

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ENVIRONMENT & NEIGHBOURHOOD SERVICES

TO:	HOUSING, NEIGHBOURHOODS & LEISURE COMMITTEE		
DATE:	13 MARCH 2019		
TITLE:	PRIVATE SECTOR HOUSING UPDATE		
LEAD COUNCILLOR:	Councillor John Ennis	PORTFOLIO:	Housing
SERVICE:	Regulatory Services	WARDS:	BOROUGHWIDE
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1.0 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on the progress made in delivering the Private Rented Sector (PRS) Charter and action plan.
- 1.2 The PRS Charter aims to build a common understanding of values, standards and requirements in the private rented sector. It further demonstrates the Council's and partners' commitment to improving the sector.
- 1.3 This update report will focus on the following key areas:
 - 1.3.1 Rogue Landlord Enforcement Grant awarded by The Ministry of Housing and Local Government (MHCLG)
 - 1.3.2 Reading Rent with Confidence Scheme
 - 1.3.3 HMO Licensing
 - 1.3.4 Enforcement

2. RECOMMENDED ACTION

- 2.1 That members note the progress made against the action of the Private Rented Sector Charter and the next steps outlined in the report.

3.0 POLICY CONTEXT

- 3.1 Housing, Neighbourhoods and Leisure Committee approved the PRS Charter in 2015 following a review of standards and conditions in the Private Rented Sector, which included as assessment of the need for further licensing of the sector.

3.2 The Private Rented Sector Charter was developed around ‘providing a home for those most in need’. The Charter sets out the key actions that the Council will lead on to help support tenants, landlords, managing and letting agents to deliver a safe, healthy and thriving private rented sector. It promotes tenants choice and rights, landlords taking responsibility for their properties and delivering robust and effective action where they fail to do so.

4.0 PROGRESS

4.1 Rogue Landlord Enforcement Grant

4.2 The Ministry of Housing and Local Government (MHCLG) invited bids in December 2018 to tackle Rogue Landlords. The Council was successful in its bid and awarded £100k with the announcement having been made in mid-January. The funding has to be spent by 31st March 2019, with a requirement to submit an impact report in Quarter 2 of 2019/2020

4.3 The basis of the bid was to deliver schemes which improve housing conditions and community cohesion in the Borough through increased enforcement, intelligence, inspections, education and a consumer scheme which will support market segmentation and assist in targeting of enforcement.

4.4 The funding awarded has been awarded for the following projects:

4.4.1 Stock Conditions Survey

This will provide key information on the trends and changes in the sector since the last survey was conducted in 2012 and allow the Council to target its compliance activity where most needed. The stock condition survey will also provide intelligence for other services, such as Housing Need, the Deposit Guarantee Scheme and Homes for Reading to enable them to better understand the market, assess risks and support residents into suitable housing. The intelligence from the stock condition survey will also assist services such as Sustainability in delivering on targets of improving energy efficiency in the PRS and the Fire Service in delivering its risk based inspection programme

4.4.2 HMO Licensing application system

Officers will be delivering an end to end licensing processing system with added automation which will reduce the administrative burden on applicants and the Council. The impact of this will be to free up more officer time to carry out inspections and prioritise enforcement.

4.4.3 Reading Rent with Confidence Scheme

To provide a new website to host a newly launched scheme, which will provide a one stop shop for good quality accommodation. The indicative annual cost of is £6,000 and the funding will allow the licence costs to be covered for an initial 2 years.

4.4.4 Raising Awareness

Over the last two years the Private Sector Housing Team has proactively worked with the University to provide advice and information to students which now takes the form of regular drop in sessions. The team has also worked with community groups and the CAB to raise awareness and provide training. Feedback from tenants and landlords has suggested interactive videos on key disrepair issues such as damp and mould, fire safety and security would be useful. Depending on the approach to ownership of the videos, indicative costs are £1,600 per annum for twelve videos. This will not only assist tenants and landlords, but reduce the number of service requests the team receive resulting in freeing up Officer time to deal with more complex issues and breaches of legislation. Currently the team received 1,500 service requests per annum, the estimated reduction resulting from the introduction of self-help videos would be 12%.

