ARGYLL & BUTE COUNCIL
RESEARCH INTO THE PRIVATE RENTED SECTOR
FINAL REPORT

SEPTEMBER 2013
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INTRODUCTION

1.1 Background

With the publication of the Scottish Government’s Strategy for the Private Rented Sector in May 2013, the contribution of the sector to supporting economic growth and meeting housing need is currently high on the national housing policy agenda.

The Scottish Government’s vision for the private rented sector in Scotland is one that: “provides good quality homes and high management standards, inspires consumer confidence, and encourages growth through attracting increased investment”.

To this end, three strategic aims have been developed which focus on:

1. **improving quality**: of property management, condition and service;

2. **delivering for tenants and landlords**: meeting the needs of the people living in the sector; consumers seeking accommodation; and landlords committed to continuous improvement;

3. **enabling growth, investment**: and help increase overall housing supply.

The Strategy highlights the increasing importance of the sector in achieving and maintaining affordable, high-quality housing in Scotland. This is particularly key in the context of Argyll and Bute given its rural location and shortage of affordable housing; where many local residents have few options but to rely on private renting. It is therefore essential that the Council has strong intelligence on the current operation and potential for growth in the sector to ensure that policy interventions can be programmed to enhance the PRS’s contribution to meeting housing need at a local level.

In order to establish a clear understanding of the operation of the private rented sector and its contribution to meeting housing need locally; in October 2012, Argyll and Bute Council commissioned Arneil Johnston to perform an extensive research study into the current and future role of the sector. Specifically, the outputs of the research will be used to update the Housing Need and Demand Assessment for the area, as well as informing the Council’s approach to the implementation of its affordable housing policy through the development of intermediate tenures. The Council’s objectives for the research study were as follows:

- To understand the role played by letting agents and private sector landlords and their views on the private rented market;
- To understand householders’ motivations and choices in terms of their accommodation and reasons for choosing to live in the private rented market;
- To identify longer term trends and emerging issues - views on the future need and demand for the private rented sector and an understanding of its potential contribution in meeting the demand for affordable/lower cost housing in Argyll & Bute;
- To identify policy approaches and interventions for managing and influencing the sector;
- To establish what the market is for Mid-Market Rent/Intermediate Rent in Argyll & Bute and assess what role it would play in meeting the LHS/SHIP objectives; and,
• To assess the potential impact of welfare reform on demand for accommodation in the private rented sector.

1.2 Project Methodology and Approach

To meet the research objectives stated, Arneil Johnston delivered a six stage research methodology as follows:

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

• A credible evidence base on the size, profile, quality, condition, management, affordability and turnover of the sector (based on both primary and secondary datasets);
• A detailed profile of private rented sector tenants and landlords within Argyll & Bute (based on the outcomes of an extensive primary research programme);
• An assessment of the demand for and affordability of private rented accommodation in the context of the intermediate housing sector; and
• A recommended programme of policy interventions for inclusion with the local housing strategy to improve the operation, management and growth of the sector developed in consultation with local stakeholders).

1.3 Project Steering Group

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

• Moira MacVicar, Housing Services Manager, Argyll & Bute Council;
• Allan Brandie, Research and Development Officer, Argyll & Bute Council;
• Bill Halliday, Team Leader – West, Argyll & Bute Council;
• Douglas Whyte, Team Leader – East, Argyll & Bute Council;
• Jaqui Middleton, Environmental Health Officer (Public Health), Argyll & Bute Council;
• Fergus Walker, Revenues and Benefits Manager, Argyll & Bute Council;
• Kelly Ferns, Empty Homes Officer, Argyll & Bute Council; and
• Victoria Oliphant, Research Assistant, Argyll & Bute Council.

The Steering Group was responsible for all methodological development, validation and auditing of analysis compiled in relation to each of the core outputs provided within this study. This process was facilitated by a series of Steering Group meetings where live sensitivity testing of assumptions and data inputs was performed.
2 DESK BASED ANALYSIS OF THE PRIVATE RENTED SECTOR

2.1 Introduction

The national Strategy for the Private Rented Sector makes a case for the increasing importance of the sector in meeting housing need and supporting economic growth across Scotland. Housing market recession has stimulated increasing demand for private sector tenancies; fuelled by restricted access to mortgage lending and an acute shortage of affordable housing options. As a result, the number of 16-34 year olds in the sector has trebled and the percentage of families in the sector has doubled. This growth places significant pressure on the availability and quality of private rented accommodation.

Constrained access to social housing and rising costs associated with owner occupation have been the significant factors in the operation of the Argyll & Bute housing system for a number of decades. As a result, the private rented sector has always accommodated a sizable proportion of local households and has played a significant role in supporting households and communities.

The foundation for the research study, which informed all subsequent research and consultation activity on the operation of the sector; was extensive analysis of available secondary data sources in order to determine all known intelligence on the size, nature, location, role, management, quality and effectiveness of the tenure in meeting housing need. Furthermore, the focus of this desk based analysis was to build a quantitative baseline of issues that could be further explored and developed in the primary research analysis, including key trends in:

- PRS supply: location, size, type, value, length of tenure, turnover and accessibility;
- rental values and reliance on welfare subsidy;
- landlord activity including rent deposit, lead tenancies, tenancies accessed under 32A of homeless legislation, Section 11 notified terminations, sale and purchase activity;
- condition and quality of the sector, including interest and success in accessing private sector grants;
- the role and activity level of letting agents;
- the extent and nature of regulation, enforcement and best practice activity including registration, HMO licensing and voluntary accreditation.

The following chapters present the secondary data analysis carried out by Arneil Johnston on the private rented sector in Argyll & Bute, including elements such as the sector’s stock, tenant profiles and landlord activity.

2.2 PRS Supply Profile

2.2.1 SG Housing Statistics for Scotland 1993 – 2012

The Scottish Government’s housing statistics published in 2012 provide estimated figures for Scotland’s housing stock between 1993 and 2011, including dwellings in the private rented sector. The number of privately rented properties in Scotland increased significantly during this period. The size of the sector was fairly consistent between 1993 and 2000, where the percentage of Scotland’s homes which were in
the PRS fell slightly from 7.0% to 6.7%. From this point, the sector has grown virtually each year (excluding a slight decline between 2008 and 2009) until 2011, where it peaked at 11.6%. This equates to approximately 290,000 properties, which is almost double the figure for 1993 (154,000). This is outlined in Graph 2.1 below.

![Graph 2.1: Estimated stock of private rented sector dwellings: Scotland 1993-2011](image)

As outlined in subsequent sections of this report, at 11% of the total housing stock, the size of the national PRS is fairly similar to that of Argyll & Bute. Primary research outcomes will provide intelligence on the comparative rate of growth in the sector.

### 2.2.2 Council Tax Register/Private Landlord Register

Based on the Council Tax Register (CTR) and the Private Landlord Register, there are 46,941 households in Argyll & Bute; of which 4,885 are located in private rented accommodation. Table 2.1 provides an overview of registered private rented sector properties within each of the nine Housing Market Areas (HMAs) across Argyll & Bute. The majority of privately rented properties are distributed relatively evenly across Helensburgh & Lomond (23%), Lorn (19%) and Cowal (18%) HMAs. Excluding Mid Argyll (13%), the other HMAs each contain less than 10% of the total private rented stock; including just 1% (43 properties) in the Coll & Tiree HMA.

It should be noted that, for the purposes of this report, the Isle of Gigha has been included in the Kintyre Housing Market Area.

<table>
<thead>
<tr>
<th>Housing Market Area</th>
<th>Private Rent</th>
<th>Private Rent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>463</td>
<td>9%</td>
</tr>
<tr>
<td>Coll &amp; Tiree</td>
<td>43</td>
<td>1%</td>
</tr>
<tr>
<td>Cowal</td>
<td>855</td>
<td>18%</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>1,106</td>
<td>23%</td>
</tr>
<tr>
<td>Islay, Jura &amp; Colonsay</td>
<td>234</td>
<td>5%</td>
</tr>
<tr>
<td>Kintyre</td>
<td>413</td>
<td>8%</td>
</tr>
<tr>
<td>Lorn</td>
<td>912</td>
<td>19%</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>643</td>
<td>13%</td>
</tr>
<tr>
<td>Mull &amp; Iona</td>
<td>216</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Argyll &amp; Bute</strong></td>
<td><strong>4,885</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
In relation to other tenures, the CTR and Private Landlord Register show that social rented and owner occupier properties have relatively consistent proportions across each HMA. This is particularly the case for privately owned properties, which make up the greatest tenure in every area, accounting for approximately two thirds of all homes. The proportion of social rented properties, however, is particularly high in Kintyre (25%) and lower in Helensburgh & Lomond (9%) compared to the Argyll & Bute social housing profile (15%). Table 2.2 below outlines how the private rented sector properties in Argyll & Bute are distributed by wider tenure patterns.

