

## **Northern Housing Consortium – Renters Reform Bill Call for Evidence**

The Northern Housing Consortium is a not-for-profit membership organisation whose membership is comprised of housing associations, local authorities, ALMOs and combined authorities. Our members collectively own and manage 9 out of 10 socially rented homes in the North, and our local authority members play a critical role in monitoring and regulating the private rental sector.

We broadly support the proposed tenancy reforms for the private rental sector (PRS) found within the Renters Reform Bill (RRB). These will bring about increased tenant security and closer alignment between PRS tenancies and those found across the social rented sector (SRS). This submission will provide further specific evidence on private rental sector housing quality, enforcement and affordability issues found across the North that relate to the proposals within the Bill.

### **Housing Quality in the Private Rental Sector**

There is little currently in the Bill to address one of the major concerns and issues related to the PRS in the North – the quality of housing provided for tenants.

The proportion of homes that do not meet the Decent Homes Standard is higher in the North than across England as whole, with these problems being significantly worse in the private rented sector (PRS) than in the owner-occupied (OO) and social rented sectors (SRS). The table below demonstrates just how poor some PRS housing can be in the North, especially in Yorkshire & Humber, where almost 40% of privately let homes do not meet the Decent Homes Standard.

Table 1 – Percentage of homes that fail to meet the Decent Homes Standard (English Housing Survey [EHS]/Northern Housing Monitor [NHM])

| <b>Area</b>                   | <b>OO</b> | <b>SRS</b> | <b>PRS</b> | <b>All tenures</b> |
|-------------------------------|-----------|------------|------------|--------------------|
| <b>North East</b>             | 8.8%      | 3.9%       | 12.8%      | 8.4%               |
| <b>North West</b>             | 15.8%     | 12.6%      | 33.1%      | 18.2%              |
| <b>Yorkshire &amp; Humber</b> | 17.6%     | 9.9%       | 37.7%      | 19.9%              |
| <b>The North</b>              | 16.1%     | 11.5%      | 27.9%      | 17.4%              |
| <b>England</b>                | 13.2%     | 9.6%       | 22.9%      | 14.3%              |

As tables 2 and 3 demonstrate, the story is the same for both the prevalence of damp and for Category 1 Hazards under the Housing Health and Safety Rating System (HHSRS) in homes. A Category 1 hazard is deemed to present a serious or imminent risk to the occupant's health to the extent that the local authority is required to take enforcement action. In Yorkshire and Humber, over 30% of privately rented homes fall below this absolute minimum standard.

**Table 2 – Percentage of homes with a Category 1 Hazard under the Housing, Health and Safety Rating System (EHS/NHM)**

| Area               | OO    | SRS  | PRS   | All tenures |
|--------------------|-------|------|-------|-------------|
| North East         | 5.7%  | 0%   | 4.9%  | 4.3%        |
| North West         | 11.6% | 5.7% | 20.9% | 12.2%       |
| Yorkshire & Humber | 13.8% | 6.7% | 30.6% | 15.6%       |
| The North          | 12.0% | 5.6% | 19.3% | 12.2%       |
| England            | 9.5%  | 4.1% | 14.2% | 9.5%        |

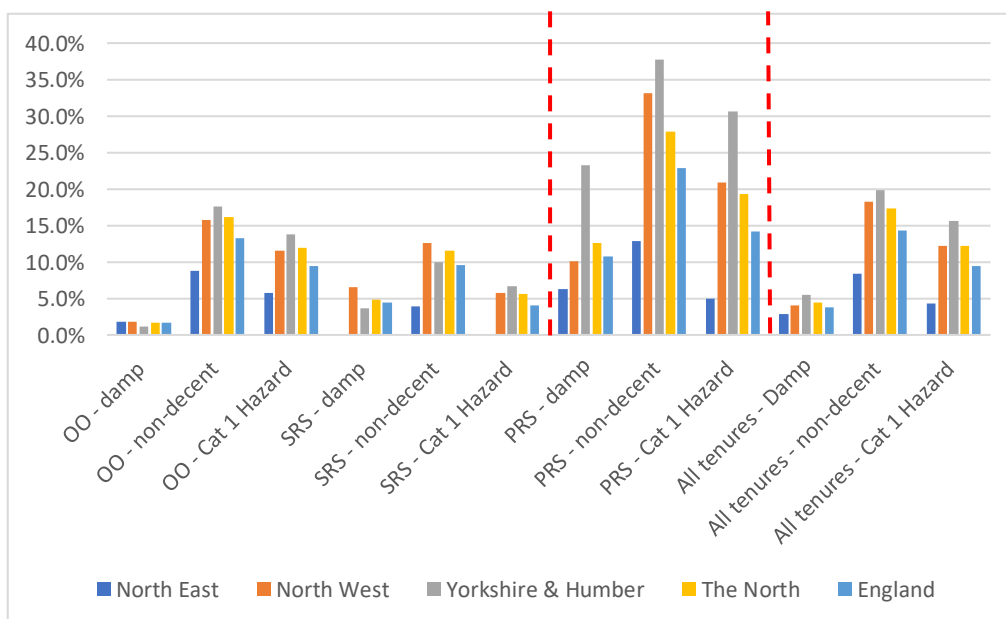
**Table 3 – Percentage of homes with damp (EHS/NHM)**