The Council has found fines levied by Magistrates to be low even where the impact on tenants is high. Providing training events to local Magistrates on housing issues will be of benefit, enabling them to understand the health impacts of poor housing on tenants. This should then be reflected in realistic fines in court and as a result, a greater level of compliance by landlords and agents.

4.4.5 Prevention Fund

The Council provides a Prevention Fund, to sustain tenancies. Some of the scenarios where this funding has been utilised is where tenants have found themselves in rent arrears as a result of the transition to Universal Credit or other changes in benefits and they are not coping. Funding is also used where there are utility arrears often in shared accommodation or flats in blocks. The response to arrears by landlords is often to serve notice to quit. Clearing the arrears and arranging for support from a money advisor has enabled tenancies to be sustained and some of the most vulnerable residents have avoided moving into poor quality housing, being subject to potentially criminal landlords or agents, getting into further debt or finding themselves homeless. This proactive approach has resulted in over 200 households being assisted over the last two years. The funding is recycled through structured and realistic repayment plans. As part of the grant funding, MHCLG have topped up the fund by £10,000.

4.6 Reading Rent with Confidence Scheme

4.6.1 The Reading Rent with Confidence Scheme (RRWC) was launched in October 2017 and is aimed at encouraging landlords and letting agents to meet criteria which would differentiate them in the rental market.

4.6.2 Initial interest and engagement with the scheme was strong but this did not translate into applications to join the scheme. Landlords and agents cited a number of factors including high fees existing and forthcoming regulatory obligations. Over the initial 12 months and despite promotion of the scheme, there were only 3 members. Following further stakeholder consultation, it was decided to move to a property based approval scheme. This change has

made the scheme more attractive to landlords and clearer on how having a rating for their properties will benefit them.

4.6.3 Fees were also reviewed and it was agreed that no fee should be paid by:

- HMO Licence Holders
- Properties under the Rent Guarantee Scheme (RGS)
- Properties under the RBC Homelessness Prevention Fund

4.6.4 There is no fee for a first time property application to the RRWC Scheme. Any subsequent application by the same landlord for a different property is chargeable at the standard fee of £91.20.

4.6.5 Interest and applications, despite a soft launch have been good with currently 10 Gold properties and 2 Bronze properties on the scheme which can be viewed on the Council's website. There are further applications being processed and a number of landlords have indicated that they will be applying in the near future.

4.6.6 Having a dedicated website for the scheme, financed by the MHCLG grant will deliver a dedicated portal for landlords and tenants to find good quality accommodation.

4.7 Houses in Multiple Occupation (HMO) Licensing

4.7.1 Mandatory Licensing of properties of three or more stories with five or more tenants was brought in by the Housing Act 2004. In 2012, the Council undertook a Private sector stock condition survey, which made predictions of the number of properties that fell within the scheme. This turned out to be an accurate assessment and 1000 houses in multiple occupation (HMOs) are currently licensed.

4.7.2 The extension of Mandatory Licensing came into force on 1st October 2018, with the key change being that the 3 storey rule has been removed. This means that any privately rented property that houses 5 or more people forming 2 or more households where there is some sharing of amenities will require a licence. Changes to legislation also introduced minimum room sizes. Based on the 2012 stock condition survey, officers estimated that 3000 properties would fall within the scheme.

4.7.3 Whilst the Government did not allow a grace period for landlords to submit their applications, the Council took the decision to allow landlords until the 31st January 2019 to submit their applications and supporting documents. Landlords or letting agents who have failed to submit an application by the deadline will be subject to enforcement action.

4.7.4 To date only 8% of the estimated number of properties (225) which should have submitted applications have been received, despite regular and targeted communications locally. Unfortunately, there has been little national press or communications from the Government to support local messages. Officers will be feeding this back to MHCLG.