<table>
<thead>
<tr>
<th>Housing Market Area</th>
<th>Private Rent</th>
<th>Social Rent</th>
<th>Owner Occupier</th>
<th>Second Homes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>11%</td>
<td>19%</td>
<td>58%</td>
<td>11%</td>
<td>100%</td>
</tr>
<tr>
<td>Coll &amp; Tiree</td>
<td>6%</td>
<td>8%</td>
<td>56%</td>
<td>29%</td>
<td>100%</td>
</tr>
<tr>
<td>Cowal</td>
<td>10%</td>
<td>15%</td>
<td>67%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>9%</td>
<td>9%</td>
<td>80%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>Islay, Jura &amp; Colonsay</td>
<td>11%</td>
<td>21%</td>
<td>54%</td>
<td>14%</td>
<td>100%</td>
</tr>
<tr>
<td>Kintyre</td>
<td>10%</td>
<td>25%</td>
<td>59%</td>
<td>6%</td>
<td>100%</td>
</tr>
<tr>
<td>Lorn</td>
<td>11%</td>
<td>16%</td>
<td>66%</td>
<td>7%</td>
<td>100%</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>12%</td>
<td>17%</td>
<td>62%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>Mull &amp; Iona</td>
<td>12%</td>
<td>11%</td>
<td>65%</td>
<td>12%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Argyll &amp; Bute</strong></td>
<td><strong>10%</strong></td>
<td><strong>15%</strong></td>
<td><strong>67%</strong></td>
<td><strong>7%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

In terms of Argyll & Bute as a whole, the private rented sector accounts for 10% of the housing stock in the area. Across the nine HMAs, the proportion of PRS stock is distributed relatively evenly, accounting for between 8% and 11% of homes in the majority of HMAs. The exception is the size of the PRS in Coll & Tiree (6%), which may be explained by the disproportionately high number of second homes (29%) in the area. Mid Argyll and Mull & Iona have the proportionately biggest PRS sectors at 12% of all housing stock.

The proportion of PRS properties in each Council Tax band generally reflects the distribution of stock for the whole of Argyll & Bute, as outlined in Table 2.3 below. Whilst more properties have been allocated an A band and less properties have been allocated an F band in the private rented sector, there are no significant variations between the two datasets. The majority (23%) of privately rented properties have been allocated Council Tax band B, which for Argyll & Bute is applied to properties valued between £27,001 and £35,000. Bands A and C are also noteworthy, as they account for 21% and 22% of PRS stock respectively; which is higher than the proportion of all of Argyll & Bute’s stock allocated to these bands.
Table 2.3: Council Tax bands for Argyll & Bute (%)

<table>
<thead>
<tr>
<th>Council tax band</th>
<th>All stock</th>
<th>PRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>B</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>C</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>D</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>E</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>F</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>G</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>H</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2.4 below provides an overview of the dwellings in each HMA which were sold under the Right to Buy (RTB) from 2005-2012. It shows that of the 467 RTB properties recorded, just 26 (6%) are now let out to private tenants.

In terms of individual HMAs, it is Mid Argyll where the highest proportion of RTB properties are now in the private rented sector (9%). However this only equates to a handful of dwellings, which is the case across all of the HMAs, where an average of 3 RTB properties per HMA are now privately rented. Since sales in 2005-12, less than 1% of registered PRS properties are ex-RTB, with the figures for some individual HMAs ranging between 0.5% and 0.9%. In two of Argyll & Bute’s more rural HMAs (Coll & Tiree and Mull & Iona) there are no ex-RTB properties in the sector.

Table 2.4: Right to Buy & Ex-Right to Buy properties by area in private rented sector

<table>
<thead>
<tr>
<th>Housing Market Area</th>
<th>RTB</th>
<th>PRS-RTB</th>
<th>%</th>
<th>% PRS that are ex RTB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>34</td>
<td>2</td>
<td>6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Coll &amp; Tiree</td>
<td>3</td>
<td>-</td>
<td>0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Cowal</td>
<td>74</td>
<td>4</td>
<td>5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>86</td>
<td>5</td>
<td>6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Islay, Jura &amp; Colonsay</td>
<td>32</td>
<td>1</td>
<td>3%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Kintyre</td>
<td>73</td>
<td>2</td>
<td>3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Lorn</td>
<td>96</td>
<td>7</td>
<td>7%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>58</td>
<td>5</td>
<td>9%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Mull &amp; Iona</td>
<td>11</td>
<td>-</td>
<td>0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Argyll &amp; Bute</strong></td>
<td><strong>467</strong></td>
<td><strong>26</strong></td>
<td><strong>6%</strong></td>
<td><strong>0.6%</strong></td>
</tr>
</tbody>
</table>
2.2.3 PRS Supply Profile: Key Headlines

- 4,885 registered PRS properties
- 10% of total Argyll & Bute housing stock
- 23% stock located in Helensburgh & Lomond

2.3 PRS Tenant Profile

2.3.1 Scottish Neighbourhood Statistics – Argyll & Bute

According to Scottish Neighbourhood Statistics, 16% of households within Argyll & Bute receive Housing Benefit, which equates to approximately 6,600 households. Of these 6,600 households, only 27% (1,780 households) privately rent, with the remaining 73% in the social rented sector.

Based on these statistics and the number of registered PRS homes in the area (4,885), approximately 36% of PRS tenants would appear to be in receipt of Housing Benefit in comparison to 68% of all social tenants.

2.3.2 Scottish Household Survey Annual Report 2011

Although the Scottish Household Survey only reports on the private tenant population at a national level, this provides a baseline profile for comparison with Argyll & Bute primary research outcomes.

2011 Scottish Household Survey (SHS) statistics give an indicative profile of households within the private rented sector in Scotland. This data identified that 21% of single parent households and 20% of single adult households reside in the private rented sector, the highest proportions for the sector among the household types. However, even though these are the highest proportions, owner occupation and renting from a social landlord are more common among these household types. The percentage of small adult (a household of two adults of working age and no children) households in the private rented sector is also relatively high in comparison to the other household types which make up the sector, with 16%. The household types which have the lowest percentages for the sector are older smaller (one adult of working age and one of pensionable age, or two adults of pensionable age) and single pensioner, with 3% and 4% respectively. This household profile is outlined in Table 2.5 below.
The survey also identified that within the 15% most deprived areas in Scotland (as defined by the Scottish Index of Multiple Deprivation), 8% of the households are located in the private rented sector. This is slightly less than the figure for Scotland as a whole (11%). The tenure profile of the most deprived settlements is set out in Table 2.6 below.

<table>
<thead>
<tr>
<th>Tenure (%)</th>
<th>Single adult</th>
<th>Small adult</th>
<th>Single parent</th>
<th>Small family</th>
<th>Large family</th>
<th>Large adult</th>
<th>Older smaller</th>
<th>Single pensioner</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private rented</td>
<td>20</td>
<td>16</td>
<td>21</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>3</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Owner occupier</td>
<td>44</td>
<td>69</td>
<td>30</td>
<td>71</td>
<td>67</td>
<td>75</td>
<td>81</td>
<td>60</td>
<td>64</td>
</tr>
<tr>
<td>Social rented</td>
<td>35</td>
<td>13</td>
<td>47</td>
<td>17</td>
<td>22</td>
<td>15</td>
<td>14</td>
<td>33</td>
<td>23</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Base</td>
<td>2,360</td>
<td>2,371</td>
<td>766</td>
<td>1,838</td>
<td>863</td>
<td>1,386</td>
<td>2,438</td>
<td>2,336</td>
<td>14,358</td>
</tr>
</tbody>
</table>

Table 2.5: Tenure of household by household type – Scotland (%)

The majority of survey respondents who have lived in their property for less than 1 year are those in the private rented sector (49%). For more extended periods of tenure, the figures for the sector start to decline, with 30% for 1 to 2 years and 12% for 3 to 4 years. Of the three main tenure types – owner occupation, social rent and private rent, the survey identified that the least common living situation for an adult in Scotland is privately renting one property for more than 10 years (1%). Table 2.7 below outlines these results.

<table>
<thead>
<tr>
<th>Tenure</th>
<th>15% most deprived</th>
<th>Rest of Scotland</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private rented</td>
<td>8%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Owner occupier</td>
<td>35%</td>
<td>69%</td>
<td>64%</td>
</tr>
<tr>
<td>Social rented</td>
<td>56%</td>
<td>17%</td>
<td>23%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Base</td>
<td>2,068</td>
<td>12,277</td>
<td>14,345</td>
</tr>
</tbody>
</table>

Table 2.6: Tenure of household by Scottish Index of Multiple Deprivation – Scotland (%)
Table 2.7: Tenure of household by how long lived at current address - Scotland (%)

PRS tenants’ experience of neighbourhood problems provided mixed results, as outlined in Table 2.8 below. In terms of general anti-social behaviour, tenants in the private rented sector experienced minor levels of vandalism (6%) and groups or individuals harassing others (4%). Rowdy behaviour was significantly more common with 16% of private sector respondents experiencing this; almost matching the figure for the social rented sector (17%) (where experiences of all neighbourhood problems were more frequent). The experiences of neighbourhood problems which were most frequent to private rented sector households were rubbish or litter lying around (19%), and animal nuisance (18%); which is similar to other tenures.

