
**SCRUTINY INQUIRY PANEL - HOW DO WE GET A BETTER DEAL FOR PRIVATE
SECTOR RENTERS IN SOUTHAMPTON?**

MINUTES OF THE MEETING HELD ON 16 NOVEMBER 2023

Present: Councillors Windle (Chair), Every (Vice-Chair), McEwing and Blackman

Apologies: Councillor Powell-Vaughan

1. **APOLOGIES AND CHANGES IN MEMBERSHIP (IF ANY)**

Apologies were received from Councillor Powell-Vaughan.

The Panel noted that a change of membership had been approved by Council and that Councillor Blackman replaced Councillor Wood on the Panel.

2. **ELECTION OF CHAIR AND VICE-CHAIR**

RESOLVED that:

- (i) Councillor Windle be elected as Chair for the Municipal Year 2023/2024; and
- (ii) Councillor Every be elected as Vice-Chair for the Municipal Year 2023/2024.

3. **INQUIRY TERMS OF REFERENCE**

Representations were received from Mark Pirnie, Scrutiny Manager, who was in attendance and with the consent of the Chair addressed the Panel.

RESOLVED: that the Inquiry Panel noted the Terms of Reference and approved the outline inquiry project plan as presented in the report of the Executive Director – Corporate Services.

4. **INTRODUCTION, CONTEXT AND BACKGROUND**

The Panel considered the report of the Scrutiny Manager detailing an introduction to the shape of the private rented sector in the City, the needs and concerns of renters, national legislation and policy, and how the Council and its partners are seeking to manage and oversee the sector in the City.

The Panel received the following representations:

Conor O'Shea, Policy and Public Affairs Manager, Generation Rent outlined the challenges experienced by private sector renters in the UK, the reasons why these challenges exist and the opportunities to improve outcomes and summarised the key issues as:

- 20% of the UK population (13 million people) rent from a private landlord; 23% of families live in private rented homes; 41% of an average couple's income is spent on private rental; 619,000 rental properties are estimated to fail safety standards.
- Key challenge 1 – Availability of properties. There is increasing demand for rental properties as people return to cities after Covid. In many areas demand

outstrips supply. Gazumping and bidding wars for rental properties have been witnessed.

- Key challenge 2 – Affordability of rental properties. Rents at a peak have caused unaffordability and the highest percentage of incomes spent on rent since records began. This is partly linked to lack of supply and the increasing number of long term rental properties becoming holiday lets.
- Key challenge 3 – Standard of private rented sector accommodation. The energy efficiency of rented homes can be poor. One in four private renters are living in fuel poverty (1.19 million people), which is a higher rate than in social housing and owner-occupation. Poorly insulated homes are costing tenants an average of £570 more for energy every year. ECO Grants are not used by tenants for fear of eviction. The MEES (Minimum Energy Efficiency Standards) uplift to Energy Efficiency Level C was recently cancelled. HMO licensing exists in Southampton, and licensing could be extended.
- Renters (Reform) Bill 2023 – Key legislation going through Parliament. More local authority enforcement powers are proposed under amendments in the Bill. There are proposals to introduce open-ended tenancies and abolish Section 21 (no fault) evictions, although implementation of that proposal has been delayed until court processes are reformed. All landlords must register on the property portal. Homes in the private rented sector must meet the Decent Homes Standard. Rent increases will be limited to once a year.
- Solutions beyond the Bill:
 - Increase the supply of housing.
 - Consider advocating rent controls.
 - Deposit passporting (deposit moves home with you).
 - Licensing scheme for holiday lets.
 - Energy efficiency measures.
 - Effective local authority enforcement. Good local authority practice is predominantly associated with employing sufficient enforcement officers to proactively enforce legislation.

Phil Tyler and David Carr, Directors of Southampton Tenants Union advised the Panel that:

- Southampton Tenants Union has been operating for a year and was formed to fight for better housing and to reduce the exploitation of tenants.
- The key issues identified in the private renters' survey as impacting on private renters in Southampton were poor standards, insecurity, and the high cost of renting.
- They did not believe that the present state of affairs should be accepted.
- The work of the Tenants Union included giving confidence to tenants to speak to their landlords, and they are training members to become organisers.
- They welcomed the Renters (Reform) Bill but are concerned about the Council's ability to enforce the legislation and about how awareness would be raised amongst tenants about the new rights.

