

**Glasgow City Council**

**Role of the Private Rented  
Sector in Meeting Housing  
Need in Glasgow**

**Final Research Report**

**November 2015**

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## 1 Executive Summary

Glasgow City Council commissioned Arneil Johnson to undertake a study examining the role of the Private Rented Sector (PRS) in meeting housing need in Glasgow. The study will be used to inform future housing strategy, housing options approaches and be of benefit to landlords and investors in devising strategies to meet housing needs. Broadly the methodology for the study included a literature review, statistical analysis, landlord survey, focus groups with potential customers and stakeholders as well as an affordability analysis. The study concluded by highlighting a number of potential policy interventions in the sector.

### 1.1 Role of the PRS in Meeting Housing Needs in Glasgow

The Literature Review examined the wider policy and economic context for the PRS, the impact of welfare reform, housing options and access issues. The following points were highlighted with regard to the role of the PRS in meeting needs:

- Securing long term investment and innovative funding in new supply essential in meeting housing needs;
- A greater diversity of house types is required along with encouraging longer-term more secure tenancy options;
- Welfare reform impacts on the PRS necessitate improvements in supporting vulnerable households in relation to both financial and tenancy sustainability as well as consideration of the role of shared tenancies in the supply of PRS housing; and
- In terms of PRS access schemes (i.e. improving access for potential consumers) that accessibility, sustainability and cost-effectiveness could be secured but an additional emphasis on prevention in line with the public sector reform agenda could be beneficial.

#### 1.1.1 PRS Demand and Supply in Glasgow

An extensive secondary data analysis of demand and supply in the PRS was undertaken as part of the study. Data headlines include:

- Estimation of between 57,000 and 60,000 private rented properties in Glasgow, equivalent to around 19-20% of the total stock (which is higher than the national figure of 13%). Substantial growth in the sector has been witnessed over the last 5 years;
- There are geographical concentrations of the PRS with 5 sub-areas accounting for 56% of the total - Partick West, Hillhead, Anderston/City, Pollokshields East & Southside Central. However areas of greater deprivation have lower proportions of PRS stock;
- 81% of landlords in Glasgow own just one property with only 13 landlord registration applications relating to 100 properties or more;
- In line with the growth of sector, the number of households leaving the sector to make a homeless application has grown from 12% in 2010/11 to 14% in 2013/14. Given that the sector accounts for approximately 20% of all households living in the City, these statistics would suggest a lower proportion of housing outcomes end in homelessness in the PRS than in other tenures.
- Annual incomes of private renters (£20,300) in Glasgow are less than home owners but higher than social renters and while the Rent Deposit Guarantee Scheme is small it makes a valuable contribution to improving access to the sector; and
- Fuel poverty among private renters (27%) is less prevalent than the social sector (43%) but 13% of all private renters experience extreme fuel poverty.



### **1.1.2 Affordability of the PRS in Glasgow**

An analytical model was developed to assess the affordability of the PRS in Glasgow and applied across 10 geographic areas in the city. The model examined the interaction between incomes and housing costs in the PRS. Key outcomes from the PRS affordability analysis include:

- Based on two data sources (landlord survey and Citylets analysis) the average monthly PRS rent in Glasgow is estimated to be in the range from £579-£684, with overall the average PRS rent equivalent to double that of social rents;
- The Central & West area have the highest rents (£632) with the lowest in the East End area of Baillieston, Shettleston & Greater Easterhouse (£428). Generally LHA rates do not meet the costs of average rents;
- Household income profiles vary considerably across the city with 1 in 3 households earning less than £15,000 per annum and 1 in 5 households earning more than £50,000 per annum;
- Affordability analysis shows that on a measure of devoting 30% of income to private rents, 50% of Glasgow households cannot afford the average private rent; and
- PRS tenants on average have to devote 35% of their household income to cover the average private rent in the city, however for those earning the minimum wage, the threshold is much higher at around two thirds of their household income.

### **1.1.3 Views from Landlords: The Glasgow Landlord Survey**

An extensive survey of private landlords across Glasgow formed a significant component of the study with nearly 500 telephone interviews being achieved. The survey covered key aspects of landlord operations and behaviour including property portfolio, tenancy management, rent setting and collection, repairs and property condition, future intentions as well as attitudes towards regulation and best practice. The key findings included:

- 38% of landlords reported that they had invested to build up a pension fund, however 34% (1 in 3) are 'accidental' landlords who could not sell their home or inherited a property;
- 62% of landlords have owned a rental property for more than 7 years;
- According to the landlord survey around 8 out of 10 (81%) of PRS properties have 2 bedrooms or less with the majority being tenement flats (57%);
- Over half of all landlords (58%) stated that they place some form of restriction on the type of tenant they would accommodate with the most common being not accepting housing benefit claimants, those with previous eviction histories or homeless households;
- Nearly half (49%) of landlords expressed an interest in a City Council led management service with 56% already using an agent to manage their property;
- In terms of financial and business considerations, 32% of landlords reported that they were likely to sell their property in the next five years, almost all (95%) landlords experience no issues with demand for their properties (53% of tenancies had been in place for more than 12 months) and 70% reported that the financial return is sufficient to cover overheads;
- 9 in 10 landlords (92%) reported no outstanding issues with repairs.

### **1.1.4 Current perceptions and future expectations of consumers**

PRS customers participated in five focus groups across the city in order to provide qualitative data on experiences, perceptions and future expectations of the PRS. This helped to build evidence from a consumer perspective on the current and future role of the PRS to meet housing need across the city. Topics included affordability, security of tenure, access and choice within the PRS.

- For the majority of consumers in the focus groups the PRS was viewed as their only housing option rather than a pro-active choice but three quarters are satisfied with their landlord;
- 30% reported that the PRS was the only option having failed to gain access to a social housing property with the weaknesses identified in the PRS reflecting this lack of choice, including having to raise a deposit, lack of security of tenure, property condition and landlord restrictions on types of tenants they will accommodate;
- Affordability is a key issue from a customer perspective with a large variance on what households are willing to spend on rent (two thirds citing less than 30% of income) and the reality of what they do spend (almost half actually spending more than 30%). Raising a deposit was also a significant issue;
- On a more positive note a number of strengths were also identified from a consumer perspective including the availability of property types, location of properties, flexibility to move and the ability to share with others.

### **1.1.5 Views from other stakeholders**

A stakeholder conference was held in Glasgow in June 2015 to obtain the views of a wide range of statutory voluntary and private sector agencies. The main themes of the event were promoting successful PRS outcomes within a broader housing options approach and supporting the growth and improvement of the sector at local level. In addition to the conference a survey of private sector landlords who are members of the Scottish Association Landlords (SAL) was issued. This ensured that the interests and opinions of landlords and letting agents were also fed into the stakeholder analysis. While a number of potential policy options were explored with stakeholders the top 5 that emerged were:

- Develop a 'social lettings agency' model to provide fixed term tenancies to those seeking affordable rental options;
- Develop a proactive Housing Options Service that assesses readiness for private tenancy;
- Enhance Council resources to target enforcement activity on disreputable landlords;
- Introduce more regulation of the lettings agency sector;
- Support greater enforcement activity to target poor property condition.

Landlord respondents to the survey suggested the following improvements to the PRS:

- Raising awareness of the PRS as a valid option for meeting housing needs;
- Assist landlords to access tenancy sustainment services for tenants who may need support;
- More enforcement activity to target poor property condition;
- Enhance Council resources to target enforcement activity on disreputable landlords; and
- Promote the availability of budgeting and financial management advice to private tenants.



### **1.1.6 The Role of the PRS in meeting housing needs in Glasgow: Conclusions**

In summary the following concluding points are made on the role of the PRS in meeting housing needs in Glasgow:

- The sector is diverse and growing, accounting for 19% of the total housing stock and meeting a wide range of needs including students, those in full-time employment and those in receipt of welfare benefits;
- The sector is characterized by a high number of young people, smaller sized properties, geographical concentrations in certain areas, a high proportion of single property landlords, healthy demand for properties and high mobility among consumers;
- Accessibility and affordability are key issues for current and future customers of the sector – average rents are double that of the social rented sector and security of tenure is a concern for tenants. For some households the sector is not viewed as a pro-active choice when compared to other housing options;
- There is evidence of landlords exercising discretion in relation to tenants that they will accept with, for example restrictions applied to those in receipt of housing benefit and homeless households;
- There is a degree of support evident for a social housing sector led management service for private landlords;
- Greater reliance on the PRS to meet housing need will require the creation of a more favourable institutional investment framework and innovative models to deliver on the supply side; and
- Across the board in Glasgow stakeholders and landlords preferred policy options tend to focus on improved management, regulation, enforcement in relation to poor property condition and improved advice, support and housing options services for tenants.





## 1 Introduction

Glasgow, situated in the West Central Belt of Scotland and with a population of around 600,000, is Scotland's largest city and the commercial capital of Scotland. In November 2014, Glasgow City Council commissioned Arneil Johnston to deliver an extensive research study on the role of the private rented sector (PRS) in meeting housing need in Glasgow.

The project will be used to inform the further development and implementation of Glasgow's Housing Strategy, the approach to Housing options in the city and to help inform the strategies of landlords and investors in the city. On this basis, the primary research aim for the study is as follows:

Glasgow City Council wants to understand the capacity of utilising the PRS to meet housing needs in the future and to establish whether the sector is likely to be able to play a long-term role in meeting these needs.

Aligned to this aim, the Council is keen that research should deliver genuine insight into the operation of the sector by exploring:

- Who uses the PRS in Glasgow and why?
- Is the PRS successful in meeting housing need?
- How long do customers stay or want to stay in the sector?
- How can the PRS in Glasgow grow and improve?

### 1.1 Background - Impact of Growth of PRS at a National Level

There is widespread agreement amongst policy makers, housing providers and professional bodies that there is a need for significant change in the PRS given the challenges currently placed upon the sector that will impact on its future operation, quality and role. A major driving factor for change is the recent and projected rapid growth of the sector.

Almost 1 in every 5 properties in Glasgow are privately rented, resulting in a diverse sector with a wide range of housing offerings and rent levels. Current forecasts suggest that the number of households within the PRS will continue to rise over the next decade, with a range of factors fuelling growth including:

- the global financial crisis of 2007-2008 and associated lending restrictions in place from the UK banking sector;
- limitations on the capacity and growth of the social rented sector in Scotland;
- increased need for flexibility and labour mobility underpinning economic recovery and growth;
- a push from policy makers (both at a Scottish and UK level) to invest in the PRS;
- increasing levels of net in-migration
- demographic projections and a net growth in the number of households (creating a requirement for approximately 20,000 additional homes in Scotland per annum); and
- rising house prices in relation to earnings and increasing housing affordability issues.

Glasgow City Council's research focus is wholly in accord with the wider public policy agenda and reaffirms the objectives outlined within the Scottish Government's Strategy for the PRS (2013) entitled, "A Place to Stay, A Place to Call Home". This PRS Strategy provided a national framework for the changes that would be necessary to deliver a well-functioning PRS in the short, medium and longer term.

On this basis, it is anticipated that this research will inform the future transformation of the PRS in Glasgow offering a rare but essential insight into the preferences of tenants, landlords and stakeholders alike.

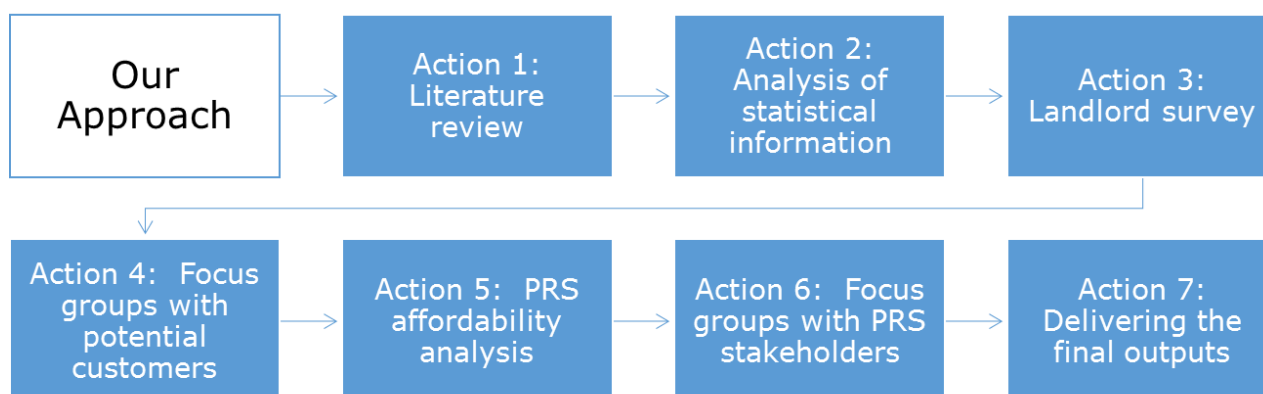
## 1.2 Research Aims & Objectives

The overall aim of the project is to provide Glasgow City Council with credible and robust research intelligence so that they can align policy and investment strategies to the needs and aspirations of future PRS customers. It is anticipated that the research outcomes will be used to influence decision makers both locally and nationally.

This aim of establishing the extent of private rented capacity to meet housing need was broken down into a number of specific research objectives as follows:

- To establish what housing needs can be met through the PRS across a range of housing providers;
- To understand the impact of utilising the PRS for housing options clients on this aspect of the PRS, household behaviours and the wider housing system;
- To establish the profile of households who could live in the PRS who otherwise may have been housed in the socially rented sector;
- To understand the views and expectations of potential PRS tenants of living in the PRS;
- To establish what support and assistance will be required by potential PRS tenants in order to maximise tenancy sustainment;
- To establish the affordability of the sector, particularly to households in housing need/housing options customers;
- To assess the level of landlord and letting agent interest in participating in PRS access schemes (e.g. social letting agencies, PSL schemes);
- To establish the considerations for ensuring a well-managed, good quality PRS offering; and
- To understand whether or not a social letting agency/model approach is feasible in the Glasgow context.

In order to meet these objectives, Arneil Johnston designed the following seven stage research methodology:



This research report brings together the outcomes and findings from all of these strands of activity, including:

- A credible evidence base on current thinking and best practice in relation to PRS improvement and growth;
- Intelligence on the extent and nature of housing need in the PRS in Glasgow and the extent to which the operation of the sector delivers effective outcomes for those who rely on it;
- Statistically robust primary research intelligence on the extent and nature of the PRS from landlords across the City including insight into tenancy portfolios, management, access, demand, profitability and future intentions;
- Analysis of the current experiences, expectations and aspirations of PRS tenants including PRS affordability issues, unmet housing need, welfare reform and tenancy support issues;
- Analytical modelling to determine the extent and nature of PRS affordability across the City relative to other tenures and household incomes; and
- A recommended bank of policy interventions for growth and improvement from a diverse network of PRS stakeholders.

### **1.3 Project Timescales and Steering Group**

The research and analysis was carried out between July 2014 and June 2015.

A Steering Group directed the commissioning, market research, technical analysis and stakeholder consultation processes associated with this study. The Steering Group consisted of the following representatives:

- Steve McGowan, Group Manager – Strategy: Glasgow City Council;
- Brian Carroll, Principal Officer – Housing Intervention and Support Team: Glasgow City Council;
- Lindsay Forrest, Principal Officer: Glasgow City Council
- Les Milne, Project Officer – Housing Strategy: Glasgow City Council;
- Catherine Wilkie, Housing Options Manager: Wheatley Group;
- Gary Quinn, Policy Officer - Social Work Services: Glasgow City Council;
- Marion Gibbs, Leader – Homelessness Team: Scottish Government;
- David Bookbinder, Director: Glasgow West of Scotland Forum;
- Anne Halsey, Director: Scottish Association of Landlords; and
- Mary Taylor, Chief Executive: Scottish Federation of Housing Associations.

The Steering Group was responsible for all methodological development, validation and auditing of analysis compiled in relation to each of the research outcomes. This process was facilitated by a series of Steering Group meetings where research questions were examined and emerging findings scrutinised.

## 2 Literature Review: Role of the Private Rented Sector in Meeting Housing Need in Glasgow

A key building block of the research methodology was analysis of current literature on the role and evolution of the PRS in order to identify and prioritise best practice material and research intelligence on:

- The public policy agenda for the PRS;
- The PRS and the economy;
- Welfare reform and the PRS;
- PRS as a Housing Options tool; and
- Improving access to the PRS.

The analysis evaluates recent policy, research and practice evaluation on the role of the private rented sector in meeting housing need; identifying mechanisms and interventions that have particular relevance to Glasgow's housing system context and strategic objectives.

### 2.1 Key Outputs

In performing the literature review, Arneil Johnston performed extensive analysis of all relevant research papers, recommended practice and policy analysis, assembling a comprehensive bibliography of current thinking, research and evaluation material on utilising the PRS to meet housing need.

This analysis focused on UK examples as well as international models of PRS delivery, management and investment. The detailed outputs have been hyperlinked to this document and can be accessed below:

[Literature & Best Practice Review](#) (Appendix A)

[Literature & Best Practice Review: Key Findings Presentation](#) (Appendix B)

### 2.2 Learning Points

The literature and best practice review is instrumental in assembling a policy and practice evidence base which presents the latest thinking on the evolution, operation and role of the sector. This research base provides a strong research foundation for examining product, practice and delivery mechanisms for meeting housing need through the PRS. Key learning points in relation to PRS operation, growth and improvement are set out in the following sections.

#### 2.2.1 Role & Capacity of the PRS to Meet Housing Need

It has become increasingly evident that the role of the PRS has changed in recent years and that a variety of wider circumstances have led to the requirement for the sector to take an increased role in addressing the challenge of housing need throughout Glasgow and the rest of Scotland.

Current thinking, research, policy and evaluation material on utilising the PRS to meet housing need would suggest that a number of issues and interventions should be carefully considered in order to support the growth and improvement of the sector across Glasgow.

Firstly, like the patterns of recent years, the PRS will continue to grow in line with a range of economic, demographic and housing system factors. It has become clear that the PRS is becoming an increasingly diverse sector which caters for a variety of client groups, including families, with many requiring greater



security of tenure. The limited availability of available social rented housing, along with the economic downturn resulting in fewer households being able to afford their own home, has led to the PRS having to take greater responsibility for meeting housing need.

In order to ensure that the sector can continue to meet housing need in the future, greater innovation in relation to funding mechanisms is required in order to generate greater volumes of new build supply across the City. There is currently no equivalent in Scotland of the 'Build to Rent' fund which is now in its second round in England.

In addition to this, welfare reform has also had a significant impact on the affordability of the PRS. As the sector traditionally has higher rent levels in comparison with social rented properties, there has been increased concern from commentators that, despite the increased role of the sector, more work needs to be done in order for the sector to meet the housing needs of the most vulnerable in society.

A greater focus on tenancy and financial sustainment for low income and vulnerable households is required in order to promote accessibility and affordability of the sector. The role of shared tenancies could be an important factor depending on an improved supply of larger PRS homes, particularly for single adults given that the age limit for the single room rate for housing benefit has increased from 25 to 35.

From the evidence provided above it is clear that, given the ever-increasing role of the PRS, more work needs to be done in order for the sector to realise its full potential and address the challenge of meeting housing need. Having said this, with appropriate levels of innovation, it is clear that the sector will continue to play a significant role in addressing the housing challenge across Glasgow.

### **2.2.2 The PRS & the Needs of Housing Options Customers**

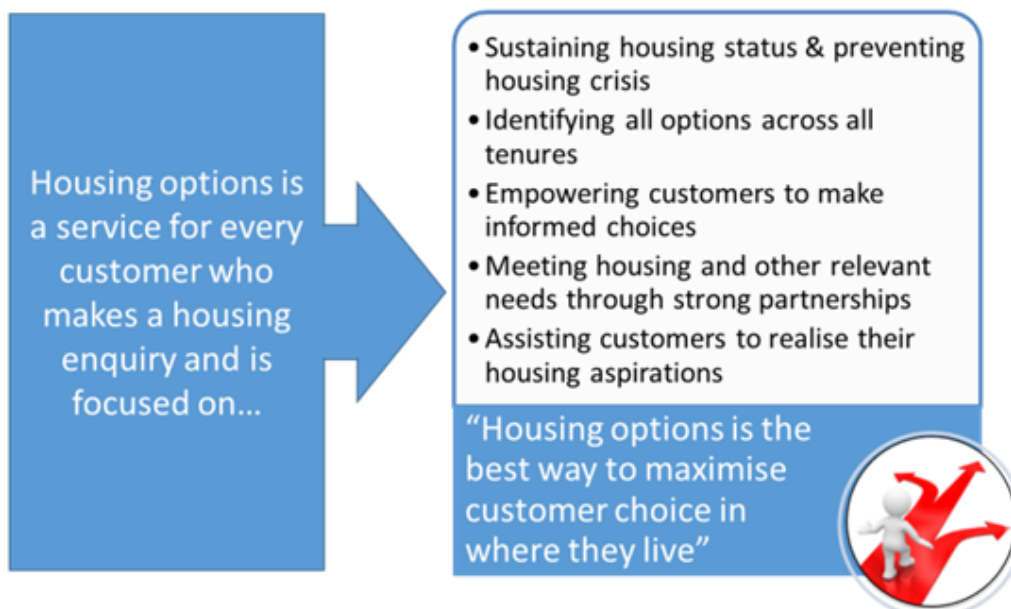
Homelessness prevention has been a major aspect of the national housing agenda for over a decade, with a significant drive in recent years towards a housing options approach to achieving the abolition of priority need in Scotland.

The housing options agenda builds on a successful decade of activity in England, which has delivered major improvements in the rate of homelessness prevention by promoting the principles of customer choice, informed decision making, addressing housing **and** underlying needs, and proactive tenancy sustainment.

Both Glasgow City Council and Glasgow Housing Association (GHA) are members of the West of Scotland Housing Options Hub. Membership to the West Hub very much coincides with the local authorities which comprise the Glasgow and Clyde Valley Strategic Development Planning Authority. The West Hub has developed a joint protocol which sets out a shared definition of housing options that will guide partner activity at a local level.

Based on this vision, the Glasgow housing options model is focused on the delivery of a comprehensive front line advice and support service for any customer who makes a housing enquiry. The service offers a range of interventions, tailored to the individual, which aim either to prevent homelessness or promote successful tenancy sustainment. There are currently 12 community based and regional associations participating in the North West Glasgow Housing Options pilot, and housing options is beginning to be rolled out in other parts of the City.

The pilot model in Glasgow has been based on the following vision for housing options defined by the West of Scotland Hub



The success of PRS access schemes in other parts of the UK, including rent deposit schemes and social lettings agencies, means that there is also significant potential for them to be incorporated in Glasgow in line with the delivery of a person-centred housing options approach.

#### Key messages in relation to the PRS as a Housing Options Tool:

- There are clear benefits associated with delivering a PRS access scheme within a wider approach to housing options, including:
  - Improved choice and accessibility for housing seekers;
  - A partnership approach to meeting need and promoting tenancy sustainment between public and private sector landlords; and
  - Cost efficiencies in relation to proactive homelessness prevention (of up to £1,400 per homeless client) in relation to temporary accommodation and support.
- A number of best practice characteristics have been identified which deliver good outcomes for both tenants and landlords and should be considered within the launch of any PRS access schemes, including:
  - Tenant access criteria;
  - Tenant training and person-centred support;
  - Personalised services from both a tenant and landlord perspective; and
  - Strong partnership approach to tenancy start up and management.
- Enabling access to the PRS will improve the choice and potentially sustainment outcomes of housing options customers by extending the range of accessible options beyond reliance on the social rented sector.



### 2.2.3 Improving Accessibility & Affordability of the PRS

Increasing access to the PRS for low income households will be an essential aspect of any strategy focused on improving the operation of the local housing system. The Local Housing Strategy (LHS) for Glasgow will be no different. The limited availability of housing options for low income households is exacerbated by a complex interaction of factors.

Arguably the key challenge associated with increasing access to the PRS is the issue of affordability. In 2014, Shelter and Crisis performed research to establish the issues low income tenants faced when living in the PRS, with affordability emerging as one of the most significant problems.

Some key examples of recommendations which were highlighted in the report include the increasing need for low-income households to access financial support when required through means of a guaranteed deposit and the need for high-quality PRS access schemes in order to increase the sector's accessibility (as mentioned in the section above).

In addition to this, there is an increasing need for the sector to meet the needs of families and other household groups currently excluded from social housing and owner occupation. As the homelessness charity Shelter (2012) explains, private renting is no longer the domain of highly mobile students and young people". It is also projected that the number of families requiring accommodation in the sector will continue to grow.

In order to support the PRS in delivering sustainable options for new consumer groups, there is an argument for further tenancy options beyond the standard Short Assured Tenancy (SATs). The Scottish Government has recently engaged in consultation on a "new tenancy" regime for the PRS which would replace the current assured tenancy system for future lets in order to provide a more secure tenancy option for those seeking longer term security.

#### Key messages in relation to increasing access to the PRS:

- Positive partnerships between local authorities and private landlords are essential in delivering effective PRS access schemes, which address affordability barriers both at tenancy inception and beyond;
- Ensuring long-term services (such as financial, support, etc.) are available to vulnerable tenants within the PRS will make the sector more attractive and viable for low income households; and
- The Scottish Government creating a new tenancy for the PRS will provide an enhanced security of tenure for those who require long-term accommodation, i.e. the PRS will become more accessible to families.

### 2.2.4 Economic Recovery, Welfare Reform & the PRS

As outlined in the Scottish Government's Strategy for the PRS, current economic conditions pose a major barrier to maintaining growth and investment within the sector. There is no doubt that the UK financial crisis of 2007-2008 has contributed to the growth of the sector in recent years but it has also created simultaneous barriers to investment given current budget constraints and pressures.

