

Date: 26 March 2021

Subject: **GM GOOD LANDLORD SCHEME**

Report of: City Mayor Paul Dennett, Portfolio Lead for Housing, Homelessness and Infrastructure and Steve Rumbelow, Portfolio Lead Chief Executive for Housing, Homelessness and Infrastructure

PURPOSE OF REPORT:

1. To seek comment on and approval of the attached proposals for the implementation of a Good Landlord Scheme as an element of GM support in addressing the issues facing the private rented sector across the city region.

RECOMMENDATIONS:

2. The GMCA is requested to:
 1. Comment on and approve the proposals set out in the paper for further development and implementation of a Good Landlord Scheme for Greater Manchester, and associated activity to respond to the pressures in the private rented sector; and
 2. Approve the utilisation of up to £1.5 million over three years from Greater Manchester Housing Investment Loan Fund surpluses to fund activity as set out in this report.

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BOLTON
BURY

MANCHESTER
OLDHAM

ROCHDALE
SALFORD

STOCKPORT
TAMESIDE

TRAFFORD
WIGAN

Equalities Implications:

The proposals are intended to provide a package of measures at GM level to complement and strengthen work at local level, seeking to reduce the stress on tenants and landlords in the private rented sector (PRS), recognising the additional inequality impacts arising from the Covid-19 pandemic and its consequences.

Climate Change Impact Assessment and Mitigation Measures –

- 1. It is expected that you will have already embedded measures into this proposal to reduce the carbon emissions resulting from the activities/recommendations proposed. What further actions could be taken to minimize emissions (e.g. towards carbon neutral) from this proposition?*

The proposals address the potential to raise standards of management and levels of investment in the PRS. There will be scope to use elements of this proposal to encourage and support landlords to improve their properties to reduce carbon emissions and tackle fuel poverty. This would be considerably enhanced by the ability to offer direct financial support at scale.

- 2. What is your justification for NOT undertaking the additional actions listed above?*

The key barriers are lack of funding availability and delivery capacity to invest in raising the quality of privately-owned homes. We will maximise any opportunity which arises to address those, for example should funding solutions emerge from the forthcoming Comprehensive Spending Review.

Risk Management:

Detailed co-design of the main elements of the proposed approach will include risk management and mitigation measures. Overall progress and impact will be monitored through the GM Housing Strategy Implementation Plan.

Legal Considerations:

None.

Financial Consequences – Revenue:

Set out in paragraph 3.3.

Financial Consequences – Capital:

None.

Number of attachments to the report: None

Comments/recommendations from Overview & Scrutiny Committee

The proposals were positively received by Overview & Scrutiny Committee, with members pointing to the importance of the cost and quality of private renting as a contributor to inequality, including for BAME communities; the need to support the retention of properties

within the sector in the absence of sufficient social housing; raising the issue of the relatively poor data available on the sector; the challenges to districts in enforcement with limited capacity and thus the importance of these GM proposals linking to and supporting local work including selective licensing.

BACKGROUND PAPERS:

Greater Manchester Housing Strategy, 2019:

<https://www.greatermanchester-ca.gov.uk/media/2257/gm-housing-strategy-2019-2024.pdf>

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		No
GM Transport Committee	Overview & Scrutiny Committee	
	11.03.2021	

1. INTRODUCTION

- 1.1. The private rented sector (PRS) in GM is under huge stress as a result of the Covid-19 pandemic, with many tenants and landlords challenged by the consequences of reduced incomes, increasing rent arrears, a changing policy and legal position, insufficient access to and support from the welfare system, and uncertainty about the future of their homes. This note considers the shape of a GM response to respond to these pressures, and suggests how our existing activity could be adapted and re-focused to reflect the new realities of the sector, and to support local interventions.

