

the growth of the private rented sector: what do local authorities think?

A Smith Institute assessment of councillors and officers views on the role of the private rented sector in their area





The Smith Institute

The Smith Institute is an independent think tank which provides a high-level forum for thought leadership and debate on public policy and politics. It seeks to engage politicians, senior decision makers, practitioners, academia, opinion formers and commentators on promoting policies for a fairer society.



Places for People

Places for People is one of the largest property management, development and regeneration companies in the UK and own or manage over 148,000 homes, including 24,000 private rented homes, and have assets of more than £3.3 billion. Their vision is to create aspirational homes and inspirational places. They have a long track record of successful development and a solid reputation for delivering large-scale development in towns and cities. Their approach goes much further than simply building homes. They look at what an area needs to be able to thrive – whether it is new schools, shops, leisure facilities, job opportunities, and access to learning and training or specialist support services. They were named Housebuilder of the year 2013 and Landlord of the year 2014.

the growth of the private rented sector: what do local authorities think?

A Smith Institute assessment of councillors and officers views on the role of the private rented sector in their area

Contents

Executive summary	4
Introduction	8
Background	10
Survey findings	16
Growth of the PRS	16
Future growth of the PRS	17
Local authority views on the PRS	18
Strategic Housing Market Assessments and local plans	20
Who should the PRS be for?	21
The planning system and the PRS	22
Quality and management of the PRS	23
Selective and additional licensing schemes	25
The impact of HMO licensing	26
Resources to supervise the PRS	27
Central government actions and local authorities: regulation, rents and security of tenure	27
Housing associations, institutional investors and future investment in the PRS	30
Appendices	34
Appendix 1: Survey questions for council officers	34
Appendix 2: Additional data on the PRS	35
Notes	40

Executive summary

Executive summary

The private rented sector (PRS) has undergone a rapid period of growth and now forms around 20% of the housing market. Such a change in tenure has widespread implications, not least for local authorities who plan and regulate local housing provision. Despite the national debate on the role of the PRS there has been little evaluation of what it implies for local government and how councils may or may not wish to promote the sector.

To understand views from local government on the changing role of the PRS in local housing markets the Smith Institute conducted a survey of 42 councillors from across England who have lead responsibility for housing matters. The survey examined opinions on the growth and future growth of the PRS; how the PRS is regulated; the quality and management of the PRS homes; actions local government would like central government to take; and how investment in PRS might change. The survey was complemented by in-depth interviews with 30 senior council officers.

Growth of the PRS

- Most officers thought that the PRS had grown substantially over the last decade, in one place it had grown fourfold. Officers mostly put this down to home ownership becoming unaffordable, the growth of the buy-to-let (BTL) market and the decline of social housing provision. With the exception perhaps of student accommodation, no officer thought that the growth was due to positive choices of households.
- There were more mixed views about whether the PRS would continue to grow. Councillors expected owner occupation to provide the majority of new homes over the next five years (80%) and 14% thought it would be the PRS. For officers, the general view was that it would continue to grow but perhaps not at the same pace as it had in the previous decade.

Views on the PRS and promoting its growth

- Only 2% of councillors listed the PRS as their council's top priority for new supply of housing. 60% listed properties for owner occupation and 38% social rented. However, 57% of councillors did think growing the PRS was important to meeting local housing needs.
- Officers had mixed views about promoting the PRS in their area. A large proportion of officers stated they had not done so, but were now starting to consider it with a growing recognition of the increasing role the PRS played in their local housing market. Some had already actively started to promote the sector, whilst a minority said their council was not doing so and preferred to encourage other tenures. Most officers raised concerns about the quality of the PRS, especially at the bottom end of the market.
- Just over half of councillors stated that they were actively

promoting the PRS through their local plan (52%). This balance was also shared by officers. Whilst a majority of officers stated it was included in their local plan (and Strategic Housing Market Assessment) a large number said it was part of the private housing in general or it did not feature majorly. Again there was a growing recognition of the PRS increasing, which in turn was starting to shape and change the local housing strategy. For others however the PRS did not figure in either their local plan or their strategic housing market assessment.

- Councillors expected the future growth in the PRS to come from young professionals, those on low-to-middle incomes and then families. However, when asked who they would prefer PRS to cater for the highest response was for families. A number of officers (especially those working for non-metropolitan councils) thought that the PRS would be driven by the lower end, especially following welfare reforms (one officer in the West Midlands reported some London councils moving residents to his area following policy changes) and given that 'aspirational' PRS was concentrated in more prosperous inner-city areas.

The planning system and the PRS

- Councillors were asked about their views on relaxing Section 106 obligations for developments with a high proportion of PRS homes. A small number said that they had already done so but a majority stated that they would do so. The largest group were those who said they would consider relaxing obligations, but only if homes were targeted at specific groups. A third however would not consider it.
- Officers were generally pragmatic about the PRS and planning, noting that proposals would be assessed on a case-by-case basis. However, some were more open to the idea of PRS developments than in the past. One officer said their council was proactive and had already been flexible with S106. Others had or were seeking joint PRS ventures.
- A significant minority of councillors (33%) and officers were much cooler or hostile to the idea of relaxing S106 obligations for PRS developments. One officer stated that their council would not be willing to lose their affordable housing requirement under S106, and others noted that it was politically unpopular to promote the PRS.

Concerns about quality in the PRS

- Councillors biggest concern with the PRS was over quality, followed by security of tenure and then PRS rent levels. Few councillors saw the lack of new supply as the main issue.
- Officers also had major concerns with the quality of housing in the PRS. This concern was focused on the bottom end of the market with some officers noting that

those on higher incomes or students were more able (or had the money) to secure a better deal. There were concerns about rogue landlords and poor quality rented homes over shops. More generally the view was that smaller landlords were not wilfully acting badly (or illegally) but lacked necessary skills or knowledge.

- Perceptions of poor quality PRS housing was said by some officers to shape councillors' views of the whole sector. With large numbers of complaints some, officers noted that the issue had become a political priority for members. Some officers stated that members were still hostile to the PRS, but others thought that there was a realisation from members that you could not wish the PRS away and that attitudes were starting to change.

Regulation of the PRS

- Councillors were asked whether they were considering broadening licensing/accreditation schemes. Most councillors (55%) had or were likely to introduce voluntary accreditation schemes. Around a fifth had or were considering selective licensing schemes and a sixth additional HMO licensing.
- Officers were asked about selective and additional licensing. Those who had extended regulations were more likely to stress the positive effects and less likely to believe there were significant trade-offs between supply and regulation. However, for a number of officers the lack of money, the belief that most landlords did a reasonable job, and a preference to work with landlords meant they had decided not to extend licensing amongst smaller HMOs or to all landlords. Views on HMO licensing were split with some officers believing it had driven up standards, whilst others thought that the act was minimal, not least because of a lack of resources for enforcement. Most councillors also believed they lacked the resources to enforce standards and some were worried about further budget cuts.

Rent controls and security of tenure

- Almost all councillors believed that rents in the PRS would rise, and the vast majority thought that rents in the PRS would rise faster than the social housing sector (85%). There was a mixed response to state regulation of rents: 42% thought they should continue to be decided by the market; 32% thought rents should be capped during the

tenancy period; and 27% thought rent controls should be reintroduced. If rents were capped the vast majority (80%) thought they should be determined by local government.

- The majority of councillors (79%) thought that the minimum tenure for the PRS should be increased. A third said by one year and a third by three years or more.
- Most officers also thought that tenure length should be increased to provide greater security and stability (especially for families). Some also thought it would benefit both tenants and landlords. A number of officers also mentioned additional powers of oversight with some suggesting a national landlord registration scheme. Others thought efforts were best spent working with landlords and cracking down on bad or rogue landlords.
- Rents were also seen as an issue by officers. Most did not call for a return to rent controls and some suggested incentives for more stable tenancies and rents. For others in lower demand areas rents were seen as fairly stable, while housing benefit was mentioned by others. For example a couple of officers thought landlords should not be able to receive public money if their properties did not meet basic standards, and another officer was concerned about the way local housing allowance (LHA) rates were set.

Views on institutional investors and housing associations

- 69% of councillors stated that they were keen to attract larger landlords to build and manage private rented housing. Two thirds also viewed housing associations as significant providers of private rented housing and a large majority (74%) thought that PRS provision by housing associations would increase (12% thought it would increase significantly). However, councillors were strongly of the view that housing associations should focus their new investment on providing more social rented homes or low cost home ownership properties rather than PRS housing.
- Officers were also asked about the future of institutional investors and housing associations in the PRS. Views were mixed with some keen to encourage housing associations to invest in the PRS in their area, and said that housing associations could drive up standards. Others thought the PRS would continue to be driven by the BTL market and that institutional investors and housing associations would be smaller players. Some officers also stated that they would struggle to encourage institutional investors or housing associations to invest in their area.

Introduction

Introduction

The private rented sector has been the only tenure to grow in the last decade. Yet despite its resurgence after decades of decline and then stagnation the PRS is still viewed by some as primarily not a tenure of choice. However, there has been a growing recognition that with rising housing demand, undersupply of new housing and problems accessing mortgages the PRS is not only likely to stay but continue expanding. Whether such growth will be driven, as it has in the past, by small landlords or by intuitional investors and larger landlords is still unclear. Nevertheless, what is clear, and as the report demonstrates, councillors and local government officials have serious concerns about the quality of the PRS housing stock and management, especially the homes for those on low incomes. As some officers note in the interviews this perception can often taint views on PRS landlords and dampen the enthusiasm amongst elected members for encouraging the PRS to grow in their area.

This assessment of views from councillors and officers responsible for housing sets out to explore some of the key issues for the private rented sector in their area. The report covers a range of concerns issues and captures the views of both councillors and officers on the growth and future growth of the PRS; how it is supported and regulated; the quality and management of the PRS; actions they would like central government to take (including additional resources and freedoms for local authorities); and how investment in the PRS might change.

To understand the views from local authorities the report is based on:

- 42 responses to an online survey of councillors with lead responsibility for housing. The survey, conducted between 13th May and 11th June 2014, was England-wide with responses from all nine regions. Throughout the report respondents are referred to as councillors.
- 30 telephone interviews were conducted with senior housing officials. These interviews explored issues in more depth than the online survey and were based on a set of twelve questions (see appendix for the full list of questions). The interviews were conducted between 19th May and 5th June 2014. Again the survey was England-wide and conducted with officers from all regions and a range of locations (major cities, towns, rural areas and seaside towns). Throughout the report respondents are referred to either as officers, interviewees and sometimes respondents. In order to ensure honest and frank answers interviewee names and the council are not presented, however reference to regions and type of council are sometimes included.
- The survey charts refer to responses to the online survey by councillors and quotes are from the telephone interviews with officers.

The Smith Institute would like to thank all the councillors and officers who participated in the survey and interviews. Without their contributions this report would not have been possible. The Institute would also like to thank Places for People for supporting this project, to Andrew Heywood for conducting the interviews and to Paul Hunter for his analysis and for writing the report. We are also grateful to CLES for their contribution to the report.

Background

Background

The role private rented properties play in local housing markets has increased in importance as the sector has grown. Over the last decade the number of private rented properties homes has doubled to overtake those renting from housing associations and local authorities combined. This section of the report documents this change and provides an overview of the key trends in the private rented sector (PRS), why it has grown and who lives in private rented homes.

The rise of the private rented sector

The private rented sector in England has grown rapidly over the last decade, almost doubling from around 10% in the early 2000s to just under 20% by 2012. Over the same period the social rented sector continued its earlier trend declining from 20% falling to around 17% of all homes. Levels of home ownership meanwhile have fallen from their peak of 70% in the early 2000s to 64% in 2012. For a prolonged period (1981-2002) PRS levels remained static at around 10%. Over the following decade the PRS has

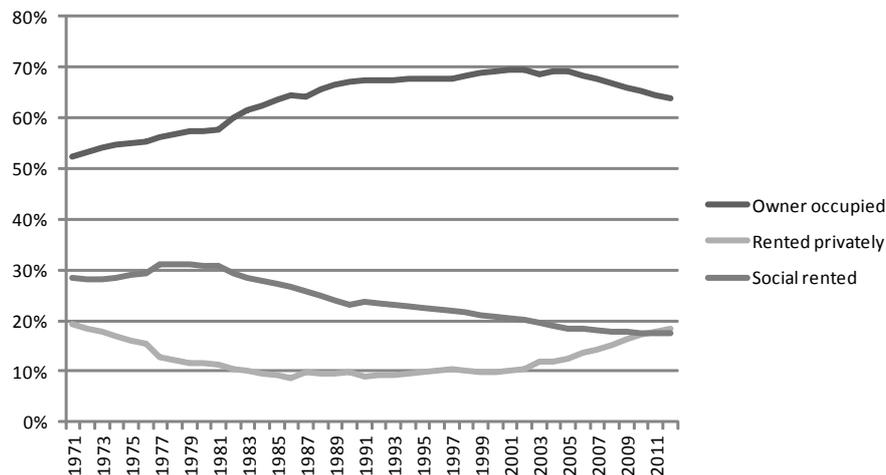
been the only sector to rise, with levels almost back to where they were in 1971. In absolute terms, the previous decade has seen the PRS grow by 2.1 million homes (to 4.3 million homes), the social rented sector decline by around 200,000 homes (to around 4 million) whilst homeownership levels have fallen by 90,000 homes (to 14.8 million homes).¹

Spatial variations

The growth of the PRS has distinct regional variations. According to the 2011 Census a quarter of London households rent privately; far more than the next highest, the South West, where 17% do so. Around 38% of households renting privately are found in London and the South East. The North West meanwhile is home to around 12% of English households in the PRS.²

London, of course, is a city as well as a region. Given concentrations of poverty, younger people and higher property prices, the private rented sector tends to be highest in city areas. For example,

Tenure change in England



Source: DCLG Live table 104

Growth of PRS by region

	% of households within each region in PRS 2001	% of households within each region in PRS 2011	Increase (percentage point)	Proportion of national (2011)	Lower quartile house price to lower quarter earnings (2001)	Lower quartile house price to lower quarter earnings (2011)
North East	7.22%	13.67%	6.45%	4.16%	2.64	4.57
North West	8.53%	15.38%	6.85%	12.46%	2.87	4.96
Yorkshire and The Humber	9.10%	15.89%	6.80%	9.51%	2.99	5.12
East Midlands	8.32%	14.90%	6.58%	7.60%	3.56	5.7
West Midlands	7.30%	14.02%	6.71%	8.66%	3.69	5.95
East of England	8.81%	14.70%	5.89%	9.59%	4.77	7.55
London	15.49%	25.08%	9.59%	22.04%	6.02	8.96
South East	10.17%	16.27%	6.10%	15.57%	5.63	8.18
South West	11.18%	17.09%	5.92%	10.42%	5.18	7.84
England	9.96%	16.84%	6.88%	100%	4.08	6.53

Source: ONS, 2001 and 2011 Census; DCLG Live Table

alongside London, Manchester also has high levels of households in the PRS. Whilst there are proportionally higher levels of the private rented homes in urban areas according to DCLG the majority of PRS homes are located in suburban areas (see appendix).

