

***Shelter Conference: Firm Foundations in Private Renting?
Minister's speech "What is the Future for private renting?"***

Good morning. Many thanks to John for that introduction and to Shelter for inviting me to speak here today. I spoke a couple of months ago, in June, at another Shelter conference where I set out the Scottish Government's priorities for homelessness and next steps in achieving the 2012 homeless target.

At that Conference I outlined our ambition for the private rented sector to play a greater contribution in meeting that target. I also launched our consultation to give local authorities greater flexibility to house homeless people in privately rented housing.

The focus in June was on the homelessness agenda. Today I want to talk about the same issue from the perspective of the private rented sector, the contribution it already makes to the housing market in Scotland, and our shared ambitions for the sector in the future.

Last October we published our housing discussion paper, *Firm Foundations*, which recognised the housing supply problem that exists in parts of Scotland and set out our ambitious vision for the essential reform of Scotland's housing system, including the private rented sector. Since then, however, we have seen

the situation change dramatically, with a down turn in global financial markets and the credit crunch leading to turbulence in the housing market. In response to this, last week the First Minister announced a further package of targeted housing support measures to help alleviate some of the serious impacts of the credit crunch. The Scottish Government is bringing forward up to £100 million from our overall £1.5 billion Affordable Housing Investment Programme to accelerate the building of affordable housing to allow us to help more families meet their housing needs. Some £60 million of that we can commit to now from our own programmes. In line with the Concordat, the other £40 million will be subject to discussion with local government. The aim is for the whole £100 million to be spent this year and next, rather than in 2010-11 as originally planned.

In this context, our ambitions for the private rented sector to play a greater role in meeting housing need have become, if anything, more sharply focussed. With house price increases and the credit crunch limiting access to home ownership, the role and potential of the private rented sector has never been more important. We believe that the sector can make a greater contribution to accommodate those in need of housing.

We set out in Firm Foundations our intention to carry out a comprehensive review of the private rented sector. The main aim of the review is to ensure that it is capable of delivering the right types of housing in the right places to help meet this need. Housing need could be meeting demand for any type of accommodation, such as for students, migrant workers or housing in rural areas.

But, in particular, we want to look at how we can use the sector more to help house homeless people and low-income households.

I'll talk about the review and our ambitions for the sector later on. Firstly, I wanted to start by putting the review into context and giving you an overview of the Scottish Government's wider approach to supporting the private rented sector.

Some respondents to Firm Foundations raised concerns about the quality and management of private rented accommodation and its suitability for homeless people and others not traditionally housed in the sector.

I don't agree that this is the case across the board, but it does point to a need to improve the reputation of the private rented sector in Scotland. The traditional image of the sector as a

provider of poor quality and badly managed property is changing in Scotland. More importantly, it has to change if we are to promote the private rented sector as a good option for a wider range of tenants.

There has been a significant volume of work going on in Scotland over the last few years to transform the private rented sector. I believe we can already see improvements in the sector through, for example, the Landlord Registration Scheme and the Repairing Standard. But it takes just a few high-profile stories to spread the perception in the press that most landlords are bad landlords.

I know that the great majority of landlords do a good job in managing their properties. That's why it's important to tackle the few rogue landlords who continue to give the sector a poor reputation. And I would encourage local authorities to use the full range of powers available to them to tackle this very small minority of landlords who are deliberately exploiting their tenants and making them live in sub-standard housing.

Landlord registration

Since I became Housing Minister last May, I have made the successful delivery of landlord registration in particular one of my priorities.

I appreciate that there have been difficulties in implementing landlord registration and I know that many of you here will have been frustrated by this.

I am extremely pleased though to be able to say that application approval rates now stand at **82%**.

I know that local authorities have put considerable effort into improving delivery of the scheme over the past year and we can see that this is now paying off. I want to take this opportunity to thank those Councils and landlords who have shown real commitment to making the scheme work.

We have come a long way with the scheme since last May. A review was undertaken earlier this year by consultants Arneil Johnson to help Councils share lessons and best practice. I know that Councils have been working hard to take on board those recommendations and improve performance.

In discussion with landlords, agents, tenants and local authorities we have reviewed the legislation underpinning the

scheme, to consider whether there are opportunities to make to the scheme more efficient and effective. We are currently consulting on proposed changes to legislation arising from that review. These should help to further streamline processes and reduce complexity.

Finally, we have taken on board a new IT supplier who is working closely with local authorities and the Scottish Government to overhaul the IT system, make it more user friendly and ensure that the registration renewal process, which will start from April next year, is as smooth and problem-free as possible.

There is work still to be done and I want to focus our efforts on enforcing the legislation and removing the worst landlords who continue to give the sector a bad reputation. But I believe that we can already see the benefits of landlord registration.

Repairing Standard

Private landlords have various legal obligations to repair the properties they rent out, but in the past these legal responsibilities have been difficult for tenants to enforce.

That's why last September, we introduced the Repairing Standard which modified the repairing obligations of private landlords – and introduced new requirements for provision of smoke alarms. At the same time, the Private Rented Housing Panel was launched to make it easier for tenants to enforce these obligations.

