownership.

One Manchester's work is typical of their place-based investment most prominently seen in the Gorton area of Manchester. Here, the organisation bought empty properties as they became available, including a small existing landlord portfolio. They now own approximately 2,000 homes in Gorton. The organisation is currently partnering with Manchester City Council, the NHS and DWP to create a joint service centre on Hyde Road. One Manchester's commitment to the area includes neighbourhood management, financial inclusion activity and assisting local residents with employment training and education opportunities through their 'East Hub'. The organisation has applied some of its affordable housing grant to acquire properties to refurbish and convert into affordable rent and shared ownership properties.

One Manchester's aim is to bring better quality properties into the affordable and private rented market, managed by a credible quality landlord.

- 4.23 This model could be replicated, but only with investment supported place-based regeneration. There are also good examples of community housing providing good quality homes but again, these require long term finance, and there is currently limited capacity to develop the community model.
- 4.24 While examples exist of large-scale acquisition of poor-quality properties either by local authorities or by registered providers across the North, these are not widespread, as it is hugely resource-intensive relative to the number of properties that can be improved. Without significant financial investment, local authorities without their own housing stock have neither the capacity, the workforce, or the infrastructure to purchase properties at scale and to provide ongoing management and maintenance.
- 4.25 We believe this existing good practice by local housing providers could be extended to allow collaborative, partnership working and a cross-tenure approach to stimulate a green recovery through raising the quality of existing housing.
- 4.26 We are proposing the Government should demonstrate a long-term commitment to housing regeneration – across tenures - through a Housing Quality Investment Fund. This would allow for wider improvements in housing quality and bring a new focus to raising the standards of the North's existing housing stock. This offers the opportunity for a post-Covid-19 stimulus package to introduce good quality, well paid jobs in construction and retrofitting.

Recommendation 11 - Housing Renewal and Green Recovery. To enable holistic housing renewal, and place-making, the wider scale acquisition of poor standard accommodation, Government should set up a Housing Quality Investment Fund to level-up housing quality in the North.

Conclusion

The private rented sector at its best offers choice, quality and value. The North is home to many responsible landlords who care for their properties and tenants. But as our Inquiry has shown, at the bottom of the market, the experience can be very different.

In some parts of the North, tired, older properties are cheap to acquire. Despite their poor quality, demand for these properties remains high, as tenants have few alternative options within reach of their income, or the limits of the support available for housing costs. This invidious situation offers high yields for those who can afford to invest: a profitable business model, no matter the poor-quality standards – a situation unlikely to be tolerated in any other business sector.

We have identified key levers which could be used to bring about an end to sub-standard private rented sector homes in the North. Overall, the whole of the regulatory framework which covers reform of consumer rights, local authority enforcement powers, welfare benefits, carbon reduction targets and policies for place-making must be reviewed for their interaction with each other and their effectiveness to achieve intended outcomes.

The importance of reducing carbon emissions from housing has become even more pressing as the Inquiry has progressed with targets looming large. Targets for energy efficiency, crucial for the success of low carbon transition, will not be reached without the private rented sector playing its full part. If we get this right, we will also address fuel poverty.

Finally, the public health crisis has added an urgency to the policy response required. The Covid-19 pandemic has changed every aspect of our day-to-day lives and 'stay at home' guidance takes on a different meaning for those living in the poorest quality housing. There has been an increased risk of overcrowding, high numbers of reported domestic abuse incidents and an increased risk of eviction. The Government moved fast providing renters with temporary protection from eviction. But many will continue to be at risk without a public sector response to help them maintain tenancies and avoid homelessness. Covid-19 brings into stark reality the conditions in which some of our fellow citizens have spent lockdown. It necessitates a rethink over the longer term about the quality of housing that itself can be the cause of poor health outcomes. Our Inquiry offers an initial roadmap of actions which we believe will begin the hard work of creating homes fit for the future.