The data also shows the high number of households in seaside towns in the PRS as well as university towns and cities such as Oxford and Cambridge (see appendix).

Why has the private rented sector grown?

A number of (inter-related) drivers have been used to explain the growth of the PRS, including policy interventions by central government as well as market changes and demographic factors. The main drivers, most of which are picked up on later in the report, are:

- The affordability of homeownership, which has declined with rises in house prices outstripping incomes. In 2001 the house price to earnings ratio was 4 to 1 but is now 6.5 to 1 (despite values being below their 2007 peak).³ This has meant those who may have once bought now have to rent. This could be a result of both declining incomes for those on low-to-middle earnings as well as a chronic undersupply of new housing (especially in areas which experience above average levels of population growth).
- Cost of rents to earnings for first time buyers has also not increased as much as house prices or mortgage costs, thereby making renting relatively more affordable than buying (even if rents have increased).⁴
- This rise in house prices (even if tempered by low mortgage rates) has pushed up the cost of entry – for example higher deposits and increased stamp duty. The average first-time buyer now requires a deposit of £27,000 equivalent to 77% of their income whilst surveys also show that the deposit is the main reason people state that they are renting.⁵
- The relaxation of regulations on mortgages in the 1980s helped increase levels of homeownership. This enabled for high loan-to-value lending. However, after the financial crash the regulations were tightened for consumers. Capital requirements for lenders were meanwhile increased.⁶
- The introduction of buy-to-let mortgages in 1996 helped spur the later rise in those letting homes privately. For example the Council of Mortgage Lenders calculates that there are around 1.5 million outstanding buy-to-let mortgages⁷ – around a third of all PRS properties.
- Whilst it is generally believed that homeownership is favoured through the tax regime, this has shifted over the longer term. The demise of Mortgage Interest Tax Relief and more recently budgets offering concessions aimed at investors in the PRS have encouraged this shift.⁸
- The 1980s saw a switch in the way that social housing was funded, with policy moving from subsidising new build council housing to subsidising rents. There was a marked decline in the provision of social rented homes meaning that many of those unable to access social rented properties have had to move into the PRS.
- At the same time existing social housing stock was depleted by the Right to Buy which also had the effect of increasing levels of homeownership through effective

subsidy. Since its introduction around 2 million properties have been sold. This has meant there have been fewer social rented homes for people on lower incomes to access, many of whom have had to turn to the PRS.

- Migration has increased over the last decade. The data shows that most recent migrants have tended to access private rented housing. This also applies to those moving for work within the UK.
- Household formation has tended to be strongest amongst single people, not least when relationships have broken down. This has not only increased demand on existing stock but also meant many cannot afford to access homeownership after breaking up with their partner.
- Increased student numbers have also played a part in more people renting.

Who lives in the PRS

The private rented sector has a distinct demographic profile compared with other tenures. For example:

- Tenants in the PRS tend to be younger than either those renting socially or owner-occupiers. The sector has proportionally much higher levels of household representative persons (HRPS) aged 16–24, in part because of the student population. They also have proportionally more HRPs in their 20s and early thirties than other tenures. This may reflect the fact that many have yet to settle or save and buy a property.⁹
- The age profile of PRS tenants is also reflected in data on work status. Proportionally more HRPs are in work than average (more so in regard to full-time rather than part-time work) and far fewer are retired. The PRS also has far more people in full-time education. More are also seeking work, which also reflects the fact that many in the private rented sector have low incomes.¹⁰
- The PRS has high levels of households with low incomes. However, there are significant numbers of people renting privately with above average incomes. The income distribution by tenure also shows that the PRS follows that of the social rented sector with highest numbers on lower incomes and declining in each decile. But with the PRS there are more households on higher incomes (income distribution of owner-occupiers goes in the other direction).¹¹ This is apparent when examining income comparisons between those claiming housing benefit and those not:

“The average annual gross income (of HRP - household reference person - and partner, excluding HB) of households in receipt of HB was unsurprisingly much lower than that of households which did not receive HB: £12,008 compared with £23,279 in the social rented sector; and £14,130 compared with £33,149 in the private rented sector.”¹²

The income divide is also apparent in the numbers of those who expect to buy a home. Whereas 61% in the PRS intend to buy, only 23% in social housing do. This is also visible in the fewer numbers of those renting privately in receipt of housing benefit, reflecting both work status (including numbers in retirement) and the number of those on low incomes.¹³

- Those in the private rented sector are far less likely to be in their home for a long period. Over a third of those in the PRS have lived in their current home for less than a year and over half have lived in their current residence for less than two years. However, around 20% of households have lived in their current residence for over five years.¹⁴

PRS tenants also have mixed feelings about longer tenancies. In one survey, younger people were less worried about short tenancies with 54% agreeing that they liked the flexibility offered. However, those over 35 would like tenancies to be longer and this sentiment was even stronger amongst those aged over 45.¹⁵

Quality of the PRS: landlords, stock and rents

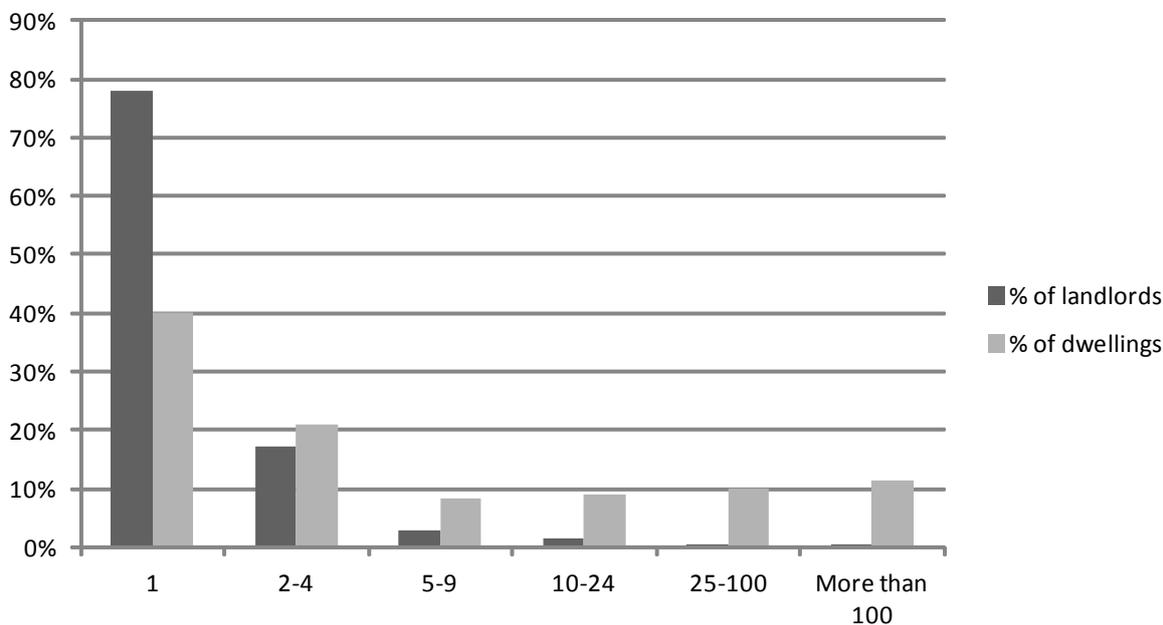
Reflecting in part the low incomes of some of those in the private rented sector the PRS has higher than average levels of overcrowding and the highest proportion of homes failing to meet the decent homes standard. Indicators of the conditions and make-up of the PRS include:

- The number of homes which fail to meet basic standards of decency are highest in the PRS. With around a third of homes non-decent the data suggests a considerable problem with non-decency and perhaps rogue landlords. This contrasts with around 20% of owner-occupiers living in non-decent homes and 15% in social housing.¹⁶
- 6% of homes in the private rented sector are overcrowded. This compares with 1% of owner-occupiers and 6% renting

from a social landlord.¹⁷

- The private rented sector is dominated by those owning a handful of properties. According to DCLG's survey of private landlords, 78% of all landlords owned only one home for rent, their properties forming 40% of the private rented housing stock. In total 70% of homes rented privately are let by landlords with fewer than 10 homes. Moreover only 8% of all landlords in the PRS are full-time landlords.¹⁸
- The median monthly rent for a two bed property in England is £575. There is wide regional variation with London rents (£1,387) far exceeding the rest of the country. Lower quartile rents in England are £475, with London's (£1,100) again much higher than any other region. Within London there are however wide variations.¹⁹
- Rents in the private sector are unsurprisingly higher than in social housing sector. The average rent (for all property types) in England in the private sector is £728 (the lower quartile is £455). The average private registered provider rent for social housing is £383. The gap between rents between the two sectors is less noticeable in low demand parts of the country. For example, in Hull the average PRS rent is £382 (or £325 for lower quartile rents) compared with £319 in the housing association sector.²⁰
- In one survey rent rises for most people within the PRS was not the main reason for moving properties (around 17% cited this as a major reason for moving). The most popular reason was moving to a better property (40%), followed by relocation, wanting a larger property and moving in with a friend.²¹

Private landlords' portfolio size



Source: DCLG, Private Landlords Survey 2010 (2011)

Local government and the PRS

The rise of the private rented sector has meant local authorities have to undertake additional work monitoring and enforcing standards – particularly for Houses in Multiple Occupation (HMOs). The growing numbers of people who rent privately has meant increasing pressure on local government to improve standards within the sector but also to encourage investment to meet local housing need, especially given the shortage in new supply. Councils have certain powers and obligations to not only regulate the sector but also, if they so wish, encourage its growth.

HMO licensing

At present local authorities oversee licensing of HMO properties. HMO properties are defined as having three tenants forming more than one household with shared facilities (toilet, bathroom or kitchen). There are different categories of HMOs depending on the number of storeys and tenants. Large HMOs have at least three storeys and more than 5 people who form more than one household. All large HMOs are required to have a licence from the local council. Landlords must also abide by particular standards (such as gas and fire safety and on overcrowding) which are enforced by local government. Councils can prosecute the landlord for non-compliance. If the landlord has been prosecuted tenants can reclaim rents from the Residential Property Tribunal.²²

Additional licensing

Local authorities can also introduce additional licensing beyond what is mandatory for different categories of HMOs in its area. It can do so if it considers a significant proportion of HMOs are not being managed well or cause problems either for the occupants or wider public.

Selective licensing

Under the 2004 Housing Act local authorities can introduce selective licensing for all private landlords within an area or for the whole of a local authority. The purpose of allowing the legislation was to enable authorities to address issues with poor quality private landlords and anti-social tenants. The powers were particularly aimed at areas with low housing demand but it can also be introduced in other circumstances. The standards that landlords are required to meet are similar to those under HMO regulations. All landlords in the designated area are required to have a license and meet management standards or face a fine. This licensing is administered and enforced by the local authority. In the most high-profile example of its use Newham introduced selective licensing for all private rented properties across the borough.

Accreditation schemes

A number of councils have also introduced accreditation schemes. The intention of such schemes is often to drive up standards and raise awareness about the responsibilities of landlords. These schemes are voluntary so those landlords who do not wish to engage do not have to do so.

Supporting new supply

Councils play a significant role in not just regulating the PRS, but also encouraging new development in their area. This can include how they use S106 obligations for developers and how they engage with developers during the planning process. Such decisions and engagement often depend on the local authorities' housing strategy and the local plan. Councils are also required to carry out Strategic Housing Market Assessments which seek to understand current and future housing need and demand in their area.

Other duties and powers

A council's responsibilities for overseeing the PRS also interplay with certain duties to house the homeless and discretion over nominations for social housing allocations (for example local authorities can now discharge their duty to house the homeless in the PRS). Moreover, some local authorities are themselves landlords and following Housing Revenue Account reforms they have greater freedoms over their stock (indeed one council has recently sought to rent some voids at market rents) and some councils also own land which can be used to cross-subsidise new affordable housing.

Summary

The private rented sector has almost doubled in size over the last decade. Tenants' backgrounds are distinct from other tenures and tenants have a wide range of incomes (arguably more so than other tenures). As many councillors note in the following section there are distinct private rented sector markets; from young professionals to those reliant on housing benefit to pay the rent. The growth of the PRS has led to greater attention from policymakers and politicians about how the sector should be managed and regulated. It has also meant that local authorities have not only been under increasing pressure to consider new ways to manage the sector but also how they might attract larger landlords and institutional investors to meet continuing demand for private rented properties. As shown in our survey and interviews, meeting these demands against a backdrop of fiscal austerity presents local authorities with a difficult set of challenges.

