

OVERVIEW AND SCRUTINY COMMITTEE

Private rented sector housing in Harrow

Scrutiny review

Draft report – v6

June 2012

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1. Chairman's foreword

- 1.1 When we began this review it would be fair to say that we were slightly unsure about the level of influence that could be brought to bear on the private rented housing sector, which is, of course, driven by the market. However, through the course of the review we have established that the council has an important strategic role in setting the right vision for the borough, as well as working with landlords and tenants to drive up quality and standards.
- 1.2 I would like to thank the residents who gave up their time to talk to us at our focus group as well as the residents we met in emergency accommodation and those who completed our survey.
- 1.3 I would also like to thank the officers who have participated in the review. Alison Pegg, Jon Dalton, Stephen Kelly and Shankar Sivashankar attended our meetings and provided us with very useful detailed briefings. Michelle Dickens and Jacky Souter were invaluable in supporting us in looking at emergency accommodation in the borough. Marie O'Shea provided useful information about the Help2Let scheme and landlord forum. Helen Spillane and Sarah Wilson provided useful insights during the development of our survey of private tenants.
- 1.4 This policy area has proved to be a very engaging area for investigation. It is truly cross-cutting and we hope that our recommendations will help to inform and strengthen the forthcoming Private Sector Strategy.

Councillor Marilyn Ashton

Chairman of the review

2. Executive summary

- 2.1 This review originally came to the attention of the Overview and Scrutiny Committee through a meeting of the Scrutiny Lead Members for Sustainable Development and Enterprise with the Divisional Director of Housing Services in summer 2011. It was also drawn to the Committee's attention separately by the Portfolio Holder Assistant for Housing. The Director was keen for us to consider ways in which the council might work in partnership with the Private Rented Sector (PRS) in future, in the context of the growth of the sector in providing housing for our residents.
- 2.2 The Overview and Scrutiny Committee agreed to commission a piece of work to examine quality and standards in the PRS and how these might be improved. The review has proved to be particularly pertinent as the council is in the process of developing a Private Sector Strategy, for consideration by Cabinet in December 2012. We hope that this review goes some way to helping to inform and shape the emergent policy objectives.
- 2.3 We believe that the council should adopt a mix of both top-down and bottom-up approaches to working with the sector. By top-down, we mean that development policy should drive the provision of a good mix of high quality, reasonably priced accommodation. By bottom-up, we mean that the council should work in partnership with the sector, using a mix of both 'enabling' and 'enforcing' approaches. It is through these routes that problems of low standards and poor quality can be more effectively ameliorated. The long-term aspiration is that lower income Harrow residents will not be forced to take poor quality, sub-standard accommodation.

3. Recommendations

- A) For Cabinet:** We recommend that the council participate in the development of London-wide initiatives that enable councils to share intelligence about the quality and standards of emergency accommodation.
- B) For Cabinet:** We recommend that the council continues to develop means to increase the financial, legal and other risks to landlords associated with deliberately providing sub-standard accommodation.
- C) For Cabinet:** We recommend that the council explore avenues for continuation of the successful leasing of properties from landlords through the Help2Let model.
- D) For Cabinet:** We recommend that the Private Sector Strategy be explicitly linked to the Economic Development Strategy. This should reflect the role of housing in facilitating the labour market. This also addresses the future benefit cap, in that households on lower incomes are more likely to be able to retain their accommodation if they are in work.
- E) For Cabinet:** We recommend the council consider developing further initiatives, for example through Help2Let, to help to promote tenancy sustainability. This will be particularly important for households for whom the council fulfils its homelessness duty through the private rented sector.
- F) For Cabinet:** We recommend that the council use its best endeavours to encourage higher standards in the private rented sector by considering the following:
- A landlord 'kitemark' or 'good landlord' scheme, which is branded and promoted locally;
 - A register of landlords;
 - A tenant and landlord 'charter', setting out rights and responsibilities;

- Developing the 'arbitration' role of the council in bringing together tenants and landlords and identifying solutions;
- Using enforcement action as a part of the suite of solutions to tackling poor standards.

G) For Cabinet: We recommend that the Private Sector Strategy include a specific objective to engage with residents living in the private rented sector.

H) For Cabinet: We recommend that an objective pertaining to bringing empty homes back into use be included in future strategy.

I) For Cabinet: We recommend that the council include conversion of existing council assets - such as garages - into its objectives regarding bringing empty homes back into use, subject to planning considerations.

J) For Cabinet: We recommend that Cabinet undertake an analysis of the risk involved before embarking on increasing the supply PRS in Harrow in the context of the council's debt and other inevitable demands for the council's capital.

K) For O&S: We recommend that the Standing Review of the Budget consider the policy objectives of the Private Sector Strategy as part of its work in reviewing the council's use of capital.

L) For Cabinet: We recommend that Private Sector Strategy and forthcoming Climate Change Strategy be explicitly linked in order to ensure that tenants in the private rented sector can also benefit from energy efficiency and fuel poverty initiatives.

4. Introduction

- 4.1 The importance of the private rented sector (PRS) in meeting the housing needs of Harrow residents is growing. This review has considered strategy, quality and standards in the sector.
- 4.2 Many people will have some experience of private renting during the course of their lives. The ‘churn’ in the sector reflects the short-term nature of many of its uses. However, “for a substantial minority of households it provides a long-term home... it also constitutes a housing option for working households who cannot afford owner occupation and are unlikely to be able to access social housing.”¹ A great deal of residential letting is “informal in nature”, and there is no central register of landlords.²
- 4.3 The group of private rented tenants is also extremely diverse. There are distinct sub-markets within the sector, including students, the housing benefit market, slum rentals, high-income renters, immigrants, asylum seekers and temporary accommodation.³ Our review has focused on the lower end of the PRS, which is, as noted in the paragraph above, is increasingly the main housing option for many households.
- 4.4 The sector is drawing significant press attention; the latest being a report from the Joseph Rowntree Foundation, which focused on the prediction that around 1.5 million more young people aged 18–30 will be pushed towards living in the private rented sector in 2020, reflecting growing problems of accessing both home ownership and social renting. The report stresses the need for a renewed focus on improving the supply, quality and stability of housing in both the private and social rented sectors. It argues that more stable private rented

¹ Rugg, J and Rhodes, D (2008); *The Private Rented Sector: its contribution and potential*. Centre for Housing Policy, The University of York. p. 14

² Ibid, p. 10

³ Ibid, p. 12

tenancies might be achieved through smarter incentives for landlords.⁴

- 4.5 The sector also has a strong policy lobby, with organisations such as Shelter running campaigns to tackle rogue landlords⁵ as well as regionally specific campaigns such as *Homes for London*.⁶
- 4.6 We hope that this review can help drive improvements in the private rented sector in Harrow by helping the council to develop a realistic strategy for the future. In the long term we hope that no household will be forced to accept sub-standard, poor quality housing.