<table>
<thead>
<tr>
<th>Tenure (%)</th>
<th>Less than 1 year</th>
<th>1 to 2 years</th>
<th>3 to 4 years</th>
<th>5 to 10 years</th>
<th>More than 10 years</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private rented</td>
<td>49</td>
<td>30</td>
<td>12</td>
<td>5</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Owner occupier</td>
<td>28</td>
<td>42</td>
<td>63</td>
<td>71</td>
<td>80</td>
<td>67</td>
</tr>
<tr>
<td>Social rented</td>
<td>22</td>
<td>25</td>
<td>24</td>
<td>23</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Base</td>
<td>1,149</td>
<td>1,294</td>
<td>1,439</td>
<td>2,842</td>
<td>6,169</td>
<td>12,893</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Problem</th>
<th>Private rented</th>
<th>Owner occupier</th>
<th>Social rented</th>
<th>Other</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>General anti-social behaviour</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vandalism / graffiti / damage to property</td>
<td>6</td>
<td>6</td>
<td>11</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Groups or individuals harassing others</td>
<td>4</td>
<td>3</td>
<td>8</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Drug misuse or dealing</td>
<td>6</td>
<td>4</td>
<td>12</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Rowdy behaviour</td>
<td>16</td>
<td>8</td>
<td>17</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Neighbour problem</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noisy neighbours / loud parties</td>
<td>13</td>
<td>7</td>
<td>16</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Neighbour disputes</td>
<td>6</td>
<td>3</td>
<td>9</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Rubbish or fouling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rubbish or litter lying around</td>
<td>19</td>
<td>17</td>
<td>22</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>Animal nuisance such as noise or dog fouling</td>
<td>18</td>
<td>24</td>
<td>27</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>
The survey identified that the health of the households in the private rented sector appears to be the best across all tenure populations. From those surveyed, only 21% of households in the private rented sector contain someone who has a long-standing limiting illness, health problem or disability, the lowest among all the tenure groups. These results are outlined in graph 2.2 below. The improved health profile of private rented sector tenants is also evidenced by the fact that only 7% of households contain someone who needs regular help or care. This is also the lowest figure among all the tenures, with 10% for owner occupier, and 25% for social rented.

Graph 2.2: Households where someone in the household has a long-standing limiting illness, health problem or disability (%)

The comparatively younger demographic of the PRS population may explain this comparatively positive health profile.

### 2.3.3 Argyll & Bute’s Common Housing Register

Of the 3,529 applicants on Argyll & Bute Council’s Common Housing Register (CHR) at December 2012; 252 are private sector tenants (i.e. 7% of the total list). 245 of these tenants are in furnished properties, with the remaining 7 in unfurnished properties. Of these 252 applicants, the majority selected either Helensburgh & Lomond (28%) or Lorn (25%) as their first preference HMA, as outlined in Table 2.9. The table also shows that the proportion of private rented sector tenants’ first preference HMAs largely corresponds to the first preference HMAs for all applicants.
As with the first preference HMA, the proportion of private rented sector households for each household type largely corresponds with the proportions for all applicants. The majority of applicants on the CHR (as well as specifically those currently in privately rented accommodation) are single people over the age of 25, and single parents (Table 2.10). The table also shows the proportion of applicants who are private sector tenants for each household type. Of the all adult households for example, 10% are private rented sector tenants.

<table>
<thead>
<tr>
<th>Household Type</th>
<th>PRS</th>
<th>% PRS</th>
<th>All applicants</th>
<th>% All applicants</th>
<th>% of applicants in PRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households with Children</td>
<td>30</td>
<td>12%</td>
<td>546</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Single Parent</td>
<td>48</td>
<td>19%</td>
<td>734</td>
<td>21%</td>
<td>7%</td>
</tr>
<tr>
<td>Single Person &lt;20</td>
<td>12</td>
<td>5%</td>
<td>137</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Single Person &gt;20-25</td>
<td>14</td>
<td>6%</td>
<td>163</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Single Person &gt;25</td>
<td>64</td>
<td>25%</td>
<td>881</td>
<td>25%</td>
<td>7%</td>
</tr>
<tr>
<td>Single Person – Pensioner</td>
<td>31</td>
<td>12%</td>
<td>399</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>All Adult Household</td>
<td>43</td>
<td>17%</td>
<td>446</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>4%</td>
<td>223</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>252</td>
<td>100%</td>
<td>3,529</td>
<td>100%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Table 2.10: Common Housing Register: Household type
2.3.4 Argyll & Bute’s HL1 Data

Argyll & Bute’s HL1 dataset for 2011/12 contains 590 homeless applicants, 127 of whom were private sector tenants before presenting as homeless (21.5%). When applicants were asked about the reason/s why they were unable to maintain their previous accommodation, more than a third (33.9%) stated that it was an issue out-with their control. Financial difficulties (23.6%) and mental health issues (21.3%) were also cited as key reasons for homelessness. It is worth noting that only 2 applicants (1.6%) believed that they were unable to maintain their tenancy because of an unmet need for support from either housing, social work or health services. The responses are summarised in Table 2.11 below.

<table>
<thead>
<tr>
<th>Reason</th>
<th>PRS responses</th>
<th>% PRS applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial difficulties/debt/unemployment</td>
<td>30</td>
<td>23.6%</td>
</tr>
<tr>
<td>Physical health reasons</td>
<td>19</td>
<td>15.0%</td>
</tr>
<tr>
<td>Mental health reasons</td>
<td>27</td>
<td>21.3%</td>
</tr>
<tr>
<td>Unmet need for support from housing/social work/health services</td>
<td>2</td>
<td>1.6%</td>
</tr>
<tr>
<td>Lack of support from friends/family</td>
<td>13</td>
<td>10.2%</td>
</tr>
<tr>
<td>Difficulties managing on own</td>
<td>14</td>
<td>11.0%</td>
</tr>
<tr>
<td>Drug/alcohol dependency</td>
<td>7</td>
<td>5.5%</td>
</tr>
<tr>
<td>Criminal/anti-social behaviour</td>
<td>5</td>
<td>4.0%</td>
</tr>
<tr>
<td>Not to do with applicant</td>
<td>43</td>
<td>33.9%</td>
</tr>
<tr>
<td>Refused</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Table 2.11: Reasons for homelessness: former PRS tenants

Table 2.12 below summarises the household type of the 127 applicants on the HL1 dataset who were private rented sector tenants. Single people account for almost half (47%) of these applicants; a higher proportion of whom are male (28% of the total number of applicants). Single parents represent approximately a quarter (24%) of the applicants, the majority of whom are female (20% of all applicants). In total, 39% of households on the HL1 dataset which are from the private rented sector have children in them.
Table 2.12: HL1 applicants: private rented sector tenants

<table>
<thead>
<tr>
<th>Household type</th>
<th>PRS applicants</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couple with children</td>
<td>17</td>
<td>13%</td>
</tr>
<tr>
<td>Couple without children</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>Other household with children</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Other household without children</td>
<td>10</td>
<td>8%</td>
</tr>
<tr>
<td>Single parent: Female</td>
<td>26</td>
<td>20%</td>
</tr>
<tr>
<td>Single parent: Male</td>
<td>5</td>
<td>4%</td>
</tr>
<tr>
<td>Single person: Female</td>
<td>24</td>
<td>19%</td>
</tr>
<tr>
<td>Single person: Male</td>
<td>36</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>127</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

2.3.5 Argyll & Bute’s Citizens’ Panel Survey 2012

Argyll & Bute’s Citizens’ Panel Survey completed in autumn 2012 collected data on a wide range of local issues, including data about the private rented sector and circumstances of its tenants.

Panellists were asked about their knowledge of accessing local homelessness services. As Graph 2.3 below illustrates, a higher proportion of PRS tenants are aware of the homelessness services available (57.4%) than households in other tenures.

Graph 2.3: Awareness of homelessness services (%)

There also is a greater understanding of how to access support services among private rented sector tenants, with 63.8% of PRS respondents (the highest across all tenures) confirming this. Graph 2.4 below outlines the nature of these responses.
Argyll & Bute Council
Research into the Private Rented Sector

Graph 2.4: Understand how to access support services for those with particular needs by tenure (%)

In line with the previous results, a considerably higher proportion of private rented sector respondents know how to access information on repairs and improving their home than panellists in other tenures (Graph 2.5). For all other tenures respondents were divided somewhat equally between those who do and those who don’t know how to access information on repairs; 83% of private sector respondents have an understanding of how to access repair and improvement information.

Graph 2.5: Understand how to access information about repairs/improving the property by tenure

Graph 2.6 would suggest that private sector tenants have more affordability problems in heating in their homes compared to the other tenures in Argyll & Bute. 51.1% of respondents who rent privately find this ‘very difficult’ – the highest proportion among all of the tenures - and 42.6% find it fairly difficult. Furthermore, no private sector tenant stated that they had no difficulty at all in affording the heating in their home; the only tenure where this is the case.
Difficulties in affording heating for PRS tenants is reinforced by the 63.6% of respondents who rent privately and who consider themselves to be in fuel poverty; the highest across all the tenures (Graph 2.7). Only 25% did not consider themselves to be in fuel poverty, compared to 77.3% of owner occupiers, and 45.5% of those who rent from a housing association.

The Scottish House Condition Survey 2011 also collected national data on fuel poverty. This survey found that the private rented sector in Scotland has the lowest percentage of households in fuel poverty in comparison to the other tenures. The data is presented in Table 2.13 below, which shows the percentage of households by tenure that were fuel poor in 2010, July 2011 and October 2011. Across all tenures, there was a reduction in the number of fuel poor households between 2010 and July 2011, and an increase between July and October 2011; however the private rented sector has the lowest percentage score for these latest results with 24%.
The SHCS statistics for Scotland do not appear to be representative of Argyll & Bute when compared to the outcomes the Citizens’ Panel survey, which identified a much higher proportion of fuel poor households in the private rented sector; the highest proportion across all tenures. The SHCS’s statistics for each local authority however, demonstrate that Argyll & Bute has one of the highest percentages of fuel poor households, with only other rural authorities such as Orkney Islands and Eilean Siar having higher results. The 2011 SCHS statistics for fuel poverty in Argyll & Bute is presented in Graph 2.8 below.

It should be noted that the statistical confidence associated with these outcomes is very limited given the small sample achieved at an Argyll & Bute level.