2. CONTEXT

- 2.1. The impact of the pandemic on the PRS, including the threat of escalating evictions as rent arrears build for households facing financial crisis, has become the dominant issue facing both tenants and landlords. Measures taken by Government to mitigate and delay a potential crisis have had a significant effect, but concerns grow about the impact as these measures are lifted and furlough, mortgage holidays and other financial support to tenants and landlords are withdrawn. We know that whatever the legal situation some evictions continue to happen. Recent announcements have seen rent arrears accrued during the pandemic now counting in assessing 'significant arrears', and 6 months rather than 9 months non-payment being judged as significant - and thus potentially exempt from the ban on enforcing repossessions. Once the ban on enforcing most repossessions ends (now expected on 31 May) we will see a significant rise in court cases and people presenting as homeless to local authorities.
- 2.2. Approaching a year into the pandemic, it is clear the sector faces unprecedented pressures, an order of magnitude beyond those already in the system. The uncertain depth of the economic and employment consequences of both Covid and Brexit, sit alongside Government's apparent intention to step back from short term support measures including the £20 per week uplift in Universal Credit and the restoration of Local Housing Allowance (LHA) up to the 30th percentile of local rents. We know that almost 105,000 GM households in the PRS were claiming Housing Benefit or the housing element of UC in November, up by 30,000 since January, and the Chancellor has announced that LHA will again be frozen for 2021/22, starting to undo the progress made.
- 2.3. There is a real risk of a further level of rapid and severe crisis for both tenants and landlords if households face substantial drops in their income and thus fall into (or deeper into) rent arrears. This will add to the backlog of possession claims coming through a courts system which has been realigned to slow the process of evicting tenants in arrears, other than in most severe cases (arrears in excess of 6 months or where there is domestic violence, antisocial behaviour, etc.). In parallel, we can expect an increase in illegal evictions or tenants walking away from properties they can no longer afford and becoming homeless as a result. There are also impacts on the future shape and sustainability of the sector, with evidence that landlords' confidence is significantly decreasing, most particularly felt by landlords with small portfolios, which are the great majority of the sector in GM. In short, while there were

substantial issues to address in the PRS before Covid, the situation has changed significantly for the worse over the last twelve months.

3. GM INTERVENTIONS IN A POST-COVID CONTEXT

- 3.1. Work had been underway prior to the pandemic on the design and delivery of a GM Good Landlord Scheme. Through the pandemic, the housing and homelessness teams at GMCA have worked to understand the pressures in the PRS and their impacts on households at risk of homelessness. We have connected with districts, sector stakeholders and academics (including through the establishment of a PRS Partnership) to gather evidence and views to inform lobbying of Government, and to collectively provide accurate, up to date messages for tenants and landlords on the evolving picture of legal measures, financial and other support and practical advice available to them.
- 3.2. We have used this learning to consider what 'building back better' could mean for the PRS in Greater Manchester, and propose a re-focused approach to working at GM level, to include the following key elements, funded from surpluses generated from the GM Housing Investment Loan Fund (GM HILF):
 - a. Continued work with districts and others to ensure tenants and landlords have access to accurate and **up-to-date information and advice**, including advice to tenants around housing and welfare rights and dealing with personal and household debt.
 - b. **Strengthened and focused enforcement capacity** in a co-produced model with districts, and potentially with improved connections to housing advice and advocacy services, and to GMFRS, GMP and Trading Standards enforcement activity. While enforcement powers lie at district level, there are clearly resource constraints on teams locally which GM HILF surpluses could help to redress. This enables us to directly support work to target the poorest quality and worst managed properties in the sector. Strategies for the deployment of those funds and the capacity they could secure will be co-produced and agreed with districts.
 - c. Targeted **capacity building for landlords (and agents)** to help them better support their tenants, particularly those on low incomes, including training and access/signposting to help around retrofit and other funding opportunities or support.
- 3.3. Together, it is suggested that these three elements be branded as the GM Good Landlord Scheme. They do differ from a traditional Good Landlord Scheme, having evolved from the previous approach, and are perhaps more akin to a 'Better Renting Programme'. Funding totalling £1.5 million from the surplus generated by the GM HILF is proposed to fund and manage this activity, at £500,000 per annum for three years from 2021/22 to 2023/24 initially. GMCA will work with districts to design the detailed scheme, including how best to apply and target additional enforcement resources, and with districts and others on the other elements of the scheme. Subject to those discussions, we anticipate that around 75% of the funding will be used to strengthen enforcement activity. We will seek to track the impacts and outcomes from

this investment to provide evidence to build the business case for future interventions in this area.

