

<b>MAYOR AND CABINET</b>		
<b>Report Title</b>	Private Rented Sector Review	
<b>Key Decision</b>	No	Item No. 4
<b>Ward</b>	All Wards	
<b>Contributors</b>	Executive Director of Customer Services	
<b>Class</b>	Part 1	Date: 3 February 2014

## **1 Summary & purpose**

- 1.1 This report updates members about developments in the Private Rented Sector (PRS) in Lewisham and about initiatives elsewhere including the all borough Newham Licensing Scheme.
- 1.2 This report also updates members on progress of the Private Rented Sector Housing Review & Action Plan, presented to committee in November 2011.

## **2 Recommendations**

The Committee is recommended to:

- 2.1 note the contents of this report;
- 2.2 note that the Council was successful in its bid for Rogue Landlord Funding from the DCLG and were allocated £125k to be spent by April 2015; and
- 2.3 note that a further presentation will be made at the Committee meeting by officers from the London Borough of Newham about their all-borough landlord licensing scheme.

## **3 Policy context**

- 3.1 The housing landscape is rapidly changing and demand is increasing across all tenures. The private rented sector in Lewisham is growing rapidly – having doubled in size since 2001 it now consists of more than 30,000 units and makes up more than 25% of all households. This is consistent with the trend across London where the growth in private renting over the decade to 2011 constitutes a 65.5% increase, or an additional 341,000 households.

- 3.2 Despite the increasing costs of private renting, the sector is expected to grow further in Lewisham to a level comparable with or even in excess of the social rented sector which is 31% based on 2011 census data. This is due in part to the relative unaffordability of home ownership as a result of rapidly increasing house prices, the large numbers of households on the housing waiting list (8,290 households as of December 2013) and relatively low levels of lets, all of which when combined means that Lewisham residents are more reliant on the private rented sector than ever before. The Council recognises this and continues to act creatively by developing relationships and working in close partnership with private landlords to drive up standards and offer longer term tenancies, thereby ensuring residents have more choice. This is especially pertinent given that private renting remains the only option for many low income households and those in need.

#### **4 The national picture**

- 4.1 Following decades of decline the private rented sector in England is now thriving. In the last five years, the number of households privately renting has soared to more than 3.6 million or one in six households. This is a significant increase, rising from 12% of housing tenure in 2001 to 16.8% in 2011, both based on census data. A wide range of households now rent privately and there are now more than one million families with children which is almost double the number five years ago. It is also a very diverse sector with 61% of private renters born outside the UK. Around 37% of homes in the private rented sector in England fail to meet the government's Decent Home Standard, which closely mirrors the 37.8% estimated in Lewisham.
- 4.2 The private rented sector in the UK has a wide range of landlords and lettings agents, of varying quality. The Rugg report 'The private rented sector: its contribution and potential' published in 2008 reports that a frequent criticism of the private rented sector relates to landlord quality. However, the evidence shows that very many landlords operate professionally while some landlords simply do not consider letting to be an activity that requires regulation. A very small proportion wilfully act illegally. Although it is not possible to judge how many landlords fall into these three broad categories, or even to estimate the incidence of poor management practice, the study showed that three quarters of private tenants were either very or fairly satisfied with their landlord.
- 4.3 A further report published in 2012 by the Joseph Rowntree Foundation called 'Housing options and solutions for young people' suggests that an extra 1.5 million 18 to 30-year-olds may be forced into private renting by 2020, reflecting the problems associated with accessing both home ownership and social renting. The report also suggests an extra half a

million young people will be forced to stay with their parents well into their 30s, taking this number to 3.7 million by 2020. The number of home owners under 30 is also predicted to nearly halve, with just 1.3 million expected to own their own homes. The problems faced by young people may be further compounded because under 35s who are single are only eligible for 'Single Room Rate' Housing Benefit when renting in the private rented sector.

