

Shelter's input into the review of the private rented sector.

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Shelter

Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 170,000 homeless or badly housed people every year. This work gives us direct experience of the various problems caused by the shortage of affordable housing across all tenures. Our services include:

- A national network of over 20 housing aid centres
- Shelter's free housing advice helpline which runs from 8am-midnight
- Shelter's website which provides housing advice online
- The Government-funded National Homelessness Advice Service, which provides specialist housing advice, training, consultancy, referral and information to other voluntary agencies, such as Citizens Advice Bureaux and members of Advice UK, which are approached by people seeking housing advice
- A number of specialist projects promoting innovative solutions to particular homelessness and housing problems. These include 'Homeless to Home' schemes, which work with formerly homeless families, and the Shelter Inclusion Project, which works with families, couples and single people who are at risk of losing their homes because of alleged anti-social behavior. The aim of these particular projects is to sustain tenancies and ensure people live successfully in the community.
- We also campaign for new laws and policies - as well as more investment - to improve the lives of homeless and badly housed people, now and in the future.

Executive summary

With the private rented sector (PRS) now providing housing for 12 per cent of all households¹ we believe that there is an urgent need for a cohesive, strategic vision – both for the future of the sector itself and for its role in the wider, cross-tenure context. In this context we have used this briefing to highlight a number of areas that we believe deserve close consideration. These are as follows:

- Opportunities to learn from **good practice** already under way in the PRS.
- The case for **national registration** for landlords and letting agents.
- The need for **further reform of housing benefit/local housing allowance**.
- The implications of **buy-to-let** for the PRS and the wider housing market.
- The case for **longer-term tenancies** in the PRS.
- Additional opportunities to **improve tenants' renting experience**.

Mindful that any written contribution to the review should be brief, we have chosen to focus only on these areas. Further details of our most recent policy work on the PRS across a broader range of areas are available in our policy discussion document *Fit for purpose: options for the future of the private rented sector*².

Introduction

Shelter welcomes this opportunity to contribute to the work of the PRS review. We consider this review presents a defining opportunity for all stakeholders to think afresh about the private rented sector and to develop a much-needed strategic vision for it. Shelter believes that there is much to be gained from such a strategic approach to the sector: it would provide a better understanding of how the PRS can contribute to meeting the future housing needs of our population; it would enhance our knowledge of where and how the sector needs to be improved and which tools would be most effective in achieving this; and it would provide opportunities to engage both tenants and landlords in the process of securing a fit for purpose PRS.

Good practice

We understand that the Review has an interest in the good practice work which Shelter is developing around the PRS. Briefly, our project will identify good practice in local authorities' work with the PRS. It will focus particularly on how their services link together to help people sustain their tenancies. Following the pilots we will publish and promote good practice for other local authorities. Some of the key areas on which this work focuses are set out below:

Developing positive relationships

- Linking engagement and enforcement through a joint service group which co-ordinates all work with private tenants and landlords (Bolton).
- Promoting pro-active mediation for landlords and tenants through a dedicated council officer (Solihull).

¹ CLG, *Survey of English housing, live table S101*

² <http://192.168.0.32/files/downloads/29025-Fit for Purpose - PRS discussion document.pdf>

- Fostering liaison with housing benefit provision to facilitate rapid and effective service provision (Bolton & Brighton).
- Developing social lettings models to broker tenancies between landlords and tenants (London 'Threshold' and Suffolk 'Coastal Housing Action Group').

Working towards improved conditions

- Training council officers to carry out basic checks when visiting properties on council business so as to be able to alert the environmental health team to hazards (Bristol).

Supporting local communities

- Engaging intensively with landlords in problem areas to bring properties back into use and to curb anti-social behaviour (West Lindsey).