⁴ Joseph Rowntree Foundation (2012), *Housing options and solutions for young people in 2020*. Available at: <http://www.jrf.org.uk/publications/housing-options-solutions-young-people> (Accessed 13 June 2012).

⁵ Shelter, *Evict Rogue Landlords*. Web page available at: <http://england.shelter.org.uk/campaigns/evictroguelandlords?src=hpban-c> (Accessed 13 June 2012)

⁶ Shelter, *Homes for London Policy Briefing*. Available at: http://www.homesforlondon.org.uk/images/downloads/hfl_policy_paper.pdf (Accessed 19 June 2012)

5. Scope of the review

Aims and objectives

5.1 The scope of the review is included in this report as Appendix A. The aims and objectives of the review were agreed as follows:

- **Strategy** – the development of the council’s new Private Sector Housing Strategy, in the context of national policy changes
- **Quality and standards** – the council’s enforcement role and actions that can be taken to encourage improved standards in the sector, including temporary accommodation

5.2 The following meetings were held:

- | | |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14 February | <ul style="list-style-type: none">• Policy briefing from Jon Dalton (Housing Needs Manager) and Alison Pegg (Housing Partnerships and Strategy Manager)• Agreement of draft scope by review group |
| 20 March | <ul style="list-style-type: none">• Project planning meeting |
| 27 March | <ul style="list-style-type: none">• Attendance at Harrow Landlord Forum by Councillors Camilla Bath, Victoria Silver and Ben Wealthy |
| 14 May | <ul style="list-style-type: none">• Visits to bed and breakfast (emergency) accommodation in Harrow |
| 15 May | <ul style="list-style-type: none">• Briefing on quality, standards and enforcement from Jon Dalton (Housing Needs Manager), P Sivashankar (Service Manager Licensing) and Stephen Kelly (Divisional Director, Planning) |
| 23 May | <ul style="list-style-type: none">• Consideration of draft strategy, attended by Alison Pegg (Housing Partnerships and Strategy Manager) and Jon Dalton (Housing Needs Manager) |
| 28 May | <ul style="list-style-type: none">• Resident focus group, held at Harrow Civic Centre |

6 June

- Discussion of report and recommendations by the review group

6. Background

National policy context

- 6.1 The Government's strategy *Laying the Foundations: A Housing Strategy for England*, published November 2011, recognises the role of the private rented sector in offering flexibility and choice.⁷
- 6.2 The Government wants to encourage institutional investment in developing new private rented housing including the introduction of Real Estate Investment Trusts (REITs) and has set up an independent review of the drivers and barriers to this.
- 6.3 The Government is against further regulation of the sector,⁸ as this may lead to a reduction in supply. However, local authorities are encouraged to make use of existing powers:
- requiring landlords to take action to rectify hazards in their property;
 - where landlords resist, local authorities have the ability to carry out improvements and charge the landlord;
 - discretionary licensing powers to tackle areas blighted by poorly managed privately rented stock.
- 6.4 In addition the Government wants to see maximum use made of bringing empty homes back into use. Grant funding has been made available for this purpose.

Regional policy context

- 6.5 A draft *Revised London Housing Strategy* was put out to consultation in December 2011. The Mayor would like to encourage new forms of funding to

⁷ Department for Communities and Local Government, *Laying the Foundations: A Housing Strategy for England* (November 2011). Available at:

<http://www.communities.gov.uk/publications/housing/housingstrategy2011>

⁸ Department for Communities and Local Government, Shapps promise to landlords: no more red tape [press release] Published 10 June 2010. Available at:

<http://www.communities.gov.uk/news/newsroom/1612019>

stimulate supply across a range of tenures including the private rented sector – specifically institutional investment and/or REITs and where GLA land may be a catalyst alongside other brokering arrangements. The Mayor also wants to explore the feasibility of setting up a ‘rent to save’ product.

- 6.6 There is also emphasis on bringing empty homes back into use through grant funding and encourages boroughs to remove any financial incentives to leaving homes empty, with a target that no more than 1% of London homes should be empty for more than six months.
- 6.7 The Mayor also wants a single badge of accreditation for London’s landlords and lettings and management agents.
- 6.8 Again, the Mayor does not propose additional regulation but a consistent approach across London to the use of the existing Housing Act 2004 powers to improve conditions and tackle ‘rogue’ landlords.

Characteristics of the sector in London

6.9 According to the Revised London Housing Strategy:

- London has the highest number and proportion of private rented homes in the country. In 2008/09, there were approximately 670,000 households in the sector, representing 21.5 per cent of all London households, compared with a national average of 14.2 per cent.
- The capital also has the highest private rents: £222 per week on average, compared with £164 nationally.
- Private sector rents are rising strongly in London, with average advertised rents increasing by 17 per cent in 2010.⁹

6.10 The PRS in London is larger than in other regions.¹⁰ Harrow is sixteenth out of

⁹ GLA, *Revised London Housing Strategy*. Available at:

<http://www.london.gov.uk/consultation/revised-london-housing-strategy> (Accessed 13 June 2012)

32 London boroughs (excluding the City of London), matching the London average (20% PRS). The UK average is 12%.¹¹

Harrow Context

- 6.11 The private rented sector in Harrow is now twice the size of the social rented housing sector and is expected to increase further. Rents in the PRS in Harrow are higher than the London averages for all property sizes, making it an expensive place to live.
- 6.12 Affordability for low income families and single people under 35 is an issue since the introduction of the LHA caps, the new Shared Accommodation rate and with the Universal Credit cap from April 2013 (770 households will be affected in Harrow of which at least 50% living in the PRS).
- 6.13 Since April 2012 there has been increased homelessness and placements in bed and breakfast (B&B) accommodation. Harrow has traditionally had a low proportion of houses in multiple occupation (HMOs) compared to neighbouring boroughs. There is likely to be an increase in demand for HMO accommodation within Harrow due to changes in Housing Benefit (HB) for single households aged between 26 and 35.
- 6.14 Poor condition affects the lower quartile private rented sector – the only properties that will be affordable to households on benefits and low incomes.
- 6.15 The council has a choice to make in the prioritising of resources to tackle poor condition through enforcement. The current approach is to focus on tackling the worst hazards. The council must decide on the balance it wishes to strike and the level of resources it wishes to direct to enforcement.