## **5 The sub regional and London picture**

- 5.1 The growth in the private rented sector in London over the decade to 2011 constitutes a 65.5% increase, or an additional 341,000 households. Likewise, the increase in the South East sub region is shown in the table below:

	<b>2001 Census</b>	<b>2011 Census</b>	<b>% increase from 2001 to 2011</b>
<b>Bexley</b>	5,748	11,319	96%
<b>Bromley</b>	10,758	18,616	73%
<b>Greenwich</b>	9,317	21,084	126%
<b>Lewisham</b>	14,050	29,375	109%
<b>Southwark</b>	14,321	29,995	109%
<b>Lambeth</b>	23,660	37,705	59%

- 5.2 While all household compositions have grown in the private rented sector in London, the households which have been most instrumental in driving growth are 'single households' (where the individual is under 65) which saw the largest increase of 212,800 and accounted for a 24.7% increase. The second highest growth was among 'other households' which includes groups of non related adults living together in a property such as a house in multiple occupation (HMO).
- 5.3 The GLA's Housing and Regeneration Committee is currently conducting a detailed review of reforms needed to raise the quality of London's private rented sector which now comprises 850,000 homes and houses one in four Londoners. The purpose of the GLA's review is to identify ways to make the private rented sector in London more affordable, secure and with better standards, especially for families and vulnerable persons.

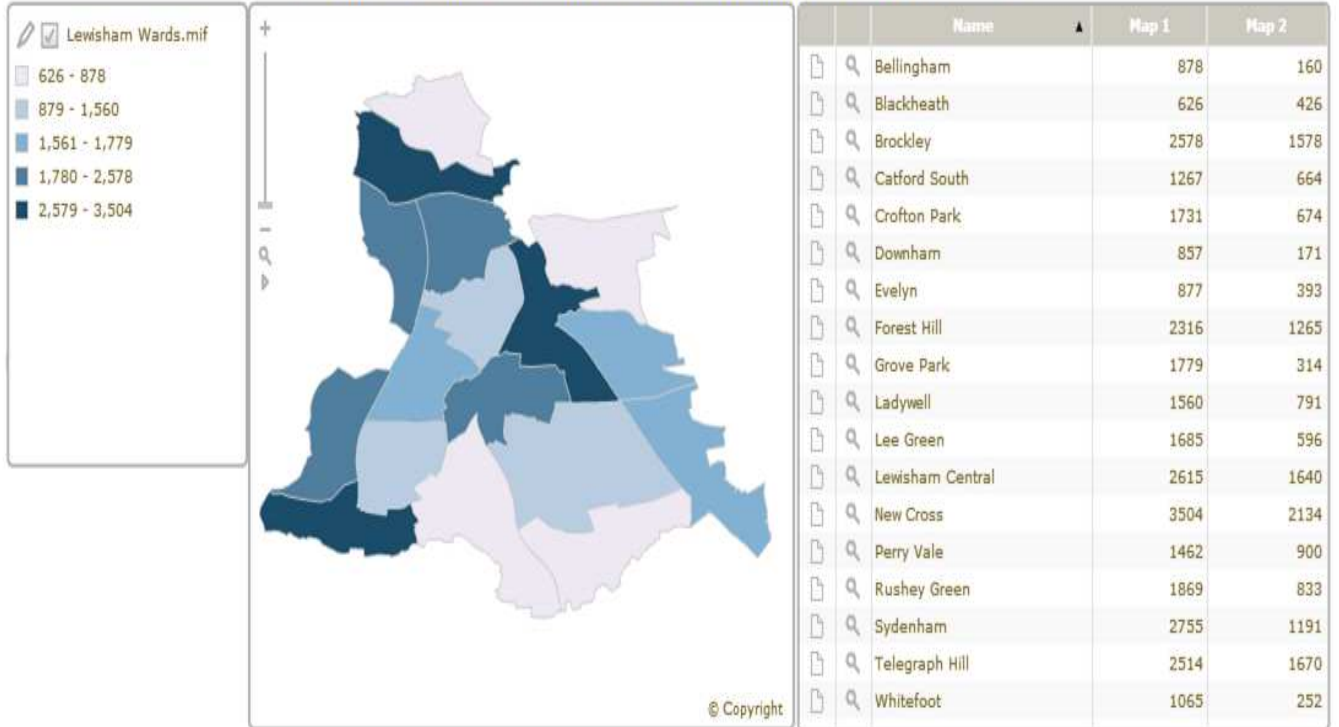
## **6 The private rented sector in Lewisham**

- 6.1 The private rented sector in Lewisham is large and growing and the market is tough with competition for private rented sector vacancies being high. The sector has more than doubled in size between the 2001 and 2011 census and now consists of over 30,000 privately rented properties, representing more than 25% of the borough's housing stock. It should be