This work will progress over the coming year through liaison with the selected councils to identify and learn from the challenges and successes of these individual projects. In 2009/10 we will put together our findings into a toolkit for other local authorities. Shelter then plans to promote these with a series of events to enable learning from this good practice work to be shared as widely as possible. We would be happy to provide further detail of the individual initiatives and early findings from this project under separate cover.

National registration

Shelter considers that one of the major barriers to the development of a strategic vision for the PRS and the implementation of tools to improve the quality and functioning of the sector is the difficulty in identifying individual landlords. The Law Commission estimates that there are around 700,000 landlords in England and Wales of which only 2.2 per cent belong to a professional association³. Other methods of identifying and engaging landlords also remain notably difficult. For example, a 2007 LACORS survey of HMO licensing found that one-quarter of local authorities feel that they cannot effectively engage with landlords and around two-thirds with tenants⁴. Accreditation schemes, which provide a useful tool for encouraging communication and good practice sharing, also tend to encourage contact with 'good' landlords who are already likely to be in compliance with their obligations. Preliminary findings from the LACORS survey of local authority run accreditation schemes for this Review indicate that of those authorities responding, only c. 15,000 properties were covered by landlord participation in the schemes⁵.

Shelter considers that the difficulty in locating landlords across the PRS poses significant challenges. It is understandably difficult for local authorities to take a strategic approach to their overall local housing market without comprehensive information about their PRS. Efforts to raise standards are also more challenging since valuable resources are wasted in the process of identifying landlords.

Shelter therefore considers that a system of national registration for all landlords and letting/managing agents should be put in place for the PRS. We believe that such a system would have significant advantages for the effective, strategic management of the PRS both locally and at a national level. Benefits would include:

³ Law Commission, *Encouraging responsible letting – a consultation paper*, 2007. Figures for membership levels vary with the EHC's *private landlords survey 2006* citing a figure of 17 per cent of landlords reporting membership of a professional or trade organisation related to letting property

⁴ LACORS, *Houses in multiple occupation licensing survey report*, 2007

⁵ Preliminary findings reported at LACORS private sector housing sub group, April 2007

- Improving national and local government capacity to map the PRS so as to ensure a cross-tenure approach to planning for future housing need.
- Facilitating the effective implementation of existing legislation such as HMO licensing and the Housing Health & Safety Rating System.
- Supporting the targeting of enforcement activities so that activity is not wasted on 'good' landlords who already have a high level of compliance.
- Facilitating HMRC's ability to generate revenue appropriately from PRS landlords who may have claimed too much tax relief or failed to declare rental yield or capital gain⁶.

We recognise, however, that alongside these gains, there are some risks involved in pursuing national registration. Clearly there are time and cost implications in terms of both the setting up of the registration system and in terms of managing it on an ongoing basis. In addition, there is a risk that some landlords will choose to leave the sector rather than register. However, we also believe that we can reduce the impact of these risks by learning from other examples of national registration in action. We know that national registration is already a feature of both the Scottish and the Irish private rented sectors. Both these experiences raise important learning opportunities which can usefully be built on to facilitate national registration in the English context. Lessons learned include:

- The need for adequate planning in advance of roll out of national registration. Experience from Scotland suggests that some of the initial problems with national registration were created because it came in as a late addition to legislation on anti-social behaviour.
- The need to ensure that national registration is properly resourced from the outset – particularly during the critical start up phase when application numbers will be high. Resourcing for registration should not be at the expense of existing enforcement activities.
- The need for a unified approach to implementation. Experience from Scotland suggests that different local authorities adopted different approaches with resultant difficulties for coherent implementation of registration nationwide.
- The use of an incentive-based approach to encourage widespread uptake of registration. Experience from Ireland demonstrates a number of possible models for this including: making access to alternative dispute resolution services dependent on being registered; and tying tax relief for buy-to-let landlords to registration although other models of tax relief might be more appropriate in the UK context eg: tying it to tax relief for wear and tear.

