

# **REPORT OF THE CHIEF EXECUTIVE, BLACKPOOL COUNCIL**

## **TO THE HEALTH AND WELLBEING BOARD**

### **INTERVENTION IN THE PRIVATE RENTAL MARKET**

#### **Introduction**

Improved housing condition is recognised as the key building block in revitalising Blackpool and in particular in dealing with poor health outcomes, poverty and an array of poor socio economic indicators that translate into unstable areas particularly in the centre of the town. The social and economic costs of a sub standard housing market in the middle of Blackpool are immense both in terms of life chances for residents but also in the economic costs to the public purse of managing the outcomes from poor housing. Considerable partnership work is already being undertaken to challenge and change poor housing conditions but Blackpool is at a crossroads facing a decision to carry on seeking to gain marginal improvements to the housing stock and the life chances of residents or seek a bolder intervention that seeks to deal with the root causes of the problem rather than continue to tolerate and manage it over an extended period of time. This paper seeks to outline an alternative approach that will seek to accelerate how Blackpool tackles one of its core underlying problems through an active partnership between public and private sector organisations. The approach is not intended to replace current activity but to complement it and to accelerate the impact public sector intervention can have.

#### **Context**

The nature of the private rented sector in Blackpool enables people who are economically inactive to come to Blackpool and easily find somewhere to stay. Blackpool already has circa 3000 HMO's and still has a readily available supply of poorly trading guest house and hotels for whom the next logical, economic step is to enter the private rented sector. The existence of a readily available building stock to grow the poor quality private rented sector makes Blackpool the perfect economic engine for perpetuating the poor quality socio economic conditions that typify the central core of the town. The dominance of poor quality private rented accommodation in inner neighbourhoods leads to intense concentrations of deprivation, and an environment that fosters poor health and a lack of opportunity for residents. Low life expectancy and mental health problems in these areas are amongst the worst in the country, with associated high costs to the public sector. The poor environment and endemic social problems in the inner core of the town have a serious negative effect on tourism, which continues to be the town's major economic sector. Investment is reduced and skilled individuals who could drive investment in the local economy choose to live elsewhere.

Landlords letting to people on Housing Benefit tend to set their rents at the Local Housing Allowance rate. This means that it is very profitable for landlords to buy and let out accommodation to benefits claimants in Blackpool, demonstrated by the doubling in Housing Benefit claimants in the private rented sector seen in the last 10 years, from around 7,000 ten years ago to 14,000 now. This trend continues, with most property sales in the inner parts of Blackpool to investors rather than to owner occupiers. A recent survey of housing benefit claims showed that 82% of new claims were from people whose previous address was outside Blackpool.

The levels of Local Housing Allowance mean that it is far more financially advantageous for property owners to rent to Housing Benefit claimants than to improve their homes to enable sales to owner occupiers. The demand from Housing Benefit claimants is effectively unlimited because of continuing in-migration of people on benefits from other parts of the country coupled with a reserve of properties in the holiday sector that can readily fail into poor quality private rented or Houses in Multiple Occupation accommodation. The Coalition Governments Welfare Reform agenda is so far not sensitive to its impact on local areas and government has not been open to local control of Local Housing Allowance levels.

This dynamic of in-migration of people reliant on benefits tends to focus on the inner parts of Blackpool where there is the highest concentration of former guest houses. There is a vicious circle where economically in-active residents in poor privately rented accommodation make neighbourhoods less attractive to people looking to buy a home, and this in turn further entrenches the pattern of property owners in those areas renting to benefits claimants because owner occupiers will not live there. In some inner neighbourhoods, over 50% of homes are privately rented, and given the focus of renting to transient benefits claimants; this makes it difficult to establish functional and self-sustaining communities.

### **Outline of current response**

The private rented housing stock in Blackpool consists predominantly of small flats. Around 60% of all privately rented homes available are bedsits or 1 bedroom flats, with most of these converted, especially from former guest houses, rather than purpose built. There are comparatively few larger properties available to rent privately. Most accommodation seeks to meet the most basic standards to comply with the Housing Act 2004 requirements, but is not desirable accommodation.

The Council is seeking to control the on-going conversions of former guest houses to residential accommodation through new Planning policies, and especially the adoption of the New Homes from Old Places policy that imposes higher quality design standards on residential conversions from former guest houses. It also requires that conversions are to houses rather than flats wherever possible to provide a more balanced range of homes. The policy is proving to be effective where owners apply for planning approval, although can't deal with the legacy of decades of illegitimate or poor quality conversions.

The Council undertook a comprehensive survey of all property across the town's inner areas during 2008 to 2010 which has provided an important evidence base of existing use and condition. This enables the Council to more readily identify and thereby prevent guesthouses from converting to unauthorised residential use.

Ongoing inspection programmes include assessments of space and amenity standards. These standards are proactively enforced in order to improve the quality of privately rented accommodation and also reduce unit densities when possible.