| Area               | OO   | SRS  | PRS   | All tenures |
|--------------------|------|------|-------|-------------|
| North East         | 1.8% | N/A  | 6.3%  | 2.8%        |
| North West         | 1.8% | 6.5% | 10.1% | 4.0%        |
| Yorkshire & Humber | 1.2% | 3.6% | 23.2% | 5.5%        |
| The North          | 1.7% | 4.8% | 12.6% | 4.4%        |
| England            | 1.7% | 4.5% | 10.7% | 3.8%        |

The below chart shows the proportion of homes that have damp, Category 1 hazards or that fail to meet the Decent Homes Standard in each Northern region, and in the owner-occupied (OO), social rented (SRS) and privately rented tenures (PRS).

You will see that in each instance, the PRS (columns within the red dashed lines) performs significantly worse than the average and especially worse than the social rented sector. You will also see that Yorkshire & Humber - indicated by the grey columns – performs worse than all other listed geographies in almost every single category. This is especially true for the private rental sector.

**Chart 1 – Prevalence of damp, non-decency and Category 1 hazards between region and tenure**



A commitment to halve the number of non-decent homes, with the biggest improvements being made in the worst performing areas, is one of the 12 'Missions' originally published in the Levelling Up White Paper and now legislated for within the Levelling Up and Regeneration Act (LURA). As the above evidence shows, any serious attempt to achieve this would make taking concrete steps towards tackling non-decency and other housing quality issues in the North's private rental sector a priority. There is not, however, much detail in either the LURA or the RRB on how the government intends to do this.

The estimated cost of upgrading privately rented homes in the North, so that they meet the existing Decent Homes Standard, is just over £3 billion (Northern Housing Monitor). Short of government providing these funds, they should look to effective regulation as the principal lever to drive improvement in PRS housing quality.

Accompanying documents allude to possibly doing so in the future, but the introduction of the Renters Reform Bill appears the perfect opportunity to legislate for the Decent Homes Standard to be applied to the PRS for the first time. It is no surprise that of the two rental tenures, the SRS has much higher compliance with the Standard given that it is actively monitored and enforced. It is disappointing then that the Government has not yet legislated to apply the Standard to both tenures equally.

This appears a glaring omission from the Bill and from any attempts to improve privately rented housing quality or to deliver on the related Levelling Up Mission. Taken together with the prime minister's decision to abandon any future Minimum Energy Efficiency Standards (MEES) for privately rented homes beyond existing EPC E requirements, this puts into question the government's commitment to improving housing quality, and therefore the experience for tenants, in the PRS.

**Committee members should seek to amend the Bill to ensure that the DHS will apply to the private rental sector following the completion of the ongoing Decent Homes Review.** Short of legislating directly for this, Committee should seek assurances from the Government on how they plan to legislate to enact the commitment made in the Levelling Up White Paper.

### **Housing enforcement and public sector capacity**

Current levels of capacity within both local government and the legal system are of critical importance with respect to the contents of the Bill.