We are open to considering various models for the implementation of national registration. However, we believe that the key features of any model would remain the same: it should be simple, consistent and cost-effective. One possible model based on these principles would be the one which we outlined in our response to the Law Commission's *Encouraging responsible letting* consultation. In this model, registration would confer a professional identification number on the participating landlord, and this number would then be used in all transactions related to the rental of their property including advertising tenancies, using the tenancy deposit scheme, claiming tax allowances, taking court action and carrying out possession orders. Registration would be subject to a small administration fee which would be consistent across all local authority areas. Local authority officials, tenants, or third parties could identify those landlords who fail to register to the administering body. Intervention in the first instance would focus on encouraging take up of registration with enforcement measures such as fines or exclusion from the sector a last resort.

⁶ Anecdotal evidence cited in the Guardian newspaper suggests that revenue officials have identified in the region of 80,000 landlords who may have claimed too much tax relief or failed to declare the amount of rent paid on their properties/a capital gain made on the sale of a house
<http://www.guardian.co.uk/money/2007/may/29/business.buytolet>

Overall we consider that national registration has much to contribute to a better functioning PRS. For local and national government it supports more effective planning of housing supply and improved targeting of legislation implementation; for tenants it offers a clear, simple message that their landlord should be registered; and for landlords it ensures that not just the 'good' landlords are known to local authorities.

Further reform of housing benefit/local housing allowance

Research by Shelter and others has found that access to the sector for HB recipients – who represent up to 30 per cent of the PRS⁷ - is often difficult. This may be due to negative perceptions about claimants/the HB system⁸ or due to the cost of private sector renting. John Hills' *Ends and Means* review (2007) found that 54 per cent of HB claimants potentially subject to rent restrictions faced a shortfall averaging £24 per week in 2005/06. Those subject to the Single Room Rent (SRR) restriction face particularly acute problems with 87 per cent facing a shortfall⁹.

Shelter has welcomed government efforts to begin reforming the HB system. However, we are concerned that the new Local Housing Allowance (LHA) will not provide an adequate solution to many of the difficulties faced by HB/LHA recipients and may in fact exacerbate some difficulties.

Shelter has a number of specific concerns with regards to LHA. We note that the boundaries of the newly formed Broad Rental Market Areas (BRMAs) were determined without reference to the rent levels which will fall within those boundaries, relying instead on the more arbitrary measure of distance from services/facilities. In addition, the number of BRMAs under the new system stands at 153¹⁰ – around half the number of localities under the HB system. We believe that the increase in the size of the areas covered by a specific LHA rate combined with the fact that rent levels do not feature as a factor in the determination of BRMA boundaries may force claimants to cluster in particular areas within the BRMA. Such an outcome would simultaneously worsen the effects of marginalisation often experienced by those on low incomes while also undermining the government's long-standing commitment to sustainable, mixed communities¹¹. Shelter also remains concerned about the direct payment element of the new LHA arrangements. Recent anecdotal evidence has highlighted that some landlord organisations are advising members not to let to LHA claimants because of the perceived risks of the move to direct payments¹². We are also concerned that DWP's guidance to local authorities does not place a requirement on LHA staff to be pro-active in identifying someone as potentially vulnerable¹³ and consider that this should be a minimum requirement for the administration of LHA.

Shelter believes that more needs to be done to reform the HB/LHA system. While we understand that the government is undertaking a separate review of housing benefit, we hope that this review will take the opportunity to influence the HB review's thinking on these important matters which affect the lives of so many tenants in the PRS. We believe that there are a number of options for reforming HB/LHA which could be usefully considered. These are set out below.

- Abolishing the Single Room Rent (SRR) restriction and its LHA equivalent the Shared Room Rate restriction. The Government estimates that this would cost between £20-60 million per year.