¹⁰ Rugg, J and Rhodes, D (2008); *The Private Rented Sector: its contribution and potential*. Centre for Housing Policy, The University of York. p. 30

¹¹ London Datastore, Housing Tenure of Households, Borough (source: ONS)
<http://data.london.gov.uk/datastore/package/housing-tenure-households-borough>

6.16 At 1.6% the number of empty dwellings as a percentage of Harrow's overall housing stock is significantly lower than the London average of 2.4%.

7. Findings

Private sector housing enforcement

7.1 The Service Manager – Community Safety Services reported to us that there are an estimated 10,000 households in the private rented sector in Harrow. The purpose of private sector housing enforcement is to improve standards of housing conditions, relating to disrepair, overcrowding, fire safety and health and safety and pest infestation. Relevant legislation includes:

- Housing Act 2004
- Housing Act 1985, s 324
- Environmental Protection Act 1990
- Building Act 1984
- Damages by Pests Act 1949
- Public Health Act 1936

Changes to terminology

7.2 The Housing Act 1985 introduced the fitness standards. Under the legislation a property was either unfit or not unfit for human habitation. However, the Housing Act 2004 introduced the Housing Health and Safety Rating System (HHSRS), which requires hazards to be identified and risk assessed.

7.3 For example, under the fitness test, an outside toilet would make a property unfit; under the current system an outside toilet, while far from ideal, would need to be assessed for its risks to health.

7.4 Hazards are excluded if they are created by the tenants' lifestyle, for example condensation; properties are assessed as if they are vacant.

Classes of hazards and rating according to seriousness

7.5 There are 29 hazards against which properties are assessed and these are graded A-F. A decent home has no category 1 hazards (hazards graded A-C); there is no requirement in law to take formal action against category 2. The

whole property must be assessed, not just the particular problem.

Implications of formal action

7.6 Following the issue of a statutory notice, landlords sometimes evict the tenant rather than complying with notice, claiming that the work does not need to be completed because there are no tenants. This can create homelessness and a housing need that the council has to respond to. If the council delays serving a notice, tenants may complain that work has not been completed and their health prejudiced.

Houses/Flats in Multiple Occupation (HMOs/FMOs)

7.7 A HMO or FMO is a house/flat occupied by more than one household. A household is a group of people who live together. They must be connected by marriage, civil partnership, or be a recognised couple (same sex or opposite sex), or they can be related - a child, parent, sister, brother, nephew, niece or in-law for instance - or have another recognised connection such as fostering or adoption.

7.8 The mandatory scheme requires that HMOs of three or more storeys and with five or more occupants must be licensed. Harrow has an additional licensing scheme whereby properties occupied by four or more people in two or more households are licensable HMOs regardless of the number of stories.

7.9 The hotels visited by councillors as part of the review fall into the HMO category and must also be licensed. However, criteria are slightly different for emergency accommodation. The enforcement team would not normally permit more than two people per room regardless of size; the emergency accommodation visited had some triple and quad rooms. With regard to the London-wide system, hotels are graded; sharing of one toilet by five people and one kitchen by five people would lead to a grade B or C. Longer term self-contained accommodation would be graded A or B.

7.10 There are plans to reintroduce a London-wide database to share information about hotels used for emergency accommodation. Councils could then review

the database with details of ratings and inspections prior to placing tenants out-of-borough, and any complaints made by tenants could be referred back to the home authority for investigation. This would also incentivise hoteliers as councils would want to place their tenants in higher quality accommodation, thereby driving up standards in the sector.

Recommendation:

A) For Cabinet: We recommend that the council participate in the development of London-wide initiatives that enable councils to share intelligence about the quality and standards of emergency accommodation.

7.11 A significant part of the role of the team is identifying HMOs. For example, if a bin is not collected twice because of contamination this is referred to the environmental health team. The team used to make use of the electoral register but this is less useful now as people can choose to opt out of the published register. Housing benefit claims per address can also be used to identify HMOs. The team relies upon:

- Door knocking
- Complaints about overgrown gardens
- Staff accommodation above pubs/ restaurants
- Parking issues
- London Fire Brigade referrals
- Complaints about accumulation of rubbish
- Rear sheds
- Planning referrals
- Complaints about overcrowding

7.12 The private sector housing enforcement team have to issue a licence even if they know that planning permission for the HMO is pending. The council can only deal landlords who come to the council for a licence or where properties are identified through complaints. Resources were increased in 2011/12 for the purpose of identifying more properties.

- 7.13 The Divisional Director – Planning commented to us that there is an issue about pace of the process; the lack of appropriate permission is a civil rather than a criminal breach. There are also challenges with regard to investigations, for example a warrant can be required to secure evidence to underpin formal enforcement notices if there is a breach.
- 7.14 For a planning enforcement notice there is a need to be precise regarding the nature of the breach and the required resolution. For example, officers may have been able to see only some of the rooms in a property. Where notice is given the landlord may also remove (temporarily) tenants or structures such as beds, kitchen equipment and so on prior to the visit.
- 7.15 As the letting of an HMO can be lucrative for the landlord, remedies can seem to be ineffective. Rogue landlords could perceive a planning penalty (of up to £20,000) as an occupational risk; the landlord could still go on to claim that they cannot pay. The Council cannot serve a stop notice¹² on unauthorised use of a building as a dwelling. The Human Rights of the tenants must also be taken into consideration.
- 7.16 It can take up to two years' work for the council to secure a conviction and modest penalty. Brent and Harrow Planning Enforcement teams, using the offices of Brent and Harrow Trading Standards are exploring the possibility for prosecution under the Proceeds of Crime Act 2002, where the Court would determine the actual penalty. For example, with Harrow's support, Brent is running a prosecution could lead to a penalty approaching £0.4m. This is particularly appropriate where a landlord has more than one property; assets can be seized and the council could receive a proportion of the penalty to invest in further enforcement activity. This approach is also potentially better for the tenant as the focus is on the landlord rather than the tenant.