Argyll & Bute’s Citizens’ Panel survey also assessed respondents’ understanding of welfare reform and if they think they will be affected by the changes. Although 83.3% of private sector respondents were aware of the approaching welfare reform changes, 20.5% of those did not know if the changes would adversely affect them. The majority (61.5%), however, do believe that they will be adversely affected by the changes, as can be seen in Graph 2.9 below.
The majority of respondents across all tenures stated that they do not know how to access information on different tenures and housing options across Argyll & Bute. This includes those who rent privately, with 73.1% of respondents claiming to have no understanding of how to access alternative tenures.

In terms of the preferred method of accessing housing information, there is some conformity across all tenures. The majority of respondents in each tenure selected the Council website as a method of accessing the information. While a local newspaper was also generally popular, this was particularly the case with the private rented sector, with 70.2% of PRS respondents selecting a local newspaper as a preferred access point, compared to 49% and 36% for owner occupation and those who rent from a housing association respectively. A newsletter also appeared to be a popular method of accessing information for those in the private rented sector (55%) in comparison to the other tenures (40% for owner occupation; 36% for those who rent from a housing association; 31% for ‘other’).

### 2.3.6 PRS Tenant Profile Key Headlines

#### Common Housing Register
- 7% of applicants from PRS (252)
- 25% of PRS applicants are single & >25 years old

#### Homelessness Data
- 21.5% of applicants previously in PRS (127)
- 24% left accommodation due to financial problems
- 21% experienced mental health problems

#### Citizens Panel Data
- Greater awareness of how to access housing, homelessness & support services
- 61.5% believe they will be affected by welfare reform
2.4 Rental Values

2.4.1 AJ Web Analysis of Vacancies

Arneil Johnston carried out web-based analysis of private rented sector vacancies in Argyll & Bute, using the main websites which advertise private tenancies such as S1 Homes, Right Move, Zoopla, Prime Location, Argyll Property and Nestoria. From these sites, three snapshots were taken of available properties at separate intervals; on 5th December 2012, 24th January 2013 and 18th March 2013. It should be noted that this research focused on analysing the availability and rental values of settled accommodation and not properties which are available on a short term basis as ‘holiday lets’.

Removing the repeats, there were 264 vacancies for private lets in Argyll & Bute during this period, which were shared among six of the nine HMAs in the local authority. Table 2.14 outlines the distribution of the vacancies across the HMAs by size of property, and shows that the significant majority of vacancies (80%) were located in the Helensburgh & Lomond HMA. There were no vacancies identified in three of the HMAs: Coll & Tiree; Islay, Jura & Colonsay; and Mull & Iona.

Excluding Kintyre, which accounted for 11% of the vacancies, the remaining HMAs accounted for a very small proportion of the available lets, with only two properties advertised in Mid Argyll. There was more of an even distribution in terms of the property size available. More than a third (35%) of vacancies were 2 bedroom properties, with 31% of all vacancies being 2 bedroom homes in Helensburgh & Lomond. One bedroom properties accounted for just under a third (29%) of the vacancies, and represent the majority of the available lets in Kintyre. Three and four bedroom properties were slightly less evident, at 18% and 16% respectively, with just 2% of available lets being 5 bedroom properties.

<table>
<thead>
<tr>
<th>HMA</th>
<th>1 bed</th>
<th>2 bed</th>
<th>3 bed</th>
<th>4 bed</th>
<th>5 bed</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>9</td>
<td>3%</td>
</tr>
<tr>
<td>Coll &amp; Tiree</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Cowal</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>2%</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>53</td>
<td>81</td>
<td>39</td>
<td>33</td>
<td>5</td>
<td>211</td>
<td>80%</td>
</tr>
<tr>
<td>Islay, Jura &amp; Colonsay</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Kintyre</td>
<td>19</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>30</td>
<td>11%</td>
</tr>
<tr>
<td>Lorn</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>8</td>
<td>3%</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Mull &amp; Iona</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Argyll &amp; Bute</td>
<td>77</td>
<td>92</td>
<td>48</td>
<td>41</td>
<td>6</td>
<td>264</td>
<td>100%</td>
</tr>
<tr>
<td>%</td>
<td>29%</td>
<td>35%</td>
<td>18%</td>
<td>16%</td>
<td>2%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.14: Private rented sector online vacancies – Argyll & Bute by HMA and size
In terms of property type, there was a higher proportion of flats (61%) than houses (39%) advertised as online vacancies. Excluding Lorn, flats accounted for the majority of the vacancies in each HMA, particularly in Helensburgh & Lomond where nearly two thirds (62%) were flats. Of the houses available, more than half (53%) were detached properties; which overall accounted for a fifth of all vacancies (20%). A significant majority of these are located in Helensburgh & Lomond, and a small number in Lorn. There was a limited number of bungalows and cottages available for let, with a combined total of just 5% of all vacancies.

<table>
<thead>
<tr>
<th>HMA</th>
<th>Bungalow</th>
<th>Cottage</th>
<th>Detached</th>
<th>Flat</th>
<th>Semi-detached</th>
<th>Terraced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Coll &amp; Tiree</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cowal</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>7</td>
<td>3</td>
<td>47</td>
<td>131</td>
<td>8</td>
<td>15</td>
<td>211</td>
</tr>
<tr>
<td>Islay, Jura &amp; Colonsay</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Kintyre</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>21</td>
<td>4</td>
<td>2</td>
<td>30</td>
</tr>
<tr>
<td>Lorn</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Mull &amp; Iona</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Argyll &amp; Bute</strong></td>
<td><strong>8</strong></td>
<td><strong>6</strong></td>
<td><strong>54</strong></td>
<td><strong>162</strong></td>
<td><strong>16</strong></td>
<td><strong>18</strong></td>
<td><strong>264</strong></td>
</tr>
<tr>
<td>%</td>
<td>3%</td>
<td>2%</td>
<td>20%</td>
<td>61%</td>
<td>6%</td>
<td>7%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2.15: Private rented sector online vacancies by HMA and property type

Table 2.16 below outlines various rental values per calendar month for vacancies by HMA.

<table>
<thead>
<tr>
<th>HMA</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Median</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>£362.33</td>
<td>£285.00</td>
<td>£481.00</td>
<td>£350.00</td>
<td>£285.00</td>
</tr>
<tr>
<td>Cowal</td>
<td>£482.50</td>
<td>£420.00</td>
<td>£625.00</td>
<td>£442.50</td>
<td>N/A</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>£612.65</td>
<td>£199.00</td>
<td>£1,720.00</td>
<td>£525.00</td>
<td>£450.00</td>
</tr>
<tr>
<td>Kintyre</td>
<td>£346.43</td>
<td>£100.00</td>
<td>£895.00</td>
<td>£300.00</td>
<td>£1,100.00</td>
</tr>
<tr>
<td>Lorn</td>
<td>£602.50</td>
<td>£420.00</td>
<td>£750.00</td>
<td>£650.00</td>
<td>N/A</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>£550.00</td>
<td>£450.00</td>
<td>£650.00</td>
<td>£550.00</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Argyll &amp; Bute</strong></td>
<td><strong>£571.11</strong></td>
<td><strong>£100.00</strong></td>
<td><strong>£1,720.00</strong></td>
<td><strong>£495.00</strong></td>
<td><strong>£450.00</strong></td>
</tr>
</tbody>
</table>

Table 2.16: Rental values per calendar month for online vacancies by HMA

The average rental value for the whole of Argyll & Bute based on the online vacancies is £571.11 per calendar month. On an area basis, the highest average rental value is in Helensburgh & Lomond (£612.65), followed by Lorn (£602.50). The relatively even distribution of the Helensburgh & Lomond vacancies across
property size is likely to have affected its positioning as the highest average rental costs in comparison to the other HMAs, where most of the vacancies have 3 bedrooms or less. In Kintyre, the average rental value is almost half of that of Lorn and Helensburgh & Lomond at £346.43, however the high proportion of 1 bedroom vacancies in this area is likely to have influenced this. Table 2.17 below outlines the distribution of rental values by HMA and property size.

<table>
<thead>
<tr>
<th>HMA</th>
<th>1 bed</th>
<th>2 bed</th>
<th>3 bed</th>
<th>4 bed</th>
<th>5 bed</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>£285.00</td>
<td>£353.33</td>
<td>£480.00</td>
<td>£385.00</td>
<td>£481.00</td>
<td>£362.33</td>
</tr>
<tr>
<td>Cowal</td>
<td>£435.00</td>
<td></td>
<td>£625.00</td>
<td></td>
<td></td>
<td>£482.50</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>£414.32</td>
<td>£527.75</td>
<td>£687.56</td>
<td>£969.39</td>
<td>£1,200.00</td>
<td>£612.65</td>
</tr>
<tr>
<td>Kintyre</td>
<td>£262.26</td>
<td>£431.25</td>
<td>£458.00</td>
<td>£697.50</td>
<td>N/A</td>
<td>£346.43</td>
</tr>
<tr>
<td>Lorn</td>
<td>£435.00</td>
<td>N/A</td>
<td>£683.33</td>
<td>£633.33</td>
<td>N/A</td>
<td>£602.50</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>N/A</td>
<td>£450.00</td>
<td>N/A</td>
<td>£650.00</td>
<td>N/A</td>
<td>£550.00</td>
</tr>
<tr>
<td>Argyll &amp; Bute</td>
<td>£372.30</td>
<td>£511.36</td>
<td>£659.07</td>
<td>£901.10</td>
<td>£1,080.17</td>
<td>£571.11</td>
</tr>
</tbody>
</table>

Table 2.17: Average rental values for online vacancies by HMA and property size per calendar month

### 2.4.2 Local Housing Allowance Levels for Argyll & Bute

Table 2.18 outlines the Local Housing Allowance rates for 2013/14.