Peter Littlewood, Chief Executive, iHOWZ Landlord Association outlined the experiences of landlords and summarised the key issues as:

- Most landlords let property to earn a living. Most landlords are decent hard-working people who look on their tenants as their customers.

- Most tenants are decent hard-working people who look after their properties.
- No government since 1970 has met the required 300,000 new properties per year. Social and council housing availability has diminished since 1980. The private rented sector has expanded to meet the shortfall at the landlords' risk.
- The cost of building materials has nearly doubled since 2018 and mortgage rates are at a 15 year high, affecting owner-occupiers and landlords alike. Rents have followed increased costs.
- In April 2020 relief for mortgage interest payments and other finance costs on residential property was restricted to the basic rate of Income Tax (20%). This restriction does not apply to holiday lets.
- In 2021, 14% of private rented sector homes were estimated to be unsafe according to the Housing Health and Safety Rating System (HHSRS).
- There are over one hundred and seventy pieces of legislation landlords must follow, covering property conditions, evictions, unnecessary charges and much more. Many tenants and some landlords are not aware of their rights.
- Private renters had been in their current home for an average of 4.4 years. A small minority (4%) were evicted or asked to leave.
- Tenant and landlord associations should work together to improve the sector

Samantha Watkins, Senior Policy Officer, the National Residential Landlords Association (NRLA) outlined the experiences of landlords and summarised the key issues as:

- There is a huge demand for student accommodation in the City, to accommodate the two universities.
- Southampton, Durham and Glasgow are amongst the ten cities with the lowest amount of privately-owned purpose-built student accommodation available for the 2023/2024 academic year.
- In Southampton, street housing is comparatively cheaper than purpose built student accommodation.
- The NRLA and iHOWZ want criminal landlords removed from the sector and for everybody to live in a safe and decent home.
- The NRLA wants a simplification of enforcement legislation and more resource for local authority enforcement, coupled with greater standardisation across the country.
- As an example, Leeds City Council operates the Leeds Rental Standard. It works well, incentivises good practice and is supported by landlord liaison officers.

Professor Helen Carr and Dr Mark Jordan, University of Southampton outlined the current regulatory context, the Renter (Reform) Bill and local authorities' role in regulating the private rental sector and summarised the key points as:

- The law is voluminous, complex, and often shaped by historical roots. It is not comprehensive, coherent or easy to locate. It has been ideologically driven with very limited consensus as to the proper balance between landlords and tenants. Reforms tend to be layered piecemeal onto existing legislation. As a result there is limited access to justice.
- The Housing Act 1988 deregulated private renting and since 1997 there has been a return to increased regulation.

- Since 2004 there has been acceptance by the Government that the housing market is 'broken'.
- The Renters (Reform) Bill was introduced in May 2023 with the second reading in November 2023. Key components include abolishing s.21 of the Housing Act 1988, requiring all assured tenancies to be periodic (with the exception of purpose built student accommodation), more comprehensive possession grounds, creating a private rented sector ombudsman, creating the privately rented property portal, granting the right to tenants to have a pet, and measures to improve standards.
- New financial procedures for rents were included in the Bill including banning rent review clauses, allowing one rent increase each year, amending s.13 of Housing Act 1988 requiring two month's notice of rent rises, allowing challenge of market rents at tribunal, providing that rent paid in advance must be returned if the tenancy ends earlier than tenant has paid for; limiting the amount of rent payable in advance; and banning excluding tenants on benefits.
- Local authorities have an important regulatory role that is underpinned by legislation to keep housing conditions and overcrowding under review, take enforcement action where a category 1 hazard is identified, and promote equality and respect human rights.
- The Renters (Reform) Bill includes a duty that a local housing authority shall 'enforce the landlord legislation in its area'.
- To fulfil its duties, a local authority will have wide enforcement powers including formal deterrence-focused regulation such as statutory notices, civil penalty notices (up to £30,000 fines), banning orders, criminal penalties, and rent repayment orders. It can also utilise surveys, licencing, and other informal actions.
- Many local authorities are not proactive but rather operate a reactive enforcement service that responds to individual complaints. This increases pressure on tenants and many will not complain due to anxiety about being evicted.
- Good enforcement includes a pyramid of responsive regulation with licensing at the top.
- The capacity, experience and expertise of local enforcement teams and the political will, strategic commitment, and support of legal teams are drivers of good enforcement.
- Barriers to good enforcement include the lack of meaningful data about the private rented sector. Additional and Selective Licensing Schemes can close the data gap.