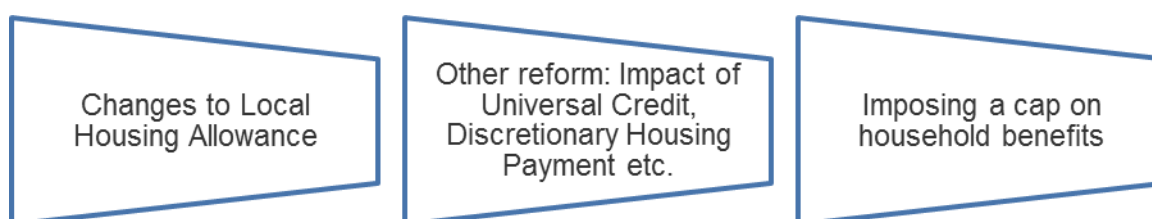
Despite the PRS's significant growth in recent years, the investment potential of the sector has yet to be realised fully and more large scale institutional investment is required in order for its potential to be achieved.

Undoubtedly, global economic recession and public austerity will limit the growth of the PRS over the next decade. In order to tackle this, both national and local governments need to adopt innovative approaches and use non-traditional sources of funding to boost supply within the PRS and boost economic recovery.

Having said this, Glasgow has been proactive in delivering a variety of innovative approaches for boosting funding within the PRS (which will ultimately aid economic recovery) using lower levels of grant subsidy. These have included, for example, Glasgow's Special Purpose Vehicle for the Transformational Regeneration Areas, and the Public Private Partnership used to deliver the Commonwealth Games Village.

Another significant issue for low income households who are reliant on benefit payments and the PRS to meet their housing need are the recent changes to welfare reform which have been implemented by the Conservative/Liberal Democrat coalition in 2010, and subsequent Conservative administration in 2015.

Some of the most significant welfare changes which have directly impacted the affordability of the PRS include:



In order to address the challenge of affordability and accessibility for low income households, both landlords and prospective tenants must be realistic about where current and potential tenants can reasonably hope to live and what type of housing is on offer, in order to promote tenancy sustainment within restricted financial parameters.

**Key messages in relation to the PRS and the economy that should influence future business strategy include:**

- Securing long-term financial investment and adopting innovative approaches to the financing and delivering of new PRS supply will be vital to the future growth of the PRS;
- Looking at the successes of schemes in other countries, such as the “Build to Rent” scheme in England, may be an option for the Scottish Government or local government sector as a policy mechanism to increase supply and aid wider economic recovery; and
- National and local government in Scotland should provide more incentives to prospective investors to allow the PRS to grow.

**Key messages in relation to the PRS and welfare reform:**

- Increased communication between tenants and landlords is required in order to manage housing expectations and assisting low income and vulnerable households to access the PRS, given the impact of welfare reform on:
  - Rental affordability, primarily through changes to LHA rates and the benefits cap; and
  - PRS access, primarily through the extension of the single room rate from those under 25 to those under 35.
- The implementation of Universal Credit may mean that a greater focus on budgeting and financial management is needed for prospective PRS tenants, whilst landlords will require to carefully assess the risks associated with direct payments; and



- Increasing the supply of larger homes, suitable for shared accommodation, is vital in ensuring that demand is met for the increased number of single people on lower incomes as a result of the changes to LHA rates and the extension of the single room rate to people under 35.

## 2.2.5 Improving the Management & Quality of the PRS

In recent years, policy makers and professional bodies alike have concluded that a review of the PRS in Scotland was needed in the context of significant change within the sector. It is widely recognised that, despite the negativity which is often associated with the PRS, the sector is becoming an increasingly important element of the Scottish housing system.

In line with the Scottish Government's public policy agenda, the Chartered Institute of Housing (CIH) Scotland, in its report "Spotlight on the Private Rented Sector in Scotland" (2013), recommended that there is a shift from voluntary to statutory regulation of the sector in order for the Scottish Government to work with the sector to regulate poor landlords that "blight" its reputation.

The Scottish Government have reaffirmed the importance of this recommendation in their strategy for the PRS, "A Place to Stay, A Place to Call Home" (2013) in which one of their strategic aims is "to improve the quality of property management, condition and service". A number of key challenges were identified including tackling the minority of landlords and tenants who act unlawfully or antisocially (similarly to the view of CIH Scotland expressed above) and establishing a regulatory framework which works for both tenants and landlords which ensures standards and quality whilst also maximising the affordability and growth of the sector.

In order to deliver these national aims for the sector, partnership working at all levels (national to local) will be essential in taking this agenda forward in order to share innovative ideas across public and private sectors and interests.

### Key message in relation to the PRS improvement agenda:

- There is a need for improvement of management standards (which will help to regulate landlords) and the quality, condition and energy efficiency of PRS housing.

## 2.3 Literature Review: PRS Strategy Issues

Current thinking, research, policy and evaluation material on utilising the PRS to meet housing need would suggest that the following issues and interventions should be carefully considered to support sector growth and improvement in Glasgow:

Meeting Housing Need: Continued Growth of PRS	Securing long term investment and innovative funding mechanisms in new supply will be essential in realising the sector's potential to meet housing need
Meeting Housing Need: Changing Consumer Demand for the PRS	<p>A greater diversity of house types will be required to emerge in the PRS portfolio</p> <p>The need for long term, more secure tenancy options should be encouraged</p>



<b>Welfare Reform &amp; the PRS: Impact on Accessibility &amp; Affordability</b>	Interventions to secure tenancy and financial sustainment will be a component to enable vulnerable households to improve the sector
	The role of shared tenancies could be an important factor depending on an improved supply of larger PRS homes
<b>Accessibility &amp; Affordability: Benefits of PRS Access Schemes</b>	Accessibility, sustainment and cost efficiencies could be secured
	Could stimulate shift in resources towards prevention as part of the public sector reform agenda

### 3 Statistical Review: PRS Demand and Supply in Glasgow

As well as a best practice review, extensive analysis of secondary data was performed as part of the research study in order to assemble and understand the profile of the PRS across Glasgow.

In order to address the research question of “*what housing needs can be met through the PRS?*” and to build the statistical profile of the extent and nature of PRS accommodation across Glasgow, Arneil Johnston analysed all available data and information sources such as:

- Landlord registration data and statistics;
- LHA application records: rents & property profile data;
- Rent deposit guarantee/Houses in Multiple Occupation (HMO) scheme records & statistics;
- PRS data from Scottish House Condition Survey, Neighbourhood Statistics & Household Surveys;
- Data from accommodation offices of universities/other public bodies, etc.;
- Housing Need & Demand Analysis (HNDA) information & analysis including PRS census profile analysis;
- Housing options database;
- Registered Social Landlord (RSL) Waiting List records/Homelessness Statistics (HL1) on those currently residing in or leaving PRS; and
- PRS tenant/customer enquiry data from private landlords such as Lowther Homes plus letting agents.

Analysing all of the available data and information has provided a clear insight into the operation and role of the PRS in Glasgow.

The key outputs associated with this analysis have been hyperlinked to this document and can be accessed below:

[Statistical Analysis Databook](#) (Appendix C)

[Statistical Analysis Briefing](#) (Appendix D)

[Statistical Analysis Presentation](#) (Appendix E)

#### 3.1 Learning Points

By analysing an extensive range of secondary data in relation to the profile of the PRS in Glasgow, an extensive evidence base has been assembled which highlights the extent, nature and operation of the sector across the City and the extent to which housing need is and can be met. Key learning outcomes on the current profile of the PRS across Glasgow are profiled in the following sections.

#### 3.2 Role & Capacity of the PRS to Meet Housing Need

In terms of the extent to which the PRS currently meets housing need across Glasgow, which is the primary focus of this research, a variety of key headlines have emerged.

### 3.2.1 Size & Location of the PRS in Glasgow

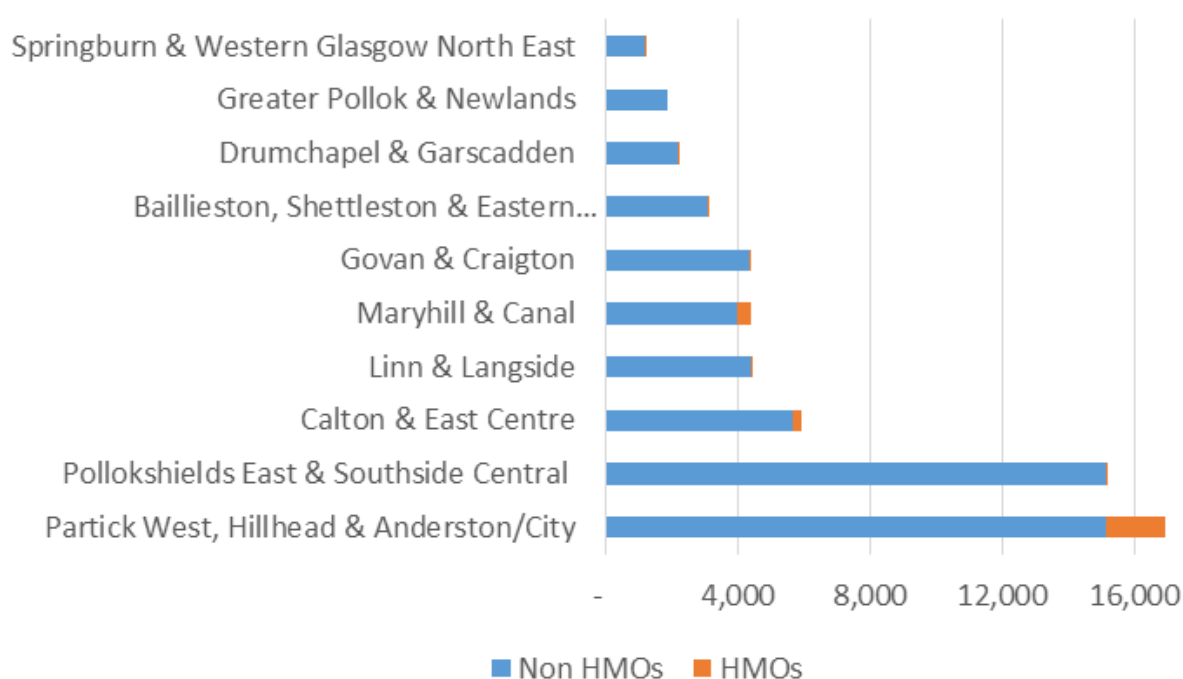
The headlines on the current size and location of the PRS in Glasgow have been assembled from:

- Scottish Household Survey, 2014;
- Glasgow Landlord Registration Service; and
- Glasgow City Dwelling Estimates, 2014.

In terms of the size of the PRS, taken together, these sources indicate that there are between 57,000 and 60,000 PRS dwellings (including HMOs) throughout Glasgow. Approximately 20% of the overall housing stock in Glasgow is PRS, so one in five households currently live in the PRS compared with 13% for the whole of Scotland in 2013.

In terms of the location of the PRS in Glasgow, over half of the entire PRS stock (56%) is located in Partick West, Hillhead, Anderston/City, Pollokshields East and Southside Central indicating that there is a high degree of area concentration of the sector.

### Registered and Licenced Properties

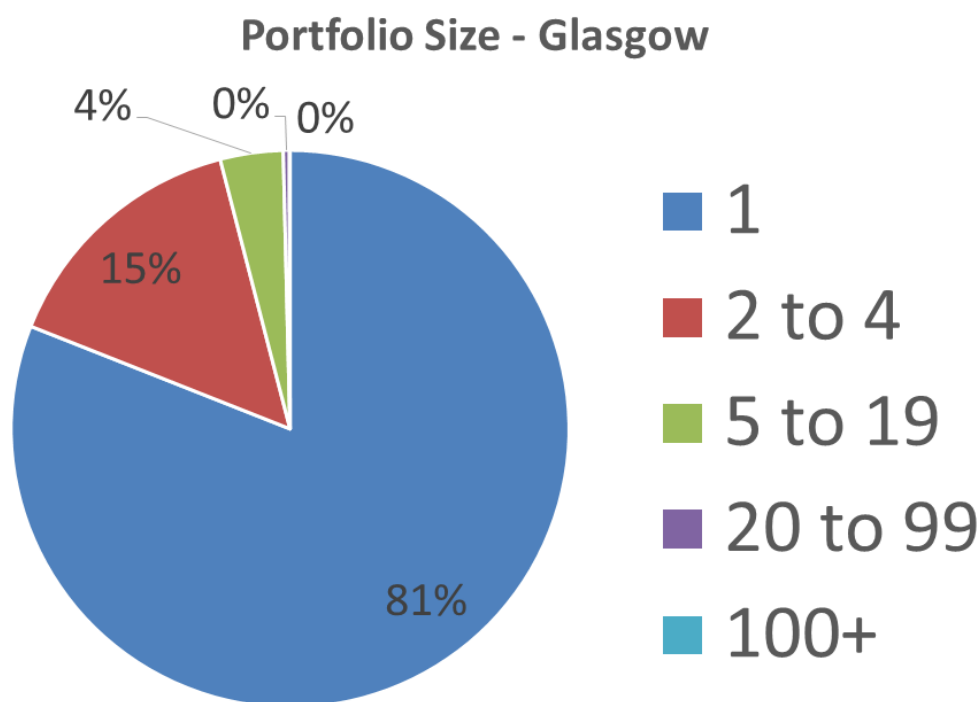


**Graph 3.1: Registered and Licensed Properties by Area (Landlord Registration Service)**

Further analysis into the socio-economic profile of these areas highlighted that 65% of dwellings with a student council tax exemption were located on the north side of the river from the city centre heading west. These areas are: Anderston & City, Partick West, Hillhead, Calton and Canal.

### 3.2.2 How Large are Landlord Portfolios?

There are a number of characteristics that define the landlord population operating in Glasgow. One of the most significant headlines is that the vast majority of landlords (81%) only have one property in their portfolio. This accounts for approximately 28,000 properties across the City.



**Graph 3.2: Landlord portfolio sizes in Glasgow (Landlord Registration Statistics)**

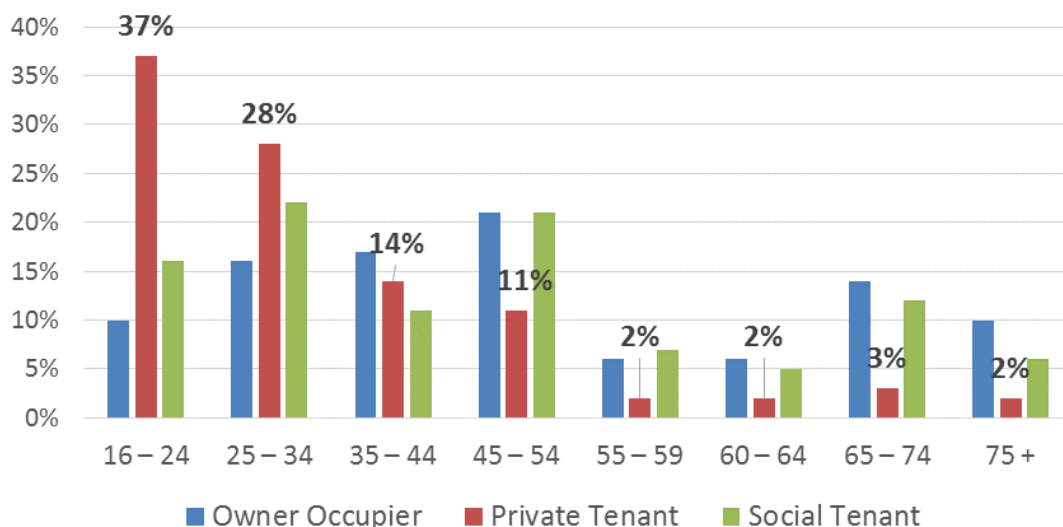
The above graph highlights that less than one quarter of landlords have two or more properties in their portfolio with only thirteen applications made for a landlord to register 100+ properties. Therefore, the majority of landlords are likely to be “accidental” or “pension investors”.

### 3.2.3 Age & Employment Profile of PRS households

The Glasgow Household Survey 2014 provides snapshot of the age and employment profile of PRS tenants, as well as households across other tenures in the City.

As shown below, the Glasgow Household Survey results show that more than half of households living in the PRS in Glasgow are under the age of 34 (65%). The particularly high proportion of households under the age of 24 could perhaps be reflective of the student population in the City. In contrast, there is a greater proportion of older households – particularly those aged over 65 – living in a property they own or in the social rented sector than the PRS.

### Age Profile by Tenure



**Graph 3.3: Age profile of Glasgow households by tenure (Glasgow Household Survey)**

There are distinct patterns in the employment profile of households in the PRS, according to the Glasgow Household Survey. 41% of PRS tenants are in full time employment (compared to 21% of social rented sector households in the City). Approximately 1 in 4 PRS households in Glasgow are students; a much higher proportion than both those who own their property (6%) or are in social housing (6%).

#### 3.2.4 Students & the PRS

As Scotland's largest city, and as a centre for higher education, it is expected that students will exert a significant influence on the private renting market across the City.

Analysis of council tax exemptions indicate that there are approximately 8,500 students who are tenants of private landlords in Glasgow, which represents 15% of the overall sector. This figure is somewhat less than the 24% estimate which was suggested by the Glasgow Household Survey.

It is clear that students exert a considerable influence on the PRS in certain parts of the City, but the sector caters for a much wider range of households than just students.

### 3.2.5 HL1 Applicants & the PRS

Following the analysis of Glasgow City Council's HL1 data for 2011/12 to 2013/14, it is clear that there is a definitive link between households living in the PRS and the number of homelessness presentations to the Council.

From the available data, substantial numbers of HL1 presentations came from households within the PRS. In line with the growth of sector, the number of households leaving the sector to make a homeless application has grown from 12% in 2010/11 to 14% in 2013/14. Given that the sector accounts for approximately 20% of all households living in the City, these statistics would suggest a lower proportion of housing outcomes end in homelessness in the PRS than in other tenures.

The recently announced Private Rented Tenancies Bill seeks to remove the 'no fault' ground for repossession, meaning a landlord can no longer ask a tenant to leave simply because the fixed-term has ended, which may impact on the number of homeless presentations from PRS tenants, further reducing the proportion of presentation from the sector.

Despite the implementation of housing options in 2012, the number of homeless households accessing the PRS as a housing outcome has remained fairly static at just 3%. Clearly the PRS given its role in meeting housing need in the City has not been fully capitalized on as a resource within the housing model.

Year	Total HL1	Came From PRS	% from PRS	Went to PRS	% to PRS
2010/11	10,422	1,263	12%	314	3%
2011/12	9,214	1,352	15%	230	2%
2012/13	8,299	1,265	15%	219	3%
2013/14	6,652	940	14%	208	3%

*Table 3.1: Analysis of HL1 returns (Glasgow City Council HL1 Data, 2011/12 to 2013/14)*

### 3.2.6 Asylum Seekers & the PRS

Since March 2012, Serco have been contracted to provide asylum support services across Glasgow with its subcontractor, Orchard & Shipman. Information supplied to Glasgow City Council by Serco and Orchard & Shipman provides detailed analysis of where asylum seekers most commonly live in the City.

The table below highlights the top five former CPP areas with a higher concentration for the housing of asylum seekers than the Glasgow average.

Glasgow City	<b>0.5%</b>
Calton & East Centre	2.3%
Govan & Craigton	1.7%
Maryhill & Canal	1.3%

Baillieston, Shettleston & Greater Easterhouse	1%
North East	0.8%

**Table 3.2: Top five former CPP Areas with a higher proportion of addresses for the housing of Asylum Seekers than the Glasgow average**

As can be seen from the table above, asylum seekers in Glasgow are predominantly concentrated in Calton & East Centre (2.3%) which is over four times higher than the percentage for the City as a whole (0.5%). As highlighted in Graph 3.1 above, Calton & East Centre has the third highest level of concentration of PRS stock when compared with the remainder of the former CPP areas which may provide a reason as to why there is a significant proportion of asylum seekers in this area.

In addition to this, the significant number of asylum seekers living in Glasgow (particularly in the highly populated areas highlighted in Table 3.2 above) will have a significant impact on demand levels for PRS housing in these areas and result in increased competition for available lets, placing more pressure on the sector to meet housing need.

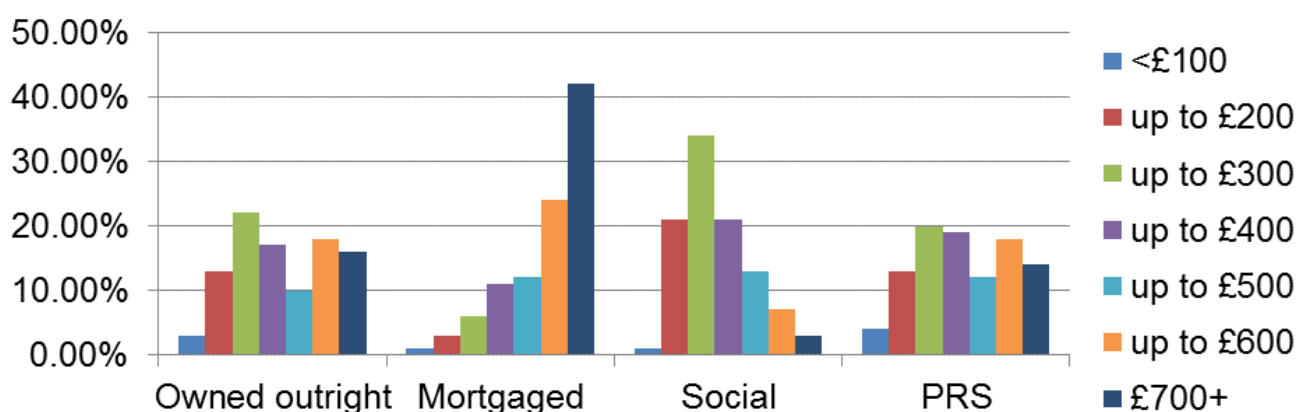
### 3.3 Improving Accessibility & Affordability of the PRS

In terms of the accessibility and affordability of the PRS in Glasgow, data has been analysed from the Scottish House Condition Survey in order to compare housing sectors across Glasgow.

#### 3.3.1 Income Levels of PRS Tenants

Based on the Glasgow sample of the Scottish House Condition Survey (SHCS) (2013), the average income of PRS tenants is approximately £20,300. This is less than those who own their own home (£25,900) but significantly higher than the average incomes of social housing tenants (£14,700).

The graph below shows the income levels for each tenure across a range of weekly income levels. For example, it can be seen that more than 40% of households with a mortgage have an income of more than £700 per week; compared to just over 10% of private rented sector households.



**Graph 3.4: Weekly Income Levels (Scottish House Condition Survey, 2013)**

Given the fact that income levels within the PRS are significantly lower than those who own their own home, this may indicate that those households within the PRS are more likely to be in receipt of benefits meaning they could be subject to higher levels of social deprivation.

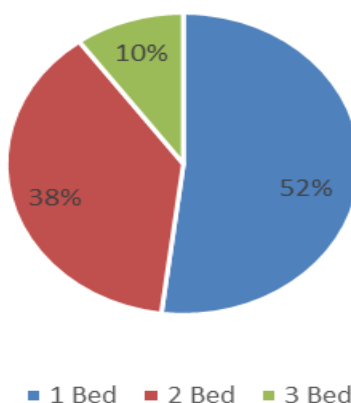


### 3.3.2 What Household Types Benefit from RDGS?

Likewise with many parts of Scotland, Rent Deposit Guarantee Schemes (RDGS) make an important contribution to supporting access to the PRS. RDGS in Glasgow are small compared to the overall size of the PRS with only 66 current live cases with the service in the City.

Although a substantial number of property sizes were not recorded or unknown, it is unsurprising that of the 42 which were recorded, the vast majority were one or two bedroom properties.

RDGS Property Size



Graph 3.5: RDGS Property size analysis (Glasgow RDGS service)

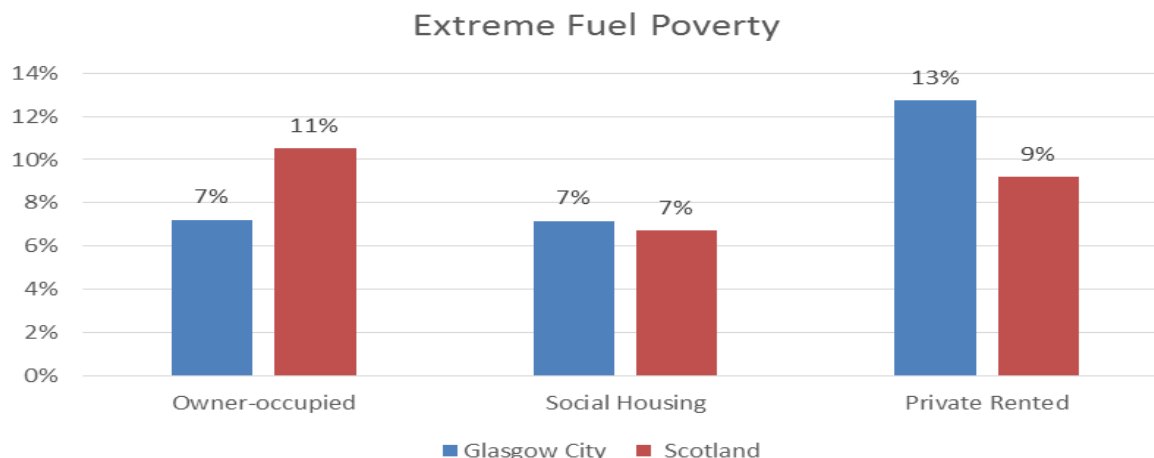
Despite the small scale of RDGS cases currently operating in Glasgow, the Scheme still makes a valuable contribution to the sector for those in housing need.

### 3.4 Improving the Management & Quality of the PRS

In terms of the experiences of PRS tenants, one of the key headlines which emerged from the desk based analysis was the issue of extreme fuel poverty. According to the Scottish House Condition Survey, “a person is living in fuel poverty if, in order to maintain a satisfactory heating regime, they would need to spend more than 10% of their household income on all household fuel use”. Extreme fuel poverty is where a household spends more than 20% of their income on fuel.

A substantial section of PRS tenants have issues with heating their home. However, the SHCS indicates that Glasgow has a lesser problem with this (27%) in comparison to Scotland as a whole (31%). In addition to this, there appears to be substantially less experiences of fuel poverty in the PRS (27%) in comparison to the social rented sector (43%) in Glasgow.

