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Director for Communities and Place
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Private Rented Housing Conditions

Purpose

- 1.1 To consider the results of the recent stock condition survey of privately rented properties in the city, the findings of which are detailed in the report 'The Condition of Private Rented Sector Homes in Derby 2021' (the report).
- 1.2 To authorise the collection of evidence and the commencement of a public consultation exercise in relation to the potential implementation of intervention options, which would, if implemented, help to address the poor quality of privately rented homes.

Recommendations

- 2.1 To endorse the findings of the report.
- 2.2 To delegate to the Strategic Director of Communities and Place, authority to establish an evidence base which could, subject to the outcome of a public consultation exercise, support the introduction of both a Selective Licensing scheme and/or an Additional Licensing Scheme using powers contained within the 2004 Housing Act.
- 2.3 To delegate to the Strategic Director of Communities and Place, authority to undertake a public consultation exercise in relation to the potential introduction of both a Selective Licensing scheme and an Additional Licensing scheme within Derby using the powers contained within the 2004 Housing Act.

Reasons

- 3.1 To ensure that Members are aware of the findings of the report which provides evidence that Derby's private rental homes are in a considerably worse condition than previously identified.
- 3.2 To enable the consideration of the introduction of a Selective Licensing scheme and/or an Additional Licensing scheme to be evidence based and include the views of the public, private landlords and other key stakeholders.
- 3.3 To comply with the public sector duty to consult, and with the Council's consultation policy.

Supporting information

- 4.1 The private rental sector (PRS) continues to expand in Derby and now accounts for nearly a quarter (24.8%) of the total housing stock in the city, rising from 16.8% in 2011. This ratio is considerably larger than England, where 19-20% of the housing market is privately rented.
- 4.2 Whilst all Derby's wards contain privately rented homes, the highest concentrations are in Arboretum, Abbey and Normanton, where more than 40% of homes are rented privately. Deprivation levels in the city are also highest in these wards, containing areas within the 10-20% most deprived in England.
- 4.3 The council relies on the English Housing Survey (EHS), an annual survey consisting of a physical inspection of a random sample of addresses, to give a picture of housing quality in the city. However, as it is a national survey, only a small number of homes across Derby are sampled, of which even fewer are PRS homes. Consequently, reports on the quality of Derby's PRS have been regularly based on only a small proportion of homes.
- 4.4 To address this problem, in 2019 the Council successfully bid for and was awarded funding from the Ministry of Housing, Communities and Local Government (MHCLG), now the Department of Levelling Up, Housing and Communities (DLUHC), to carry out a deeper analysis of Derby's PRS housing. The Council commissioned external consultants, Arcus Consulting, to undertake physical house condition surveys of privately rented homes in the City.
- 4.5 However, Covid restrictions meant accessing a large number of rental homes was impractical, so the methodology was revised to concentrate resources on surveying in those wards with the highest density of privately rented homes. This approach was more successful, resulting in 143 homes surveyed, of which 118 were in Normanton, Abbey, Arboretum and the city end of Mackworth.
- 4.6 The survey findings are detailed in the report written by the Council's Public Health Team entitled 'The Condition of Private Rented Sector Homes in Derby 2021'. The report also includes results from a desktop modelling exercise carried out in 2019 which used the EHS as a basis on which to model the condition of the PRS in Derby to address the problem of under-representation in the national survey. As a result, the general condition of all of Derby's PRS can be considered in the report, not just those in the sample area from the survey. The report details:-
 - the number of homes estimated to fail the Decent Homes Standard
 - the number of homes estimated to have a Housing Health and Safety Rating System (HHSRS) Category 1 hazard.
 - the estimated cost to make homes safe and bring them up to the Decent Homes Standard DHS.
 - the estimated cost to the NHS due to substandard privately rented homes in the city.
- 4.7 It is advised that this report is read in conjunction with another publication written by the council's Public Health Team, entitled 'Derby City Private Sector Housing – Housing and Health Impact Assessment 2022'. This document focusses on the condition of both owner-occupied and privately rented homes in Derby and investigates the impact that substandard private sector housing has on poor health, accidents and premature death.

