
**SCRUTINY INQUIRY PANEL - HOW DO WE GET A BETTER DEAL FOR PRIVATE
SECTOR RENTERS IN SOUTHAMPTON?**

MINUTES OF THE MEETING HELD ON 21 DECEMBER 2023

Present: Councillors McEwing, Every, Windle and Blackman

Apologies: Councillors Powell-Vaughan

5. **APOLOGIES AND CHANGES IN MEMBERSHIP (IF ANY)**

Apologies were received from Councillor Powell-Vaughan.

6. **MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

RESOLVED that the minutes of the meeting held on 16 November 2023 be approved and signed as a correct record.

7. **THE AFFORDABILITY OF PRIVATE RENTED HOUSING**

The Panel considered the report of the Scrutiny Manager concerning the affordability of private sector rented housing in Southampton.

The Panel received the following representations:

Councillor Tom Renhard, Cabinet Member for Housing Delivery and Homelessness, Bristol City Council and Alfie Thomas, Policy, Strategy and Public Affairs Officer, Bristol City Council summarised the findings from Bristol City Council's Living Rent Commission. Key points raised in the presentation included the following:

- In Bristol between 2011-2021 the cost of renting privately grew by 52% while wages grew by 24%.
- Median advertised rent increased by 25% from 2018 to 2020. When a property was re-listed in Bristol its rent increased by roughly 6%. Even after adjusting for flat size, rents for cheaper properties in 2018 grew between two and four times as fast as rents for more expensive properties.
- The average house price in Bristol was almost ten times local average earnings. House prices forced people to stay in an already cramped private rented market for longer.
- The supply of properties listed to rent declined by nearly two thirds from 2018 to 2020.
- The Council's Corporate Strategy set out the aim of pursuing a "living rent" in Bristol and committed to ensuring fair access to a decent home.
- The Council was committed to increasing housing supply which was one of the major challenges and 2,563 new homes were built in 2021/2022. Project1000 focused on building affordable homes and aimed to deliver 1000 affordable homes a year by 2024.
- The Bristol Living Rent Commission concluded that private renting in Bristol faced a serious crisis of access, affordability and security of tenure, which impacted the wellbeing and quality of life for people in Bristol and played a major role in creating homelessness.

- The final report outlined twenty-nine recommendations of which twenty three were for Bristol City Council.
- The Living Rent Commission concluded that it could be possible to develop a rent control system that had a broad base of support if power was devolved to pursue further research into a workable method.
- Considering the rent control policies outlined in the rent control survey, capping the absolute levels of rent, or capping the rate of increase, were both policies that were endorsed by a proportion of respondents and could be considered by Bristol City Council following a redistribution of power to local authorities.
- In response to these recommendations Bristol City Council had started writing a Private Rented Sector Strategy for Bristol which would articulate its strategic vision, standards and approach to intervening in the Bristol private rented sector.
- Bristol City Council had also consulted on proposals to introduce new property licensing schemes, and this would be going to its Cabinet in February 2024. The first of the two schemes for privately rented housing were for a citywide additional licensing scheme where most Houses in Multiple Occupation (HMOs) not already subject to mandatory licensing would need a licence. The second scheme was a selective licensing scheme in four wards where most other types of private rented accommodation in these areas would need a licence.
- Bristol City Council did inspect properties, did enforce standards and worked with landlords and letting agents to improve standards. It would need to increase the size of the licensing team to deliver the proposals.

Initial research from the Scrutiny Manager identified that there were thirty-five officers who work in Bristol City Council's licensing team, potentially increasing to seventy with the increased demands and funding linked to the additional and selective licensing schemes proposed.

Kirsty Rowlinson, Business Manager, Citizens Advice Southampton, summarised casework relating to the affordability of rent in Southampton. Key points raised in the presentation included the following:

- Since January 2023, Citizens Advice Southampton had dealt with more than 2,200 issues related to housing of which 45% were related to private sector housing.
- Numbers of Section 21 'no fault' evictions were rising extremely rapidly. In the last couple of months there had been a notable increase. The most common reason given for such action was a landlord wanted to raise the rent and tenants had not signed a new tenancy agreement because they could not afford the rent increase.
- Affordability was a major problem for clients. Increasingly, tenants could be expected to pay above the asking price for rental properties and were sometimes expected to take a property without seeing it. Competition was fierce.
- Affordability became even more of a problem when welfare benefits were involved. The majority of its housing clients received some sort of welfare benefit, very often in-work benefits. However, the Local Housing Allowance was hugely out of kilter with actual rental costs.
- Some clients were putting up with poor conditions if their rent was affordable for fear of not finding anywhere else to live.
- Disrepair, particularly damp and mould, was an extremely common issue which was increasing as cost of living issues rose. Tenants could not afford to keep their

properties warm, which increased damp and mould issues, and landlords sometimes could not afford to do repairs.

- Many clients were effectively excluded from the rental market because deposits were rising and letting agents were increasingly asking for guarantors for people on low incomes. Previously deposits were one month's rent but were now increasing to sometimes six or twelve month's rent upfront.
- Monthly spend on essentials such as housing and utilities was significantly higher for everyone than it was two years ago, but the increase was most significant for private renters, although mortgage holders were starting to catch up.
- There was a need to significantly increase the supply of social housing in Southampton. It would improve security of tenure and affordability for a lot of the clients seeking support.