Appendix 1 – Witnesses and Evidence

The APPG has received submissions from a range of organisations including local authorities, housing associations, Combined Authorities, landlord and tenant representatives and others. Several of the submissions were made on behalf of coalitions of public sector organisations. The geographical spread includes responses from all regions of the North of England. We are immensely grateful to those who took the time to respond or attended stakeholder meetings.

- Barnsley Metropolitan Borough Council
- Barrow in Furness Borough Council
- Believe Housing
- Blackpool Council
- Calderdale Council
- Carla Keegans, Director
The Ethical Lettings Agency
- Caroline Aliwell, Senior Policy Researcher
Citizens Advice
- Charlotte Carpenter, Executive Director
Growth, Karbon Homes
- Chartered Institute of Housing
- Cheshire East Council
- Chorley Borough Council
- City of Bradford Metropolitan
District Council
- City of York Council
- Cobalt Housing
- Copeland Borough Council
- Darlington Borough Council
- Doncaster Council and St Leger Homes
- Durham County Council
- Eden Council
- Environmental Health Lancashire,
Housing Standards Officers Group
- Fylde Borough Council
- Generation Rent
- Gentoo Group
- Greater Manchester Combined Authority
- Greater Manchester Housing Providers Ethical
Lettings Steering Group
- Hartlepool Borough Council
- Hull City Council
- John Stewart, Policy Manager
Residential Landlords Association
- Julie Rugg, The University of York
- Kirklees Council
- Lancaster City Council
- Leeds City Council
- Liverpool City Region Local Housing Authorities
- Local Government Association
- Manchester City Council
- Middlesbrough Council
- National Landlords Association
- Nationwide Foundation
- Newcastle City Council
- North East Lincolnshire
- North East Regional Private Sector Housing Group
- Northumberland County Council
- Mike Simpson, Head of Growth
One Manchester
- Pendle Borough Council
- Peter Smith, Head of Policy
National Energy Action
- Preston City Council
- Progress Housing Group
- Redcar and Cleveland Borough Council
- Roli Barker, Project Manager, Shelter for
Fair Housing Futures Greater Manchester
- Rossendale Borough Council
- Rotherham Metropolitan Borough Council
- Ryedale District Council
- Salix Living
- Scarborough Borough Council
- Sefton Metropolitan Borough Council
- South Ribble Borough Council
- South Tyneside Council
- St. Helens Council
- Stockton on Tees Borough Council
- Tamara Sandoul, Policy Manager
Chartered Institute of Environmental Health
- Wakefield Council
- York City Council

Appendix 2 – The Inquiry

Launch of Inquiry June 2019 - The Inquiry launched with a call for evidence which received responses from councils, housing associations, trade bodies, third sector and combined authorities.

The Call for Evidence can be viewed and downloaded [here](#)

Two APPG evidence gathering sessions were held as part of the Inquiry.

The first, in July 2019, included witnesses representing landlords, tenants, housing associations and councils.

Summary of Evidence - Evidence Session 1

The second, held March 2020, focussed on the voice of the tenant, access to good quality properties and energy efficiency.

Outside of formal evidence sessions, parliamentarians met in February and July 2020 to discuss emerging themes and to develop recommendations to Government.

To compliment formal Inquiry hearings, site visits were held across the Northern region in the Summer and Winter of 2019.

Call for Evidence – Spring Consultation 2020

In Spring 2020, a series of events were held to:

- Share emerging findings with stakeholders and highlight the key issues from evidence.
- Work with stakeholders to develop priorities and recommendations.
- Update the Inquiry to consider homes not fit for purpose in the context of Covid-19 and the ongoing public health emergency.

The Spring Consultation 2020 can be viewed and downloaded [here](#)

As Secretariat, the Northern Housing Consortium supports the APPG in facilitating a work programme that has in recent years has also debated the regeneration of mixed tenure communities, housing an ageing population, and the impact of poor-quality housing on health and wellbeing.



SALE

TO LET