

**Manchester City Council
Report for Information**

Report to: Neighbourhood and Environment Scrutiny – 4 March 2020

Subject: Private Rented Sector Strategy 2020-2025

Report of: Strategic Director Growth and Development

Summary

This report provides the committee with a progress update on the Market Rental Strategy and sets out the key themes for a draft Private Rented Sector (PRS) strategy for the city.

Recommendations

The Neighbourhood and Environment Scrutiny Committee is invited to comment on the draft PRS strategy themes as set out in this report.

Wards Affected: All

Supporting the Manchester Strategy	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	An efficient and well functioning housing market is essential for the economic wellbeing of the City and delivery of the Greater Manchester Strategy. If Manchester is to meet the needs of the forecast population and employment projections there is an urgent requirement to increase the supply of good quality housing of all tenures, including a good quality PRS.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The delivery of the housing opportunities will have major economic benefits for the City creating jobs across the supply chain and the development cycle, providing a positive impact on the performance of the local economy and the availability of local employment.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Good quality housing of all tenures supporting successful neighbourhoods have helped to develop a sense of self esteem and mutual respect amongst communities
A liveable and low carbon city: a destination of choice to live, visit, work	Good quality homes including those that are energy efficient is very important to the City and residents,

	this strategy will closely align to a newly developed carbon neutral housing strategy.
A connected city: world class infrastructure and connectivity to drive growth	n/a

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no direct financial implications

Financial Consequences – Capital

None

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Background documents (available for public inspection)

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Market Rental Strategy 2015 - 2020

Residential Growth Prospectus - 2016

Manchester Housing Strategy 2016-21

Manchester Affordability Strategy 2018

Selective Licensing update report March 2020

1.0 Introduction

- 1.1 The Market Rental Sector (MRS) Strategy (2015) set out how the Council would meet its commitment to “developing a quality private rented sector” one of the six key principles of the Residential Growth Strategy.
- 1.2 Between 2005 and 2015 the sector doubled in size and had become even more diverse, with the higher end of the market increasing in supply and quality, providing a real alternative to owner occupation. However, at the same time, there was a concentration at the bottom end of the market, where a more intensive housing management approach was required.
- 1.3 The MRS Strategy was developed to focus on this end of the market and enabled the Council to set out expectations of the sector. The strategy identified areas that required direct intervention as well as initiatives for greater self-regulation within a partnership approach.
- 1.4 Over the last 5 years the approach and delivery of the strategy has been, in part, successful. However, the continuation of welfare reforms, emerging issues around housing supply, affordability, homelessness and no fault evictions has seen a further polarisation of the sector. This has led us to review the strategy to make sure the Council can effectively refocus its priorities to meet the challenges affecting the sector, specifically at the lower end of the market.
- 1.5 This refreshed strategy will continue to focus on the areas that are most challenging, targeting resources to improve housing outcomes for some of our most vulnerable residents. It will also consider how best to respond to the emerging short-term lettings sector and, crucially, sets out our approach to developing a zero carbon strategy for the private rented sector (PRS).

2.0 Background

- 2.1 The PRS across the UK continues to grow in size and importance. It provides 4.7 million households with a home, this includes 1.7 million families - 3 times as many as a decade ago.
- 2.2 The PRS is no longer used as a transitional market that people enter, for example, between university and buying a home. The number of 35-44 year olds in the sector has increased from 13% to 28% in the last 10 years and renters are spending 34% of their annual income on rent.
- 2.3 Locally the sector’s growth has continued at pace, with it now overtaking owner occupation as the largest sector (38%) in the city, expanding outside of the traditional city centre and student markets.
- 2.4 The diversity in terms of range of accommodation is growing too. The city has seen a dramatic increase in PRS use for temporary accommodation for homeless families, short terms lets, investment build to rent, and general need rentals for those who cannot access a mortgage or social housing. In short, it

is a vital element of the housing market in Manchester and one that looks set to continue to be increasingly important in the years to come.

- 2.5 Across the city more and more households are becoming homeless. This is due to a combination of continued welfare reforms, the roll out of Universal Credit, serving of section 21 notices (no fault eviction notices) and the freeze on LHA levels. Alongside a buoyant housing market this has led to affordability becoming a real barrier to accessing the sector.
- 2.6 At the same time there are growing concerns over landlords and letting agents actively discouraging residents who claim welfare benefits from accessing accommodation. This places greater demands on already scarce social housing, putting further pressure on the Council to find suitable temporary accommodation.
- 2.7 Clearly the PRS in Manchester is a vital element of the city's continued success and a key component in the market at all levels. The Council, therefore, needs to have a robust strategy that includes opportunities to develop solutions to solve current and future challenges, making the best use of resources and the existing powers available to tackle the issues faced particularly within the lower end of the market.

