



Private Rental Sector Strategy for Portsmouth 2020-2025

Part 2 - Supporting Evidence

To achieve an active and well-functioning Private Rental
Sector which works fairly for all.

[Part 2 - Supporting evidence](#)

Section 6: Defining the Private Rental Sector and its stakeholders:

The Private Rental Sector (PRS) is a classification of housing tenure in England. A basic definition of the PRS is privately owned property or properties that are leased to a tenant. Owners or landlords could be an individual, commercial investor or property company. How these properties are managed and maintained can vary, with some tenants dealing directly with an individual landlord/owner, or through a management company or estate agency managing the property on behalf of the landlord.

In general privately rented properties in England can be separated into two categories:

- Market renters: Those who occupy the properties under a tenancy agreement, and pay market rents.
- Non-market renters: Those who do not pay rent. This group may be renting from a relative or occupying accommodation rent-free as part of their employment.

Information on what defines a tenancy, or a licence, within the PRS can be found elsewhere. (HM Government¹, Shelter²).

Stakeholders

The PRS has a considerable variety of stakeholders. They can be loosely divided into two separate groupings:

Main Service Users:

- Tenants
- Landlords
- Letting Agents (acting as a landlord agent)

Supplementary Organisations and/or Individuals that may seek assistance or support regulation of the Sector:

- Local Authority. This strategy only refers to the area of Portsmouth covered by Portsmouth City Council ("the council"). This includes a number of functions including
 - a. Private Sector Housing regulation and enforcement
 - b. Planning
 - c. Adult Social Care,
 - d. Regulatory Services and
 - e. Housing Needs, Advice and Support
- External Agencies such as Hampshire Fire and Rescue Service (HFRS), Hampshire Police, Advice Portsmouth and Portsmouth University
- Third sector organisations who support the main user groups
- Clients who may employ the services of the council
- Members of the public seeking advice other than main service users, such as neighbours or community groups.

Section 7: National Overview

Legislation relevant to the Private Rental Sector (in England)

The PRS is regulated by a range of legislation. Listed below are some of the main pieces of legislation with an overview of each piece of legislation, along with a link to the full legislation, in shown in Appendix 1.

Protection from Eviction Act 1977:

Prohibition on unlawful eviction, harassment and places restrictions on the re-entry/eviction without due process.

Landlord and Tenant Act 1985:

Outlines duties to landlords to disclose certain information and repairing obligations within the property.

Housing Act 1988:

The Housing Act 1988 introduced the Assured Shorthold Tenancy (AST) ensuring a clearer contractual arrangement between a landlord and tenant.

Housing Act 1996 (As amended)

Housing Act 2004

The Housing Act 2004 sets out a variety of provisions, including but not limited to, improving housing conditions via the use of the Housing Health and Safety Rating System, sets out the regulation of Houses in Multiple Occupation (HMO) via mandatory and non-mandatory licencing schemes and sets out powers for addressing empty properties.

Licensing of Houses in Multiple Occupation (Prescribed Descriptions) (England) Order 2018:

Designates HMOs subject to mandatory licensing.

Licensing and Management of Houses in Multiple Occupation and other houses (Miscellaneous Provisions) (England) Regulations 2018:

Prescribed minimum national standards for licensable houses in multiple occupation.

Management of Houses in Multiple Occupation (England) Regulations 2006:

Places a duty of the manager to address and take responsibility of certain areas of an HMO including the provision of information to occupiers, taking safety precautions, maintaining water supply and drainage and gas and electricity, managing common parts of the property, providing waste disposal facilities and maintaining living accommodation.

Right to Rent, immigration Act 2014

Places a duty on landlords to check that their tenants are not illegal immigrants. Since 1st December 2016, landlords or agents in England could be charged with a criminal offence if they know, or have reasonable cause to believe, that they are letting to an illegal migrant.

Retaliatory Eviction and the Deregulation Act 2015

Provisions under the Deregulation Act 2015 provide increased protection to tenants have been unfairly served Section 21 Eviction Notices following genuine complaints about the condition of the property or dwelling they are occupying. The Act ensures landlords have to comply with certain legal responsibilities before a Section 21 Notice can be served.

Housing and Planning Act 2016

Sets out powers that allow Local Authorities to set up a database of and investigate and ban Rogue Landlords and Property Agents, impose civil penalties for a range of offences under the Housing Act 2004, assist tenants in applying for Rent Repayment Orders. Other provisions under the Act include starter homes, right to buy schemes in relation to Social Housing and changes to the National Mandatory

Homes (fit for human habitation) Act 2018

Introduced on 20th March for all new tenancies that started from this date, and it will apply retrospectively to all current tenancies from 20th March 2020 regardless of when the tenancy started. This legislation ensures that rented houses and flats are 'fit for human habitation', which means that they are safe, healthy and free from things that could cause serious harm. If rented properties are not 'fit for human habitation', tenants can take their landlords to court. The court can make the landlord carry out repairs or put right health and safety problems. The court can also make the landlord pay compensation to the tenant. This legislation applies to all rental properties, both PRS and social housing.

Homelessness Reduction Act 2017 (HRA17), the council owes a duty to assist any household (that have a 'Right to Reside' in the UK and have recourse to public funds) that is eligible for assistance if they are at risk of homelessness within 8 weeks following the relevant interaction with the council. However, there is no duty to provide any specific forms of financial assistance, such as paying for a tenancy deposit or acting as guarantor.

The Homeless Reduction Act 2017:

The Homelessness Reduction Act 2017 significantly amends Part 7 of the Housing Act 1996 increasing the duties placed on Local Authorities in relation to assisting those who make Homeless Applications.

Minimum Level of Energy Efficiency' standard (EPC band E) 2018

Sets out a minimum energy efficiency standard for (EPC rating E) for all domestic private rented properties. It replaces a responsibility on landlords for any properties that do not meet this minimum energy rating to pay up to £3,500 for measures to improve the energy efficiency rating of the property.

Tenant Fees Act 2019: landlords and letting agencies are prohibited from charging fees for securing or renewing a tenancy. However they can still charge a refundable holding fee of up to one week's rent, a tenancy deposit of up to five weeks' rent, and charge rent in advance.

Energy Performance of Building Regulations

Duty to landlord to hold/commission an Energy Performance Certificate (EPC) before marketing a property for rent. Duty to make the EPC available to prospective tenant and provide copy EPC to tenant. Providing EPC information along with written particulars of the property.

The Electrical safety standards in private rented sector (England) Regulations 2020

Require pre-tenancy and five yearly checks of all fixed appliances and wiring. This will be mandatory for landlords for all new tenancies from July 1 2020, and will be rolled out to all existing tenancies from April 2021. Landlords failing to comply with the new rules will face fines of up to £30,000.

Regulation of the PRS in England

The Ministry of Housing, Communities and Local Government (MHCLG) is the creator of the national strategy and legislation in England. Their function is to “create great places to live and work, and to give more power to local people to shape what happens in their area”. (MHCLG³). They do this by:

- driving up housing supply
- increasing home ownership
- devolving powers and budgets to boost local growth in England
- supporting strong communities with excellent public services

MHCLG has developed a Single Departmental Plan (SDP) setting out their objectives and how they intend to meet them over the coming years. This was last updated in June 2019 and sets the following objectives relevant to the PRS:

1. *Deliver the homes the country needs*
By supporting the delivery of a million new homes by the end of 2020 and half a million more by the end of 2022.
2. *Make the vision of a place you call home a reality*
By supporting vulnerable people via the Rough Sleeping Strategy and implementation of the Homeless Reduction Act. Making the housing market fairer by introducing reforms to the private rented sector and introducing the outcomes of the Social Housing Green Paper
3. *Support local government to deliver high quality services with sustainable finances*
By delivering a sustainable long-term funding settlement for local government beyond 2019-20 and developing good practice across local government to raise standards and performance.
4. *Create strong communities, socially, economically and a sense of place*
By delivery of the commitments in the Integrated Communities Strategy and Action Plan
5. *Secure effective support for those affected by the Grenfell Tower disaster, delivering the changes this tragedy demands and ensuring people are safe and feel safe within their homes*

By engaging with the community and offering support following the tragedy and meeting commitments to permanently house residents. Overseeing a response to high-rise buildings that have unsafe ACM cladding.

The vast majority of legislation places the responsibility to deliver the regulation upon local authorities and, unlike the social sector, there is no separate regulator for the PRS. Therefore the council becomes the main enforcement body for legislation related to the PRS in Portsmouth.

Key national issues affecting the PRS 2020-2025

Impacts of the United Kingdom leaving the European Union

The short and long term impacts that the UK leaving the European Union will have on EU citizens who rent in the PRS is unclear. More information is required from MHCLG regarding "Right to Rent" rules to ensure that landlords and tenants continue to know their responsibilities in the PRS.

Fire Safety:

In the wake of the Grenfell tragedy in June 2017, an addendum to the fire hazard within the Health and Safety Rating System (HHSRS) Operating Guidance in November 2018 was introduced to specifically address cladding systems on high rise residential buildings.

Homelessness:

Local authorities continue to develop how they implement the changes brought about by the Homelessness Reduction Act 2017.

Housing demand

Demand for all tenures of housing continues to outstrip supply. Well designed and planned regeneration projects are required to ensure an increase of dwellings available.

Improving standards through appropriate legislation

The Housing and Planning Act 2016 delivers increased regulation of landlords and agents. The goal to continuously strive to improve and maintain the way in which the sector is managed and maintained for all those facilitating and using it.

Housing Health and Safety Rating System (HHSRS)

Following feedback from landlords, tenants and local authorities, MHCLG have also announced a comprehensive review and overhaul of the HHSRS used by local authorities to assess a range of potential hazards in rented properties. The intention is to make it simpler and quicker for local authorities to assess health and safety standards in rented homes, helping them to improve conditions for tenants and better tackle rogue landlords.

Houses in Multiple Occupation (HMOs)

A high concentration of shared homes can sometimes cause problems, especially if too many properties in one area are let to short term tenants with little stake in the local community. So changes to legislation have given local authorities the freedom to

choose areas where landlords must submit a planning application to rent their properties to unrelated tenants (i.e. houses in multiple occupation). This was designed to enable high concentrations of HMOs to be controlled where local authorities decide there is a problem, but prevent landlords across the country being driven from the rental market by high costs and red tape.

Future direction for the PRS

HM Government, on 19th December 2019, set out their agenda for the next parliamentary session which included some proposals related to the housing sector (HM Government⁴).

- Abolishing the use of 'no fault' evictions by removing section 21 of the Housing Act 1988 and reforming the grounds for possession.
- Giving landlords more rights to gain possession of their property through the courts where there is a legitimate need for them to do so by reforming current legislation.
- Introducing a new lifetime deposit for tenants
- Expand the scope of the database of rogue landlords and property agents. Giving greater powers to drive improvements in standards, and empowering tenants to make an informed choice about who they rent from.
- Building at least a million more homes over this Parliament, making the planning process clearer, more accessible and more certain for all users, including homeowners and small businesses.
- Commitment to end rough sleeping by the end of this Parliament.

At the time of publishing this strategy it is unclear what legislation will be brought forward and on what timescale. However it appears that the HM Government are focusing on making improvements to the PRS, with a particular view to making it a more secure and accessible tenure for tenants, and to make it more simplified for housing providers/ landlords.

What does the PRS look like in England?

Size

In 2018-19, there were an estimated 23.5 million households in England of which 15.0 million (64%) were owner occupiers. The private rented sector accounted for 4.6 million (19%) of households. Throughout the 1980s and 1990s, the proportion of private rented households was steady at around 10%. While the sector has doubled in size since 2002, the rate has hovered around 19/20% since 2013-14.

The social rented sector, at 4.0 million households (17%), remained the smallest tenure, following a long downward trend which has stabilised over the last decade or so. However, the composition of the social rented sector has changed in recent years. In 2008-09, the social rented sector accounted for 18% of households with 2.0 million (9%) renting from housing associations and 1.9 million (9%) renting from local authorities. In 2018-19, 2.4 million (10%) rented from housing associations, 1.6 million (7%) from local authorities. (MHCLG⁵)

In 2010/11 68% of new households were private renters, and 14% were owner occupiers; In 2016/17, the proportion of new households becoming renters had dropped back to 51%, and new owner occupiers risen to 26%. (Rugg, J & Rhodes, D.⁶)

This change probably reflects the impact of the financial crash in 2008 on new mortgages for first time buyers.

Home ownership for first time buyers was at its peak in 1986 and declined in 2008. It has slowly been recovering and this is partly attributed to government-led schemes such as the Help to Buy equity loan (which 80% of first time buyers took advantage of from 2013 - 2017), shared ownership and Right to Buy Schemes.

The national average age of first time buyers has increased from 26 years old to 30 years old from 1976 - 2016. This is likely as a result of the problems that many people face of being able to raise enough funds for a deposit to apply for a mortgage. (Rugg, J & Rhodes, D.⁶)

Standards

Before the introduction of the Homes (Fitness for human habitation) Act 2018 there was no minimum standard for property deemed suitable for letting. However, from March 2020 this new legislation will introduce a new requirement for all tenancies (current periodic tenancies) to be fit for human habitation at the start of and throughout the tenancy period. In addition the local authority can enforce compliance with the Housing Act 2004 if a property is inspected and found to have deficiencies that has the potential to cause harm. Property quality is assessed according to the Housing, Health and Safety Rating Standard (HHSRS), which is a complex, risk-related assessment.