Having said this, a substantial proportion of PRS tenants in Glasgow are in extreme fuel poverty (13%) which is substantially high when compared with the rest of Scotland (9%).



*Graph 3.6: Extreme fuel poverty – Glasgow vs. Scotland (Scottish House Condition Survey, 2013)*

### 3.5 Statistical Analysis: PRS Strategy Issues

Statistical analysis on the extent, nature and operation of the sector in Glasgow should be carefully considered to support strategies to stimulate growth and improvement:

<b>Meeting Housing Need</b>	<b>There are between 57,000 and 60,000 PRS dwellings in Glasgow</b>
	19%-20% of the housing stock in Glasgow is PRS (13% for Scotland)
	56% of the PRS stock is concentrated in 5 sub-areas: Partick West, Hillhead, Anderston/City, Pollockshields East & Southside Central
	Areas with greater deprivation levels are likely to have a lower incidence of PRS stock
	The vast majority (81%) of landlords have only one property
	Only 13 applications have been made to register 100 or more properties
	The number of households leaving the sector to make a homeless application has grown from 12% in 2010/11 to 14% in 2013/14. Given that the sector accounts for approximately 20% of all households living in the City, these statistics would suggest a lower proportion of housing outcomes end in homelessness in the PRS than in other tenures.

Accessibility & Affordability	Incomes in the PRS are £20,300 (SHCS, 2013). This is less than in owner occupation (£25,900), but higher than social renting incomes (£14,700)
	The Rent Deposit Guarantee Scheme is small but makes a valuable contribution as a means of access to the sector for those in housing need
Management & quality	There is less fuel poverty in the PRS (27%) than in the social sector (43%)
	A substantial proportion of PRS tenants in Glasgow (13%) are in extreme fuel poverty. This is substantially higher than for Scotland (9%)

## 4 Affordability of the PRS in Glasgow

As part of the research methodology, Arneil Johnston developed an analytical model to assess the affordability of the PRS across Glasgow (as well as other housing tenures and costs) relative to the value of local incomes. As agreed with the Project Steering Group, the affordability model was developed across 10 geographies within the City (former Community Planning Partnership areas).

The model works by benchmarking the value of local incomes (based on the CACI Paycheck income data as well as other income benchmarks) to the housing costs associated with the PRS and other tenures in the City. The affordability of these housing costs is established by testing a range of income to rent ratios (i.e. proportion of household income devoted to housing costs) against these cost values. The model profiles the number of households by income bandings across the 10 CPP areas in the City and automatically calculates the proportion of households who can afford each housing cost.

The key outputs associated with this analysis have been hyperlinked to this document and can be accessed below:

[PRS Affordability Analysis Outcomes Paper](#) (Appendix F)

[Affordability Analysis Databook](#) (Appendix G)

The sections below outline the housing costs and income benchmarks which have been used to test affordability in the City, and the outcomes from the analysis.

### 4.1 Inputs: Housing Costs

To establish rental values that represent the costs of the PRS, the model has been populated with average rents sourced by Citylets and from the Landlord Survey (See Chapter 5) which was carried out as part of this research. Within the model, the affordability of both datasets were assessed.

It should be noted that the assessment of affordability of the PRS throughout this report refers to **rental values only**. It does not include the costs associated with Council Tax, utilities or any other household expenses.

Details of the average rents for the PRS from both sources can be found hyperlinked above in the Affordability Outcomes Paper.

To establish rental values that represent the costs of social housing, the rents of all of the RSLs operating in Glasgow were assembled. Given the additional costs associated with care and support, specialist RSLs were excluded from the analysis. The average costs for a social rented property in Glasgow compared to the average PRS rents in the City is shown below.

Size	Social Rents	Difference to PRS (Citylets)		Difference to PRS (Survey)	
		£ difference	% difference	£ difference	% difference
1 bedroom	£266.62	<b>£214.79</b>	<b>81%</b>	<b>£218.20</b>	<b>82%</b>
2 bedroom	£296.86	<b>£349.97</b>	<b>118%</b>	<b>£283.48</b>	<b>95%</b>
3 bedroom	£330.98	<b>£551.16</b>	<b>167%</b>	<b>£399.90</b>	<b>121%</b>
4+ bedroom	£361.88	<b>£988.61</b>	<b>273%</b>	<b>£868.83</b>	<b>240%</b>
<b>Average</b>	<b>£296.52</b>	<b>£342.21</b>	<b>115%</b>	<b>£282.66</b>	<b>95%</b>

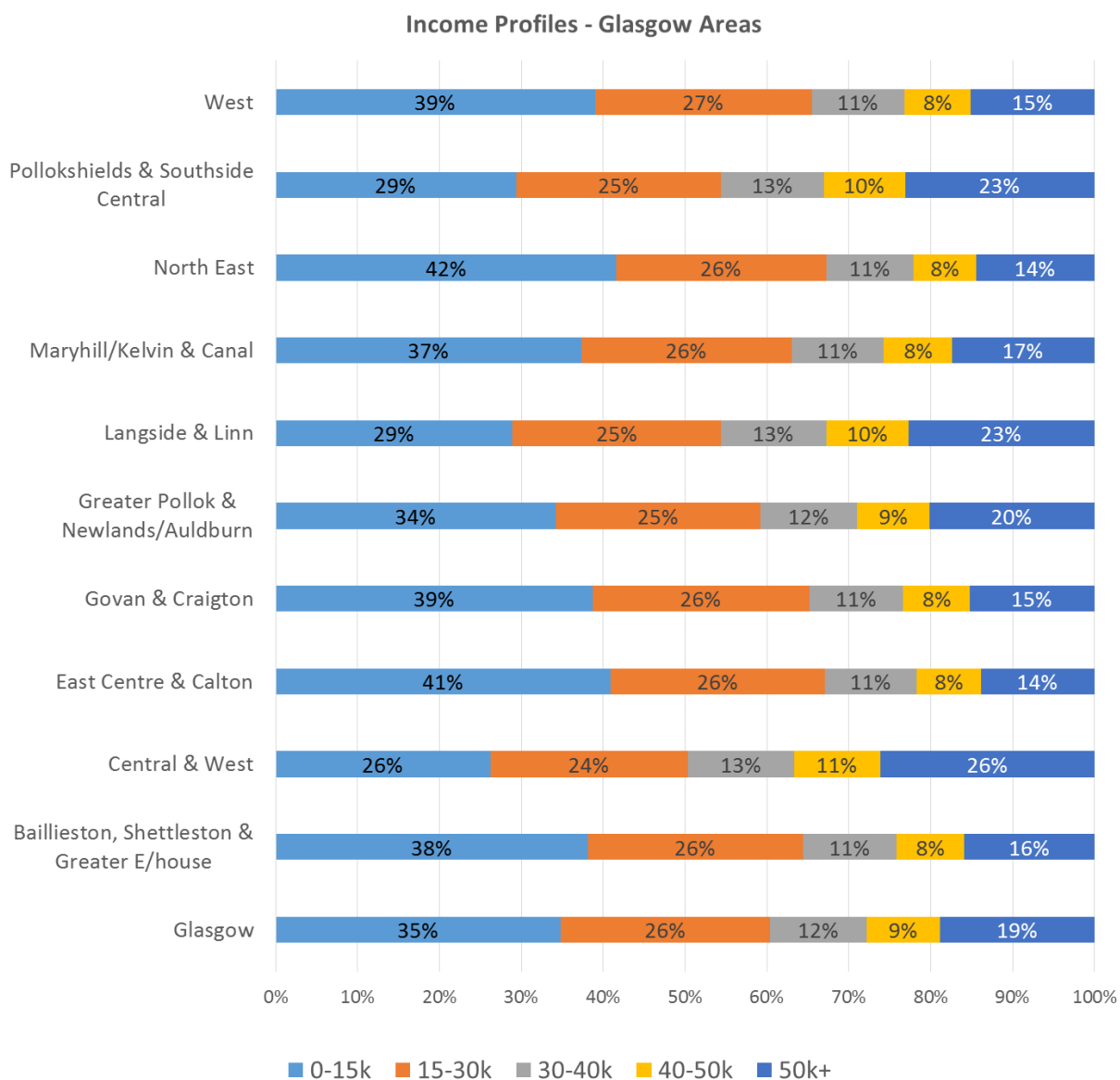
*Table 4.1: Average PRS monthly rents compared to social rents in Glasgow*

As shown above, there are considerable differences between the social rented sector and the PRS in terms of rental values. For example, the average rents derived from the Landlord Survey and the Citylets snapshot are 95% and 115% (respectively) higher than the average rent charged by RSLs in the City.

## 4.2 Inputs: Income Benchmarks

In order to establish the income profile of households in each area, analysis of the 2012/13 CACI Paycheck income data was performed. The CACI Paycheck data provides household income data for every postcode in the UK. On this basis, the income profiles for each of the 10 geographies takes into account households across all housing tenures, not just in the PRS.

This enabled an understanding of the level and distribution of incomes by standard income bandings to be established. The outcomes of this analysis can be seen in the graph below.



**Graph 4.1: CACI income profile for Glasgow (2012/13)**

Graph 4.1 above shows that income profiles do vary across the 10 geographies within the City. There does appear to be some correlation in certain areas however. For example, Central and West has the lowest proportion of households that have an income of less than £15,000 per annum, yet the highest proportion of households that earn more than £50,000. For North East, the opposite is true; this is where the greatest proportion of households earning less than £15,000 per annum (42%) and the lowest proportion of households earning more than £50,000 (14%) are located.

As well as CACI Paycheck, the affordability of the private rented sector in the City has also been tested against the following income benchmarks:

- Annual equivalent of someone earning the minimum wage - £11,830 (21 and over: £6.50 per hour) and living wage - £14,287 (outside London: £7.85 per hour);
- Average income of a private rented sector tenant in Glasgow - £20,300 (Scottish House Condition Survey, 2013);
- Average income of a private rented sector tenant in Scotland - £23,195 (Scottish House Condition Survey, 2013); and
- Average income of a UK undergraduate student - £10,931 (Department for Business, Innovation & Skills, 2013).

### 4.3 Outcomes: Affordability Analysis

In terms of the outcomes of the affordability analysis, the table below sets out the proportion of households that **CANNOT** afford market rents (based on both the Citylets snapshot and Landlord Survey results) as well as social rents. The affordability analysis is based on the CACI Paycheck income profile for 2012/13, and on the basis that households spend 30% of their income on their rent.

A detailed breakdown of the proportion of households that cannot afford each housing cost based on CACI Paycheck income profiles can be found hyperlinked above in the Affordability Outcomes Paper.

Based on the CACI Paycheck income profiles, between **50% and 54%** of households cannot afford the average PRS rents in the City. This varies across the geographies, with a greater proportion of households in East Centre & Calton, West and Govan & Craigton unable to afford the PRS rents in these areas; particularly in comparison to areas such as Langside & Linn and Pollokshields and Southside Central.

The income profile analysis also highlights the proportion of households in each area that would be unable to afford the average social rents in the City, which, for a 2 bedroom property, range between 19% in Central & West to 33% in North East. This is based on the income profiles for these areas which, as was outlined in the graph previously, are very different.

Using the income benchmarks outlined previously, a detailed breakdown of the proportion of income that an individual earning each of the benchmarks would need to devote to their rent to be able to afford private and social rents in Glasgow can be found hyperlinked above in the Affordability Outcomes Paper.

Based on the SHCS results, the average PRS tenant in Glasgow would have to devote **between 34% and 38%** of their income to be able to afford the average rent for a 2 bedroom property in the PRS. In comparison, they would only need to devote 18% of their income to be able to meet the costs of a 2 bedroom property in the social rented sector in the City.

Those earning the minimum or living wage would need to devote a considerably higher proportion of their income to meet the costs of the private rented sector in Glasgow. In terms of the minimum wage, for example, whilst they would need to spend 30% of their income to be able to afford the average social rent for

a 2 bedroom property, the proportion of their income they would need to devote to meet the costs of a similar sized property in the PRS would double (**59% - 66%**).

In terms of the average full time student, they would need to devote more than half of their income to be able to afford the costs of a 1 bedroom property in the City. However, the table above shows that, if the average student was sharing a 3 bedroom property and therefore only had to contribute to a third of the rental charge, they would need to devote between **27%** (landlord survey rents) and **32%** (Citylets rents) of their income.

#### 4.4 Comparison to Local Housing Allowance

The affordability model has also assessed the extent to which the Local Housing Allowance rates for Glasgow City Council (2014/15) cover the costs of the average PRS rents in the City.

The tables below outline the monthly surplus or shortfall across each of the 10 geographies – as well as Glasgow overall – when comparing the LHA rates to the average PRS rents from both Citylets (Table 4.2) and the Landlord Survey (Table 4.3).

Citylets				
Property size	1 bed	2 bed	3 bed	4 bed
LHA Rate (Monthly)	398.93	504.96	595.01	892.80
Glasgow	-82.49	-141.87	-287.13	-457.69
Baillieston, Shettleston and Greater Easterhouse	-1.46	9.15	-9.87	158.63
Central and West	-157.41	-287.74	-621.07	-743.06
East Centre and Calton	-47.41	-67.81	-177.80	-25.54
Govan and Craigton	-43.24	-52.37	-112.93	-77.70
Greater Pollok and Newlands/Auldburn	-24.84	-58.57	-26.66	-247.40
Langside and Linn	-42.35	-46.24	-41.94	-144.93
Maryhill/Kelvin and Canal	40.93	64.96	128.01	-1.20
North East	-32.80	8.52	14.45	-57.20
Pollokshields and Southside Central	-2.44	-45.59	-217.79	-37.87
West	-50.57	-61.34	-10.73	75.80

Table 4.2: Surplus or shortfall when comparing LHA rates to average PRS rents (Citylets)

Landlord survey				
LHA Rate (Monthly)	398.93	504.96	595.01	892.80
Glasgow	-85.89	-75.37	-135.88	-337.91
Baillieston, Shettleston and Greater Easterhouse	5.85	77.41	76.26	297.80
Central and West	-130.04	-160.63	-255.60	-427.20
East Centre and Calton	-69.34	-89.68	-68.56	-
Govan and Craigton	-30.24	-20.54	-4.99	-
Greater Pollok and Newlands/Auldburn	3.93	-47.26	-114.99	-
Langside and Linn	-51.75	-16.76	97.15	-
Maryhill/Kelvin and Canal	-107.89	-41.54	-48.74	-
North East	3.93	64.71	95.01	-
Pollokshields and Southside Central	-30.88	2.25	-169.99	-
West	-76.07	-18.79	-67.49	-

Table 4.3: Surplus or shortfall when comparing LHA rates to average PRS rents (Landlord Survey)

As shown in the tables above, for the majority of property sizes and geographies, the LHA rates do not meet the costs of the average rents in the City. Based on both the Citylets and Landlord Survey rents, the only areas where the LHA rate would cover the cost of the average rent are selected property sizes in Baillieston, Shettleston & Greater Easterhouse, North East and, to a lesser extent, Langside & Linn and Pollokshields & Southside Central.

In comparison, the greatest shortfalls – where a tenant in receipt of the full LHA would be responsible for making up the difference between the LHA and the rent charged – are in Central & West and East Centre & Calton.

#### 4.5 PRS Affordability Analysis: Strategy Issues

Analytical modelling on the extent and nature of PRS affordability in Glasgow should be carefully considered to support strategies to stimulate growth and improvement:

Accessibility & Affordability: PRS rent levels	<b>The average PRS rent in Glasgow ranges between £579 (landlord survey) to £684 (Citylets analysis)</b>
	Highest private rents are found in Central and West: £632
	Lowest in Baillieston, Shettleston & Greater Easterhouse: £428
	The average rent for the PRS is double that of social rents
	Generally LHA rates do not meet the costs of the average rents
Accessibility & Affordability: Income Profile of Glasgow Households	Income profiles across the City vary considerably
	1 in 3 households in Glasgow earn less than £15,000 per annum
	1 in 5 households earn more than £50,000 per annum
Accessibility & Affordability: Affordability outcomes	When devoting 30% of income to their rent, 50% of households in Glasgow cannot afford the average private rent
	On average, PRS tenants need to devote approximately 35% of their household income to average private rent levels
	Those earning minimum wage need to devote almost two thirds of their household income to afford the average private rent



## 5 Primary Research: Findings from Glasgow Landlord Survey

In partnership with Research Resource, Arneil Johnston carried out an extensive primary research survey on behalf of Glasgow City Council in order to develop a greater understanding of the PRS's operation across the city.

This survey exercise delivers valuable intelligence on how the sector operates across the city, highlighting a range of information in relation to:

Landlord  
property  
portfolio

Approach to  
tenancy  
management

Understanding  
how rents are  
set and  
collected

Repairs and  
property  
condition

Future  
landlord  
intentions

Attitudes towards  
regulation and  
promoting best  
practice

It was agreed that the survey should be undertaken using a telephone methodology as a cost effective way of providing a high quality, interviewer led experience, with a targeted sample of landlords.

A total of 487 interviews were achieved with a sample of landlords from Glasgow who were registered under the Private Landlord Registration Scheme. Based upon an overall landlord population of 34,353 within the City, a sample size of 460 interviews was recommended by Research Resource in order to achieve data accurate to a minimum of +/-5% (based upon a 95% level of confidence at the 50% estimate).

Given that the purpose of the register is not to provide a sample frame for research purposes, there was a requirement to request that landlords opt in to the research and provide permission to pass their details to Research Resource in order to participate. To this end, landlords were contacted via email in December 2014 and asked to provide their contact details if they wished to take part. A total of 1,113 landlords opted in to this process. From this group, Research Resource was still able to achieve the sample it set out to within each geography.

Detailed survey outputs and supporting documents have been hyperlinked to this document and can be accessed below:

[PRS Landlord Survey Questionnaire](#) (Appendix H)

[PRS Landlord Survey Technical Report](#) (Appendix I)

[PRS Landlord Survey Headline Reporting Presentation](#) (Appendix J)

The key survey outcomes are presented below.

## 5.1 Learning Points

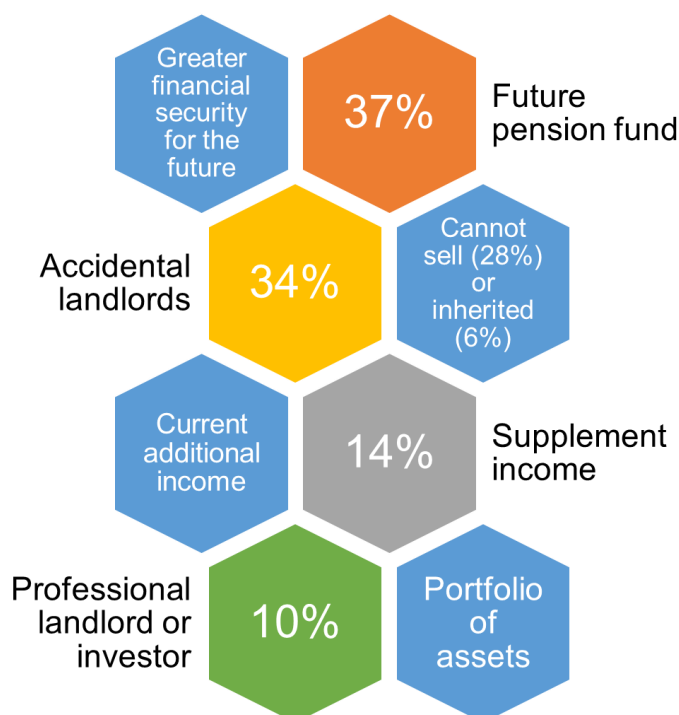
Performing such an extensive research exercise into current registered PRS landlords operating in Glasgow provides partner agencies with invaluable evidence on landlord portfolios, tenancy management, rent setting and collection, property condition, promoting best practice and future intentions.

Key learning points on the current profile of registered PRS landlords operating across Glasgow are as follows:

### 5.1.1 Property Portfolio

The survey opened by asking PRS landlords about their current property portfolio in Glasgow. 76% of respondents have just one property in their portfolio in Glasgow however, 28% also have properties out with Glasgow and overall just over half (58%) had just 1 property in their portfolio. Just under a quarter of respondents (24%) have three or more properties.

In terms of their business activity and reasoning for become a PRS landlord, the diagram below shows the most common responses from participants.



Further analysis highlighted that accidental landlords are more likely to leave the sector before other types of landlord, with 40% of those who cannot sell their home or a property they have inherited very or fairly likely to sell part of their portfolio within the next five years. In comparison, just over a quarter of landlords who have invested in property to build up a future pension fund are likely to leave the sector within 5 years (29%), and a similar proportion of property investors with a long term business plan also said it's likely (28%). Sections 5.1.6 and 5.1.7 explore this in more detail.

The vast majority of properties were one or two bedroom properties (81%) and the majority of these were flats.

### 5.1.2 Tenancy Management

Just over half of landlords (56%) reported that they use an agent to provide tenancy management services, whereas 42% provide these services themselves. The business activity of the landlord does seem to influence this, however, with almost three quarters of accidental landlords (71%) using a letting agent to manage their property.

The main reasons given by respondents for not using an agent were that they felt they had the time and knowledge to manage their properties on their own (62%) or that agent fees are too expensive (29%).

13% reported having had difficulty with ending a tenancy within the last five years with the most common reasons being tenancy abandonment (58%) and the tenant had stopped paying their rent (44%).

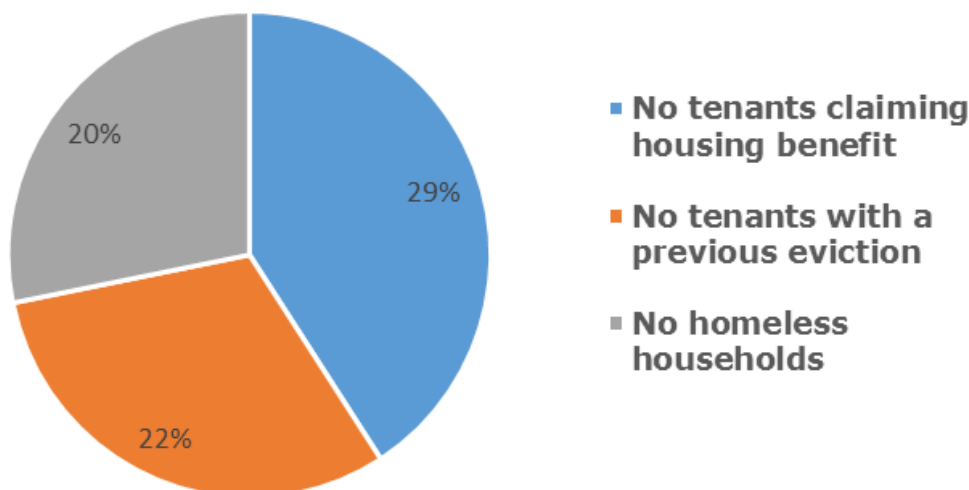
### 5.1.3 Sourcing New Tenants

In terms of the respondents' current tenants, almost half (47%) had lived in the landlord's property for less than twelve months. This coincides with the national outcomes; for example 40% of PRS tenants surveyed as part of the Scottish Household Survey (2013) had been in their current accommodation for less than a year. Furthermore, despite the literature review suggesting that the PRS is no longer dominated by students and mobile professionals, the Glasgow Household Survey (2014) highlighted the prominence of students, accounting for a quarter of PRS households surveyed. This perhaps demonstrates the sector's flexibility for these groups.

In terms of identifying new tenants, the most common ways were through advertising either through a letting or estate agent (57%) or on a property site on the internet (26%).

When asked about any restrictions that they place on the type of tenants they are willing to accommodate, **over half of all landlords surveyed (58%) stated that they place some form of restriction. The most common restrictions which were placed on tenants were no tenants claiming housing benefit (29%), no tenants with a previous eviction (22%) and no homeless households.**

From a geography perspective, landlords in Partick West, Hillhead and Anderston/City are more likely to place restrictions on tenants, particularly to tenants who are homeless. This is evident given that, although 45% of landlords surveyed have a property in this area, 67% of landlords who will not accept homeless households are based here. In contrast, landlords in Govan and Craigton and Maryhill/Kelvin and Canal are more likely to place no restrictions whatsoever.



*Graph 5.1: Landlord restrictions placed on tenants they are willing to accommodate (Landlord Survey, 2015)*

The proportion of private landlords in Glasgow who will not accept tenants in receipt of housing benefit is considerably less than the proportion of landlords who participated in a national study of private landlords carried out in 2008 on behalf of the Scottish Government (70%). This comparison suggests that landlords may now be more receptive to extending the PRS's role in meeting the needs of vulnerable households and housing options customers than they may have been previously.

On the other hand, the significant majority of landlords (95%) said that they have no difficulty in finding new tenants to accommodate their properties. From a housing options perspective, this lack of concern about the demand for new tenancies may mean that some landlords may need some encouragement to move away from their current operating model.

The majority of landlords (62%) stated that they sought either a credit check or a reference (or both) before taking on new tenants.

#### 5.1.4 Setting and Collecting Rents

Over half of landlords reported setting rents based upon advice by a letting agent (59%) or based on a similar level as other rents in the area (33%). **70% felt that their rent was sufficient to cover their costs and give a return** with 22% stating that their rent was not sufficient to provide this.

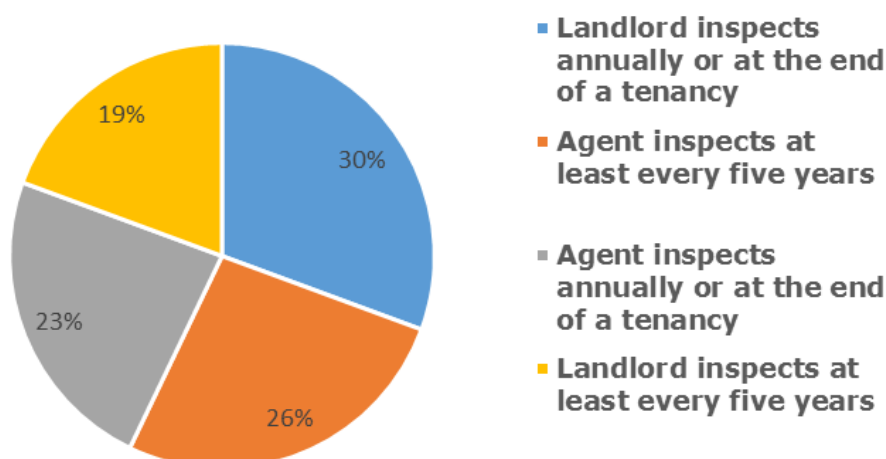
46% of respondents said that their tenant paid their rent direct to their agent, 30% by direct debit and 19% by standing order with almost all (99%) of landlords charging their rent per calendar month.

