

# Local Government Association briefing Debate on the Housing, Communities and Local Government Report: Private rented sector

House of Commons  
29 November 2018



## KEY MESSAGES

- Councils want all of their residents to live in secure, affordable, good quality homes. The private rented sector has more than doubled in size since 2002.<sup>i</sup> To accompany the rise in the number of private renters, councils have stepped up their engagement with landlords.
- We welcomed the report of the Housing, Communities and Local Government (HCLG) Committee on the private rented sector.<sup>ii</sup> It is positive that the Committee backed our calls for councils to have stronger powers to tackle rogue landlords.
- It is particularly encouraging that the Committee recommended that councils be granted greater flexibility to implement landlord licensing schemes. Another key recommendation was to empower councils to levy more substantial fines for the worst landlords.
- We are pleased the Government has acted on some of the Committee's recommendations.<sup>iii</sup> The review of the Housing Health and Safety Rating System (HHSRS) is a positive step towards improving councils' ability to uphold standards.
- A thriving private rented sector will help to bring about a balanced mix of affordable housing in communities. Councils can help to maintain that balance, but need to be given adequate resources and powers to ensure their residents are fully protected.
- Local services face a funding gap of £7.8 billion by 2024/25.<sup>iv</sup> We want to work with the Government to ensure the Spending Review delivers for councils, which will help improve standards in the private rented sector.

# Briefing

For more information, please contact:  
Thomas Leighton, Public Affairs and Campaigns Adviser  
[Thomas.Leighton@local.gov.uk](mailto:Thomas.Leighton@local.gov.uk) / 0207 664 3094

## **BACKGROUND INFORMATION**

### ***Councils' role in the private rented sector***

The private rented sector has more than doubled in size since 2002. In 2016/2017, there were 4.7 million households in the private rented sector, accounting for 20 per cent of households in England. By comparison, the social rented sector accounted for 3.9 million, or 17 per cent of households.<sup>v</sup>

The majority of private tenants (82 per cent) were satisfied with the quality of their accommodation in 2015.<sup>vi</sup> However, privately rented homes tend to perform less well against established measures of housing quality than owner-occupied homes or social housing. In 2016, over a quarter (27 per cent) of privately rented homes failed to meet the decent homes standard, compared to 13 per cent in the social rented sector.

Local authority environmental health departments are responsible for enforcing regulations in relation to bad landlords and poor housing. The rapid growth in the private rented sector has not been matched by resources for councils. In a 2015 survey carried out by the Chartered Institute of Environmental Health (CIEH), almost half of the respondents said resources for environmental health teams were just about adequate to provide a basic statutory service. Reductions to environmental health budgets were estimated at roughly 30 per cent, between 2013/14 and 2015/16.<sup>vii</sup>

Housing and regulatory services have been under severe pressure for some time. While measures such as the introduction of civil penalties are welcome, this still leaves councils having to meet the upfront cost of proactive work. Informal action can resolve an issue quickly but this will not result in a penalty, and is therefore very costly for councils.

Local authorities are calling for stronger powers to enhance standards in the private rented sector. Councils already have powers to introduce discretionary licensing schemes for private landlords, but the Government should provide greater flexibility to extend these schemes across all areas.

The process of introducing discretionary licensing needs to be streamlined. There is a high up-front cost that falls on councils, and since 2015 councils have been required to seek Secretary of State approval for licensing schemes that cover more than 20 per cent of the area, or 20 per cent of privately rented homes.

Licensing schemes can have significant benefits for both landlords and tenants. In a licensed property, the landlord must meet standards for property management. Crucially, the landlord must also provide evidence to the council that they are a “fit and proper person” to hold a licence.

Some councils have responded to a shortage of good quality private rented housing by developing their own portfolios of homes for market rents. In delivering these initiatives, councils can support the local economy by providing affordable homes for people priced out of home ownership. This can also help to drive up standards of housing locally.

## ***The Committee report***

We welcomed the report of the Housing, Communities and Local Government (HCLG) Committee on the private rented sector. It is positive that the Committee backed our calls for councils to have stronger powers to tackle bad landlords. In our evidence to the Committee, we made the case for a reform of the laws governing the sector; an update to the health and safety regulations to help councils enforce against bad landlords; and greater local control over regulation.

It is particularly encouraging that the Committee recommended that councils be granted greater flexibility to implement landlord licensing schemes. As we stated in our evidence to the inquiry, landlord licensing schemes will not be appropriate for every area. However, in the right context the schemes can have significant benefits for both landlords and tenants.