<table>
<thead>
<tr>
<th>Number of bedrooms</th>
<th>Category</th>
<th>Weekly rate</th>
<th>Monthly rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared room rate</td>
<td>S1</td>
<td>£60.46</td>
<td>£241.84</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>B1</td>
<td>£80.77</td>
<td>£323.08</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>C2</td>
<td>£103.85</td>
<td>£415.40</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>D3</td>
<td>£117.92</td>
<td>£471.68</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>E4</td>
<td>£173.08</td>
<td>£692.32</td>
</tr>
</tbody>
</table>

Table 2.18: Argyll & Bute’s Local Housing Allowance rates (2013/14)

### 2.4.3 Housing Benefit Data

In total, 1,691 private rented sector tenants in Argyll & Bute claim Local Housing Allowance to support their housing costs, which compares reasonably well to figures cited in Scottish Neighbourhood Statistics (1,780 claimants). Based on Council records, this represents 25% of tenancies in the sector. This is in comparison to 71% of Housing Association tenants in Argyll & Bute claiming Housing Benefit; almost three times that of the proportion of private tenants who rely on welfare subsidy to support housing costs.
Graph 2.10: Local Housing Allowance claimants by HMA

Graph 2.10 outlines how the 1,691 LHA claimants are distributed across each of the HMAs. On an area basis, more than a quarter (28%) of LHA claimants in Argyll & Bute are located in Cowal, and just under a quarter (24%) are in Helensburgh & Lomond. Two of the nine HMAs therefore account for more than 50% of the total number of LHA claimants in the local authority area. Very small proportions of the claimants are in Islay, Jura & Colonsay and Mull & Iona; the HMAs with the smallest number of private rented sector properties in Argyll & Bute (see table 2.1).

2.4.4 Rental Values: Key Headlines

- **Online vacancies**
  - 80% of online vacancies for Argyll & Bute PRS located in Helensburgh & Lomond
  - Highest average rental value in Helensburgh & Lomond; lowest in Kintyre

- **Housing Benefit**
  - 25% of PRS tenants in Argyll & Bute claim Local Housing Allowance; significantly less than social housing sector
  - Two HMAs account for more than 50% of claimants: Helensburgh & Lomond and Cowal

- **3 bedroom property**
  - Average weekly rent: £152.09
  - LHA rate: £117.92
  - Shortfall per week: -£34.17
2.5 Landlord Activity

2.5.1 Rent Deposit Data

Between April 2010 and December 2012, there were 80 successful applications to Argyll & Bute’s Rent Deposit Guarantee Scheme. Established in 2010, the scheme provides people who are potentially homeless or in housing need the opportunity to secure a private sector tenancy, with the Council offering a guarantee to the landlord against losses, damage or rent arrears in lieu of the usual deposit.

<table>
<thead>
<tr>
<th>Housing Area</th>
<th>All Adult Household</th>
<th>Household with Children</th>
<th>Single Female</th>
<th>Single Male</th>
<th>Single Parent</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>8%</td>
</tr>
<tr>
<td>Cowal</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>7</td>
<td>4</td>
<td>18</td>
<td>23%</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>13</td>
<td>16%</td>
</tr>
<tr>
<td>Kintyre</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>12</td>
<td>3</td>
<td>25</td>
<td>31%</td>
</tr>
<tr>
<td>Lorn</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>8</td>
<td>10%</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>10</td>
<td>13%</td>
</tr>
<tr>
<td>Argyll &amp; Bute</td>
<td>5</td>
<td>8</td>
<td>22</td>
<td>31</td>
<td>14</td>
<td>80</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2.19: Rent Deposit Guarantee Scheme awards by HMA and household type

The tenancies were distributed among six of the nine housing market areas in Argyll & Bute, with nearly a third of cases awarded in Kintyre (31%), and just under a quarter in Cowal (23%). In terms of the household type, two thirds of successful applications were awarded to single people (66%); the majority of whom were single males who accounted for 39% of the total number of cases awarded. More than a quarter (28%) of the deposit guarantees were awarded to households with children, including single parent households. The Rent Deposit Guarantee Scheme has been provided to 1, 2 and 3 bedroom properties in Argyll & Bute. With such a high number of cases of awarded to single people, it is unsurprising that nearly two-thirds of the applications were for 1 bedroom properties (61%).
The value of the guarantees awarded between April 2010 and December 2012 range from £200 up to £620, with an average value of £380.98. On an area basis, the average guarantee values are likely to have been influenced by the property size profile of the cases in each of the HMAs. For example, Kintyre has the lowest guarantee value (£321.20), but 21 out of the 25 cases are 1 bedroom properties. In the HMA with the highest average guarantee value (Bute with £432.17), the majority are 2 and 3 bedroom properties. However, this is not necessarily the case in Lorn, which has the second highest average guarantee value (£424.38) despite the fact that cases were split evenly between 1 and 2 bedroom properties, and none were offered to tenants in 3 bedroom properties.

### Table 2.20: Count of Rent Deposit Guarantee Scheme and average guarantee value by HMA and property size

<table>
<thead>
<tr>
<th>Housing Market Area</th>
<th>1 bedroom</th>
<th>2 bedroom</th>
<th>3 bedroom</th>
<th>Total</th>
<th>Average guarantee value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>£432.17</td>
</tr>
<tr>
<td>Cowal</td>
<td>11</td>
<td>4</td>
<td>3</td>
<td>18</td>
<td>£406.39</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>13</td>
<td>£380.00</td>
</tr>
<tr>
<td>Kintyre</td>
<td>21</td>
<td>2</td>
<td>2</td>
<td>25</td>
<td>£321.20</td>
</tr>
<tr>
<td>Lorn</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>8</td>
<td>£424.38</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>10</td>
<td>£420.50</td>
</tr>
<tr>
<td><strong>Argyll &amp; Bute</strong></td>
<td><strong>49</strong></td>
<td><strong>22</strong></td>
<td><strong>9</strong></td>
<td><strong>80</strong></td>
<td><strong>£380.98</strong></td>
</tr>
</tbody>
</table>

**2.5.2 Private Sector Leases**

The number of PRS properties used for temporary accommodation in 2013/14 for each housing market area is outlined in Table 2.21. In total 78 properties (the largest proportion of which are 1 bedroom) were used by Argyll & Bute Council as temporary accommodation for homeless households. The highest proportion of properties were in Mid Argyll, followed equally by Helensburgh & Lomond and Lorn.
2.6 Private Rented Sector – Condition and Quality

2.6.1 PSHG grants

Table 2.22 below summarises the distribution of Private Sector Housing Grants (PSHG) awarded to properties in Argyll & Bute within each of the HMAs and tenures. The vast majority of grants were awarded to private owners, with 631 of the 701 grants allocated in this way (90%). The private rented sector was awarded significantly less with 57 PSHG, accounting for 8% of the total. The remaining 2% was allocated to ex Right to Buy properties.

Of the grants awarded to private rented sector properties, most were to properties in Helensburgh & Lomond (26%) and Bute (18%); the remaining grants were distributed relatively evenly among the other HMAs. This excludes Coll & Tiree and Mull & Iona, where no private rented sector properties received any grants.

<table>
<thead>
<tr>
<th>Housing Market Area</th>
<th>Total Grants</th>
<th>PRS</th>
<th>Ex RTB</th>
<th>Private owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td>77</td>
<td>10</td>
<td>3</td>
<td>64</td>
</tr>
<tr>
<td>Coll &amp; Tiree</td>
<td>21</td>
<td>-</td>
<td>-</td>
<td>21</td>
</tr>
<tr>
<td>Cowal</td>
<td>101</td>
<td>8</td>
<td>3</td>
<td>90</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>168</td>
<td>15</td>
<td>2</td>
<td>151</td>
</tr>
<tr>
<td>Islay, Jura &amp; Colonsay</td>
<td>32</td>
<td>2</td>
<td>1</td>
<td>29</td>
</tr>
<tr>
<td>Kintyre</td>
<td>63</td>
<td>8</td>
<td>1</td>
<td>54</td>
</tr>
<tr>
<td>Lorn</td>
<td>133</td>
<td>7</td>
<td>2</td>
<td>124</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td>76</td>
<td>7</td>
<td>1</td>
<td>68</td>
</tr>
<tr>
<td>Mull &amp; Iona</td>
<td>30</td>
<td>-</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td><strong>Argyll &amp; Bute</strong></td>
<td><strong>701</strong></td>
<td><strong>57</strong></td>
<td><strong>13</strong></td>
<td><strong>631</strong></td>
</tr>
</tbody>
</table>

*Table 2.22: PSHG Awards by Tenure*

Of the 93 Rural Home Ownership Grants awarded in Argyll & Bute, only 1 of these could be matched to a private rented sector property, located in Mull & Iona. In terms of the other tenures, the majority (24%) of the grants which could be matched to an HMA were awarded to properties in Mid Argyll, all of which were in private ownership.

2.6.2 Argyll & Bute Council Stock Condition Survey 2006

Argyll & Bute’s Stock Condition Survey published between 2006 and 2008, examined the housing stock across Argyll & Bute’s eight housing market areas (on this occasion Mid Argyll and Kintyre have been combined). Whilst the Scottish House Condition Survey 2011 does present more recent findings on the condition of the housing stock, this local house condition survey data was considered to be more accurate and robust, particularly given that it has been categorised by HMA. However, it should be noted that outcome data for certain elements was only available for selected HMAs.
Furthermore, whilst the SHCS does provide data across a wide variety of issues with regards to house condition, the data is only categorised into ‘private’ and ‘social’ tenures. The results for the ‘private’ properties would therefore incorporate owner occupation, and as such could not be considered to be representative of the private rented sector alone.