⁷ Figures calculated by combining DWP data on numbers of HB recipients together with SEH figures for the total number of private renters

⁸ Shelter, *The path to success? Shelter's research on housing benefit reform: the final report*, 2006

⁹ Citizens Advice, *Single room rent – the case for abolition*, 2006

¹⁰ Information provided by the Rent Service

¹¹ ODPM, *Sustainable communities: building for the future*, 2003

¹² *Inside housing solutions*, vol 1, issue 5, 2008

¹³ DWP, *Housing benefit local housing allowance guidance manual*, 2007

- Exempting household members from non-dependant deductions if this would bring them below income support levels. The Government estimates that this would cost in the region of £22 million per year.
- Removing the top two rates of non-dependant deductions at an estimated cost of £10 million.
- Increasing the standard rate of earnings disregard and introducing a mechanism to update this on an annual basis.
- Reviewing the extent of the impact of the move to the BRMA boundaries, particularly on those households whose claim level will decrease under the new system.
- Retaining the current 12-month backdating facility for housing/council tax benefit which DWP plans to reduce to 3-months only from October 2008.
- Requiring all local authority staff to take a pro-active approach to identifying potentially vulnerable claimants at an early stage so as to arrange appropriate support, including alternatives to direct payments.
- Building on improvements in the administrative performance of the HB system to prevent delays in processing applications.

Buy-to-let

In the absence of a strategic approach to supply for the PRS, the market has responded to the growth in demand for rented property with the creation of a new form of mortgage finance for the rental market: buy-to-let (BTL). Since its inception in the mid-1990s the number of BTL mortgages has grown rapidly so that by the end of 2007, the Council of Mortgage Lenders estimated that the number of BTL mortgages stood at over 1,038,900 at a value of £122,100 million¹⁴. The extent of BTL's contribution to the slow but steady growth of the housing stock in the PRS over the corresponding period is difficult to unpick; however, NHPAU estimates that BTL mortgaged properties made up over a quarter (28 per cent) of the whole private rented stock in 2006, rising from less than 1 per cent in 1996¹⁵.

The BTL phenomenon presents a mixed picture. There are indications that it has had a positive effect in terms of growth in the PRS and in terms of bringing newer property into the rental market. However, the prevalence of BTL as a significant supply vehicle for the PRS has had number of, perhaps unanticipated, outcomes which are of concern to Shelter.

- BTL has brought numerous new landlords into the sector many of whom are inexperienced.
- BTL has facilitated an increase in speculative investment in the PRS making the supply of housing to the PRS potentially more vulnerable to the impact of market downturns or changes in the tax regime.
- BTL has at times had a negative impact on communities, particularly those in which BTL properties represent a significant proportion of housing.

Research indicates that BTL has brought more modern accommodation into the PRS¹⁶. Shelter welcomes this – particularly as stock in the PRS has traditionally been older and in a worse state of repair than other sectors. However, we would caution against a wholesale assumption that newer property is always better property. On occasion, problems with new build stock do emerge. For example, research by the London borough of Greenwich highlighted problems with some of their new build BTL stock including the size of the properties and the thinness of the walls¹⁷. Shelter is

¹⁴ <http://www.cml.org.uk/cml/statistics> table MM6

¹⁵ NHPAU, *Research findings number 1: buy-to-let mortgage lending and the impact on UK house prices*, 2008

¹⁶ Ball, Michael for ARLA, *Buy-to-let: the revolution – 10 years on*, 2006

¹⁷ London borough of Greenwich, *Best value review of the buy-to-let sector: interim report*, 2008

also concerned that BTL has developed in such a way that it has produced a cadre of inexperienced, new landlords. CLG's *Private Landlords Survey 2006* (2008) found that over 60 per cent of private individual landlords had no relevant qualifications or experience and just over a third (36 per cent) were aware of the Housing Health & Safety Rating System¹⁸. This low level of experience creates challenges for the PRS in terms of how we begin to effectively train and encourage new landlords to build up their expertise in the diverse skills required to be a 'good' landlord.