- noted that the annual rate of growth of the private rented sector suggested by the English Housing Survey is 5.5% per annum meaning the increase in Lewisham since the 2011 census may equate to considerably more than 30,000.
- 6.2 The sector serves a large proportion of Lewisham's residents because for many households, the private rented sector is their first and only option for housing, as home ownership is financially out of reach and the demand for social housing continues to far outstrip supply. As a London Borough, Lewisham sees a relatively high turnover with residents staying in a property for an average of five years compared to the national average of eight years. The private rented sector is particularly susceptible to churn, with approximately 50% of the market turning over every two years. Approximately 10,500 households in the private rented sector are in receipt of housing benefit and many landlords are increasingly reluctant to take them.
- 6.3 The Council operates a private sector leasing (PSL) scheme for households who are accepted as homeless and currently has a portfolio of 570 units, with a target of 650 by April 2015. PSL properties are somewhat easier to procure because the Council can guarantee rental income for three years (which is especially popular with landlords due to the benefit cap as the risk falls on the Council), although even here, competition is now increasing.
- 6.4 Welfare reform and the resultant benefit cap places a limit on the total amount of benefits out of work households can receive. This limit is currently £500 per week for families and £350 per week for single persons without children, and includes housing benefit, jobseekers allowance, employment support allowance, income support and child tax credit. The benefit cap will be integrated into the administration of universal credit when it eventually gets rolled out. However, a consequence of this is that some larger properties are already exceeding the benefit cap and are now unaffordable for larger households. There are currently 68 PSL properties affected by the benefit cap in Lewisham. Intensive work is being undertaken with these households to help them into work and to find more affordable properties. Procurement of properties for homeless prevention is more challenging. In these cases, landlords wish to manage their properties directly and charge higher rents than can be offered under the PSL scheme. In these cases, the Council offers a one off financial incentive and a bond for rents but this area remains extremely competitive and Lewisham is often in competition with other boroughs for the same properties.
- 6.5 There are an estimated 3,700 landlords operating in the borough, the majority of which are small with a handful of properties.

6.6 The table below shows private rented sector data for Lewisham, gathered from the 2011 census, mapped by volume for each ward:

**Total Private Rented Sector Properties in Lewisham by Ward (2011 census)**



**Breakdown of PRS by no. beds in property by ward**

WARD	PRS 1 bed	PRS 2 bed	PRS 3 bed	PRS 4 bed	PRS 5 bed	PRS 6 bed   number of PRS	
	03-11	03-11	03-11	03-11	03-11	03-11	03-11
Bellingham	160	321	397	0	0	0	878
Blackheath	426	103	97	0	0	0	626
Brockley	1578	676	113	105	106	0	2578
Catford South	664	271	253	79	0	0	1267
Crofton Park	674	582	475	0	0	0	1731
Downham	171	433	253	0	0	0	857
Evelyn	393	393	91	0	0	0	877
Forest Hill	1265	733	318	0	0	0	2316
Grove Park	314	1086	379	0	0	0	1779
Ladywell	791	265	170	164	88	82	1560
Lee Green	596	595	414	0	80	0	1685
Lewisham Cent	1640	618	241	116	0	0	2615
New Cross	2134	950	315	105	0	0	3504
Perry Vale	900	381	90	91	0	0	1462
Rushey Green	833	766	270	0	0	0	1869
Sydenham	1191	1292	272	0	0	0	2755
Telegraph Hill	1670	678	86	0	80	0	2514
Whitefoot	252	83	730	0	0	0	1065
<b>TOTAL</b>	<b>15652</b>	<b>10226</b>	<b>4964</b>	<b>660</b>	<b>354</b>	<b>82</b>	<b>31938</b>

## **7 Range of interventions**

### Lewisham's Private Sector Housing Agency

7.1 The Council launched a new private sector housing agency in September 2013. Several teams working on private sector housing issues were joined together to create a new, focussed, specialist service to work with landlords in the private rented sector and drive change. The agency provides a centre of excellence and a single point of contact for residents, landlords, tenants, partner organisations/stakeholders and council officers. It engages in dialogue with the private rented sector and takes a more proactive lead to effect the changes required.