4.7.5 The impacts of this low uptake include:

- a significant proportion of landlords in the private rented sector are operating unlawfully;
- tenants are living in properties that have not been inspected;
- properties may fall below standards and have no licence conditions requiring them to improve;

4.7.6 Since last summer the Private Sector Housing Team has been publicising the changes to HMO Licensing. This has included:

- Information events for landlords, letting and managing agents and Councillors which were well attended. Publicity for these events included press releases, information on social media, landlord newsletter and leaflets being hand delivered to local organisations to include places of worship.
- Presentations were delivered at the National Landlord Association Branch meeting and the Council's Landlord Information Evening.
- Updates have been published in the landlord Information newsletter.
- Regular Press Releases and information on Social Media has also assisted in getting the message out, as well as information on the Council's website.
- Cllr Ennis highlighted the changes and requirements for landlords to licence their HMOs if they met the criteria when interviewed by BBC radio Berkshire on the subject of licensing.

4.7.7 In assessing why applications have been so low, anecdotal information has come back suggesting that some landlords have reduced the number of tenants from 5 to 4 to avoid licensing, some have sold their properties, whilst some have been impacted by the changes to room sizes. This means that for example, the property was a 5 bedroom HMO but had an undersized room, it would be prohibited from use and therefore the property would only be a 4 bedroom HMO and fall outside the licensing definition. Notwithstanding this, the number of applications received falls well short of the required level. Discussion with colleagues from other local authorities indicates that they are also experiencing lower numbers of applications than expected.

4.8 Enforcement

4.8.1 In addition to Licensing Houses in Multiple Occupation, the Private Sector Housing Team deals with in excess of 1500 service requests a year, some of which require formal enforcement action to be taken. The Council believes enforcement action alone is unlikely to have much effect on improving standards, however, where landlords do not co-operate or comply with statutory notices and there are inadequate safeguards in place for occupier's, enforcement action will be taken.

4.8.2 Over the last year:

- 68 Statutory Notices have been served requiring landlords and agents to take remedial action. These notices will normally require works such as repairs or the installation of a fire alarm system, with reasonable timescales in place for the completion of the works. In certain circumstances, the risks are so urgent that the Council must take immediate steps to protect the health, safety and welfare of the tenants and can issue an Emergency Prohibition Notice. Two of these notices were issued. In other circumstances, the risk is still high, but the Council cannot demonstrate that it is proportionate to use its emergency powers. In these cases, a prohibition notice giving a set timescale may be

issued. Three of these notices were issued. 4 prosecutions were taken with total fines of £32,152 and 2 formal cautions were issued.

- 5 Civil Penalty Notices have been issued, 2 of which are Final Notices with fines totalling £1,429 and 3 Notices of intention.

4.8.3 Detailed below are some case studies highlighting recent prosecutions.

4.8.4 Prosecution 1

In **January 2018** the landlord of a student HMO in Reading pleaded guilty to offences under the Housing Act 2004 in failing to obtain a HMO licence and breaching the Management of Houses in Multiple Occupation (England) Regulations 2006, which included: missing smoke seals, intumescent strip and self-closers to fire doors; disconnected self-closers; and smoke detector not being maintained in good order. The landlord was ordered to pay fines and costs totalling £2,500.

4.8.5 Prosecution 2

In **May 2018** a managing agent of a four-storey HMO was ordered to pay fines and court costs totalling nearly £25,000. Both the company and the director of the company were charged with 31 offences under the Housing Act 2004, for failing to comply with the Licensing and Management of HMOs (Additional Provisions) Regulations 2007.

The main fire alarm system in the property was not working, and was not reinstated until three months after Council requests to do so. Other disrepair included obstructed hallways, inadequate fire doors, damage to the fabric of the building, fire extinguishers not being maintained in working order, damaged electrical fittings, damage to an external door and an overgrown yard.

4.8.6 Prosecution 3

In **October 2018**, the landlord of a Tilehurst flat was found guilty of failing to comply with an Improvement Notice under both section 11 and section 12 of the Housing Act 2004.