Survey findings

Survey findings

To understand local authorities thinking on the private rented sector the Smith Institute conducted an online poll of 42 councillors with lead responsibility for housing. In addition, and at the same time, we conducted telephone interviews with 30 senior council officers (more details about how the surveys were conducted are in the introduction and interview questions are in the appendix). The intention of the survey and interviews was to better understand the views of key players from local authorities on:

- Whether the sector would grow
- Their main concerns about the sector
- How they were regulating the PRS
- Whether they were supporting its growth

Growth of the PRS

Council officers in the telephone interviews were asked to describe how the PRS had grown in their local authority over the last 10 years. There was general agreement that the sector had grown considerably over the last decade. This is perhaps unsurprising given the rapid growth highlighted in the census data. However, some authorities experienced very high rates of growth in the PRS. One council in the North West stated that their PRS had risen fourfold. A minority stated that their area had experienced much smaller (or negligible) rises in the level of private rented homes.

On the whole officers in areas where the PRS was already a significant tenure thought they had experienced lower levels of growth in percentage terms, but larger in absolute terms - this was particularly the case in some London boroughs but not all. Some also highlighted spatial differences within their authority, driven by concentrations around key employers (an army base for example) or near universities.

Those interviewed also highlighted differences within the PRS; emphasising the type rather than just the quantity when asked about the sector's growth. These respondents were concerned about the quality of PRS homes, and mentioned that their local authority had experienced the biggest growth at the bottom end of the PRS.

"It's grown massively. It's now the largest tenure in the borough... It's now 39% of all households."

"Over the past ten years it's doubled...there are more PRS homes than local authority homes."

"It's static; demand has increased but supply hasn't particularly changed."

"It has changed dramatically, but not like Birmingham where it is an aspirational tenure of choice."

Why has the PRS grown?

Telephone interviewees were also asked why they thought the PRS has (or had not) grown. There was a general consensus on some issues, such as relative affordability.

The affordability of home ownership was given by numerous respondents. The view expressed was that rising house prices had outpaced wage growth meaning that home ownership was out of reach for many people looking to make their first step onto the housing ladder.

"The ability of people to get on the housing ladder...the average price is c. £150,000-£170,000; earnings haven't kept pace...and there are difficulties getting mortgages."

Others also mentioned the difficulty many residents faced finding a mortgage which some expected to get worse due to the recent tightening of lending rules.

Some officers highlighted the increased number of investors investing in new build. This was linked to high property prices which suggests there was demand for renting amongst those who would normally expect to be buying. Investors were said to be split between overseas investors (particularly in London) and smaller investors (either via BTL mortgages or cash purchases) who were described by one respondent as "hobby landlords" just looking for business opportunities. One officer in the North West felt that the BTL market had been aided by it becoming more culturally acceptable to be a landlord, Another because of the rise of accidental landlords - those unable to achieve the sale price they wanted had rented until prices rose. One interviewee pointed out that investment in new build property was concentrated on inner city flats and another thought that the London housing market was viewed essentially as an investment class. However, in other areas institutional and purpose built housing were confined to student housing.

"We saw a lot of city centre flats developed for BTL in the mid 2000s, which boosted the size of the PRS."

"Most properties go to cash buyers in the borough and are flipped into the PRS."

Deregulation of the sector was also cited as a reason why people had started to invest in the PRS. However, another suggested that new rules, especially HMO licensing, had acted as a constraint.

Some authorities saw the growth of the PRS largely at the bottom end of the market. This included empty office blocks being converted to residential accommodation and people letting at the LHA rate. And in low demand areas larger landlords were able to afford to buy properties cheaply with the aim of renting to those in receipt of housing benefit. This growth at the bottom end was largely attributed to the decline of social housing provision which meant many on low incomes had turned to the private rented sector.

"There has been a fall in home ownership rates and the slack has not been taken up by social renting."

"We have a huge number (28,000) on the waiting list and the PRS takes up the strain."

Some respondents mentioned the related issues of the impact of right to buy (RTB). It was said that this had reduced levels of social housing and many homes were now rented privately. In one local authority it was believed that up to 50% of right to buy homes were now in the PRS.

"We have a fairly strong programme of affordable housing but cannot replace the loss from RTB."

In some areas the growth in the PRS, in particular temporary accommodation, was due to their area being cheaper than neighbouring local authorities. This was particularly pertinent to those reliant on LHA to pay their rent.

The growth in the student population was also cited as a reason for increased levels of people renting privately. In one case the lack of purpose-built student accommodation meant that in proportional terms more homes were rented privately.

Population growth and a lack of new properties were believed to have pushed up prices and helped increase the number of people in the PRS. New supply that had been delivered in recent years had largely been focused on affordable rent and the private sector.

Future growth of the PRS

In the online survey, councillors with responsibility for housing were asked which tenure they expected to grow the most over the next five years. Most thought homeownership would supply the largest proportion of new homes (79%) followed by private rented (14%) and social rented (7%).

In the telephone interviews, council officers were asked whether they thought the PRS would continue to grow and why. In most of the interviews the PRS was expected to grow, some thought it would continue to do so rapidly with one thinking it would continue to grow until it caught up with home ownership. Others however thought whilst it might rise it would not do so at the same pace as the previous decade. The likely rate of increase would be different by each local authority. In London, the GLA

are predicting the PRS to grow to 40% by 2025. Others cited plateauing student numbers as a brake on the growth of the PRS. The differences in opinion reflected differences in the local housing markets.

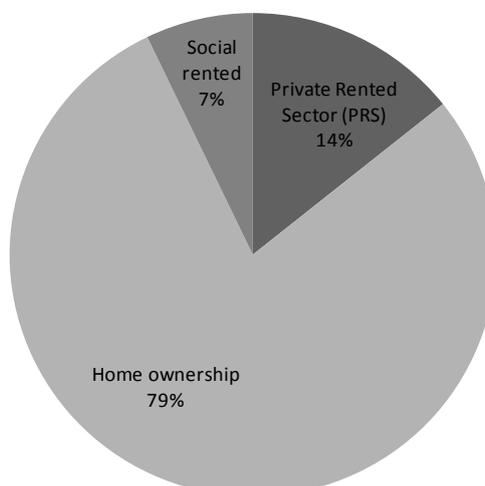
"It will continue to grow until it catches up with the owner occupied sector."

The availability of mortgages was raised as an issue which could determine whether the PRS would grow. One respondent believed that the concerns over the housing bubble from central government would mean that the Bank of England is likely to intervene making it harder to get a mortgage and therefore increasing the levels of those renting privately. There was a general sense from most officers that even without changes people would continue to find it hard to get a mortgage. One respondent did however mention government's help for potential mortgagees as a reason why the shift to the PRS might not continue at the same pace as over the previous decade.

"I think it will grow. There are concerns about a housing bubble and when the BoE intervenes it will become harder to get a mortgage."

A return of sustained job creation and economic growth were cited by several officers as a factor shaping the PRS. One officer thought that with economic growth likely to pick up we would not see the same recessionary effects which increased the level of private renting so rapidly over the last few years. However, another thought that as their city continued to grow housing would become more expensive thereby increasing the number of people within the PRS. In another interview continued wage stagnation (even with growth) and increasing house prices were cited as reasons why they expected that the PRS would carry on growing. The importance of the local labour market was shared by some officers. One officer thought the growth of the PRS would be related to jobs - especially more low paid work - but also related in their area to the expansion of homes for hospital workers. Another thought the PRS would continue

Which tenure do you expect to provide the largest percentage of new homes over the next five years?



to rise unless a major employer closed.

The decline of the social housing sector was also cited as a driver for the PRS to grow at the lower end. There was a concern that welfare reforms (in particular Universal Credit) could mean landlords might struggle to get rents in. The impact of RTB was touched on by two officers. One thought the best RTB properties were already sold which might slow the pace at which the PRS grows. Another thought RTB would continue to erode the number of social housing units still further.

Student housing was also mentioned. One respondent thought that whilst the student population would be static there would be a shift towards purpose-built accommodation which would suck in institutional and overseas investment. This was a cause for concern if traditional student areas were left to crumble. For another officer in an area with large numbers of students, the plateauing student population would mean overall PRS levels would not increase as fast.

New build housing was also discussed by some officers. One interviewee thought that the homes built were largely aimed at the PRS. However, another thought that the lack of available sites would constrain the availability of new homes which could be bought to let (universities in the city owned much of land but the

interviewee viewed student accommodation as separate from the PRS). It was also thought by one respondent that the growth was probably more likely through conversions rather than new build. In their area it was thought to be at the bottom of the market: housing people in properties the landlord could not sell; welfare reform (including the 'bedroom tax') which in their area meant people turning to the PRS as they could not find small enough properties; and the growth of HMOs outside the licensing scheme. This was echoed by another interviewee who thought that with low house price growth in their area institutional investment was unlikely. One respondent thought HMO growth was largely a 'big city issue'.

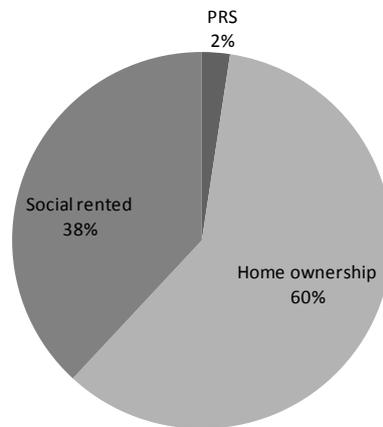
Population growth was also cited as a major reason for an increase with the number of new homes failing to meet demand or need.

"Low house price growth in poorer areas means probably less investor interest."

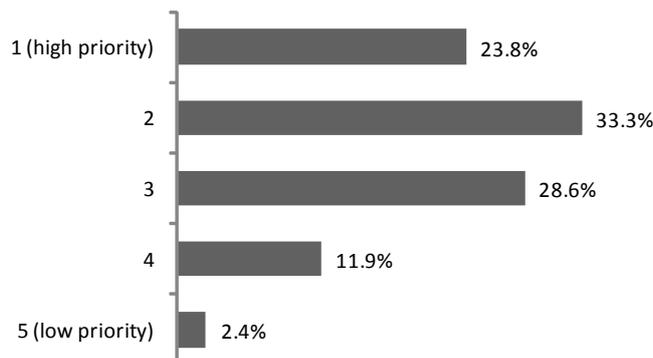
Local authority views on the PRS

In the online survey of councillors, few saw the new supply of PRS as a top priority (2%). Supplying new homes for owner occupation was deemed the top priority for most (60%), followed by social rented housing (38%).

What is the council's top priority for new supply over the next five years?



How important is growing the private rented sector to meeting local housing need?



Whilst the PRS was not ranked as a high priority for the supply of new homes as social rent or owner occupation, councillors did see the importance of the PRS in meeting local housing need and demand. When asked to rank how important they saw the PRS in meeting local need most saw it as a high priority (57%), while 29% saw it as a middling priority and 14% as a lower priority.

The views of councillors on how actively they supported the PRS were echoed in the telephone interviews. Officers gave mixed responses on how active their council is in promoting the PRS. In a number of cases the PRS had not been promoted at all but the local authority was now looking at ways to do so. Others however were not actively seeking to promote the sector but trying to improve management standards. Arguably most interviewed up to now were responding to the market rather than proactively trying to grow or shape the sector.

"We are doing it now, but haven't necessarily been doing it over the last decade."

"I don't think we have pro-actively promoted it"

"We probably only promoted the PRS during the last two years."

"We are supportive of good quality PRS accommodation to meet housing need."

"There is no point putting something in the plan (about PRS) if you don't understand what the mechanisms are to deliver the outcomes."

Joint working

One London borough was using their planning powers to promote PRS development by waiving the need to provide affordable housing under S106 agreements if PRS properties were a large part of the development. This was hoped to encourage institutional investors. The borough themselves were building PRS properties, which would ultimately be sold to institutions but not immediately. The borough had also jointly bid for the 'build to rent' programme in partnership with a housing association. A couple of other councils had also adopted a similar approach; one had established a vehicle to help build a few thousand PRS homes. The other after not actively promoting the sector (apart from running a homelessness prevention scheme) was now intending on providing private rented accommodation themselves. The focus for them was to try to make the PRS in their area more 'aspirational'. The council was also converting offices into flats not least because it was cheaper than new build.

This focus on 'aspirational' private rented accommodation was also shared by a council in Yorkshire. The local authority was considering a new-style PRS development with more security of tenure and higher standards. The aim was to let to a different clientele than traditional social renters because rents would be higher. The tenants would be drawn from young single professionals and couples and "not the traditional social tenant, otherwise you create benefit traps."

Others were trying to move with the market by founding a

'lettings partnership'. This aimed to bring tenants and landlords together, offering in some cases rent guarantees and others support for tenancies. This had created 80 tenancies so far. The strategy would also include how to bring empty homes into use.

"We have looked at needs and founded a Lettings Partnership- a flexible model to move with the market."

Larger landlords and institutional investors

There was a view amongst those looking to promote the sector (especially those encouraging institutional investors) that institutional investors and larger landlords would help to professionalise the sector and provide good quality PRS properties. This view was stated several times; that authorities wanted to promote good quality landlords rather than the sector as a whole. However, they qualified their remarks by highlighting the small proportion of homes let by larger landlords.

The type of institutional investor depended on the local housing market. One officer noted that their city would not attract large scale high-end institutional investment, but there was some potential for smaller mid-end schemes, funded by existing landlords. For another officer they had struggled to encourage institutional investors because the area could not offer the returns investors were looking for. One local authority noted that they were in active dialogue with PRS providers on particular sites, but that the sector was still dominated by small BTL landlords. Another thought there was a limit to what a local authority could do to promote institutional investors.

"Large landlords are the exception rather than the rule."

"We see the PRS as part of our mixed offer."