7.2 The priorities of the agency are to:

- increase the supply of good quality, well managed private rented sector accommodation accessible to Lewisham residents who are homeless, at risk of homelessness or are in housing need;
- improve the private rented sector accommodation by setting and implementing clear property and service standards, as well as guiding and supporting landlords to implement change;
- take enforcement action against landlords who consistently fail our community;
- continue to develop services for vulnerable households living in the private rented sector to support them to live healthy and independent lives;
- be proactive in opening all available channels of communication to improve dialogue with the private rented sector and other key stakeholders, build local intelligence and understanding to inform local policy development;

7.3 In its first year, some key aims of the agency are as follows:

- increase HMO licensing particularly for larger HMOs (five occupants and three storeys or more) that are not yet licensed, using the combined resources of the Council and other external partners (see section 7.8 below);
- increase the number of London Landlord Accreditation Scheme (LLAS) accredited landlords and investigate options for wider accreditation or extended private rented sector licensing schemes which set ambitious standards for landlords;
- take a more strategic approach in tackling rogue landlords, building on the Council's enforcement profile and utilising the funding from the DCLG to increase the number of prosecutions in a year and make operating in Lewisham difficult for this group;

- hold regular forums for landlords, to train, communicate and disseminate good practice to ensure they are aware of their legal rights and responsibilities;
  - develop a communications framework, maximising the use of new technologies to promote advice, and develop a dedicated website to provide guidance and an additional channel for reporting poor housing conditions or other similar issues.
- 7.4 The PSHA team are currently finalising their landlord programme for 2014/15. An annual landlord event for networking and information sharing was held in July 2013 which attracted 100 landlords. The team also held three successful workshop events about Universal Credit, building blocks for first time landlords and PSHA renting services. A second, smaller workshop style event held in September 2013 which attracted 40 landlords was about mistakes which can cost landlords money. This was well received and landlords would like to see more of this type of event. The most recent event held in November 2013 provided accredited training for 35 landlords and was aimed at increasing the number of accredited landlords in the borough.
- 7.5 The team have also revised and updated their landlord pack which now contains the latest PSL contractual lease. They have also introduced 'Reward Cards' for existing landlords to get discounts at some local businesses and preloaded USB sticks for landlords which contain model tenancy agreements and all the legal procedures to operate as good landlords.
- 7.6 Furthermore, the team are planning quarterly landlord forums and seeking other interactive ways to share information, as well as considering how to further market landlord accreditation training to increase the existing total of 280 who are currently accredited in the borough.

#### Lewisham's Environmental Health Team

- 7.7 The team plays an important part in the work of the private rented sector housing agency and works closely with private landlords, the fire service, building contractors and universities. It has a responsibility to ensure that private rented sector tenants live in accommodation with good housing repair and management standards which is free from hazards that may affect health, safety and wellbeing. The team also has a legal duty to ensure that private rented sector accommodation is safe and regulated and will intervene when made aware of serious hazards or potential dangers. This is normally achieved through help, advice, and both informal and formal action.

- 7.8 A further responsibility of the team is HMO (Homes in Multiple Occupation) licensing. In Lewisham, there are an estimated 13,410 HMOs and of these, 7,880 are houses that are poorly converted to flats, while 4,830 are shared by more than one family or contain multiple households. A key objective of the team is to launch a campaign to identify and locate the 70% of larger HMOs (consisting of five occupants and of three storeys or more) that are required to be licensed but which are currently not, using the combined resources of the Council and other external partners. The campaign will utilise information from a previous registration scheme, as well as data held by housing benefit, council tax and involve online publicity, newsletters, targeted mailouts, street surveys and shop window advertising. There are 700 larger licensable HMOs in Lewisham and to date, 164 are licensed. The target is to deliver an additional 50 licensed HMOs by the end of 2014. Since April 2013, the team have granted ten new HMO licenses while 33 existing licenses have been renewed.
- 7.9 Current HMO licensing fees in Lewisham are £180 per unit of accommodation with a maximum fee of £1,800 per property. For second properties under the same ownership, the cost reduces to £120 and £1,200 respectively. Accredited landlord are entitled to a 20% discount and the fee for a change of ownership/use/layout is £275.
- 7.10 The team has also enjoyed many recent successes which include:
- The refurbishment and conversion of two run down properties in New Cross by a council accredited landlord into licensed HMOs for six and eight persons respectively
  - Two further refurbishments and conversions in Forest Hill and Deptford by individuals who are part of a property franchise into licensed HMOs for up to six and nine persons respectively. The completed project resulted in very high standard accommodation.
  - The same property franchise also refurbished and converted a dilapidated licensed HMO in Catford for up to eight persons.
  - Accommodation above a dilapidated public house in Deptford is currently being upgraded into a licensable HMO for up to ten persons,
  - Similarly, a closed public house in Lewisham is currently being converted into part self contained flats and part licensable HMO for up to twelve persons.
- 7.11 The recently obtained rogue landlord funding (see section 7.12 below) will help the environmental health team to deliver their objectives. The team currently consists of three officers which limits the range and scale of activities that can be undertaken. The funding will therefore support the work of this team to ensure the Council is leading in effectively challenging poor standards in the private rented sector.