Argyll & Bute’s Stock Condition Survey identified that the PRS housing stock in Argyll & Bute is split relatively evenly between houses and flats, with 51% and 49% respectively. In terms of particular property types, detached houses and tenement flats are particularly prevalent across Argyll & Bute, each accounting for more than a quarter of the total housing stock (26.2% and 29% respectively). This does however vary by area, for example in Cowal there is a higher proportion of semi-detached houses (27.1%) and converted flats (31.3%) than other property types, and more than a third of Coll & Tiree’s housing stock is terraced properties (37%).

The majority of the PRS stock was assessed as being above the Tolerable Standard, with just 7.6% considered to fail the standard. This proportion was slightly higher in Mull & Iona, where 18.3% of the stock in this HMA was deemed to be below the Tolerable Standard.

On the whole, nearly three quarters (73.1%) of PRS stock in Argyll & Bute was assessed as having no problems with dampness or condensation. 9.6% has the former, 8.5% has the latter, and 8.9% of the stock has both. The extent of dampness and/or condensation varies between the HMAs, and seems to be particularly problematic in Cowal and Coll & Tiree. Nearly a quarter (23.8%) of Cowal’s stock has both dampness and condensation for example, and in Coll & Tiree, approximately 40% of the housing stock has problems with one or both of these issues. The levels of dampness and condensation across the stock is outlined in Graph 2.11 below. It should be noted that data on dampness and condensation in Mull & Iona was unavailable.

![Graph 2.11: Levels of dampness and/or condensation in Argyll & Bute stock](image)

The Stock Condition Survey has detailed information on the extent of repairs required for Mid Argyll & Kintyre and Bute HMAs only, and the repair profile varies...
quite significantly. For Argyll & Bute as a whole, a quarter (25.2%) of the stock requires major repairs.

In terms of urgent repairs, from the data available, Bute is the only HMA where there is a higher proportion of properties not requiring urgent repairs than those that do. HMAs with particularly high proportions of properties requiring urgent repairs are Islay, Jura & Colonsay (88.9%), and Mid Argyll & Kintyre (79.4%). There was only data for two of the eight HMAs for the proportion of stock compliant with the SHQS repair standards, and in both cases the significant majority of the stock met or exceeded the standard required.

In terms of the stock’s overall quality performance compliance with the SHQS, 92.7% of Argyll & Bute’s housing was assessed as not complying with the standard. Data for this was only available for two individual HMAs (Cowal and Islay, Jura & Colonsay); which had similarly low levels of SHQS compliance. However, the survey also provided data on the SHQS quality performance banding of Bute and Mid Argyll & Kintyre. In both cases, more than half of the housing stock was placed in the ‘Below Average’ or ‘Lowest’ banding, and just over 10% of the stock in each HMA was placed in the ‘Highest’ banding.

The energy efficiency performance of the housing stock varies quite significantly across the HMAs, particularly when comparing the NHER (National Home Energy Rating) bandings. Each property has been assigned an NHER rating (based on its energy efficiency performance) which ranges from 0 to 10, and these can be banded into poor (0–2), moderate (3–6) and good (7–10).

As outlined in Graph 2.12, more than half (51%) of Cowal’s housing stock was assessed as having a poor level of energy efficiency, however in Bute only 6% of the stock received a score in the poor banding range. However, overall there is some level of consistency: there are no HMAs where the highest proportion of stock falls into the good NHER performance banding. In the majority of cases, the highest proportion of stock is assessed as having a moderate level of energy efficiency. This is particularly the case in Coll & Tiree, where none of the stock has been given a ‘good’ NHER rating. Bute is the HMA with the highest proportion of dwellings in
the ‘good’ banding (35.6%). Data for the NHER performance bandings in Mull & Iona and Isle of Bute were unavailable.

The average SAP rating is more consistent across each HMA. Given a score between 0 and 100, the SAP (Standard Assessment Procedure for the Energy Rating of Dwellings) also measures a property’s energy efficiency. For Argyll & Bute as a whole, the average SAP rating is 42. In terms of the individual HMAs, the average ratings do not venture too far from the average figure for the whole area, dropping to 36.3 in Cowal and peaking at 49 in Bute.

For the HMAs where the data is available, the majority of the stock in each of the areas have full central heating; however the proportion of properties with partial or no central heating is noteworthy. This is particularly the case in Cowal, where 37.5% of the housing stock has either partial central heating or none at all. Mid Argyll & Kintyre has the highest levels of housing stock with no central heating, with more than a quarter of the dwellings in the area (26.8%) lacking this. There is also varying levels of roof insulation in Argyll & Bute dwellings. Most properties do have some level of roof insulation, with 100mm or more insulation in 38% of dwellings. Although for the whole of the local authority area, 14.6% of dwellings do not have any roof insulation, in Cowal nearly a quarter (23.6%) of properties’ roofs are not insulated at all.

2.6.3 Condition and Quality: Key Headlines

Key PRS headlines from the Argyll & Bute private sector house condition survey are as follows:

- 25% of PRS dwellings require major repairs
- Approximately 2/3 of PRS dwellings require urgent repairs
- 7% of the stock is below tolerable standard
- >90% PRS dwellings fail Scottish Housing Quality Standard
- 52% tenants are in fuel poverty

As outlined previously, the Scottish House Condition Survey was carried out more recently, but Argyll & Bute’s local house condition survey was considered to be a more accurate reflection of the private rented sector stock in the local authority area. For example, with regards to the key headlines that have emerged from the Argyll & Bute-specific survey outlined above, the SHCS statistics for the local authority area are very different. For example, in the SHCS 36% of private dwellings in Argyll & Bute required an urgent repair; almost half the proportion of
PRS dwellings identified by the local survey. The proportions of Argyll & Bute’s private rented sector dwellings that fail the SHQS (93%) and households that are in fuel poverty (52%) are also much higher than the SHCS’ figures for Argyll & Bute’s ‘private’ dwellings (72% and 46%, respectively). The SHCS’ failure to separate the PRS from other tenures categorised under the ‘private’ heading and the survey’s small sample size are likely to be contributing to the significant differences between the national and local house condition survey outcomes, and is why this chapter has focused on the 2006 Stock Condition Survey.

2.7 Registration, Regulation and Landlord Accreditation

2.7.1 Houses in Multiple Occupation

As outlined in Table 2.23 below, there are a total of 14 houses in multiple occupation (HMOs) in Argyll & Bute’s private rented sector. This is derived from the properties which were matched onto both the register of properties with an HMO licence and the private landlord register. On an area basis, the majority (57%) of private rented sector HMOs are located in Lorn, with the remainder in Cowal (36%) and Kintyre (7%).

<table>
<thead>
<tr>
<th>Housing Market Area</th>
<th>HMOs in the PRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bute</td>
<td></td>
</tr>
<tr>
<td>Coll &amp; Tiree</td>
<td></td>
</tr>
<tr>
<td>Cowal</td>
<td>5</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td></td>
</tr>
<tr>
<td>Islay, Jura &amp; Colonsay</td>
<td></td>
</tr>
<tr>
<td>Kintyre</td>
<td>1</td>
</tr>
<tr>
<td>Lorn</td>
<td>8</td>
</tr>
<tr>
<td>Mid Argyll</td>
<td></td>
</tr>
<tr>
<td>Mull &amp; Iona</td>
<td></td>
</tr>
<tr>
<td><strong>Argyll &amp; Bute</strong></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>

*Table 2.23: PRS HMO data*

2.7.2 Accredited landlords in Argyll & Bute

There are 11 accredited landlords and letting agents in Argyll & Bute, managing a total of 120 properties in the local authority area. This accounts for a mere 2.8% of the total private rented sector stock in Argyll & Bute. 70% of these properties are managed by an organisation such as a lettings agency or trust, whilst the rest are managed by individual landlords.

2.8 Key Conclusions: Secondary Research Analysis of PRS

Although both nationally and in Argyll & Bute owner occupation is the dominant tenure, the private rented sector (PRS) in Scotland has grown significantly over the last two decades, almost doubling in size in terms of the number of properties in the sector. It currently accounts for approximately 11% of Scotland’s total housing
stock, and this is also similarly the case within Argyll & Bute, where 10% of properties are in the private rented sector (4,885 properties).

Based on a snapshot profile of current vacancies in the PRS, the average cost of a private tenancy across Argyll & Bute is £571.11 per month. The majority of the tenancies available for letting were flatted properties (61%).

Key headlines on the profile of the sector are as follows:

The Helensburgh & Lomond HMA is key to the area’s private rented sector, with the greatest concentration of the stock in the sector (nearly a quarter) and 81% of the current online vacancies for private lets (between December 2012 and March 2013). However, despite accounting for the biggest number of dwellings in absolute terms, Helensburgh & Lomond’s private rented sector is comparatively small at 9% in comparison to other tenures.

2.8.1 Condition

The private sector stock condition survey for Argyll & Bute suggests that the housing stock in the PRS suffers from elements of disrepair and poor property condition. A quarter of the PRS stock was found to require major repairs, with 2/3 requiring urgent repairs to improve property condition.