The decent homes standard, as defined by MHCLG and last updated in 2006, sets out requirements that properties should be free from serious hazards, and have amenities such as kitchen and bathroom that meet modern standards, be in a reasonable state of repair and thermal comfort. The PRS had the highest proportion of non-decent homes with 36% of properties at the lowest quintile of rent are non-decent. 25% of homes in the private rented sector did not meet the decent homes standard. This compares with 19% of owner occupied, and 13% of socially rented homes. 14% of privately rented homes had at least one Category 1 hazard, compared with 11% of owner occupied homes, and 6% of those in the social rented sector. (MHCLG^{5,7})

The standard of the property has also been shown to drop as the length of tenancy increases, with 42% of households renting in the same property for more than ten years shown to be classified as non-decent accommodation, compared to 25% of households where the tenancy was one year or less. (Rugg, J & Rhodes, D.⁶)

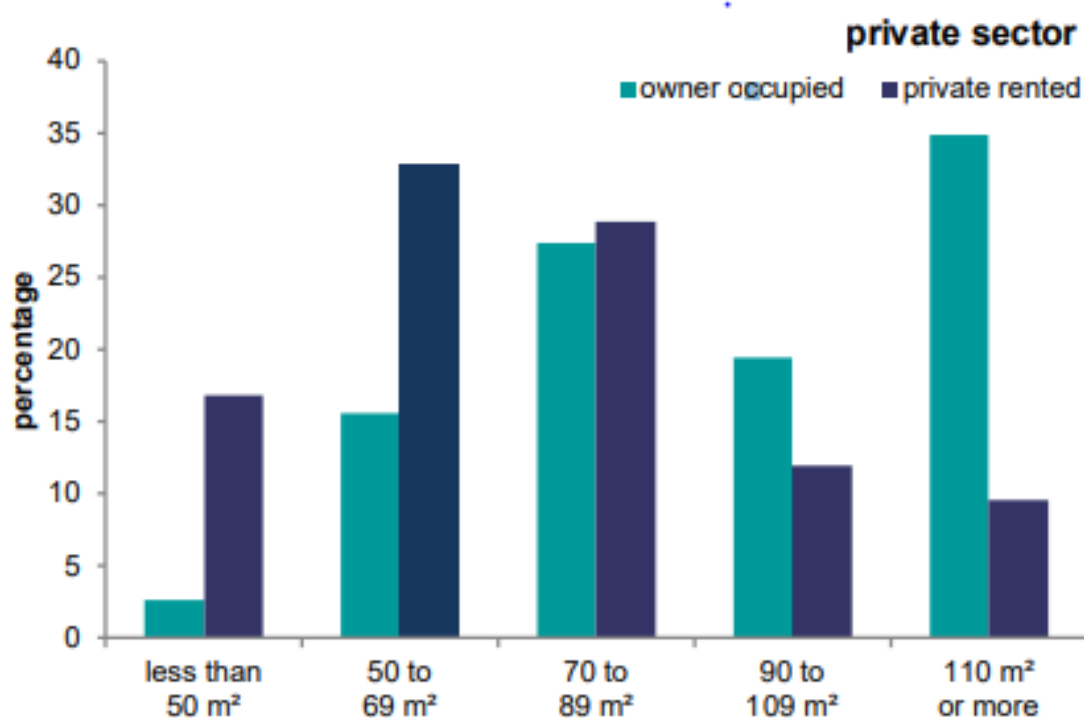
The Landlords Statutory Repairing Covenants are legal obligations which are imposed on all landlords of residential rented properties where there is a term of less than seven years.

The landlord is responsible for keeping in repair:

- the structure and exterior of the property; and
- the installations for the supply of water, gas, electricity, sanitation, space heating and heating water

Size standards

There is no nationally prescribed space standards for existing properties. However the sizes of properties in the PRS differs from owner occupiers, and more closely resembles the social housing sector.



Useable floor area by tenure 2018 (MHCLG⁵)

Reasons for leaving PRS

Of those who had lived in their current PRS property for less than three years, 72% moved because they wanted to, for reasons such as work job (18%), location (16%) and larger home (13%). For the remaining 28% who didn't move by choice reasons included forced by landlord (12%), mutual agreement (10%), and end of a fixed term tenancy (8%). (MHCLG⁵)

Projected Changes

The private rented sector is growing as a proportion of the UK's housing stock, with greater numbers of people forced to rely on it as house prices rise and social housing declines. It is expected to account for more than a third of the UK's housing stock by 2032. (Bentley, 2015)

Change in landlords

Data indicates that there are an estimated 2.3m adults in England who are private landlords in some form and 9% of landlords are themselves private tenants. (Rugg, J & Rhodes, D.⁶)

PRS landlords can be a range of different people/organizations. In 2018, half of landlords owned only one property for rent, whilst 17% owned five or more properties. However these larger landlords accounted for nearly 48% of the sector.

The reasons for providing private rental housing are varied, with the main reason landlords seeing it as an investment. From a tenants point of view it provides flexible accommodation with predictable monthly costs where they will not need to pay large unexpected repair bills. However market rents are usually much higher than social or affordable rents.

Rental levels

Rental levels in the private sector market vary across the country. The median monthly rent recorded between 1st April 2018 and 31 March 2019 in England was £695. (Valuation Office⁸) with rent inflation of 1.3% in the 12 months to September 2019 (ONS)

Savings and disposable income

63% of private renters report having no savings and Shelter have found that due to the rental levels of the private rental sectors, sacrifices are made in other areas to enable private renters to afford the rent. (Shelter, n.d.⁹)

Case studies in the PRS - Greater Manchester

Greater Manchester is a combined authority of ten metropolitan boroughs and an estimated population of approximately 2.7million that had its first elected mayor in 2017. Although Manchester and Portsmouth are different in some respects both have higher deprivation levels than the national average, and lower household incomes levels. Both unitary authorities also experience high demand for affordable housing. Therefore it can be expected that the views of landlords and tenants may be similar in both areas.

Greater Manchester have worked with Shelter and Nationwide Foundation to carry out a study to establish "an informed understanding of the private rented sector in Greater Manchester".

They started by defining those vulnerable in the PRS as households at greater risk of harm for reasons that include, and in some instances combine, economic status and income, age, health and household demographic characteristics. The report considers households to be vulnerable in the PRS if they fall into one of the six vulnerable categories and experience at least one of the three measurable harms. (Rhodes, D and Rugg, J¹⁰)

PRS vulnerability characteristics

- Households with dependent children: primarily with younger families (a child or children under 5 years old). Households with pre-primary school aged children have higher costs in terms of childcare.
- Disability and long-term sickness: Physical and mental health problems which cause the tenant or a member of the household to be unable to work. Definitions from the Equality Act should be considered.
- Older age: Older households are often reliant on a fixed pension income and may struggle to cover any shortfall in housing benefit for rental costs. Poor property conditions can also carry severe health consequences and risks such as trips or falls associated with disrepair.
- Households in receipt of means tested benefits: Increased risk of homelessness due to reliance on benefits to cover rent payments, essential outgoings and the shortfall in rent and council tax.
- Low-income, non-means tested benefit or tax credit dependent: Individuals cycling between work and welfare. There is increased risk of rent arrears and debt due to delays in Universal Credit and low income/zero-hour contracts. This group has the same risks as the previous group with an added risk of debt.
- Recent migrants: PRS is the most accessible type of tenure for migrants but includes obstacles including; language barriers, inability to provide deposits, references and/or guarantors and the risk of renting poor quality PRS accommodation with overcrowding and unsanitary conditions also being a factor.

Quantifying harms

- Not meeting the bedroom standard i.e. overcrowding
- Property standards – the quality of properties and the lack of options for lower income households

- After Housing Costs (AHC) poverty – the biggest problem for vulnerable households

The study found that tenants and landlords often want the same things from the PRS (Shelter¹¹)

Tenants experiencing vulnerabilities want...

- A home (not just a house) where they can feel safe and secure, in a good area, with a good, attentive and communicative landlord that would keep them in the property long term.
- More control and choice when renting a property, not having to settle for poor quality accommodation or rogue landlords.
- More / improved regulation for landlords and letting agents.
- A fairer process that encompasses all involved - tenants, landlords and letting agents, to eliminate the rogues, including 'bad tenants'

Landlords want....

- A good tenant, who will pay rent on time, respect the property, turn it into a home (not just a house) and stay long term.
- More support and regulation when dealing with issues and challenges caused by 'bad tenants', mainly rent arrears and damages to property.
- More regulation of landlords and letting agents to eliminate the rogues.
- More information and support as they enter and navigate PRS.



Section 8: Local Overview

Local policy

As stated in section 2, The Housing Act 2004 provides a local authority with legislation to ensure that housing stock, in their district, meets a suitable standard of safety using the Housing Health and Safety Rating System (HHSRS). This legislation comes with enforcement powers to ensure compliance.

Portsmouth City Council (the council) principally meets this duty through its Private Sector Housing service. This service undertakes a number of functions and provides a number of services, with the following of relevance to the PRS.

- Renewals and provision of grants to help in home adaptations.
- Licencing of HMOs
- Financial assistance policy
- Oversight of the housing market
- Supporting tenants through work on retaliatory evictions and redress schemes
- Enforce the relevant changes in legalisation on standards
- Support and education for landlords through an accreditation scheme

More details on these functions and how they are provided is available in section 9 of this strategy.

However what the council has not produced until now is a comprehensive set of data and information upon which strategic guidance can be made about the whole of the PRS. This document aims to create that strategy.

Case study - Licencing of Private Rental Sector properties

Legislation allows for local authorities to operate a licencing scheme for rental properties in certain circumstances. The details of the specific licencing scheme are within the relevant legislation. However the operation of a licencing scheme is similar in the following regards.

When a licence application is received it is checked to ensure all relevant documentation are included. Once this happens a confirmation letter is sent to the applicant, along with confirmation of the requirement for a verification inspection. Verification inspection (Part 2 of The Housing Act 2004) are carried out when information within the application need to be confirmed by the issuing authority, and is not necessary for all licenses issued. The result of this inspection could be that special conditions are added to the license.

When a draft licence is issued by the officer the applicant has 21 days to respond to the conditions within the licence and if no representations are made then a full licence will be issued. An example of a representation may be if there is disagreement on the communal space standards.

A licence is usually issued for a maximum of 5 years, although may be shorter if the property is not suitable for the number of occupants that currently live there. The licence time period would allow the landlord time to lower the number of occupants living in the property.

Every licensed property will have a Housing Health Safety Rating System (HHSRS) inspection during the period of the licence. This inspection is an assessment of 29

potential hazards and looks for deficiencies with the property. If deficiencies are found then remedial works are required.

The licence holder must comply with the conditions of the licence and two examples of conditions are:

The licence holder must comply with any waste management scheme, introduced by the local housing authority in respect of the storage and disposal of the household waste from the property pending collection.

If a property was not complying with the waste management scheme we would look at the information/guidance that had been provided to the tenants by the landlord. If the landlord was doing all they could to ensure compliance we would look at ways to work with them rather than take enforcement action when a landlord is doing all they can to get their tenants to comply. If no information/guidance has been provided and the landlord is not communicating with their tenants regarding the waste disposal then we would look at a different approach. All cases would be looked at individually.

The licence holder will work pro-actively and responsibly with all enforcement agencies in response to anti-social behaviour caused by tenants within the curtilage of the property and take all reasonable steps to prevent anti-social behaviour from within the boundaries of the property.

We would expect the licence holder to work with us if there were reports of anti-social behaviour within the property. This could include attending meetings with their tenants and agencies or speaking to their tenants directly about their behaviour. All cases would be looked at individually.

Mandatory Licensing of Houses in Multiple Occupation

Mandatory licensing was introduced in 2006 which required certain large Houses in Multiple Occupation (HMO) to be licensed. This originally applied to properties with 5 or more unrelated tenants (forming 2 or more households) over 3 storeys. The definition of a mandatory licensable HMO was extended by new legislation introduced in 2018, to include smaller HMOs. Since 1 October 2018 all HMOs with 5 or more occupiers (forming in 2 or more households), regardless of the number of storeys, require a mandatory license.

The position in relation to flats is rather more complex. Mandatory licensing does not apply to a purpose-built flat in a block with 3 or more self-contained flats. Most flats within large purpose-built blocks (such as those built specifically as student accommodation) will therefore fall outside of the scope of mandatory licensing provided there are 3 or more flats in the block. However, purpose-built flats in smaller blocks with up to 2 self-contained flats will fall within mandatory licensing if the occupancy and household requirements are satisfied.

Additional Licensing of Houses in Multiple Occupation

In 2013, the council brought in an additional licensing scheme for all HMOs with three or more occupants to be licensed in postcode areas PO1, PO4 & PO5 (the areas of the city with the highest concentrations of HMOs at the time).

Such a scheme could only be introduced for a maximum period of 5 years and evidence had to show a need for additional controls over HMOs locally, and that suitable alternative options had been explored. Consultation with local landlords, tenants & residents was required as part of this process.

Any renewal of additional licensing required evidence that it had failed to deal with the problem that led to its introduction in the first place. The evidence for this was conclusive, therefore the scheme ceased in August 2018.

Currently only HMOs with three or four tenants do not require a license; any potential re-introduction of additional licensing would therefore focus on the licensing of some or all of those properties not currently covered by mandatory HMO licensing criteria.

Planning permission for Houses in Multiple Occupation

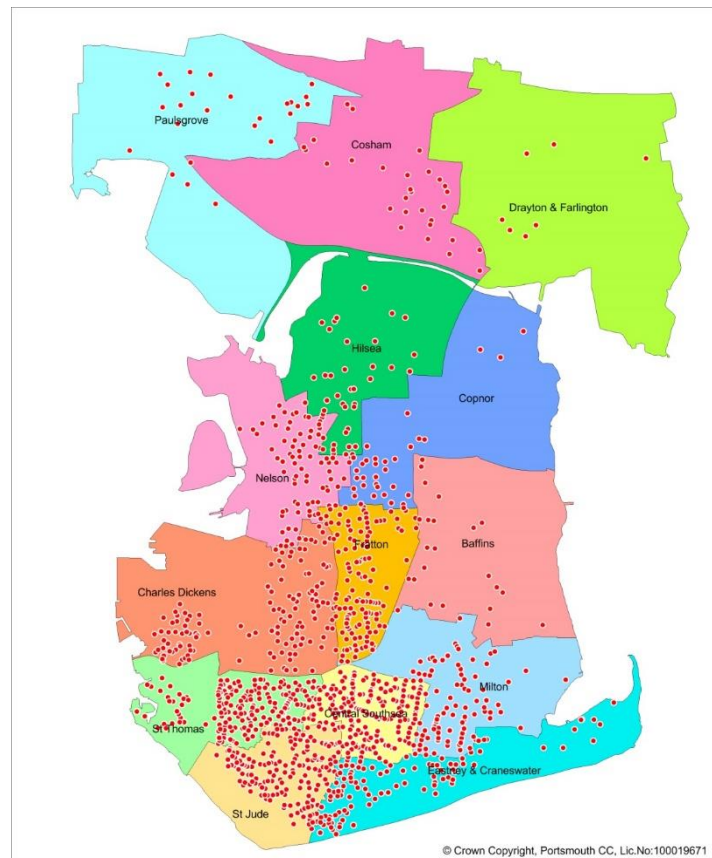
Since 2011 all HMOs in Portsmouth have required planning permission in order to change the use of a Class C3 (dwelling house) to a Class C4 (HMO) where between three and six unrelated people share a kitchen and/or a bathroom.