¹² Under sections 183-187 (Town and Country Planning Act 1990). The procedure allows the local planning authority to impose a ban on activities that are being carried on in breach of planning control.

Recommendation:

B) For Cabinet: We recommend that the council continues to develop means to increase the financial, legal and other risks to landlords associated with deliberately providing sub-standard accommodation.

7.17 Other planning issues include permitted development. Newham Council has, for example, committed significant resources to its planning enforcement team to identify back garden development exploited for independent accommodation. The Service Manager – Community Safety Services reported that the council carried out a fly past of the borough last May and a further fly past is planned for July. This offers the opportunity to compare the aerial maps and to identify any suspicious changes; some councils are exploring the scope for a night fly past using thermal imaging to identify heat sources in outbuildings. ,.

7.18 There are limits to what the council can achieve through enforcement activity, as well as the resources that can be directed to such activity. Future strategy must be mindful that enforcement action can also lead to unintended consequences; landlords sometimes evict the tenant or refuse to take housing benefit tenants in future if faced with a fine for a breach. This can create a housing need.

Enabling measures

7.19 The Service Manager – Housing Need reported to us that in addition to enforcement, the council also adopts an enabling role in working with the sector. The Help2Let service acquires properties in the sector by leasing properties from private landlords. It is the first social letting agency in London.

7.20 The challenge is to develop a relationship with landlords, by offering a whole service to landlords – treating them as customers – rather than just viewing landlords as providers. The service did initially generate revenue but in the context of the economic climate, the focus is now on developing relationships with landlords. The service enables the council to offer accommodation in the PRS through the options service.

7.21 The root of the problem is that there are not enough properties available to rent at the affordable level; even households in work cannot always meet the costs.

7.22 At the request of a private tenant, the council's first private tenants' forum took place on 28 June. The Help2Let team also holds a landlord forum for local landlords, which is also attended by a representative of the National Landlords Forum.

7.23 The leasing of properties by the council is currently available until October 2013 (officially until April 2013). Information from DWP on future arrangements is awaited.

Recommendation:

C) For Cabinet: We recommend that the council explore avenues for continuation of the successful leasing of properties from landlords through the Help2Let model.

Economic development

7.24 The Service Manager – Housing Need reported to us that Harrow has so far weathered the benefit changes; those most affected so far have been single person households and larger households. The benefit cap will come into force in April 2013, making it more likely that people will not be able to afford to stay in Harrow. However, if tenants are in employment the cap does not apply; even households in part-time employment can receive working tax credit (16 hours per week for individuals, 24 hours per week for a couple, including self employment). It is anticipated that 800-1000 households will be affected by the cap and will be followed up by the council.

7.25 The economic development team has a number of emerging initiatives to help employers find staff in Harrow, including apprenticeships. Helping residents to increase or stabilise household incomes must be an important part of a wider strategy. The team has also produced a DVD for the Asian market to promote Harrow as a place for investment.

7.26 The Divisional Director – Planning suggested that we should recognise the need/contribution that some types of property played in providing for fast turnover low liability accommodation, i.e. to provide people with short stay accommodation to facilitate short term employment opportunities. This could help to promote labour mobility as well as helping the low paid or those without a significant deposit to avoid poor quality accommodation.

7.27 Through the HRA, the council has also been able to create a small number of jobs on estates. It is considered to be more cost effective to provide skills and employment support rather than meet the cost of ongoing housing need.

Recommendation:

D) For Cabinet: We recommend that the Private Sector Strategy be explicitly linked to the Economic Development Strategy. This should reflect the role of housing in facilitating the labour market. This also addresses the future benefit cap, in that households on lower incomes are more likely to be able to retain their accommodation if they are in work.

Policy framework – Local Development Framework (LDF) and intensification area

7.28 From a planning perspective, the planning process approves houses, irrespective of tenure, and applies quality standards. The council could choose to use an Article 4 direction to manage levels of HMO stock in the borough; while this would not address housing need in itself it could help relieve pressure.¹³ The Core Strategy promotes both high quality, mixed tenure homes (a further 4,700 between 2011-2026) and at least 4,000 new jobs for the borough.

7.29 The Kodak site, for example, offers the opportunity to provide student flats to

¹³ Further information: see Planning Committee, 14 March 2012, *Homes in Multiple Occupation* <http://www.harrow.gov.uk/www2/documents/s96580/HMO%20Report%20-%20Planning%20Committee.pdf>; also Royal Town Planning Institute, *HMOs* [section on Article 4 directions]. Available at: <http://www.rtpi.org.uk/knowledge/topics/housing/hmos/>

respond to the growth in the London student market. The advantage could be that it would take students out of the wider PRS market in the borough. However, if there is too great a focus on the upmarket end of the PRS this could detract from addressing housing need, when more properties are needed at the lower end of the market.

Opportunities for institutional investment

- 7.30 While the planning policy framework can ensure that properties built are of reasonable quality, the challenge is to create supply and confidence around delivery. There has historically been little institutional investment in the sector in the UK; the European model has been, by contrast, to take a longer term stake by building to rent, generating a return for the institution through rental income.
- 7.31 However, housing and local government finance reform in the UK coupled with the global financial position is creating a new investment environment. Freedom created by HRA reform potentially creates the option for joint ventures with other institutions which could include, for example, recycling of rents.
- 7.32 There are other options available to the council, such as the opportunity to participate in the sector more directly, either by directly investing or by encouraging other investors. The challenge in the UK is that the housing sector is relatively conservative and tends to follow conventional models. The council may be able to work with progressive registered providers, which helps to offset the risk particularly if the registered provider is large; also the council and the registered provider could offer relevant housing management capacity.
- 7.33 Registered providers are already looking for joint ventures, for example for long term rent at the market rate or sub-market rate. The council could possibly begin with a small scheme with a progressive registered provider, for example through equity sharing. Public land could also be used to de-risk investment.
- 7.34 The GLA also provides a possible avenue (having absorbed the powers of the HCA for London), in the context of the Mayor's commitment to affordable

housing but this would require the council and its partners to develop a product that that GLA could support.

