

INTERIM REPORT OF THE
PRIVATE RENTED SECTOR POLICY GROUP

1. The Present Situation: The Group noted that in 1900 90 percent of the total housing stock was contained within the private rented sector whereas by 1971 this proportion had fallen to 14 per cent. Moreover of the 1.2 million houses discovered to be unfit for human habitation by the last House Condition Survey (1971) about 645,000 or 54 per cent were privately rented. We accept the conclusion of the Milner Holland Committee that:

"... private rented housing provides an urgently needed supply of small dwellings at a wide variety, on terms that suit a wide variety of people, and give elbow room for the economic and social changes that create and spring from continued movements of population".
(Cmd 2605 Page 223)

Thus we reject the Labour Party's approval of the municipalization of the private rented sector as extremely costly and socially undesirable. Nonetheless the sure and steady decline of the sector since the turn of the century cannot be ignored. We set ourselves two questions to answer:-

1. What can be done to improve the condition and efficiency of use of the existing stock?
2. Is there any possibility of introducing new investment into the building of private dwellings for let?

2. Policies for the Existing Stock

a) Empty Properties The 1971 Census showed a total of 676,000 empty properties in England and Wales, many of which were privately owned. Yet the number of homeless is put at 32,000. We firmly believe that ways and means of bringing empty property into use should be introduced as a matter of urgency. It is also important to encourage the retention within the private rented sector of dwellings which become vacant in the future. The North Wiltshire Scheme was one idea considered by the Group. The landlord gives a lease to the local authority which then sublets to the tenant. Since council tenants do not have security of tenure the landlord could be reasonably certain of getting possession, if he wished, at the end of the lease. There seemed to be some drawbacks to the scheme particularly since many landlords had profound mistrust of Labour councillors especially and might regard it as a means to municipalization through the back door. Nonetheless inasmuch as it could bring property into the market and provide extra homes it could certainly be of value at a local level. Sir Brandon Rhys-Williams' Private Member's Bill which would amend the Rent Acts to allow for shorthold tenancies is certainly an excellent idea in principle and it would be considered by the Group in more detail at a later date. This would allow for short terminable leases for furnished and unfurnished tenancies.

b) Fair Rents Apart from the question of Security of Tenure, the Group considered that rent levels were at present a disincentive to let and to keep properties in decent repair. We considered that for the time being fair rents should be retained for the private rented sector but that consideration should be given to more frequent increases. At any rate three yearly increases were making it difficult

for landlords to cope with the rapid increase in the cost of repairs and the increases when they did come were often a shock to the tenant. We felt that the low rate of take-up of rent allowances at the present time needed to be boosted by further publicity so that more sensible rent levels could be reached without hardship to worse off tenants.

c) Controlled Dwellings The Group feels that the rents for these dwellings which have, in some cases, not been raised for thirty years were absurdly low, being in some instances as little as £50 per annum. This contributes to the gradual decay of these properties and the provision in the Housing, Rents and Subsidies Act (1975) for increasing the rent by 12½% per year of the cost of repairs is not sufficient to arrest this. We feel that the Government's approach on this question is misguided. De-control has now been stopped except where the basic amenities were installed and the local authority is satisfied that the property is in decent repair. On the other hand we feel that to ignore completely the state of the property when considering de-control would not be acceptable either. We decided that a more detailed look at this important question is necessary as the present situation is very unsatisfactory.

d) Underoccupation There are more available and empty rooms in private accommodation than in the public sector. We felt that the present legal position on shared accommodation encourages this. Landlords can let on periodic tenancies terminable by a notice to quit in which case the Rent Tribunal can give successive six month periods of security of tenure. This uncertainty of outcome obviously frightens landlords from letting out rooms. We recommend that the Tribunal should only be empowered to give a maximum of six months security of tenure. Alternatively he can grant fixed term lettings although a second fixed term letting to the same tenant gives security. This obviously encourages landlords to evict at the expiry of the first fixed term letting. In our view landlords should be enabled to give any number of fixed term lettings to the same tenant without security of tenure. The Group also considered that underoccupation could be reduced by greater encouragement of conversions to existing property. This could be in the form of local authority loans to cover the gap between any grant received and the total cost of the operation. Some properties with higher rateable values where no grant is available might need loans to cover virtually the whole cost. We recognised that the Price report on the operation of the Planning Acts had shown a marked tendency in Islington council at least deliberately to delay the granting of planning permission for such conversions. We felt that Dobry's recommendations might well be used to put an end to this.

3. The Feasibility of New Investment The last Conservative Government published a White Paper in 1973 "Widening the Choice: The Next Steps in Housing" Cmd 5280. This stated in clear terms "The Government will continue to support improvement of the quality of private rented dwellings. But the decline in their number is unlikely to be reversed".

The Group considered that this statement should be re-examined to see whether pension funds and other institutions could be attracted into investment for new building for let although we were not optimistic about the outcome. Apart from the relaxation of controls on the market which we have already mentioned, we consider that two forms of encouragement could be used to obtain new investment. First tax depreciation allowances could be allowed for private rented accommodation as is the case with industrial buildings and structures.

Second a form of cash grant could be made available as was the case for hotels under the Development of Tourism Act (1968). We feel that the rented sector gets far less government help than do other sectors in the housing field. However we fully appreciate that in the present economic situation any proposed additional government expenditure would need to be closely tied to anticipated results which in their turn would reduce expenditure elsewhere. More and better maintained private rented accommodation would mean less need for very expensive bed and breakfast accommodation and new council housing.

4. The problem of Squatters The Group are concerned about the increase in unlawful squatting and in particular the delay before owners are able to obtain re-possession of their property. We note that the Law Commission is still examining this question and we hope that speedy action will be taken in the light of this report. In our view the aim should be to enable owners, including local authorities to obtain re-possession of property occupied by squatters within a very short time.

5. Summary of Main Conclusions

It is essential to make much fuller use of all our housing stock than we do at present. Given the present cost of new local authority housing and the extent of houselessness and inadequate housing, the need for more private rented accommodation is especially urgent. This means a readiness to encourage rather than to frighten off the private landlord and to get away from the hostile approach to him, embodied for example, in the 1974 Rent Act. We propose therefore that there should be an urgent inquiry into a new form of short-term tenure for furnished and unfurnished tenancies, and that fair rents should be reviewed more frequently with greater publicity given to the rent allowance scheme. We also propose that there should be an immediate reconsideration of the best way of de-controlling rents so as to allow for improvements to these houses by giving the necessary incentive to do so. We feel that the reduction of underoccupation is an urgent necessity and we have suggested ways of increasing the number of owner-occupiers letting out rooms in their houses. We shall also review carefully the machinery which governs the relationship between landlord and tenant. At the same time, the problem of squatting requires rapid action as soon as the Law Commission has published its findings.

We do not regard a fresh stimulus to the private rented sector as necessary simply as a short term matter designed to deal with an immediate problem. We consider that in the longer term it has a worthwhile role in a system which increasingly tends to restrict variety and choice. We shall therefore give careful thought to new ways of attracting fresh investment in property for rent, and whether there are fiscal or other financial incentives to make this easier. We recognise that there is a major problem of confidence but we believe too that our housing and public expenditure situation is not such as to justify us rejecting possible sources of additional finance.