3.0 Market Rental Strategy 2015-20

- 3.1 There have been a range of successful interventions during the past 5 years including:

- 3.2 Area regeneration

In the Ben Street area, Clayton, the Council has worked with One Manchester (Registered Provider) to buy and carry out the internal and external refurbishment of 62 long term empty properties. In addition, 151 properties were improved via facelifting, which has helped to ensure an improvement to all of the properties in this area. Streetscaping improvements have also been carried out, with a range of traffic calming measures, tactile pedestrian crossings and roadside tree planting to improve the environment.

- 3.3 Retaining properties in the social rented sector

Two years ago one of our RP partners decided to dispose of some of its properties which were located within private rented terraced housing blocks. Rather than simply sell them on to be relet in the private sector we negotiated with them and they agreed to sell to another RP, retaining the properties within the social housing sector.

All of the RPs in the Manchester Housing Providers partnership have agreed to offer any properties that they no longer want to own and manage to other RPs in the city rather than simply selling them into the private sector.

- 3.4 Registered Provider place-based interventions

The Gorton place-based approach focussed on 3 themes: Neighbourhoods (environment), Wellbeing and Homes.

The aim of the Homes workstream was to work with partners to trial new approaches to housing related challenges in Gorton with a particular focus on the 'Ladders' area in Abbey Hey and the private rented sector. This was an area where there was fractured ownership and the quality of properties was an issue.

One Manchester, a Registered Provider with social housing in the area, bought empty properties as they became available, including a small existing landlord portfolio. Running alongside this, the Council's Housing Compliance Team proactively surveyed residents in a small area (which included partner agencies questions eg. health), offering tenants housing inspections and following up with enforcement where appropriate. In response the majority of landlords made the required improvements.

The Council's Neighbourhoods Team worked with partners and the community to develop strength-based approaches to tackle environmental and neighbourhood challenges in Gorton, with a particular focus on the 'Ladders', creating a frontline group of officers, residents and representatives from the voluntary and community sector. The group runs a series of events and initiatives that engage the community, take action and share information. For example, they developed and shared information on landlord and tenant rights and responsibilities, took joint action with GMP on a burglary hotspot as well as running activities to improve the environment and recycling rates. Resources are pooled and engagement opportunities shared. This has been a 'bottom up' approach but with an eye to the strategic goals.

There has also been a focus on using local resources/facilities. A lot of work was done to build capacity and improve the offer in the Gorton Community Centre, working with a range of partners and making improvements to the fabric of the building through MCC social value opportunities. This Centre is the focus of the wellbeing activities and offers a base for Council officers and other organisations to work from in the heart of the community.

One Manchester owns approximately 2,000 homes in Gorton. As well as a social landlord it is currently partnering with Manchester City Council, the NHS and DWP to create a joint service centre on Hyde Road. It has also provided investment into the new Oasis Centre on Hyde Road, which will open shortly. One Manchester's place based investment in Abbey Hey/Gorton has involved interventions across the organisation through coordinated neighbourhood management, financial inclusion activity and assisting local residents with employment training and education opportunities through East Hub. In particular, One Manchester's growth programme is actively developing new homes for a range of tenures across the ward on a number of sites, including some for social rent. It has applied some of its affordable housing grant to acquire properties to refurbish and convert into affordable rent and shared ownership properties. Its aim is to bring better quality properties into the affordable and private rented market, managed by a credible quality landlord.

One Manchester is also intervening in the PRS via the planned acquisition of 300 properties in north and east Manchester which could otherwise have been sold to speculator landlords and relet into the lower end of the private rented market. One Manchester's intervention will provide newly acquired empty homes at the Local Housing Allowance, making them affordable to residents on Universal Credit or other benefits. Properties will be refurbished to meet the regulatory standards and will be available for rent and shared ownership. Residents will also be linked into One Manchester's support services.

One Manchester has also built its own, high quality, market rent properties in Hulme.

3.5 Matrix Homes

The Council has directly intervened in the private rented sector in the joint venture arrangement with the Greater Manchester Pension Fund (GMPF). Through this joint venture the Council and GMPF have developed 120 new homes for rent in Chorlton, Wythenshawe and Gorton.