Planning applications for new HMO's in the city are guided by Policy PCS20 of the [Portsmouth Plan](#). The new Portsmouth plan which is currently in draft form will include a policy position on HMO's to replace policy PCS20.

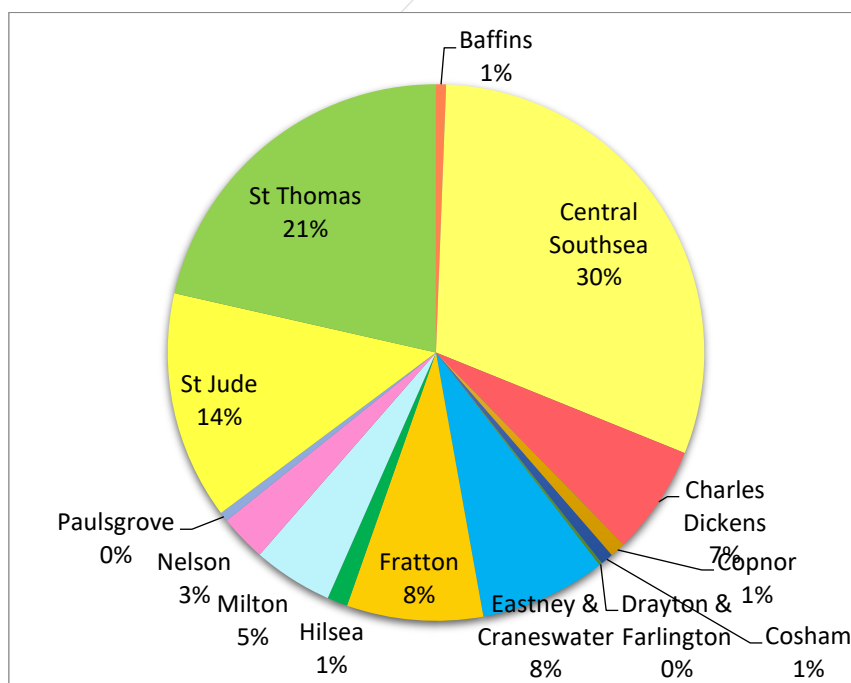
The city Council also has a published [HMO supplementary Planning Document](#) which provides further guidance for new HMO's

Location of Houses in Multiple Occupation in the City

The exact number of HMOs in the city (all those occupied by 3 or more people forming more than 1 household) is unknown as there is no mandatory duty for HMO owners to register their properties with the local authorities aside from mandatory licensing for those occupied by 5 or more people, or those properties that have been converted from a family home to a HMO since 2011 and have therefore required planning permission. However, according to the council there are estimated to be 4,471 HMOs across the city. The following maps shows their approximately location.

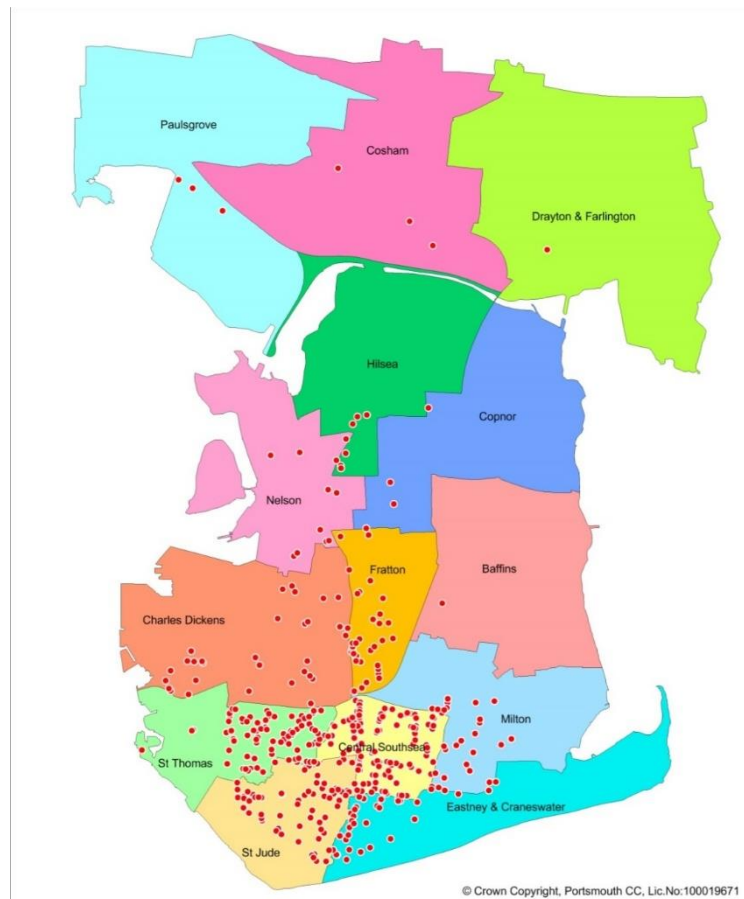


The majority of HMOs are believed to be located in the wards of Central Southsea, St Thomas and St Jude respectively.

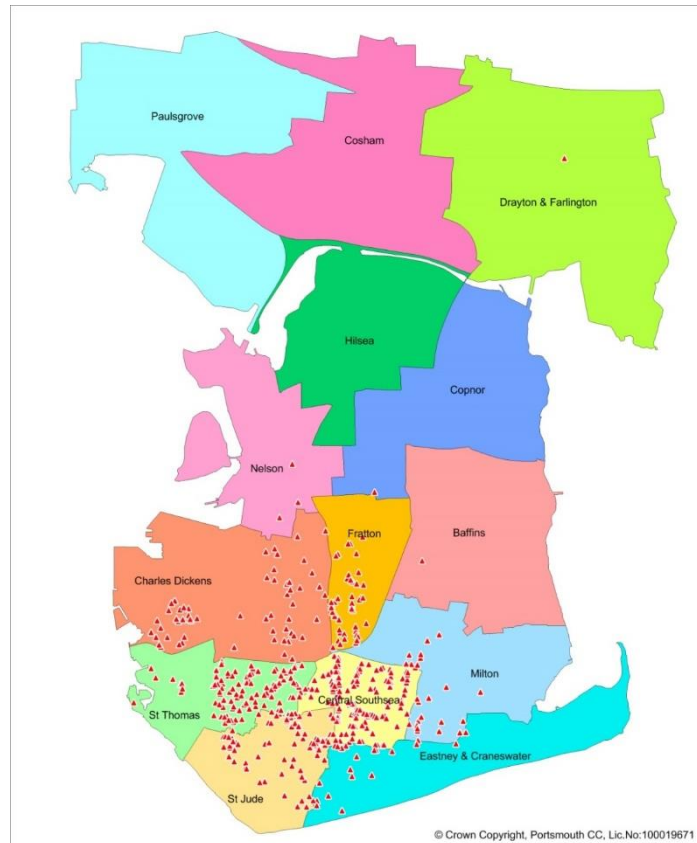


Data regarding the number of licensable HMOs in the city (those occupied by 5 or more people forming more than 1 household) is reliable as the owners or managers do have a mandatory duty to register them with the local authority.

At the start of 2020 there are 1,224 licensed HMOs in the city, the location of which are shown on the following map.



There are 1,579 properties registered with the council as occupied entirely by students (Class N council tax exemption). The location of these student occupied properties are shown on the following map.

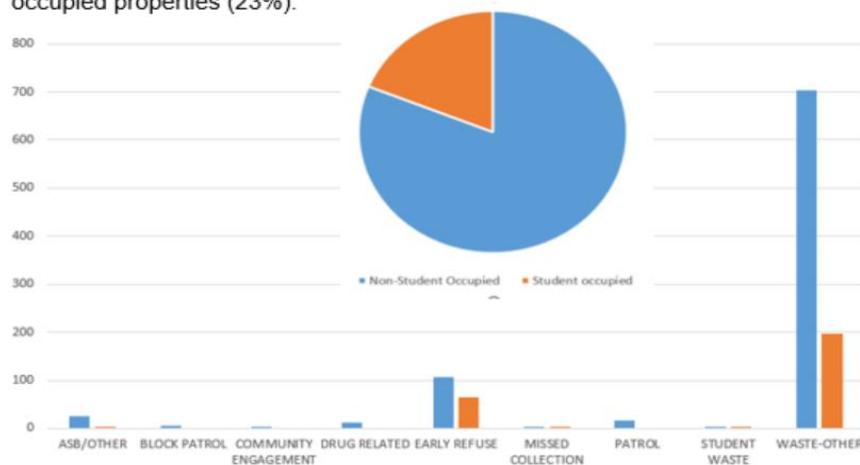


Whilst the spread of all HMOs in the city can be seen in all wards, the majority are concentrated in the south of the city, and those occupied by 5 or more people, or entirely student occupied are largely located in Central Southsea, St Thomas and St Jude wards, with few located in the northern wards of the city.

Impacts of HMOs in the City

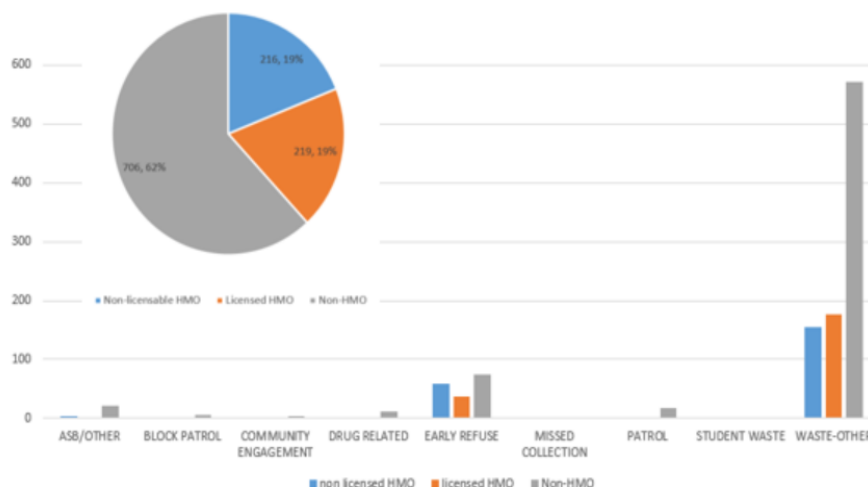
Waste issues related to student occupied properties

Of the 1141 complaints received, 265 of these were regarding to student occupied properties (23%).



Waste issues related to Licensed HMO

Of the 1141 demands they received 219 were regarding licenced HMO properties (19%) and 216 were regarding non licensable HMO properties (19%).



Although HMO's are only a small proportion of properties in Portsmouth (approximately 5% of the overall tenure of the city), the council's waste team receive 38% of their demand from these properties. Although student occupied properties account for only 1.7% of the overall occupancy of the city, they account for 23% of waste demand calls.

Noise Complaints

	2017	2018	2019	Total
No. of Complaints	2141	2256	2129	6526
No. of Properties complained about	1653	1733	1583	4969

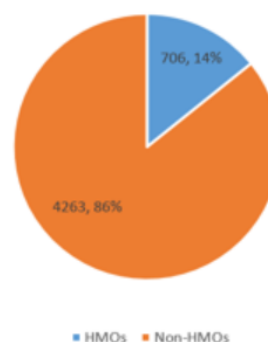
Noise Complaints regarding HMOs

	2017	2018	2019	Total
No. of Complaints	288	341	299	928
No. of Properties complained about	227	256	223	706

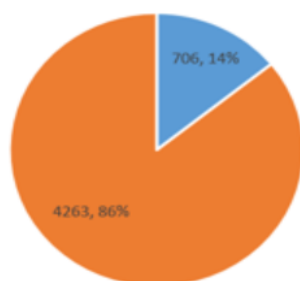
Noise Complaints regarding Non-HMOs

	2017	2018	2019	Total
No. of Complaints	1853	1915	1830	5598
No. of Properties complained about	1426	1477	1380	4263

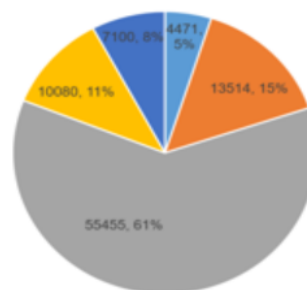
Tenure of properties with noise complaints in last 3 years



Noise Complaints – Proportionality of HMOs



■ HMOs ■ Non-HMOs



■ HMO ■ Other Private Rented = Owner Occupied
■ City Council rented ■ Other social housing

Complaints received by the council's noise team related to HMOs was relatively small, at only 706 out of 6,526 complaints received over a 3 year period. However when considering that HMOs make up only 5% of the properties in the city, but are generating 14% of the noise complaints, this is disproportionately high.

Private Sector Housing team

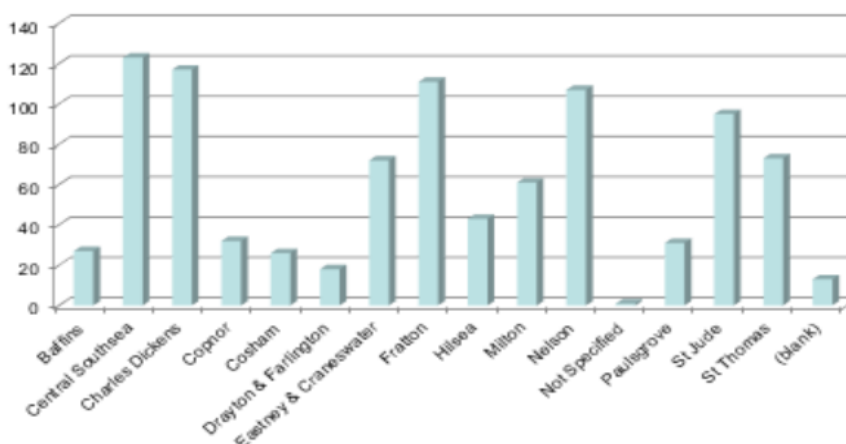
The Private Sector Housing Team deal with complaints regarding disrepair to properties, waste problems in forecourts, problems with the property related to pests, and whether properties should be licensed HMOs or not. The following data provides an overview of the complaints received over a 12 month period.

