
Cabinet

4 December 2012

Report of the Cabinet Member for Health, Housing and Adult Social Services

Proposals Regarding the Introduction of a Voluntary Landlord Accreditation Scheme in York

Summary

1. This report builds on the recommendations made at minute 58 (2011/12) regarding the introduction of a Citywide Private Landlord Accreditation Scheme in York to support and improve the Private Rented Sector (PRS).
2. It recommends that the Cabinet approves, in principle, the implementation of a locally based Landlord Accreditation Scheme, subject to further partnership work and consultation regarding the detailed operation of the Scheme with a view to it being operational by June 2013.

Background

3. It is obvious, particularly in cities such as York where the population has grown by 9.2% since 2001, that the PRS is becoming more important in being able to provide affordable housing for residents. Government forecasts indicate that the Sector will experience significant growth over the next few years.
4. Through its housing strategies the Council is committed to supporting the PRS, which makes up an estimated 17.8% of the housing stock in the City, including the development of an Accreditation Scheme for landlords to sign up to as a means of defining and regulating standards and supporting the provision of the types of accommodation that the market is demanding (minute 58 refers). With a high take up, this could be a significant social and financial benefit to the general economy of the City.
5. The PRS is an important part of the housing offer in York and a safe, well managed sector will play an important role in the Council's Build Strong Communities elements in the Council Plan priorities.

6. The intention is to build upon the existing experience of working in partnership to deliver the Student Property Code of Practice, via a more expansive accreditation scheme covering all of the PRS in the City. It is important that good landlords are recognised for, and get support and assistance in providing, high standards of accommodation within York.
7. The Private Sector House Condition Survey in 2008 estimated the size of the PRS in York at 17,651 households in 12,727 dwellings in a broad distribution across the City. The number of dwellings in multiple-occupation is estimated at over 2,000.
8. Levels of overcrowding within the PRS at 3.9% were above the City average of 1.6%. Higher levels of socio-economic disadvantage in the sector contributed towards higher levels of fuel poverty. 2,899 private rented households were in fuel poverty, representing 16.4% of all households in the PRS, this compared to 5.6% of owner occupied households and 8.2% of all households.
9. Housing conditions within the PRS were generally worse on all main indicators. In particular, rates of non-decency in the PRS were significantly higher at 28.3%. Key contributing factors to non-decency included Category 1 hazard failure and energy efficiency.
10. The York Residential Landlords' Association (YRLA) has a membership approaching 500 and estimates that there are around 2,000 landlords operating in the City.
11. To be effective any scheme must influence the standards of the local market in York. It is estimated that a membership of at least 10% of the market could be effective. Following start up, evidence seems to indicate that schemes seem to grow by about 1-2% per year. It is therefore critical for landlords, landlord associations and agents to support any scheme introduced from the outset.
12. A number of local authorities currently offer accreditation schemes, but there is a great disparity between these. The regulatory function of accreditation is made effective by the vetting of landlords prior to their becoming accredited and a complaints and disciplinary procedure that can result in landlords losing their accreditation if they do not comply with the scheme. This self-regulation frees up Council enforcement resources to focus on those landlords and agents who do not engage with accreditation, particularly those who, consciously or unconsciously, choose to ignore existing legislation and good practice.

13. This freedom to focus on poor landlords also allows the authority to tackle that minority of rogue landlords, identified by Shelter in their “*Evict Rogue Landlords*” campaign, and pro-actively contribute to ending their activities.
14. The Department for Communities and Local Government’s view is that local authorities have the discretion to use self-regulation and statutory enforcement powers in a complementary way. It also sets out guidance for tackling rogue landlords in its recent Guidance Document, *Dealing with Rogue Landlords*, which would be followed as part of the pro-active enforcement of the Sector enabled by accreditation. (A summary of Accreditation is attached at Annex A and a potential Accreditation Scheme is attached at Annex B).
15. It is anticipated that an effective Scheme would have a positive impact on conditions in the PRS in York and would be beneficial to tenants. There are a number of potential measurements of success for a scheme which can be determined as part of the final implementation.