Shelter is also concerned that BTL has contributed to increased speculative investment in the PRS. As a market-led sector it is inevitable that most investors in the sector will be seeking a good return on their investment be that through rental yield, capital gain or both. However, consideration must also be given to the longer-term sustainability of the sector and particularly to the needs of those who live in the sector and for whom their rented accommodation must constitute a home. In the current climate it is as yet difficult to predict the extent to which the 'credit crunch' is likely to undermine the BTL market. However, figures from the Council of Mortgage Lenders are already indicating that the percentage of BTL mortgaged properties in possession has doubled from 0.06 per cent in 2005 to 0.12 per cent at the end of 2007¹⁹. Questions also emerge in relation to the impact which the recent changes in capital gains tax (CGT) will have on the BTL market. While the sharp dip in house prices brought about by the 'credit crunch' may dissuade landlords from selling in the immediate future, the longer term is harder to predict creating uncertainty for tenants.

Another, perhaps unanticipated, outcome of BTL has been the challenges which it has posed to realising the government's goal of creating sustainable communities. Research by the London borough of Greenwich has highlighted the sort of problems which can emerge in the absence of a sufficiently strategic approach to how we incorporate BTL successfully in building sustainable communities. Problems identified by the research in the Thamesmead area included an increase in the transience of tenants so that many did not know their neighbours, a failure to keep the estate clean because they did not feel part of the resident community, as well as more specific problems such as apartments being let out as a base for 24-hour weekend parties²⁰. While these difficulties may not be reflected nationwide where BTL is dispersed across communities, it is useful to be aware of the need to ensure a more strategic approach to the incorporation of BTL in local areas. There are many benefits to be gained from the development of cohesive, sustainable communities – including higher levels of citizen participation, increased 'neighbourliness' and even higher voter turnout²¹. Shelter considers that growing vibrant communities requires a pro-active approach, one which acknowledges the challenges that have emerged through BTL and which seeks to address these through better planning, an emphasis on a professional approach to landlordism, and the use of national registration.

Overall Shelter is concerned that allowing an over-reliance on BTL to fill the gap which a strategic approach to supply might otherwise have occupied, has had unintended consequences. While there may have been some gains in terms of the numbers of properties available to rent, BTL has also created a new set of challenges that we must now address. We consider, that for too long it has been left to individuals to choose whether or not to invest and become landlords, and then to the discretion of those individuals about how seriously they have taken their role as housing managers. Given this, we believe that the government needs to develop a much more strategic approach to supply for the PRS. In designing this strategy we believe the government must consider how to integrate and improve BTL as well as encouraging alternative modes of stable supply for the sector. It must also recognise the often-segmented nature of the sector, as

¹⁸ CLG, *English house condition survey 2006 Private landlords survey*, 2008

¹⁹ <http://www.cml.org.uk/cml/statistics> table APS

²⁰ London borough of Greenwich, *Best value review of the buy-to-let sector- interim report*, 2008

²¹ A small scale survey by Camden Federation of Private Tenants found that only 32 per cent of those with an AST voted in the 2001 general election, compared with 57 per cent in other tenancies

highlighted in Dr Rugg's own research for Shelter²², and respond to the particular supply requirements which this segmentation raises. Often BTL investment has been concentrated in the 'wider' housing market, raising the question of how supply can also be achieved in the lower end of the market. At the same time as assuring an appropriate growth strategy for the PRS, we need to pay close attention to standards and practice in the sector. It is vital that, in tandem with a strategic approach to supply, we must also work to drive up the standards required of that supply so that all tenants in the PRS can be assured of minimum rights and conditions from their landlord.

Longer-term tenancies

Shelter considers that longer term tenancies would not only be a more suitable form of tenancy for many people but that they would also present opportunities to deal with a number of the key difficulties faced by the sector in its current form. We have not outlined in detail our preferred model for longer-term tenancies as we feel that, at this stage, it is more important to identify the key gains which longer-term tenancies would present. These gains are as follows:

- Encourage the development of the PRS as a realistic longer-term option for those households for whom stability is important.
- Foster more cohesive neighbourhoods and communities with higher levels of engagement from those living in PRS accommodation.
- Empower tenants to be able to use their rights effectively.
- Promote a more tenure-neutral approach to housing policy which is able to rely on the PRS to provide a viable third tenure option.