Disrepair included a window that would not close, two radiators not fixed to the wall, a defective light switch and lack of hot water to the kitchen sink. Magistrates issued a fine and costs totalling £2,991.

5.0 Next Steps

5.1 As part of the Council's plan to ensure the safety and quality of the private rented sector, over the next 12 months Officers propose the actions detailed below.

5.2 Officers are working to commission an updated Private Sector Stock Condition Survey, following the award of the Ministry of Housing, Communities & Local Government (MHCLG) funding referred to above. The Stock Condition Survey takes the form of a computer modelled survey, which draws on Council, open source and commercially available data. The model looks across the whole

private sector stock. In addition to providing vital up to date information about the condition and risks in the private and rented sector, the data will allow Officers to pin point with more accuracy, where licensable properties are and therefore allow for more targeted intervention.

- 5.3 The Stock Conditions Survey will also be used to determine whether there is a business case for a discretionary licensing scheme within the Borough, which could cover all HMOs (i.e. all rented properties with 3 or more tenants sharing amenities). The initial results of this survey should be available in the first quarter of the 2019/20 financial year. Such a scheme would simplify licensing for landlords and tenants and ensure consistent regulation.
- 5.4 It is proposed that officers engage with lettings and managing agents to carry out an audit of the properties they let/manage. This may require a formal notice as part of the Housing Act 2004. Actions will need to be balanced against the joint work officers are conducting with agents around matter such as the Redress Scheme.
- 5.5 A list has been compiled using Council Tax data of student properties that may require a licence and has been cross checked with applications received. Where no application has been received, the landlords have been contacted.
- 5.6 It is proposed to carry out publicised 'action days' on targeted areas within the Borough. These will focus on areas where the stock condition survey has identified likely properties meeting the criteria.
- 5.7 Continue to publicise HMO Licensing requirements and enforcement action through press releases and social media, tenant and community groups. It is proposed to extend the communications plan developed last year and test with landlords, agents and tenants whether it has reached them.
- 5.8 It is proposed to continue with the work already in hand with the Reading Rent with Confidence Scheme and continue to work with the University of Reading, community groups and advice organisations
- 5.9 Continue with the zero tolerance approach and take prosecutions against landlords who fail to comply with Housing Legislation.

6.0 CONTRIBUTION TO STRATEGIC AIMS

- 6.1 In relation to the Council's Corporate Plan the following themes are appropriate:

Providing homes for those most in need - the PRS Charter points will result in improved housing conditions and contribute to the health, safety and welfare of residents by driving up physical and management standards in the Private Rented Sector.

Keeping the town clean, safe, green and active - the outcome of this project will reduce the impacts of enviro-crime, reported anti-social behaviour, and build community resilience.

7.0 COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 On-going community engagement to encourage support and further partnership working and to develop and advance actions to improve the PRS.

8.0 EQUALITY IMPACT ASSESSMENT

- 8.1 Not required at this time.

9.0 LEGAL IMPLICATIONS

- 9.1 Regulatory Compliance through The Housing Act 2004 along with other pieces of legislation allows for enforcement action to be taken against landlords failing to provide properties to the required standards.
- 9.2 The Redress Schemes for Lettings Agency and Property Management Work (Requirement to Belong to a Scheme etc.) (England) Order 2014 allows for enforcement against letting agents and property management companies who do not belong to one of the approved schemes.
- 9.3 The Consumer Rights Act 2015, Chapter 3, Part 3, It is a legal requirement for all letting agents in England and Wales to publicise details of their relevant fees; state whether or not they are a member of a client money protection scheme; and give details of which redress scheme they have joined.

10.0 FINANCIAL IMPLICATIONS

- 10.1 The delivery of the action plan is funded through existing resources in the team. The net team budget for 2019/20 is £380,000, based on £397,000 of income, largely arising from HMO Licensing offsetting some of the service costs.