Consultation

16. A significant amount of consultation has been undertaken and will continue to be held with stakeholders in the PRS in the City. In particular landlords and agents have been consulted via the annual Private Landlords’ Fair, meetings of the YRLA, independent opportunities to comment and through a specially formed landlord focus group.
17. Twenty six landlords were consulted via questionnaire at the 2012 Landlords’ Fair, organized jointly with the YRLA. On the whole, respondents were evenly split between considering accreditation was a good idea and being unsure as to its usefulness. Subsequent discussions with the YRLA indicated that, of those members present at a meeting, a large majority could see no need for an accreditation scheme in York and would have to be offered significant benefits to join. Other members were unsure until they saw further details.
18. Also included in discussions were representatives of the relevant Council Departments involved with the PRS, the two Universities’ Accommodation Offices and Student Unions; Higher York, York CAB, YorHome, the Salvation Army Emergency Intervention Team, Safer York, the Centre for Housing Policy at York University, the Joseph Rowntree Foundation and the Yorkshire Energy Partnership. All of these acknowledged the potential benefit of accreditation to York.

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Options

20. There are a number of options for the Council to consider with regard to the introduction of Landlord Accreditation.
21. Option 1 – Take no further action with regard to the introduction of an accreditation scheme.
22. Option 2 – Support another organisation in establishing a landlord accreditation scheme in York.
23. Option 3 – Negotiate with one of the national industry bodies for the provision of a scheme in York on behalf of the City of York Council.
24. Option 4 – Develop and implement a specific York Voluntary Landlord Accreditation Scheme, or develop a wider ranging North Yorkshire scheme in co-operation with other local authorities in the area.
25. Option 5 – Develop a more limited scheme to add value to the existing York Code of Best Practice for Student Accommodation Scheme.

Analysis

26. Option 1, No Further Action - There is an argument that an accreditation scheme is not necessary in such a high demand PRS as York. Landlords can be fairly confident of finding tenants easily. The introduction of a scheme will serve only to add further layers of bureaucracy and costs to those managing properties, which will potentially be reflected in rent levels charged in the sector.
27. Option 2, Support of a Third Party - The York Residential Landlord Association has been investigating the viability of creating a Landlord Accreditation Scheme in York, using a scheme based upon the best practice of that offered by the national Residential Landlords Association and UNIPOL schemes, with these organisations working together to deliver this. Other organisations that could set up a scheme include the Universities in the City, however discussions with the Accommodation

Offices have not indicated any intention to introduce any form of accreditation beyond the existing Student Code of Practice. Currently no-one offers a viable alternative.

28. Option 3, – Procurement / Adoption of a National Scheme - National industry bodies such as the National Landlords Association (NLA), the Residential Landlords Association (RLA) and the National Landlord Accreditation Scheme (NLAS) offer to develop, implement and run schemes on behalf of organisations such as local authorities. These schemes can be tailored to meet the requirements of the local authority concerned. For example the scheme in operation in Leeds is currently run by the Residential Landlords Association Accreditation Scheme Ltd., who have entered into a 5 year contract with Leeds City Council to run the accreditation scheme in Leeds for a sum of between £20-30,000 per annum. Leeds City Council has a mature and demanding scheme and the costs reflect the activities they demand. However, it was clear from the procurement process that there was little interest beyond this organisation in participating in the work.
29. RLAAS have a range of proposals starting from a recognition of accredited landlords based on training which would be of no cost to the Council or to landlords. They are able to offer a range of services tailored to need which could include self-assessment or compliance inspections which would require a fee subject to negotiations. At present they operate services with fees upwards of £2,000 a year.
30. The NLA is free to local authorities as it is self financing. There is no fee for the NLAS scheme, although neither of these schemes covers property standards.
31. The YRLA, although uncertain of the benefits of accreditation, would wish for a national scheme to be introduced in York if it is to proceed. There is a view that this would offer consistency to landlords with properties in more than one city/town. However in the local authority areas adjacent to York, only Leeds has adopted a national scheme, with Kirklees, Scarborough, the East Riding, Hull and Wakefield operating local schemes. No other schemes appear to be in operation at the present time (Annex C).
32. Option 4, Development of a Local Scheme - The development, introduction and operation of a local Scheme by the City of York Council offers more flexibility to accommodate the nature of the PRS in York. Accreditation means different things in different areas, from simple lists of private landlords and their properties, to a fully developed scheme where active engagement, checking, training, services and inducements

are offered to private sector landlords. The Government argues that “this diversity makes sense in that, at present, accreditation works best when it reflects local markets”.

