

Report of	Meeting	Date
Head of Housing Head of Health Environment and Neighbourhoods	Overview and Scrutiny Private Rented Housing Task Group	22 March 2012

## **PRIVATE RENTED SECTOR HOUSING INSPECTION, ACCREDITATION AND LICENSING**

### **PURPOSE OF REPORT**

1. To provide Members with information and options relating to the improvement of housing standards in the private rented housing sector in Chorley

### **RECOMMENDATION(S)**

2. Members should note the report and determine the most appropriate options for further consideration to assist the task group in drawing final conclusions from the overview and scrutiny inquiry.

### **EXECUTIVE SUMMARY OF REPORT**

3. Members of the task group have discussed a number of issues in relation to the means of improving housing conditions in the private rented sector in Chorley. This report draws those discussions together and provides options for consideration.
4. In terms of a proactive housing standards inspection regime, three options are proposed within the main body of the report.
5. Landlord accreditation schemes have been assessed and should be seen as only one aspect of a strategy to improve standards in the private rented sector. Of the schemes considered the RLAAS scheme, at an approximate cost of £4k per annum, appears to offer the cheapest / best value for money as it would not entail the Council incurring further costs in terms of staff time and systems/administration which for an in house accreditation scheme are conservatively estimated to be circa £50k. When West Lancs looked at an in house option they suggested the total cost could be as much as £100k. The RLAAS scheme does present a cost to landlords of £45 per annum plus a further fee depending on their stock holding. Consequently, in order to be successful the scheme needs to present landlords with a positive business advantage. A benefit to the Council is that RLAAS will inspect 10% of properties accredited.
6. Selective licensing is considered in this report but is very much a last resort option and there does not appear to be the evidence of low demand and ASB in any part of the borough to support the introduction of such a scheme. In addition there is the risk that these schemes discourage private landlords and reduce the number of private rented sector properties.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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## CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy	X	Pride in Quality Homes and Clean Neighbourhoods	X
Safe Respectful Communities	X	Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			X

## BACKGROUND

8. Members discussions to date have focussed on the provision, collation and acquisition of data relating to the private rented housing sector in Chorley together with three particular areas relating to providing a means of improving housing standards in the sector. These are:

- Housing standards inspection regimes
- Landlord accreditation schemes
- Selective licensing provisions

9. Each is considered below

## HOUSING STANDARDS INSPECTION REGIME

10. Under s:3 Housing Act 2004 the local authority has powers to inspect housing accommodation on a proactive basis to ensure they are free from category 1 hazards as defined by the Housing Health and Safety Rating Scheme (HHSRS).

11. Historically Chorley Council has relied on a reactive methodology to inspect properties in the private rented sector relying on direct complaint, landlord enquiry or any other intelligence to generate an inspection for category 1 hazards.

12. It is thought that there are currently 4,000 private rented households in the Chorley area and a recent house condition survey (Private Sector House Condition Survey 2010) estimated that around 180 properties may be overcrowded, over a third below the 'decency standard' including around 600 private rented sector homes having a category 1 hazard.

13. Relying on a reactive means of tackling hazards and overcrowding will inevitably mean properties go uninspected and landlords are not challenged regarding the condition of properties they let.

14. This can be addressed by the introduction of a private rented sector house inspection programme which uses current intelligence, street survey data and existing databases to inform and categorise properties according to risk.

15. There are three basic options for such a private rented sector housing inspection scheme which are outlined below together with advantages and disadvantages to each, as well as indicative costs.

Scheme	Advantages	Disadvantages	Indicative Costs
<p><u>Fully Proactive</u> – aiming to assess all private rented sector properties which on current volumes would be a 10 year programme using 1 FTE inspection resource.</p> <p>The reactive service would continue with properties fed into the inspection programme following an initial assessment.</p>	<ul style="list-style-type: none"> <li>• Comprehensive and ensures a consistent approach.</li> <li>• All accommodation types covered</li> <li>• Will ensure new property lets are picked up and meet standards</li> <li>• Comprehensive knowledge of private rented housing standards in Chorley is available</li> <li>• A fully populated database providing detailed housing letting and standards information would be available</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive</li> <li>• Reliant on a well maintained and comprehensive property database</li> <li>• Work in default levels could expose Council to financial risk</li> <li>• Unknown impact on low cost rented market but could deter prospective good landlords wishing to make provision in Chorley</li> <li>• May adversely impact on private rented sector housing market with increased rent levels and removal of low cost options for prospective tenants.</li> <li>• A knock on effect to existing Housing Options services with potential capacity issues.</li> </ul>	<p>1 FTE inspection team - £40K pa provides a 10 year inspection programme</p> <p>2 FTE inspection team - £75K pa provides a 5 year inspection regime</p> <p>Work in default costs are difficult to predict but an average individual property might cost is in the region of £8K to bring up to standard</p>
<p><u>Reactive Scheme</u> – this option is ‘as is’ where tenant complaints or landlord enquiries are reacted to with an initial assessment and a determination made as to whether a full HHSRS inspection is required</p>	<ul style="list-style-type: none"> <li>• No additional cost burden to Council</li> <li>• Little anticipated impact on the private rented sector housing market</li> </ul>	<ul style="list-style-type: none"> <li>• Ad hoc approach to housing standards inspection means poor standards may remain undetected.</li> <li>• No service improvement for private rented sector</li> <li>• Reliant on specific complaint only.</li> </ul>	<p>Nil</p>