#### **Privately Rented Property Portal and local government capacity**

The establishment of the Privately Rented Property Portal could be an effective means of driving up property standards by making data available on property quality such as compliance with the Decent Homes Standard, EPC data, or information related to any historic local authority enforcement action, but all of this relies on strong monitoring and enforcement capacity within local authorities. This must be viewed in a context where spending on local authority housing services across the North has been reduced by 53% since 2010, as opposed to 34% across England as a whole. Recent data from the Department for Levelling Up, Housing and Communities (DLUHC) showed that the most common local authority housing enforcement team size is between two and five Full Time

Equivalent (FTE) staff, with 26 local authorities reporting that they have between zero and one FTE staff working on housing enforcement.

Additional powers for local authority enforcement are alluded to in the Bill's accompanying documents, but these must be matched with new funding to increase monitoring and enforcement within housing teams if the proposals in the Bill, and planned application of the Decent Homes Standard to the PRS, are to genuinely drive improvement.

Furthermore, our local authority members often find the current arrangements related to civil penalties insufficient as a means of punishing rogue private landlords and ensuring a high quality PRS. Members report that pursuing civil penalties through current arrangements is difficult and resource-intensive, and they often result in little additional revenue for the local authority. In addition, rather than being a consistent revenue stream, these funds are often difficult to successfully obtain and impossible to rely on, meaning they cannot be effectively used to increase enforcement capacity by recruiting more staff as is sometimes intended.

Local authorities should instead be given the resources to increase their enforcement capacity by central government, rather than relying on inconsistent and difficult to obtain civil penalties revenues. With regards to subsequent enforcement and punishment, the proposed PRS Ombudsman, once established, should take up much of the responsibility for ordering compensation payments and the payment of fines by PRS landlords, and be given the powers and resources to do so effectively.

**During its committee stage, members should seek assurances from ministers that any new powers, responsibilities and initiatives proposed within the Bill will be accompanied with sufficient increases in resources for local authorities, the PRS Ombudsman and any other enforcement body, to monitor and enforce them effectively.**

#### Court capacity and role of the PRS Ombudsman

We have seen in the decision to delay the abolition of Section 21 evictions that the legal system does not currently have the capacity to fully cope with the proposed reforms to the private rental sector. This is one reason why we support the establishment of a PRS Ombudsman to provide a fair, impartial and informative service for tenants and landlords, and a less combative means to settle landlord-tenant disputes, providing both parties with swifter resolutions by reducing the number of cases that require lengthy and expensive legal cases in backlogged courts. Last year, the existing Housing Ombudsman Service handled over 5,000 complaints which may otherwise have resulted in court cases, and proves a vital tool for providing advice, resolving complaints and sharing best practice across the housing sector. Extending this model into the PRS will hopefully see these benefits made available to more renters across the country.

During the establishment of a new PRS Ombudsman, members of the Committee, DLUHC officials or individual MPs may wish to engage with social landlords and tenants on how the existing Housing Ombudsman Service operates, to inform their approach or improve their understanding. The Northern Housing Consortium would be happy to discuss this directly, or to facilitate discussions with our members.

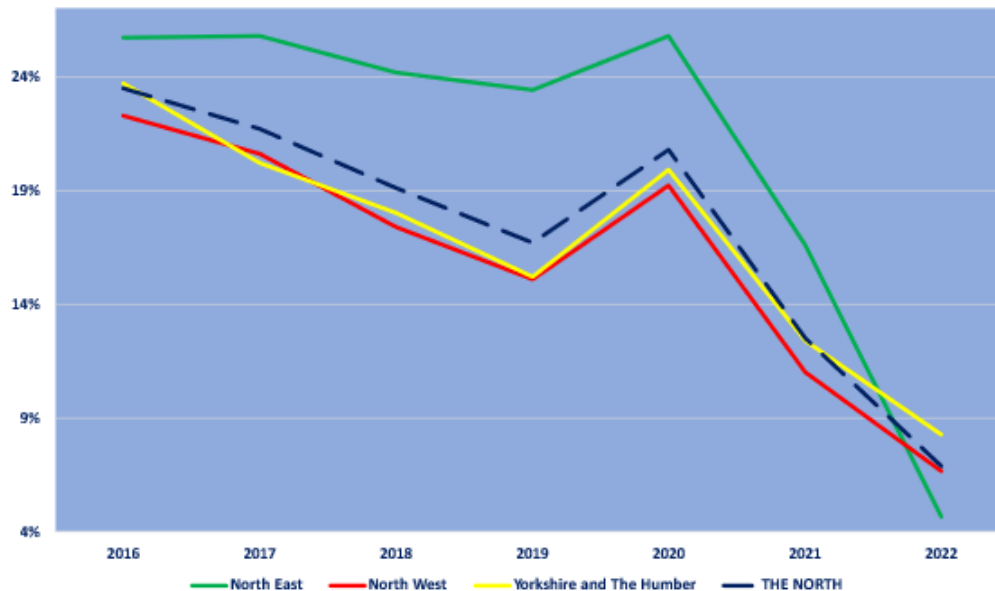
## PRS Affordability and Local Housing Allowance