Rents for tenants who stay for more than a year are only increased by inflation despite market rents in some of the areas increasing at significantly more than this.

3.6 Licensing

There is a separate report on Selective Licensing on this agenda but the intention is to develop 4 more schemes in consultation with local councillors.

3.7 Large properties for homeless families

The Council has jointly bought over 20 large family homes with a group of Registered Providers (RPs) to rehouse families out of temporary accommodation. RPs continue to identify properties and, more recently, have secured a number of properties in south Manchester. There is a time lag from agreeing to buy, completing the purchase, undertaking any refurbishment works to bring the property up to the Decent Homes Standard and then reletting the property. However, this project has been extremely successful in rehousing families and we will continue to work with RPs to identify suitable properties.

3.8 Proactive Direct Landlord Intervention

Grant funding has allowed us to develop proactive services through a Rogue Landlords Team and new Civil Penalty powers have enabled the Council to take direct action on landlords who do not meet the required standards. Results have included:

- Rogue landlord project - Proactive work targeting locations with poor property conditions and portfolio landlords. Targeted work includes inspecting flats above shops, which can have poor fire separation,

overcrowding issues, inadequate heating and general disrepair.

- Civil penalties - Since the introduction of civil penalties in April 2017, a total of 47 civil penalties have been issued totalling over £450,000.

3.9 Advice for tenants

The Council held a social media take over day in January to raise awareness and provide information about how the Council is developing and delivering solutions to meet the city's wide-ranging housing needs.

Messages focussed on the rights of those in private rented accommodation, highlighted action taken against non-compliant landlords and signposting tenants who live in shared housing to check that their House in Multiple Occupation (HMO) is licensed.

The takeover day comprised 15 posts across Facebook and Twitter. These attracted 119 link clicks through to the housing advice pages of the Council's website. The posts have had 73 retweets/shares and 128 likes.

Further communications activity is underway to highlight the HMO guidance, specifically to students. Initial results show an increase of 32% of visits to the HMO web pages and further social media targeting will continue into late February to increase this further.

4.0 Market Rental Strategy review

4.1 During 2019 we have undertaken a detailed consultation on the future of the Strategy.

4.2 This involved a range of stakeholders including:

- Member consultation
- Northwards Housing
- North, Central and South Place Group meetings
- Manchester Housing Providers' Partnership
- Northern Housing Consortium
- Four drop-in events and online consultation for Tenants, Landlords and Representative Bodies

4.3 General Feedback

Topics raised during the sessions included:

- Information for Health colleagues
- Issues with poor property condition
- Concerns about lack of security of tenure and choice
- Training and support needed for tenants and landlords

- Improved communications with the sector
- Mixed tenures and RP intervention
- Concentrations of temporary accommodation.

4.4 Feedback from renters

Renters enjoy the choice and flexibility but don't like high rents, lack of tenants' rights, property condition and repair issues.

Renters also want an end to Section 21 evictions, rent controls, tenants' rights, longer tenancies and problems solved.

4.5 Feedback from landlords

Landlords want references, deposits and rent paid. They would also like a better relationship with the Council.

60% of landlords don't want longer tenancies.

5.0 Private Rented Sector strategy 2020 onwards

5.1 Following the consultation a draft strategy is being produced to respond to the feedback.

5.2 The following Strategic Vision is proposed:

Manchester's Private Rented Sector will provide a high quality, low carbon, affordable and sustainable offer so that Mancunians have a good choice of quality homes in clean, safe and vibrant neighbourhoods.

6.0 Short term lettings

6.1 Manchester's short term rental sector is growing following the recent success of a range of online platforms, whose services make it possible to let properties at short notice, for a few weeks or just a few days at a time.

6.2 Most homeowners who let on this basis will do so without issues. However, in some cases, short term lettings can impact adversely on the quality of life and comfort of neighbouring residents. As there is no requirement to register use of a property for short term letting the Council will be unaware that properties are being used in this way unless a complaint is received.

6.3 In partnership with the Short Term Accommodation Association (STAA) we are working to develop a Considerate Short Term Letting Charter which defines parameters and sets out best practice for property owners, managing agents and hosts engaging in this activity, emphasising the shared responsibility of them and their guests.

- 6.4 A task group has been established to ensure this work progresses and updates are provided to senior members with a keen focus on standards and safeguarding family homes.