Complaints in the City

All properties other than licensed HMOs

last 12 months

Ward	Complaints
Baffins	27
Central Southsea	123
Charles Dickens	117
Copnor	32
Cosham	28
Drayton & Farlington	18
Eastney & Craneswater	72
Fratton	111
Hilsea	43
Milton	61
Nelson	107
Not Specified	1
Paulsgrove	31
St Jude	95
St Thomas	73
(blank)	13
Total	950

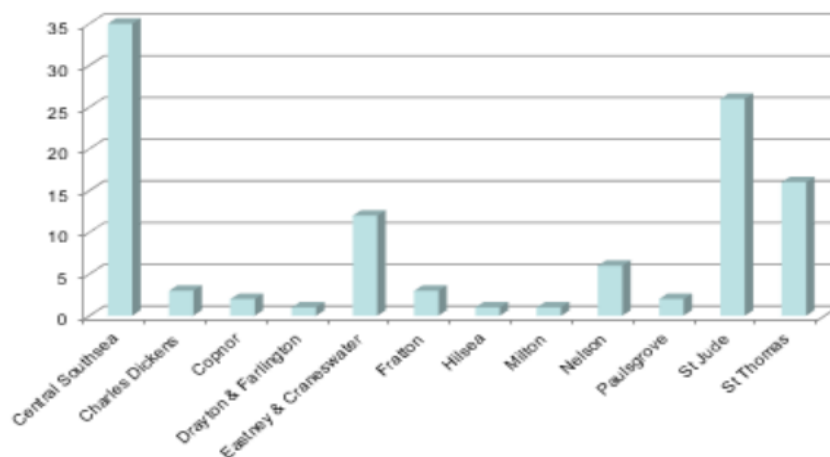


The number of complaints received regarding all properties other than licensed HMOs was 950 over a 12 month period. The highest numbers of complaints came from the Central Southsea, Charles Dickens, Fratton and Nelson wards.

Complaints in the City

All licensed HMOs
last 12 months

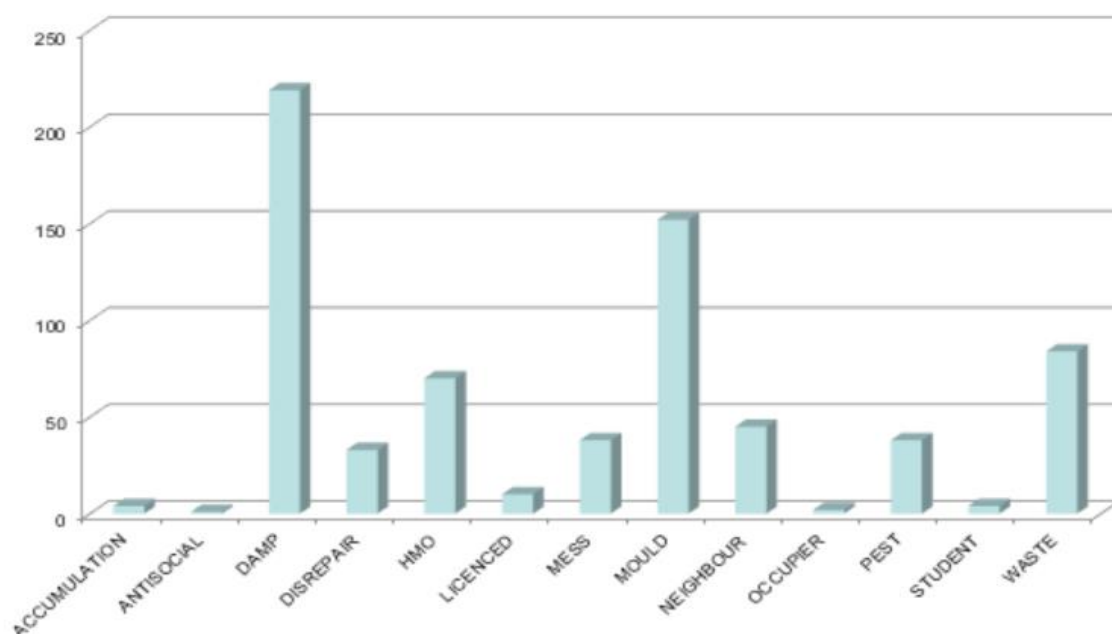
Ward	Complaints
Central Southsea	35
Charles Dickens	3
Copnor	2
Drayton & Farlington	1
Eastney & Craneswater	12
Fratton	3
Hilsea	1
Milton	1
Nelson	6
Paulsgrove	2
St Jude	26
St Thomas	16
Total	108



The number of complaints received regarding licensed HMOs was 108 over the same 12 month period. The highest numbers of complaints came from the Central Southsea, St Jude and St Thomas wards.

Complaints to Private Sector Housing

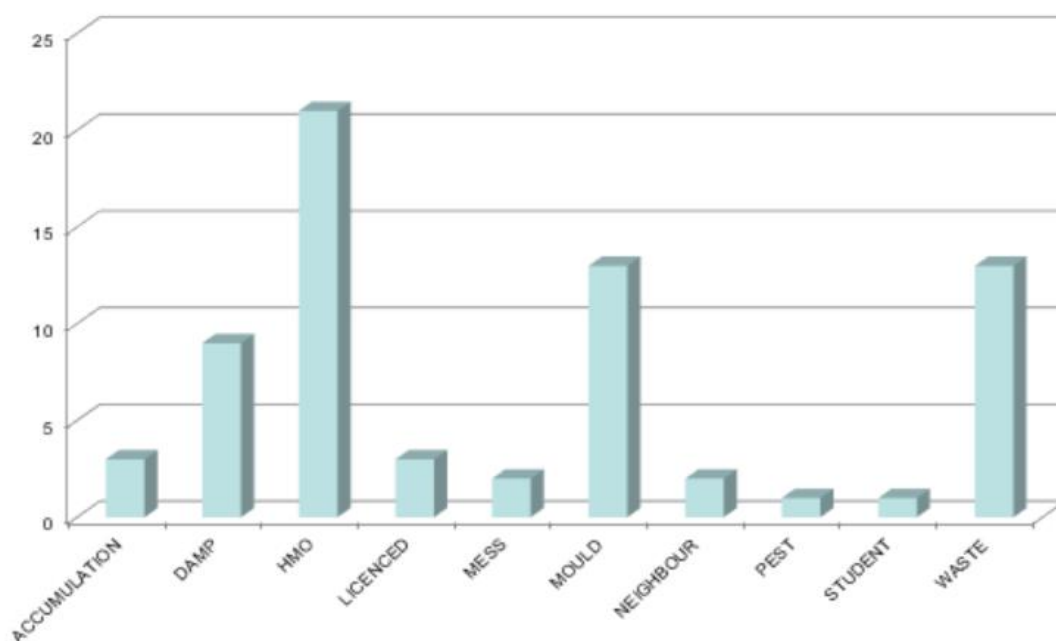
All properties (Including HMOs)



For all property (HMO and non-HMO) complaints received the majority of complaints received were regarding damp, mould, and waste.

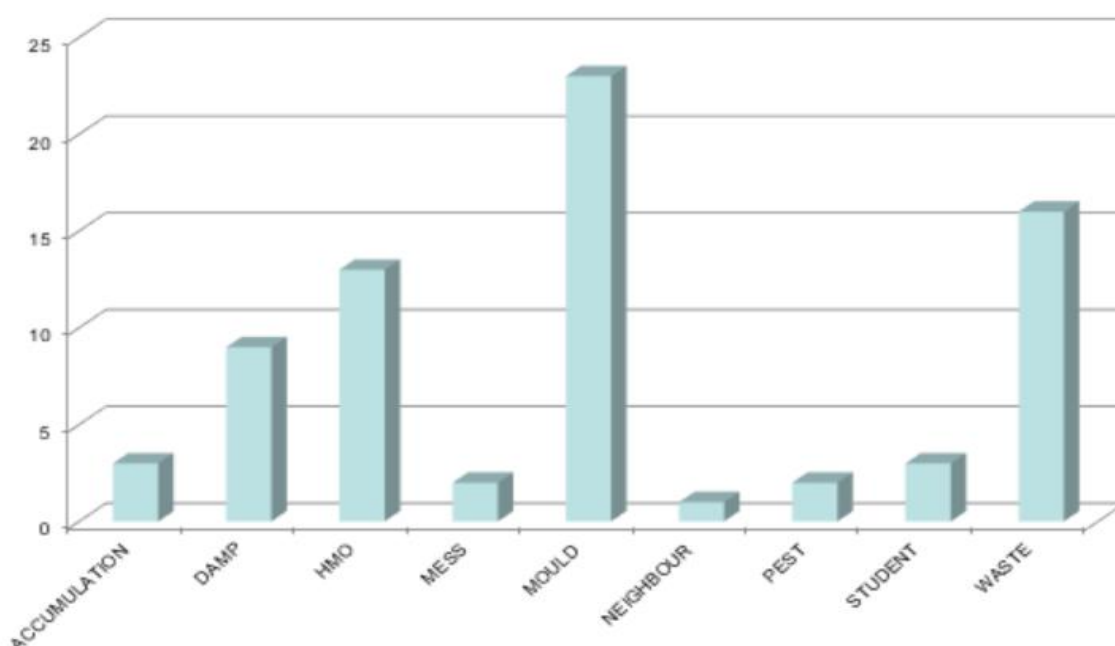
Complaints to Private Sector Housing

Licensed HMOs



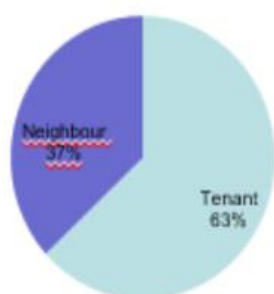
Complaints to Private Sector Housing

Student Occupied



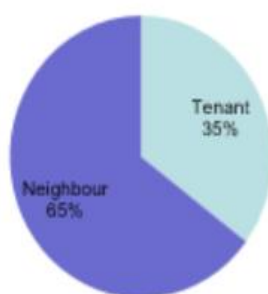
For student occupied properties the majority of complaints were regarding mould and waste, as well as the fact that they were a HMO.

All Complaints



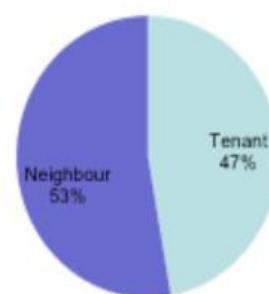
Tenant	442
Neighbour	258
Total	700

Licensed HMOs



Tenant	24
Neighbour	44
Total	68

Student HMOs



Tenant	34
Neighbour	38
Total	72

Who makes the complaints differs depending on the type of property. For all complaints received 63% of the complaints are made by the tenant of the property. For licensed HMOs and student occupied properties however, more complaints are received by neighbours of the properties than the actual occupants which indicates that the impacts of them on their surrounding environment is higher.

Selective Licencing - licencing of ALL properties within the Private Rental Sector

The legislation does exist for the council to require any type of private rental property to be licenced, although to do this across the entire city would need approval from the Secretary of State for MHCLG. As of January 2019 only four councils in England have done this across all wards and was usually done because of an acute and identified problem. A further 40 did it in specific geographical areas, 31 of which did it in an area which covered less than 20% of their geographic area or less than 20% of their total PRS.

Introducing such a scheme in Portsmouth would need to be justifiable, not only to landlords, but also tenants and neighbours and currently the data to do so is not clear. However the identified risks, such as increasing costs (which may be passed on to tenants) and landlords leaving the sector are known. More importantly the council would be introducing a licencing scheme into a sector where there is no evidence of significant levels of failure i.e. the vast majority of properties are not complained about, either by tenants or by neighbours. Only in relation to HMOs are a higher proportion of properties causing such problems.

Landlord Accreditation

Originally introduced in 2010 the council's Landlord Accreditation Scheme, but now called the Rent It Right aimed to improve the physical and management standards in the private rented sector by providing encouragement, support and incentives to accredited landlords. At a national level the benefits of accreditation are well understood

- longer and often renewed tenancies
- higher property standards
- increased tenant satisfaction, and
- a reduction of disputes which significantly lowers cost for all

(Shelter¹²),

The scheme was voluntary that landlords could join for a nominal fee (it is currently free to join) and have access to support and information including their responsibilities, best practice, and changes in legislation. Landlords received a free inspection of their properties to provide tailored advice regarding any deficiencies in their properties, and for HMO properties, members of the scheme receive a discount on mandatory licensing fees.

The scheme currently has 278 landlord members. A relaunched website allows landlords to advertise their accredited properties, and for prospective tenants to view these with the assurance that the landlord is accredited by the local authority.

Key issues

Regeneration of the city

The MHCLG provide each local authority with a number of houses that they need to build over a 20 year period. The current projection is from 2016 to 2036 and Portsmouth is expected to deliver 17,340 properties during this time. This equates to 867 properties per year.

Hampshire County Council monitor our progress for meeting this target and provide the figures to the City Council every year. The City Council provides this information to central government informing its performance monitoring through the Housing Delivery Test. PCC is currently meeting its Housing Delivery Test requirement largely down to provision of student accommodation.

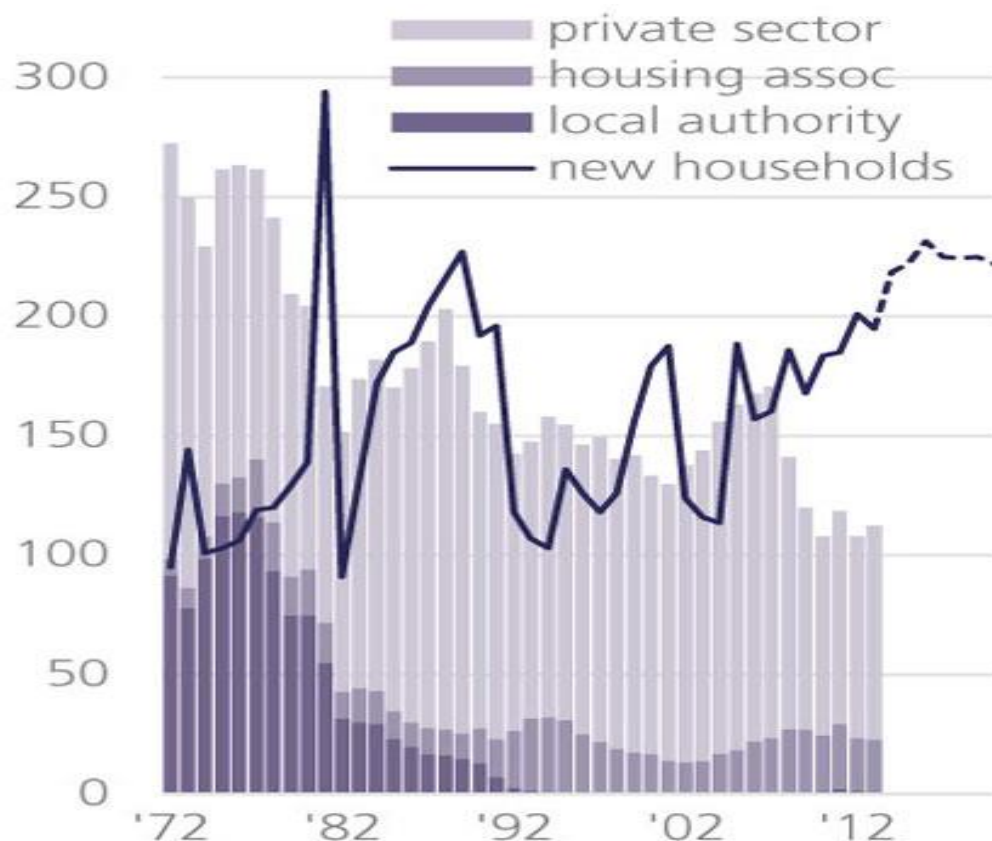
Over the past 3 years student accommodation development in Portsmouth has helped the City Council meet our Housing Delivery Test target for development as the governments methodology counts every 2.5 student rooms delivered as equal to 1 residential dwelling. Student accommodation has since 2016 delivered 1,459 dwelling equivalents.