7.35 We further address institutional investment in the private rented sector in section 6 of our report.

Addressing homelessness in the private rented sector

7.36 While not strictly connected to the private rented sector, we wanted to consider the quality of bed and breakfast provision locally for homeless families.

7.37 During the course of the day on 14 May, Members visited three hotels in Harrow. These are the only hotels in Harrow that specifically cater for homeless households. Two of the three are owned by the same hotelier who has a long standing arrangement to let rooms only to Harrow Council. The other hotelier will let rooms to neighbouring authorities as well as to Harrow.

7.38 We have been advised that if homelessness cannot be prevented, the Housing Assessment Team (HAT) determines whether the Council has an *interim* housing duty to accommodate the applicant and their family. This accommodation is usually at Vernon Lodge (hostel) or bed and breakfast type accommodation with shared facilities. This type of accommodation is commonly referred to as emergency accommodation. There are exceptions to this procedure which are dependant on a household's housing needs i.e. shared facilities may not be appropriate for a family with severe medical needs.

7.39 If a duty exists then a manager in the HAT authorises the Housing Provision Team (HPT) to source suitable accommodation. This is the usual order in which the accommodation is sourced:

1. Vernon Lodge (self-contained accommodation in a hostel) – this is the council's first choice for any family as it is a licensed hostel managed by Genesis where the family will also receive support from Lookahead. The hostel is full all of the time; as soon as a family leave another will

be moved from bed and breakfast and booked into Vernon Lodge.

High risk adults are not housed at Vernon Lodge.

2. Bed & breakfast in Harrow
3. Bed & breakfast in neighbouring boroughs
4. Bed & breakfast in commercial hotels within London
5. Bed & breakfast out of the London area

7.40 During the applicants' stay in emergency accommodation the HAT make further enquiries to determine whether the Council owes the family a *full* housing duty. If a negative decision is made then the applicant is given an explanation of the decision in writing, and a date for vacating the emergency accommodation is provided in the letter. This date may be extended if the applicant requests a review of the decision, and the reviewing officer, on balance, also thinks the decision may be wrong. If a *full* housing duty is owed then the HPT source self contained accommodation for the family. This type of accommodation is commonly referred to as temporary accommodation. A typical stay in temporary accommodation can be as long as 10 years depending on the size of the family. The council's legal duty can end in a number of ways, the most common are:

1. Applicant accepts an offer of permanent social housing (hence the 10 year wait)
2. Applicant becomes ineligible.
3. Applicant voluntarily ceases to occupy the accommodation provided as temporary accommodation.
4. Applicant refuses a suitable offer of social housing or further temporary accommodation.

7.41 Members found the bed and breakfast accommodation to be clean but sparse and with very limited storage. Members were advised that clients were encouraged to bring the bare minimum of possessions and to put furniture into storage. The council could help with storage costs if the client had no other way to cover this. Members spoke to a number of clients. One commented on the cleanliness of the accommodation; another mentioned that she had had a

property viewing through Help2Let. At 2 May, there were currently 60 families in B&B accommodation. 50% were in borough, 50% in neighbouring boroughs (Brent/Hounslow/Hillingdon).¹⁴

7.42 The Localism Act provides the council will be able to discharge its homelessness duty through the PRS. The Government is currently consulting on the standard of private rented accommodation to be met when discharging homelessness duty into the PRS. The Localism Act states that the assured shorthold tenancy must be for a minimum fixed term of 12 months and if the applicant becomes unintentionally homeless again within two years of accepting the private rented sector offer, the main homelessness duty will recur regardless of priority need.¹⁵ Tenure sustainability is especially important if the sector is going to be relied upon to a greater extent, particularly for housing vulnerable households.

7.43 In their 2008 report, Rugg and Rhodes argued that while there are advantages to ‘churn’ in the sector that is driven by economic factors – this is also accepted by current Government policy – social factors also need consideration. In particular:

“High turnover of low-income families in poor quality rental does carry serious implications for those households. Again, the issue at hand is not the tenure itself, but the fact that tenancies fail continually. It is useful therefore to pay some attention to tenancy sustainability as an overarching strategic objective for PRS management.”¹⁶

Recommendation:

¹⁴ Data as at 2 May 2012, provided by Jacky Souter, Housing Provision Manager

¹⁵ CLG, Homelessness (Suitability of Accommodation) (England) Order 2012 – Consultation. Available at: <http://www.communities.gov.uk/publications/housing/homelessnessorderconsult> (Accessed 13 June 2012).

¹⁶ Rugg, J and Rhodes, D (2008); *The Private Rented Sector: its contribution and potential*. Centre for Housing Policy, The University of York. p. 106

E) For Cabinet: We recommend the council consider developing further initiatives, for example through Help2Let, to help to promote tenancy sustainability. This will be particularly important for households for whom the council fulfils its homelessness duty through the private rented sector.

Resident focus group

7.44 A focus group, drawn from the council's residents' panel, was held on 28 May to gather the views of non-private rented sector tenants on the private rented sector. Attendees were divided into small groups and asked to consider:

- What are the benefits of private renting?
- What is the impact of private renting on an area?
- How can the council maximise the benefits of private renting?

7.45 Each group included councillors from the review group, who facilitated the discussion. Each group was also supported by an officer who took notes and summarised the findings.

What are the benefits of private renting?

7.46 The benefits included flexibility for the tenants, short term contracts available, a greater choice of properties and being a more affordable option. Attendees felt that the flexibility of PRS housing allowed them to 'follow work'. Tenants could take short term rentals if necessary, and often for a single person it gave a much greater choice of area and type of home.

Impact of private renting on an area

7.47 The impact of higher levels of PRS housing were seen to be a lower standard of maintenance, undesirable tenants, poor upkeep, fewer family homes available and increasing pressure on local schools, doctors, dentists and hospitals.

7.48 These concerns are focused around the potential for the area to become more neglected. This was based upon a belief that both private landlords and tenants would not take as much care of the property or the area the same as owner

occupiers. Related to this, concerns about safety were also identified e.g. wiring.

How can the council maximise the benefits of private renting?