Before addressing each of these opportunities in turn, we wish to challenge the pre-conception that the way in which the existing AST model operates is the best fit for the PRS.

The PRS is often regarded as a short-term accommodation option with a 'naturally' high level of churn. Figures from the Survey of English Housing (SEH) indicate that 38 per cent of all private renters had moved in the past year, compared to only 10 per cent of social renters and 6 per cent of owner-occupiers²³. A further breakdown of SEH figures highlight that 18 per cent of private renters who moved in the last year chose to move because of their job and a further 14 per cent to obtain larger accommodation. However, the SEH also highlights that almost 1 in 10 households move, not out of choice, but because their accommodation is no longer available²⁴. Statutory homelessness figures also show that the ending of an AST is the third most common reason for the loss of last settled accommodation among households accepted as homeless²⁵. In addition, the *perception* of insecurity plays a key role. Recent research from the West London Housing Partnership found that even where the risk of repossession by a landlord is low, the fear that the landlord will sell the property is one of the biggest reasons for tenants feeling 'less than settled'²⁶. This is echoed in research for the Scottish Executive which found that tenants in the PRS expressed dissatisfaction with the fact that their accommodation 'did not constitute a home'²⁷. The flip side of the flexibility of the AST then is that it creates a sense of insecurity for tenants which is not easily assuaged and which does little to support the development of the sector as a viable third housing option.

²² Rugg, J, *A route to homelessness? A study of why private sector tenants become homeless*, Shelter, 2008

²³ CLG, *Survey of English housing preliminary results 2006/2007*, number 27, 2007

²⁴ CLG, *Survey of English housing, live tables, S225*

²⁵ CLG, *Statutory homelessness statistics: England, 2008*

²⁶ West London Housing Partnership/LHUC Research Project, *Settling in – the experiences of households helped into the private rented sector through local authority direct letting schemes in West London*, 2007

²⁷ Houston, D, Barr K, and Dean, J, *Research on the private rented sector in Scotland*, Department of Urban Studies, University of Glasgow, 2002

So what does Shelter believe can be gained by moving towards longer-term tenancies in the PRS?

Firstly Shelter believes that longer-term tenancies can provide the sort of stability which is important to many stakeholders in the PRS. Nearly 30 per cent of PRS households contain dependent children²⁸. Furthermore, between 1981 and 2001, the proportion of households in the PRS that were lone parents with dependent children increased seven-fold, which was more than twice the overall rate of increase²⁹. Mobility, particularly among disadvantaged groups, can have a negative effect on children's education. CLG research has found that the link between mobility and educational outcomes is strong and that frequent moving may also have a negative impact on children's health, as frequent movers are less likely to be registered with GP surgeries³⁰. Increasingly the government is also looking to house vulnerable groups in the PRS as an alternative to a social rented tenancy. Government good practice guidance highlights that local authorities should seek to achieve longer term tenancies for such households³¹ and the Social Exclusion Unit's *Breaking the cycle* report (2004) has also highlighted unstable accommodation as a barrier to people making improvements in other areas of their lives³².

Shelter believes that longer-term tenancies could also make a positive impact in the domain of community. CLG's *Moving on – reconnecting frequent movers* (2006) highlighted that, where high levels of mobility occur, it can be difficult to create cohesive communities while research for Universities UK found that high levels of transient student populations in local communities creates particular problems such as less commitment to maintaining the quality of the local environment, and changes in the type and opening hours of services for existing residents³³. It is also notable that community engagement tends to be lower among private renters who are around half as likely as owner occupiers to be involved in voluntary work in their local community³⁴. Shelter believes that longer-term tenancies for those in the PRS can contribute positively to meeting the government's commitment to sustainable communities by encouraging higher levels of community involvement from local people, pride in the local environment and increased cohesion between individual households.

