

Renters' Reform

Purpose of Report

For direction.

Is this report confidential? No

Summary

Stephanie Kvam, Deputy Director (Private Rented Sector Standards, Enforcement and Financial Protection) at the Department for Levelling Up, Housing and Communities will be attending the Board to provide an update on the Department's work relating to Renters' Reform.

This report provides a brief update on the Government's rental reform agenda. It also sets out the LGA's position on the Government's proposals and members may want to pick these up in their discussion with Stephanie.

LGA Plan Theme: Championing climate change and local environments

Recommendations

That the Board

1. Provides any feedback on the Government's rental reform agenda.
2. Provides any feedback on the LGA's position on the government's proposals.

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Renters' Reform

Background

1. In June 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published a white paper '[A fairer private rented sector](#)' which set out its plans to reform the private rented sector (PRS) and level up housing quality across the country.
2. In September 2022, DLUHC published a [consultation](#) on introducing a Decent Homes Standard in the private rented sector. The LGA [responded](#) to the consultation. Our response broadly welcomed the introduction of the standard, but stressed that councils need to be provided with adequate and upfront new burdens funding to regulate the standard. We have also made clear that to mitigate the risk of landlords exiting the PRS or passing the costs of meeting the DHS to tenants, an extended implementation timeframe would be appropriate.
3. The LGA also gave [written and oral evidence](#) to the Levelling Up, Housing and Communities Committee 'Reforming the Private Rented Sector' inquiry in late 2022.
4. In May 2023, the [Renters \(Reform\) Bill](#) was published which will legislate for reforms set out in the white paper. The LGA will be working with councils, parliamentarians and other stakeholders on the detail of the Bill as it progresses through parliament.
5. This report summarises the proposals of most relevance and significance to local government. It also provides the LGA's key messages along with our more detailed policy response (see Renters' Reform Bill Second Reading briefing - **Appendix A**), which may necessarily evolve as discussions on the proposals continue.
6. The Renters (Reform) Bill will:
 - 6.1. [Abolish](#) section 21 'no fault' evictions and move to a simpler tenancy structure where all assured tenancies are periodic. The intention is for this to provide more security for tenants and empower them to challenge poor practice and unfair rent increases without fear of eviction.
 - 6.2. Introduce more comprehensive possession grounds so landlords can still recover their property (including where they wish to sell their property or move in close family) and to make it easier to repossess properties where

tenants are at fault, for example in cases of anti-social behaviour and repeat rent arrears.

- 6.3. Provide stronger protections against backdoor eviction by ensuring tenants are able to appeal rents that are excessively above-market. As now, landlords will still be able to increase rents to market price for their properties and an independent tribunal will make a judgement on this, if needed. The tribunal will continue to be able to determine the actual market rent of a property
- 6.4. [Introduce](#) a new Private Rented Sector Ombudsman which will provide impartial, and binding resolution to many issues.
- 6.5. [Create](#) a Privately Rented Property Portal to help landlords understand their legal obligations and demonstrate compliance, alongside providing better information to tenants to make informed decisions when entering into a tenancy agreement. It will also support local councils – helping them target enforcement activity where it is needed most.
- 6.6. [Give](#) tenants the right to request a pet in the property, which the landlord must consider and cannot unreasonably refuse. To support this, landlords will be able to require pet insurance to cover any damage to their property.
7. The private rented sector white paper also committed to further reforms to support both landlords and tenants. The Government has confirmed they remain fully committed to implementing these reforms and will bring forward legislation at the earliest opportunity to:
 - 7.1. Apply the Decent Homes Standard to the private rented sector to give renters safer, better value homes and remove the blight of poor-quality homes in local communities. This will help deliver the Government’s Levelling Up mission to halve the number of non-decent rented homes by 2030. DLUHC launched a [consultation in September 2022](#) to ensure the Decent Homes Standard is applied and enforced appropriately and fairly in the private rented sector. DLUHC have confirmed they will soon respond and set out the next steps.
 - 7.2. Make it illegal for landlords and agents to have blanket bans on renting to tenants in receipt of benefits or with children – ensuring no family is unjustly discriminated against when looking for a place to live.

7.3. Strengthen local councils' enforcement powers and introduce a new requirement for councils to report on enforcement activity – to help target criminal landlords.

8. LGA key messages

8.1. The LGA broadly welcomes the Renters' Reform Bill which will help to deliver a fairer, more secure, and higher quality private rented sector (PRS).

8.2. The Bill however does place significant new regulatory and enforcement responsibilities on councils. We welcome the provisions in the Bill that enable local authorities to keep the proceeds of financial penalties to reinvest in enforcement activity. While this funding will be helpful, it is unlikely to be sufficient to cover the full costs of new duties in the Bill or the cost of undertaking proactive work to drive up standards for tenants. It is vital that DLUHC conducts a realistic assessment of the resources councils need to regulate the PRS effectively, and provides them with adequate new burdens funding accordingly.

8.3. Effective enforcement relies on having the right number of trained and qualified staff, which councils are already facing significant challenges in recruiting. We want DLUHC to urgently work with sector experts to develop a skills and capacity building strategy to tackle current workforce challenges ensure that local authorities can support effective implementation of the reforms.

8.4. We welcome the Bill's introduction of a database for landlords and residential properties, which will form the basis of the future 'property portal.' All landlords will be required to be registered on the portal to market or let a property, and the database will record when landlords are subject to banning orders and other relevant civil penalties and offences. This will not only allow tenants to view critical information before letting a property, but will improve data on the PRS, allowing local authorities to target enforcement activity more effectively. It is critical therefore that Government commits the resources, both financial and non-financial, to the Property Portal to ensure its longevity.