"We have always paid lip-service to promoting the development of new-build purpose-built PRS properties in our housing strategies...but what local authorities can do to achieve this is a different thing."

The market and national policies

Other officers described how the level of PRS homes and who lived in them were decided by external factors. One officer from a London borough said that in the past they had used the PRS to meet housing need but with the benefit changes and the overall benefit cap it's become inaccessible. Instead rooms are now let out to young professional people who can pay higher rents. Another described the opposite problem. One local authority in the West Midlands which had been trying to promote aspirational PRS had seen four London boroughs move people to their local authority following welfare reforms. Worryingly, from their perspective, the borough's were not checking the property prior to moving residents. For example a child in a wheelchair had been housed in a flat on the first floor with no lift. One borough has a full-time officer based in the region looking for accommodation, however, the other three boroughs were said to just "dump" people without any contact with the council.

Hostility to the PRS by some

Whilst there were positive views of the PRS by council officers

a number stated that their council were hostile to the idea of promoting the sector. One interviewee noted that the planning process did not recognise the sector and they had concerns about management standards. They also raised the issue of short-term tenancies that are not renewed (so rents can be raised), which leads to uncertainty about community buy-in by tenants and the amount of school places and GP facilities the council will have to provide.

Another officer commented that they had not needed to promote the sector, and that it had happened because of changes in the housing market. In their view members would not have wanted it to happen and intervention was now about improving standards. Another interviewee stated that their council was trying to encourage homeownership rather than the PRS which many members did not want to see grown.

"We have certainly not promoted growth. We attempted to deal with the abuse of the system."

"We don't promote it at all."

"We have got an empty homes strategy...but it's a drop in the ocean really."

"I do not think there has been much intervention at all. There has been a laissez-faire approach which has allowed it to happen."

"At best there has been marginal activity by ourselves – local authorities tend to have a suspicion of the PRS."

Strategic Housing Market Assessments and local plans

Councils are required to produce a local plan which sets out a future spatial vision for their area and a planning and development strategy. Councillors in the online survey were asked whether they were actively promoting the PRS through their local plan. Whilst a small majority stated they were, a significant minority answered that they were not. This might reflect the hostility to the sector outlined above or that some local authorities have only recently started to see or experience the PRS as a major tenure in their area.

The interviews with officers aimed to drill down on councils' local plans and Strategic Housing Market Assessments. Officer responses were split between having it in the SHMA but not in the local plan, or not having it in either, or that it is included in both but not as a separate tenure.

One interviewee noted that their local plan was in place but that it did not include the PRS, commenting that: "We should have got it in!" However they were undertaking another SHMA to find out how the PRS is being used and by whom. Although there was an assessment being undertaken there was however no real plan for the PRS.

For another council the PRS was included in their local plan and SHMA but as part of private housing. In one council's SHMA the PRS is taken into account but split between affordable housing and intermediate housing. Benefit-driven LHA level PRS provision is accounted as affordable housing supply and lower quartile PRS provision is accounted as intermediate housing supply to determine borough needs and targets.

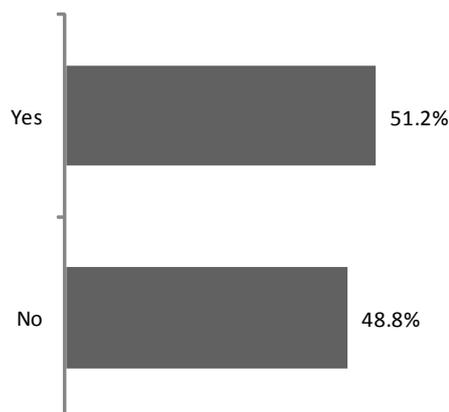
Others noted that whilst covered in both it was not done so in much detail and that they had more work to do to understand the PRS in their area. Some felt whilst they could assess need it was harder to increase provision. This contrasted with another officer who stated that there were no targets because it was happening anyway at pace. For them the focus was on shaping supply to encourage new build PRS and larger landlords to improve standards. This view was shared by others, although one noted that they would not underwrite institutional PRS investment.

One interviewee noted that whilst covered in their local plan, in their area PRS can be the most expensive option and so they would rather promote owner occupation. Another noted that LHA tends to standardise rents and therefore can de-incentivise landlords to invest in properties.

"It is mentioned both in the plan and SHMA"

"It does [figure in our plan] but it's lumped in with housing for sale."

Are you actively seeking to promote the private rented sector through your local plan?



"I do not think it does [figure]"

"We kept it out of the local plan because we are doing something anyway"

"It is certainly in the SHMA ... we talked to landlords as part of the work for that."

"In the local plan there is only emerging reference to the PRS and no specific PRS targets."

"No targets for additional PRS provision- no need when it's growing so fast anyway."

"It is covered but not as a planned number – part of private housing."

Who should the PRS be for?

In the online survey councillors were asked who they thought most homes would be created for. Councillors thought that most would be created for young professionals, followed by those on low-to-middle incomes and then families. Arguably the results show that most expect the PRS to meet demand from those able to pay highest rents, but also amongst those unable to get on the

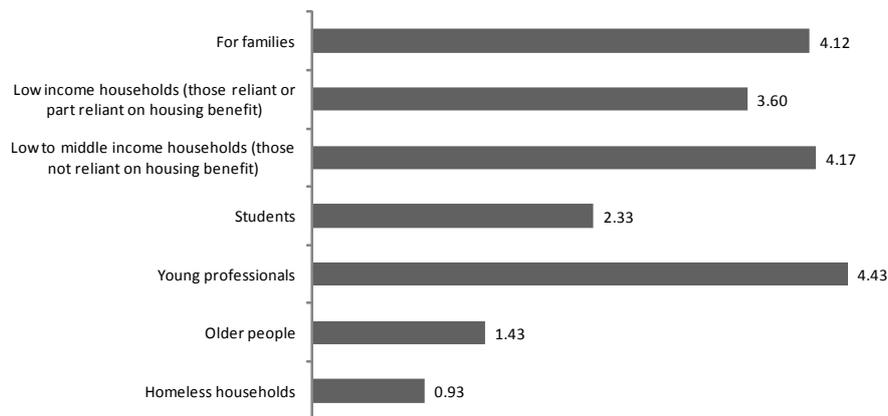
housing ladder (families and low-to-middle income households) and those unable to secure a social rented property (low income households). The strong response to families perhaps also shows the expectation that the PRS is changing in terms of who it houses.

Councillors were then asked who new homes should be provided for. Young professionals were much lower down the list. Councillors' preferences were for those with families, followed by low-to-middle income households and then low income households.

In the telephone interviews council officers were asked about which groups should be housed in the PRS. As expected, responses varied by place.

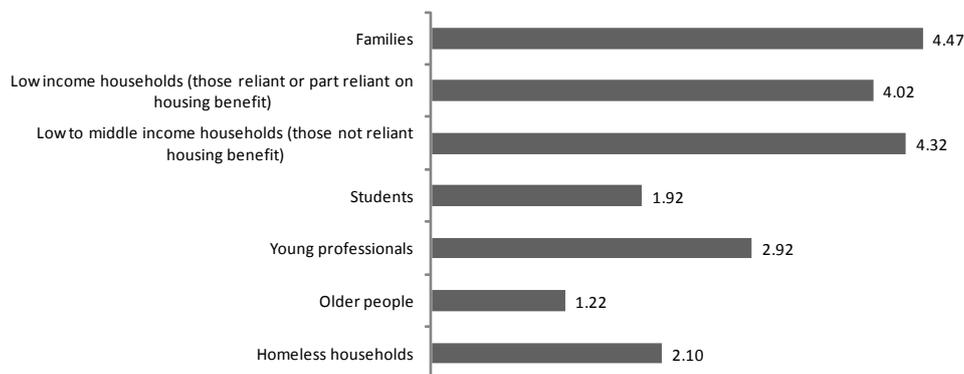
Some officers noted that the biggest proportion of PRS tenants were on housing benefit – around a half in one case. As one interview stated it was not the aspirational element of renters that dominated. This was echoed by another officer who suggested that urban professionals were a minority. They also suggested RTB should be reformed as so many ex-local authority properties were now let out to those on benefits increasing the cost to central government. An officer working for an outer London local

Without any change which groups do you think most homes will be created for in the PRS in your area?



NB: councillors were asked to rank each, numbers represent the average ranking – the maximum being 7 (with all councillors seeing it as a top priority).

In the council's view who should new PRS homes be provided for?



NB: councillors were asked to rank each, numbers represent the average ranking – the maximum being 7 (with all councillors seeing it as a top priority).

authority suggested that they had experienced a large increase in housing benefit funded PRS with a corresponding decrease in inner boroughs. This had been caused by the overall benefit cap and LHA not covering rents. In another area those affected by the Bedroom Tax were identified as a specific group reflecting the economy and housing market of the region in contrast to London. This had meant that single person households are the ones that the council is least able to re-house if they have to down-size. One officer in a low demand local authority in a less prosperous region said they would have to accept that the PRS would continue to house those on lower incomes because of the nature of the local economy. This contrasted with another London borough which had a leasing scheme, but landlords took back the properties because they could get higher rents outside of it.

Others took a more positive stance suggesting the PRS offered flexibility for a range of people, with different needs. One interviewee said that the PRS was part of the overall affordable offer in their high value area. This could cover a broad range of groups from young professionals, those working in the public sector and those in service industries. In contrast, for another it could also help provide homes for homeless.

Students were also listed as a significant group by some officers, but this depended on the student population of the area and

overall levels of PRS in the local authority.

"40% of the PRS tenants are on benefits-poor people... Urban professionals are a minority really."

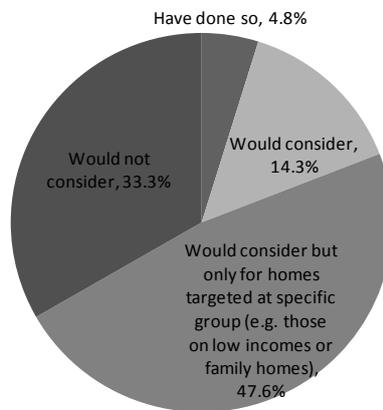
"I think as a sector it is very useful and flexible for a range of people ... a number of different needs ... homelessness protection, private sector leasing, health and other professionals."

"The PRS provides part of the overall affordable offer in a high value area like this."

The planning system and the PRS

Councillors were asked in the online survey whether they would consider relaxing S106 agreements for developments with a high proportion of private rented homes. A minority answered that they had already done so. However, more said they had not done so but were open to the idea. The largest response was those who stated that they would consider such an option but only if the housing was targeted at specific groups (e.g. those on low incomes or family homes). In total the majority would consider relaxing S106 obligations or had done so (67%) with a third saying they would not consider it an option. The vast majority (98%) did however have concerns that if S106 obligations were relaxed properties could be sold on after a short period.

Would you consider relaxing S106 obligations for developments with a high proportion of private rented homes?



Do you have concerns that if such S106 exemptions were given rented homes could be sold on after a short period?



In the telephone interviews some officers felt powerless to shape the PRS. Others thought the planning system could contribute. One stated that there was no "crock of gold in three years time" with PRS development as there is with home ownership, so flexibility is needed over S106 agreements. Others took an equally pragmatic stance suggesting proposals needed to be assessed "case-by-case" and that it depended on how best to support growth in new housing supply. One noted that they had traditionally used what contribution they got from S106 for affordable housing but in the future they might consider including PRS (a view shared in a several interviews). However, opinions overall varied.

The most positive response came from an officer in London who stated that their council took a proactive approach to planning and S106. Their council had pro-active engagement with developers at the pre-application and application stage on the PRS. They had already been flexible with S106 and had undertaken a joint venture with a housing association. In addition he thought that there should be a Use Class for the PRS which would help to really direct development. This was however a minority view, with others suggesting it should not be a separate Use Class.

One interviewee argued that there were three possibilities to support the PRS through the planning system:

First, there is scope within planning guidance for viability assessments to take account of the specific financial profiles of PRS;

Second, the required level of affordable housing on schemes could potentially be traded for more PRS provision- if there is sufficiently justified policy in place to support this; and

Third, the PRS could be designated a distinct planning 'use class' - however they were doubtful if the benefits of increased PRS justified this.

Others were not as enthusiastic, although by no means hostile. One interviewee argued that they wanted to achieve higher standards of build and insulation in all houses regardless of tenure. This was echoed in another interview (but they noted there should be in the design process - i.e. more en-suites in a PRS property than one for sale). However, they suggested this rarely happened unless an institution underwrote it.

Others were cool to the idea of either promoting the PRS or relaxing S106 agreements. One interviewee suggested that although they were actively working with the local enterprise partnership at a sub-regional level to see if there are viable schemes to build PRS schemes of 150 units or more, they would not be willing to lose the affordable housing requirement under S106. Another suggested that politically it was not popular to promote the PRS; and that the council anyway wanted to deliver homes for sale so that as people moved up they did not move out of the local authority. One interviewee suggested that their council took a laissez-faire approach to planning arguing that the market

should influence supply. And another noted that social housing for some time had been of a better quality than the PRS.

Others stated that they would only intervene in the case of HMOs; one argued that this is because of potential traffic issues. In a couple of interviews it was suggested that the main barrier was the lack of available sites.

"The system should make sure new-build of any tenure should be quality."

"Our planners are in the camp that says there shouldn't be a separate Use Class for the PRS."

"We wouldn't want to lose our 30% affordable housing requirement by pushing the PRS."

"We are not politically at the stage of pro-actively growing the PRS."

"Generally speaking the tenure of the housing is not a consideration."

Councillors were also asked about the criteria, they use to assess planning applications involving PRS provision. Answers followed similar lines to the previous questions about whether councils were promoting the PRS through the planning system.

For the majority of respondents they did not have any criteria with the PRS classified as the private sector or they would not assess the PRS differently from any other tenure. The main criteria were not about tenure but affordability, sustainability, overall housing capacity and location (to transport, infrastructure etc).