Cecilia Kovacs and Chloe Braddock, Directors, Southampton Tenants Union, summarised the tenants' perspective on rent levels in Southampton. Key points raised were as follows:

- Southampton Tenants Union had conducted a cost of renting survey. Cecilia Kovacs outlined the key findings from the survey:
 - Over 80% had reported an increase in their rent in the recent past or had been notified about an imminent rent rise.
 - About half of the rent rises stayed at under £100 per month, typically around £50. Of those that rose more, some reported £300-400 per month rent rises, the typical being around £200-250 per month.
 - About 20% reported an affordability rate of 30% or below of income spent on rent. The majority had said between 35-50% of income was spent on rent. Some paid as much as 60% of income on rent.
 - Bidding wars were happening in Southampton for private rental properties. Agents were demanding a guarantor to view a property and exemptions were being applied.
 - Rental costs were simply too high, and the burden was not evenly distributed. While things were bad enough for the average renter, they were significantly worse for those at the bottom end of the rental market, who lived in constant fear of being totally squeezed out and becoming homeless.
 - These people were the lifeblood of Southampton and they not only deserved better but needed better.
 - The continual failure of the Council to ensure that a significant proportion of new-build properties were earmarked for social or low-cost housing was particularly concerning. The only long-term solution was for the Council to ensure that a proper supply of social housing was provided to meet the social need.
 - In addition to this, tenants needed firm but fair controls on rent to rein in the market.
 - The Tenants Union would like to see landlords return deposits immediately if a s21 eviction notice had been served.

Liz Mackenzie, Regional Representative, NRLA with Rogel Bell, South Hampshire Chair and Phil Watmough, Committee Member, iHOWZ Landlord Associations summarised the current experience of being a landlord. Key points raised in the presentations included:

- Liz Mackenzie
 - NRLA analysis showed a 40% reduction in availability of rental properties but a 140% increase in demand for them in Southampton. For example, in post code SO14 there were 1308 properties listed in 2020 but in September 2023 there were only 540 properties listed.
 - Comments noted from Taylor Hill & Bond landlords regarding the reasons why they felt rent levels had risen included continuous interest rate increases which had a knock-on effect to mortgage repayments, lack of property supply and high tenant demand.
 - Landlords were leaving the market or increasing rents because their finances had been hit by being taxed on their turnover not profit (due to s24 Finance (No 2) Act 2015), fourteen increases in interest rates, increased cost of insurance, higher prices for materials and labour for repairs and maintenance, and in some areas the cost of licences. A backlog in the courts had meant that cases seeking possession were taking up to eight months.

- Rogel Bell and Phil Watmough
 - Landlords were losing money. Some landlords were selling their rental properties. Those properties were being bought by first time buyers who typically will not share the accommodation resulting in less dense housing. The effect was shortages which were driving up rents. Supply and demand dictated prices.
 - Reference was made to Big Issue - October 2023: *'An imbalance between supply and demand is the main driver of record-high prices.'*
 - Landlords' costs included the cost of building, which had nearly doubled since 2018, and mortgages at a fifteen year high affecting owner-occupiers and landlords alike.
 - The English Housing Survey (2021/22) reported that 75% of landlords had a mortgage.
 - Rents had been frozen from time to time in the UK and it had always led to black marketeering, rent to rent and homelessness.
 - Reference was made to Christine Whitehead, Emeritus Professor of Housing Economics with the London School of Economics, who had stated in 2020 that *"Rent controls are quite good if they can provide stability, but if all you're providing is stability to people who are already in place, that's not very helpful."*
 - Phil Watmough provided an example of the return on a typical three bed semi-detached property let to students in Southampton. 'Profit' was £76 per month.
 - There was a need to increase the supply of rental properties, especially smaller units. To encourage investment and good landlords iHOWZ recommended that the Council should improve local planning procedures, cooperation between landlords and the Council, bring back training and accreditation to further educate landlords in all matters including rent levels and consider tenant accreditation.

Professor Helen Carr, Professor of Property Law and Social Justice, and Director of the Law School Research Centre, People, Property, Community, University of Southampton, summarised the affordability of private renting. Key issues raised included the following:

- The private rented sector was the most expensive tenure and since 2021 there had been high rent inflation. Costs comprised rents (the lion's share of costs), indirect housing related costs, and increased costs due to the condition of the property.
- Private renting was unaffordable for a large proportion of households and 1.2 million private rented households relied on housing support to pay their rent.
- The Renters (Reform) Bill should make the cost of private renting more predictable. It limits rent increases to once per year, requires a minimum notice of two months for rent increases, ends the use of rent review clauses, and creates a new ground for persistent rent arrears. It does not include rent control.
- Rent control is politically and economically contentious.
- Little research on the interaction between rent control and the rest of housing market, particularly in complex local conditions of UK, had been undertaken.
- The Renters Reform Bill potentially will reveal the stark reality of housing unaffordability.
- Data on market rent levels, used to set Local Housing Allowance, is collected by the Valuation Office, but is limited. Opportunities for partners to gather local rent information on a database to support work of the Valuation Office exist.