Headline Results of the Report

- 4.8 The results of the stock condition survey confirms that Derby's privately rented homes are in a considerably worse condition than previously reported in the EHS. The following are examples shown in the report of these marked differences:-
- a) The EHS estimated around 15.7% (4,350) of PRS homes in Derby contained at least one HHSRS Category 1 hazard, rising to between 16.7% and 19.9% in Abbey, Arboretum, Mackworth and Normanton. However, based on the recent physical surveys, this amount has almost doubled ranging from 27.8% in Mackworth to 44% of properties in Normanton with a Category 1 hazard.
 - b) The EHS reported that 2.0% of PRS homes (557 properties) have a damp and mould hazard serious enough to be a risk to health of the occupants compared to 0.9% in England. However, the physical surveys estimate that an additional 1,200 privately rented homes in Abbey, Arboretum, Mackworth and Normanton have this HHSRS Category 1 hazard. Extrapolating this data to city level, would suggest that at least 2,870 PRS homes (10.4%) of all Derby's privately rented homes would have a serious damp or mould problem.
 - c) More than a third of the pre-1918 terraced rental homes surveyed in central Derby had an HHSRS Category 1 hazard for falls associated with stairs and steps, a significantly higher rate than that identified by the EHS. This accounts for at least 1,400 more Category 1 fall hazards, within privately rented homes than previously reported.
 - d) The EHS reported an estimated 132 privately rented homes in Derby have a Category 1 electrical hazard, mainly in Sinfin, Blagreaves, Boulton and Chaddesden. However, the physical survey results indicate some 900 additional privately rented homes have this Category 1 electrical hazard, particularly in the central Derby wards.
 - e) Using the EHS model, three wards in the city are thought to have at least twice the national rate of Category 1 fire hazards. Arboretum has the highest estimated rate (4.1%) within the city at approximately three and half times that of England (1.2%). However, the physical surveys revealed at least 300 additional PRS homes with this hazard in central Derby. Estimates show that rates of Category 1 fire hazards within these wards are likely to be at least 4-6 times higher than the national average, with rates exceeding 6% in both Abbey and Normanton.
 - f) The EHS found no HHSRS Category 1 hazards for structural collapse and falling elements, nationally, within the private sector, meaning local results would not identify this hazard in any of Derby's privately rented homes. However, based on the physical surveys, it is estimated there could be at least 740 homes with this hazard within the city's PRS.
 - g) Similarly, the EHS Survey identified very low rates of HHSRS Category 1 hazards for collision and entrapment in England, which amounts to only 7 privately rented homes in the city. However, the physical surveys suggests that at least 1,120 PRS homes in central Derby alone would have this Category 1 hazard.

- 4.9 As well as the marked difference between the EHS data and the physical surveys, the report also revealed the following concerns about the general condition of Derby's privately rented homes:-
- h) At least 8,500 homes within Derby's PRS (30.9%) would currently fail the Decent Homes Standard with the highest rates of non-decent homes located in Normanton (33.2%), Abbey (29.7%) and Arboretum (28.1%). Even wards with more modern homes, such as Chellaston and Oakwood, have over 17% of PRS homes classed as non-decent.
 - i) Whilst all wards in the city have privately rented homes with an HHSRS Category 1 hazard for excess cold, the highest rates are associated with homes built during the inter-war years, namely Chaddesden, Littleover and Blagreaves.
 - j) Regarding Category 1 hazards for falls, 6.6% of privately rented homes are estimated to have a hazard for falls on stairs which equates to around 1,820 homes. Mackworth (13.2%), Abbey (11.6%) and Darley (9.5%) wards have the highest proportion of privately rented homes with this hazard. 1.8% of Derby's PRS homes are thought to have a Category 1 hazard for falls on the level which, though a small percentage, still equates to around 510 homes. Oakwood (5.0%), Mackworth (4.1%) and Abbey (3.8%) are estimated to have the highest rates of this hazard.
 - k) In Derby, falls between levels (the type of fall most likely to result in serious injury or fatality) is found in a much higher proportion of homes than the national average, as approximately 2.1% (570 homes) have this Category 1 hazard compared to 0.6% nationally.
 - l) Cold homes are strongly linked to houses with a low Energy Performance Certificate (EPC) rating and fuel poverty. Around 8.6% of privately rented homes in central Derby suffer from Category 1 excess cold hazards with 4,780 homes having an EPC rating of E, F or G (17.6%) and 320 homes an EPC rating of F or G (1.2%). Currently, the highest levels of fuel poverty occur in Normanton (25.6%) and Arboretum (23.4%).