7.12 The Empty Homes Officer works alongside the Environmental Health Team and aims to bring empty properties back into use by supporting landlords with advice and empty property grants. Considerable success has been achieved by the following interventions:

- The private owner of a property in Lewisham responded to an EDMO (Empty Dwelling Management Order) and sold his long term empty property which was squatted and the source of much ASB and fly tipping. Work has recently started to refurbish the property and trainees are learning building skills as part of the process.
- A landlord was awarded an empty homes grant on their property in Hither Green which was subsequently brought back into use to house a family of five who were previously living in one room in a HMO.
- A small housing scheme by PHASES housing charity recently developed two large flats which have been used to house a family who were struggling to pay their rent in the private rented sector and an over crowded Lewisham Homes tenant. Again trainees gained building skills. The refurbishment of seven flats in New Cross are nearing completion on a derelict empty space after a section 215 Planning Act notice was served. The flats will be leased to the PSL team for homeless households.
- Similarly the refurbishment of two derelict flats above shops in Rushey Green, Catford is nearly complete. They will also be leased to the PSL team for homeless households.

#### Rogue landlord funding

7.13 The Council was recently awarded £125,000 by the DCLG to tackle rogue landlords in the borough over this and next year to April 2015. Lewisham is one of five London boroughs and one of only 23 nationwide who bid successfully for this funding which totalled over £4 million. In addition, £30,000 from Health has been obtained and there may be the possibility of further funding from partner agencies.

7.14 Officers currently estimate there may be in the region of up to 50 rogue landlords and letting agents in the borough, some of whom own large portfolios of properties and therefore have a disproportionate effect on the lives of our residents and communities. Typical problems created by these individuals and companies include a combination of some of the following although there are many more issues in addition to the below:

- Dangerous and seriously overcrowded properties;
- No HMO licences where statutory criteria applies;
- Harassment and illegal eviction;
- Intimidation, threats and assaults of tenants;
- Agents charging illegal fees;

- No gas safety certificates;
  - Severe disrepair problems;
  - Housing benefit fraud.
- 7.15 Over the next two years, the funding will enable the Council to establish a programme and employ a dedicated enforcement co-ordinator supported by a paralegal post to bring council services and external partners together and drive forward prosecutions where appropriate. A register of rogue landlords will be developed across all partners and made available to prospective tenants so they can avoid living in these properties.
- 7.16 The project is required to submit the outputs for the next three months by the end of January and these will be available for Members at the meeting. Work is also ongoing to develop and agree with DCLG the outputs for 2014/15 by March 2014. The aim is to increase prosecutions across a range of services but more than that to make life difficult for Rogue landlords across all of the Council's services as well as external partners so they make the choice to "go elsewhere. The project will also develop a good practice document and training event to enable other councils to benefit from our achievements and successes.

#### The London Rental Standard

- 7.17 The Mayor of London's London Rental Standard (LRS) is a voluntary set of minimum standards that London's private landlords and lettings agents are expected to operate, and that renters should expect from any landlord or letting agent. The aim is to raise professional standards across the private rented sector through consistency and accreditation, to provide a vehicle for increasing the number of accredited landlords and to get 100,000 landlords and letting agents signed up to the scheme by 2016.
- 7.18 Following consultation, the final version of the LRS was published by the GLA in July 2013 and is now being implemented in partnership with boroughs, the industry and tenant bodies. London tenants will benefit from increased transparency, accountability and redress, while landlords and agents will benefit from incentives, training and a commercial advantage in a highly competitive market.
- 7.19 The GLA have set up a LRS steering group (SG) to contribute to the delivery of the standard. Lewisham and LB Westminster represent the London boroughs on this SG alongside LB of Camden, who host the LLAS scheme. Other SG members include landlord and lettings agents and other professional bodies, including the Southern Landlords Association, the National Landlords Associations, the Association of Residential Landlords, London Councils and Shelter. The first SG meeting was held in late Summer 2013 and future meetings will consider the development of a

scheme marketing campaign and a single badge of accreditation, landlord incentives, scheme governance (although the SG will not be responsible for governance when the scheme is up and running), and how the administration of the 'passporting' mechanism which will involve passporting members between different accreditation schemes so that all landlords and agents can benefit. The Council's membership of the SG gives us a real opportunity to influence how the LRS is implemented.