University of Portsmouth

The University of Portsmouth has grown in student numbers from 2007-2018 with the number of home/EU students having increased by 20% since 2007, and International Students by 50% since 2007 (University of Portsmouth 2018¹³)

Supply and demand

The number of new households nationally each year has exceeded the number of homes built in every year since 2008, and the gap has grown in recent years, new dwellings (bars) by tenure, and new households (line), 1972-2013 (projections of new households to 2020).



The resultant house price inflation in areas of high demand has led commentators to suggest that by 2020 home ownership will be an 'impossible dream' for those not

already on the ladder. Declining affordability would suggest that, for many, that dream is already impossible. (Parliament¹⁴)

(Source: Hampshire County Council)						
	2006	2011	2016	2021	2026	Change
Dwellings	84,751	88,801	92,732	96,897	100,740	15,989
Population	191,514	197,614	202,145	207,275	212,312	20,798
Households	81,657	85,572	89,365	93,379	97,089	15,432

This data showing population and household projections shows that in Portsmouth (just considering local need and no in migration) there is a need to provide an additional 17,340 homes between 2006-2036. This figure includes additional housing for the increase in population and also the increase in households due to splitting and newly forming households. There are also 2,242 households on the housing register (as of January 2020), some of which may be included in the housing figures above but others may be new households. Therefore this would only increase the figure. (PCC¹⁵)

What does the PRS look like in Portsmouth?

The knowledge and data around the PRS in Portsmouth is weak, and therefore some assumptions will have to be made using national data. Some data has been provided by the council's private sector housing team

Number of properties

In Portsmouth, approximately 41% of homes are rented, while 59% are owner occupied (with or without a mortgage). How this breaks down by tenure is shown in the following table

Estimates of dwelling stock in Portsmouth by tenure:

Tenure	Number of homes	%age of total dwelling stock
Owner occupied	55,455	61.2%
Private rented	17,985	19.8%
Total private sector	73,440	81.0%
City council rented	10,080	11.1%
Housing association and other public sector	7,100	7.9%
Total public sector	17,180	19.0%
Total	90,620	100%

(ONS), Subnational dwelling stock by tenure estimates, 27 Nov 2019

Although the estimates in the above table are broadly correct, most local authorities, including the council, do not know precisely how many homes in Portsmouth are owned by a landlord and then rented to a tenant, either on a tenancy or license.

There is no local data available on the number of landlords who operate in Portsmouth, but based on the national average of 1.8 properties per landlord, there would be approximately 11,000 landlords in Portsmouth. Nationally, 61% of landlords use a

letting agency. If this is applied to Portsmouth it would indicate that approximately 6,700 landlords use a letting agency, and 4,300 operate independently.

Standards within the Portsmouth PRS

The standard that a property is maintained at is usually agreed between a tenant and landlord or letting agent at the start of a tenancy, and in the vast majority of cases, this arrangement continues to the satisfaction of both parties without the need to refer to external support. In the year 2019 the council's Private Sector Housing Service, who investigate complaints, received complaints regarding 1,058 properties from a total of approximately 18,000 PRS. This means that a complaint is only received about 6% of the PRS.

When an enquiry is received by the council which it believes needs to be investigated, an officer will arrange to make a visit and carry out a Housing Health and Safety Rating System (HHSRS) assessment of the rental property. This is a risk-based assessment tool, used by council officers, that identifies hazards in dwellings and evaluates their potential effects on the health and safety of any potential occupants and their visitors. Hazards that are identified are scored on their severity of harm and categorised as either Category 1 (the most severe) or Category 2 Hazards (less severe, but still may have a significant impact on property occupants).

On completion of the HHSRS of the rental property, if hazards are identified a work schedule to mitigate those hazards is issued to the landlord to action within a specific time period. Should this time period lapse, or the works fail to be completed to an appropriate and reasonable standard, the council will follow its published enforcement policy.

This policy aims to support the local community and promote continuing growth whilst making sure that there is a balanced housing market that provides for a range of individual needs and income levels. The main objective of enforcement action is to ensure that non-compliance in the local market is addressed. (PCC¹⁷)

The council has a legal duty to take the most appropriate course of action available in relation to category 1 hazards and can do this through a range of formal notices or orders. The type of notice or order served will be based on the best course of action undertaken as required by the relevant legislation. Each course of action is decided on an individual basis.

The council also has the power, which is enacted through its local enforcement policy, with regard to Category 2 hazards.

Regarding space standards (the minimum amount of amenity space within a property depending upon the number of occupants) the council have adopted their own amenity and space standards to improve the rental property standards in Portsmouth.

Affordability

Portsmouth rent levels by property size (£ per month)

Size	Rent data Oct 2017-Sep 2018 (Portsmouth)		
	Lower quartile	Median	Mean
Shared	£340	£395	£412
Studio	£450	£525	£536
1 bed	£550	£595	£615
2 bed	£685	£750	£770
3 bed	£817	£895	£912
4 bed	£1,238	£1,400	£1,527

National Rental levels based on property size (Valuation Office⁸)

Across the UK on average, private renters spent a third (33%) of their household income (including Housing Benefit) on rent. This is compared to 28% for social renters, and 17% for mortgagors. Most private renters (71%) said they found it easy or very easy to pay their rent. (MHCLG¹⁸)

Financially assistance for tenants

Assistance with rental costs (from either Housing Benefit or Universal Credit) is available in the PRS. However the amount of money available is capped at the Local Housing Allowance (LHA) rate and is determined by the number of bedrooms the household is deemed to need.

LHA rates for Portsmouth 2013-2020 (£ per week)

Property size	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Shared	67.96	68.50	69.04	69.04	69.04	69.04	69.04
1 bed	115.38	115.38	116.53	116.53	116.53	116.53	120.03
2 bed	141.51	142.93	144.36	144.36	144.36	144.36	148.69
3 bed	170.99	172.70	172.60	172.60	172.60	172.60	177.78
4 bed	235.85	230.77	240.00	240.00	240.00	240.00	240.00

Across England one fifth of private renters received Housing Benefit (HB), but in Portsmouth approximately two thirds of households in the PRS receive partial or full HB and for most recipients, this does not cover their whole rent. Across England 85% of those in the PRS who receive HB reported that the benefit covered only part of their rent. (MHCLG¹⁸).

For 67% of households in PRS housing in Portsmouth receiving HB under the LHA rules, their LHA rate is well below the average. The average shortfall is £25.95 per week (£112.45 per month) which the tenant must find from other income or fall behind on their rent.

LHA rates were initially set at the median rent level but from April 2011 they were reduced to the 30th percentile of market rents. This meant that just 3 in 10 properties within the local market would be at or below the LHA level. LHA rates were then frozen between April 2016 and March 2021, while market rents have increased, so LHA rents are now well below market rent levels.

The government introduced some Targeted Affordability Funding in 2018 to increase LHA rates that were furthest behind market rents. In Portsmouth, this increased the 1, 2 and 3 bedroom rates from April 2019, while the shared accommodation and 4 bedroom rates remained frozen.

For a tenant living in a PRS home, who receives any amount of HB, or UC including a Housing Costs Element (HCE), any increase in their rent above their LHA rate will not result in any increase to these benefits.

For both social and PRS tenants whose HB or UC does not cover their full rent, Discretionary Housing Payments (DHP) can provide short term assistance to meet the shortfall. Awards are often made for three months, and focus on providing time for the tenant to explore alternative options to afford their rent, such as finding work or increasing their hours, or moving to a more affordable home.

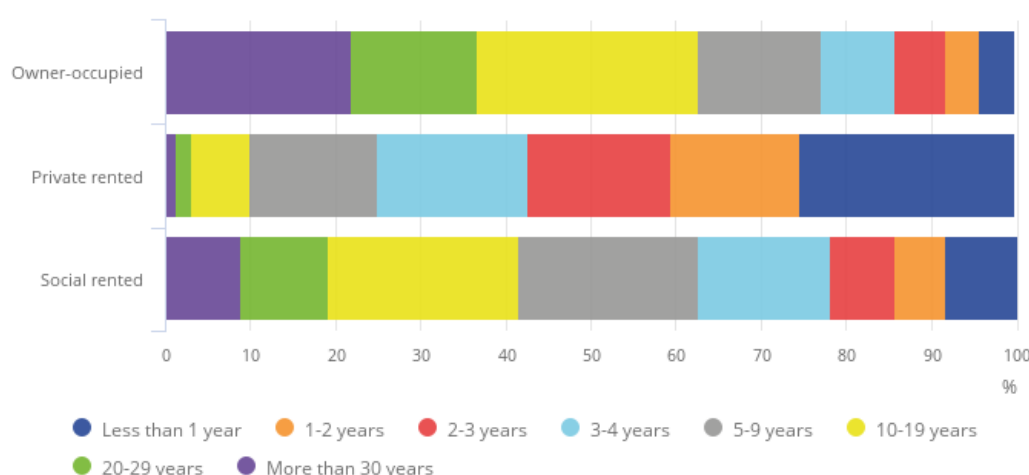
The council receives an annual ring-fenced grant for DHP from the Department of Work and Pensions (DWP), and can choose to add its own funds.

A 2019 study of affordable housing concluded that on a single day in Portsmouth only 9 of 415 two- bedroom homes were affordable to rent on the current housing benefit. According to this study the average benefit allowance in Portsmouth would need to increase by £129 a month for someone to afford the cheapest 30% of homes. (The Bureau of investigative Journalism¹⁹)

Section 9: Tenants

25 to 34 years age remains the single biggest group, which represents 33% of the sector with 1.5 million households. However there were more than three times as many 35- to 44-year-olds renting privately in 2017 than 20 years previously. Households in the 45 to 54 years age group saw the biggest percentage increase from 11% in 2007 to 16% in 2017, an estimated increase of 384,000 households. (ONS) Households aged 65 and above decreased as a proportion of renters although then overall numbers are increasing. Approximately 20% of older renters are still in work and an estimated 45% are in receipt of Housing Benefit.

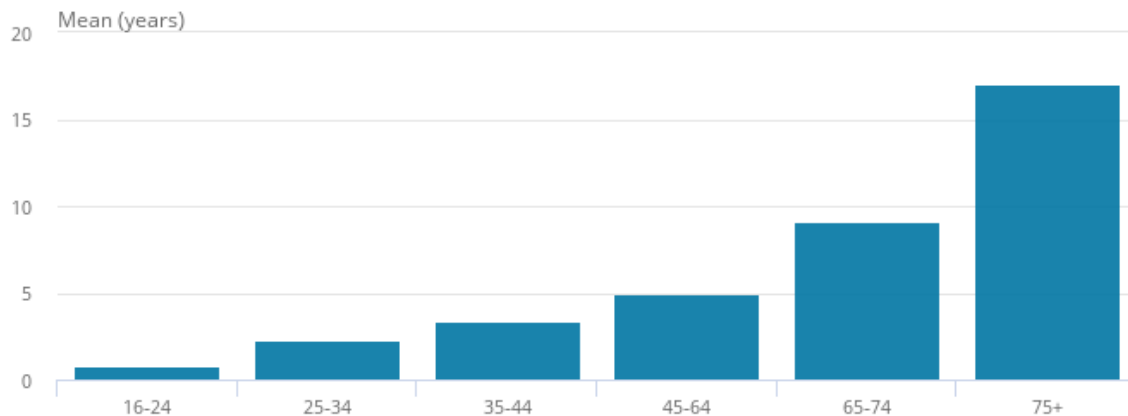
62% of households in the private rented sector in the UK had spent under three years in the same accommodation and only a small proportion (4%) had been in the same residence for 20 years or longer. However there is some evidence that this is changing. In 2008/9, 39 per cent of households had lived in their current tenancy for less than a year; in 2015/16, this figure was 26 per cent. The proportion who had been living in their property for three to five years increased from 18 to 30 per cent over the same time period with a marked increase in tenancy lengths for families with dependent children. (Rugg, J & Rhodes, D.⁶)



Source: English Housing Survey, Ministry of Housing, Communities, and Local Government

The average length of residence for tenants at their current address in the private rented sector differs according to age. Younger people (aged 16 to 24 years) have stayed in their current residence for a shorter amount of time, an average of 9.6 months. Older people (aged 75 years and over) on the other hand are more likely to have lived at their current private rented accommodation for an average of 17 years

(MHCLG⁵)



There is evidence to suggest that tenants are more likely to move properties within the sector, than to move to social housing or owner/occupation.

Young people (aged 16 to 24 years) were most likely to move for job related reasons or for neighbourhood related reasons whereas those between 45 and 65 years were most likely to move because the landlord gave notice or because of divorce or separation. For those with dependent children, the most prominent reason for moving was because the landlord gave notice followed by job-related reasons. (ONS²⁰)

The number of private renters who expect to buy has been stable over the last 10 years at between 50-50% of the total. This indicates that the remainder do not expect to buy, and therefore can expect to remain within the PRS for the rest of their lives, or move into social housing. (MHCLG⁵)

Case Study - Story of a Portsmouth PRS tenant

Miss A and her baby daughter rented a 1 bedroom partial basement flat in Southsea. Miss A, by her own admission, suffers from anxiety which led her to feel that the property she is renting was unsafe and she contacted the council for assistance in February 2019. Miss A raised all concerns with her landlady prior to contacting the council.