Next steps are:

- Meetings with a number of key managing agents for their input into the draft Charter.
 - Meet with STAA to finalise the Charter and discuss an interactive database showing occupancy and other details about each apartment for the building owner.
 - Launch STAA Charter & Technology Platform (to monitor occupancy in shared buildings).
- 6.5 Although there is no registration requirement, where complaints are received about premises operating as short term lets, this information is recorded and contact is made with the landlords/managing agents to make them aware of the complaints and where action to address the issues complained of can be taken it is. Even where action cannot be taken in relation to a specific complaint this contact is useful as it makes the landlord aware of the fact that we know they are using the property as a short term let and that proactive monitoring will take place.
- 6.6 The types of issues that are most complained about are poor waste management practices, noise and anti-social behaviour. The Licensing and Out of Hours Team, Housing Compliance Team and Neighbourhood Compliance teams follow up every complaint and have been successful in ensuring that waste, noise and ASB issues are addressed. It is however important that residents continue to make us aware of where they suspect premises are being used as short term lets so that we can investigate any issues arising from this use.
- 6.7 Planning legislation is such that in many cases short term lets do not require a planning consent. However, if complaints are received about a possible unauthorised use these will also be investigated.
- 6.8 There is a significant shortage of family accommodation in Manchester leading to increasing levels of homelessness. In order to avoid the loss of any more family housing the Council is seeking legal advice to identify whether it can avoid properties built on Council-owned land being used as short term lets. We will also engage with developers and encourage them to take a similar approach when building new homes, on private land, with the aim of retaining as much family housing as possible.

7.0 Greater Manchester (GM) Initiatives

- 7.1 During the last 18 months the Combined Authority (CA) has been developing initiatives and working towards improving the sector. The Ethical Letting Agency is due to start later this year and will be developed to enable greater access to properties and offer an alternative solution to landlords who do not

want to go with high street letting agents.

- 7.2 Over £1m in grants have been issued by a partnership between Shelter and the Nationwide Foundation to charities who aim to support the sector with schemes and services for residents across GM.
- 7.3 We work closely with colleagues across Greater Manchester and a GM private rented sector strategy is in development with significant emphasis, in particular, on lobbying government for devolved powers.
- 7.4 The following issues are being considered by the CA:
- Seek devolved powers to designate areas for selective landlord licensing, arguing for Scottish models of security of tenure.
 - Lobby for greater resources to enforce and raise standards in the private sector.
 - Greater influence over the welfare system, including linking payments of Housing Benefit/housing element of Universal Credit to the condition of properties.
 - Opportunity to pilot the Rugg Review proposal for 'property MOTs' for PRS homes, tied to a comprehensive register of PRS homes.
 - Additional powers for local authorities to intervene, especially where the safety and security of our residents is at risk from the effects of poor housing or rogue landlords, or where we can see ways to remove barriers to delivering the new homes we need.

8.0 Strategic Themes

- 8.1 There are three key themes that will underpin a comprehensive action plan that is to be developed with key partners over the next 3 months.
- 8.2 Theme 1: Improve Property and Management Standards

Target and focus intervention and proactive enforcement on the very worst properties, landlords & agents and improvement of neighbourhoods

Potential policy interventions:

- Identify further areas suitable for landlord licensing.
- Explore further initiatives with the use of the rogue landlord database
- Work with health organisations and landlords to improve health outcomes for residents.
- Use of rent repayment orders.
- Explore opportunities to improve standards of property management & letting agencies.
- Work with housing partners to develop and deliver integrated neighbourhood management.
- Explore use of Empty Dwelling Management Orders (EDMOs).

8.3 Theme 2: Increase Opportunities within the Sector for Low Income Households

Narrow the quality gap between the lower end and that of the middle and higher end of the market so that people on lower incomes have greater access and more choice.

Potential policy interventions:

- Introduce an ICT solution for access into the PRS.
- Develop links with the GM Ethical Letting Agency.
- Consider investment opportunities to develop initiatives to bring affordable housing to the market.
- Work with RPs to introduce good quality affordable rental properties onto the market.
- Use the Council's Housing Affordability Fund to increase supply at affordable rents.
- Work with GM around rethinking Local Housing Allowance & Reducing the Housing Benefit Bill.

8.4 Theme 3: Greater Communication Across the Sector

Raising awareness of landlord, agent and tenant responsibilities; sharing good practice and an enhanced role for the relevant professional bodies will help ensure standards continue to be met at all levels of the market.