- 7.20 As the Council is committed to raising standards locally through its own private rented sector housing agency, it very much welcomes this initiative by the GLA to raise private rented sector standards and raise the profile of this issue across London. Our intention is to 'piggy back' the GLA's marketing campaign when it is launched later this year to gain real momentum so local take up can be maximised.

#### The London Landlord Accreditation Scheme

- 7.21 Lewisham is part of the London Landlord Accreditation Scheme (LLAS). The LLAS scheme was set up in 2004 to improve landlord knowledge and awareness around key property management issues. The scheme aims to make it more likely that properties are maintained to a higher standard, tenants' safety and health is improved thereby landlords and their businesses are better protected against falling foul of the complex laws surrounding the letting of residential properties. In London the LLAS has 95% of the accredited landlords.
- 7.22 The scheme is funded through member contributions and administered by the London Borough of Camden. Currently all London boroughs are members. Participating landlords attend a one day course and are given training on issues such as current legislation, basic structural requirements, tenancy agreements, inventory control, gas/electrical safety, harassment and illegal eviction, housing benefit procedures and other relevant matters. As the scheme develops it is envisaged that further training modules may be offered to provide interested landlords with more training in particular areas. The cost to landlords is £110 (reduced to £79.90 for online payment) and there are many benefits including a comprehensive reference manual about legal rights and responsibilities, access to the latest LLAS information and future development courses, and reduced HMO licensing fees (20% discount in Lewisham). Accreditation lasts for five years and landlords must maintain their knowledge and keep up to date with changes in the law to be re-accredited.
- 7.23 The Council have tried hard over the last few years to actively promote the LLAS scheme through various mechanisms including regular landlord days, where the LLAS or the National Landlord Association (NLA) were

invited as guest speakers and to have a promotion stall. In addition, the officers have required landlords who are part of our Lewisham Leasing Scheme (LLS) or the Fresh Start Scheme designed to prevent homelessness, to be accredited landlords. However, despite considerable effort, take up remains low – we currently have 280 landlords accredited through LLAS in Lewisham out of an estimated 3,700. This picture is reflected across London.

### Institutional Investment in the private rented sector

- 7.24 Institutional investment in the private rented sector could make an important contribution to increasing the supply of new homes. This is particularly relevant as London faces a severe housing shortage. A series of developments has contributed to the increased demand for accommodation in London which include:
- A growing population, with London projected to grow by an additional 786,000 people by 2021;
  - Rising expectations and changing lifestyles (e.g. preference for larger homes, and a shift to single person households);
  - Increased international investment in London's residential market, which has become a 'safe investment' in turbulent economic times.
  - At the same time, numerous pressures are severely restricting the supply of private rented sector housing. These include a constrained credit market, limiting the ability of both developers and homebuyers to borrow; planning restrictions; and reduction of public subsidy for social or affordable rents.
- 7.25 Another positive aspect of institutional investment in London's private rented sector is that it could help drive London's economic growth. There is evidence that housing construction supports more jobs than financial investment in many other sectors of the economy, due to related activity. Every £1m of new housing output supports 12 additional jobs – seven directly and five indirectly, per year. Increasing the number of households renting rather than owning may also help create a more flexible labour market, with workers able to move home and follow job opportunities.
- 7.26 There are many more benefits too – the quality of accommodation is normally good and it provides greater stability because investors tend to invest for the long term, typically 25 to 30 years, as opposed to seeking a quick return. Longer tenancies are also favoured by institutional investors, thereby providing a greater level of assurance for tenants. This would be a very welcome development as assured shorthold tenancies are a key issue for many households who are renting as they only give six months of stability before the landlord can terminate the tenancy which leads to high levels of tenancy churn.

- 7.27 In Lewisham, the Council is in early stage discussions with a range of investors who are keen to capitalise on the growing private rented market, an example of which is Fizzy Living (see section 7.6.1 below) who are currently bidding for funding for properties on the Lewisham Gateway scheme in Lewisham Town Centre.