In July 2019 Miss A contacted the council seeking assistance and an officer visited to undertake a Housing Health & Safety Rating System (HHSRS) assessment. A handful of Category 2 hazards (those considered under the system to be less serious or urgent) were identified including a leaking flat entrance door and disrepair around a double power socket in the kitchen. However, before a work schedule could be sent to the landlord, Miss A was served a notice to vacate the property under section 21 of the Housing Act 1988. It is unknown whether the landlord served this notice before or after they became aware of the council's involvement in the case.

Although Miss A was being lawfully evicted she felt that the council ought to have served an Improvement Notice to prevent the eviction from going ahead. However as the deficiencies identified were addressed by the landlord, there were no grounds on which the council were able or justified to serve notice. The outcome meant that Miss A will be evicted.

Miss A sought help from the council when formally evicted. As Miss A was a single mother to a baby daughter, it was highly likely she will be supported into new accommodation which almost certainly will be social housing.

All of the information leads this strategy to proposing five main reasons why people rent

- a. People in PRS for a fixed term short period of time (students). Mainly low/no connection to Portsmouth and likely to leave after fixed term (university may be able to provide data here).
- b. People in PRS for a medium term, indeterminate period with plan to move out. Those saving for a deposit to become an owner occupier or waiting to enter social housing (and will enter it)
- c. People in PRS for long term and indeterminate period with no plan to move out, but could move out if they wanted to
- d. People using the PRS as a second home for work
- e. People in the PRS for long term and indeterminate period with no plan to move out, and cannot move out. These people do not qualify for social housing and are not saving for a deposit to become an owner/occupier. These people are stuck in the PRS and not here by choice.

To find out if these are true in Portsmouth, and how many of each there may be, surveying of tenants was undertaken. This is outlined in Section 6.

What makes a 'good' tenant?

Fundamentally the success of a well function PRS depends upon the behaviour of the main user groups. Whilst other stakeholders, such as the university, council, developers, charities etc. can have an influence in specific cases, and have some influence on the direction of travel, the success for of the PRS for individuals will be based upon their personal experience of the people that they deal with and their behaviours.

The role of this strategy is to make clear what should be considered as good behaviour by a tenant.

It is useful to try to define what a 'good' landlord may look like

A number of sources were reviewed to understand what is considered to be a 'good landlord', including

- Local authorities (City of York²¹)
- The Tenants Voice (The Tenants Voice²²)
- Landlord organisations (Clan Gordon²³)

As well as a review of what the council. As a regulator of the sector would expect to see from a good tenant. There were many common theme amongst most of these groups, and this has been used to create the following definition of a good landlord

This strategy proposes that the definition of a good tenant should be:

- Good tenants pay their rent on time, or if they can't (for any respectable reason) they warn their landlord immediately and look for a solution.
- Good tenants communicate with their landlords on all necessary matters – repairs, negotiating terms, asking for permission.
- Good tenants provide access to the property when requested or offer a flexible schedule when they need to postpone.
- Good tenants take care of their home even though they don't own the property. They are not shy about doing work to the property or small repairs and even improve the conditions at their own cost. Good tenants report every repair issue on time, so it can be fixed in due time.
- Good tenants have read and understood the tenancy agreement and are prepared to follow the terms listed.
- And if all of the above are followed, it is highly likely that a good tenant will be living in their property for the long-term.

Section 10: Landlords

A private rental sector landlord has been defined in as "Those who are receiving rent from either second homes or buy-to-let properties in the UK (or both). This does not include those who receive rent from lodgers in their own home. (SSC ²⁸)

In order to understand landlords it is necessary to split the landlords up into groups.

- A) Commercial Organisations (Companies often owning a large number of properties who are run professionally on a commercial basis.)
- B) One man band business - An individual who owns properties as their main business / form of income.
- C) Small landlord by choice. People who buy one or two properties as an investment or supplement their main income.
- D) Accidental landlord. People who did not chose to become a landlord but now have a property to manage. This may be due to inheritance or families merging.

Commercial Organisations (Companies often owning a large number of properties who are run professionally on a commercial basis.)

Commercial Organisations/companies are considered the larger landlords in our groupings. They are likely to include landlords that are not letting on the open market, including government departments, higher education institutes and employers. They are also small individual incorporated landlords as well as landlords letting many properties.

This group of landlords comprises of 6% of the private rental sector. 2% describe themselves as companies, and the other 4% as organisations. (MHCLG ²⁷)

In the 2012 report - "Review of the barriers to institutional investment in Private Rented Homes" recommended many changes to make this a reality. These included a change in planning, a change in land release, and a more radicalised look at when houses are built for a buy to let market, not owner occupier. The main barrier was recognising that this was an innovative approach and convincing investors that they would receive a return on their money.

The likely motivation for a company/organisation to invest in the PRS is the financial return.

In 2014 the national Build to Rent (BTR) Fund made £200m available on an equity share or loan basis over the period of 2012-16, and £10bn of debt guarantees. In 2015 it was reported that 15 schemes had secured £455m funding which was rolled into the Home Building Fund in 2016. There was no final figure on how much of the fund had been allocated at its close.

Small companies or partnerships that manage their own portfolio - An individual who owns properties as their main business / form of income.

This group of landlords are as "Portfolio builders". They use a variety of financial packages to make their gains from acquisition to selling units that are not performing as well. They are the professional landlords and may have staff to help manage their portfolio. 17% of landlords fall into the group, and own 48% of the sector which (up from 39% from 2010.)

Although the number of people that this group rent to in the PRS has increased, the number seeking to increase their portfolio has dropped from 29% in 2015 to 15% in 2018

In the English Private Landlord Survey only 4% of landlords state that they became a landlord as their full time career. It is most likely this group of people that this figure refers to. . (Rugg & Rhodes)

Small landlord by choice. People who buy one or two properties as an investment or supplement their main income.

This type of landlord has been described as a "Pension- plan" landlord. They usually only have one or two properties and bought them as a long term investment and as a side line to their main occupation. They will likely have funded the investments with:

- savings;
- an outright sale;
- from an owner occupied mortgage or
- be reliant on buy to let finance.

44% of landlords have said that they bought their rental property to contribute towards their pension although it is not for this strategy to comment on whether these are wise investments. 39 % of landlords are already retired and an estimated one fifth of landlords fall into the pension- plan category.

Accidental landlord. People who did not chose to become a landlord but now have a property to manage. This may be due to inheritance or families merging.

This type of landlord did not necessarily plan to be a landlord but has become one through circumstance. 32% of landlords have admitted that the first house they rented out they originally lived in themselves.

It may be that they have to rent their own property to acquire a larger property and are renting their property out until a sell will occur. They may have inherited a property or have merged two families together and found themselves with an extra property as a result. This group is the most likely group to sell their property and stop being a landlord as soon as possible, unless letting the property is more financially beneficial.

45% of landlords own only one property, making up 21% of the PRS properties.

This type of landlord has been described as a "Churn" landlord and this is because they will not be in the private rental sector for long but churn over regularly when the asset can be sold. They will only be motivated to stay in the private rental sector for as long as they have to.

Why do landlords stop being landlords?

There are many reasons why a landlord will decide to no longer be part of the private rental sector. As explored previously, an accidental landlord is more likely to sell and leave the private sector far more quickly than the other three group sets that have been explored. However, what could influence other landlord groups to no longer work within the private rental sector?

Change in Taxation

In 2015 central government reduced the tax advantages to landlords compared to owner occupier purchasers, and used stamp duty land tax (SDLT) to be more preferable to households seeking home ownership. They also made changes to interest rate offset rules to influence the number of Buy to Let (BTL)

The market response to these changes meant that more property was bought for BTL purposes before the changes were implemented in April 2016. The impact of the taxation change was that it did not stop landlords buying property but bought more quickly that financial year to avoid the change in taxation.

It is difficult to judge what long term impact these financial changes will have on landlord behaviour. Some believe that "Portfolio landlords" whilst those with "mature" portfolios who have little to no loans against their properties and accidental landlords will be less affected, such as accidental landlords and companies/organisations

The full impact on all landlord types will not be known until 2020 when individual landlords start completing tax returns and fully understand any losses.

Change in legislation/regulatory framework

It is widely recognised that the PRS requires regulation in order to ensure that properties are safe to live in.

The impact of licencing legislation on landlords has been hard to ascertain. This is because not all properties that are licenced are visited by the Local authority and therefore the impact that the licence has on the property owner could be minimal depending on where they live in the country.

The Right to Rent requirement has changed who some landlords are willing to rent to. 44 % of landlords state that they are less likely to rent their property to someone without a British passport.

The protection against retaliatory eviction has been criticised as the legislation, in particular its requirement for a local authority to issue an improvement notice before the tenant has protection against eviction, is seen to be convoluted in nature (as demonstrated in the case study of Miss A in section 4).

The Deregulation Act 2015 also recognised that tenants needed to be better informed about their rights. The "How to Rent" guide has been created to be given to tenants at the beginning of their tenancy. If the landlord fails to provide this information then any Section 21 Notice served later on will be invalid. The industry have expressed concern, however, that the "How To Rent" guide is actually creating confusion as there have been changes made to the guide and, therefore, the validity of the version that they are giving will effect whether they can seek eviction under Section 21.

It has been stated that effective regulation of the sector is undermined by the nature of the broad, overarching regulatory and governance framework."

Change to the benefit system.

Prior to universal credit a landlord renting to a recipient of Housing Benefit would almost be guaranteed their rent as a result of negotiating with the local authority to have their rent paid directly to them. Under the new Universal Credit, all benefits are paid directly to the tenant. They are then required to budget their benefits to cover all their bills, including their rents.

A landlord can apply for an Alternative Payment Arrangement (APA) which can mean that a landlord can receive their rent directly. However, of the 53% of landlords who had successfully applied for an APA over half have said that they found the process difficult.

38% of landlord with Universal Credit tenants have seen those tenants fall into rent arrears with an average owed of £1150. Tenants in this situation are likely to struggle to ever pay this debt back.

The impact that this situation has on private landlords is that they are facing both a loss of revenue and potentially expensive possession procedure. Landlords will change their management practices to mitigate this risk.

Summary

In summary, the private rental sector is made up of 94% individual landlords who are likely to be either one man bands, retirement fund landlords or accidental landlords. 4 % are a company and 2 % are an organisation.

45 % of landlords own one property and they rent to 21% of the private rental sector. The biggest contributors to the private rental sector (at 48 %) are landlords who own 5 or more properties. This group of landlords is expanding as they have increased from 2010 from 5 % to 17 % in 2018.

46 % of landlords gave their main motivation for becoming a landlord as they wished to invest in property rather than other investments. This is likely to cover the majority of professional landlords.

44 % bought to increase their pension which is more likely to be relevant to small and accidental landlords. Only 4 % have said that they bought with the intention of it being their main income.

The increase in legislation and changes in the benefit and tax system, may see a change in the amount of landlords per group set in the future.

This information leads the strategy to propose four main reasons why someone may be a landlord, as follows.

- a. Commercial organisations. Companies, often owning a large number of properties, who are run professionally on a commercial basis
- b. One man band businesses. Individuals who own properties as their main business/form of income
- c. Small landlord by choice. People who buy one or two properties as an investment or to supplement their main income

- d. Accidental landlord. People who did not chose to become a landlord but now have a property to manage. This may be due to inheritance or families merging.
The removal of Section 21 may make these people want to leave the sector but find that they cannot.

What makes a 'good' landlord?

Similar to the section on tenants, it is useful for this strategy to define what Portsmouth may want a good landlord to look like.

It is useful to try to define what a 'good' landlord may look like

A number of sources were reviewed to understand what is considered to be a 'good landlord', including

- National Landlords Association
- Residential Landlords Association
- Portsmouth & District Private Landlords Association
- The Tenants Voice
- Shelter

As well as a review of what the council, as the local regulator of the sector, would expect to see from a good landlord. There were many common theme amongst most of these groups, and this has been used to create the following definition of a good landlord (NLA ²⁵)

Five principles of a good landlord

1) Act in a fair, considerate and just way towards tenants

- The landlord will respect the tenant's rights to peaceful and quiet enjoyment of the property and will, emergencies excepted, ensure the tenant is given reasonable notice of access.
- Reacts proportionately when there is a problem with the property to rectify it in a way which minimises disruption wherever possible.

2) Create a good tenancy

- The landlord should provide tenants with a written statement of the terms of their occupancy, and make every effort to assist the tenant with the understanding of their tenancy agreement.
- The landlord will inform the tenant in writing of any additional charges that the tenant will be required to pay during the tenancy.
- The landlord should make the tenant aware of local information on issues such as waste collection, and parking restrictions. They will also signpost tenants to the local authority who may assist with issues such as:
 - claiming housing benefit and paying council tax (where relevant)
 - Advice on being a good tenant
 - Other support services such as social care or education

3) Maintain a good tenancy

- Abide by relevant landlord/tenant law, including racial equality and disability legislation.

- The landlord will communicate promptly with tenants, informing them of relevant changes.
- The landlord will abide by the rules of any tenancy deposit scheme of which they are a member.
- All disrepair in the property for which the landlord is responsible will be attended to promptly, with minimum disturbance to the tenant.
- The landlord will provide the tenant with accommodation that complies with legal requirements relating to the fitness of accommodation.

4) Work in good faith with tenants and regulators to resolve problems

- Tenants will be treated with appropriate courtesy and respect and will not be deliberately misled. The landlord will act in a fair, honest and reasonable way in all their dealings with the tenant and will not, as far as is reasonable, disclose personal tenant information to other parties without their consent.
- Before proceedings are commenced, the tenant will be notified of any breach of the tenancy agreement that is to be used as a basis for legal proceedings against the tenant.

5) Ending a tenancy in a good way

- Give as much notice as reasonably possible, following the correct procedure, and in line with legal requirements as a minimum.
- At the end of the tenancy the landlord will return any deposit paid by the tenant promptly in accordance with tenancy deposit protection legislation in effect at the time.
- The landlord will not refuse a tenant a reference for the purposes of securing a new tenancy, without good cause.