If the situation arose where a tenant was struggling to pay their rent, 38% stated that they would know where to direct them, 36% would not know and a quarter of all respondents felt that it was not their business to get involved if their tenant was struggling financially.

#### 5.1.5 Repairs and Property Condition

The most common reason for tenants contacting their landlord or managing agent was to report a routine repair (90%). Having said this, the majority of respondents (92%) stated that their property had no outstanding repairs.

There was no consensus amongst landlords in terms of how they identify maintenance with just under a third (30%) inspecting annually or at the end of a tenancy, 26% said that their agent inspects at least every five years, 23% stated that the agent inspects/surveys either annually or at the end of the tenancy and 19% inspect themselves at least every five years.



Graph 5.2: Identifying maintenance amongst landlords (Landlord Survey, 2015)

45% of respondents carry out maintenance works as requested or at the end of a tenancy with just under a quarter of landlords carrying out maintenance works as and when required.

The majority of landlords (79%) stated that they have an Energy Performance Certificate (EPC) whilst just under a third (28%) said that they did not have any energy saving measures installed, with the most common measures being double glazing (43%) and energy saving lightbulbs (41%). **The majority of landlords (93%) had no intentions of installing energy saving measures in the future.**

### 5.1.6 Future Intentions

In terms of the landlords' future intentions, just under a third (32%) **stated that they would be likely to sell some part of their property portfolio within the next five years.** The main reasons cited by landlords when asked why they would be likely to sell included to buy/invest in another property or sell when the market picks up (26% of those likely to sell said this) or the fact that it cost more to manage and maintain than is collected in rent (19% of those likely to sell said this).

**This is considerably higher among accidental landlords who are likely to sell, with almost half (42%) stating that the financial return is not sufficient for them to continue.** Given the prevalence of letting agents being used to manage accidental landlords' properties in comparison to all landlords, the agency fees are likely to be affecting the profitability for these landlords.

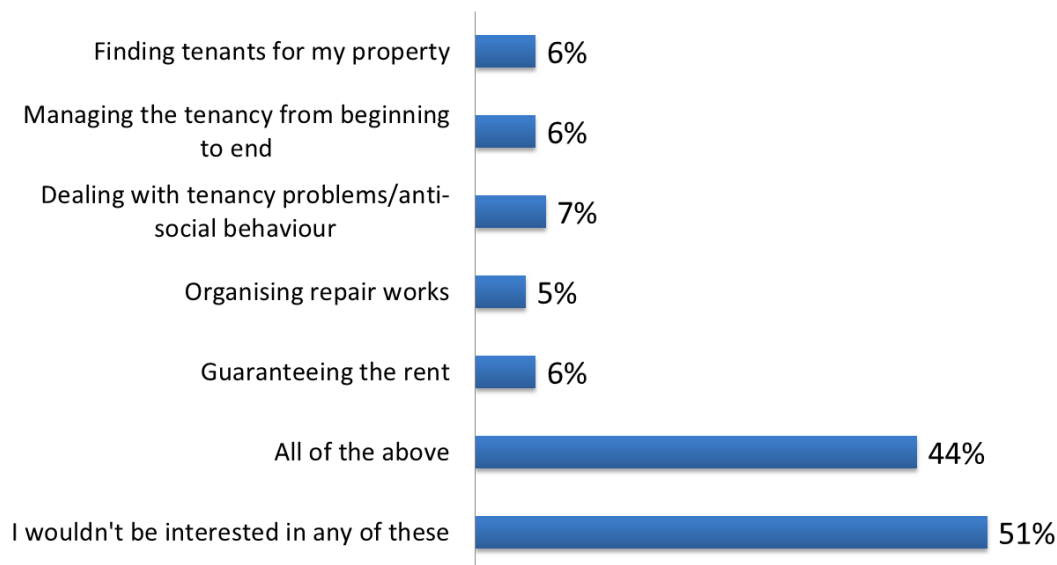
Counter to this, over half of all respondents (54%) said that they would not be likely to sell some part of their property portfolio, with the main reason being that their properties were a long-term investment to support their retirement planning.

### 5.1.7 Attitudes Towards a Property Management Service

In terms of attitudes towards a property management service, there was a polarisation of views amongst landlords in relation to the potential interest in a management service delivered by Glasgow City Council or a housing association. **Over half of all respondents (51%) stated that they would not be interested in any**

of the services mentioned, 44% would be interested in all services mentioned, and 5% would be interested in selected services.

**If Glasgow City Council or a housing association delivered a management service, which of the following would be of interest to you?**



**Graph 5.3: Landlord attitudes towards incorporating a property management service (Landlord Survey, 2015)**

There is a similar polarisation of views among those landlords who are likely to sell part of their portfolio within the next five years; with 48% expressing an interest in all of the services which could be delivered as part of a property management service.

Such property management services – led by the local authority or an RSL – tend to focus on meeting housing need for those who are homeless or threatened with homelessness. Of those who did express an interest, almost half said that they would not place any restrictions on the type of tenants they would be willing to accommodate (46%), however some landlords said that they would not accept tenants claiming housing benefit (23%), homeless households (17%) or tenants who could not provide a reference from a previous landlord (15%).

The diagram below suggests that the business activity of landlords does not appear to influence their attitude towards a GCC/RSL-led management service; approximately half of each 'type' of landlord would be willing to engage with such a service. Similarly, the significant majority of each 'type' of landlord willing to accommodate homeless households if this service was provided. Moreover, they are actually more willing to accept homeless households through such a service than would do normally (21% of landlords originally said they would not accept homeless households).



Almost two thirds of landlords who are interested in this (61%) said that they would be willing to pay between 6% and 10% of their rental value for a property management service. Having said this, even with the guarantees of the service, landlords still indicated that they would place restrictions which were very similar to those that they place already.

### 5.1.8 Landlord Knowledge

The majority of respondents (90%) indicated that they were not members of any organisations or professional bodies that bring people together who manage private rented accommodation.

Having said this, almost two thirds of landlords (61%) stated that they felt that they would benefit from some form of training or information to improve their practice as a landlord, with the following of most interest:

- Information on grants to improve the energy rating or install adaptations (50%);
- Training or information on tenancy law/landlord obligations (40%);
- Advice on how to improve energy efficiency (37%);
- Training or information on good practice in housing management (35%); and
- A local landlord forum providing regular updates on sector issues (34%).

## 5.2 Landlord Survey Research: PRS Strategy Issues

Key findings on landlord portfolios, tenancy management, property condition and future intentions that should influence PRS strategy interventions in Glasgow are as follows:

Meeting Housing Need: Landlord & Business Portfolio	<b>76% of landlords have just 1 property in Glasgow</b>
	38% have invested to build up future pension fund
	34% are accidental landlords who could not sell their home or inherited a property

	81% PRS homes have less than 2 bedrooms
	57% PRS homes are tenement flats
	62% landlords have owned property for more than 7 years
<b>Housing Options Customers: PRS Management Profile</b>	58% place restriction on tenants
	49% would be interested in a GCC led management service
<b>Meeting Housing Need: Landlord &amp; Business Portfolio</b>	32% are likely to sell their property within the next five years
	70% feel the financial return is sufficient to cover overheads
	53% tenancies have been in place for more than 12 months; 37% more than 2 years
	95% do not experience problems with demand
<b>Improving Management &amp; Quality: PRS Management Profile</b>	92% have no known outstanding repairs
	56% of landlords use an agent to manage the property



## 6 Consumer analysis: What are the Current Perceptions and Future Expectations?

The primary research survey delivered essential intelligence in relation to how the PRS operates across Glasgow at present. In order to understand consumers' future expectations of the sector, an alternative approach was pursued.

In order to build evidence on the extent to which the PRS could be used to meet housing need in Glasgow, a series of qualitative focus groups with current PRS customers were facilitated by Arneil Johnston.

A total of five focus groups were facilitated across Glasgow with different customer groups who were recruited from the local area, namely:

- Houses in Multiple Occupation (HMO) tenants in Partick Burgh Halls, Tuesday 14 April 2015, 6pm – 8:30pm (8 participants);
- Families with children living in the PRS in Langside Halls, Wednesday 15 April 2015, 6pm – 8:30pm (10 participants);
- Working households living in the PRS in Maryhill Burgh Halls, Monday 20 April 2015, 6pm – 8:30pm (11 participants);
- Housing Options customers living in the PRS in Maryhill Burgh Halls, Tuesday 21 April 2015, 6pm – 8:30pm (7 participants); and
- Homeless customers living in the PRS in Wheatley Academy, Wednesday 22 April 2015, 6pm – 8:30pm (16 participants).

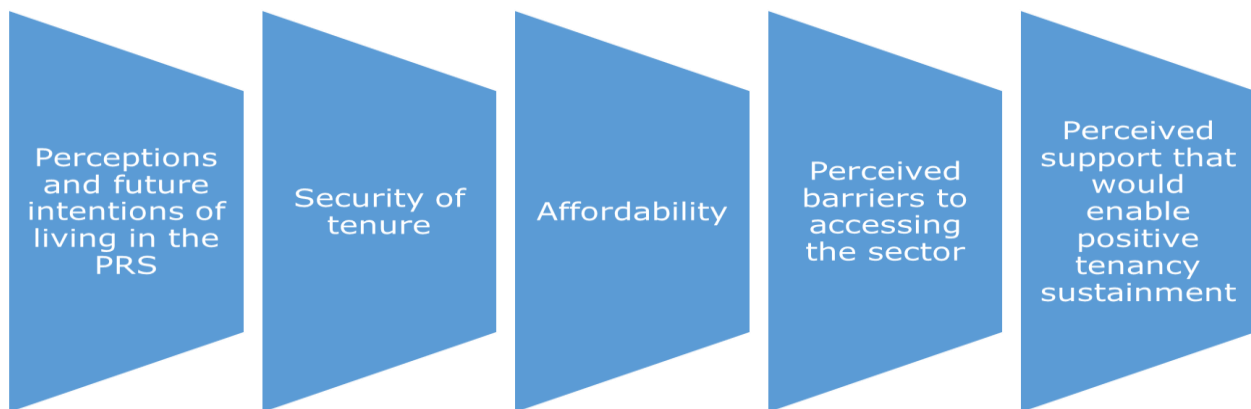
The profile of customer groups and most suitable locations for each were carefully considered and agreed with the Steering Group. Based on these profiles, participants for three of the five focus groups were recruited on a face to face basis by Research Resource using a snowball sampling methodology. Housing options customers and homeless customers living in the PRS were invited to participate by officers within both Glasgow City Council and the Wheatley Group.

Whilst the same topic guide was used across all five sessions, particular issues were explored in more detail with certain groups. For example, the Steering Group was keen to explore the motivations behind HMO tenants' choice of this tenancy type, the extent to which security of tenure is a concern to families with children and how affordable the sector is to those on a low income or who are in receipt of LHA.

It should be noted that the focus groups were designed to capture qualitative data. Qualitative research is not intended to be conclusive in its purpose, nor is it statistically representative and should therefore not be used to project results to a larger population. To this end, the outputs of qualitative research are to capture experiences, case studies and anecdotal evidence.

### 6.1 Key Outputs

Following extensive analysis of the extent and nature of PRS accommodation across Glasgow, resulting in a statistical profile of potential customers who may benefit from accessing the PRS to meet their housing need; these focus groups were intended to explore both current circumstances for PRS tenants across Glasgow in addition to future expectations of the sector and the potential for the sector to meet housing need. This included exploring issues such as:



The agenda for the focus groups was structured around a series of interactive activities in order to encourage participants to share their experiences, opinions and ideas:

Activity 1: Current circumstances and future expectations

Activity 2: Understanding issues of affordability & welfare reform

Activity 3: Assessing the effectiveness of the sector in meeting housing need

Activity 4: Assessing effective tenancy support

The key outputs have been hyperlinked to this document and can be accessed below:

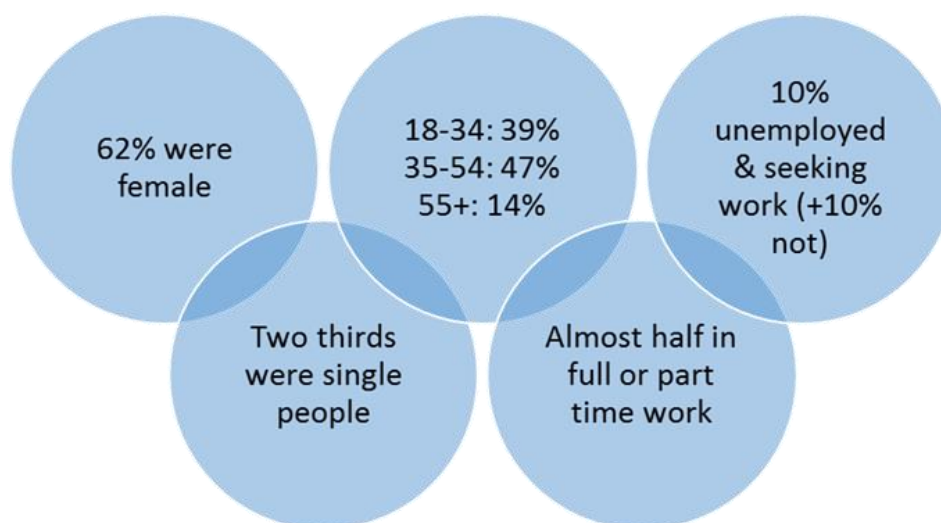
[Focus Group Topic Guide](#) (Appendix K)

[Focus Group Presentation](#) (Appendix L)

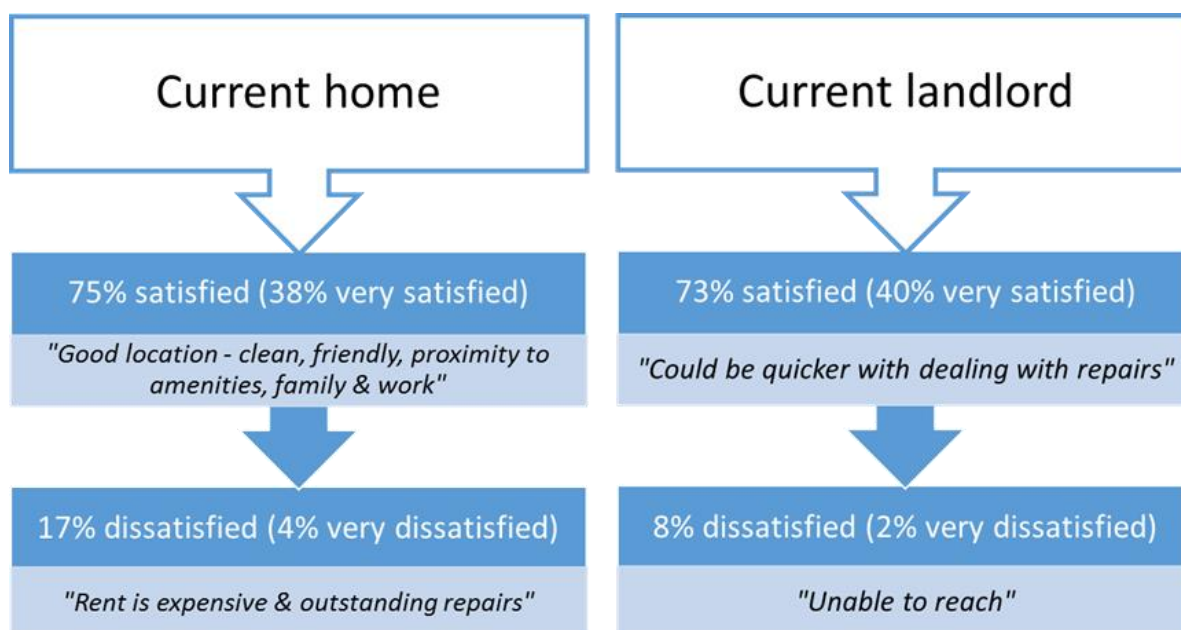
[Focus Group Outcomes](#) (Appendix M)

## 6.2 Learning Points

Upon arrival, participants were asked to complete a short questionnaire to capture the demographic profile of those in attendance. This included their gender, age group, employment status, income and household type.



As well as this, participants were asked to share the extent to which they are satisfied with both their current home and their landlord, and what the main reasons for their responses are.



There were high levels of satisfaction among participants across all focus groups in terms of both their current home and landlord. In terms of the individual focus groups, whilst there were differences within each group, just one participant at the families with children session was very satisfied compared to almost half of the homeless customers, for example.

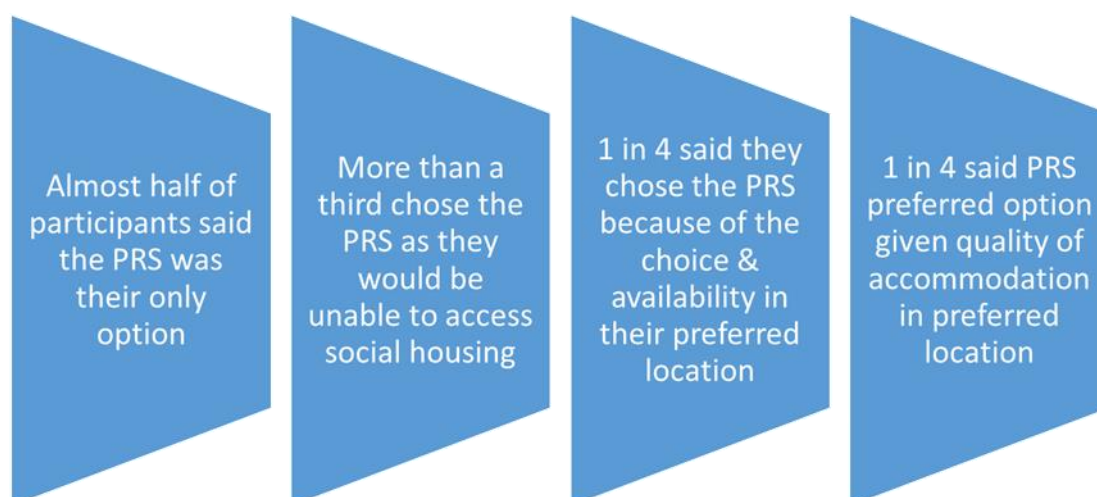
In terms of their current home, many participants cited the location as the main reason for this, particularly in terms of the proximity to family, amenities, and schools for example. Conversely, those who were dissatisfied with their current home most commonly stated that this is based on the rent being too expensive and the poor condition of the property.

Similarly, outstanding repairs was the main reason that participants stated that they are dissatisfied with their current landlord, with one participant unable to reach their landlord any time they try to report a repair. Whilst almost three quarters of participants stated that they are satisfied with their current landlord, some of them also raised concern about their landlord's reluctance to carry out repairs.

### 6.2.1 Activity 1: Access, Suitability and Future Intentions

Following an introductory session which set out the background to the research, participants engaged in an interactive exercise where they were asked to consider a range of statements that could describe their current housing circumstances. From these options, participants were asked to identify the statements that best reflect their motivations when trying to access the sector.

To do this, participants were asked *'How would you describe your experiences of searching for accommodation prior to accessing your private tenancy?'*, and selected their 'primary reason' and 'secondary reason' from the options listed using stickers. Each participants' stickers were coded to enable analysis of each individual's responses.



Across the five focus groups, there were mixed responses in terms of participants' journeys into the PRS; however there were some access routes which were consistently identified. For example, almost half of all participants (48%) said that, after looking at all of their housing options, private renting was the only option available to them. In terms of the other options, an inability to access social housing drove more than a third of participants to the PRS.

Whilst these factors suggest that the PRS was accessed almost as a last resort, there was positive feedback from some participants in terms of what the sector could offer. For example, a quarter of customers accessed the sector because of either the choice and availability, or the quality of accommodation in their preferred location. This was particularly the case with the families with children group; half of which were able to easily find PRS vacancies in their preferred location (the south side of Glasgow). This was also the case for working households (36%) and, to a lesser extent, housing options customers (14%), in Maryhill.

The responses from each individual group somewhat reflected the profile of participants; for example, a quarter of those in the HMO tenants group said that the primary reason for being in the sector was because they were living in the City as a term time student; and more than half of

homeless customers stated that they actually accessed the sector as a result of making a homeless application.

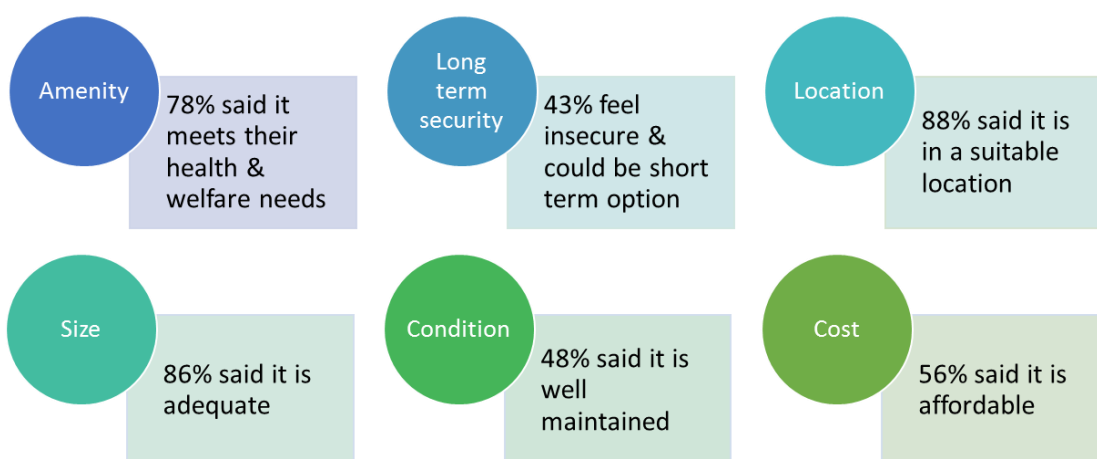
Participants were then asked to consider their current accommodation; specifically 'How would you describe the suitability of the accommodation that you are current living in to meet the needs of your household?' Selecting from 'very suitable', 'reasonably suitable' or 'not suitable', participants were then invited to identify the factors that influenced their assessment of suitability, in terms of property size, cost, condition, location, amenity and long term security.

Across the five focus groups, almost half of participants considered their current accommodation to be reasonably suitable; over a third said their current accommodation is very suitable, and 16% considered it to be unsuitable.



In terms of the individual focus groups, a higher proportion of housing options customers considered their current accommodation to be unsuitable (43%), and more than half of working households stated that their current accommodation is very suitable (55%). It should be noted that both of these focus groups were held in Maryhill, therefore highlighting that there are differences within geographies.

In terms of the factors influencing their assessment, the diagram below outlines the most common responses across the groups.



When asked about the amenity of their current accommodation, the majority of participants – more than three quarters – stated that it does meet their health and welfare needs. Whilst this is representative of most of the individual groups, the experiences of homeless customers were somewhat divided in terms of amenity. Their experiences were split relatively evenly, with 46% stating that their current accommodation does not meet their health and welfare needs. One participant stated that he would have liked his home to be adapted but was having difficulty doing so.

The extent to which PRS customers feel secure in their accommodation was mixed both across and within the focus groups. Whilst the greatest proportion of participants stated that they feel insecure and their current accommodation could be a short term option for them (43%), almost a third said that they do feel secure (32%), and a quarter were unsure.

At an individual group level, there was evidently increased concern among housing options and homeless customers and working households with regards to long term security. On the other hand, HMO tenants and families with children generally felt secure. In terms of the latter, participants were confident that they would be able to find another vacancy in the area relatively easily should they be asked to leave by their landlord.

In terms of location, the significant majority of participants agreed that their current accommodation is suitable for their needs (88%); including all HMO tenants and working households. There were some concerns from housing options customers; 43% of whom stated that their current accommodation's location is not suitable for their needs. This was due to the proximity to support networks and their children's school for one participant.

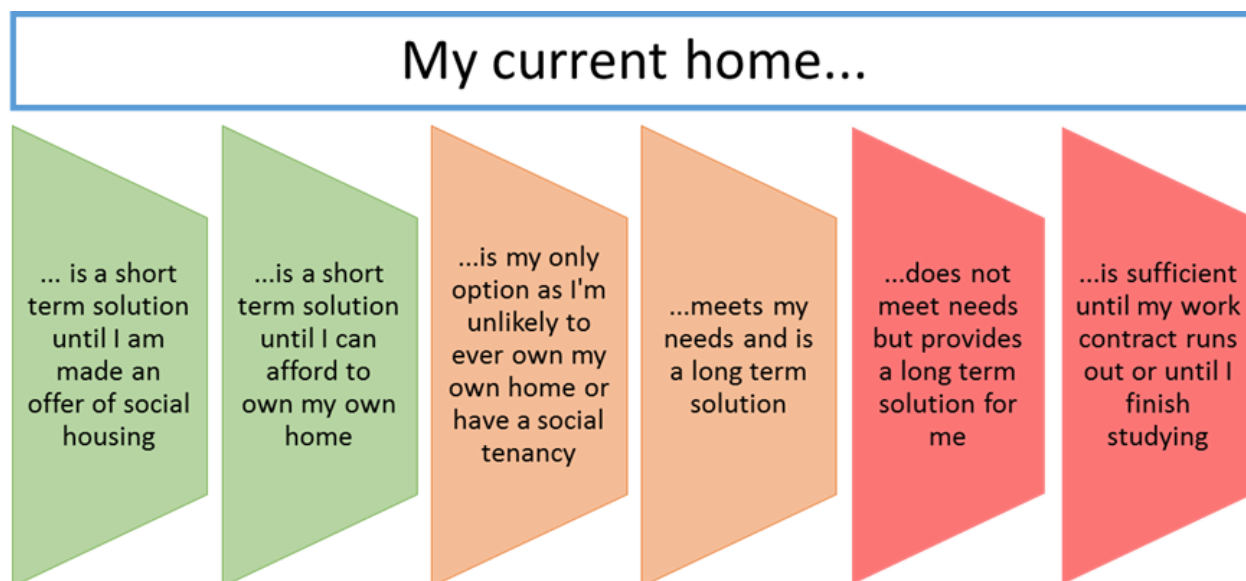
For the majority of focus group participants, the size of their current accommodation is adequate, with more than 90% of HMO tenants, working households and homeless customers happy with the number of bedrooms in their accommodation.