Recommendations from the Report

- 4.10 The report has highlighted the unsatisfactory condition of Derby's PRS and calls for the need for a proactive approach to prevent its occupants, who are often vulnerable and/or families with young children, from being unacceptably exposed to serious risks to health and safety.
- 4.11 The report recommends intervention options to improve the PRS in general, but also to target the wards of the city where the worst rental properties are located. These recommendations comprise:-
- a) **Consideration of the introduction of targeted initiatives to tackle the worst properties in the private rental sector.** This should include consideration of the introduction of a Selective Licensing scheme to ensure that all privately rented properties within a designated area are required to be licensed. Such a scheme would require landlords of properties within a Selective Licensing Area to seek a license from the Council enabling an inspection of the property and providing the Council with the opportunity to work with the landlord to remedy poor housing conditions or management deficiencies. Statutory Enforcement action may be required in the worst cases. This would, in due course, enable the Council to require these homes to be safe and well managed.

An Additional Licensing scheme could help to improve Houses in Multiple Occupation (HMOs) by ensuring all HMOs within an identified area are incorporated into license requirements. Currently in Derby, only those HMOs that contain 5 or more persons, forming 2 or more households are required to be licensed. The introduction of an Additional Licensing Scheme would require all HMOs within the Additional Licensing Area, irrespective of their size, to be licensed. As with a Selective Licensing scheme, this would enable the Council to work positively with landlords to raise standards, but to also take statutory enforcement action where this is required and appropriate.

- b) **To seek to identify resources to increase capacity within the council's Housing Standards Team to enforce private sector housing standards.** This will enable the team to investigate and take enforcement action on more landlords who rent out substandard properties and fail to comply with housing legislation.

Opportunities for additional external funding are currently being investigated and if Members should subsequently be minded to introduce a Selective Licensing and/or Additional Licensing scheme, fees can be charged to fund or part-fund that scheme.

- c) **An introduction of an area action approach in neighbourhoods with the most significant health inequalities.** Targeting provision of health, care, housing, financial hardship and community services in areas with the highest proportion of PRS homes and high deprivation can address issues linked to poor mental and physical health, thus improving the lives of residents and strengthening communities.
- d) **Ensure information is readily available to private tenants and landlords on their rights and responsibilities.** Private renters and landlords should be encouraged to help themselves, where they can, to access information on their rights and responsibilities. The provision of user-friendly web pages on the Council website is an effective way of providing relevant information and advice.
- e) **Maximise opportunities which come about due to the Renter's Reform Bill.** This Bill is intended to improve the lives of millions of renters by driving up standards in the private and socially rented sectors. It includes the introduction of a private rented ombudsman to help enforce renters' rights and a proposal for a national live database to help identify owners of problem properties.
- f) **Maintain and refresh the Private Sector Housing Stock Condition Survey.** This recent physical survey has highlighted the need for up-to-date information on PRS homes to identify their location and condition. This intelligence will help the council to target appropriate resources to those areas that need them most. It will also facilitate the application of Government funding bids to help finance intervention options.

- 4.12 In addition to those recommendations contained within the PRS report, the supply of additional new privately rented homes, particularly flats and apartments, will have a role in terms of lifting the average standard of privately rented accommodation within the City. As such by increasing the supply of 'decent' PRS homes the choice for tenants is increased, reducing pressure upon them to accept substandard accommodation.

- 4.13 Clearly the rent levels of new City Centre flats and apartments will be significantly higher than those homes where the worst standards are experienced and many of these new flats and apartments will be occupied by tenants who are moving into the City. Nether-the-less it should follow that if the numbers of new PRS can be significantly increased, then this should have some 'trickle down' effect forcing the landlords of properties with poor conditions to improve them or face a reducing level of demand. Members will be aware of current and recent new developments in the City centre including those at Becketwell and Castleward, which include a number of new homes that will be available for private rent. It is considered, that if the Council can support or facilitate further developments on this scale, this will accordingly have a part to play in lifting average private rented standards.

Public/stakeholder engagement

- 5.1 As they will be regulatory schemes if introduced, a Selective Licensing Scheme and/or an Additional Licensing Scheme would require consultation with residents, tenants, landlords and other stakeholders, which recommendation 2.3 acknowledges and addresses.