7.49 The council was viewed as having a key role in maximising the benefits of growing PRS levels in Harrow. There was a lot of support from all of the groups for driving up standards in the sector. Residents did also recognise that developing a strategy was a significant undertaking.

7.50 The following proposals for the council's role in working with the sector were identified:

- A landlord 'kitemark' or 'good landlord' scheme. One group also gave the example of the 'scores on the doors' ratings given to food establishments. The council does already participate in the pan-London accreditation scheme, but it was also suggested that the 'kitemark' could be branded to increase public awareness. It should also be developed in conjunction with relevant partners.
- Operating a local register of landlords. It was felt that this would help the council better address problems.
- Improving landlords' and tenants' knowledge of their rights and responsibilities, for example in the form of a tenant and landlord 'charter'. While the Help2let scheme does, for example, include tenant 'training' but we are of the view that more could be done to promote such initiatives. A charter could be developed in conjunction with the landlord forum and the new private tenants' forum.
- Publicising the tenancy deposit schemes and other initiatives...
- Identifying empty properties and working with landlords to bring homes back into use. This included taking over properties when they had been empty for over six months. This should include schemes that stopped because of bankruptcy, for example.
- Attendees also suggested that the council should have an 'arbitration' role – in working with both tenants and landlords and bringing both together.

- The importance of the enforcement role of the council – this related to both planning (for example preventing inappropriate development) as well as environmental health (tackling poor property condition). Groups recommended property inspections to drive up standards. It was also suggested that this should also cover non-HMOs – though attendees recognised that this could prove to be too costly.

Recommendation:

F) For Cabinet: We recommend that the council use its best endeavours to encourage higher standards in the private rented sector by considering:

- A landlord 'kitemark' or 'good landlord' scheme, which is branded and promoted locally;
- A register of landlords;
- A tenant and landlord 'charter', setting out rights and responsibilities;
- Developing the 'arbitration' role of the council in bringing together tenants and landlords and identifying solutions;
- Using enforcement action as a part of the suite of solutions to tackling poor standards.

8. Future strategy for the private rented sector in Harrow

The Council's Draft Private Sector Strategy

8.1 At the time of writing this report, the council's draft Private Sector Strategy is under development. Updates on the Housing Changes Review, including a Position Statement on the Private Sector strategy are to be presented to Cabinet on 19 July. Formal consultation will be undertaken during the summer and autumn and the final strategy to be submitted for approval by Cabinet in December 2012. This makes our consideration of policy approaches particularly timely.

8.2 The overarching policy objective agreed by Cabinet December 2011 was agreed as follows:

Continue to tackle homelessness by improving access to, and improving standards in, the private rented sector: The social housing sector will never be big enough to meet all the current and future demand for affordable housing. The private rented sector will continue to provide the most likely housing solution for most households and we therefore need to see what we can do to stimulate this sector especially at the lower end of the market, to encourage more stability and to facilitate better standards and longer tenancies

8.3 We agree that this represents a realistic reflection of the current housing position as well as pointing to the expected growth of the private rented sector in future.

8.4 On 23 May we received a briefing on the draft objectives for the Private Sector Strategy. At that time, the draft objectives under consideration by officers were:

- Increasing the supply of privately rented accommodation
- Returning empty homes back into use
- Maintaining and improving standards (bricks and mortar) in the PRS
- Meeting the needs vulnerable households in the private sector

- Improving energy efficiency and reducing fuel poverty

8.5 The rest of this section is devoted to our views on the objectives that we believe should be reflected in the council's strategy.

Resident/tenant engagement

8.6 We strongly believe that an important objective for the Private Sector Strategy should be resident/tenant engagement. We are of the view that this should be expressed explicitly within the Private Sector Strategy, in keeping with the division's existing resident engagement approach.

8.7 As part of this review we conducted an online survey of private rented tenants. We have appended the findings to this report and offer this information to the housing division as an additional source of evidence to help inform strategy development. We also fully support steps being made to establish a Private Tenants' Forum, as a complement to the existing Landlord Forum.

Recommendation:

G) For Cabinet: We recommend that the Private Sector Strategy include a specific objective to engage with residents living in the private rented sector.

Tackling empty homes

8.8 Officers advised us that an objective relating to offering owners grants to bring empty homes back into use is under consideration. HCA/GLA funding for 2012-2015 will be of the order of £386k and council capital funding of £79k has been allocated for 2012/13. Other approaches are likely to include taking enforcement action if appropriate for example compulsory purchase.

8.9 Bringing empty homes back into use was well supported by our residents' focus group. Such an approach is also in keeping with the draft Revised London Housing Strategy.

8.10 We fully support opportunities to make better use of existing stock. We are also of the view that the council should review whether there are financial

incentives to leaving properties empty (for example council tax exemption), while bearing in the mind the possible implications of changing tax arrangements.

8.11 We also believe that there are opportunities for the council to make better use of existing assets such as garages, which could either be converted or the land re-developed to provide housing, subject to planning considerations.

8.12 Members of the Budget Review visited Wandsworth Council¹⁷ and were told about their Hidden Homes project. Under this scheme housing staff look out for redundant spaces and buildings that can be turned into good quality accommodation. The first step is to compile an inventory of disused storage areas, garages, laundry rooms and boiler rooms. This is carried out for every estate in the borough. The next step is to conduct a design feasibility study to see if conversion is practicable. Costs are then considered and some locations are rejected for technical reasons or on grounds of cost. After planning approval is secured, work is put out for tender and a contractor identified.¹⁸

Recommendation:

H) For Cabinet: We recommend that an objective pertaining to bringing empty homes back into use be included in future strategy.

I) For Cabinet: We recommend that the council include conversion of existing council assets - such as garages - into its objectives regarding bringing empty homes back into use, subject to planning considerations.

Increasing the supply of privately rented accommodation

8.13 We were advised that the council is considering an objective relating to the council reviewing the development options to encourage institutional investment in the PRS in Harrow. This would be linked to council land/financial

¹⁷ Budget Review, visit to LB Wandsworth, 31 May 2012.

¹⁸ LB Wandsworth, *Hidden Homes: Finding Hidden Homes* (web page available at http://www.wandsworth.gov.uk/info/200027/council_housing/247/hidden_homes/2; accessed on 12 June 2012)

resources. We were informed that options could include the setting up of a special purpose vehicle with Harrow having a role in management of the homes and long term ownership of assets.