The results from the landlord survey highlighted the high proportion of 1 and 2 bedroom properties in Glasgow's private rented sector, driven primarily by the number of flats in the sector. This was highlighted by participants at the families with children group, some of whom said that they have experienced difficulty finding a PRS tenancy offering 3 or more bedrooms. On this basis, and given the profile of their households, almost a third of participants at this focus group stated that their current accommodation is too small.

As well as long term security, participants' assessment of the condition of their current accommodation varied across and within the focus groups. Whilst the majority of working households (82%) and housing options customers (67%) – both groups were held in Maryhill – agreed that their current accommodation is well maintained, almost two thirds of HMO tenants (63%) and a third of families with children and homeless customers (33% each) stated that their property requires repair and modernisation.

The final element of activity 1 asked participants to consider the future, responding to the following question: *'How would you describe your intentions to stay in the accommodation you are currently living in?'* The diagram below outlines how participants responded to the options provided, with the options most commonly selected in green and those least commonly selected in red.





The outcomes of this activity varied both within and across the focus groups. Overall, however, more than half of participants consider their current home in the private rented sector to be a short term solution. For one in five participants, their current accommodation is a short term solution until they can afford to buy their own home; particularly families with children and HMO tenants. For one in three participants, it is until they are made an offer of social housing; this was particularly the case for housing options customers (86% of whom are seeking a social housing tenancy) and, to a lesser extent, families with children (40%).

This reiterates the findings from the private landlord survey (Chapter 5), where almost half (47%) of respondents' current tenants had lived in the landlord's property for less than twelve months.

None of those that attended the working households' session were in this position; rather, more than a third stated that the PRS was their only option as they would be unlikely to ever be offered a social tenancy or own their own home. This was also the case for a small proportion of HMO tenants and families with children. Participants across the groups cited the high demand and low supply of social housing in the City as the main reason for this.

Whilst overall 17% of participants stated that their current home in the private rented sector meets their needs and provides a long term solution for them, this also varied across the focus groups. More than a third of working households and a quarter of HMO tenants, for example, felt this way; compared to none of the families with children or housing options customers.

A small proportion of the overall number of participants felt that their current home does not meet their needs but does provide a long term solution (8%), or that their current home is sufficient until their work contract runs out or they finish their studies (which was only applicable to a small number of HMO tenants).

## 6.2.2 Activity 2A: Understanding Issues of Affordability

Given that the main aim of the entire project is to assess the extent to which the private rented sector is capable of meeting the needs of households in the City, the Steering Group was keen to explore the extent to which the sector is affordable to current and potential customers. On this basis, activity 2A focused specifically on affordability.



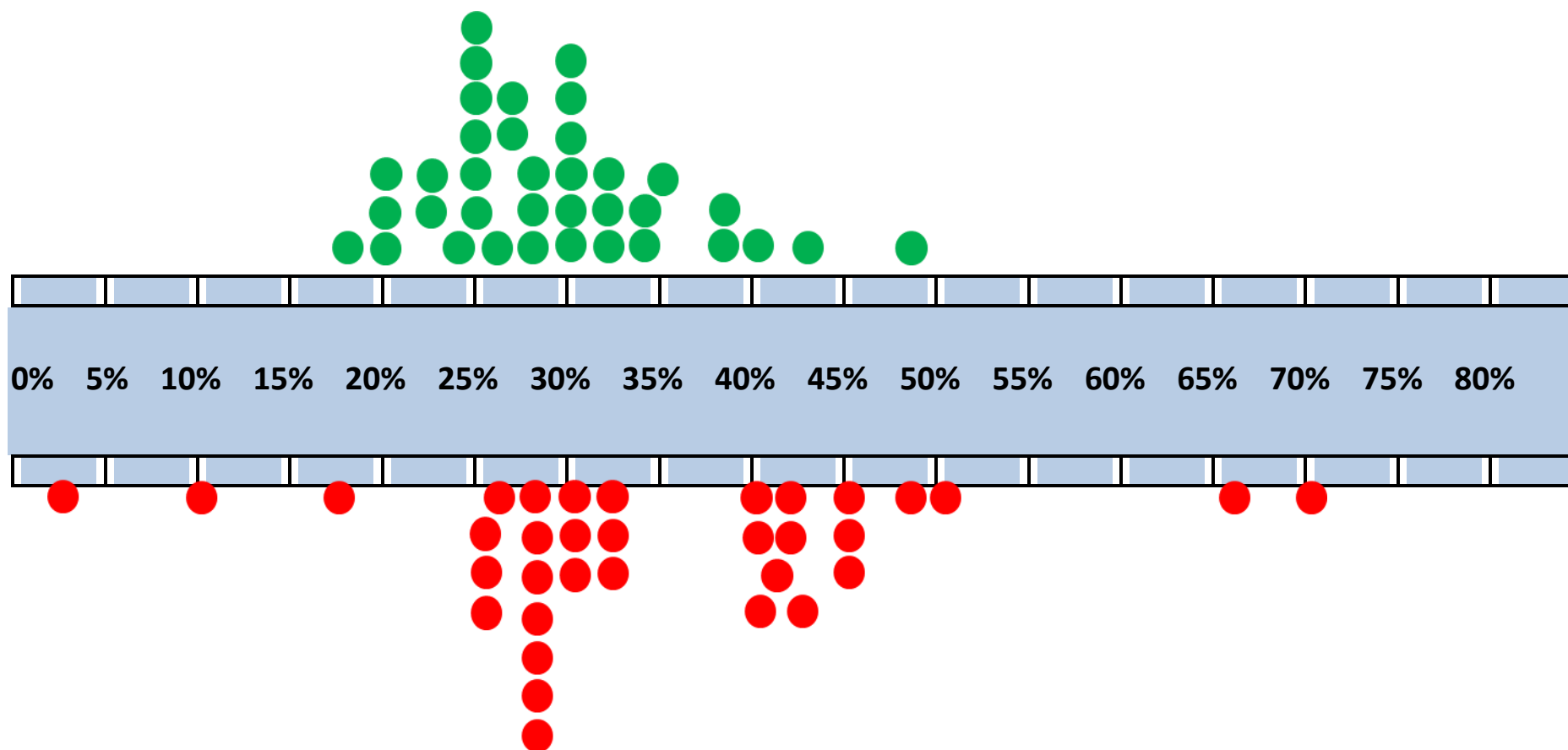
When considering cost during activity 1, participants were divided in terms of how affordable their current accommodation is; with 56% stating that their rent is affordable and the remaining 44% arguing that it is too expensive. This varied across the groups, with the majority of HMO tenants, housing options customers and, in particular, working households claiming that their current accommodation is affordable. On the other hand, two thirds of families with children and homeless customers said that their rent is too expensive.

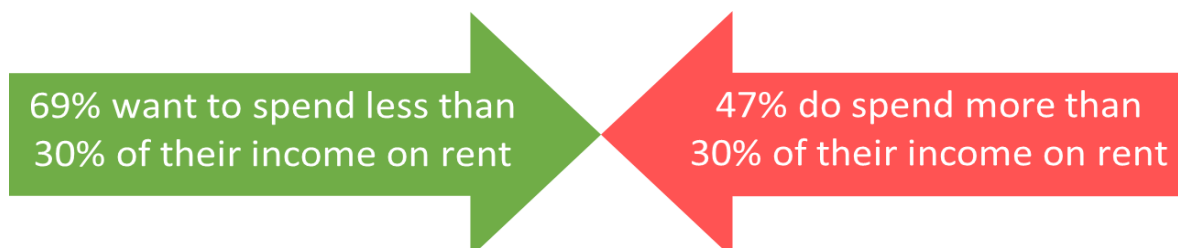
Following a short explanation of housing affordability and of affordable rent to income thresholds, participants were asked to consider a sliding scale of affordability, numbered from 0% to 100%. Firstly, participants were asked to consider what proportion of their income they would be willing to spend on rent and mark this on the scale using an arrow. Following this, participants were then asked to mark on the scale the proportion of income which they actually spend on rent.

As was the case with activity 1, the arrows were numbered to enable individual responses to be tracked.

A completed spectrum with the preferred and actual income to rent ratios for all focus group participants is shown below, with preferred income to rent levels displayed in green and actual spend displayed in red. (It should be noted that homeless customers did not participate in this activity).





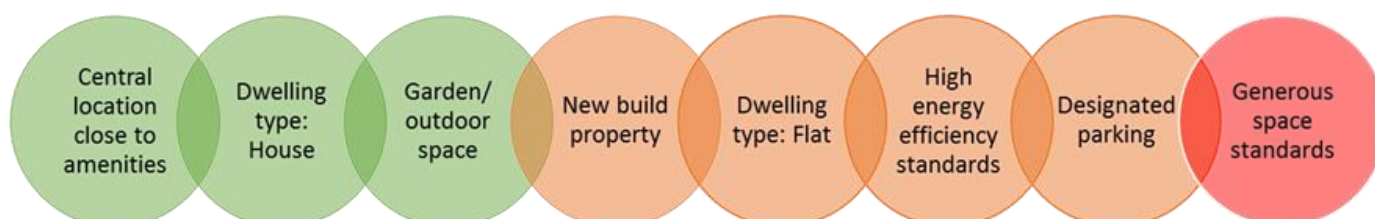


In terms of the proportion of income that participants would like to spend on their rent, more than two thirds of those that attended the focus groups stated that they would prefer to devote less than 30%. The remaining participants would devote more than this; with two participants at the families with children session willing to pay up to 45% of their income to their housing costs. In comparison, just one participant at the working households group would be willing to devote more than 30% of their income.

Whilst two thirds of participants would like to spend less than 30% of their income on their rent, this is only the case for half of participants; most of whom are devoting approximately 30%. The remaining participants are contributing more, with 1 in 5 actually devoting more than 45% of their income towards their rent. This was particularly high for two HMO tenants, who are spending more than two thirds of their household income.

Having compared the proportion of income that they would like to and actually do spend on rent, participants took part in a short follow-up activity to explore some of the motivations behind the proportion of income spent. To do this, participants were provided with a range of property characteristics and amenities and consider which (if any) of these that they would be willing to pay increased rents for (based on their rent to income ratio preferences).

The diagram below outlines how the characteristics were ranked on average across the focus groups. A traffic light system has been used to reflect participants' attitudes towards the options, with those ranked most important coloured green, and the least important coloured red.



As shown above, being in a central location close to amenities was the most influential factor in terms of what participants across the focus groups would pay an increased rent for. Most participants did agree that they would be willing to devote more of their income to pay for a house, or to have some garden or outdoor space as well. In terms of the latter, this was particularly popular among those at the families with children focus group.

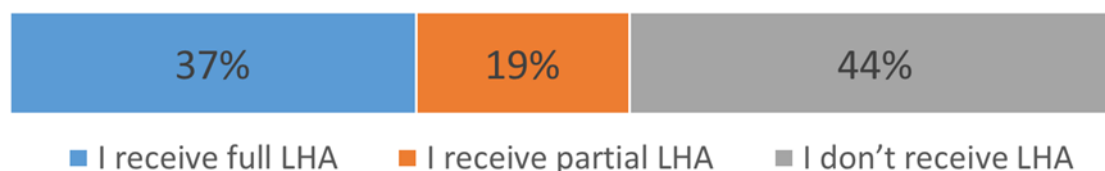
There were variances across the groups in terms of the other characteristics however, with more working households willing to spend more of their rent to secure a new build property or for high energy efficiency standards than other groups, whilst the latter was not considered to be an important factor to families with children.

Generous space standards and designated parking emerged as the factors which participants across the focus groups would be least likely to devote more of their income to secure. For example, the working households participants agreed that designated parking is not suitable for everyone, i.e. those without a car.

### 6.2.3 Activity 2B: Impact of Welfare Reform on PRS Customers

Given that the extent to which welfare reform has impacted and may impact the choices and preferences of PRS tenants was identified by the Steering Group as a key element of the research, this was explored during the focus groups.

Designed intentionally as a short exercise given the sensitivity of the issue, participants were asked whether they are in receipt of LHA (and, if so, whether it is a partial or full payment).



There was a relatively even split in terms of those who do and do not receive LHA to help pay for their rent, with 56% in receipt of it (including 37% whose rent is paid entirely by the LHA payment).

In terms of the individual focus groups,

- All of the homeless customers and all but one of the housing options customers receive LHA to help contribute towards paying their rent;
- Half of the families with children receive LHA; and
- None of the working households and HMO tenants (except one individual) receive LHA.

Following on from this, the extent to which participants are aware of the changes to the UK welfare system was established.



There was a mixed response in terms of participants' understanding of welfare reform and how it may affect them as private tenants, which stemmed from differences across the groups. For example,

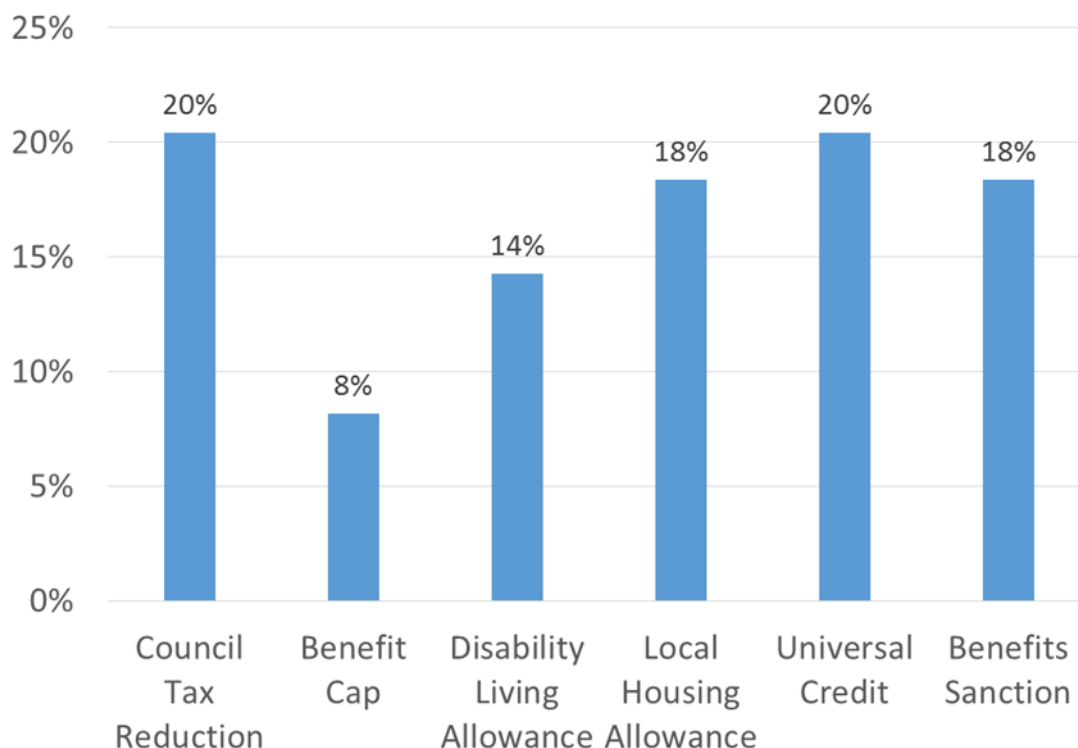
- All of the working households stated that they understood how welfare reform might affect them;
- Half of those at the families with children session do understand the impact of welfare reform, however there was doubt among the remaining participants;
- Almost all of the HMO tenants and housing options customers have heard about welfare reform but don't know enough about it; and

- Whilst half of the homeless customers knew nothing about welfare reform, most of the remaining participants had heard about it but needed more information as to how it may affect them.

Presenting some of the changes which 'welfare reform' includes, Arneil Johnston carried out a short exercise where participants were asked to indicate whether they have been or are likely to be affected by each change, including:

Council Tax Reduction	• Scheme replacing Council Tax Benefit
Benefit Cap:	• Out-of-work benefits (Housing Benefit +child benefit + child tax credit) will not be more than £350 per week if you are a single or £500 per week for other households.
Disability Living Allowance:	• new claims for disability benefits will be for Personal Independence Plan (PIP)
Local Housing Allowance:	• LHA rates will be set once a year in April and will be calculated using new rules which will reduce local rates
Universal Credit:	• The UK Government plans to introduce the new universal credit benefit replacing six of the main means-tested benefits and tax credits
Benefit sanctions	• Out of work benefits may be temporarily stopped or reduced if you don't follow the rules or meet your responsibilities

Given their responses to the questions regarding LHA and welfare reform, HMO tenants and working households were not invited to participate in this activity.



**Graph 6.1: Focus group participants affected by welfare reform**

As shown in the graph above, from the three focus groups that took part in this activity, some of the welfare reform changes have or could affect up to 1 in 5 participants. This is particularly the case with Universal Credit, which many of the participants, as with welfare reform overall, had heard of but did not know enough about in terms of how it could affect them as a private tenant.

On this basis, it was agreed across the focus groups that more information on how these changes could affect households in the private rented sector should be made available.

### 6.2.4 Activity 3: Assessing the Effectiveness of the PRS in Meeting Housing Need

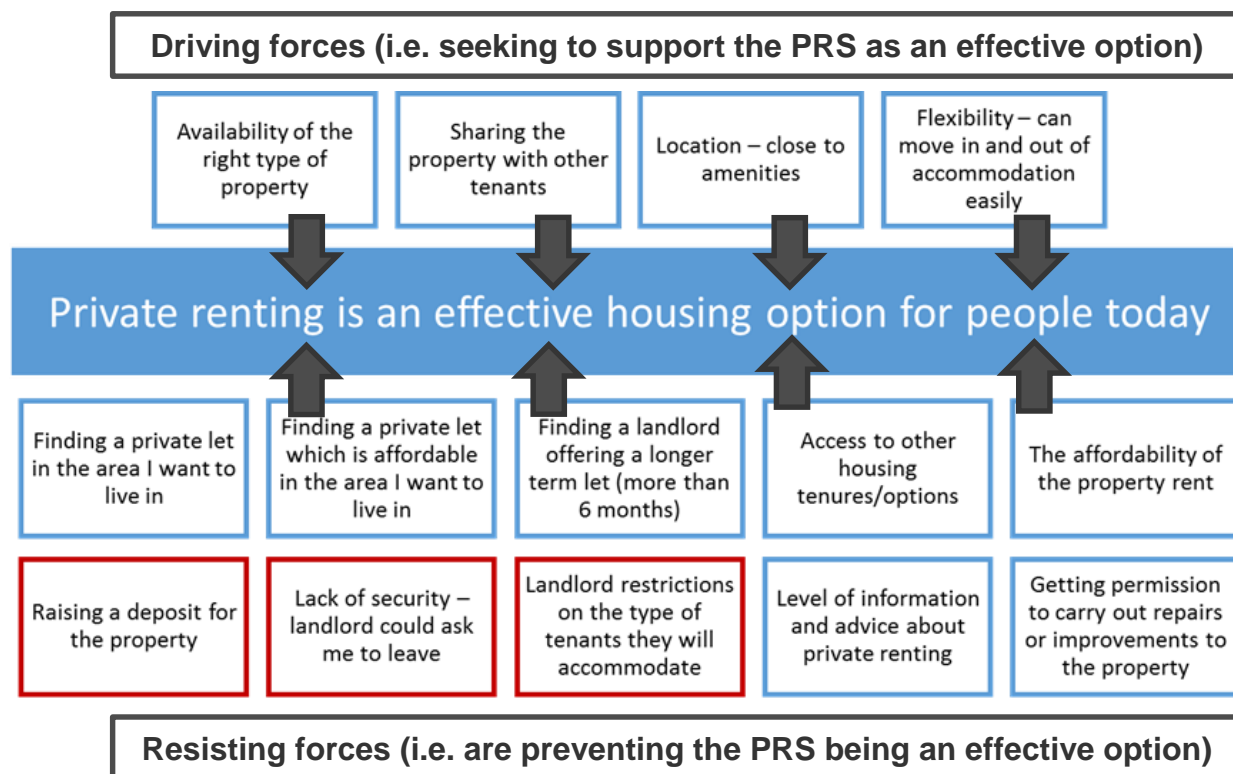
Following the previous interactive exercises, activity 3 sought to understand the effectiveness of the private rented sector in Glasgow in meeting housing need. In doing this, participants examined and identified what they perceived to be the strengths and weaknesses of the sector in offering secure, suitable, well maintained and affordable accommodation.

In order to examine which factors are instrumental in encouraging or motivating households to use the private rented sector to meet housing need, and those which are instrumental in placing barriers to meeting housing need, each group assembled a force field diagram. A series of factors was considered and the group collectively agreed whether they were a driving force in meeting housing need (strength) or a resisting force in meeting housing need (weakness).

Participants considered whether each factor is a driving or resisting force in terms of whether “The private rented sector is an effective housing option for people today”. The driving forces, i.e. those forces that support the effectiveness of the PRS in meeting housing need, were identified by the group and placed above the statement as they are seeking to push the line. The restraining forces or barriers, those forces that

create resistance to the effectiveness of the PRS, were placed below the statement as they seeking to hold back PRS effectiveness.

The completed force field diagram below represents the most common factors identified as driving forces and those as resisting forces across the five focus groups. The factors in red were identified as the key barriers to the private rented sector being an effective housing option for people today.



As shown above, many of the factors discussed by participants were considered to be resisting forces which are preventing the private rented sector from being an effective housing option for people today. Across the focus groups, three of these factors were consistently identified as the most prominent: raising a deposit for the property, lack of security and landlord restrictions on the type of tenants they will accommodate.

Participants shared their experiences of these issues, with particular concern raised about the value of deposits required by some private landlords. For example, one participant was charged the equivalent of three months' rent, and another had to apply for a loan to pay their deposit.

Whilst lack of security was identified as a resisting force by all five groups, the flexibility which the PRS can offer by enabling people to move in and out of accommodation was considered to be a strength. This is particularly suitable for those on short term contracts and students, participants said.

Despite the fact that, during activity 1 more than half of all participants considered their current accommodation to be affordable, it was agreed at all five focus groups that the affordability of the private rented sector - and the ability to find a private let that is affordable in the area they want to live in - is a resisting force to it being an effective housing option.

For the families with children, for example, they claimed that households will pay more in rent than they would in mortgage payments on the same property. However, as participants across the groups argued, their ability to access a mortgage is limited by the financial climate and requirements for a deposit. Coupled with



the high demand and low supply of social housing in the City, some participants argued that the PRS is the option of last resort. On this basis, access to other housing tenures/options was also considered a weakness.

The level of information and advice about private renting was also considered to be a resisting force to the sector being an effective housing option by customers across the City. Whilst participants were confident that there is information and advice available, there was concern about how to access it. It was suggested by housing options customers that more information should be provided to tenants when they are signing up to the tenancy about how and where to access support if required.

There were a number of factors which participants were unable to collectively agree whether they were a driving or resisting force, or were recognised as a strength by one set of participants and a weakness by another.

Recognised as both strengths and weaknesses	Finding a landlord offering a short term let (6 months)	Availability of the right size of property	The level of annual rent increases
	The cost of heating my home and keeping it warm	Ability to find reputable (or accredited) landlords	Freedom from the responsibility for repairs and maintenance
	Quality of property – standard of maintenance	The extent to which my property is modernised	Restrictions on decoration and what I can do with the property
	Getting my landlord/letting agent to carry out repairs to the property	Getting my landlord/letting agent to carry out adaptations to my property to make it more suitable for my needs	Getting my landlord/letting agent to contribute to common repairs required in the building

In terms of accessing the private rented sector, there was divided opinion in terms of the availability of the right size of property (particularly – as outlined previously – three bedroom properties in the sector), and finding a landlord offering a short term let (which, according to the HMO tenants, means tenants are more likely to face rent increases).

Whilst the freedom from the responsibility for repairs and maintenance was identified as a key strength among housing options and homeless customers, half of the participants at the families with children session have had to arrange and pay for repairs when their landlord failed to act. Getting their landlord or letting agent to carry out repairs was a concern for participants across all five focus groups, however there were positive experiences shared as well. In particular, many of the homeless customers whose accommodation



is managed by a particular provider have had no problems when repairs are required, receiving a prompt and efficient response.

As well as repairs to their accommodation, there was a mixed response from participants about the extent to which their landlord contributes to common repairs that are required in the building. On this basis, at three of the five focus groups, participants were unable to reach a consensus as to whether this was a strength or a weakness of the PRS in Glasgow.

Similarly, there was divided opinion as to whether the cost of heating their home and keeping it warm was a driving or resisting force for the sector being an effective housing option. Whilst this was identified as a major barrier for housing options customers, both the HMO tenants and homeless customers argued that this problem is not exclusive to the private rented sector.

