



Subject:	Response from Department for Communities on Rent Controls
Date:	13 September 2023
Reporting Officer:	Cathy Reynolds, Director, City Regeneration & Development
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Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Sometime in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

Call-in	
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

1.0	Purpose of Report or Summary of Main issues
1.1	The purpose of this report is to update Members on the response received from the Department for Communities in relation to correspondence issued from the CG&R Committee regarding Rent Controls.

2.0	Recommendations
2.1	<p>The Members of the Committee are asked to note;</p> <ul style="list-style-type: none"> • the correspondence received from the Department for Communities in response to a letter from the Committee regarding rent controls; • that the Department for Communities commissioned a report, undertaken by the Chartered Institute for Housing, to research and consult on the implications of a rent freeze or rent decrease and that this report was laid to the Assembly and published on the Departments website; • that the Department for Communities state that '<i>any further action on these issues is subject to a decision by an incoming Minister</i>', and '<i>that bringing any rent controls into effect would require further secondary legislation and therefore a functioning Assembly</i>'
3.0	Background
3.1	<p>At the special meeting of the CG&&R Committee in February 2023, it was agreed that a letter was sent to the Permanent Secretary for the Department for Communities, and the Head of the Civil Service to engage with the Council and other key stakeholders concerning rent controls in Belfast; and to support local community organisations and advocacy groups in their efforts to campaign for the introduction of rent controls and to ensure that the voices of renters and those affected by the housing affordability crisis were heard.</p>
4.0	Main Report
	Key Issues
4.1	<p>A letter was sent to the Permanent Secretary of the Department Communities and the Head of the Civil Service on 24th March 2023 outlining the concerns raised by the members of the Committee at its special meeting in February 2023 (attached as appendix 1).</p>
4.2	<p>The letter outlined that the cost of privately renting a home in Belfast has risen significantly in recent years, making it increasingly unaffordable for many people, particularly those on low incomes and young families. The letter further commented that the Committee would like to see costs for renters reduced; Members recognise that legislation is required to protect renters from unfair rents, improve housing standards and end unfair letting fees; Members further recognise the introduction of rent controls is one way to help renters. Furthermore, the Executive needs to be back up and running and a Minister in place to progress this.</p>

4.3	<p>A response has been received from Mr. David Polley, Director of Housing Supply Policy (attached as appendix 2). In his correspondence the Director advises that Section 7 of the Private Tenancies Act (Northern Ireland) 2022 placed a duty on the Department to research and consult on the implications of a rent freeze or rent decrease and to lay a report before the Assembly.</p>
4.4	<p>The Director further commented that the Chartered Institute of Housing (CIH) was subsequently commissioned by the Department to research and consult on these implications and the ensuing Report was laid in the Assembly and published on the Department's website. While a summary of the key findings of the CIH report is included within this Committee report, Members should note that the report is multi-faceted covering a number of complex issues and findings. A copy of the full report for Members review can be found at the link below:</p> <p>https://www.cih.org/media/n50no3ps/dfc-rent-regulation-in-the-private-sector-in-northern-ireland.pdf</p>
4.5	<p>Finally, the Director stated that, as already noted by the Committee, any further action on these issues is subject to a decision by an incoming Minister. Moreover, bringing any rent controls into effect would require further secondary legislation and therefore a functioning Assembly.</p>
4.6	<p>The final research report from the Chartered Institute of Housing for the Department for Communities as referenced in the response from DfC highlights:</p> <ul style="list-style-type: none">• what existing evidence tells us about rent regulation• a baseline of current rent affordability and trends; plus the potential impact of rent control/regulation in Northern Ireland, and• the consultation feedback from landlords and tenants, their representative groups and district councils.• The report refers to research on the topology of rent control and that there are currently three 'generations; of rent control:• first generation rent regulation measures seek to impose a control on existing rent levels; they are typically called 'hard rent controls' or 'rent freezes'• second generation regulation governs rent increases within and between tenancies; an example is setting the very first rent at market levels with subsequent increases and rents for new tenancies being controlled, and