Steven Hayes-Arter, Service Manager for Private Sector Housing and Port Health, Southampton City Council summarised how the Council and its partners seek to manage and oversee the private rented sector in Southampton:

- The private rented sector accounts for approximately 28,000 properties spread across the City, including different tenures and property types from bedsits to large Houses in Multiple Occupation (HMOs).
- The private rented sector provides an integral part of the housing market ensuring there is accommodation for the needs of the population.
- Accommodation standards vary.

- The service predominantly deals with the standard and safety of the private rented accommodation in the City. Statutory powers under the Housing Act 2004 (and other regulations) require the Council to act as the enforcing authority.
- The service tries to ensure that all properties meet the minimum standards and are safe and free from significant hazards. This includes having sufficient fire detection and means of escape, the right amount of amenities, are not overcrowded, and meet minimum energy efficiency standards.
- Under the Housing Act its officers assess properties using the Housing, Health & Safety Rating System to determine what hazards are present and how significant they are. There are thirty hazards, ranging from excess cold to structural collapse. Hazards are assessed as Category 1 or Category 2.
- Where Category 1 hazards are identified the local authority is required under the Housing Act 1988 to take enforcement action. This will generally result in issuing an Improvement Notice but could lead to prohibition of use of part or whole of a property. Prosecution and or issuing of civil penalty notices can then follow on the landlord and or owner.
- Category 2 hazards lead to 'advisory' action but can, if left, become more serious and ultimately lead to enforcement.
- The service receives around five hundred service requests per year relating to disrepair. The service currently has 3.5 full time equivalent (FTE) officers responding to these complaints and dealing with other private sector housing work. Demand is very high and always increases during the colder months.
- There are approximately six or seven thousand HMOs in the City. The majority of these HMOs are situated within the central wards.
- There is a statutory duty to licence all HMOs with five or more persons in residence. In the City there are approximately two thousand five hundred of these HMOs, which require licensing every five years.
- All licensed HMOs must meet certain conditions concerning safety and amenities and be properly managed to ensure that they do not impact negatively on the local neighbourhood.
- Currently the Council has an HMO licensing team of 6.5 FTE responsible for inspecting and enforcing conditions and standards within the licensed HMOs in the City. Failure to licence or to comply with conditions are offences which can result in enforcement.
- The Council has also operated additional HMO licensing in certain wards. Additional licensing schemes allow it to licence smaller HMOs, and cluster flats within purpose-built student blocks not captured by the mandatory scheme.
- The most recent scheme covering the central wards ended on 30th September 2023 with planning for a new scheme to commence in Spring 2024.
- Partnership working is in place.
 - The Council operates the Southampton accreditation scheme for student housing, having developed develop standards with both universities. The scheme ensures properties let through the Universities to students meet certain standards.
 - The Council HMO team has developed strong links and good working relationships with iHowz and National Residential Landlords Association to improve standards in the sector.
 - Close working with the Environment Centre to facilitate energy efficiency improvements and measures in private homes.

- With additional resource the Council would deliver a more proactive service. The HMO licensing scheme has demonstrated what can be achieved if proactively addressing issues. Additional licensing schemes are an option. New burdens requiring funding for local authorities may be attached to the Renters (Reform) Bill. It is necessary to recruit qualified and experienced Environmental Health Officers.