Since then, almost 90 private rented tenants have submitted repairing cases to the Panel for their consideration. I am pleased to say that in many cases simply applying to Panel was enough to persuade landlords to undertake the necessary work and allow the case to be withdrawn.

This confirms our view that most private landlords keep their properties in good repair and make sure they meet their legal obligations. Enforcement action through the PRHP will only be necessary for the small number of landlords who fail to do so.

While the Repairing Standard is a fairly basic standard and has meant little change for responsible landlords it is contributing to tackling problems of disrepair in the private rented sector and improving its reputation.

Landlord Accreditation Scotland

Enforcing minimum standards in the sector is important but I am also clear that we need to recognise and reward good landlords for the housing service they provide. That is why I announced earlier this year that the Scottish Government would provide funding to support the development of the National Voluntary Landlord Accreditation Scheme.

Landlord Accreditation Scotland is a new company, owned by the Scottish Rural Property and Business Association and the Scottish Association of Landlords. It will deliver the national landlord accreditation scheme to help us to encourage good practice, improve standards and enhance the image of private renting. The scheme will provide practical training, advice and guidance for landlords and letting agents, increasing the professionalism of the sector and giving tenants peace of mind.

Since the launch of Landlord Accreditation Scotland I am extremely pleased to see that the scheme is on track to meet its target of 14,500 accredited properties in the first year of operation. So far, since June, 3,200 privately let properties have been accredited by the scheme, covering 24 local authority areas.

Joining the scheme is of course completely voluntary, but I hope that as many landlords, agents and local authorities as

possible will join to make the scheme a success. I would like to see the Landlord Accreditation Scotland logo eventually becoming something that is recognised and looked for by tenants across Scotland who want to be sure they are renting a good property from a good landlord.

Promoting and increasing the professionalism of the private rented sector in Scotland is vital. These initiatives – landlord registration, the Repairing Standard, Accreditation and HMO Licensing – have also helped local authorities become more accustomed to working closely with private landlords and agents. The increase in landlord forums and other approaches to engage with the sector over the last few years has been considerable and we want to see this work continue.

Review of the sector

Looking forward, we need to build on these achievements and recognise the key role the sector has to play in providing much needed housing. There are many benefits of private rented housing – increased choice of housing along with greater flexibility for those looking to move for work, for example - which we would like to see extended to those in need of housing, particularly homeless people.

Our review of the sector is considering options for achieving this.

The review has three main objectives:

- To support our consultation on giving local authorities greater flexibility to discharge homeless duty in the sector, we are examining a range of options for increasing the supply of private renting housing to achieve this;
- to ensure that we get the best out of what the sector has to offer, we are also examining best practice in engagement between local authorities and private landlords to encourage a partnership working approach at both a strategic and operational level;
- Finally, the review will take stock of current trends in the sector and look at landlords' and tenants' views, experiences and aspirations.

Increasing supply

Improving access to private rented housing for low income and homeless households will be a key issue for some local authorities as progress is made towards the 2012 target. Our review is examining a range of supply options, including examples of good practice in Scotland and further afield. We are also looking at international comparisons to see whether

there is anything we can learn from the approaches taken elsewhere.

We know that some local authorities have been exploring the use of private rented stock as temporary accommodation and a number of you will be familiar with Private Sector Leasing Schemes. We also want to examine models where tenants can be placed in more settled private tenancies. In Scotland, the Rent Deposit Guarantee is well established as a successful way of improving access to private housing. There are currently 28 schemes in operation in Scotland, assisting around 1500 households a year.

New approaches are starting to emerge, including the Flatmates scheme run by the Cyrenians which helps young people find shared accommodation. Innovation can often come from the voluntary sector, where the flexibility to adapt to changing circumstances can throw up new approaches. That is why the First Minister announced last month that funding of £100,000 would be made available for voluntary sector projects demonstrating innovative and new approaches to helping homeless people access private rented housing. The criteria for applying for that funding will be published before the end of this month and the scheme will be open for applications during October.

We also want to encourage greater partnership working between Councils and private landlords. Falkirk Council has, for example, developed a pilot letting scheme, working with locally accredited landlords to provide much needed, good quality rented housing.

Much of this will depend on the package offered to landlords. Councils will need to be proactive in providing advice, support and assistance to landlords to help tackle some of the barriers the sector has traditionally found in letting to tenants on low incomes.

One of the main barriers landlords cite to letting to low income households is Housing Benefit and I know that landlords are concerned about direct payment of housing benefit to tenants. I would therefore encourage local authority housing departments to maintain good working relationships with their housing benefit officers. It will also be important for local authorities to develop clear criteria for the assessment of tenant vulnerability and circumstances in which it is more appropriate for housing benefit to be paid directly to the landlord. Helping landlords avoid a situation where rent arrears may occur is an essential part of any partnership approach with the private rented sector.

Some Councils provide fast-track access to housing benefit officers as part of their landlord and tenant support packages. Often providing a single point of contact and a genuine commitment to trouble shoot and assist landlords and tenants can help.