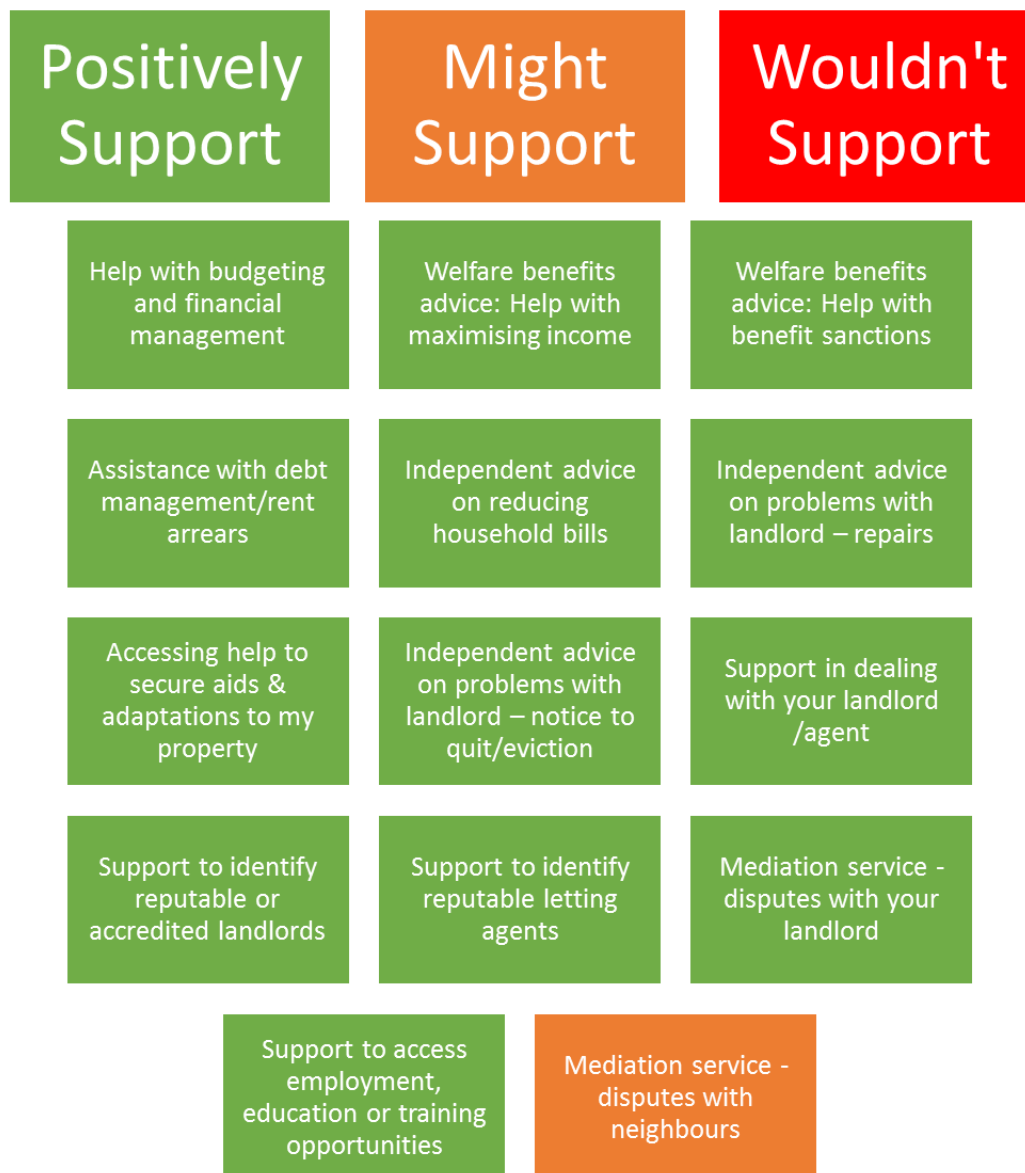
### **6.2.5 Activity 4: Assessing Effective Tenancy Support**

The final activity participants were asked to take part in was to explore the range of support and assistance that could enable tenants in the private rented sector to positively sustain their tenancies. In order to do this, a range of potential tenancy sustainment initiatives was considered by participants. Collectively the group decided to what extent it would support households in sustaining their tenancies by categorising it as one of the following:

- *“This initiative would positively support me in sustaining my tenancy”*
- *“This initiative might support me in sustaining my tenancy”*
- *“This initiative would NOT support me in sustaining my tenancy”*

The diagram below shows, on average across all five groups, where participants categorised each initiative.





As shown above, all but one of the initiatives discussed by participants were considered to be ones which would positively support PRS tenants to sustain their tenancy. The exception was a mediation service to handle disputes with neighbours, which participants across the groups argued should be the responsibility of the individuals involved as opposed to through a specialised service.

In terms of the initiatives which would positively support someone to sustain their tenancy, the most popular among participants concerned tenants' relationship with their landlord or letting agent. For example, independent advice on problems with a landlord in terms of repairs and eviction, and general support in dealing with a landlord or letting agent were supported by all five focus groups. Whilst some of the homeless customers spoke of a positive experience when engaging with Citizens Advice Bureau on this issue, they expressed concerns about the wait time to secure an appointment.

Being supported to identify reputable landlords or letting agents was also very much supported by tenants, who recognised the value of landlords or letting agents being accredited to demonstrate that they provide a high quality service to tenants.

In terms of the initiatives which would support PRS tenants with their budgeting, financial management and advice on welfare benefits, these were also supported by focus group participants as useful for PRS tenants. Some participants, however, were keen to highlight that Money Matters was already delivering such a service, and they had had positive experiences of using it.

### 6.3 Tenant Engagement: PRS Strategy Issues

There are a number of key consumer engagement findings that should influence PRS strategy interventions in Glasgow.

- In terms of the PRS' role and its capacity to meet housing need, a number of key findings emerged during the engagement with customers. Whilst most consumers who participated in the focus groups accessed the sector as they felt it was their only option, three quarters are satisfied with their landlord.
- Of those who participated, more than 30% turned to the PRS having failed to access social housing. To some extent this is reflected in consumer feedback as to the major weaknesses of the sector, which they cited as being having to raise a deposit, the lack of security of tenure and landlord restrictions on the type of tenants they will accommodate; none of which would affect them as social tenants.
- The issue of affordability within the PRS was a key concern from a customer perspective. There were considerable variances between what participants are willing to spend on their rent and what they actually spend. For example, whilst more than two thirds want to spend less than 30% of their income on their rent, almost half spend more than 30%. Furthermore, raising a deposit for the property was considered to be a major weakness of the sector.
- Focus group participants across the City agreed that the lack of security and the landlord restrictions on the type of tenants that they let to were also weaknesses of the PRS. The strengths of the sector, however, were considered to be the availability of property types, the ability to share with others, the location of properties, and the flexibility to move.

## 7 Stakeholder Engagement: PRS Stakeholder Conference Event

Having conducted desk based analysis, a City-wide telephone survey with registered PRS landlords and qualitative focus groups with consumers, Arneil Johnston facilitated a stakeholder conference event in the Glasgow City Chambers on Monday 8th June 2015. Glasgow City Council invited colleagues and partners from housing, health, social work, the voluntary sector and the private sector.

The objectives for the event were as follows:

- To communicate the outcomes of the research study into the role of the PRS in meeting housing need;
- To examine stakeholder views on how we promote successful outcomes using the PRS within a housing options approach; and
- To consider how we support the growth and improvement of the sector at a local level.

The agenda for the conference event was structured around a programme of interactive, reporting and workshop activities which a range of partner and stakeholders participated in. Details of the agenda and the participating representatives can be found hyperlinked below in the Stakeholder Conference Agenda.

The key outputs have been hyperlinked to this document and can be accessed below:

[Stakeholder Conference Topic Guide](#) (Appendix N)

[Stakeholder Conference Agenda](#) (Appendix O)

[Stakeholder Conference Presentation](#) (Appendix P)

[Stakeholder Conference Briefing Paper](#) (Appendix Q)

### 7.1 Interactive Voting Sessions

Following a brief introductory session, stakeholders were invited to take part in an interactive activity using an electronic voting system which was used to facilitate “ask the audience” sessions, with the results available instantaneously.

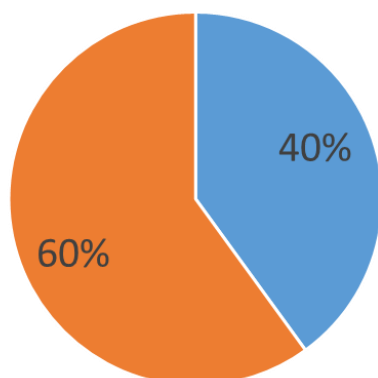
The e-voting session tested stakeholders’ knowledge and perceptions of the PRS in Glasgow. Stakeholders were presented with a statement relevant to the PRS and were asked whether they thought it was true or false. The statements presented can be found hyperlinked above in the Stakeholder Conference Briefing Paper, along with the correct answer (i.e. true or false), and the proportion of stakeholders who answered the question correctly.

After the findings from the research – including the landlord survey and consumer focus groups – were presented by Arneil Johnston, stakeholders were invited to take part in a second interactive voting session. Based on the results of the research findings, participants were asked a number of yes/no questions which focused on whether or not stakeholders considered the sector to be accessible, affordable, well managed, have security of tenure, provide quality housing in good condition and has the capacity to grow. With a variety of research findings providing an evidence base to both support and oppose these claims, stakeholders were asked to weigh up the statistics and to think more strategically about the current nature of the sector.

The results from this are shown in the graphs below:

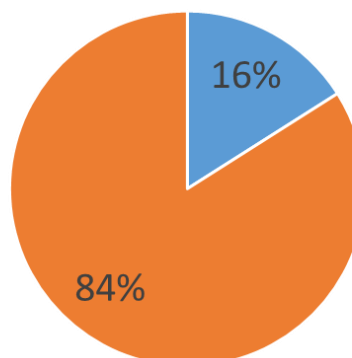


Is the sector accessible?



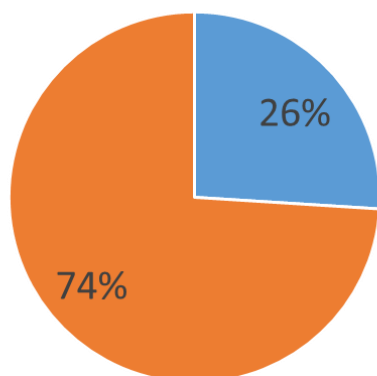
Graph 7.1: Accessibility

Is the sector affordable to local households?



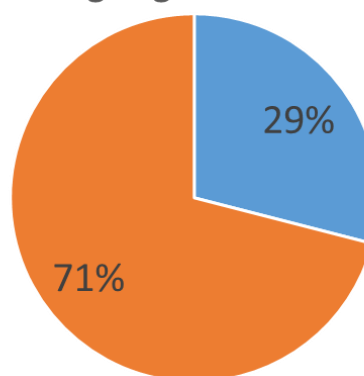
Graph 7.2: Affordability

Does the sector provide security of tenure?



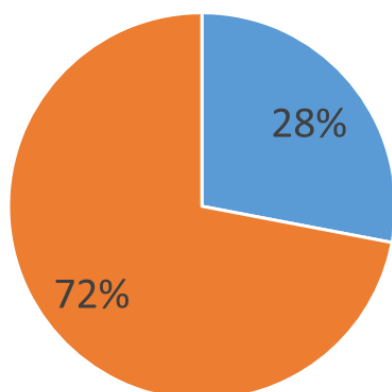
Graph 7.3: Security of tenure

Does the sector provide quality housing in good condition?



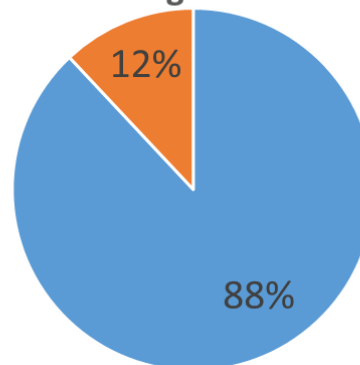
Graph 7.4: Condition

Is the sector well managed?



Graph 7.5: Management

Does the sector have the capacity to grow?



Graph 7.6: Capacity to grow

As shown above, there was consensus amongst stakeholders for most of the questions posed. The exception to this is whether the sector is accessible, where 40% of stakeholders felt that this was the case, whilst 60% voted that the sector is not accessible. In terms of where there was consensus, the majority of participants voted that the sector is not affordable, does not provide security of tenure, does not provide quality housing in good condition and is not well managed. Having said this, the majority of all stakeholders (90%) felt that the sector does have the capacity to grow.

## 7.2 Breakout Sessions

Having considered all of the findings from the PRS research, stakeholders then took part in structured workshop exercises focused on maximising the role the PRS plays within the housing options approach (Breakout Session 1) and supporting the growth and improvement of the PRS (Breakout Session 2).

For each of the breakout sessions, participants were divided into three groups. Arneil Johnston facilitated and recorded discussions with each group and then asked participants to consider a range of policy interventions in terms of their ability to make a difference to the sector.

### 7.2.1 Breakout Session 1: How we Maximise the Role of the PRS within the Housing Options Approach

In order to consider how the role of the PRS could be maximised within the housing options approach, each group considered the following questions:

1. How do we enable greater access to the private rented sector for housing options customers? What impact does this have on other households' accessibility?
2. How do we improve the affordability of the private rented sector?
3. How do we deliver appropriate support and assistance to promote tenancy sustainment?

The following sections summarise the outcomes of the discussions amongst stakeholders.

Access	Affordability	Tenancy sustainment
<ul style="list-style-type: none"> <li>• Landlord restrictions</li> <li>• Social lettings agency</li> </ul>	<ul style="list-style-type: none"> <li>• Raising a deposit</li> <li>• Budget calculator</li> </ul>	<ul style="list-style-type: none"> <li>• Share good practice</li> <li>• Further engagement</li> </ul>

In terms of access, stakeholders highlighted that restrictions placed on the tenants they let to are often imposed by mortgage lenders or letting agents as opposed to the landlords themselves. It was therefore argued that this needs to be taken into account if the sector is going to be used to meet housing need for housing options customers.

Participants supported the idea of a social lettings agency (SLA) which could deliver property management services to PRS landlords throughout Glasgow, particularly in relation to landlords with multiple properties in their portfolios initially before approaching single property landlords. It was argued that “accidental

landlords” would perhaps be more reluctant to engage with a social lettings agency given the perceived “high risk” associated with its customers.

In terms of affordability, stakeholders across the groups recognised that raising a deposit is a major barrier for customers accessing a tenancy in the PRS. To this end, stakeholders supported the idea of extending the RDGS beyond homeless customers as it was commended for providing access to the sector across the City. Stakeholders also highlighted that those who had delivered housing options in the City argued that their tenants should be encouraged to use a budget calculator in order to better prioritise their income and expenditure.

Stakeholders felt that sharing examples of good practice could help to promote tenancy sustainment within the sector. It was argued that actively engaging and building positive relationships with landlords and letting agents would enable Glasgow City Council and its partners to identify what resources are required to support both landlords and tenants to sustain tenancies in the sector.

Following these discussions, participants were asked to consider a range of policy options and asked to categorise them as either:

- Good idea – An idea which will make a real difference to the sector and there is reasonable possibility that partners could deliver it; or
- Forget it – Ideas which are either poor, unlikely to make a real difference or are incapable of realistic implementation.

Details of how each group categorised each policy option as either a good idea (✓), forget it (×) or undecided (~) can be found in the Stakeholder Conference Briefing Paper which is hyperlinked into this report above (Appendix Q).

Some of the policy options received considerable support from all three groups of participants including, for example, developing a social lettings agency, encouraging customers to make informed decisions through a social lettings agency and extending the RDGS beyond homeless customers only.

All three groups also supported the option of encouraging landlords to lift restrictions on households claiming LHA, however, as outlined previously, participants in one group highlighted that these restrictions may not necessarily be imposed by the landlord.

There were a number of policy options which stakeholders supported but felt that they should be less of a priority given recent and upcoming changes in related legislation. For example, whilst participants recognised that fuel poverty in the PRS in Glasgow is a concern, it was highlighted that the Regulation of Energy Efficiency in Private Sector Homes (REEPS) working group has been established by the Scottish Government to consider the issues around minimum energy efficiency standards. Furthermore, some participants felt that streamlining the payment of LHA is on the agenda already given the imminent introduction of Universal Credit.

## **7.2.2 Breakout Session 2: How do we support the Growth and Improvement of the PRS?**

In order to consider how we can support the growth and improvement of the PRS, each group considered the following questions:

1. How do we improve security of tenure in the private rented sector?
2. How do we improve the management of the private rented sector?

3. How do we improve the quality & condition of the private rented sector?
4. How do we encourage the growth of the sector?

Security of tenure	Management	Condition	Growth
<ul style="list-style-type: none"> <li>• Flexibility of PRS</li> <li>• Transparency at inception</li> </ul>	<ul style="list-style-type: none"> <li>• Further regulation?</li> <li>• Tenant awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Challenging stock profile</li> <li>• Common repairs</li> </ul>	<ul style="list-style-type: none"> <li>• Land availability &amp; suitability</li> </ul>

In terms of security of tenure, stakeholders recognised that the flexibility of the PRS does appeal to some customers (including students) and is often their motivation behind the decision to access the sector. Being open and transparent with tenants was encouraged by stakeholders in relation to any future plans the landlord has which may affect the tenant's ability to occupy the property in the long term.

In terms of improving the management of the PRS, there was divided opinion among participants about extending the legislative and regulatory provisions in place to tackle this. Whilst some stakeholders felt that stricter regulation could encourage rogue landlords to improve their approach to tenancy management, there was concern from other stakeholders that imposing more legislation and regulations would potentially drive good landlords out of the sector. These stakeholders felt that the existing framework is sufficient; but encouraging landlords to comply with it is where the focus needs to be.

From a tenant perspective, stakeholders agreed that tenants need to be more aware of their rights so that they can exercise them where they are experiencing poor service from a landlord. This education, stakeholders argued, would help to improve standards within the sector.

In terms of condition, stakeholders did recognise the challenge faced by landlords in Glasgow given the stock profile (i.e. large proportion of tenemental properties). However, as previously highlighted, the main concern expressed by stakeholders in relation to condition is the ability to carry out common repairs.

In terms of the sector's capacity to grow, there was confidence that there is a willingness for institutional investment in the sector. However, concerns were raised about the availability of suitable land to maximise the investment.

Following these discussions, participants were asked to consider a range of policy options and asked to categorise them as either:

- Good idea – An idea which will make a real difference to the sector and there is reasonable possibility that partners could deliver it; or
- Forget it – Ideas which are either poor, unlikely to make a real difference or are incapable of realistic implementation.

Details of how each group categorised each policy option as either a good idea (✓), forget it (✗) or undecided (~) can be found hyperlinked above in the stakeholder conference briefing paper.

The majority of policy options discussed were supported by all three groups. This includes, for example, encouraging landlords to engage in annual tenancy reviews, assisting tenants in accessing tenancy sustainment services for those who need support, enhancing Council resources to target enforcement



activity on disreputable landlords and enhancing partnerships between the Council, landlords and letting agents to identify and eradicate bad practice.

However, stakeholders across the groups expressed concern about two options related to condition: providing low cost loans and providing grant funding to landlords to support investment in major repairs. Concerns relating to these options were raised in relation to the amount of resources available and other owners being reluctant to contribute to the cost of common repairs.

As was the case with the first breakout session, there were a number of policy options which stakeholders supported but felt that they should be less of a priority given recent and upcoming changes in legislation. This included, for example, the increased regulation of letting agencies (provisions for which have been included within the housing (Scotland) Act 2014), and encouraging both landlords and tenants to negotiate longer term tenancies following an initial successful term (which stakeholders argued would not be required given the proposed tenancy reforms in which tenancies will continue indefinitely following the initial term).

### 7.3 Findings from the Scottish Association of Landlords (SAL)

Although the findings from the stakeholder conference event provided good insight in terms of the views of professionals from local authorities and the voluntary sector in relation to the operation of the sector across the City, one of the main criticisms of the event was that there was an obvious lack of landlord participation. In order to strengthen the results from the conference event, Arneil Johnston issued a survey to private sector landlords who were members of SAL in order to ensure the interests and opinions of landlords and letting agents were recognised in the holistic analysis of the sector.

The policy options which received the most support from the SAL landlords is shown in the table below. The proportion of conference stakeholders that supported each of these policy options is also shown.

Policy Option	SAL Landlords	Conference Stakeholders
Raising awareness of the PRS	72%	21%
Promoting budgeting & financial management	50%	7%
Tenancy sustainment services	67%	4%
Enforcement activity on disreputable landlords	52%	25%
Target poor property condition	67%	39%
Encourage accidental landlords to remain in the sector	46%	11%

**Table 7.1: Most supported policy options from SAL landlords**

As can be seen from the diagram above, in general, there was no clear consensus between SAL landlords and stakeholders in relation to the policy options which were proposed. However, when we consider the top five policy options at holistically improving the sector, both landlords and stakeholders have “more enforcement activity to target poor property condition” and “enhance Council resources to target enforcement activity on disreputable landlords” in their top five.

The analysis shows that stakeholders have different perspectives in comparison to landlords. It is therefore necessary to gather information from a variety of sources in order to fully determine the way forward for the PRS in Glasgow.



## 7.4 Interactive Activity: What is the Way Forward?

The final activity allowed stakeholders to review the wide range of policy options which had been discussed (and identified as good or bad ideas) during the breakout sessions. Stakeholders were asked to select and rank their top five favourable choices by placing stickers marked one to five. This activity gave the participants the opportunity to express their individual opinions, rather than as a group.

The various policy interventions were printed on A5 cards and placed upon tables so the participants had the opportunity to consider all of them. These options were categorised under six headings:

- Access;
- Affordability;
- Tenancy sustainment;
- Security of tenure & management;
- Condition; and
- Growth.

The following sections summarise the outcomes under each of the six categories.

### 7.4.1 Access

The policy options aimed at improving access to the PRS were not necessarily the most popular amongst stakeholders, particularly in terms of the proportion of stakeholders who selected one of the options listed as their first choice.

Three options did receive relatively strong support overall which were 1) to encourage consumers to make informed decisions on private renting through housing options advice; 2) developing a social lettings agency to provide connections, management services and support (7% of participants selected this as their first choice); and 3) raising awareness of the PRS as a valid option for meeting housing needs. Between a fifth and a quarter of stakeholders selected these options within their top five.

### 7.4.2 Affordability

In terms of the policy options aimed at improving the affordability of the PRS, the most popular option was to explore the feasibility of delivering mid-market rent options with investors and developers. Whilst all three groups identified this as a good idea during the breakout session, just 11% of stakeholders selected it within their top five. This indicates that other policy options are considered to be more of a priority for stakeholders.

Similarly, 10% of stakeholders selected the option to provide welfare benefits advice to maximise income and address sanctions within their top five (4% of stakeholders' first preference) policy options for improving the PRS.

### 7.4.3 Tenancy Sustainment

The options which participants were asked to consider which might improve tenancy sustainment within the PRS were not particularly popular in terms of being stakeholders' top priority. For example, excluding the suggestion of a 'Proactive housing options service that assesses readiness for tenancy', none of the options listed within the tenancy sustainment category were selected by any stakeholders as their number one choice.

In terms of the option to deliver a housing options service which assesses readiness for tenancy, stakeholders were evidently very supportive of this as almost a third of all participants (32%) selected this within their top five.

None of the stakeholders selected mediation services, working in partnership with private landlords to streamline the payment of LHA or provision of independent advice and support in addressing issues with landlords within their top five choices. When this was discussed during the breakout sessions, whilst it was recognised that these services would be beneficial, it was agreed that it is not a key priority for the sector.

#### **7.4.4 Security of Tenure**

In terms of improving security of tenure and the management of the sector, there are evidently two options in particular which stakeholders felt would achieve this. Stakeholders' support for one of these in particular – to develop a social lettings agency to provide fixed term tenancies to those seeking affordable rental options – has been highlighted previously within the 'access' section (6.6 above). For this option in particular, more than a third of stakeholders selected it as their first choice (36%), and almost three quarters overall (71%).

The other option within this category which received support was more regulation of the lettings agency sector, which half of stakeholders selected within their top five choices. It seems to have been a popular second choice for participants, with 25% of stakeholders placing a number 2 sticker on this option.

#### **7.4.5 Condition**

Similarly to the tenancy sustainment category, excluding one suggestion, none of the options listed were selected by any stakeholders as their number one choice. The one suggestion was more enforcement activity to target poor property condition, which more than a third of stakeholders (39%) selected as one of their top five policy interventions. 14% of participants identified it as their first choice; only the option to develop a social lettings agency was selected by more participants as their first choice.

None of the stakeholders selected the suggestions of supporting landlords to develop and budget for long term maintenance plans, providing low cost loans to landlords to support investment in major repairs or developing owner associations and the use of property factors to encourage common repairs within their top five choices.

#### **7.4.6 Growth**

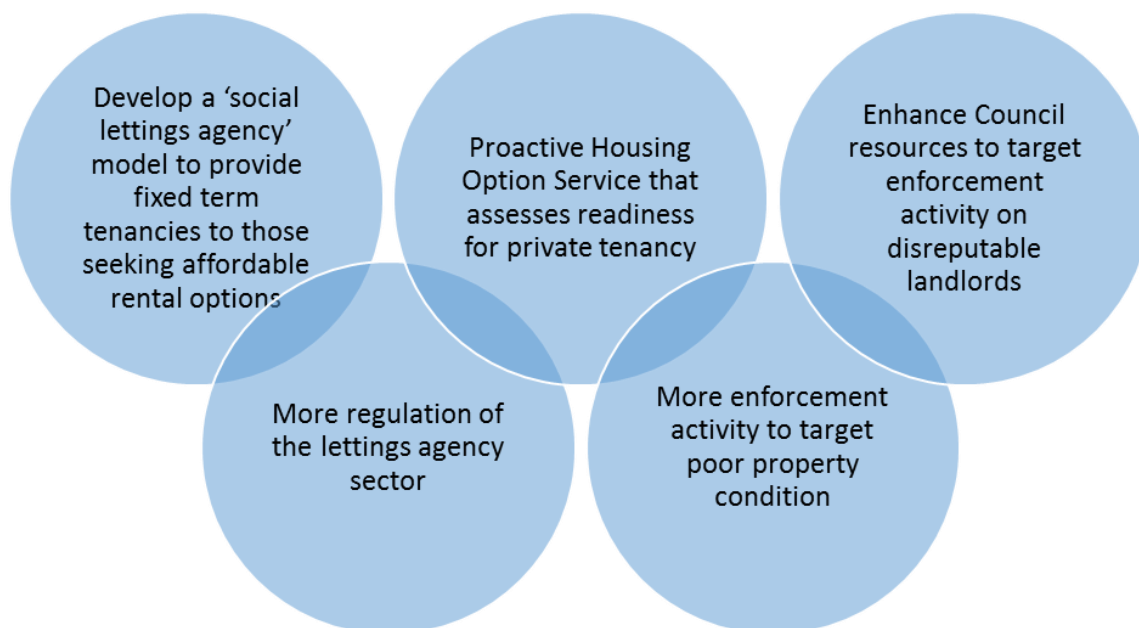
From the results it can be seen that this is the least popular category as the options included within this section were mostly untouched by the participants. Only one option was deemed to be the first choice as a way to encourage growth in the PRS. The intervention selected was to encourage RSLs to deliver mid-market & commercial renting options, although being selected by a low number of people it makes for interesting reading that 17% of people chose this option as their third choice.