There was also some hostility again to the idea of substituting affordable housing for PRS provision under S106. Some however stated that they did promote the PRS through S106 as outlined above. Others did not currently have any criteria, but noted this was changing with the growth of new build PRS housing.

"We haven't any criteria. It's all just private sector."

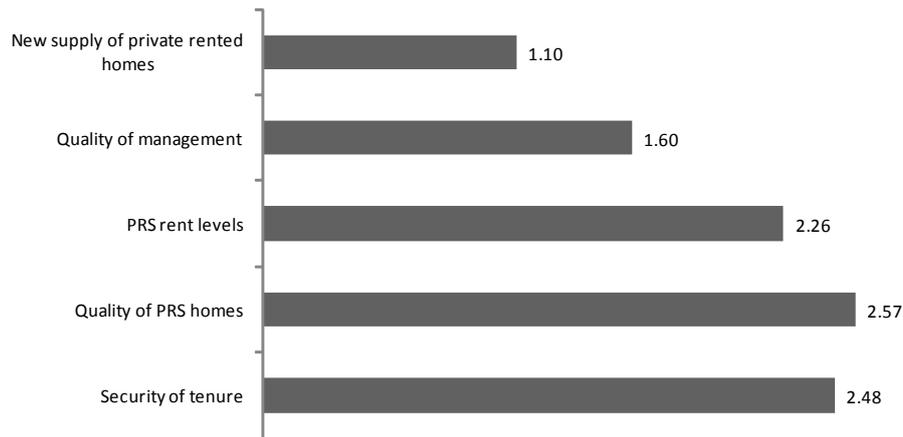
"We would not assess them differently from any other tenure."

Quality and management of the PRS

One of the concerns officers raised when describing the growth of the PRS was the quality of the stock. This is perhaps not surprising when official data from the English Housing Survey indicates that PRS properties are more likely to fail the decent homes standard.

To examine this issue in more depth councillors were asked to rate their biggest concerns in regard to the PRS. The survey shows that councillors were most concerned about the quality of homes in the PRS followed by security of tenure and rent levels. Provision of new supply was seen as the lowest priority for those surveyed.

Which of the following issues are of concern in the private rented sector in your area?



NB: councillors were asked to rank each, numbers represent the average ranking – the maximum being 5 (with all councillors seeing it as a top priority).

Councillors concerns about the quality of housing was also reflected in the interviews with council officers. For the most part officers were concerned with the bottom end of the private rented market. Wealthier tenants and students were thought more able to secure a better deal. As one officer noted the market had helped as rents have increased so people are less willing to pay for poor quality properties and landlords have more funds to invest in their properties.

The general view was summed up by an officer in Yorkshire. He stated that they had a vibrant city-centre market and student market where the customer had driven up standards. However, his main concern was in poorer quality housing which was let to those reliant on housing benefit ('benefit driven' PRS). With many low-income households priced out there was also growing concerns about overcrowding.

Some were concerned about student housing because of high concentrations in some areas leading to problems within communities. They also suggested that many low income households in the PRS were also concentrated together (i.e. not mixed communities) and landlords failed to deal with ASB issues.

Concerns also included rogue landlords and the lack of knowledge councils had about them (although some outside the capital thought the problem was not as bad as London's "beds in sheds"). This was also said to be an issue by one officer who was concerned about hostels, including gang master hostels. Some landlords became charities and registered as private registered providers to escape licensing. A couple of officers stated that they had received 'Rogue Landlord' funding from DCLG. However, others thought that rogue landlords were not as big an issue in their area and a significant number were more concerned about incompetent/unaware landlords – often small or 'accidental landlords'.

Concern was also raised by a few officers about the specific issue that flats over shops pose, mainly because they tend to have one entrance/exit so there is an inherent fire safety risk (especially over fast-food outlets). They were also said to be characterised by cash transactions ("no questions asked") and often house

migrants (including illegal immigrants and those who have been trafficked). One interviewee argued that it was difficult to prosecute because "they were just under the wire", so even if rogue landlords were identified it might not lead to a prosecution. Another officer in the North West stated that the most problematic PRS housing was older stock, generally terraced housing built before 1919.

Others were more positive, with one respondent noting that standards in their area were improving due in part to HMO licensing and a taskforce to combat 'beds in sheds'. Others stated that their main efforts were concentrated on overseeing HMOs. In one seaside area HMOs were a particular concern for seasonal and migrant workers. HMOs were also raised by another seaside town, with concerns over B&Bs being converted into HMOs. One officer stated that his council had a good dialogue with a group of landlords, but that it was more difficult getting tenant engagement because of mobility. One also mentioned problems with illegal evictions.

"We have a vibrant city-centre market which doesn't concern us; the customer drives that market, the student market is the same though HMO licensing has helped...but students and parents drive the standards."

"What does concern me is the poorer quality housing- mainly benefit driven."

"We have concerns because it is a sellers' market and there are some landlords who are less than desirable."

"Historically standards have been poor but... they are improving."

"I think there are very different sides to the PRS in the borough. The stuff let to young professionals is not a concern."

Officer views of local politicians perceptions of the PRS

Officers were also asked about local politicians views of the PRS. There was a sense from some that councillor perceptions of the PRS were often driven by complaints about poor quality

homes and management (and by implication that views were based on the quality of provision at the bottom end).

Poor quality PRS was seen as a major political issue for a number of councils. One officer noted that the PRS was: "at the forefront of political thinking" with officers receiving more emails from members about the PRS in low market areas. One officer said this has resulted in members showing leadership and supporting efforts on enforcement. There was support from one London council for the London Landlords Accreditation Scheme, and others ran their own voluntary schemes. Some councils were also considering additional and selective licensing schemes. Another had a letting agency for those with needs but who are not technically designated as "vulnerable". However, one officer noted that politicians needed to feel that the PRS was improving and under control before they discharged their homelessness duties to it.

Whilst there was political support for enforcement of standards some noted that some members did not like the PRS because it was not seen as a solution to long waiting lists for social housing. Others thought councillors had adopted a pragmatic approach either because they could not "wish the PRS away" or they saw it as a necessary evil. However, one officer thought their members did not want to demonise the sector but wanted greater control and better regulation of standards. One officer thought the sector did not sell itself particularly well, and was often characterised by the poor quality homes. The PRS for many members also did not compare well with the affordable rented sector. One officer thought that BTL landlords were seen as amateurs. However, another officer said that whilst perceptions of poor quality homes had negatively influenced members' views of the PRS this view was changing, not least because a lot of them were landlords!

"It does cause us concern in certain sectors."

"Definitely [current performance] colours the views of members about its future role in strategy: the PRS doesn't sell itself."

"They don't like it [the PRS] because it's not seen as solving any of our problems with our 22,000 waiting list."

"They [leaders and members] believe that everyone has a right to live in housing of good quality regardless of their circumstances... the leadership are more than supportive over enforcement."

Selective and additional licensing schemes

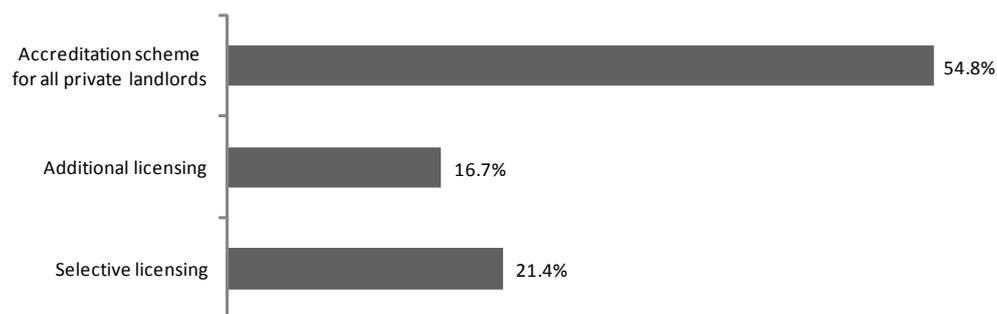
Since 2004 councils have had the discretionary powers to extend licensing to a wider group of HMO landlords (additional licensing) and to all landlords in a particular area (selective licensing). Councillors were asked whether they would consider making use of these powers or introducing voluntary accreditation schemes. Respondents were most likely to be considering accreditation schemes for all private landlords, although some were considering selective licensing and relatively few additional licensing.

In the interviews a few stated that their local authority had selective licensing. These were in low demand areas (apart from one area) which had empty homes, high unemployment, suffered from crime, community tensions, and there was evidence of irresponsible letting. One officer in the North West whose council was in the process of consulting on selective licensing noted that there needed to be very strong political support for more enforcement (given strong opposition from private landlords). In one case the officer thought that licensing had improved the area and as a result a housing association is now planning to build there.

Other officers commented on the introduction of additional HMO licensing. One council which did not have selective licensing introduced additional licensing which included student areas and older housing areas, with the majority of non-mandatory HMOs covered. It was introduced following evidence of serious problems and to ensure landlords were proactive in dealing with such problems. The council also backed a landlord accreditation scheme as well, with both unified under one kite mark. For another officer regulation should favour good landlords and penalise bad ones (e.g. with discounted HMO fees for those who register voluntarily). Some argued that licensing and accreditation could help improve the reputation of the sector and therefore help encourage further investment.

However, three officers noted that the process of setting up selective licensing had proven very bureaucratic. One officer

Is your council considering broadening the licensing and regulation of the private rented sector in regard to the following?



thought that the legislation for applying for selective licensing was inadequate with the burden of proof too high. Another noted that they were in "the long, drawn out process of consulting".

For those officers who had or were in the process of introducing additional or selective licensing there was generally thought to be no or little trade-off between regulation and supply. One officer cited Germany as an example of having effective regulation and a strong PRS sector. For another higher standards and longer tenancies helped provide stable rental streams and reduced maintenance/management and void costs. This benefited both landlord and tenant. Another officer stated that evidence following the introduction of selective licensing in their borough demonstrated that there was no trade-off. They noted that the fee was minimal and standards set were those all landlords should meet. Costs would only rise if landlords were caught without a license. It was thought that most landlords are reluctant to spend money on properties and will only do so if pressure is applied. This was a not a universal view and others thought that there was a trade-off. One officer believed licensing would impact smaller landlords who needed support. Though one officer wryly commented that most councils could not afford to implement excessive regulation. Another also stated that fees (particularly in smaller authorities) was not enough to cover enforcement, and with budget cuts it was becoming harder to justify resources targeted only in one area.

A commonly held view in the interviews was that the main issue was amateur landlords who found it difficult to manage properties because of a lack of skills and knowledge. One officer commented that the council tried to help initially before turning towards enforcement. This approach was shared by another who thought that there are some good landlords, some rogue landlords and lots in the middle. It was said on several occasions that whilst rogue landlords were being tackled more needed to be done to support and provide information for the ones in the middle. The need to support landlords was a view shared by an officer in a council that had adopted selective licensing. They thought that regulation was only one part of what they did; councils also needed an open dialogue with landlord associations and groups and with government and the LGA.

"We want to pro-actively support landlords by disseminating information about roles and responsibilities."

Other councils did not have additional or selective licensing schemes in place. One officer said their authority did not have the resources to operate such schemes. Another thought it was a waste of time and resources to inspect the majority of landlords who were doing a reasonable job and efforts should be concentrated on the bad ones. They also noted that licensing would cost money which would result in higher rents. This was echoed by another interviewee who highlighted the cost of selective licensing and suggested accreditation was more effective than licensing (however one officer whose council was in the process implementing a landlord accreditation scheme thought that the good landlords did not have much to lose but the bad ones would avoid the scheme). One council in the North West was looking at ways to improve consumer control, including

internet sites where tenants can rate their accommodation (akin to TripAdvisor). Others preferred to work with landlords. One officer from a council whose selective licensing scheme was coming to an end wondered what would come next with residents concerned that their area would experience problems the scheme had addressed.

Officers also thought that regulation should be integrated into their overall PRS strategy. One officer was emphatic that regulation was seen as part of an integrated sector, but that improvement was needed as to date the emphasis had been focussed on HMOs.

"Most landlords are reluctant to spend money but if we are on to them they will do it."

"Amateur landlords find it difficult [because of lack of skills/knowledge]...we try initially to help them but if that doesn't work we move towards enforcement."

"We see regulation as just one part of what we do. We have opened a dialogue with landlord associations and groups. We see the PRS as a key component. We work closely with Government and the LGA."

"Most responsible landlords don't see a problem with achieving our standards."

"We cannot tolerate dangerous, poor properties in our area."

"Our regulation is not unreasonable; it simply requires landlords to operate as they should be doing and provide a satisfactory service to tenants."

The impact of HMO licensing

Views on the impact of HMO licensing were mixed. Some thought it had driven up quality standards. Others thought that the impact was minimal, not least because of the lack of resources.

Those who viewed HMO licensing positively thought that they had registered the majority of properties. One officer stated that their council had spent the licensing fees on more licensing staff so that they could monitor effectively. It was noted by one officer that a lot of time and resources had gone into registering the vast majority of landlords. For another the money raised through fees had not covered the cost of the scheme.

Others had mixed views about how it worked. Concerns ranged from the threshold of registration in terms of number of bedrooms being too high; the process being complicated with too many loopholes; fines for non-compliance being inadequate (treated by landlords as a business expense); and reducing the supply (HMO landlords housed people who would not be housed otherwise). It was also thought that in the case of student accommodation that it was becoming less important given the numbers of purpose built accommodation. Other concerns were that tenants were fearful of complaining in case they were evicted and (as mentioned before) some landlords had registered as RPs to avoid HMO licensing.