The Council has developed an area-based approach that balances action to improve property standards, assistance for landlords to meet their obligations to manage tenants' poor behaviour, and support services for vulnerable or disruptive tenants. The overall objective is to establish a more stable community and an area that becomes increasingly attractive to a wider market beyond benefits claimants. This "transience strategy" is currently focussed in the South Beach area of inner Blackpool that contains around 850 privately rented properties. It is resource intensive but is cost effective because it identifies and deals with problems rather than just moving them on to other areas.

Selective Licensing underpins the Council's approach to addressing problems in the private rented sector. Poor conditions and management are closely associated with tenant anti-social behaviour. With the growth in private renting we have seen a pronounced increase in anti-social behaviour and disruption to existing communities. Selective Licensing aims to ensure landlords have to effectively manage their properties and take appropriate steps to address instances of Anti-Social Behaviour caused by their tenants. Initial reports from the South Beach community and the Police indicate that levels of Anti-Social Behaviour are starting to fall where selective licensing is being applied.

The Council is also seeking to use its assets and funds to rebalance the market with major schemes approved to start at Queen Park and Rigby and Tyldesley Road that will develop new family accommodation designed to improve the range, quality and tenure of family accommodation in the core of the town.

### **What more needs to be done?**

Whilst these responses are welcomed, they are only ever likely to maintain property at basic minimum standards and are unlikely to achieve a fundamental change in the housing supply. The Council is confident that it is now more able to prevent the further proliferation of Houses in Multiple Occupation formation but it is the unbalanced supply that is driving the fundamental problem. The current approach being taken by the Council can only be expected to manage and control the problem rather than solve it.

Alternative options need to be explored to secure a step change in the market and create the environment for communities to stabilise and become more resilient.

In response to a request from the Health and Wellbeing Board, the Council's Chief Executive has initiated a Project Group to consider how the Council could directly intervene in Blackpool's private rental market. Intervention beyond the scope of current initiatives is likely to involve acquiring control of a significant proportion of the private

rented market in the inner areas. The initial cost of new intervention is likely to be high and will only be affordable if commercial investment can be allied to Blackpools wider socio economic objectives. The objectives of intervention are to;

- Improve population stability and reduce transience with the town's inner areas
- Improve management standards within the private rental market
- Reduce the oversupply of small poor quality rental units
- Reduce the oversupply of unviable guesthouses and associated risks for illegitimate residential use
- Restructure the housing supply over time to achieve a balanced mix of house types supporting strong communities and economic growth

This Group will commission work to consider a range of options that will enable the Council and its partners to exercise greater control of the private rented sector. Specific priority will be given to two key areas of activity;

1. Develop a strategy to lobby for national policy change by;
  - Establishing an evidence base to support a lobbying strategy with central government with regard to the levels of Housing Benefit paid and the appropriate standards landlords should be achieved as a condition of payment.
  - Establishing an evidence base to support a lobbying strategy with central government seeking local discretion for local authorities to establish local space and amenity standards with Houses in Multiple Occupation
2. Undertake and options appraisal to consider the actions the Council would need to take to directly to engineer a step change in management standards and overall quality of the accommodation with specific regard to;
  - Researching the viability and potential impact of setting up a social lettings agency whereby the Council would directly manage property on behalf of existing landlords
  - Researching the viability and potential impact of taking more direct control of private rented property by developing a large scale private sector leasing scheme or through direct acquisition.

## **Resource Requirement**

A detailed project plan for the exploratory phase has been prepared by the Project Group and identifies the need to procure expert advice and support to assist with this work. Work will be required to analyse the market and the costs and benefits of investing in more direct control of the private rented sector, development of an investment strategy that will be credible in securing private sector and institutional investment and commercial legal advice on the appropriate delivery structures for such a venture. The majority of the expertise and advice required to get the project to a viable stage is likely to be sourced externally to the Council and will require a dedicated budget beyond those already being targeted to current projects.

Budget costs for the key work streams of the exploratory phase are set out below:

<u>Housing market study</u> – assess residual and rental values across the inner areas of Blackpool across target sectors and quantify volume and value of market activity.	£35,000
<u>Property viability assessment</u> – survey a range of typical property typologies including guesthouses and HMOs. Assess extent and costs of improvement and repair requirements and ongoing maintenance obligations.	£45,000
<u>Business model development</u> – work up business model options to explore opportunities to secure a greater control of private rented accommodation and improvement to property standards over time. The options are to include an analysis of investment returns for both revenue yield and long term capital growth to enable institutional investors to make medium and long term investment decisions.	£45,000
<u>Company Structure Option Appraisal</u> – commission expert legal opinion to assess delivery ownership structure.	£50,000
<u>Assessment of Funding Options and Tax Implications</u> – commission expert accountancy advice to inform company structure and business model options.	£50,000

The estimated costs are likely to be in the region of £225,000 and partners on the board are asked to consider making contributions to complete the exploratory phase and also to nominate a suitable representative to join the project group. Should the necessary level of commitment be achieved it is anticipated the outcome of the exploratory phase would be reported back in detail to the Health and Well Being Board within 6 months.