The proposal to stop ‘backdoor evictions’ by outlawing above-market rent increases is to be welcomed as it will provide some level of additional security for tenants. This is not, however, the key driver of evictions or financial insecurity within the PRS currently facing tenants. The critical issue, which the Bill does little to address, is the general unaffordability of private renting for those on low incomes.

Since 2018, private rents have risen as a proportion of incomes in all three Northern regions, with the largest increases being found in the North West (Private rental affordability, England, ONS, VOA). Private renters now spend, on average, 33% of their household income on housing costs, compared to 27% for social renters and 22% for mortgage payers.

Furthermore, the decision to uprate and subsequently freeze Local Housing Allowance (LHA) in cash terms from 2020 has exacerbated the issue of unaffordability for those on lower incomes. We now find ourselves in a position where only 7% of privately rented homes in the North are advertised at rental rates below or equal to LHA rates. In the North East this figure is even lower, with only 4.7% of privately rented homes affordable for those reliant on the LHA. Chart 2 shows the dramatic reduction since 2016 in the proportion of homes advertised at or below LHA rates in the North – from over 20% to 6.7% - and in each of the three constituent regions.

Chart 2 – Percentage of homes advertised at or below LHA rates



The shortfall between the average rental rate and the amount that can be claimed through LHA varies greatly between different local areas and is as great as 44% in the Greater Liverpool Broad Rental Market Area. Table 4 shows the ten Broad Rental Market Areas in the North with the highest shortfalls between LHA rates and the average advertised rental rate for two-bedroom homes. These are therefore the areas in the North facing the largest affordability pressures for private renters on low incomes.

Table 4 – Top 10 highest LHA percentage shortfalls for lower quartile two-bedroom homes

Source: Valuation Office Agency, calculations from Zoopla

| Area                       | Per Calendar Month Rent | LHA Shortfall | % Shortfall |
|----------------------------|-------------------------|---------------|-------------|
| Greater Liverpool          | £469                    | -£207         | -44.2%      |
| Oldham and Rochdale        | £450                    | -£174         | -38.7%      |
| Central Greater Manchester | £648                    | -£249         | -38.4%      |
| Barnsley                   | £399                    | -£143         | -35.8%      |
| Tameside and Glossop       | £494                    | -£165         | -33.5%      |
| Bolton and Bury            | £479                    | -£145         | -30.4%      |
| Rotherham                  | £424                    | -£126         | -29.8%      |
| Wigan                      | £449                    | -£132         | -29.5%      |
| Sheffield                  | £524                    | -£152         | -29.1%      |
| Kirklees                   | £449                    | -£127         | -28.4%      |

These affordability pressures are directly leading to increases in homelessness. The homeless charity Crisis's 'Homelessness Monitor' reports that 83% of local authorities in the North are experiencing increased numbers of households seeking homelessness assistance compared to the previous 12 months, with 95% of local authorities reporting that the refreezing of LHA has been 'very' or 'somewhat' challenging in their efforts to prevent or alleviate homelessness within their areas.

The only solutions to this situation are, in the short-term, to uprate LHA so that it once again covers the 30<sup>th</sup> percentile of local rents, and in the long-term to boost the supply of affordable homes in areas of high unaffordability through a long-term programme of affordable housebuilding. **The Chancellor's Autumn Statement on 22<sup>nd</sup> November is a key decision point where future benefit levels, including Local Housing Allowance, will be announced. Any assistance by Committee members in raising this important issue would be welcome.**

The Northern Housing Consortium would be happy to discuss any of the above issues in more detail.

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