33. However, the operation of a local scheme will have revenue implications, certainly until it is established and working towards self-funding when a critical mass of membership is reached. This will obviously depend upon the decision whether to charge for membership and, if so, how much is to be charged.
34. In order to achieve a higher scheme membership, there should be a holistic approach to the Council’s engagement with the PRS, preferably linking up with unified housing option appraisals and building on and complementing existing choice based letting arrangements as part of a range of benefits, including assistance, training and the provision of other services which will lead to a clear market advantage for members. Although difficult to quantify, it is hoped that the benefits offered by the City Council, and determined as part of the final development of the scheme, will at least offset membership fees where possible.
35. This option could also be expanded / developed into a wider scheme with neighbouring authorities sharing resources and costs.
36. Option 5, Limited Scheme - An alternative to a wide ranging scheme would be to develop a scheme focussing on off campus accommodation currently registered with the existing Student Code of Practice (COP), but not the wider PRS. The scheme could offer a complimentary inspection/ training service for landlords who own COP homes. Currently, 684 landlords are registered with the University of York and 300 properties were advertised for 2012-13. As in other options a 10% random sample of properties would be inspected to give credibility to the scheme. By providing training and information it would target a key issue with the PRS of lack of knowledge and would tie into proposals for working closely with Universities and Student Unions to monitor off campus accommodation issues identified within the Higher York Joint Community Strategy. Costs incurred could be recovered via a COP fee or input from the Council, Universities and/or Higher York.
37. With the exception of option 1, all of these options offer something positive to the City in the form of developing the PRS. Option 2 is limited by the willingness of a third party coming forward and taking responsibility for a scheme. Option3, dependent upon which potential partners are interested, might not be focussed on property standards or would limit the level of flexibility of a scheme to reflect local market conditions and needs and might not reflect the diversity of the various

PRS sub-markets within the City. There is also likely to be an element of revenue commitment from the Council and scheme members to this option. Option 4, although potentially the most expensive to the Council in the short to medium term, is also the most adaptable to the needs of both the PRS and the Council. It can deliver viable support and benefits to the entire sector, to tenants and to the community as a whole. Option 5 is a limited version of this, addressing student properties.

Implications

38. Financial – As accreditation is not a statutory function, it has been proposed that the scheme will be cost neutral, funded via fee income. However, until fully established, and to cover staffing, initial set up costs, promotion, publicity etc. it is anticipated that total costs would be around £40,000 p/a to run a locally managed scheme, with the potential to become self-financing over 18 months to 2 years.
39. As identified above, a membership of over 330 landlords would be required to cover the costs of a Grade 8 post to administer the scheme without covering promotional and training costs etc. Based on a 10% take up of accreditation (200 landlords) an anticipated annual income from suggested fees of £18,565 could be expected. This would cover the costs in officer time of administering member checks and carrying out inspections of 10% of the accredited properties.
40. As no existing budget provision has been identified to take forward the proposed scheme, a bid was submitted to the Council's Delivery and Innovation Fund, to cover the costs of the scheme for the first two years of operation. It is anticipated that, after this, the scheme will be self-funding through fee income or will be replaced by other proposals. The bid was approved on the 22nd November, 2012.
41. The limited scope option, focussing on COP properties could be predicted to bring in income of £3,500 in fees and cost the same in providing application administrative and inspection support.
42. The costs to landlords would include membership and property administration fees and possibly the costs of copying safety certificates and submitting the necessary paperwork. The property requirements may mean that some landlords will have to carry out works to improve their properties to comply with the scheme. This will benefit the condition of the privately rented stock in York.
43. Equalities - Raising management and property standards serves to address health inequalities in the PRS where standards are lower than

owner-occupied homes. Poor housing conditions not only have a detrimental effect on the health and wellbeing of the occupiers but also pose a risk to life for the most vulnerable. Accredited landlords must follow the code of management which specifies equality practices.

44. Legal – There are no legal implications.
45. Crime and Disorder – The introduction of accreditation might impact on crime rates by introducing advice regarding security which will impact on burglary rates etc.
46. Information Technology (IT) - Potential implications for the development of website support for a scheme.
47. Property - There are no property implications.
48. Other - There are no other implications.