<p>4.7</p>	<ul style="list-style-type: none"> • third generation measures refer to restricting the increase of rent within the tenancy e.g. restricting the amount or frequency of increases for a current tenant. <p>The report concludes that the rent control approach contained under Section 7 of the Private Tenancies Act (Northern Ireland) 2022 gives the Department the power to freeze or cut rents by up to ten per cent for a period of up to four years. These rent controls are argued to;</p> <ul style="list-style-type: none"> • improve initial affordability of rents • reduce real rents if rents cannot be adjusted to account for increased landlord costs • develop incentives for landlords to sell properties and leave the sector, especially at times of high house prices and strong property markets • reduce incentives for landlords to repair and renovate properties, and • incentivise ‘shadow’ or illegal rental markets or incentivise renters to stay in the property even if their needs change. <p>The report found that the rent control powers contained within Section 7 if enacted could have the following implications:</p>
<p>4.8</p>	<p>Improve affordability for some tenants</p>
<p>4.9</p>	<p>The report highlights that affordability issues for low-income households have been driven less by rent inflation, and more through punitive aspects of the social security system, such as freezes in local housing allowance rates and the use of the shared-accommodation rate for younger single people in one-bedroom homes.</p>
<p>4.10</p>	<p>The report comments that freezing and reducing rents to protect those in the lowest incomes is a very unpredictable and inefficient policy tool.</p>
<p>4.11</p>	<p>The report goes on to say that overall a rent freeze or reduction would largely benefit existing tenants who remain in their homes and whose landlords do not sell or repurpose their properties. However, because such a freeze or reduction would also reduce the size of the sector, other tenants would be evicted. Prospective tenants and people looking for new private rented accommodation would be faced with a further shortage of suitable housing options in an already tight housing market.</p>
<p>4.12</p>	<p>Between 41% and 60% of landlords would seek to exit the private rental market</p> <p>Over half of landlord respondents reported that they would seek to decrease the number of properties they let out across the sector and the report research indicates that between 41%</p>

	<p>and 60% of landlords would seek to exit the private rental market.. Some of these properties may be sold to landlords, keeping the property within the sector, However, some landlords may seek to withdraw and provide the property on the short-term holiday let / Airbnb market, where they are able to attract substantially higher rents.</p>
4.13	<p>Concern was raised about the impact of rent cuts on buy-to-let mortgages and the resulting supply of private rented accommodation. A decrease in rent levels would make more of these mortgages unaffordable for prospective landlords. Higher interest rates are already placing pressure on mortgage affordability and high inflation is increasing the cost of property maintenance and upkeep.</p>
4.14	<p>Other issues for consideration within the report</p> <p>For tenants who have their rent covered in full by local housing allowance, a rent cut would not improve the tenant's affordability but would instead result in a reduction in annually managed expenditure on welfare. However, there could be increased public expenditure elsewhere on rising homelessness levels resulting from the change. There is also risk of further adverse impact on homelessness through diminished ability to discharge the homelessness duty into the Private Rented Sector, in the context of rising levels of unmet need for social housing. There would also need to be a step-change in resourcing councils for effective enforcement of the policy.</p> <p>Alternative approaches to improve affordability were included in the conclusion of the report as outlined below.</p>
4.15	<p>Welfare control</p> <p>The report noted that a simpler and accurately targeted way to improve housing affordability is topping up Local Housing Allowance (LHA) claimants with a shortfall to the real 30th percentile rent through discretionary housing payments (DHPs) or welfare supplementary payments. Cuts to the LHA rates for tenants and adverse changes to the tax system for landlords have adversely affected the Private Rental Sector. The report notes that fiscal measures are an important tool to incentivise property improvements, which is crucial for progressing housing quality and for de-carbonising housing stock.</p>
4.16	<p>Enhancing rent control</p> <p>The report highlights that Northern Ireland now has a new system of third generation rent control that limits the frequency of rent increases to once a year and which has the broad support of</p>

4.17	<p>stakeholders tested through consultation; it would make sense to monitor and evaluate this new law as part of the normal policy making process</p> <p>If greater rent control is desirable, an additional option within the third generation is limiting increases during a tenancy to CPI or a similar indexing measure and allowing rents to reset to market levels at the end of a tenancy. Limiting increases during a tenancy in this way would seek to address the substantially large increases that occur in a minority of the NI market. Allowing rents to reset to market levels at the end of a tenancy would provide landlords with some assurance that increases in costs would be accommodated in rental prices.</p> <p>Supply</p> <p>The report highlights that the best way of relieving pressure on prices is by having enough housing supply. A variety of housing tenures and products are needed to meet people’s diverse requirements. Social housing, co-ownership, intermediate rent, private rent including from institutional investors, and owner-occupation all have a role to play in providing a home that is appropriate for people’s needs. There is a shortage of private rented accommodation at present; data from PropertyPal shows that the average stock of properties for rent on the website during June 2022 was 1,647 – a 57 per cent decrease from June 2019. At the same time there is increased demand for it, as the economic consequences of the pandemic and the cost-of-living crisis has made saving for a deposit more difficult, placing home ownership out of reach for more people. Another long-standing factor driving the demand of private rented accommodation is the shortage of social housing. The report acknowledges existing work through the Housing Supply Strategy that aims to boost social housebuilding and address the deeprooted barriers to increasing supply, including infrastructure, funding, skills and capacity constraints.</p> <p>Committee should note that as yet a response has not been received from the Head of the Civil Service.</p>
4.18	
4.19	<p><u>Financial and Resource Implications</u></p> <p>None associated with this report.</p>
4.20	<p><u>Equality or Good Relations Implications/Rural Needs Assessment</u></p> <p>None associated with this report.</p>
5.0	<p>Appendices – Documents attached</p>
	<p>Appendix 1 – Letter from Belfast City Council dated 24th March 2023</p> <p>Appendix 2 – Response from Department for Communities dated 29th March 2023</p>