Potential policy interventions

- Review the Manchester Renting Pledge for its effectiveness.
- Continue to build partnerships with trade bodies and regional, GM and Local Authorities to benchmark and develop specific interventions.
- Increased Government lobbying activity on key PRS pressures affecting the sector within the city.
- Introduce landlord and resident forums directly relating to the PRS including the city centre market.
- Introduce modern methods of communication, including social media and interactive web design, utilised to raise awareness of the rights and responsibilities of landlords, agents and tenants.
- Engagement with HMRC to develop incentive schemes for landlord tax discounts.
- Tenant and landlord training.

9.0 Overarching Workstreams

9.1 Running alongside these three key themes will be two important overarching workstreams:

1. Data and intelligence.
2. Policy.

9.2 Although the direction of overall market trends looks clear, the detailed impact on neighbourhoods and communities is not and changes within the different sub-sectors will profoundly differ. In particular, there looks to be quite diverse effects of population growth and migration on different neighbourhoods. In a number of communities, demographic profiles are changing and questions remain in terms of how this will affect demand and in turn influence the growth of the sector. Ongoing work will be needed to track and understand this very dynamic position to best shape the Council's response moving forward.

9.3 As the context evolves so will the strategy and policy responses. This workstream will include monitoring market intelligence in the PRS across the various strands as follows:

- City centre & city centre fringe
- LHA markets
- Impact of new purpose built supply in the city centre and secondary markets
- Sales and rent prices
- Mortgage market
- Voids
- Homelessness and mediated tenancies
- Segmentation of PRS
- Short term lets
- Affordability

We will also closely monitor and respond to emerging policy & legislation including:

- Homes (Fitness for Habitation) Act 2018
- Welfare reform
- Reforms within PRS legislation including new regulations around Assured Shorthold Tenancies and Section 21 notices
- MCC Affordability Policy
- EPC Minimum Energy Efficiency Standards (MEES) Regulations
- Homelessness Reduction Act
- Monitor Greater Manchester Mayoral housing activities

10.0 Zero Carbon

10.1 To identify the estimated cost of retrofitting properties to meet the Council's zero carbon 2038 strategy we will undertake a stock condition survey of private rented and owner occupied properties across Manchester, to be completed by April 2021

10.2 We will consider the use of equity loans for two pilot projects in the private sector to demonstrate what can be done to retrofit existing housing. One pilot is aimed at older terraced housing to identify whether undertaking works to a group of properties is more cost-effective than individual properties. The other is aimed at individual private sector property to determine the overall cost of a range of interventions. Major challenges exist, not only with

the funding for retrofit works, but also in identifying suitably qualified professionals to carry out the works. Conversely, this might provide opportunities for small and medium-sized businesses to enter into a growing market.

10.3 We will also work with National Landlord and Agent organisations who have requested assistance with drawing up a 'road map' to assist landlords in understanding potential improvements they can make to their properties to reduce carbon emissions and reduce fuel poverty.

10.4 Once we have identified what can be done, and how much it might cost, we will lobby the Government for funding to meet our zero carbon target.

11.0 Fire Safety

11.1 Thousands of tenants in the private sector live in multi-occupancy buildings. Many now live in city centre tower blocks. Large numbers of these buildings have features which are causing the Fire and Rescue Service concern. Not just ACM cladding but insulation beneath other cladding materials and features such as wooden balconies.

11.2 The Council has been selected as an Early Adopter following Dame Judith Hackitt's review of the construction industry. Whilst at this stage we do not know how this will affect the Council it will, without doubt, lead to greater intervention for our Building Control officers and much more detailed scrutiny of all new build properties and refurbishments.

12.0 Impact Assessment & Equal Opportunities

12.1 One of the key aims of the Strategy is to improve the quality and choice of the PRS market to benefit and support those who contribute to Manchester's economic success. There has, however, been limited consideration given to accurately quantifying the impact of interventions in the private rented sector, either economically or socially.

12.2 We will attempt to develop a number of key performance indicators to measure the success of our interventions. These might include reductions in crime, improvements in health, reductions in fuel bills and improved resident satisfaction.

12.3 A full equalities impact assessment will be carried out alongside the development of the strategy action plan.

13.0 Next steps

13.1 Members of this scrutiny committee are asked to comment on the report.

13.2 A draft strategy will be brought back to this committee at the end of May and a report will be taken to the Council's Executive in June 2020.