- 3.4. Communication around the proposed Good Landlord Scheme will be a vital complement to the work on the ground with landlords, agents and tenants. We want to encourage landlords and agents to raise and maintain the standards of management and maintenance of their properties. We will look to provide help, support and access to sources of funding and advice to landlords and agents to raise the quality of the homes they provide, and to connect landlords providing good quality, affordable homes to households in need from our housing registers. But we should be clear that enforcement capacity and action is being stepped up, and that civil penalties up to £30,000 per offence, prosecutions, rent repayment orders and banning orders can and will be pursued by GM local authorities. GM districts and GMCA itself do have compulsory purchase order powers available as a last resort.
- 3.5. In addition, to drive our agenda to achieve a real improvement in the experience of renting as a sector, two further elements are proposed:
- d. Promoting the **active growth of ethical/social investors** in the sector – including working with our registered providers to achieve this via the ethical lettings agency ‘Let Us’, through investors such as the existing relationship with Resonance, and by using opportunities such as the Rough Sleepers Accommodation Fund available from MHCLG. This will complement the strengthened enforcement capacity proposed above by offering an exit route from the sector for landlords, including those unwilling or unable to provide decent, well-managed homes for tenants.
- e. **Lobbying Government for positive change** and support to the sector, with a view to the promise of a draft Renters Reform Bill (as yet unfulfilled), with key points including:
- The delivery of an existing commitment, stalled by Covid, to abolish Section 21 ‘no fault’ evictions; and to push for further reforms to the complex and dysfunctional legal and regulatory framework which applies to the PRS in England, including the introduction of a comprehensive and compulsory registration scheme, and flexibility to establish selective, area-based licencing schemes without requirement for approval by the Secretary of State;
 - Lobbying for funding to scale up the acquisition of properties as affordable housing in line with the Affordable Housing Commission’s proposals for a [National Housing Conversion Fund](#);
 - Reforming the welfare system so that households reliant on it have a sufficient and stable income to meet the realistic costs of a decent home – including retaining the £20 uplift on Universal Credit, reconnecting Housing Benefit/LHA to the 50th percentile of local rents, etc. Devolved control on the setting of Broad Rental Market Areas would potentially allow us to address the market distortions caused by the mechanisms used to establish Local Housing Allowance levels in different parts of the city region.
 - Increasing and restructuring the Discretionary Housing Payments system to provide a properly resourced, predictable resource to allow districts’ housing

options/homelessness prevention teams to directly resolve rent arrears for households at risk of eviction, with the explicit aim of stabilising the sector, preventing homelessness and reducing financial pressure on landlords, learning lessons from Welsh and Scottish devolved approaches to dealing with rent arrears arising from Covid; and

- Establishing a sustained programme of investment in improving the energy performance of homes in the PRS, to support net zero carbon targets and to tackle fuel poverty, tying into the Government's Green Homes Grant funding where available.

4. RECOMMENDATIONS AND NEXT STEPS

4.1. The GMCA is requested to:

1. Comment on and approve the proposals set out in the paper for further development and implementation of a Good Landlord Scheme for Greater Manchester, and associated activity to respond to the pressures in the private rented sector; and
2. Approve the utilisation of up to £1.5 million over three years from Greater Manchester Housing Investment Loan Fund surpluses to fund activity as set out in this report.

4.2. Subject to views on this proposal, next steps include the following:

- a. Development of detailed proposals for delivery in conjunction with partners and stakeholders, with key stages including:
 - i. Engagement with district colleagues to inform scheme design, in particular the co-production of proposals around enforcement capacity;
 - ii. Engagement with district colleagues, Fair Housing Futures, Bond Board, NRLA and other stakeholders on co-design of the landlord capacity building proposal;
- b. Continued engagement with investors and GM Housing Providers to promote greater social and ethical investment in the sector (and with GM Housing Providers on their potential role in other aspects including NSAP's next phase, as part of the Tripartite agreement); and
- c. Co-ordinated Government lobbying with GM and national partners (e.g. Shelter, Crisis, NRLA and other city regions) on both short term interventions and longer term reforms.