In terms of the policy options aimed at encouraging growth in the PRS, stakeholders were most supportive of the suggestion to encourage RSLs to deliver mid-market and commercial renting options (24% selected it within their top five; 4% selected it as their first choice). None of the other options within this category were selected by any stakeholders as their top priority.

Furthermore, none of the stakeholders selected the options of examining the willingness of developers and investors to test joint venture models for commercial lets or encouraging private developers to consider commercial renting models within their top five at all.

## 7.5 Stakeholder Outcomes: Policy Interventions

Whilst the majority of the policy interventions listed did receive some level of support, there were a number of options which were consistently selected by stakeholders as being a priority for Glasgow City Council and partners in supporting the PRS to improve.



The top five policy options which stakeholders were most supportive of are as follows:

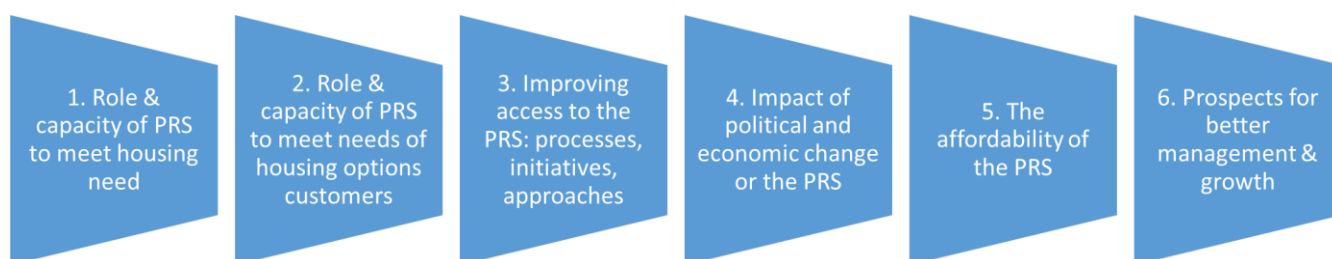
- Develop a 'social lettings agency' model to provide fixed term tenancies to those seeking affordable rental options;
- Develop a proactive Housing Options Service that assesses readiness for private tenancy;
- Enhance Council resources to target enforcement activity on disreputable landlords;
- Introduce more regulation of the lettings agency sector; and
- Support greater enforcement activity to target poor property condition.

## 8 The Role of the PRS in Meeting Housing Need: Conclusions

In November 2014, Glasgow City Council commissioned Arneil Johnston to deliver an extensive research study on the role of the private rented sector (PRS) in meeting housing need in Glasgow. The project will be used to inform the further development and implementation of Glasgow's Housing Strategy, the approach to Housing options in the city and to help inform the strategies of landlords and investors in the city. The principal aim for this important research study is as follows:

*Glasgow City Council wants to understand the capacity of utilising the PRS to meet housing needs in the future and to establish whether the sector is likely to be able to play a long-term role in meeting these needs.*

The study objectives have been categorised into the following six themes, which have been used to synthesise research findings to deliver conclusions.



The final chapter of this report sets out the research findings and outcomes associated with each theme.

In order to meet research objectives, Arneil Johnston designed the following seven stage research methodology:

1. Literature review of PRS evolution, growth, prospects and best practice;
2. Statistical analysis building intelligence on the extent and nature of housing need in the PRS in Glasgow and the extent to which the operation of the sector delivers effective outcomes for those who rely on it;
3. Survey of over 450 landlords operating across the City delivering insight into tenancy portfolios, management, access, demand, profitability and future intentions;
4. Focus groups with PRS tenants exploring experiences, expectations and aspirations as well as affordability issues, unmet housing need, welfare reform and tenancy support issues;
5. Analytical modelling to determine the extent and nature of PRS affordability across the City relative to other tenures and household incomes; and
6. A recommended bank of policy interventions for growth and improvement from a diverse network of PRS stakeholders following an extensive PRS conference event.

## 8.1 Role & Capacity of PRS to Meet Housing Need in Glasgow

A number of research questions were posed to examine the role and capacity of the private rented sector to meet housing need in Glasgow:

### 1. Role & capacity of PRS to meet housing need

- What is the role and capacity of the private rented sector to meet housing needs?
- What housing needs can be met through the PRS?
- What is the profile of households who could live in the PRS who otherwise may have been housed in the socially rented sector?
- What are the views and expectations of potential PRS tenants of living in the PRS?
- What support and assistance will be required by these tenants to sustain tenancies in the PRS?

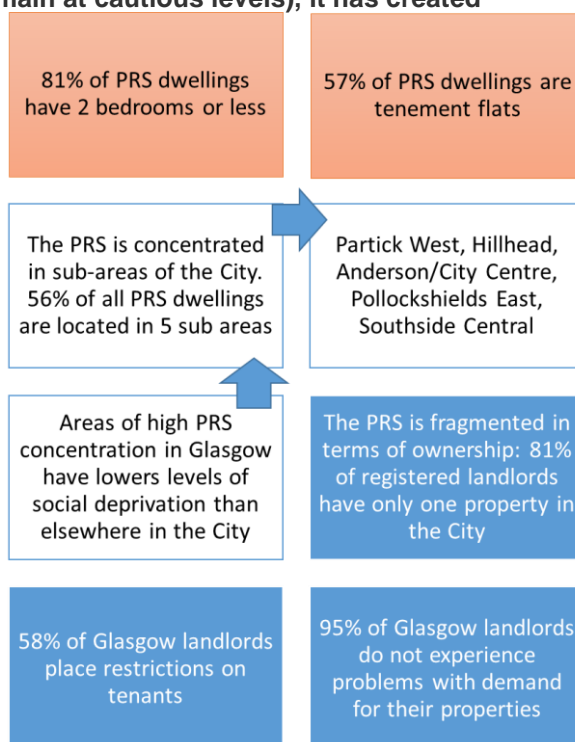
The PRS in Glasgow plays a significant role in meeting the housing needs of the city. Scottish Household Survey statistics (2014) reveal that in 2013, 19% of households in Glasgow lived in the private rented sector in comparison to 13% elsewhere in Scotland. The role of the private rented sector has grown substantially in the last with 5 years, with the number of registered dwellings increasing from 47,395 in 2011 to 56,723 in 2013 which is a growth of 20% (City Dwelling Estimates 2013 (GCC, DRS)). As the role of the PRS increases in influence in Glasgow, the role of other housing tenures diminish, with a reduction in the social housing sector of 1% and a reduction in owner occupation of 5% (2011-2013).

**The role of the PRS in the Glasgow housing system is more significant than it is across Scotland, with further growth possible given economic, demographic and housing system conditions. However, whilst the UK financial crisis (2007/08) has undoubtedly contributed to growth of the sector (as mortgage lending and housing market activity remain at cautious levels), it has created simultaneous barriers to investment given budget constraints and public austerity. If the role PRS in Glasgow is to continue to grow moving forward, securing longer term investment and pursuing innovative funding mechanisms to stimulate new supply will be essential in realising the sector's capacity to meet housing need.**

### 8.1.1 The Capacity of the PRS in Glasgow

In many ways the capacity of the sector to meet housing need is driven by the dwelling portfolio of homes in the sector. Key drivers in the capacity profile of the sector are set out in the box on the right.

Clearly the capacity of the sector to meet housing need will be influenced by the extent and nature of dwellings on offer. A concentration of 1-2 bedroom flatted properties means that the PRS is likely to be successful in accommodating single people and smaller households and less able to meet the needs of larger families.





Whilst at a national level, the Scottish Government is proactively assessing options to deliver more security of tenure in order to ensure the sector is a sustainable option in meeting the needs of new consumer groups, if the sector in Glasgow is to shift capacity to meet this new demand profile, a range of interventions to stimulate investment in a more diverse (and larger) range of house types and sizes will be required.

Capacity levels within the PRS in Glasgow vary significantly by housing sub-area. Whilst the sector accounts for more than a third of homes in the City Centre, Anderston and Partick; it accounts for just 10% of homes in the North East. The sub-areas which hold the greatest proportions of PRS dwellings are also those which have lower levels of social deprivation. PRS consumers in these areas are therefore more likely to be financially independent and less vulnerable, leading to active competition for homes and as a result rental inflation. The capacity of the PRS in Glasgow to meet the needs of low-income or vulnerable groups is therefore restricted in two ways:

1. The size of the PRS in sub-areas where low income or vulnerable consumers are concentrated is proportionately smaller with fewer options available;
2. Competition is strong in sub-areas with greater proportions of PRS stock, which fuels rental affordability and further limits the access of consumers who may be constrained by income or capability.

The capacity of the PRS is also influenced by its use by public agencies to meet the needs of specific client groups. Since March 2012, Serco have been contracted to provide asylum support services across Glasgow with its subcontractor, Orchard & Shipman.

The number of asylum seekers living in Glasgow (particularly in the highly concentrated PRS areas) is likely to have a significant impact on the accessibility of the PRS for other housing consumers in these areas and result in increased competition for available lets. The ability of the sector to meet a diversity of consumer requirements may be limited on this basis.

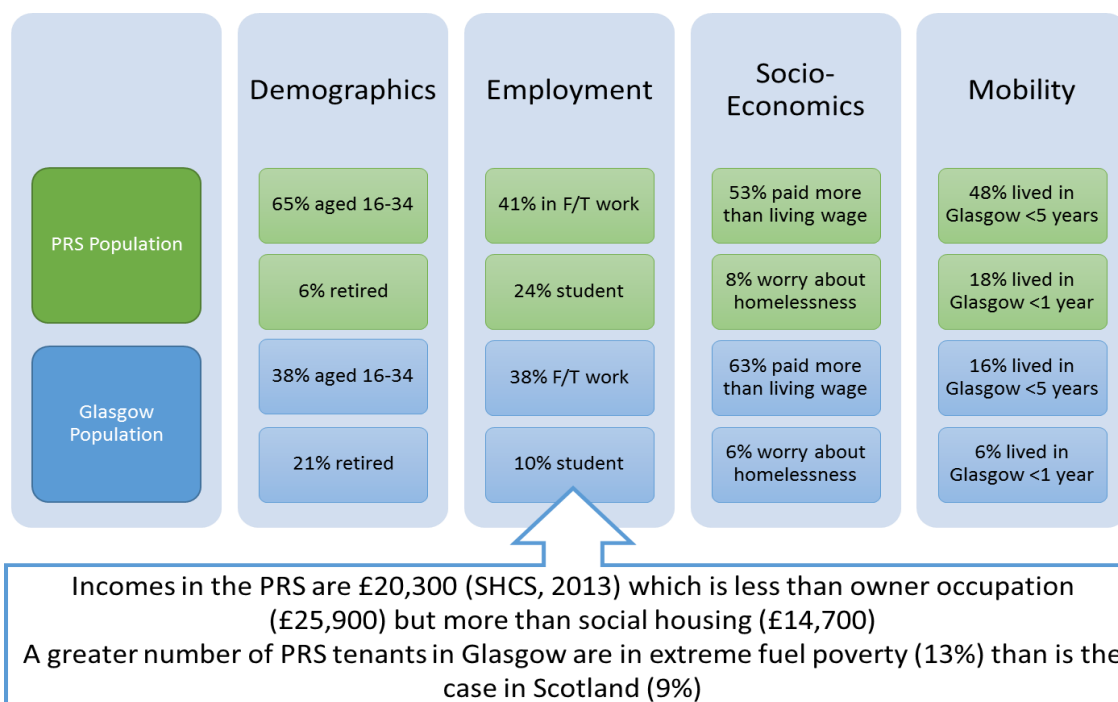
Of course, the other factor which will influence the capacity of the sector to meet a diverse range of housing needs is the accessibility of the supply and the extent to which landlords may gate keep by placing restrictions on the profile of tenants they are willing to accommodate. Almost 60% of landlords (58%) place restrictions on the type of tenant they will accommodate, presumably driven by the healthy competition for properties in the sector (95% of landlords have no problems sourcing tenants). Whilst it may be possible to work in partnership with landlords to address these barriers (through e.g. PRS access schemes), the fragmented nature of the sector (81% of landlords have just 1 property in the City), will make it challenging for public sector bodies to do so.

Looking to the future, a third of landlords said that they are likely to sell some part of their portfolio in the next five years. This is more so the case amongst those who consider themselves to be 'accidental' landlords, who cannot sell their former home or have inherited a property (40% are likely to sell). These landlords are also more likely to sell given the poor financial return than the entire landlord population. Presumably this is influenced by the fact that accidental landlords are more likely to use a letting agent (71% do compared to 56% overall), who will secure a proportion of the rental income generated for their services. With half of those likely to leave expressing an interest in a GCC//RSL-led management service, this suggests that there is scope for these landlords to remain in the sector should the management fees associated with such a service be attractive.

## **8.2 What Needs Are and Could be Met by the PRS in Glasgow?**

Whilst it is clear that the current capacity of the sector in Glasgow is driven by a range of supply, consumer and landlord factors, almost 60,000 tenants successfully utilize the sector at present. The profile of this tenant population is as follows:





This profile would suggest that in many ways the PRS in Glasgow is utilised by the traditionally young and mobile population of earners and students who seek short term or flexible accommodation options.

Whilst marginally more PRS tenants are in full time employment (41%) than the Glasgow population generally (38%), there is evidence that income levels in the sector are lower. 53% of PRS tenants currently earn more than the living wage in comparison to 63% households across Glasgow (Glasgow Household Survey 2014). Equally, the Scottish House Condition survey suggests that PRS incomes are more than social housing (£14,700) at £20,300 but less than owner occupation (£25,900). It's clear therefore that PRS tenants may struggle to meet the costs of housing than those in other tenures particularly given the comparatively lower incidence of welfare dependence. The Glasgow Household Survey 2014, reveals that 25% of PRS tenants rely entirely on social security or pensions as their income source, in comparison to 59% of social tenants in the City and 36% of all households.

This tells us two things: (1) that welfare dependent households have less access to the PRS in Glasgow than those in employment or education and (2) low income PRS tenants in work are likely to struggle with housing affordability issues. The second point is compounded by the higher incidence of extreme fuel poverty in the PRS in Glasgow.

On this basis, without intervention to improve access; the capacity of the PRS in Glasgow to meet the needs of low-income, vulnerable or housing options customers may be limited.

### 8.2.1 What Are the Views and Expectations of PRS Tenants?

A series of qualitative focus groups were held to examine the views and perceptions of tenants who currently rely on the private rented sector to meet their housing needs. In global terms, findings suggest that whilst the current tenant population are generally happy with both their home (75% satisfied) and landlord (73% satisfied), tenants experience suitability issues in relation to property condition, rental affordability and perceived insecurity of tenure.

It is clear for many PRS tenants, that the sector is still not a first choice option with almost 50% describing it as their only option and 30% accessing the sector upon failing to attain a social tenancy. However for those who did positively choose the sector, a quarter did so as a result of the choice available in their preferred location.

These findings reinforce the perceived strengths of the PRS in Glasgow, namely the availability of property types, the ability to share with others (and reduce costs as an outcome), choice in the preferred location of properties, and the flexibility to move as circumstances change over time.

Conversely, the main weaknesses defined by PRS tenants focused on the extent of deposit requirements to access PRS accommodation (which are often cost prohibitive), the restrictions that landlords place on the type of tenants they are willing to rent to and the perceived lack of tenure security associated with current tenancy conditions.

### 8.2.2 What Support or Assistance could Enable Tenancy Sustainment in the PRS?

The perceived need for interventions to support tenancy sustainment was also tested on PRS tenants during qualitative focus group sessions. The most popular initiatives that PRS tenants felt would positively support tenancy sustainment focused on those which support consumers to manage their relationship with their landlord or letting agent. For example, PRS tenants very much supported the concept of accreditation schemes which would demonstrate that a landlord or letting agent was delivering a high quality service to tenants.

In addition, initiatives which would assist private tenants with budgeting, financial management, welfare rights and income maximisation were also supported by focus group participants as a useful tool in enabling tenancy sustainment. Given the barriers to access including the excessive nature of tenancy deposits described by PRS tenants, financial inclusion interventions should presumably be targeted not only at existing but potential tenants seeking housing in the sector.

### 8.3 Role & Capacity of PRS to Meet the Needs of Housing Options Customers

A number of research questions were posed to examine the role and capacity of the private rented sector to meet the needs of housing options customers in Glasgow:

#### 2. Role & capacity of PRS to meet needs of housing options customers

- What is the potential role/capacity of the PRS in meeting the needs of vulnerable households/housing options customers for both temporary accommodation and settled accommodation?
- Which housing options customers could be housed in the private rented sector, what are the elements to ensure a sustainable tenancy?
- How will utilising the PRS for housing options clients impact on this aspect of the PRS, on household behaviours, and the wider housing system? And in particular access for non housing options customers to affordable housing, particularly those on LHA?

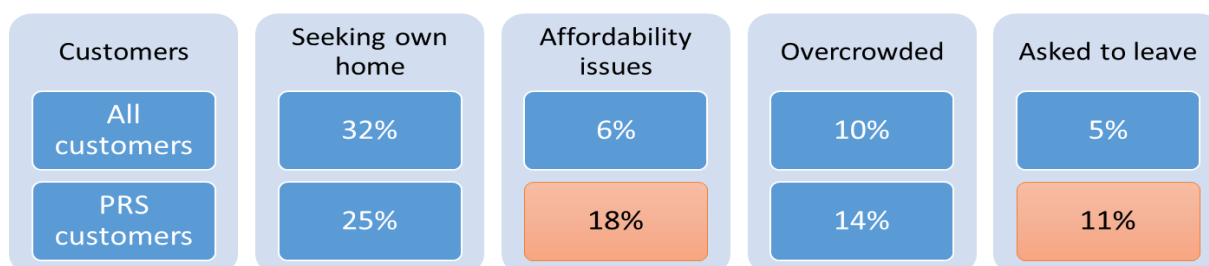
Research evidence suggests that the PRS has been performs a limited role in meeting the needs of both homeless and housing options customers and that more could be done to realise the capacity of the sector.



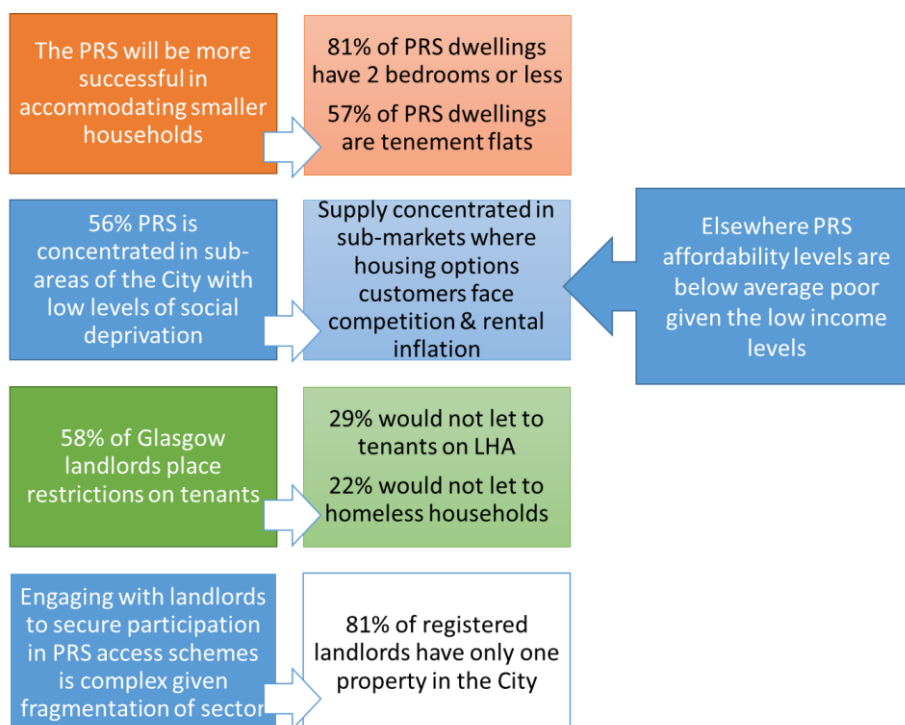
From the available data, substantial numbers of HL1 presentations came from households within the PRS. In line with the growth of sector, the number of households leaving the sector to make a homeless application has grown from 12% in 2010/11 to 14% in 2013/14. Given that the sector accounts for approximately 20% of all households living in the City, these statistics would suggest a lower proportion of housing outcomes end in homelessness in the PRS than in other tenures. The recently announced Private Rented Tenancies Bill which seeks to remove the 'no fault' ground for repossession, meaning a landlord can no longer ask a tenant to leave simply because the fixed-term has ended; may further reduce the number of homeless presentations from PRS tenants.

Despite the implementation of housing options in 2012, the number of homeless households accessing the PRS as a housing outcome has remained fairly static at just 3%. Clearly the PRS given its role in meeting housing need in the City has not been fully capitalized on as a resource within the Glasgow housing model.

At the same time, intelligence from the housing options service suggests that there are key factors in the ability of the PRS to sustainably meet the needs of housing options customers. In 2013/14, 10% of all housing options interviews focused on PRS tenants who were potentially homeless. The reasons for their engagement with the service in comparison to all housing options customers are outlined below:



It is clear, that housing options customers seek to leave the PRS in far greater numbers than other sectors as a result of (1) affordability issues and (2) security of tenure issues. These outcomes reinforce the feedback from PRS tenants on the weaknesses of the sector. As set out in Section 1, there are a number of drivers that will influence the capacity of the PRS to meet housing need which are intensified in the context of a vulnerable client group. The key barriers to using the PRS to meet the needs of housing options customers in Glasgow could be described as follows:



Whilst housing options customers are likely to face accessibility issues in housing sub-areas with strong rental inflation (such as Partick West, Hillhead, Anderson/City Centre, Pollockshields East, Southside Central), remaining sub-areas offer a more restricted supply of PRS housing and profile more complex housing affordability patterns given the low-income profile associated with higher social deprivation levels. This complex map of housing supply and affordability issues is outlined in more detail below.

As the table illustrates, sub-areas which offers comparatively lower levels of PRS supply and also among the least affordable given the profile of local incomes. The exceptions to this rule would appear to be:

Housing Sub-Area	% of PRS Supply	% who Can't Afford
Central & West	34%	44%
Pollokshields & Southside Central	26%	38%
East Centre & Calton	22%	55%
Langside & Linn	22%	38%
Govan & Craigton	17%	51%
Maryhill/Kelvin & Canal	15%	50%
Baillieston, Shettleston & Easterhouse	12%	43%
West	11%	53%
Greater Pollok & Newlands/Auldburn	11%	49%
North East	10%	47%
<b>Glasgow</b>	<b>19%</b>	<b>44%</b>

- Pollokshields & Southside Central;
- Langside & Linn; and
- Baillieston, Shettleston & Easterhouse

Given the complex housing system issues likely to be faced by housing options customers, improving access to the PRS is unlikely to successfully take place without an intervention scheme.

From a landlord perspective, evidence from the primary research survey showed that landlords would engage with a GCC/RSL-led management service, which could potentially be used as a vehicle for housing options customers to access the PRS. Comparison with the national survey outcomes suggests that Glasgow's landlords are more willing to accommodate households claiming housing benefit than landlords nationally. Furthermore, those in the City are actually more likely to accept homeless households and those in receipt of housing benefit if the Council or an RSL is delivering the management service.

To this end, and given the earlier evidence of some landlords leaving the sector due to the poor financial return, where such a service can be delivered at competitive or lower rates, there does appear to be an appetite for this among the City's landlords.

### 8.3.1 What is the Role of PRS Access Schemes in Meeting the Needs of Housing Options Customers?

Best practice research suggest that PRS access schemes could have significant potential within a housing options model by widening the number of households who could access housing and support services in the PRS using mechanisms such as:

- Rent deposit: landlord receives advanced payment;
- Rent guarantee or bond: guarantor arrangement with no payment;
- Partnership with no bond: partnership to place & manage tenancies;
- Social lettings agency: tenancy startup & management services for % of rent; and
- Private sector leasing scheme: long term fixed tenancy with management services for direct payment to landlord).

There are a number of factors which have contributed to the success of PRS access schemes throughout the UK and could be considered as useful development principles in a Glasgow context:

- Strong knowledge of local private rented market;

- Single point of contact for landlords and tenants - personalised service;
- Screening tenants – focusing access on those who have ability to sustain a tenancy;
- Delivering a range of support services to both landlords and tenants;
- Delivering tenant training on rights, responsibilities and independent living;
- Partnership between local authorities and providers of the PRS scheme;
- Focusing access on single people not in priority need (i.e. not statutory homeless)

A PRS access schemes tailored to meet the needs the housing seekers with a positive tenancy sustainment profile, could potentially be used very effectively within the Glasgow housing options model. Enabling access to the PRS could improve the choice and sustainment prospects of housing options customers and make significant contributions to homelessness prevention activity. Cost efficiencies in relation to proactive homelessness prevention using PRS access models (of up to £1,400 per homeless client) have been evidenced across the UK.

To summarise, best value analysis of the impact of PRS access schemes suggest that they not only deliver better outcomes to housing options customers but can deliver substantial cost efficiencies. This analysis also suggests that the profile of housing options customer who should form the client profile for such a scheme is as follows:

- Single people;
- Not statutorily homeless i.e. not those in priority need; and
- Those who have the ability to sustain a tenancy independently.