Scheme	Advantages	Disadvantages	Indicative Costs
<p><u>Partial Proactive Scheme</u> –</p> <p>Use current intelligence and data to target inspections but continue to predominantly provide a reactive service respond to tenant complaints</p>	<ul style="list-style-type: none"> <li>• Likely to target bedsit and multi occupied property where the standards are anecdotally poorer than other types of private rented sector</li> <li>• Less expensive than full proactive regime</li> <li>• Not reliant on full database of properties</li> <li>• Provides a base service from which a full programmed inspection regime can be developed.</li> </ul>	<ul style="list-style-type: none"> <li>• Reliant on sound intelligence and knowledge of poor housing hotspots</li> <li>• Would require additional resource to provide inspection capacity</li> <li>• May not capture all poor standard accommodation</li> </ul>	<p>0.5 to 1.0 FTE</p> <p>£22K to £40K pa</p>

## LANDLORD ACCREDITATION SCHEME

16. Wigan MBC has been operating a landlord accreditation scheme for 3 years and to date have accredited 40 landlords. They do not have an up to date figure for the total number of private landlords operating in the borough. In 2003 which was the date of the last stock condition survey they estimated there were 5,999 privately rented properties in the borough. Wigan have set up a data base of private landlords which started with the 150 landlords who were on the contact list for the private landlords forum. This data base is up dated whenever a contact is made with a new private landlord. Currently, Wigan have email contact details for 550 private landlords on the data base, including 40 lettings agents. Landlords no longer operating in the borough tend to notify the Council and are subsequently removed from the data base. The private landlords' forum meets twice a year and approximately 80/100 landlords attend.
17. The Wigan scheme is part of the Greater Manchester Landlord Accreditation Scheme (GM LAS).The GM LAS scheme has been set up to provide a unified service to all landlords operating across the City Region. The scheme is based on the standards and practices of A & List NW which is a regional body of local authorities and landlords who work together to improve standards in the North West. When asked about a possible partnership the manager Kath Knowles spoke to referred her to the GM LAS arrangement and explained they would not be looking to partner with Chorley as we are not a Greater Manchester authority.
18. The Wigan accreditation scheme is fully funded by Wigan MBC and free for landlords to join. Once accredited landlords remain so for 5 years. Following application to the scheme 10% of a landlord's properties are inspected to ascertain standards. The Housing Strategy team run the accreditation scheme and estimate that a minimum of one full time member of staff is needed to operate the scheme in addition to administration, publicity and set up costs.

19. The Residential Landlords Association Accreditation Scheme (RLAAS) has been running for one year and there are currently five local authorities in the scheme – Leeds, Fylde Coast (Blackpool, Wyre and Fylde) and West Lancashire.
20. Members of the scheme are expected to sign up for 5 years with break clauses at the end of years one and three. The scheme is web based and landlords are required to self assess their properties according to certain criteria and to self certify that they are a 'fit and proper person'. Landlords are required to undertake certain training and continuous professional development. Landlords are also required to declare the number of properties they manage, including the postcodes, and notify the scheme of any changes in their portfolio. At least 10% of all members will have their rental premises inspected by RLAAS for compliance. All properties owned by accredited landlords must comply with the following standards:

- Absence of any category 1 hazards under the HHSRS
- Be compliant with all legislation
- Have reasonably modern facilities with regard to kitchens and bathrooms
- Be compliant with the RLA Code of Management

If landlords are found not to comply with the above RLAAS will invoke the disciplinary code. RLAAS provide resources to landlords to give to their tenants which includes information about their responsibilities as well as their rights.

Each scheme with a local authority is individually branded. Both the Leeds and Fylde Coast schemes have been running since May last year. In Leeds 222 landlords have been accredited to date with 129 applications in the process of being approved. It should be noted that RLAAS took over an existing accreditation scheme from Leeds. On the Fylde Coast 6 landlords have been accredited and 20 applications are in the process of being approved. The West Lancashire scheme was only recently launched on 28th February 2012 and therefore no data on take up is available as yet.