Shelter also considers that longer-term tenancies would enable tenants in the PRS to become more empowered to assert their rights effectively. Policy makers often struggle with how poor standards in the PRS can be tackled in a system where a tenant can be so easily evicted if s/he attempts to exercise their rights to decent accommodation. Shelter believes that, in the first instance, landlords must live up to their responsibility to provide decent homes for PRS tenants – it remains an indictment of the sector that 50 per cent of the housing it provides is non-decent³⁵. However, we consider that short-term tenancies promote an attitude of 'what's the point' or worse, 'I can't risk it' among tenants who might otherwise raise issues of concern with their landlords. Even if a landlord is not minded to evict their tenant in response to a complaint, the *perception* of this threat is powerful in itself. Recent research by Citizen's Advice found that 48 per cent of environmental health and tenancy relations officers considered that tenants were 'always' or 'often' put off from using their help because of fears of jeopardising their tenancy³⁶. Longer-term tenancies can provide more certainty for tenants, especially for those at the sector's lower end, for whom reliance on the market to eliminate bad practice and poor conditions is particularly ill-placed.

²⁸ CLG, *Survey of English housing preliminary results 2006/2007*, number 27, 2007

²⁹ Rhodes, David, *The modern private rented sector*, JRF, 2006

³⁰ CLG, *Moving on – reconnecting frequent movers*, 2006

³¹ CLG, *Homelessness prevention – a good practice guide*, 2006

³² Cited in CLG, *Moving on – reconnecting frequent movers*, 2006

³³ Universities UK, *'Studentification' – a guide to opportunities, challenges and practice*, 2006

³⁴ CLG, *Survey of English Housing, live table 717*

³⁵ CLG, *English house condition survey 2006: headline report*, 2008

³⁶ Citizen's Advice, *Tenants dilemma – warning your home is at risk if you dare complain*, 2007

Shelter believes that creating longer-term tenancy arrangements in the PRS would also enable the development of a more tenure-neutral approach to housing overall. It is notable that the government's recent green paper on housing supply *Homes for the future* (2007) focussed almost exclusively on the owner occupier and social rented sectors. One implication of this omission is that the PRS continues to be viewed by policy makers as a 'stop gap' sector rather than as part of a cogent, cross-tenure housing strategy. The perceived favourability of the owner occupier sector is strong among private renters themselves with only 11 per cent of renters who didn't think they would ever buy a home indicating that they actually preferred being in the PRS compared to 63 per cent who said they were simply unable to afford to buy³⁷. Even for young people, the group for whom the sector is often lauded as the tenure of choice, the picture is not black and white. Figures published by the Council of Mortgage Lenders indicate that even among under 25s, 50 per cent aspire to be home owners within two years with this figure rising to 75 per cent among the 25-34 age group³⁸. This suggests that those groups for whom it is traditionally held that the flexibility of the PRS is particularly important may not in fact consider that this or any of the other apparent advantages of the PRS outweigh the security and investment of owning their own home.

We consider that in the longer term, the creation of new models of longer-term tenancies should be a key part of the government's strategic vision for the PRS. Such longer-term tenancy models are already beginning to be developed in parts of the private rented sector. For example, some local authorities have responded to the government's increased emphasis on the PRS as a solution to homelessness by working with landlords to offer longer tenancies than the six-month minimum. While Shelter strongly supports efforts to secure longer-term tenancies, specifically for our most vulnerable households, we consider that this sort of localised negotiation can only be a first step and that it does not respond to the level of demand for longer-term tenancies in the sector.