A small group however thought it made little difference or the impact was negative. One officer in London suggested that less than 50% of HMO landlords were probably registered. Another officer thought it had not been a success because of the opposite reason. Whilst most landlords had been registered they felt HMO licensing had diverted a lot of resources from the very worst landlords. They believed the worst landlords had been dealt with by previous regimes and that the administration demanded under the current legislation was very burdensome.

In response to questions about how councils monitored and enforced HMO licensing, officers in the main stated that they targeted particular areas and used available data. Councils were using various data sources such as tax records (including council tax), surveys, census data, information from the probation service and ASB unit, conversions to HMOs, visits and following up complaints. One officer also noted that additional licensing and selective licensing could deliver economies of scale for enforcement.

"We have most people [covered]."

"We are finding it harder to find properties now."

"It's been a significant bonus in terms of quality."

"Yes it has helped and yes we have the vast majority licensed. It has been a long process."

"How do you hope to find every HMO in the city?"

Resources to supervise the PRS

It was generally agreed by council officers that they did not have sufficient resources to supervise the PRS, whilst views were mixed about promoting future supply (with some suggesting they did not need to promote PRS and others concentrating on enforcement).

Whilst not feeling they had enough resources, one officer thought that the council leadership had responded to calls for investment, that the New Homes Bonus funding had helped, and that new approaches were required (they were talking to DCLG about self-regulation). In another couple of interviews officers also said that whilst they could never have enough resources their leadership had prioritised funds for enforcement. Officers who took a more positive view on resources also mentioned working with neighbouring authorities; that licensing fees helped; and accreditation saved money that would have had to be spent later down the line.

However, the majority thought they did not have the resources to adequately do the job of enforcement – with fewer mentioning the promotion of the sector. For one officer the lack of resources meant they only fulfilled their statutory duties (although money from the Rogue Landlord fund and the public health budget have helped to reduce 'category one' hazards). A couple of officers mentioned that that HMO registration fees were restricted in how they could be used and expectations about fee income were unrealistic. The lack of resources meant the level of enforcement suffered. This was a view shared by another officer who thought HMO licensing and registration fees should be higher to ensure the

schemes were self-funded. Another officer thought that the council should be able to charge for issuing Housing Health and Safety Notices to raise revenue, and that the relaxation of requirements for introducing selective licensing would also aid scalability.

It was also noted by one officer that additional licensing would be attractive to members if they had the resources (and called for a national registration scheme). This meant those in most need of protection suffered. For this officer they did not need to promote future supply given its growth and current levels in their local authority. However, for one London council with high levels of private renting their selective licensing scheme was to be self-funded, including upfront costs such as IT.

Another officer was more bleak suggesting that the private sector will soon only interact with the council via the planning system. With children's services being cut they thought other areas, including enforcement of housing standards, would suffer too. This was a view held by others who suggested that whilst the PRS was growing, resources were being cut (and not ring-fenced), and that there was fierce competition for resources between council departments; one officer noting that housing was seen as less of a priority than education or health.

"I don't think there is a local authority officer in the country who says we have sufficient resources."

"We need a strategic aspiration for the PRS."

"The core problem is the growth of the sector and lack of funding. Vulnerable people suffer in spite of public funds going in [via Housing Benefit]."

"If you are cutting children's services you'll be looking for other areas to cut."

"The Council has put additional resources in. We see this as a priority area."

"No, but licensing is a targeted use of resources, getting the sector to pay for its own registration in a way."

"Our resource for the private sector has shrunk significantly in recent years – we only fulfil statutory responsibilities."

"It gives us very little flexibility to consider new initiatives for the PRS e.g. refitting and energy use."

"There are worries – there are more cuts coming ... it will affect the safety of people in that [PRS] accommodation."

"The PRS is growing exponentially but we have had a diminution of resources."

Central government actions and local authorities: regulation, rents and security of tenure

In the online survey councillors were asked for their views on rent levels in the PRS and security of tenure. Almost all councillors thought that rents in the private sector would rise over the next

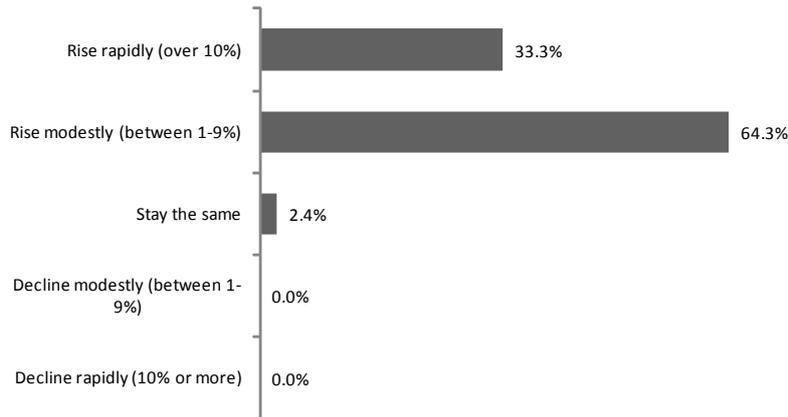
two years, with 33% thinking they would rise rapidly – by over 10%. The vast majority of councillors thought that rents in the PRS would rise more rapidly than in the social sector.

Councillors were then asked about their thoughts on regulation of rent levels. Responses were split fairly evenly between those who thought rents should be decided by the landlord (the current policy); those who thought rises should be capped by regulation during the tenancy (Labour’s proposal); and those who thought they should be capped on entry (a return to rent controls). This would suggest that

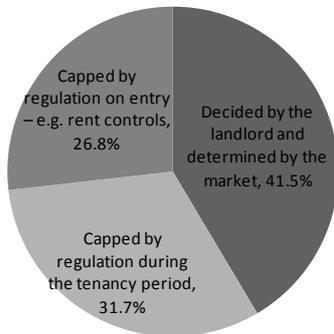
respondents to the survey were overall slightly in favour of further regulation. The vast majority of councillors also thought that if regulation on rent caps were to be introduced their level should be determined by local rather than national government.

Councillors were also asked about minimum tenure length. Most respondents thought that tenure length should be extended (79%), with the largest number suggesting a modest increase to one year. A third of respondents thought however that minimum tenancies should be extended to 3 years or more.

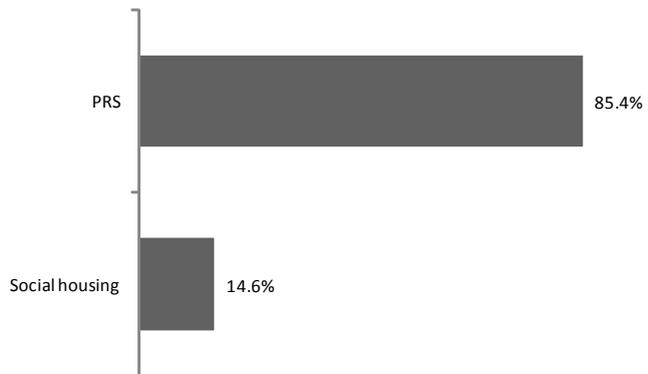
Over the next two years, do you think rents in the private sector will:



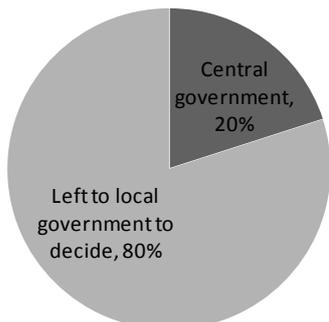
Do you think rent rises should be:



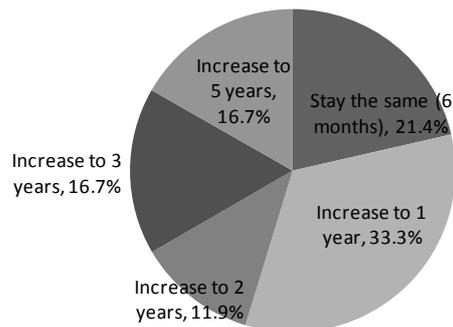
In your area, do you think rent rises will be higher in the PRS or in the social housing sector?



If there were caps or rent controls should they be set by:



By how much do you think minimum tenure length in the private rented sector should be extended?



Officers were asked about what could be done by central government to make managing the sector easier for local authorities. Responses were split into three main areas: rents; tenancies and regulation of the sector.

For most officers, like councillors, it was thought that tenure length should be extended. One officer thought that it was important to create a sense of stability amongst tenants and, even if tenancies were renewed, a six month assured short hold tenancy was not long enough. Another thought that longer tenancies with controls on rents within the tenancy period could give additional security to tenants, although they thought that rent controls were unlikely to be reintroduced. The officer thought that in the past rent controls led to poorer quality homes and to the decline of the PRS. However, they thought that policy had shifted too much the other way with a lack of security for tenants. For another interviewee this was a particular issue for families. Whilst some people liked shorter lets those with families should have the option of a five year tenancy. It was also suggested that security of tenure was the biggest issue from the tenant perspective, and it often put people off from entering the market. Longer tenancies were also thought to benefit the landlords. One officer thought that whilst tenancies should be extended it should be balanced so as not to kill the market.

The second most common response from officers was a call for additional oversight of landlords. A number of officers thought there should be a national landlord registration scheme as a way of managing the sector better. This was happening in Wales and Scotland yet not much was heard about it in England. A national register would enable local authorities to ascertain who owned what and who was actually responsible. This information could enable more efficient means of enforcement as well as the opportunity for local authority and landlord to develop a more positive relationship, particularly for smaller local authorities who lack the resources to investigate ownership issues. Another believed that it should be impossible for a landlord to receive housing benefit without possession of a valid gas safety certificate (this view was shared with one saying that whilst housing benefit at present was predicated on the tenant however as the landlord was the recipient of the public funding housing benefit should also be linked to the standards of the accommodation). A third interviewee thought that there was little regulation of landlords compared with other industries - there should be a license for all landlords and withdrawal of the license should be a serious matter (one officer also suggested introducing significant fines for non-compliance). One officer in the North West suggested government could work with local authorities and other housing professionals to develop a national set of housing standards for the private rented sector as well as within the social rented sector. This would mean that the PRS would be subject to similar standards as the social rented sector.

Others thought that there should be better engagement with the sector rather than just additional regulatory powers. Another officer supported mandatory regulation but thought the good landlords should manage themselves and efforts should be concentrated on the bad landlords rather than introducing licensing across the piece. However, one officer felt it was too

difficult at present to prosecute landlords, and that they had no budget to do so. They also thought rent repayment orders could be expanded for non-compliant HMOs, or other licensing, especially when the rent is paid from public funds.

Rents were directly mentioned by a few officers. For some, in particular those in high-demand areas, rent levels were a concern. They were a concern in terms of affordability for tenants and more broadly in regard to the fact that high values meant that those looking to buy were being forced out of the local authority area. Rent controls were mentioned with most officers not in favour. It was said, for example, that the PRS was a "business for landlords" and government needed to be careful not to discourage investment. However, for one officer in London rent controls were the only way to keep levels affordable. For another officer rent levels were seen as fairly stable and not a particular issue in their area. One officer mentioned housing benefit and rent levels. In their authority there was a single local housing market area and in some areas LHA is higher than market rents, and this needed to be dealt with. Another thought more could be done to ensure value for public money from housing benefit in terms of the quality of housing provided - it was commented that public funds should not be spent on those who are unable to provide an unfit home. While one officer stated that social housing offered better value.

A couple of officers thought that there should be tax incentives for those offering longer tenancies or stable rents. One officer also thought that greater acknowledgement was needed from government about different housing markets needing different schemes (e.g. the 'Empty Homes Programme' does not work in many parts of the country whilst the affordable rent level is actually higher than the LHA in some local authorities). There were specific calls from officers for reforms, including: measures to deal with retaliatory evictions; mandatory enforcement of the Protection from Eviction Act to remove inequalities; remove, or severely restrict, the requirement to pay compensation to landlords in respect of prohibition orders and energy prohibition orders; reintroduce the single housing pot for private sector housing; and direct payment of housing benefit to landlords.

"I think security of tenure; making that stronger would really help...I can't see rent controls coming in again."

"With a two year tenancy there could be some sort of control over the rent."

"Additional security of tenure for families but others need the short lets."

"We need a landlord registration scheme. This is fundamental if we are to manage the sector better."

"I think the thing which is lacking is a proper licensing of those who manage the PRS - there is more regulation for running a pub - you licence the landlord and the premises"

"More people will have to rent so government has a role to ensure that properties are properly maintained and that tenants

feel safe in their properties."

"The security of tenure issue and options to have longer-term tenancies are thing we'd like to see promoted."

"Let the good manage themselves and work on the bad not like the Newham approach²³... Getting licensing introduced is a very bureaucratic process."

"It [PRS] is a flourishing sector. The rents are outstripping inflation."

"We are very worried about the lack of construction of proper affordable housing. The money going in benefits to the PRS is a huge waste of resources."

Housing associations, institutional investors and future investment in the PRS

With the growth of the PRS there has been increasing interest in how institutional investors can be encouraged to invest in the sector. In 2011 the Coalition established the Montague review to examine how government could encourage investment in the PRS. On the back of the review DCLG set up a private rented sector taskforce and the HCA now runs the Build to Rent Fund. The fund aims to share risk or provide bridge finance for schemes, and is fully recoverable. In addition the government has also established a £10 billion PRS housing debt guarantee scheme:

"Offering housing providers a government guarantee on debt they raise to invest in new privately rented homes. This will help to reduce their borrowing costs, increasing the number of homes they can afford to provide."²⁴

The interest in institutional investors and larger landlords has

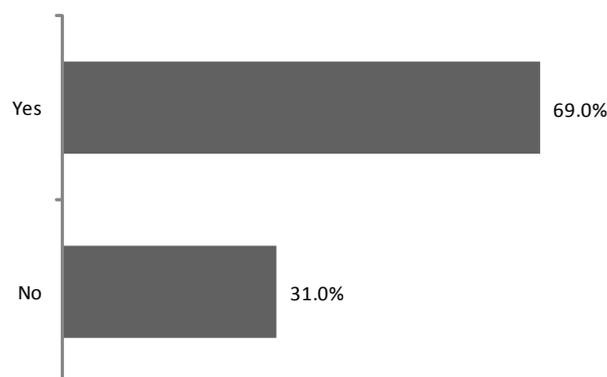
not just been underpinned the desire to lever in private finance to develop purpose built PRS properties (helping stimulate development and meeting demand) but also because there is a widespread belief that larger landlords could help professionalise the PRS. According to the Rugg Review "increasing the numbers of corporate landlords or increasing the use of managing agents would effect better management standards."