### Fizzy Living

- 7.28 Thames Valley Housing (TVH), which owns or manages 14,000 homes in London and south east England, has launched a £200 million commercial subsidiary called Fizzy Living. The scheme will rent homes to young professionals at market rents to fill a gap in the private rented sector market and create cross-subsidy for affordable homes. The business has been set up with £30 million of equity from TVH and will initially buy 63 one and two-bedroom apartments near Epsom railway station in Surrey. It plans to attract a further £50 million of equity from institutions such as pension funds and from smaller private investors, as part of a drive to buy 1,000 new build properties over three years. It will buy blocks of between 60 and 150 units, which will all be let at market rents under the Fizzy Living brand.
- 7.29 The plan is to grow Fizzy Living into a £15 million per year turnover business and after seven years, TVH hopes to sell it into a real estate investment trust, an investment vehicle to reduce corporation tax, with proceeds ploughed back into TVH's core activity of providing affordable homes. On top of institutional investment, Fizzy Living will also borrow £120 million from banks. If the model is successful, it could be replicated by other housing providers keen to tap into institutional investment.

## **8 Other initiatives and interventions elsewhere**

- 8.1 Newham Council was the first local authority in the country to introduce borough wide mandatory licensing scheme for private rented property. The aim of the scheme is to stamp out the crime and anti-social behaviour associated with the poor management of rental properties. Newham's officers work with the police and other agencies across Newham to identify unlicensed properties and pursue legal action as and when required.
- 8.2 The scheme was agreed in June 2012 and came into effect in January 2013, making it illegal for any landlord to let a property in Newham after this date without having made a licence application. The initial set up costs of the scheme were considerable. It will run for five years and the overall cost is expected to be roughly equivalent to the income projected over the

five year period. The scheme employs in the region of 68 staff - 40 on licensing processing and 28 on enforcement.

- 8.3 Newham has the largest private rented sector in London with around 43,000 properties which comprises 39% of the housing stock in the borough. The private rented sector is a huge business in Newham with an estimated £550 million turnover per annum, with over 25% of this funded via the welfare benefit system. There are also high levels of tenancy turnover, amounting to between 25% and 30 % of all tenancies changing in any one year.
- 8.4 To date, Newham has received 32,000 applications from landlords and has issued more than 29,500 licences. A total of 19,700 landlords have been registered and it is seeking to prosecute 246 landlords for breaches and has visited 936 unlicensed properties. It has also sent out 5,078 warning letters, issued 82 cautions for first time offences and turned down licenses for over 100 properties. A total of 18 portfolio landlords (over 120 properties) have been refused licenses and a further 331 have been judged of concern and been given reduced term licenses of 12 months.
- 8.5 There were a number of catalysts to the licensing scheme including;
- Significant levels of poor tenancy and property management;
  - Demonstrable high levels of nuisance, ASB and dangerous housing conditions in the private rented sector;
  - Properties converted unlawfully – HMOs, flats and Beds in Sheds to increase income;
  - An increase in criminal and fraudulent activity of landlords.
- 8.6 Furthermore, the Council was not making satisfactory progress with its old approach and a shift was desired from just tackling physical standards to sustainable behaviour change. Prior to full roll out, an initial pilot scheme showed that 75% of landlords who failed to license also required wider enforcement interventions.
- 8.7 The scheme aims to provide a bespoke ‘smart’ solution and an improved landlord experience, while keeping license fees as low as possible and includes the following attributes:
1. Online application and payments;
  2. Direct data upload and address links;
  3. Licence type, conditions and fees calculated automatically;
  4. Data cross checking and mapping to support enforcement.
- 8.8 Landlords can be fined up to £20,000, have control of their properties taken away from them and be liable to repay up to 12 months rent to the

Council or their tenants if they are found to be operating without a license. The highest fine so far has been £12,000.

- 8.9 Under the scheme, there are three types of private rented property licences available;
- Mandatory (HMO) licence – for landlords of houses in multiple occupation (HMOs) consisting of three or more storeys, shared by five or more people living in two or more households;
  - Selective licence – for landlords of a property rented by a single family households or shared by two unrelated tenants;
  - Additional licence - for landlords who operate HMOs shared by three or more tenants living in two or more households. This excludes houses in multiple occupation that are require a mandatory licence.
- 8.10 The application fee for a selective or additional licence is £500. There is a discount rate of £150 available for newly built rental properties but to qualify, the property must not have been previously occupied by residents. The renewal fee is also £500 but is currently under review. The application fee for a mandatory licence ranges from £950 for 5 lettings to £1550 for 20 lettings or more. The renewal fee ranges from £550 to £750. All licences last for five years.