Approximately 7% of PRS fails even the minimum test of property condition, the tolerable standard. At the other end of the spectrum, there are very low levels of compliance with the Scottish Housing Quality Standard with 90% of all PRS homes failing this standard.

Equally, with an average SAP rating of 42 for PRS stock, the sector in Argyll & Bute would appear to suffer from energy efficiency problems. This is reinforced by the 52% of PRS tenants who were identified as suffering from fuel poverty. A more recent sample of PRS tenants, derived from the Citizens panel for Argyll & Bute,
established that 63% of tenants assessed themselves as currently experiencing fuel poverty.

### 2.8.2 Tenant Profile

A relatively small proportion (7%) of local households who have expressed a need for social housing by applying to the Common Housing Register are currently located in the rented sector. Having said this, a much higher proportion (21.5%) of homeless applications are derived from households located in the PRS.

There is a greater awareness among private rented sector tenants of how to access support, homeless and repair services than those in other tenures, which could help to explain why private rented sector tenants have a more positive health profile than other tenures in Argyll & Bute.

Just 25% of all tenants in the PRS are currently claiming Local Housing Allowance to help them meet housing costs which is considerably lower than the social housing sector (71%). Analysis of housing affordability will reveal whether this trend is driven by the financial capacity of private tenants or whether income maximisation and welfare rights strategies could improve the ability of households to meet the costs of private renting. Comparatively low benefit take up could also be influenced by landlord conditions which exclude benefit claimants from letting their stock.

Despite the low figures of PRS tenants claiming LHA in Argyll & Bute, 63% of private tenants who participate in the Council’s Citizens Panel felt they are likely to be affected by welfare reform. This suggests that there may be a higher proportion of households in receipt of non-housing related benefits.

### 2.8.3 Affordability

Affordability within the private rented sector remains a key issue for all stakeholders. With 25% of PRS tenants claiming Local Housing Allowance and the same proportion of tenants who have become homeless leaving their privately rented accommodation due to financial difficulties, evidently there is some evidence from secondary analysis that there are affordability problems in the sector. Furthermore, analysis of the current online vacancies in Argyll & Bute show that there is a shortfall between the Local Housing Allowance rates for each property size and the corresponding average rental values. More detailed and additional analysis of the affordability of the private rented sector in Argyll & Bute can be found in chapter 4 of this report.

### 2.9 Secondary Analysis: Data Gaps

Although the analysis of secondary data sources has provided an indicative profile of the private rented sector by size, tenure, condition, energy efficiency, turnover and vacancies, rent levels and LHA claimants; there are limitations in the intelligence available. To this end, a statistically robust primary research survey was commissioned to address the obvious data omissions including:

- Dwelling profile by size and type;
- Customer profile by household type, age and length of tenure;
- Tenant circumstances, satisfaction levels and future intentions;
- Quality of house conditions and tenancy management;

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• Landlord business model, professionalism and future intentions.

The outcomes of this extensive primary research exercise are provided in detail in the following chapter.
3 PRIMARY RESEARCH OUTCOMES

In order to develop a credible understanding of the operation of Argyll & Bute’s private rented sector founded on a robust evidence base, Arneil Johnston (in partnership with Research Resource) carried out an extensive programme of primary research to elicit the views of both private sector landlords and tenants.

3.1 Survey Methodology

In order to assemble evidence on the extent and nature of the sector from both a landlord and a tenant perspective, two separate survey exercises were performed. The approach and outcomes of each survey process are provided in detail in the following sections:

3.1.1 Tenant Survey

A specific survey tool was developed for the PRS tenant base in Argyll & Bute, focusing on the following research issues in order to build intelligence on:

- household composition and status including: age, household type, employment status, income, dependency on welfare benefits, health status and support requirements;
- security of tenure (including type of tenancy arrangements in place, rights, responsibilities);
- value and affordability of property rents;
- quality, condition and satisfaction with current home including property type, state of repair, level of amenity, levels of overcrowding/under-occupancy, neighbourhood quality;
- experience of landlord performance in relation to tenancy management, rent collection options, repairs and maintenance, deposits, adaptations and communication;
- historic behaviour including: pathways into private rented sector, movement from other tenures, search patterns, housing application history;
- current circumstances and perceptions including attitudes towards housing affordability, value for money, ability to access alternative housing options, general motivations for residing in current accommodation; and
- future intentions and aspirations including: preferred tenure, plans to move property/leave sector, emerging households, etc.

A copy of the questionnaire tool can be found at Appendix A and a copy of the topline results of the tenants’ survey can be found at Appendix B.

For the survey of tenants, a census approach was adopted which involved writing to all private tenants inviting them to participate in the research. After carefully considering a range of survey methodologies, a face to face approach was ruled out since the logistics of carrying out this exercise over such a geographically dispersed population would be cost prohibitive. In addition, whilst a telephone based approach was also considered, this approach was also rejected on the basis that it was unlikely that we would be in a position to collate a sufficient volume of telephone numbers for the private rented sector to allow us to generate robust data in the survey. It was to this end that a postal survey approach was recommended.
Whilst it is acknowledged that a postal methodology has limitations in that the response rate is typically lower than face to face or telephone processes (typically in the region of 20%); it was agreed that a number of steps could be taken to mitigate any loss of statistical confidence. By initiating a census approach and writing to all tenants and by sending both an initial and reminder mailing, supported by positive publicity from the Council, the research team was confident that a sufficient response could be achieved to allow a robust data set to be assembled.

As well as a carefully developed, easy to complete questionnaire tool, every private tenant received a survey pack containing a covering letter introducing the survey, its background and objectives and explaining why the data was being collected, how it would be processed and held. In order to boost response rates, the private landlord register was matched to the Council Tax register to enable Argyll & Bute Council to issue survey packs to a named addressee rather than using a generic household title which could be perceived to be junk mail.

As well as providing a reply paid envelope for return of the survey, tenants were provided with a FREEPHONE telephone number for customers to call if they required support to complete the survey questionnaire. As a result, tenants had the option to request participation in a different way, have the survey completed for them over the telephone or to ask any specific questions they may have had.

Throughout the period of the research, all postal responses were tracked on a bespoke customer database. This enabled the research team 2-3 weeks after the initial mailing, to send a reminder mailing to all non-respondents. This proved to be a successful method boosting response rates where required.

Bearing in mind the aim of establishing a robust research evidence base of the PRS across Argyll & Bute, it was recommended that a response rate providing data accuracy to ±5% should be the target for the research study. This is based upon the view that a sample should be achieved in order that it is statistically significant and provides data upon which you can be confident in making decisions. It is recommended that an adequate level of statistical significance is ±5% (based on a 95% level of confidence and a 50% estimate) which would provide research outcomes upon which the Council could be confident.

The level of accuracy is known as the ‘sampling error’. The results of a survey based on a sample will not necessarily coincide with the exact results that would have been obtained by a full scale study of the total population. Some error (known as sampling error) may have arisen simply because not everyone will have been included in the sample, i.e. they did not choose to complete a questionnaire. The aim of calculating sampling errors is to indicate the confidence which you can have in a particular result. Thus, if we find that 50% of the sample behave in a certain way, the key question is the extent to which this percentage may differ from the true population proportion simply because our results is based only on a sample. The sampling error allows you to say, for example, that the true range is likely to fall within the range of, for example 45% and 55%. This is expressed in the form ±5%.

From a sample frame of 4,885 private rented addresses, a total of 968 responses were achieved. The response rates to the tenant survey are set out as follows:
The level of accuracy achieved in the response to the postal survey exceeded the required ±5% and in fact is ±2.8%. Given the extent of confidence achieved, it has also been possible to achieve a level of accuracy at a sub area level as set out in the diagram above.

Given the extent and nature of response achieved, it has not been necessary to weight the data to address any sample imbalances. The Council has therefore been successful in achieving a sample that delivers an accurate and credible account of the operation of the private rented sector in Argyll & Bute from a tenant perspective.

3.1.2 Landlord Survey

A specific survey tool was developed for the PRS landlords across Argyll & Bute, focussing on the following research issues in order to build intelligence on:

- extent and nature of property portfolio held including, number of properties (with location, age, size and type);
- landlord business model including the identification of landlord archetypes, e.g. professional landlord, estate owner, reluctant landlord, pension investor, etc.;
- type of tenancy offered and attitudes towards security of tenure;
- knowledge, skills and approach to tenancy management, rent setting and collection, repairs and maintenance (and whether responsibilities are delivered personally or using a letting agent);
- extent and nature of property condition, including investment strategy for repairs and maintenance (reactive or proactive), knowledge of property condition and need for essential repairs, communal repair issues, relationships with property managers or factors;
- economics of private renting, including whether activities are profitable and whether operating costs are increasing/decreasing;
- knowledge of housing demand including ability to let vacancies and source tenants, including restrictions on the type of tenants they are willing to accommodate;
- future intentions including plans to leave sector or increase portfolio and motivations for doing this;
- the perceived risks associated with private renting including the potential impact of welfare reform;
- attitudes toward further regulation, accreditation and enforcement;
engagement with other agencies including property managers, letting agents, accreditation schemes, Argyll & Bute Council, other landlords, etc.

A copy the questionnaire tool can be found in Appendix C and a copy of the topline results of the landlords’ survey can be found at Appendix D.

The landlord survey was performed utilising a telephone based methodology, which was interviewer led, professional and enabled the research team to ensure a certain level and representation in the response rate. With an estimated landlord population of 3,600; it was recommended that surveying a sample of 350 landlords would provide data that is robust to the level of +/-5% and would provide the Council with a robust evidence base. Within this, it was possible to ensure a spread of interviews across the geography of Argyll and Bute and also in terms of both large and small landlords.