### **8.3.2 How will Utilising the PRS for Housing Options Customers Impact on the Operation of the Sector?**

The profile of housing needs by the PRS in Glasgow would suggest that welfare dependent households are less likely to successfully access the sector than low-income households in work, despite potentially, a better financial capacity to meet the costs of housing.

If PRS access schemes are used to assist housing options customers to access the sector, best practice evidence suggests that single households without complex support needs are most likely to achieve successful outcomes. Access schemes could therefore be used as mechanism to assist welfare dependent households to seek solutions in the PRS if they can be persuaded to proactively engage with the housing options services. This may enhance the accessibility barriers of low income households who are unlikely to engage with public services to meet housing need.

The extent to which this may be the case depends of the willingness of Glasgow landlords to participate in PRS access schemes. Undoubtedly areas of strong supply and competition may prove challenging in securing landlord commitment given the control and choice over tenant selection offered by buoyant demand. On this basis, housing access schemes may be most likely to flourish in the sub-market areas with both moderate supply and housing affordability levels (such as Pollokshields & Southside Central; Langside & Linn; and Baillieston, Shettleston & Easterhouse).

The potential to deliver housing access schemes is outlined in more detail in Section 8.5.

## 8.4 Impact of political and economic change on the PRS

A number of research questions were posed to examine the impact of political and economic change on the PRS in a Glasgow context:

### 4. Impact of political and economic change on the PRS

- What is the likely structure of the PRS in the future as welfare reforms and general economic climate impact on the PRS generally and/or on particular elements of the PRS?
- How has welfare reform has impacted and may impact in the future on the choices and preferences of tenants and landlords?

There is no doubt that the UK financial crisis of 2007-2008 has contributed to the growth of the sector in recent years but it has also created simultaneous barriers to investment given current budget constraints and pressures. The economic downturn has also led to a number of significant welfare reforms and/or cuts in order to reduce public expenditure, in line with the then Conservative/Liberal Democrat coalition's political agenda.

Arguably the most significant change has been the reduction in LHA rates from 2011, with rates set to increase only in line with inflation. Historically they were set in terms of real rental inflation which was typically much higher. In order to try and counteract the negative consequences of welfare reform for low income households, and particularly single people, it is clear that increasing the supply of larger homes within the PRS is vital in enhancing the potential for shared accommodation options across the City. This will, in turn, enable the sector to meet housing demand for the increased number of single people on lower incomes as a result of the changes to LHA rates.

### 8.4.1 The Impact of Welfare Reform on PRS Customers

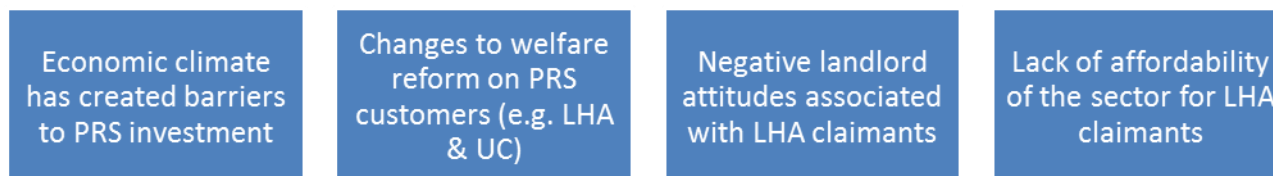
In order to understand the experiences of PRS tenants who are likely to have been affected by the recent changes to welfare reform, Arneil Johnston explored this during the qualitative focus facilitated as part of this project. Participants were presented with an overview of key "welfare reform" changes and then asked to assess the extent to which they have or are likely to face negative consequences.

Of the three focus groups that took part in this activity, some welfare reform changes has or could affect up to 1 in 5 participants. On this basis, participants agreed that more public information on how these changes could affect households in the PRS should be made available in order to minimise any negative impact to the affordability of the sector.

The primary research survey carried out with private landlords in the City found that 29% of landlords said that they wouldn't be willing to accommodate tenants who were in receipt of housing benefit. Clearly, this poses a major accessibility barrier to low income households who are reliant on benefits to meet housing costs. Landlords' negative attitudes associated with LHA claimants will pose clear limitations on the level of accessibility and choice that potential tenants face

In addition, analysis of the affordability of the PRS suggest that in terms of LHA rates, the majority of claimants could not afford to meet the costs of the average PRS rent in the City and would face a shortfall in payment (based on both Citylets and landlord survey data). The only areas where the LHA rate would cover the cost of the average rent are selected property sizes in Baillieston, Shettleston & Greater Easterhouse, North East and, to a lesser extent, Langside & Linn and Pollokshields & Southside Central.

In summary, the findings above highlight the significant impact economic and political change has had on the PRS, particularly in relation to welfare reform. Some of the key issues which are likely to have a major impact on the sector across Glasgow as a result of these changes include:



## 8.5 Improving Access to the PRS: Initiatives & Approaches

A number of research questions were posed to examine the potential and capacity to deliver PRS access schemes in a Glasgow context:

### 3. Improving access to the PRS: processes, initiatives, approaches

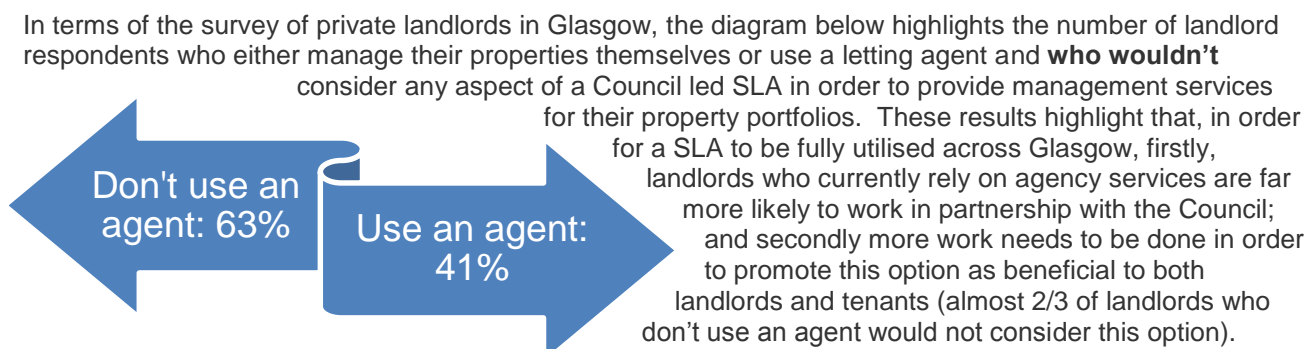
- Which products or initiatives which can be developed in the city and linked to Housing Options to deliver appropriate housing offers in the city e.g. Social Lettings Agencies?
- What is the level of landlord and letting agent interest in participating in PRS access schemes (e.g. social letting agencies, PSL schemes)?
- How do we incentivise the sector to become involved?
- Is a social letting agency/model approach feasible in the Glasgow context?

In terms of improving access to the PRS, it is clear that Glasgow needs to adopt a variety of new initiatives and approaches for the sector to cope with increasing demand for housing.

Analysis of landlord survey data has highlighted that just under half (49%) of all respondent landlords would be interested in some aspects of a housing management service delivered by either Glasgow City Council or a housing association. A Council led or sponsored management scheme could be used in parallel with the Housing Options service in order to enhance the accessibility of the sector to those households in need.

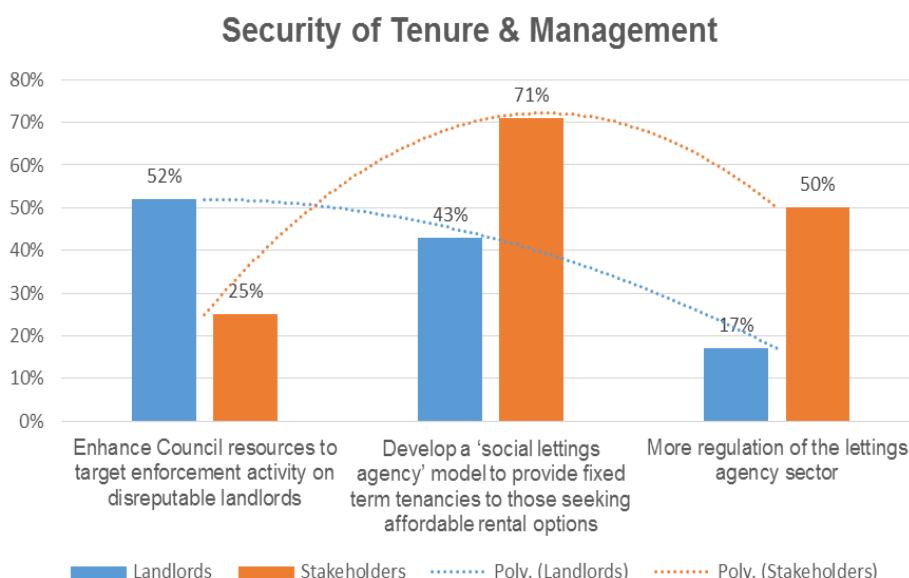
A potential mechanism that Glasgow City Council could utilise to improve the accessibility of the PRS would be to develop a social lettings agency (SLA). In June 2015, Arneil Johnston facilitated a Stakeholder Conference Event where participants were asked how Glasgow can enable greater access to the PRS. Whilst the idea of an SLA which could deliver property management services to PRS landlords across Glasgow was supported, it was argued that more work would need to be done to encourage “accidental landlords” with small property portfolios to support the initiative as they may be reluctant to engage given the perceived “high risk” associated with its customers. Given the fragmented nature of the sector, the complexity of landlord engagement on this basis could be substantial.





Although the findings from the Stakeholder Conference were valuable in terms of understanding professionals' views on the PRS, it was noted that landlords may have conflicting views on how the sector could be made more accessible. To test this, Arneil Johnston partnered with the Scottish Association of Landlords (SAL) to capture the opinions of landlords on this topic i.e. whether a social lettings agency model would improve the accessibility and operation of the sector.

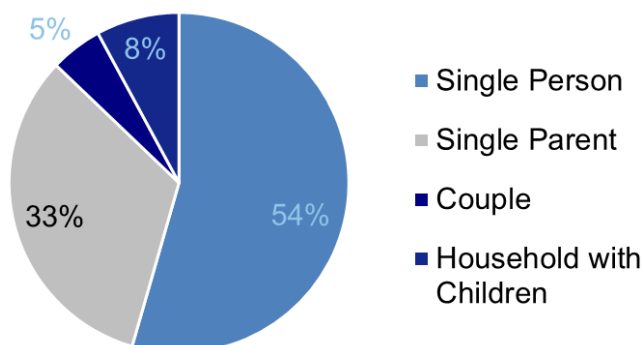
When SAL outcomes are compared with the findings from the Stakeholder Conference Event, as suggested, perspectives are considerably different. Just 43% of SAL landlords felt that developing a SLA should be a policy priority which compares with a significantly higher 71% for professional stakeholders.



It is therefore clear that whilst there is strong appetite for a SLA from the community of professional stakeholders who assist customers to access the PRS, landlords themselves remain to be convinced. A key aspect of successfully delivering a social lettings agency mechanism is likely to rest on proactive marketing to the landlord community. Given their reliance on letting agency services for property management and maintenance, if a financially advantageous offer could be developed and proactively marketed, successful landlord engagement may work.

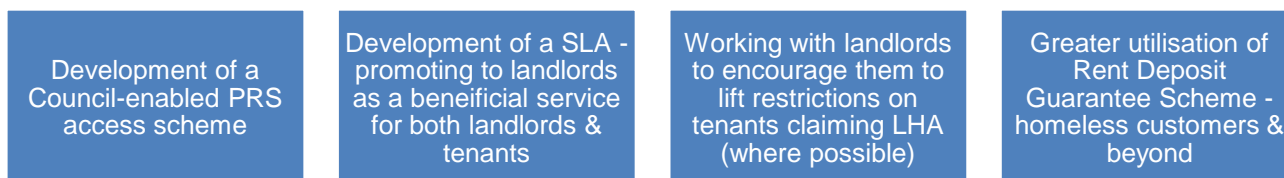
Stakeholder feedback suggested that the restrictions on tenants, including those who claim LHA, are not necessarily always imposed by the landlord. These restrictions are sometimes imposed by mortgage lenders who stipulate certain conditions to individuals wishing to let out their property, or letting agents who are managing the property on behalf of the landlord. If the sector is going to be fully utilised to meet the needs of the most vulnerable people in Glasgow, this barriers must be taken into account in development and delivery of PRS access schemes.

Rent Deposit Guarantee Schemes (RDGS) make an important contribution to supporting access to the PRS. The current RDGS in Glasgow is small in comparison to the overall size of the PRS with only 66 current live cases in the City. It is focused on meeting the needs of homeless households and as illustrated in the graph opposite tends to meet the needs of single people (54%) and single parents (33%).



Clearly, there is potential to extend the impact of this access mechanism given the scale of PRS supply across the city. Recommendations from Stakeholder Conference Event also highlighted support to extend the RDGS beyond homeless customers as it was commended for improving PRS accessibility and sustainment across Glasgow.

In summary, the analysis above highlights a variety of innovative approaches in relation to increasing the level of access to the PRS, particularly for low income households. A number of processes, initiatives and approaches could be adopted by Glasgow City Council in order to increase the accessibility of the PRS, including:



## 8.6 The Affordability of the PRS

The following research question was posed to examine the affordability of the private rented sector in a Glasgow context:

### 5. The affordability of the PRS

- What is the affordability of the sector, particularly to households in housing need /housing options customers?

Arneil Johnston built a bespoke analytical model to assess the extent to which the private rented sector is affordable to local households across the 10 geographies within the City (former Community Planning Partnership areas). The model works by benchmarking the value of local incomes to housing costs in the PRS.



The affordability of the PRS was assessed using two datasets; market rents assembled by Citylets (from January 2014 to January 2015), and also the rental values sourced through the landlord survey. It was suggested that the average rents emerging from the Citylets profile is inclusive of letting agent fees, which would perhaps explain the higher values than those generated by the survey outputs (where 44% landlords self-manage their portfolio). On this basis, we can conclude that tenants who rent from a landlord who uses a letting agent are likely to pay the higher costs associated with the management fee levied.

At an area level, private rents are highest in Central & West (£632 per month; 9% higher than average), and lowest in Baillieston, Shettleston & Greater Easterhouse (£428 per month; 35% lower than average).

Average rents by calendar month

£579 Market Rent:  
Landlord Survey

£639 Market Rent:  
Citylets

£297 Social Rent

As a means of comparison, the model was also populated with the average social rents in the City (based on the 2013/14 ARC return). On average, market rents in the City are double that of the social rents.

Area	Households earning less than £15k	Households earning more than £50k
Glasgow	35%	19%
Central & West	26%	26%
North East	42%	14%

Income profiles for households in the City are derived from the CACI Paycheck income data (2012/13). Similar to the rental values, income profiles also vary across the City. For example, income profiles are higher in Central & West, Langside & Linn and Pollokshields & Southside Central, and lower in North East, and East Centre & Calton.

An important aspect of assessing housing affordability is to look at the proportion of household income devoted to meeting rental costs. In order to validate the income to rent ratio

that should be tested, during the focus groups, tenants were asked to share their preferred and actual ratios.

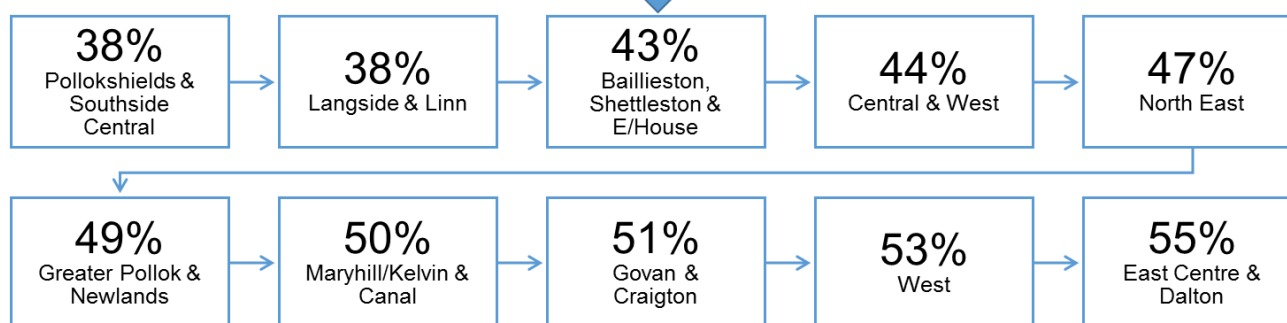
The completed 'spectrum of affordability' demonstrated that whilst there is a willingness to devote up to 30% of their income on rent, some private tenants are spending considerably more.

69% of tenants want to spend less than 30% of their income on rent

47% of tenants do spend more than 30% of their income on rent

**Based on the rental values from the landlord survey, and applying a 30% income to rent ratio, 50% of all households in the City cannot afford the average PRS rent. Given variances in rental levels and household incomes across sub-markets in the City, affordability is evidently more of an issue in areas such as East Centre & Calton and West, and less so in Pollokshields & Southside Central and Langside & Linn.**

Whilst 50% of Glasgow households cannot afford the average market rents, the % who cannot afford varies across the 10 CPP areas:



Various income benchmarks have also been assessed against the value of PRS rents in the City as a means to determine the proportion of income that would require to be devoted to meet housing costs. For example, whilst the average PRS tenant income in Glasgow (earning £23,195 according to the Scottish House Condition Survey) would be able to afford the average PRS rent by devoting 30% of their income, a household earning the minimum wage would need to spend almost double that (59% of their income).

Whilst the focus of the assessment has been on rents alone, affordability in the PRS is compounded further by further household costs. The Scottish House Condition Survey (2013), for example, highlighted the prevalence of extreme fuel poverty among Glasgow's private rented sector tenants when compared to other tenures in the City, as well as the sector nationally.

Affordability is evidently a key issue within the City; the analytical model has highlighted that half of the City's households are unable to afford average PRS rents, and would require to spend more than 30% of their income to meet these costs. Engagement with consumers found that this does seem to be the case, with anecdotal evidence of consumers spending half of their income on their rent.

With recently published evidence showing that private tenants in the City are devoting higher proportions of their income on fuel than social tenants and owner occupiers, affordability may be a barrier to low income households' sustaining a tenancy in the PRS.

## 8.7 Prospects for Growth & Better Management of the PRS

The following research question was posed to examine the prospects for growth and improved management of the PRS in a Glasgow context:

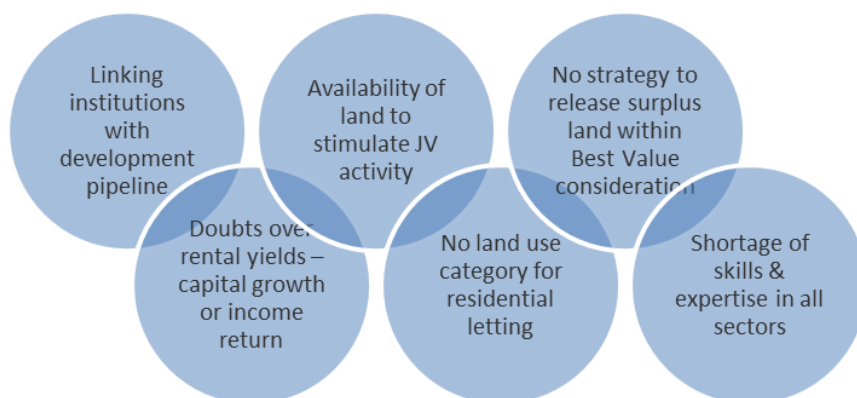
6. Prospects for better management & growth

- What are the considerations for ensuring a well managed, good quality private rented sector?

Despite the significant growth of the PRS in recent years following the UK financial crisis, the investment potential of the sector has yet to translate in reality and more large scale institutional investment is required in order to be truly realised.

The Department for Communities & Local Government highlighted the following key barriers to realising institutional investment within the PRS.

From a demand perspective, there is real potential for investment in large scale developments of purpose built rented housing to grow and be viable. However, achieving this will require further action from Government in order to address the structural gap that currently separates house builders, investors and local authorities, and to give confidence to investors. This could manifest in more incentives to prospective investors from both national and local government in Scotland to allow the PRS to grow.



Future PRS growth through institutional investment may also reduce some of the future risks associated with buy-to-let model of investment. Tax changes announced by the Chancellor in the summer Budget on July 8<sup>th</sup> 2015, to be implemented by 2020, may result in all higher-rate taxpayers who own buy-to-let properties on which there is a large mortgage paying substantially more tax. Economic analysts suggests that for some landlords, buy-to-let properties may no longer be financially viable leading to either an increase in rents or more landlords leaving the sector.

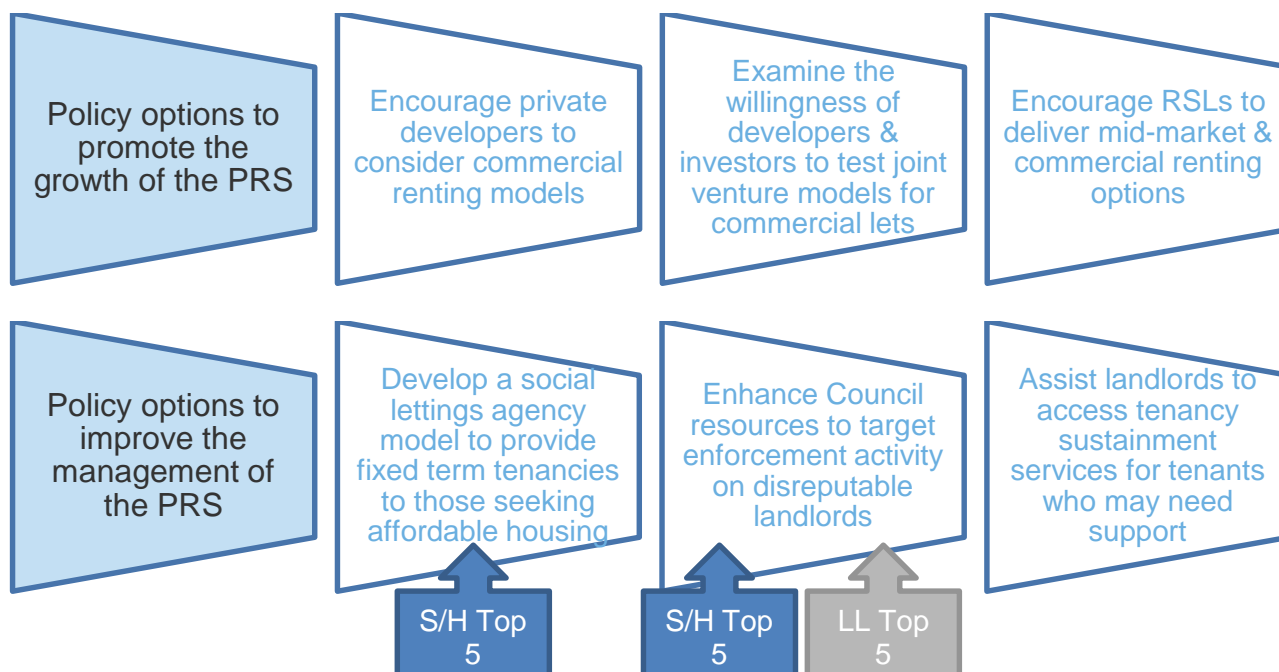
If this indeed proves to be the case, the current factors that have stimulated growth in both accidental and buy-to-let landlord numbers could slow. If the PRS is to fulfil its potential and to increase its capacity to meet housing need, securing longer term institutional investment or innovative funding mechanisms may be the best way forward to boost PRS capacity.

Despite recent developments, stakeholders at the PRS conference event facilitated as part of this research project were confident that the sector does have the capacity to grow. Whilst there was confidence that there is a willingness for institutional investment in the sector, concerns were raised by some stakeholders about the availability of suitable land to facilitate and maximise the investment.

From a public policy perspective, encouraging growth and improving the management standards within the PRS is a key priority; with the Scottish Government committed to a private rented sector that “*provides good quality homes and high management standards, inspires consumer confidence, and encourages growth through attracting increased investment*” (*A Place to Stay, A Place to Call Home: A Strategy for the Private Rented Sector in Scotland*).

Despite stakeholder confidence that the sector can grow, confidence levels on the quality of PRS management were substantially lower; with almost three quarters of participants disagreeing (72%) that this is the case.

Facilitated discussions on a range of policy options highlighted stakeholder support for a number of initiatives aimed at promoting growth and improving the management of the sector, particularly those shown below.



As well as considering the policy options which could promote the growth and improve the management of the PRS, stakeholders were also presented with suggestions which could improve access, affordability, tenancy sustainment and condition in the sector. The policy options aimed at improving management received considerable support compared to those across the other categories, with two of the three options in the diagram above in the top five recommendations to emerge from the conference. In comparison, despite stakeholders' support in principle, none of the policy options aimed at improving the growth of the PRS featured within their top five.

In terms of the management of the sector, private landlords who participated in the SAL survey were particularly supportive of the suggestion to enhance Council resources to target enforcement activity on disreputable landlords, which emerged as one of their top five recommendations. Although landlords were more receptive to the policy options aimed at encouraging growth than stakeholders (for example, almost half of landlords agreed that accidental landlords should be encouraged to remain in the sector through engagement and support compared to one in ten stakeholders) similar to stakeholders, none of them featured in their top five recommendations.

Overall, the top five policy options which stakeholders suggested would most improve the PRS in Glasgow were as follows:

1. Develop a 'social lettings agency' model to provide fixed term tenancies to those seeking affordable rental options;
2. Proactive Housing Options Service that assesses readiness for private tenancy;
3. Enhance Council resources to target enforcement activity on disreputable landlords;
4. More regulation of the lettings agency sector; and
5. More enforcement activity to target poor property condition.

In contrast, the top five policy options which SAL landlords suggested would most improve the PRS in Glasgow were as follows:



1. Raising awareness of the PRS as a valid option for meeting housing needs;
2. Assist landlords to access tenancy sustainment services for tenants who may need support;
3. More enforcement activity to target poor property condition;
4. Enhance Council resources to target enforcement activity on disreputable landlords;
5. Promote the availability of budgeting and financial management advice to private tenants.