Finally, we are also considering other ways for local authorities to make more use of what the sector has to offer. This includes an examination of local authority approaches to tackling empty properties along with a review of Rural Empty Properties Grant.

As part of our consultation on the homeless regulations, officials will be holding a consultation event on 11 September bringing together practitioners and others with an interest in this agenda, including landlord and tenant representative groups. Part of the discussion will be about improving access to the sector and this will be your opportunity to let us know your views and feed into the review. I know that many of you will have ideas and suggestions about the way forward and we welcome your contribution to this process.

Engagement with landlords

The review is also considering ways to encourage Councils to increase their engagement with private landlords. To get the best out of the sector we need to recognise landlords as key housing providers and involve them in decision-making processes that affect them.

I want to see this happen at a strategic level in developing Council policy, through local housing strategies. Planning and assessing housing need and demand should cover all tenures in the local authority area, including the private rented sector. CoSLA and the Scottish Government recently issued joint guidance on the next round of Local Housing Strategies which makes clear the multi-tenure nature of these strategies and that Councils should consider consulting local landlords and letting agents as part of this process.

At a more practical level, we want to encourage local authorities to build on existing good practice in engaging local landlords. The review is examining a range of models in Scotland and elsewhere in the UK where Councils have developed good links with local landlords through, for example, providing training, advice and guidance, local landlord forums, newsletters and opportunities to get involved in Council planning and steering groups.

Taking stock of the sector

The third strand of the review will take stock of current trends in the sector and landlord and tenant experiences and aspirations.

Using landlord registration and other survey statistics we hope, for the first time, to provide an accurate and up to date picture of the private rented sector in Scotland, looking at the demographics of landlords and tenants, and the number, location and types of privately let properties and landlords by local authority area. This should give us a much better understanding of the size and shape of the sector in Scotland and help local authorities as they plan to meet housing need locally.

We are also examining the views, experiences and aspirations of landlords and tenants across Scotland through large scale surveys. These surveys ask a range of questions about the tenancy regime, access to the sector, repairs, property management, rents and affordability. The surveys will also gather evidence on the scale and nature of unfairly withheld tenancy deposits in Scotland which will inform our thinking about how tenancy deposit management can be improved in Scotland.

These surveys will help shape future policy. Landlords were selected at random from the landlord registration register and if any of the landlords here today were asked to complete a survey or to attend a focus group, then I would encourage you to take the opportunity to give us your views.

The various surveys, research reports and analytical work underpinning the review are due to report over the next few months. I will want to consider carefully what they say and what this means in terms of next steps.

National Conversation

Our aim is to see a modern, vibrant private rented sector, able to meet housing need through the provision of good quality and well managed accommodation. The significant programme of work we have underway in the review should help us map out the route for achieving this.

But the Scottish Government does not currently have the powers to act in a number of the key areas reserved to the UK Government which impact upon the housing market. We have written to the Chancellor urging him to do everything possible to improve the operation of the credit markets, including a

temporary suspension of stamp duty land tax on residential property sales below £250,000 in value.

We have also asked the Chancellor to consider giving VAT relief for repairs to certain types of properties, including targeted measures to help private landlords with the costs of repairing empty properties.

I mentioned earlier that our review will consider international comparisons to see whether any lessons can be learned from approaches taken elsewhere. It is clear to me that the opportunities for developing a more coherent and holistic housing policy are greatly increased where Governments can pool together and use a raft of policy, fiscal and other tax incentives which can stimulate particular activity in the market.

Ireland, for example, has supported landlords in the past through favourable tax incentives to encourage growth. They are currently developing a low income letting scheme which brings together rent supplement, their equivalent of housing benefit, local authority funding, and targeted action on property condition to provide much needed good quality rented housing for low income households.

I know that some rural landlords in particular have raised the issue of inheritance tax and how this impacts upon affordable housing in rural areas in Scotland. These are issues we also want to consider in our review and we will press the UK Government to take action in reserved areas where we feel this helps us to achieve our housing policy objectives.

As part of our National Conversation on Scotland's future, we want to hear your views about the current balance of responsibilities between the UK and Scottish Governments. The review I have been discussing this morning provides us with the opportunity to do this in relation to private rented housing and I would encourage you to feed your views into this process. As you know, we believe that an independent Scotland would give us opportunities to develop policies which support better delivery of our housing policies and meet the needs of Scotland's people.

Conclusion

I hope that I have managed to outline our key priorities for the private rented sector this morning, along with our ambitions for the sector in the future. It is worth reflecting on the achievements of the last year, including the considerable effort that Councils have put in to successfully deliver landlord

registration, the launch of the National Landlord Accreditation Scheme, and the introduction of the Repairing Standard. These are very strong foundations from which to build.

I said at the start that the Scottish Government believes that the sector can make a greater contribution to accommodate those in need of housing. This will only happen where there is a genuine spirit of partnership working between national and local government and landlords, and a commitment from the sector to continue to drive up standards in letting practice. I certainly believe this is achievable.