Risk Management

49. A local, standalone accreditation scheme for the City, may not be in-line with some of the wider industry proposals for the Sector. Acting in isolation from the industry bodies, or even in addition to them, the Council will incur the costs and financial risk of creating and maintaining an accreditation scheme that the PRS in York has not requested, and that a sizeable proportion of landlords and agents do not actively support and which market conditions in York do not require. The York PRS has such a high demand that “market edge” benefits of accreditation may not be attractive. The incentives on offer to members must be of sufficient benefit to make membership worthwhile and must compensate for the potential lack of interest from landlords.
50. The resourcing of the Scheme would seem to indicate at least 1 fulltime member of staff would be required to work on accreditation. The need for a robust, independent programme of quality assurance is vital, if the introduction of the self- regulating scheme is to achieve any sense of ownership from the participating landlords and agents. If this is not the case then the Scheme will lack credibility and consequently buy-in. The experience in Leeds and other authorities has shown that without adequate resources, publicity and promotion, when management of existing schemes was scaled down, membership reduced and the reputation of the Scheme suffered.
51. There is no existing capacity within the Council to take on-board this work.

52. The introduction of a Scheme and its subsequent review following operation could enable significant benchmarking data to be established.
53. The obtaining of trade discounts for landlords might offer benefits but may also reduce the likelihood of generating income from advertising/sponsorship linked to the Scheme. Securing external funding is unlikely. An accredited landlord of a licenced HMO could achieve a saving of £50 on membership, take advantage of £150 worth of training and make savings against the cost of EPC certificates and other discounts if agreed by relevant Council Departments.
54. To ensure buy-in to the Scheme a sense of ownership through the PRS should be encouraged through participation in forums, training sessions and a Scheme Steering Group to extend involvement in the Scheme and to develop the principle of self-regulation beyond self-certification.
55. Should take up of membership not be sufficient to justify continuation of the Scheme after a reasonable period, the Council may wish to examine the introduction of licensing in one form or another, but to “passport” over those landlords and agents who have joined the accreditation scheme.

Recommendations

56. Members are asked to consider

- (a) Approving the implementation of a locally developed Landlord accreditation scheme, as detailed in Option 4 above and authorise further consultation and partnership work with local landlords, agents and other stakeholders, to agree the final details of the Scheme, with a view to it being operational by June 2013.

Reason: To ensure the support and improvement of the Private Rented Sector in York.

- (b) Authorising the Director of Communities and Neighbourhoods, in consultation with the Cabinet Member for Health, Housing and Adult Social Services, to take forward and implement the Landlord Accreditation Scheme as appropriate when the development process is complete.

Reason: To ensure the Scheme is developed in consultation with potential members; is fit for purpose and appeals to as wide a number of landlords and agents as possible to enable a positive

start and that it complements any other proposals for supporting the Private Rented Sector.

Contact Details

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	Report Approved	√	Date 31 October 2012
Wards Affected: All			
<i>For further information please contact the authors of the report</i>			

Background Papers:

- The Distribution and Condition of Houses in Multiple Occupation in York – report to Cabinet November 2011
- The Private Rented Sector: Its contribution and potential – Julie Rugg and David Rhodes – Centre for Housing Policy, University of York and DCLG response
- 2012/13 York Code of Practice for Student Accommodation
- Developing a Voluntary Accreditation Scheme for Private Landlords – A guide to good practice - DETR May 2001
- English Housing Survey – Headline Report 2010-11
- Landlord Accreditation Good Practice Guide – Shelter
- Private Rented Housing – Labour’s Policy Review
- A Plain English Guide to the Localism Act – DCLG
- Leeds City Council – Scrutiny Board Enquiry into the Private Rented Sector
- Responses received to consultation questionnaires
- Notes of meetings with Stakeholders
- Higher York Draft Joint Community Strategy Document
- Shelter – Evict Rogue Landlords Campaign
- Dealing with Rogue Landlords – A Guide for Local Authorities – DCLG
- Relevant research documents and details relating to specific schemes – details available from the author on request

Annexes

A – Landlord Accreditation Summary

B – Summary of Potential Accreditation Scheme

C – Comparison of other Local Authority Schemes