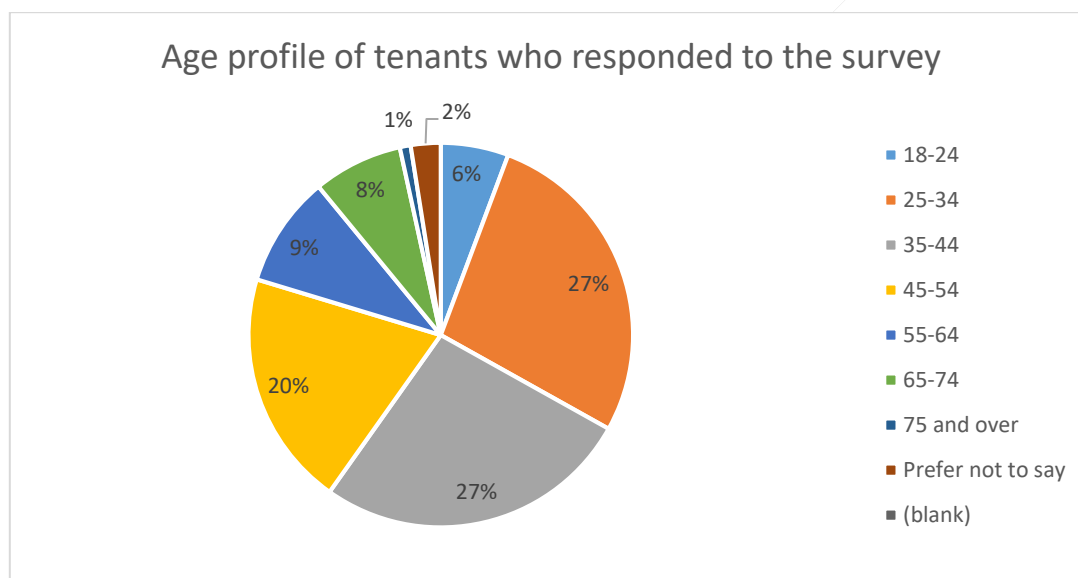
Section 11: Important factors to each group in private rental sector in Portsmouth?

During 2019/20 the council undertook an online survey to discover the view of tenants and landlords who are active in Portsmouth. The nature of this survey meant that it was not possible to verify the reliability of each respondent, nor is it possible to confirm if this represents an accurate picture of all landlords and tenants across the city as only those who wished to complete the survey will have done so. Therefore it is with these caveats that we report the results of the survey and the conclusions that have been drawn from it.

There were 849 respondents, of which 324 were from landlords, and 525 were from tenants.

Tenant's summary

63% of the respondents identified themselves as female, and this figure was slightly higher (67%) when looking at long term renters. The age profile of tenant responders was as shown in the chart below



Only 6% of respondents were in the 18-24 age group, which may have traditionally been considered to be the group associated with students. Therefore this, along with subsequent data, indicates that the responses were predominantly from the non-student tenant population.

27% of respondents were aged 25-34, compared to the national figure of people of this age in the PRS of 33%. There was also a bigger response from those aged 45-54 (20%) compared to the national average of 16%.

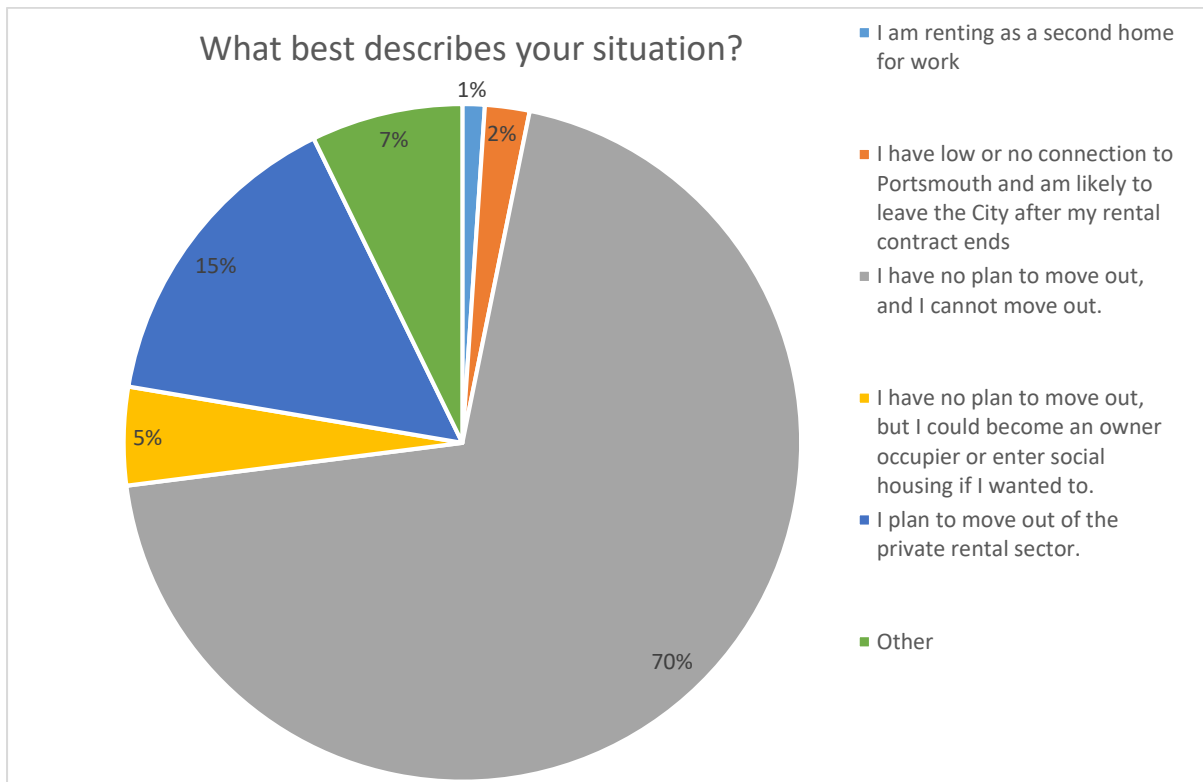
This data confirms that renting in the PRS is relevant to all age groups, but that Portsmouth may have a slightly older demographic within the PRS than the national picture.

Only 4% of tenant responses were from those who identified themselves as an ethnic group other than white, and 13% identified themselves as having some form of disability as identified under the Equalities Act 2010.

When asked the question about the type of tenancy that they had, 45% identified that they had a fixed term contract i.e. with a fixed expiry date, whilst 55% identified that their contract was periodic i.e. on a monthly rolling basis. This indicates that the majority of tenancies in the survey have a large level of uncertainty when it comes to the ending of their contract. This may be beneficial to the tenant and/or landlord, but probably not where a power imbalance may be in place.

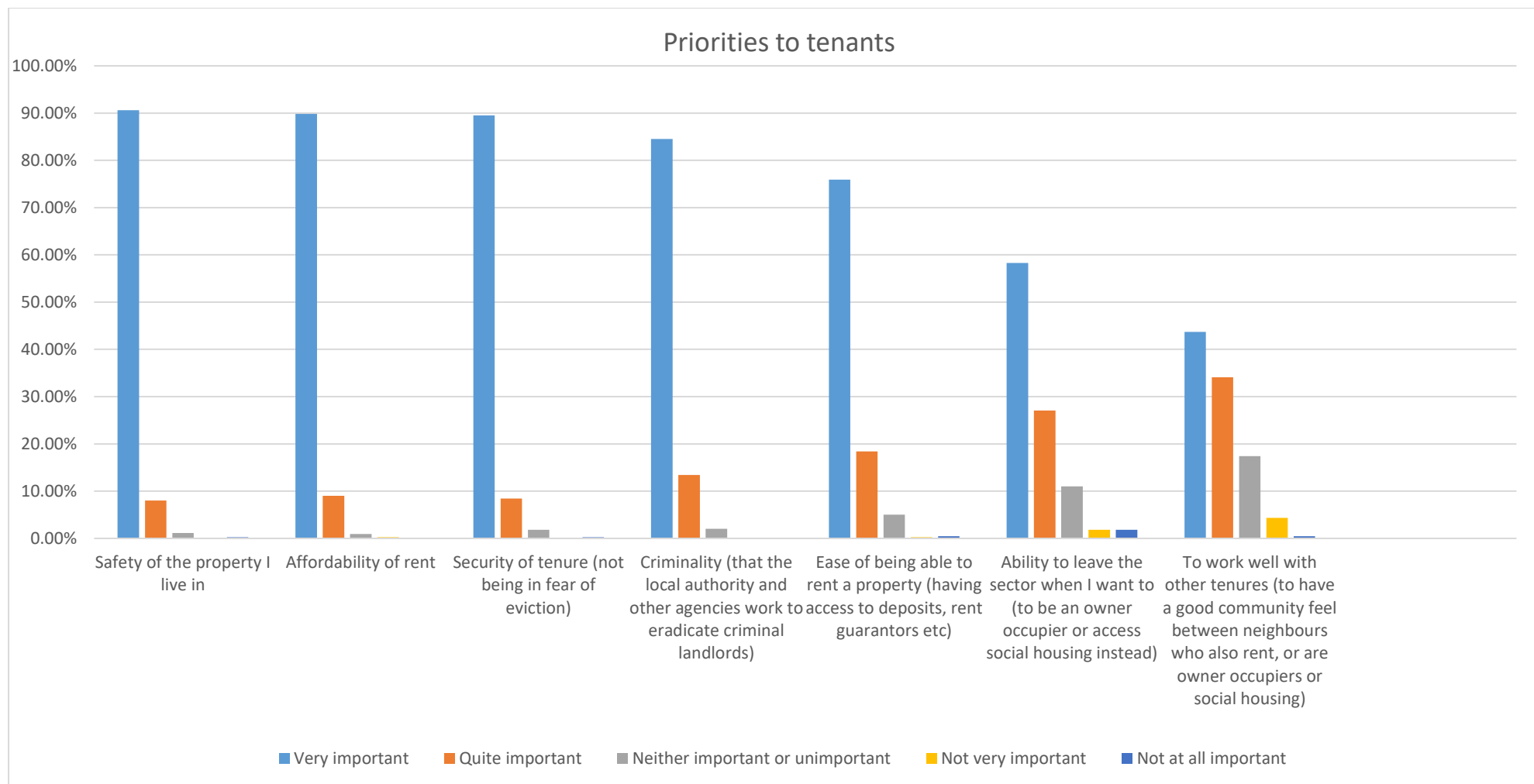
When asked how long were they renting for, just over three quarters indicated that they were renting for the long-term, and only 4% were renting in the short term. This seems to support the hypothesis that the respondents to the survey were from a non-student population.

When asked for more details about the reason that they rent, the respondents indicated as per the chart below



70% of respondents described themselves as those that have no plan to move out, and cannot do so. This shows a population which is trapped and in need of support to make the PRS work for them.

When asked what their priorities were, tenants responded as shown in the following graph.



It can be seen that whilst all categories are considered very important to the responding population, property safety, affordability and security of tenure can be considered as the strongest priorities.

The weakest priority was to work well with other tenures and create a good community. This is unsurprising given that PRS tenants have less security of tenure and therefore may feel less attachment to their property and neighbours.

This was echoed when considering the comments made by responding tenants. Some representative examples of comments made are as follows:

"For the landlord to upkeep the property and carry out maintenance works when necessary and on request without the fear of being evicted! I asked my landlord to do necessary works and was served an eviction notice shortly after, landlords are unscrupulous in their management of properties!"

"Property standards, making sure repairs are made on time without fear of rental increase or eviction."

"To have a system which makes landlords accountable for their properties being fit to live in - e.g. ensuring that damp and mould is not something they can avoid doing anything about"

"Threatened eviction, rent increase and no way out the hell hole I live in because I can't afford anywhere else and housing won't help me."

"A capped level of rent. I cannot get social housing where my housing benefit would probably cover my entire rent yet I am in continual financial hardship as have to top rent up from benefits"

"I cannot save enough for a deposit to buy a house as we are too old to get a mortgage, following respective breakdown of my partner and mine marriages"

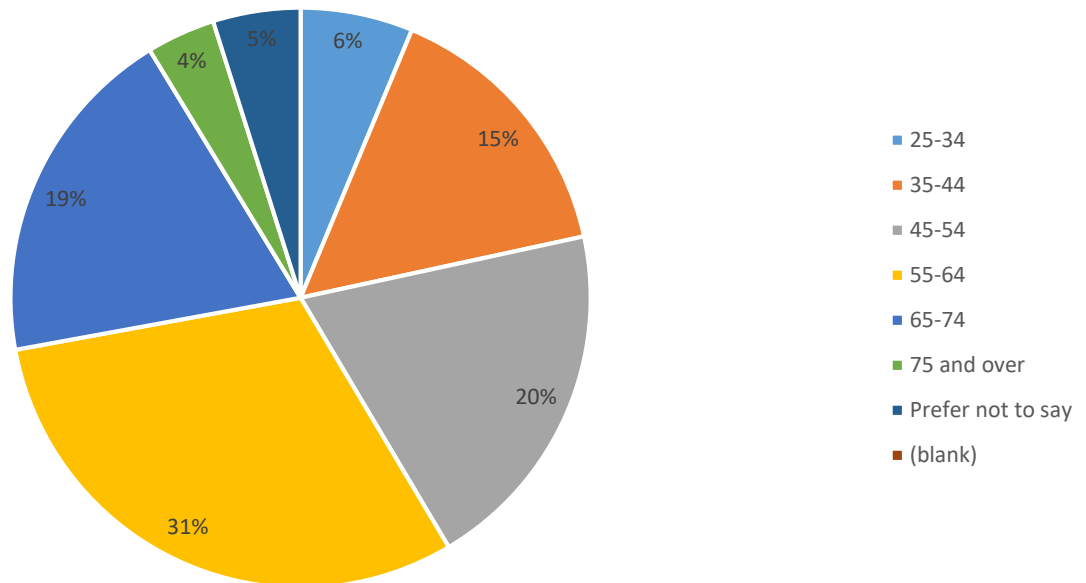
"It is important to feel secure but equally not be trapped in long term contracts because circumstances change"

"My age is 73 holds a future of uncertainty in the rental sector"

Landlord's summary

52% of the respondents identified themselves as male, and 54% of landlords identified themselves as being 55+, compared to only 17% of tenants being in this age group.