8.14 If the council accepts the need to increase the supply of privately rented accommodation, how will this be delivered? The recent Communities and Local Government select committee report *Financing of New Housing Supply* notes that, along with the supply of land, raising finance is critical to developing new housing. Increasing the supply of either land or finance in isolation will not deliver.¹⁹

8.15 Such an approach will also be dependent on the council's overall capital strategy; in particular the council's priorities and overall approach to debt. Of particular relevance is HRA self-financing²⁰ and the extent to which the council is prepared to 'hold on' to debt in order to secure other objectives.

8.16 The Overview and Scrutiny Committee is also undertaking a longer term Budget Review, which is currently considering the council's use of capital. As part of this exercise, visits have been undertaken to a number of other boroughs. Newham is developing a special purpose vehicle. This will include buying empty street properties and developing some new build for private rental. Some funding has been attracted from the HCA (£11m) and the council is represented on the SPV.

8.17 Such an approach could require upfront subsidy, for example a development site, but could also leave the council with a new asset at the end of the

¹⁹ UK Parliament, Communities and Local Government Select Committee (May 2012) *Financing of New Housing Supply*, p. 24. Available at: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/inquiries/parliament-2010/financing-of-new-housing-supply/> (Accessed 11 June 2012).

²⁰ Department for Communities and Local Government, *Implementing self-financing for council housing* (February 2011). Available at: <http://www.communities.gov.uk/publications/housing/implementingselffinancing>

scheme. The purpose would be to develop a private rented model that would deliver provision to rent in the lower quartile of the sector, and hence available to tenants on lower incomes.

8.18 We are of the view that there could be opportunities to attract private or not for profit investors. Developing a model is also a relatively long term approach; it could take 3-5 years until the units are complete. Another approach could be to unlock stalled schemes. The council will need to consider what it is prepared to contribute to such an approach and the level of risk it is prepared to take.

8.19 We believe that the council should explore every possible avenue of partnership and engage with different organisations.

Recommendations:

- J) For Cabinet:** We recommend that Cabinet undertake an analysis of the risk involved before embarking on increasing the supply PRS in Harrow in the context of the council's debt and other inevitable demands for the council's capital.
- K) For O&S:** We recommend that the Standing Review of the Budget consider the policy objectives of the Private Sector Strategy as part of its work in reviewing the council's use of capital.

Maintaining and improving standards

8.20 We were advised that the council plans to continue its work to improve and maintain standards in the sector (with an emphasis on bricks and mortar), with a preference to 'enable' rather than regulate. It would include the following initiatives:

- Continuing to operate the pan London private landlord accreditation scheme.
- Continuing to offer advice and support to landlords to assist them in achieving good management standards, for example through Help2Let, the Landlord Forum and so on.
- Continuing to offer "training" to prospective tenants on rights and responsibilities.

- Introduction of “Sustain Tenancy” grant scheme - £21k allocated for 2012/13 to offer grants of up to £1500 to tackle category 1 hazards in properties where otherwise the household might become homeless.
- Use enforcement powers under the Housing Act 2004 where necessary.
- Monitor situation with regard to HMOs and ‘beds in sheds’ as a consequence of welfare reforms

8.21 The stated approach to ‘enable’ rather than regulate is in keeping with both national and regional policy. We have heard positive feedback on the council’s ‘enabling’ services, such as Help2Let, from attendees at the council’s Landlord Forum.

8.22 In considering the enforcement tools of the authority we note that officers felt there was a need to be aware of unintended consequences of enforcement action; for example we were advised that enforcement action can sometimes lead to a household being made homeless.

8.23 These approaches were also supported by the residents’ focus group, for example helping landlords and tenants become more aware of their rights and responsibilities.

Vulnerable households in the private sector

8.24 We note that the Private Sector Strategy will cover the needs of vulnerable adults in the whole of the private housing sector, not just the PRS. We were advised that this would include activities such as Disabled Facilities Grants (DFGs) but we note that budgets for such initiatives are reducing.

8.25 As our focus has been on the PRS, we have not touched on this area in any depth. However, we are concerned about some of the wider impacts of Government reform to the shared accommodation rate which could mean that it is harder for vulnerable single people to find self-contained accommodation; some single adults would not be suitably housed in shared HMO accommodation.

8.26 We understand that approximately 200 claimants will be affected by the New Shared Accommodation Rate, and as a result the council may see a rise in homeless presentations by 26-35 year olds who are currently living in self contained accommodation and claiming LHA.

Energy efficiency and fuel poverty

8.27 To support energy efficiency, the Energy Act 2011 (s42-53) will enable the Government to make regulations that will require landlords to meet minimum standards with regard to energy efficiency. This means that from 2016, reasonable requests by tenants to make improvements cannot be refused; by 2018 landlords will not be able to rent out properties that do not reach the minimum standard energy efficient rating.

8.28 We are therefore in favour of any linkages that can be made between the Private Sector Strategy and the forthcoming Climate Change Strategy.

8.29 We think that the council should consider whether any links can be made between grants offered to landlords to address, for example, category one hazards could also address energy efficiency.

Recommendation:

L) For Cabinet: We recommend that Private Sector Strategy and forthcoming Climate Change Strategy be explicitly linked in order to ensure that tenants in the private rented sector can also benefit from energy efficiency and fuel poverty initiatives.

9. Conclusions

- 9.1 We believe that a suite of solutions must be developed to fulfil the council's stated policy objective of improving access to, and improving standards in, the private rented sector. This approach necessitates both top-down and bottom-up measures.

Top-down

- 9.2 From the top-down, the Local Development Framework articulates the spatial vision for our borough. The LDF Core Strategy envisages the provision of 2,800 new homes and 3,000 jobs within the Heart of Harrow (the Intensification Area) in the period up to 2026 (and a further 1,900 new homes elsewhere across the borough).
- 9.3 In undertaking this review, we have been struck by its far-reaching scope. We believe that the Private Sector Strategy should reflect this by making explicit links to other related strategies, such as the Economic Development Strategy and the forthcoming Climate Change Strategy. This helps to reinforce the council's strategic approach to the private sector housing sector.
- 9.4 By developing a good mix of high quality, reasonably priced accommodation, thereby increasing supply, the long-term aspiration is that lower income Harrow residents will not be forced to take poor quality, sub-standard accommodation. It is through this route that problems of low standards and poor quality can be more effectively ameliorated.