There has also been increased interest by housing associations in providing PRS housing and also how local authority pension funds and other institutions could invest in rented accommodation. However, not all investment has been viewed favourably with growing concerns about the level of overseas investment in the London prime property market leading to even higher house prices and rents (although it should be noted that much of this concern has been directed at those who leave homes empty).

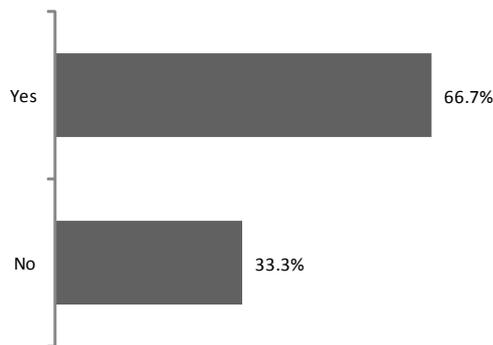
Councillors in the online survey were asked about their views on attracting larger landlords to build and manage private rented housing. Most respondents were keen to attract larger PRS landlords (69%). Councillors in the main also saw housing associations as significant providers of private rented sector housing (67%) and thought that the provision of PRS housing by associations would increase (62% said it would increase and 12% increase significantly). However, councillors thought that investment by housing associations should mainly focus on social rented housing and then low cost home ownership. Councillors felt that private rented housing should be a lower priority overall for social landlords.

These issues were also picked up on in the interviews with officers. Views were mixed about the role of housing associations although most were keen to see institutional investors in the PRS. In general officers had more positive views about institutional investors and larger landlords than smaller (often BTL) landlords.

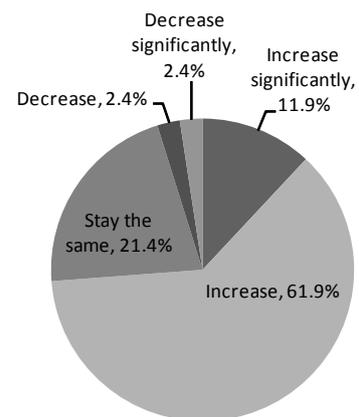
Are you keen to attract larger landlords to build and manage private rented housing?



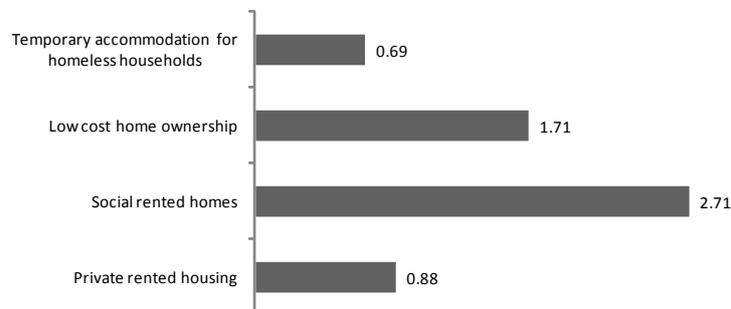
Do you view housing associations as significant providers of private sector housing?



Do you consider the future (next five years) provision of PRS by housing associations to:



What do you think housing associations should focus their new investment on providing:



NB: councillors were asked to rank each, numbers represent the average ranking – the maximum being 4 (with all councillors seeing it as a top priority).

There was the view among a significant number of officers that most funding would continue to come via BTL. As one officer noted: "I don't see the BTL mortgage market going away." One officer from Yorkshire felt that if house prices continued to rise then individual landlords might start to invest again in BTL mortgages. The return of BTL market was not a universally held view, with one officer stating that it had run its course.

Overseas investors were mentioned in several interviews. For some officers in London this could be a cause for concern as they were not confident that properties bought were rented but instead left empty. A couple of officers thought institutional investors were at present only likely to invest in purpose-built student accommodation in their area. Others were concerned about institutional investors whether they were from overseas or not. One councillor thought institutional investors would simply not take the risk funding the development period. Another officer in the West Midlands thought they would struggle to attract institutional investors to their area but that could change. This was also a view shared by an officer in the East Midlands who did not see "people falling over themselves to do it". A council officer from Yorkshire also noted that they had tried to secure Homes and Communities Agency funding for build to rent but were unsuccessful as the yields were too low.

Views on housing associations as major players in the PRS were

mixed. A few officers were positive noting that housing associations were starting to become more interested in providing PRS properties. One officer felt that housing associations had the capacity and capability to undertake big developments. This was shared by an officer from a London authority who thought housing associations and institutions will be the big investors (they also thought the BTL market had gone as far as it could go). Some officers also commented on the size of housing associations. Both were said to have much to contribute to the private rented sector longer term. Whilst large providers were valued because of their ability to provide economies of scale and capital investment, smaller housing associations were thought to have a particularly strong and valuable role in place shaping, working alongside local authorities because they had a stronger commitment to a specific area (a 'duty of care' as one participant suggested). However, when it came to housing associations intervening in the PRS, there was a presumption that the bigger ones would be more able to take on the risk of PRS whereas smaller housing associations may prefer to operate within the social rented sector.

A few local authorities suggested that housing associations could help to improve management standards through lease schemes. Housing associations tend to have a good reputation among potential tenants because of brand recognition or simply because housing associations are associated with high standards of tenant management and care. Some interviewees also commented that

on a complex of private rented accommodation, there are great advantages in having just one landlord (who either owns or leases the management). As an officer noted, one landlord meant that tenants and their neighbours knew who the landlord is and who to contact if something went wrong.

Another officer however thought that housing associations were not overly keen, but the council would like them to enter the sector and set trends and standards. This view was shared by others in low income housing areas who argued that they had found it hard to engage housing associations in a discussion about their future involvement in the PRS – simply because it was difficult financially to make this kind of investment work in their low value property area.

However, a number of officers did not see housing associations as being the main source of investment. One officer whilst noting interest from housing associations doubted whether they would build at scale (they were also sceptical about institutional investors investing “big money”). This was felt to be the case by another who felt that purpose built PRS schemes (who ever was investing) were modest and the scale of institutional investment was still uncertain. This view was shared by another interviewee who thought it was not happening despite the hype (although he did think housing associations were a better bet). A minority (like councillors surveyed) did however think that housing associations should be focusing on intermediate and social renting rather than on private rented housing.

As with institutional investors, officers also brought up the issue of where and what types of properties housing association might build and rent. One officer in the greater South East thought that housing associations might be interested in the PRS but only where there was a market which would guarantee a decent return. Another officer felt that housing associations were looking at the intermediate rental market while commercial developers wanted to push rents to the absolute limit.

Local authorities were also mentioned as potential players. One officer however thought that whilst they had building programmes they did not have the funds to build at scale. Another cited Newham as an interesting example of what local authorities could do. Newham has set up Red Door Ventures which aims to build 3,000 units over 13 years for renting.²⁶ Another council was considering establishing a housing company to build and run PRS properties. One officer from the East Midlands noted that their ALMO was considering letting at market rent. The proposal had gained political support because it aimed to improve standards.

“We are seeing a lot of overseas investment. People buying whole floors for investment.”

“I don't see housing associations [being the main source]”

“I think we will see housing associations taking an interest in the PRS.”

“The trouble is these people [institutional investors] don't want to take a risk or to fund the development period.”

“I do not think housing associations should be getting involved.”

“I think that housing associations are the one's able to do big developments...I think they will be the major players.”

“Local authorities have their building programmes but I don't think they have the funds.”

“It is housing associations and institutions that will be the big two.”

“I think up here housing associations might be a good source of money for new PRS properties.”

“The majority will continue to be individual BTL landlords.”

Appendices

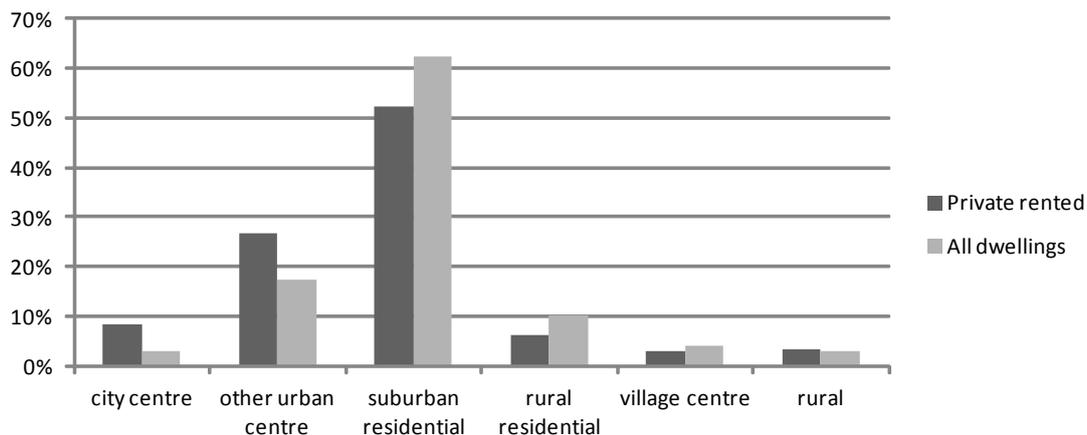
Appendices

Appendix 1: Survey questions for council officers

1. How has the PRS grown in size in your local authority area compared to the other main tenures (home ownership and social renting) during the past decade?
 - a. What do you believe are the main reasons?
2. How rapidly do you expect the PRS to grow during the next decade?
 - a. What reasons would you give for your assessment?
3. To what extent have you as an authority promoted growth in the PRS during the past decade?
 - a. What approaches are you taking or do you plan to take, if any?
4. Does the PRS figure in your local plan and/or your Strategic Housing Market Assessment (SHMA)?
 - a. If so please give details.
 - b. Have you assessed the numbers/types of PRS properties that will be required going forward and made provision to achieve those numbers?
 - c. Which do you see as the main groups who should be housed within the PRS?
5. How do you believe that the planning system can contribute to new supply of suitable PRS properties and to standards in the PRS going forward?
 - a. What about s.106 agreements?
 - b. Pro-active work with developers at pre-application?
6. What criteria do you use to assess planning applications involving proposed PRS provision?
7. To what extent does the condition/suitability/management of the PRS in your authority give you cause for concern?
 - a. Do certain sub-sectors cause you particular concern? To what extent are "rogue landlords" a concern for your authority?
 - b. How do perceptions about current PRS performance influence your view of the role of the PRS in future housing strategy?
8. Do you operate a selective or additional licensing scheme under the Housing Act 2004?
 - a. If so please give brief details about what led you to introduce the scheme and its scope.
 - b. Do you believe that there is a "trade off" between raising standards in the PRS through regulation and reducing the incentives for landlords to enter/remain in the sector and promote new supply?
 - c. To what extent do you see your regulatory role as part of an integrated approach to promoting and managing the PRS in your authority?
9. How would you assess the impact of HMO licensing in your authority in terms of housing condition, management and the overall supply of HMO accommodation?
 - a. What percentage of HMO landlords who are required to register have now registered under the scheme?
 - b. How is this monitored?
10. In the current climate of austerity, do you believe that you have sufficient resources to supervise the PRS and to promote future supply?
 - a. If not, what suffers?
11. In what ways (if any) do you believe that Government could act to make the management and promotion of the PRS easier for local authorities?
 - a. Rent stabilisation/additional regulation/landlord registration/additional security of tenure/establishment of a Decent Homes Fund?
12. Where do you believe the majority of new investment in the additional supply of PRS homes will come from?
 - a. Housing associations/other institutional landlords/individual landlords/buy-to-let landlords?