Other Options

- 6.1 Continuing with the existing reactive housing enforcement work in relation to poor housing standards, without adopting further intervention, is the closest to a 'do-nothing' option. However, the council has a duty to address poor housing conditions in the private rental sector. The report presents evidence that much of Derby's PRS is in a significantly poor condition and there is a clear need for a more proactive approach to address the problem.

Legal implications

- 7.1 By virtue of section 5 of the Housing Act 2004, where the council identifies Category 1 hazards in properties within its administrative area, it is under a statutory duty to take action. There is no discretion provided to not take action. Action may involve one or more measures from amongst a range of options that include serving an improvement notice, making a prohibition notice, serving a hazard awareness notice, taking emergency improvement action, making an emergency prohibition, making a demolition order or declaring the area, within which the affected property is located, a clearance area. A number of these measures may trigger rights to compensation. The choice of option taken must be objectively justifiable.

Climate implications

- 8.1 In May 2019, the council declared a climate emergency and included the need for energy efficient homes as a priority theme in its Climate Change Action Plan 2022. Introducing initiatives to improve the condition of privately rented homes will address hard to heat and poorly insulated properties, thus reducing demand on fuel and creating more energy efficient homes.
- 8.2 The UK is already affected by rising temperatures. The most recent decade (2008-2017) has been on average 0.8 °C warmer than the 1961-1990 average. All ten of the warmest years in the UK have occurred since 1990 with the nine warmest occurring since 2002. The Net Zero Strategy is a UK government strategy that sets out plans to decarbonise all sectors of the UK economy. Through energy efficient homes, it will help deliver cost effective carbon savings to carbon budgets and progress towards the UK's target for net zero by 2050.

Financial and value for money issues

- 9.1 There are no direct financial implications due to the recommendations contained within this report. The work recommended in paragraphs 2.2 and 2.3 (that is to require officers to consult with the public and private landlords and to prepare a base of evidence) will be carried out within current resources.
- 9.2 Detailed financial modelling would be required in the subsequent Cabinet report, if Members are minded to introduce a Selective Licensing Scheme and/or an Additional Licensing scheme following their consideration of the results of a consultation exercise and the evidence base.
- 9.3 In order to implement either a Selective Licensing Scheme and/or an Additional Licensing Scheme, additional staffing would be required to conduct the administration, monitoring and enforcement of the scheme. Both Licensing schemes can charge fees to landlords and this income may partly or wholly meet these additional costs.

Equality implications

- 10.1 The size of the sector suggests that a substantial number of PRS tenants will be from protected groups and affected by poor quality housing. In Derby, a significantly high percentage of people with an ethnic minority background live in privately rented homes (32.1%). In Normanton, over two-thirds (66.5%) of privately rented homes have a black, Asian or ethnic minority person as the Household Reference Person¹³ (HRP) whilst in Arboretum it is over half (57.2%). In addition, 11% of people with a long-term health problem or disability live in privately rented homes in the city.

Socio-economic implications

- 11.1 Residents in lower economic status are overly represented in poorer quality/ less energy efficient homes and are therefore at increased risk of being affected by the issues outlined in this report. Therefore, action to improve the quality of housing will have a significant impact on reducing socio-economic inequalities.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal Finance	Olu Idowu, Head of Legal	16 August 2022
	Amanda Fletcher, Head of Finance	16 August 2022
Service Director(s)	David Fletcher, City Development and Growth Samantha Dennis, Public Protection and Streetpride	22 August 2022 28 July 2022
Report sponsor	Rachel North, Strategic Director of Communities and Place	28 October 2022
Other(s)	Ian Fullagar, Head of Strategic Housing	28 July 2022
	Michael Kay, Head of Environmental Protection, Housing Standards, Licensing, Emergency Planning and Business Continuity	17 Aug 2022
	Alison Wynn, Deputy Director of Corporate Public Health	8 Sept 2022
	Andrew Muirhead, Head of Service - Integration & Direct Services (Adults)	8 Sept 2022
	Paul Clarke, Head of Planning	16 Aug 2022
Background papers:	The Condition of Private Rented Sector Homes in Derby 2021	
List of appendices:	None	

³ HRP was introduced in the 2001 Census to replace the traditional concept of the 'head of the household'.