Age profile of landlord respondents

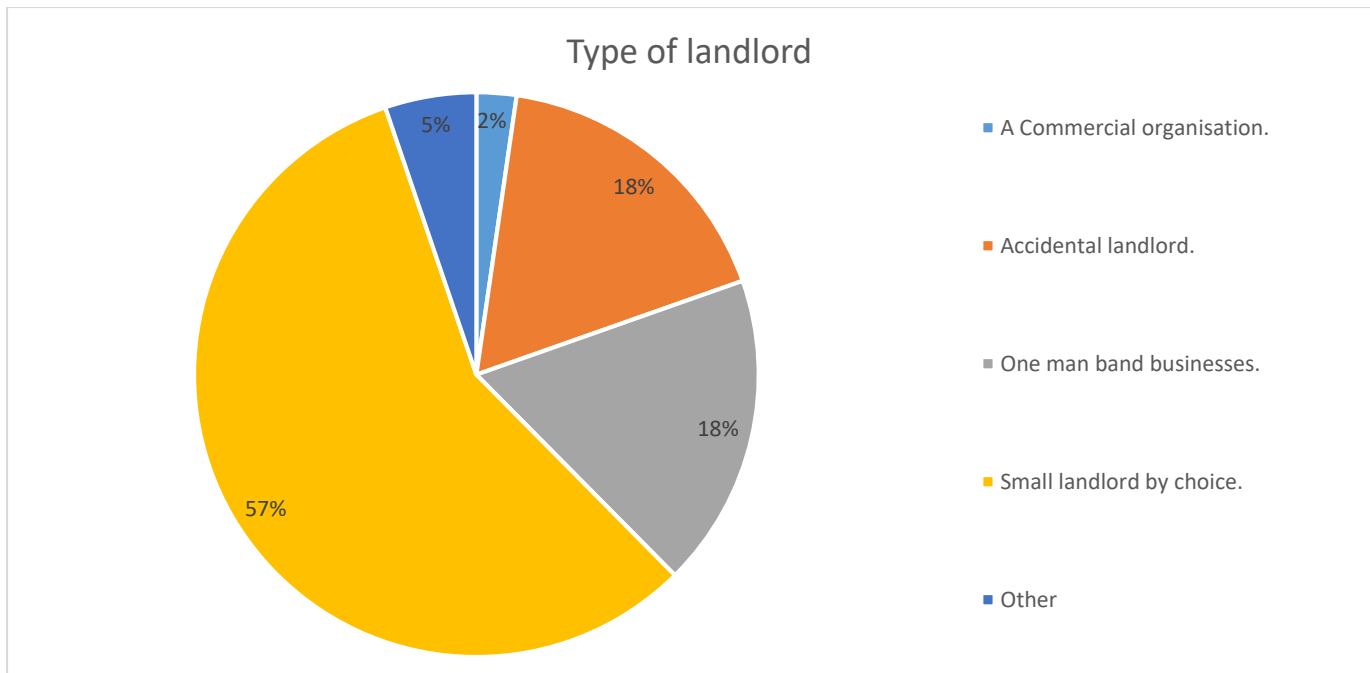


Only 3% of landlords responses were from those who identified themselves as an ethnic group other than white, and 5% identified themselves as having some form of disability as identified under the Equalities Act 2010.

When asked what type of landlord they described themselves as, there were five categories to choose from.

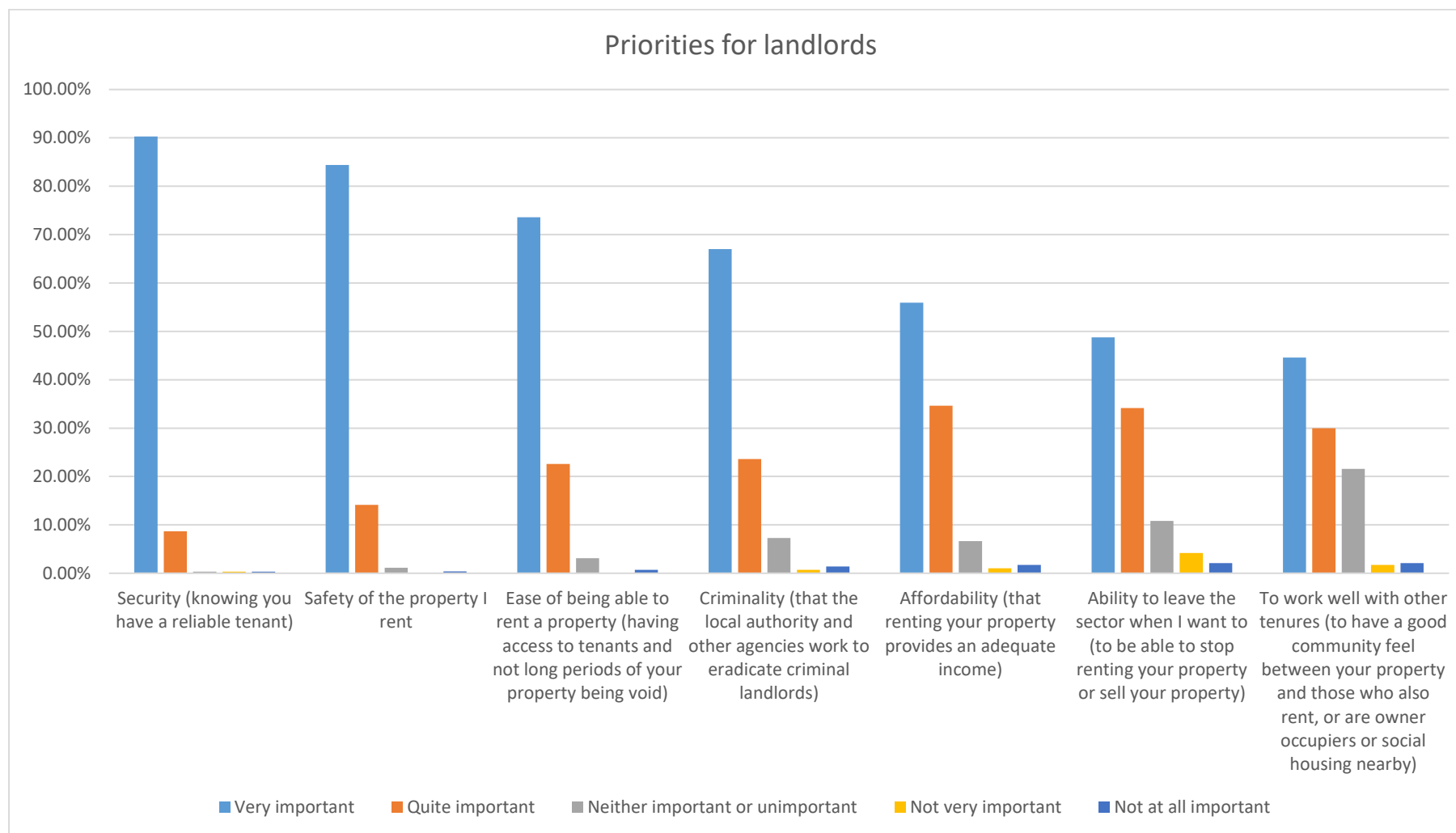
- A Commercial organisation. Companies, often owning a large number of properties, who are run professionally on a commercial basis.
- Accidental landlord. People who did not chose to become a landlord but now have a property to manage. This may be due to inheritance or families merging.
- One man band businesses. Individuals who own properties as their main business/source of income.
- Small landlord by choice. People who buy one or two properties as an investment or to supplement their main income.
- Other

The landlords who responded to the survey described themselves as follows.



This indicates that three quarters of the landlords who responded consider themselves to be doing it not as a main job but either to supplement income/investment, or by accident. 18% were small business whilst 2% were large organisation landlords. This is similar to the national figures and indicate that there may be a need to support the majority of landlords who are doing it by accident or as a small investment.

When asked about their strategic priorities, landlords responded as shown in the following graph.



It can be seen that whilst all priority areas are considered very important to the responding population, having a reliable tenant, safety of the property and ease of renting are considered as the strongest priorities, whilst the ability to leave the sector as a landlord, and working with the surrounding community are the weakest priorities. What is also of interest is that financial affordability is not the strongest priority. These results suggest that landlords see their role as a long-term, and they want low risk, low return in favour of high rents but continual turnarounds.

Some comments from landlords were as follows

"If a tenant stops paying rent it must be easier to evict them, any tenant can live rent free for close to a year before final eviction, that just can't be fair"

"I am concerned that the pursuit of rogue landlords is putting undue pressure on those of us that are conscientious landlords."

"To feel supported by PCC in providing rental properties in PCC area"

"To have the legal right to evict a tenant who refuses to pay rent, or damages the property."

"Stop Portsmouth University turning the city into a dormitory. Stop them absorbing all the students into their own accommodation. Stop them taking the best real estate in the town. PU's has changed demographics in the city. Reduced number of tenants looking and therefore reduced rents and therefore investment. Thus degrading the quality of property in the City. Portsmouth University was good for the City but has overstepped its place and is now ruining it."

"It isn't about profit it's about adding to the sense of community, charging a fair rent, providing a good standard of housing and assisting with the problem of the lack of social housing. Providing stability and better community through "partnership"."

"At present renting is so heavily regulated that I find it difficult to make a reasonable return. If regulations increase, I will leave the sector"

"That the tenants will pay and not destroy the property!"

Summary

A large number of tenants are in PRS not by choice, but due to a lack of alternatives. 18% of landlords are in a similar situation in that they did not chose to enter the sector.

Property safety is a top priority for landlords and tenants, along with security of rent payments, whilst the need to work well with other tenures and neighbours is seen as a lower priority.

The age profile of tenants is spread across all ages with a large minority over 45. Landlords tend to be older and the majority own one or two properties, either as an investment or by accident.

Appendix 1: legislation overview

Protection from Eviction Act 1977:

Prohibition on unlawful eviction, harassment and places restrictions on the re-entry/eviction without due process.

Landlord and Tenant Act 1985:

Outlines duties to landlords to disclose certain information and repairing obligations within the property.

Housing Act 1988:

The Housing Act 1988 introduced the Assured Shorthold Tenancy (AST) ensuring a clearer contractual arrangement between a landlord and tenant.

Housing Act 1996 (As amended)

Housing Act 2004

The Housing Act 2004 sets out a variety of provisions, including but not limited to, improving housing conditions via the use of the Housing Health and Safety Rating System, sets out the regulation of Houses in Multiple Occupation (HMO) via mandatory and non-mandatory licencing schemes and sets out powers for addressing empty properties.

Licensing of Houses in Multiple Occupation (Prescribed Descriptions) (England) Order 2018: Designates HMOs subject to mandatory licensing.

Licensing and Management of Houses in Multiple Occupation and other houses (Miscellaneous Provisions) (England) Regulations 2018:

Prescribed minimum national standards for licensable houses in multiple occupation.

Management of Houses in Multiple Occupation (England) Regulations 2006:

Places a duty of the manager to address and take responsibility of certain areas of an HMO including the provision of information to occupiers, taking safety precautions, maintaining water supply and drainage and gas and electricity, managing common parts of the property, providing waste disposal facilities and maintaining living accommodation.

Right to Rent, immigration Act 2014

Places a duty on landlords to check that their tenants are not illegal immigrants. Since 1st December 2016, landlords or agents in England could be charged with a criminal offence if they know, or have reasonable cause to believe, that they are letting to an illegal migrant.

Retaliatory Eviction and the Deregulation Act 2015

Provisions under the Deregulation Act 2015 provide increased protection to tenants have been unfairly served Section 21 Eviction Notices following genuine complaints about the condition of the property or dwelling they are occupying. The Act ensures landlords have to comply with certain legal responsibilities before a Section 21 Notice can be served.

Housing and Planning Act 2016

Sets out powers that allow Local Authorities to set up a database of and investigate and ban Rogue Landlords and Property Agents, impose civil penalties for a range of offences under the Housing Act 2004, assist tenants in applying for Rent Repayment Orders. Other provisions under the Act include starter homes, right to buy schemes in relation to Social Housing and changes to the National Mandatory Homes (fit for human habitation) Act 2018

Introduced on 20th March for all new tenancies that started from this date, and it will apply retrospectively to all current tenancies from 20th March 2020 regardless of when the tenancy started. This legislation ensures that rented houses and flats are 'fit for human habitation', which means that they are safe, healthy and free from things that could cause serious harm. If rented properties are not 'fit for human habitation', tenants can take their landlords to court. The court can make the landlord carry out repairs or put right health and safety problems. The court can also make the landlord pay compensation to the tenant. This legislation applies to all rental properties, both PRS and social housing.

Homelessness Reduction Act 2017 (HRA17), the council owes a duty to assist any household (that have a 'Right to Reside' in the UK and have recourse to public funds) that is eligible for assistance if they are at risk of homelessness within 8 weeks following the relevant interaction with the council. However, there is no duty to provide any specific forms of financial assistance, such as paying for a tenancy deposit or acting as guarantor.

The Homeless Reduction Act 2017:

The Homelessness Reduction Act 2017 significantly amends Part 7 of the Housing Act 1996 increasing the duties placed on Local Authorities in relation to assisting those who make Homeless Applications.

Minimum Level of Energy Efficiency' standard (EPC band E) 2018

Sets out a minimum energy efficiency standard for (EPC rating E) for all domestic private rented properties. It replaces a responsibility on landlords for any properties that do not meet this minimum energy rating to pay up to £3,500 for measures to improve the energy efficiency rating of the property.

Tenant Fees Act 2019: landlords and letting agencies are prohibited from charging fees for securing or renewing a tenancy. However they can still charge a refundable holding fee of up to one week's rent, a tenancy deposit of up to five weeks' rent, and charge rent in advance.

Energy Performance of Building Regulations

Duty to landlord to hold/commission an Energy Performance Certificate (EPC) before marketing a property for rent. Duty to make the EPC available to prospective tenant and provide copy EPC to tenant. Providing EPC information along with written particulars of the property.

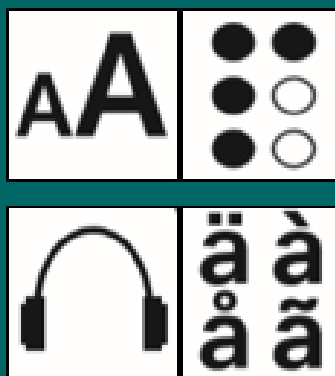
The Electrical safety standards in private rented sector (England) Regulations 2020

Require pre-tenancy and five yearly checks of all fixed appliances and wiring. This will be mandatory for landlords for all new tenancies from July 1 2020, and will be rolled out to all existing tenancies from April 2021. Landlords failing to comply with the new rules will face fines of up to £30,000.

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