Bottom-up

- 9.5 From the bottom-up, we agree that no-one should be expected to put up with sub-standard accommodation and poor living conditions. We therefore support initiatives to work with landlords to drive up standards. Enforcement action clearly has a role to play in tackling the worst conditions and we support new approaches that could convey to rogue landlords that renting out sub-standard accommodation does not pay, for example the Proceeds of Crime Act (see paragraph 7.16).

9.6 However, we recognise that resources available for taking enforcement action are not finite and, as such, we must also work *with* landlords as well as adopting other approaches to improving quality and standards in the sector. We also note that a too heavy handed approach could result in households being made homeless (see paragraph 7.18).

9.7 We also believe that a key objective for future strategy should be the involvement and engagement of residents living in the private sector. By better understanding our residents' needs we will be better able to target our activity.

Summing up

9.8 To sum up, we must remember that the PRS is market-driven. While initiatives such as landlord accreditation and enforcement action are helpful, ultimately it is the cumulative effect of individual initiatives coupled with the development of a range of affordable accommodation options for our residents that will help to improve quality and standards in the private rented sector.

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11. Glossary

B&B	Bed and breakfast
CIH	Chartered Institute of Housing
CLG	Department for Communities and Local Government
DFG	Disabled Facilities Grant
DWP	Department for Work and Pensions
FMO	Flats in Multiple Occupation
GLA	Greater London Authority
HAT	Housing Assessment Team
HB	Housing Benefit
HCA	Homes and Communities Agency
HHSRS	Housing Health and Safety Rating System
HMO	Houses in Multiple Occupation
HPT	Housing Provision Team
HRA	Housing Revenue Account
LHA	Local Housing Allowance
LDF	Local Development Framework
PRS	Private rented sector
REIT	Real Estate Investment Trust
SPV	Special Purpose Vehicle

12. Appendix A – Scope of the review

1	SUBJECT	Private Sector Housing
2	COMMITTEE	Overview and Scrutiny Committee
3	REVIEW GROUP	Councillor Sue Anderson Councillor Nana Asante Councillor Marilyn Ashton (Chairman) Councillor Camilla Bath Councillor Jean Lammiman Councillor Barry Macleod-Cullinane Councillor Victoria Silver Councillor Ben Wealthy Councillor Stephen Wright
4	AIMS/ OBJECTIVES/ OUTCOMES	The importance of the private rented sector in meeting the housing needs of Harrow residents is growing. This review will consider: <ul style="list-style-type: none"> • Strategy – the development of the new Private Sector Housing Strategy, in the context of national policy changes • Quality and standards – the council’s enforcement role and actions that can be taken to encourage improved standards in the sector, including temporary accommodation
5	MEASURES OF SUCCESS OF REVIEW	<ul style="list-style-type: none"> • Development of realistic options within the confines of resources available and the nature of the sector as a marketplace.
6	SCOPE	<ul style="list-style-type: none"> • The supply side of the sector (in the context of national policy changes affecting the demand for private rented sector properties). • To examine the approach to enforcement from all relevant directorates. • To gather as much information as possible, given the constraints of the review, on: <ul style="list-style-type: none"> - The quality of bed and breakfast provision locally; - The effect of inappropriate low quality accommodation on the health of citizens.
7	SERVICE PRIORITIES (Corporate/Dept)	Corporate priorities: <ul style="list-style-type: none"> • United and involved communities: a Council that listens and leads • Supporting and protecting people who are most in need

8	REVIEW SPONSOR	Lynne Pennington, Divisional Director, Housing Services
9	ACCOUNTABLE MANAGERS	Alison Pegg, Service Manager - Housing Partnerships & Strategy Jon Dalton, Service Manager - Housing Needs
10	SUPPORT OFFICER	Heather Smith, Scrutiny Officer
11	ADMINISTRATIVE SUPPORT	Heather Smith, Scrutiny Officer
12	EXTERNAL INPUT	<ul style="list-style-type: none"> • Landlords – through the Council’s Landlord Forum (next meeting date 27 March 2012) • Tenant input • Planning (Place Shaping Directorate) • Enforcement (Community & Environment Directorate) • Best practice research – investigation of other councils’ strategies
13	METHODOLOGY	<p>Light touch review</p> <ul style="list-style-type: none"> • Policy briefing – update for the review group on present situation in Harrow • Briefing on council’s enforcement approach • Briefing on the council’s planning approach to the sector – to include the intensification area • Discussions with landlords* • Discussions with tenants* <p>* In the context of the time constraints of the review.</p>
14	EQUALITY IMPLICATIONS	Current national policy developments have been assessed for their impact by the Government as part of the development of the Localism Act.
15	ASSUMPTIONS/ CONSTRAINTS	Time constraint – on ability to influence on the council’s strategy development.
16	SECTION 17 IMPLICATIONS	Section 17 of the Crime and Disorder Act 1998 places a duty on local authorities to give ‘due regard’ to the need to do all that they reasonably can to prevent crime and disorder in their areas. The section 17 definition includes anti-social behaviour adversely affecting the local environment as well as the misuse of drugs, alcohol and other substances.
17	TIMESCALE	See section 15.
18	RESOURCE COMMITMENTS	To be met from existing scrutiny budget. No significant additional expenditure is anticipated.
19	REPORT AUTHOR	Heather Smith, Scrutiny Officer

20	REPORTING ARRANGEMENTS	Outline of formal reporting process: O&S [X] 3 April 2012 Cabinet [X] 17 May 2012
21	FOLLOW UP ARRANGEMENTS (proposals)	6 month review by the Performance and Finance Scrutiny sub-committee after final report considered by Cabinet.

Version: 4

- 12 December 2011 – to Divisional Director, Housing Services
- 10 January 2012 – review group membership amended; accountable managers added
- 15 February 2012 – amendments arising from review group meeting held on 14 February
- 21 February 2012 – amendments arising from review group meeting held on 14 February

Contact: Heather Smith, Scrutiny Officer, heather.smith@harrow.gov.uk, 020 8420 9203

Background papers: Housing Changes Review [Report to Cabinet, 15 December 2011]

13. Appendix B – Findings of the survey of private tenants

To follow