#### London Borough of Southwark - proposed licensing scheme

- 8.11 In December 2013, Southwark Council adopted a set of minimum standards for private rented sector landlords and will first apply it to homes used for its own temporary accommodation. Officers are currently working up the details but the final shape of the scheme will be determined by the results of a data gathering exercise which is now underway.
- 8.12 When complete, it will gradually roll out the scheme before introducing a compulsory licensing scheme for all the borough's private rented sector landlords.
- 8.13 The standard will include services provided to tenants, repairs and maintenance and the condition of the property and will draw together existing duties and good practice. The purpose of the scheme will be to drive standards up across the borough by encouraging landlords to meet a certain standard, and over time will become a legal; requirement of operating as a landlord in the borough.
- 8.14 The new standard will be an important tool for the Council to use to improve conditions for some of Southwark's most vulnerable tenants who need temporary accommodation, and is intended to make the borough a better place to live for all private sector tenants.

### London Borough of Hackney - private rented sector lettings agency

- 8.15 Hackney Council is planning to launch their own letting agency in a bid to lower the cost of private rented sector housing. The not-for-profit agency will invite landlords to hand responsibility of their properties to the Council, which will then rent them out. In return they will guarantee rent even if the property is empty and a regular supply of longer-term tenants. Initially the scheme will target people who do not qualify for housing benefit but struggle to pay private sector rents.
- 8.16 The Council intends for the agency to only accept properties for letting from landlords approved by the LLAS as well as encouraging longer-term lets of at least a year. It is also aiming to stabilise the rental market while encouraging landlords to improve the quality of their homes. The scheme will not charge agency fees to tenants which can increase the cost of moving by hundreds of pounds. Like many areas of London, rents in Hackney have soared due to a surge in the popularity of the area, making prices unaffordable for many.
- 8.17 The Council approved the scheme in December 2013 and has started the search for landlords to become part of their property portfolio. A pilot scheme is due to launch in early 2014 and be rolled out in full in the Summer. Although the scheme is at a very early stage of development, the principle sounds similar to the Council's private sector leasing scheme.

### Elsewhere in London

- 8.18 The London Borough of Brent has recently launched a consultation on extending its existing landlord licensing scheme which currently only focuses on HMOs, to target poor housing conditions, over crowding and anti-social behaviour. Brent wants to be the first local authority in north London to launch a full-scale scheme licensing scheme and projects that up to 10,000 private rented sector landlords would have to apply to it. It is also understood that the Royal London Borough of Greenwich may also be considering a landlord licensing scheme.

## **9 Final summary**

- 9.1 Although there is much work still to do, the Council's recently established PSHA is already making considerable progress in improving the quality of the private rented sector in Lewisham by developing relationships and working closely with private landlords, letting agents and other partner organisations like the GLA. Currently, there is not sufficient evidence in Lewisham of the type identified by London Borough of Newham to justify a wholesale landlord licensing scheme. However, officers will continue to



consider all possibilities including monitoring similar initiatives elsewhere in other London boroughs. Officers will also explore the feasibility of a data gathering exercise to provide a more robust evidence base which will better inform future landlord licensing options in Lewisham and report back progress to the committee in due course.

## **10 Financial implications**

- 10.1 This report is for information only and, as such, there are no financial implications arising from the recommendations set out in section 2 of the report
- 10.2 The Council's budget for the Private Sector Housing Agency, which includes the Environmental Health Team, is £549k for 2013/14. The activities of those services are contained within that allocation.
- 10.3 The Rogue Landlord Programme is funded from external sources until April 2015. It is intended for the scheme to be self financing beyond that at no additional cost to the Council.

## **11 Legal implications**

- 11.1 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 11.2 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
  - eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 11.3 The duty continues to be a "have regard duty", and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relation
- 11.4 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services, Public Functions &

Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

<http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>

## **12 Crime and disorder implications**

12.1 There are no specific crime and disorder implications.

## **13 Equalities implications**

13.1 There are no specific equalities implications arising from this report

## **14 Environmental implications**

14.1 There are no specific environmental implications arising from this report