21. In terms of cost RLAAS can tailor the scheme to suit a local authority's requirements and the cost will vary accordingly. West Lancashire Council have adopted the basic scheme (outlined above) for which they pay £4k per annum on a 5 year contract basis with break clauses after years one and three. The cost is based on the individual Council's private rented sector stock. West Lancashire have a private rented stock of 5,580. Private rented stock in Chorley is 4,123, therefore the cost to us should be similar if not slightly less, depending on our requirements.

22. The costs to landlords in the RLAAS scheme are as follows:

Annual membership fee £45 per year, plus an annual fee based on the landlord's stock holding:

- 1 to 5 properties nil
- 6 -10 properties £45
- 11-20 properties £90
- 21 – 30 properties £135
- more than 30 properties £180

23. In addition to the above landlords may have to pay for a one day introductory development course and for continuing professional development.

24. Other schemes include one run by Preston City Council who operate an accreditation scheme through their housing advice and housing standards team, this scheme has been running for approximately 10 years. Once accredited the accreditation lasts for one year, currently 12 landlords are accredited with 5 applications in the pipeline. Preston don't have a data base of private landlords. The scheme is free to join for landlords. Preston Council inspect all of a landlords' properties before issuing an accreditation certificate. The only

discount / incentive offered to accredited landlords is 25% discount on membership of the National Landlords Association(NLA).The officer contacted at Preston explained that they had insufficient resources to dedicate to actively developing the accreditation scheme further and had chosen to devote resources to monitoring the higher risk area of private sector housing i.e. the 120 HMOs in the borough.

25. South Ribble Borough Council do not currently have an accreditation scheme.
26. Finally, the National Landlords Association run an accreditation scheme which costs the landlord £80 per year, plus a joining fee of £18. This scheme accredits the landlord not the properties and is based purely on landlord development and good management practice.
27. Potential benefits of accreditation schemes for landlords include:
  - Recognition by the Council and tenants of the landlords' commitment to good standards and a professional service
  - Up to date information on the key issues of property management and landlord/tenant legislation
  - Discounts on a range of goods and services
28. In terms of benefits for the Council the existence of an accreditation scheme shows a commitment to the desire to improve property and management standards in the private sector. However, there is no legal requirement for a landlord to become accredited and therefore landlords need to see being accredited as a benefit to them and their business.

## **SELECTIVE LICENSING**

29. Part 3 of the Housing Act 2004 gives local authorities the discretion to introduce selective licensing schemes to cover private rented property in areas which suffer ,or are likely to suffer, from low housing demand and or significant and persistent anti social behaviour(ASB).
30. Secretary of State approval to such schemes is no longer required .The use of this discretionary power is subject to local consultation and the consent of the local authority under 'general consent'. In order to satisfy the legislation local authorities wishing to introduce a selective licensing scheme must gather sufficient evidence to support the application and undertake consultation with residents and landlords prior to introducing the scheme. A selective licensing area cannot be borough wide but must be limited to a specific area suffering low demand / ASB.
31. Once designated if a property falls within a selective licensing area a landlord is required to apply to the local authority for a license. Landlords in the specified area must apply for a license for 5 years, the cost of which is £500 (£100 per annum). If a landlord does not apply for a license they are liable, on summary conviction, to a fine of up to £20k. The aim of these schemes is to improve both the physical and management standards in major private rented neighbourhoods by setting minimum standards of quality and management.
32. Blackburn with Darwen have two selective licensing schemes operating in the borough - one covering the Infirmary area and the other covering central Darwen. In the Infirmary area of Blackburn the Selective Licensing scheme was designated in 2008 and after 12 months operation out of 300 privately rented properties 90 were still to be licensed. The central Darwen scheme was introduced in 2009 and after 9 months operation 25 landlords were on their final warning before formal court action was proposed.
33. There are significant costs involved in setting up a selective licensing scheme in terms of agreeing the scope of the area to be licensed, gathering evidence in terms of low demand

and/or ASB, consultation with residents and landlords, setting up a database of landlords, monitoring compliance and taking legal action for non compliance. Selective licensing is often seen as an act of last resort and can be used as a tactic to discourage private renting in areas which are seen to have an over supply of poor quality privately rented accommodation.

#### **REGISTERED PROVIDER RESOURCES**

34. Following Member suggestions enquiries have been made with a local Registered Provider as to the capacity and competencies within their housing team to provide an inspection resource. Currently the level of inspection competency means such a resource would be unable to inspect to the current statutory hazard rating standard ,neither does the Registered Provider have spare capacity to undertake such inspections.

#### **COMMENTS OF THE STATUTORY FINANCE OFFICER**

35. From a purely financial perspective the RLAAS scheme offers the best value to tax payers and if recommended to the Executive could be funded from Council resources. Any other schemes of a more costly nature would require additional resources to be identified

#### **COMMENTS OF THE MONITORING OFFICER**

36. No comments

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
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