8.5. Rents in the PRS are at a record high. We support the proposals which seek to prevent above market rent increases including limiting rent increases to once a year and giving tenants the ability to challenge excessive rent increases through an independent tribunal. We would welcome clarity on whether the tribunal will be able to propose a higher rent increase than initially proposed by the landlord. This would inherently discourage use of this

process and undermine the tribunal's purpose of providing tenants with stronger protections against excessive rent hikes. It is therefore vital that the tribunal can only confirm or reduce a proposed rent increase – but not propose further increases.

- 8.6. The Bill will do nothing to support private renters who are already struggling to afford their rent alongside other cost of living pressures. The LGA continues to call on the Government to tackle the drivers of high housing costs by empowering councils to boost housing supply and build 100,000 high-quality, sustainable social homes a year. It is also vital that Government re-aligns Local Housing Allowance with at least the 30th percentile of local property values in the PRS, to ensure low-income households can afford homes in the PRS are not pushed into poverty or homelessness.
- 8.7. Following the end of Section 21, the Bill creates new grounds for possession. We recognise that there must be mechanisms in place to give landlords the flexibility to recover their property when needed. However, Government must introduce statutory guidance that places a requirement on landlords to provide robust evidence they are selling the property, moving in themselves or moving in a family member to ensure these grounds are not used erroneously. We also support extending the three-month ban on landlords reletting/remarketing their property to six months, to act as a sufficient deterrent from these grounds being misused.
- 8.8. Enforcing several aspects of the Bill, including the landlord register and the grounds for eviction, rely heavily on tenants understanding the legislation and being able to identify and report non-compliance. In addition to the ability to issue fines, local housing authorities and tenants should also be able to seek rent repayment orders (RROs) from landlords that do not comply with the landlord register, property portal, or mis-use grounds for eviction. RROs would act as an additional deterrent for non-compliance. Crucially, they would also incentivise tenants to engage with the property portal and check whether their landlord and property are registered, and check whether their former landlord has mis-used grounds for eviction.
- 8.9. Councils will be able to impose financial penalties up to £5000 where a landlord has misused the grounds for possession to evict a tenant. We fully welcome the ability for local authorities to issue appropriate financial penalties to hold landlords to account. To act as an effective deterrent, the maximum financial penalty that local housing authorities can issue to landlords for breaches to the legislation should be increased from £5000 to £30,000 (with a minimum limit of £500). This is in line with other financial

penalties that can be issued by enforcement authorities against landlords who breach legislation, for example the [Leasehold Reform \(Ground Rent\) Act 2022](#).

- 8.10. It will be vital for landlords and tenants to be aware of the changes under the new legislation, particularly given that the success of many of the reforms relies on tenants being informed of the regulations and their rights. The Government should launch a national, well-resourced information campaign ahead of implementation, targeted to residential landlords and tenants in the PRS.
- 8.11. Selective licensing schemes will continue to be an important tool for councils to manage and improve PRS properties in their areas. Local areas should have full flexibility to employ selective licensing schemes to meet local need. As such, we are calling on Government to amend the Housing Act 2004 to remove the requirement for councils to seek approval for larger selective licensing schemes.

Proposal

9. That the Board:

- 9.1. Provides any feedback on the Government's rental reform agenda.
- 9.2. Provides any feedback on the LGA's position on the Government's proposals.

Implications for Wales

10. The Bill extends to England and Wales.

Financial Implications

11. The Bill places significant new regulatory and enforcement responsibilities on councils, including maintaining the landlord register and ensuring compliance with the landlord register, property portal and grounds for possession. We welcome the provisions in the Bill that enable local authorities to keep the proceeds of financial penalties to reinvest in enforcement activity. While this funding will be helpful, it is unlikely to be sufficient to cover the full costs of new duties in the Bill or the cost of undertaking proactive work to drive up standards for tenants.
12. Many councils are already struggling to resource their enforcement teams to undertake the scale of proactive work that is needed in the PRS due to reductions in local government funding and wider financial pressures.

13. For the reforms in the Bill to be effective, it is vital that Department of Levelling Up Communities and Housing (DLUCH) conducts a realistic assessment of the resources councils need to regulate the PRS effectively, and provides them with adequate new burdens funding accordingly.

Equalities implications

14. The Renters Reform Bill has committed to making blanket bans against people who receive benefits directly illegal. [Several legal cases](#) have already set a precedent that blanket bans are discriminatory, and therefore illegal, as they have a disproportionate impact on certain protected groups, for example women and disabled people. Making blanket bans directly illegal will mean that it will no longer be necessary to belong to a [protected group](#) in order to challenge discrimination.
15. There is an opportunity for the Bill to go further to address other strategies that landlords and agents employ on a more informal basis to make it more difficult for low-income households to secure accommodation. This includes asking for multiple months' rent in advance and requesting that the tenant appoints a guarantor to accept responsibility for any missed rental payments.
16. There are also a range of benefits that can be expected from bringing in a [Decent Homes Standard](#) to the private rented sector. Evidence suggests that tenure has a differential impact on wellbeing and that people living in social and privately rented housing have poorer wellbeing than homeowners. This is partly due to quality being worse, and that conditions such as excess cold and overcrowding can affect physical health and mental wellbeing throughout life. These issues can have a disproportionate impact on certain protected groups.

Next steps

17. Officers to integrate feedback from the Board into future lobbying on the reforms.