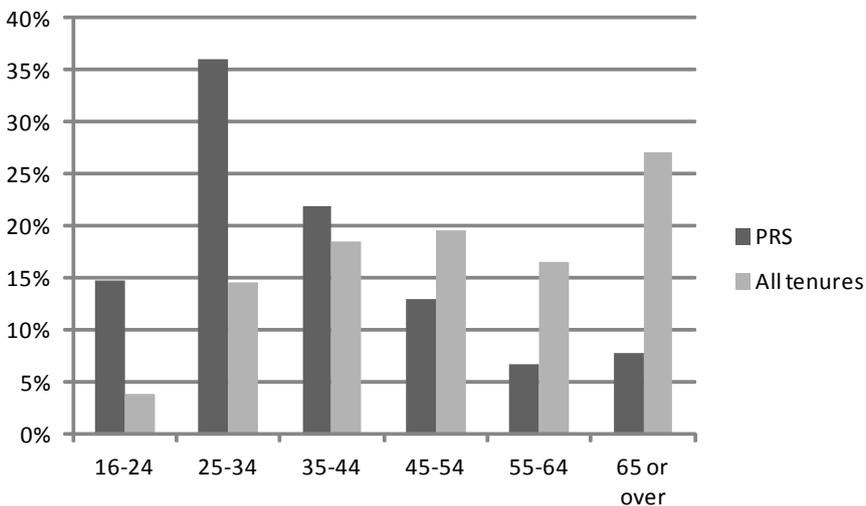
Appendix 2: Additional data on the PRS

PRS by location



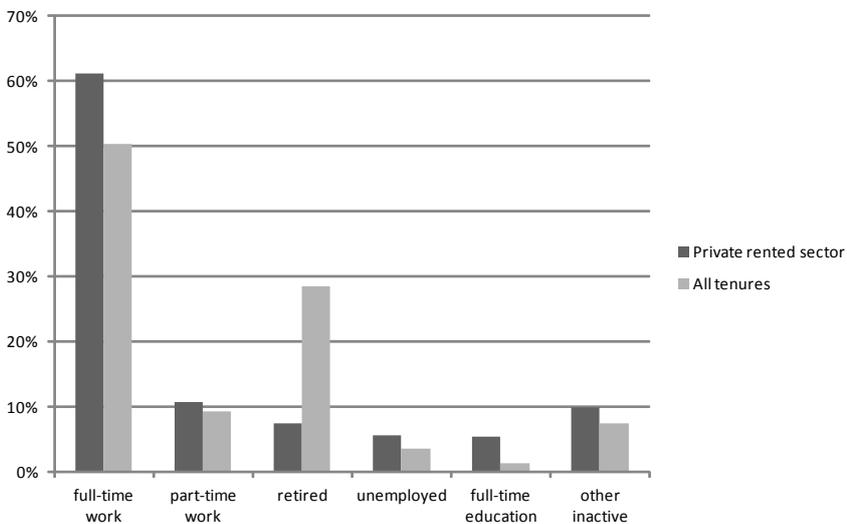
Source: DCLG, English Housing Survey 2012 to 2013 (2014)

Age of those in the PRS



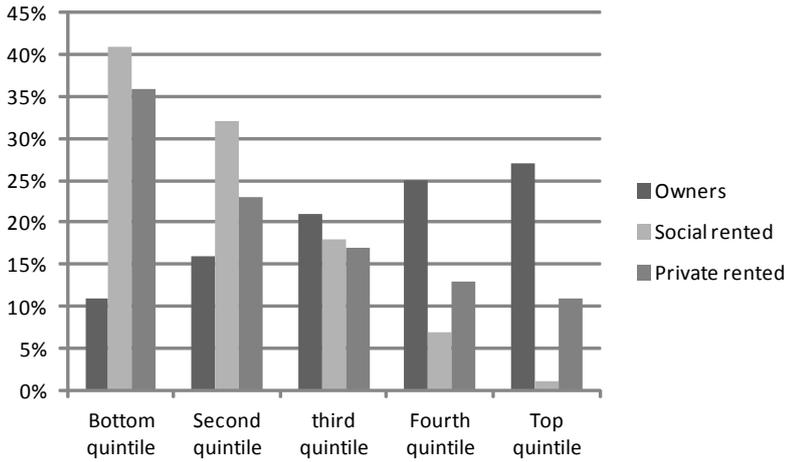
Source: DCLG, English Housing Survey 2012 to 2013 (2014)

Work status



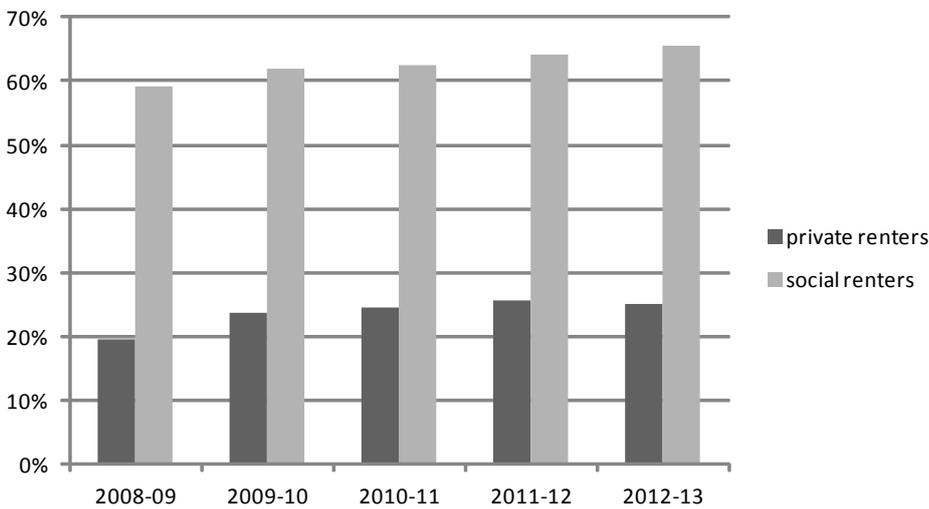
Source: DCLG, English Housing Survey 2012 to 2013 (2014)

Income distribution by tenure (after housing costs)



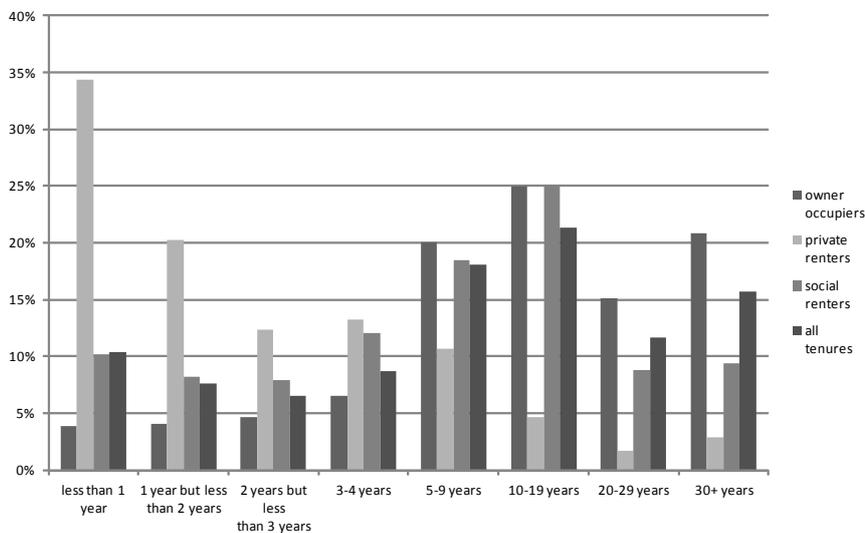
Source: DWP, Households Below Average Incomes 2013 (2013)

Receipt of housing benefit, 2008-09 to 2012-13



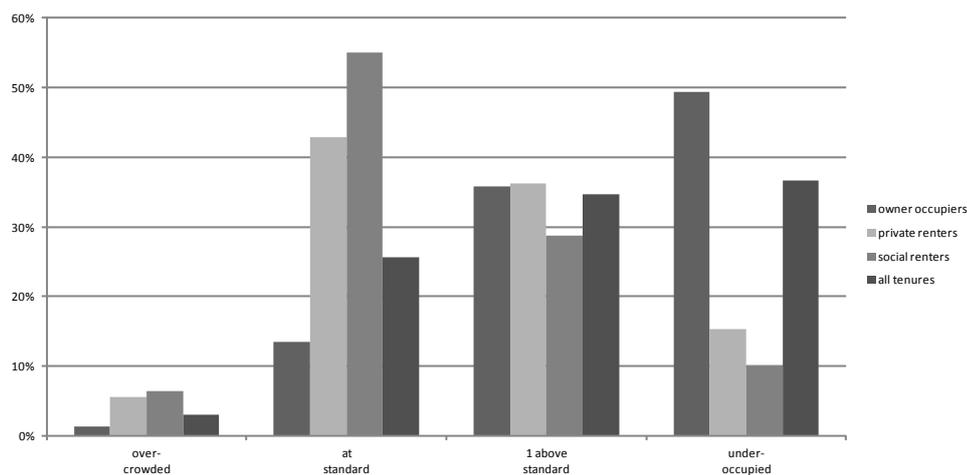
Source: DCLG, English Housing Survey 2012 to 2013 (2014)

Length of residence in current home by tenure



Source: DCLG, English Housing Survey 2012 to 2013 (2014)

Overcrowding by tenure



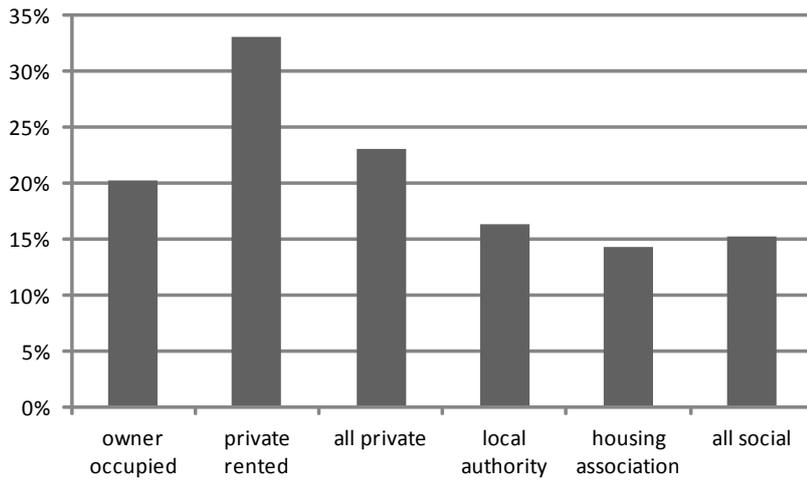
Source: DCLG, English Housing Survey 2012 to 2013 (2014)

Local authorities with the highest proportion of households in PRS

Local authority	Region	Proportion of households in PRS
Westminster	London	40%
City of London	London	36%
Kensington and Chelsea	London	36%
Newham	London	34%
Tower Hamlets	London	33%
Camden	London	32%
Hammersmith and Fulham	London	32%
Wandsworth	London	32%
Haringey	London	31%
Brent	London	30%
Bournemouth	South West	30%
Isles of Scilly	South West	30%
Brighton and Hove	South East	30%
Lambeth	London	29%
Hackney	London	29%
Hastings	South East	29%
Manchester	North West	28%
Oxford	South East	28%
Ealing	London	28%
Islington	London	27%

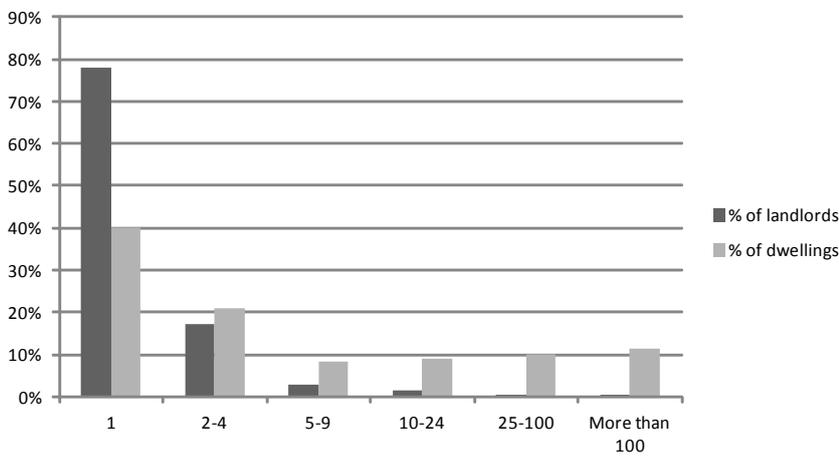
Source: ONS, Census 2011

Non-decent homes



Source: DCLG, English Housing Survey 2012 to 2013 (2014)

Private landlords' portfolio size



Source: DCLG, Private Landlords Survey 2010 (2011)

Notes

Notes

- 1 DCLG Live table 104
- 2 ONS, 2011 Census
- 3 DCLG Live Table 576
- 4 Wilcox, S *UK Housing Review 2008/2009* (Coventry, 2008) cited in BSHF, *Tenure trends in the UK housing system: will the private rented sector continue to grow?* (2010)
- 5 Savills *Spotlight: Investing in rental Britain* (Autumn 2013)
- 6 Heywood, A *The end of the affair: implications of declining home ownership* (The Smith Institute, 2011)
- 7 CML "Buy-to-let lending tops £5 billion in second quarter" (2013) <http://www.cml.org.uk/cml/media/press/3606>
- 8 Heywood, op cit
- 9 DCLG, *English Housing Survey 2012 to 2013* (2014)
- 10 Ibid
- 11 DWP, *Households Below Average Incomes 2013* (2013)
- 12 DCLG, *English Housing Survey 2012 to 2013* (2014)
- 13 Ibid
- 14 Ibid
- 15 Savills *Spotlight: Investing in rental Britain* (Autumn 2013)
- 16 DCLG, *English Housing Survey 2012 to 2013* (2014)
- 17 Ibid
- 18 DCLG, *Private Landlords Survey 2010* (2011)
- 19 VOA, *Private Rental Market Statistics* (2014)
- 20 VOA, *Private Rental Market Statistics* (2014) and DCLG Live Table 704
- 21 Savills *Spotlight: Investing in rental Britain* (Autumn 2013)
- 22 <https://www.gov.uk/private-renting/houses-in-multiple-occupation>
- 23 LB Newham has selective licensing that covers the whole PRS in the Borough.
- 24 DCLG "Improving the rented housing sector" <https://www.gov.uk/government/policies/improving-the-rented-housing-sector--2/supporting-pages/private-rented-sector>
- 25 Rugg, J and Rhodes, D *The private rented sector: its contribution and potential* (University of York, 2008)
- 26 <http://www.newham.gov.uk/Pages/News/Mayor-of-Newham-launches-Red-Door-Ventures-an-ambitious-new-company-which-will-build-thousands-of-private-rented-homes.aspx>

The Smith Institute

The Smith Institute is an independent think tank which provides a high-level forum for thought leadership and debate on public policy and politics. It seeks to engage politicians, senior decision makers, practitioners, academia, opinion formers and commentators on promoting policies for a fairer society.

If you would like to know more about the Smith Institute please write to:

The Smith Institute
Somerset House
South Wing
Strand
London
WC2R 1LA

Telephone +44 (0)20 7845 5845

Fax +44 (0)20 7845 5846

Email info@smith-institute.org.uk

Website www.smith-institute.org.uk