Overall we believe that the government must take a wider view of the benefits which can be gained by adopting longer term tenancy arrangements in terms of the opportunities they present for the PRS as a whole. It is not just vulnerable households who can benefit from longer-term tenancies – families with children, older people, young people living in the PRS long term because they cannot afford to move into owner occupation, as well as local communities can all gain. Shelter does not believe that the current six-month moratorium on possession can provide the sort of stability which would achieve these gains. We consider that the government should learn from the longer term tenancy models already in place both nationally – as in the 4 year tenancy model in Ireland – and locally, for example in London where the draft mayor's housing strategy advocated a minimum tenancy period of two years and the use of accredited landlords for formally homeless households³⁹. Shelter does not believe that it is acceptable for tenants to live in ongoing uncertainty about the future of their tenancy and hopes that the review will take the opportunity to make recommendations for reform of the AST. We recognise that there are a number of possible models for creating suitable forms of long-term tenancies and we would be happy to discuss these further as part of the work of the review.

Additional opportunities to improve tenants' renting experience

While it is not possible in this short briefing to address all the issues which Shelter considers to be important in the context of the PRS, we wish to briefly highlight two further key areas of importance to tenants in the sector. Firstly, the need to tackle poor conditions, especially in the lower end of the sector; and secondly, the need to simplify and formalise a number of key aspects of the private renting experience.

³⁷ CLG, *Survey of English housing preliminary results 2006/2007*, number 27, 2007

³⁸ CML, *Housing finance: improving attitudes to home ownership*, issue 1, 2007

³⁹ Mayor of London, *The draft mayor's housing strategy*, 2007

In relation to the first point, Shelter remains concerned about the poor quality of housing available in some parts of the PRS. Recent research for Shelter highlighted that, for respondents in the study, problems with repair and maintenance were the biggest single reason why tenancies came to an end and contributed to the decision to leave taken by others⁴⁰. Shelter does not consider that leaving the improvement of conditions to the market constitutes a solution to these issues. Indeed, work by the University of Bristol found that there were few incentives for landlords in poor neighbourhoods to carry out repairs, as this would not increase the rental or capital value of their property⁴¹. Shelter considers that it is essential that local authorities are properly resourced and supported to enforce their powers under the Housing Act 2004. We welcome the progress that has been made in making landlords accountable for poor conditions through enforcement action, and consider that this work must be stepped up to target those landlords who are responsible for providing poor accommodation for their tenants. In addition, we continue to believe that licensing for houses of multiple occupation (HMOs) should be extended to cover all HMOs not least because it has long been recognised that tenants in such accommodation face greater risks to their health and safety.

A final issue which we would like to raise in the context of this briefing, is the need to both simplify and clarify the framework in which renting takes place. Shelter considers that, in broad terms, the Law Commission's proposals for the simplification and codification of housing law in its Rented Homes Bill represents a positive step forward. We have particularly welcomed the proposed standardisation of tenancy agreements together with fundamental conditions of occupancy which we believe would promote a better understanding of rights among tenants and landlords. We hope that this review will take the opportunity to consider the propositions set out in the Law Commission's work and how this could lead to an improvement in landlord/tenant relationships.

Conclusion

We welcome the opportunity to contribute to the important work of the PRS review. For too long the PRS has been neglected by policy makers and allowed to develop without a strategic vision for how it can contribute positively to housing.

As the role and function of the PRS has evolved with changes in demographics, increasing pressure on the supply of social rent homes and the high cost of home ownership, so the need for a strategic vision for the sector has grown. Shelter considers that we must act now to shape a sector which can make a positive, long term contribution to meeting housing needs. Above all, we must work together to ensure that the PRS can fulfil its primary purpose – the provision of safe, high quality and affordable homes for its tenants.

Shelter Policy Unit May 2008

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⁴⁰ Rugg, J, *A route to homelessness? A study of why private sector tenants become homeless*, Shelter, 2008

⁴¹ <http://www.bristol.ac.uk/cmppo/workingpapers/wp148.pdf>