In its report, the Committee stated that it believes the current process by which councils must apply for permission to implement licensing schemes is not fit for purpose. In the view of MPs on the Committee, 'decisions to implement such schemes should be made locally, where there is greater understanding of local needs and politicians are directly accountable to the electorate for their decisions.'<sup>viii</sup> We agree with this recommendation.

Another key recommendation was to empower councils to levy more substantial fines for the worst landlords. Any potential fines from court need to be an effective deterrent to rogue landlords. The Government could support this through the introduction of clear sentencing guidelines. Currently, court fines are often considerably lower than the £30,000 maximum fines available to councils to levy through a civil penalty. We agree with the report's conclusion that there should be no financial disincentive to local authorities to carry out enforcement.

Successful regulation of the private rented sector requires an up-to-date system for assessing standards. Councils, the LGA and the CIEH would like to see an update to the Housing Health and Safety Rating System (HHSRS), which environmental health officers use to assess properties. It is positive that the Committee backed these calls and urged the Government to update the system.

## ***The Government's response***

We are pleased the Government has acted on some of the Committee's recommendations.<sup>ix</sup> The Ministry of Housing, Communities, and Local Government is undertaking a range of measures to improve standards, protect tenants and crack down on the most exploitative landlords.

The Government's response to the Committee's recommendation on enhancing selective licensing is encouraging. We agree that selective licensing should be targeted to deal with specific local problems. In June 2018, MHCLG announced a review into the current process for establishing selective licensing regimes. Councils await the conclusion of this review, and would welcome a simplification of the process to allow licensing schemes to be extended locally.

The Government's review of the Housing Health and Safety Rating System (HHSRS) is a positive step towards improving councils' ability to uphold standards. We look forward to seeing proposals to updating the system, to better equip environmental health teams to protect tenants and offer support to landlords. It is vital that the review concludes successfully, in order for implementation of the Homes (Fitness for Human Habitation) Bill, which will introduce strengthened minimum standards for tenants across the private and social rented sectors.<sup>x</sup>

It is disappointing that the Government did not accept the Committee's call to give local authorities the power to levy more substantial fines for the worst offenders. Whilst we welcome the recent rise in the maximum amount able to be levied by councils on rogue landlords, there is still a role for prosecution for the worst offenders. Often, the actual level of fines imposed by the courts is too low to be an effective deterrent and the award of costs to councils is lower than their actual spending. This means there is often a financial disincentive for councils to pursue formal enforcement action against poor housing.

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<sup>i</sup> MHCLG, English Housing Survey, 2016/17

([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/675942/2016-17\\_EHS\\_Headline\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675942/2016-17_EHS_Headline_Report.pdf))

<sup>ii</sup> HCLG Committee, Private rented sector, 4<sup>th</sup> report of session 2017-19, April 2018

(<https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/440/440.pdf>)

<sup>iii</sup> MHCLG, Government response to the Housing, Communities and Local Government Select Committee

Report: Private rented sector, July 2018 (<https://www.parliament.uk/documents/commons-committees/communities-and-local-government/2017-19-Correspondence/Government-response-Private-Rented-Sector-Cm-9639.pdf>)

<sup>iv</sup> LGA Budget Submission to HM Treasury, September 2018

(<https://www.local.gov.uk/sites/default/files/documents/Moving%20the%20conversation%20on%20%20LGA%20Autumn%20Budget%20Submission%202018.pdf>)

<sup>v</sup> MHCLG, English Housing Survey, 2016/17

([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/675942/2016-17\\_EHS\\_Headline\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675942/2016-17_EHS_Headline_Report.pdf))

<sup>vi</sup> CLG, English Housing Survey, 2015/16

([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/658478/2015-16\\_EHS\\_Headline\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658478/2015-16_EHS_Headline_Report.pdf))

<sup>vii</sup> Chartered institute of Environmental Health, environmental health workforce survey 2014/15, July 2015

([https://www.cieh.org/media/1262/environmental-health-workforce-survey-2014\\_15.pdf](https://www.cieh.org/media/1262/environmental-health-workforce-survey-2014_15.pdf))

<sup>viii</sup> MHCLG, Government response to the Housing, Communities and Local Government Select Committee

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<sup>viii</sup> Homes (Fitness for Human Habitation) Bill 2017-19 (<https://services.parliament.uk/Bills/2017-19/homesfitnessforhumanhabitation.html>)