In order to manage the consent process that would enable the research team to utilise the telephone contact details for the purposes of the research, the Landlord Registration team in Argyll & Bute Council emailed all landlords explaining the purpose of the survey and requesting permission to contact for an interview. Specifically, landlords who did not want to participate were asked to opt out of the sample frame by returning the email. The approach was successful in enabling a strong sample frame of landlords with telephone details to be established.

The survey was carried out, utilising the structured questionnaire designed by Arneil Johnston, by Research Resource’s trained and experienced telephone interviewers operating from their in house telephone interviewing suite. All researchers were fully briefed prior to starting the interviews, including information on the background and objectives of the survey, an overview of the sampling process, discussion and agreement on the interviewing introduction to the survey and a ‘walk through’ of the survey script.

Each researcher was subject to ongoing monitoring and quality control procedures, including remote listening; checking of completed interview data; and immediate feedback on any issues that may be arising. All possible steps to maximise the participation rate were pursued including:

- providing respondents with an Argyll & Bute Council contact if required, to allow respondents to validate the survey;
- emphasising the confidentiality of survey data and clearly explaining how it would be used;
- keeping the interview length to a minimum and only asking relevant questions that were feasible to answer spontaneously; and
- scheduling interviews at a time convenient to the respondent and confirming duration at the start of the interview.

Research Resource achieved the target sample of 350 telephone interviews with private landlords, providing a robust set of research outcomes providing data accuracy of +/-5%.

The research outcomes associated with both the landlord and tenant surveys are outlined in the following sections.
3.2 PRS Sector Stock Profile

3.2.1 Sector Profile by Property Type

Combining the results from the tenant and the landlord surveys (with a total sample of 1,440 properties), Argyll & Bute’s private rented sector stock is divided relatively evenly between houses (54%) and flats (46%). This is relatively consistent with the research findings from the Stock Condition Survey carried out in Argyll & Bute in 2006-2008. The increased number of ‘accidental’ landlords (i.e. those who have struggled to sell their property on the open market and have alternatively decided to let the property instead) may go some way to explain this increase in the number of houses in the sector from 2008 onwards. Originally the Stock Condition Survey research reported that houses account for 51% of the stock; suggesting an increase of 3% over the last five years.

For the purposes of this chapter, where appropriate the data has been categorised into four administrative areas as defined by Argyll & Bute Council: Bute & Cowal, Oban, Lorn and the Isles, Helensburgh & Lomond, and Mid Argyll, Kintyre & Islay (which also includes Jura & Colonsay).

Graph 3.1 outlines the dwelling profile of PRS stock.

Graph 3.1: Profile of Private Rented Sector stock (Combined Sample: PRS Tenant & Landlord Survey 2013)

The most common house type within the sector is a detached property, which accounts for 20% of the total housing stock, followed by semi-detached (16%). Bungalows/cottages and terraced houses represent a small proportion of the stock, with 9% and 7% respectively. In terms of the types of flats, the proportions of tenements (12%) and 4 in a block (8%) properties are relatively small, and even less so with maisonettes which represent just 1% of the stock. The remaining flats, which account for 25% of the stock, are other types of flat which cannot be categorised under any of the other named types.
On an area basis, there are some significant differences in terms of dwelling type. In Mid Argyll, Kintyre & Islay for example, three quarters (75%) of the stock are houses; whilst in Helensburgh & Lomond, the proportion is less than half of the stock (47%). There are also considerably more houses in Oban, Lorn and the Isles, where houses account for 67% of the stock.

Helensburgh & Lomond is the only area in which there are more flats than houses, however the distribution of the stock is relatively even in Bute and Cowal, where houses account for 52% of the stock, and flats 47%.

### 3.2.2 Stock Profile by Property Size

Graph 3.3 outlines the dwelling profile of PRS stock.
42% of the properties in Argyll & Bute’s private rented sector are 2 bedroom dwellings, which is the highest proportion of dwelling sizes identified. There are higher proportions of 3 bedroom properties (27%) than 1 bedroom properties (20%), and less than 10% of dwellings in the sector have 4 bedrooms. Just 1% of properties have 5 or more bedrooms.

The size profile of PRS dwellings is relatively small with 62% of the stock comprising 1/2-bedroom properties.

### 3.2.3 Property Profile by Amenity & Condition

Graph 3.4 outlines the amenity profile of PRS stock in Argyll & Bute.

#### PRS Tenants: Item requiring upgraded, replaced or removed

<table>
<thead>
<tr>
<th>Amenity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical wiring</td>
<td>18%</td>
</tr>
<tr>
<td>Supply of electricity</td>
<td>5%</td>
</tr>
<tr>
<td>Satisfactory thermal insulation</td>
<td>52%</td>
</tr>
<tr>
<td>Satisfactory facilities for cooking</td>
<td>11%</td>
</tr>
<tr>
<td>Full central heating system</td>
<td>44%</td>
</tr>
<tr>
<td>A bath or shower</td>
<td>19%</td>
</tr>
<tr>
<td>Fire/smoke alarms</td>
<td>17%</td>
</tr>
<tr>
<td>Hot &amp; cold water supply</td>
<td>13%</td>
</tr>
<tr>
<td>Double glazing</td>
<td>47%</td>
</tr>
<tr>
<td>An inside toilet</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Graph 3.4: Amenity problems with private rented sector properties (PRS Tenant Survey 2013)**

47% of the tenants who responded do not require any single amenity within their property to be upgraded, removed or replaced. Of the 53% of tenants who require upgrades to the amenity of their home, the most common item required was upgrading the thermal insulation of the property (selected by 52% of tenants). Double glazing (47%) and a full central heating system (44%) were also identified by a considerable number of tenants as requiring to be upgraded, removed or replaced. The emphasis on improving the thermal efficiency of the dwelling profile may well be related to the rural nature of many Argyll & Bute’s communities (and lack of mains gas). The age and construction type of the stock is also likely to be a factor of this.

Other common issues identified by tenants include upgrading, removing or replacing a bath or shower (19%), electrical wiring (18%), and fire/smoke alarms (17%).

The extent of amenity failure is also complex with just 23% of tenants identifying 1 failure within their property. 30% of tenants state that they are lacking two or more basic amenities. Graph 3.5 charts this amenity profile on an area basis.
Graph 3.5: Amenity problems with private rented sector properties by Argyll & Bute Council areas (PRS Tenant Survey 2013)

On an area basis, 53% of private sector properties in Helensburgh & Lomond have no amenity problems (compared to 38% in Oban, Lorn & the Isles); suggesting that the level of property amenity in Helensburgh is comparatively better in this area. Half of the private lets in Bute & Cowal and 42% of those in Mid Argyll, Kintyre & Islay do not require any items to be upgraded, removed or replaced.

Energy efficiency measures such as a full central heating system, double glazing and satisfactory thermal insulation are identified as the most common amenity failures. This is particularly true of the two most rural sub-areas (Oban, Lorn & the Isles and Mid Argyll, Kintyre & Islay) as requiring upgraded, removed or replaced.

Graph 3.6 illustrates the tenant assessment of property condition across the PRS stock in Argyll & Bute.
52% of tenants reported that there are no major problems with the condition of their property.

The most common problem with condition identified by the remaining tenants is dampness, which 30% of tenants reported affected their dwelling. 23% also stated that their property has problems with condensation. A small proportion of private tenants claimed that their dwelling has no mains water supply (8%), with even less reporting that the property requires major structural repairs (6%). It should be noted that some tenants reported more than one problem with the condition of their property.

Graph 3.7 sets out this profile of condition on an area basis.
At an area level, Helensburgh & Lomond has the highest proportion of properties with no major problems with condition (63%), compared to Mid Argyll, Kintyre & Islay where 48% of private rented dwellings have no major problems. In terms of the other areas, 57% of properties in Bute & Cowal and 49% of those in Oban, Lorn & the Isles do not have any issues with condition.

Dampness and condensation are most common in Mid Argyll, Kintyre & Islay and Oban, Lorn & the Isles; the areas which include the most rural-based communities in Argyll & Bute. These areas also have considerably higher proportions of properties with no mains water supply, and dwellings that require major structural repairs than the other areas in Argyll & Bute.

As well as asking tenants to assess the condition of their homes, the landlord survey also posed questions on the extent and nature of outstanding repairs. The outcomes are illustrated in Graph 3.8 below.
As illustrated above, 93% of landlords surveyed stated that they have no outstanding repairs to be actioned in their portfolio of housing stock. These outcomes are, of course, at odds with the tenant perception of property condition suggesting that landlords focus on condition from a failure perspective rather than a quality perspective.

Of the 7% who do have outstanding repairs, the main reason is generally common repair issues and specifically because there is no property factor or owner association to implement common works.

In order to identify long term maintenance issues, 58% of landlords inspect their property annually or at the end of the tenancy, either themselves or using a letting agent. This suggests that these landlords’ investment planning is carried out on a...
relatively ad-hoc basis, which is driven by access to the property. 12% of landlords do not carry out inspections or property condition surveys, or don’t know if a letting agent does so on their behalf. However, 11% do carry out inspections or visit the property regularly as a means to identifying and planning a long term approach to property maintenance.

This informal approach to long term maintenance planning may go some way to explaining the backlog of investment works that is suggested from the tenant assessment of property condition.

3.3 PRS Tenant Profile

3.3.1 Household Profile

Based on the results of the tenant survey, the average household size within the private rented sector in Argyll & Bute is 1.9. Graph 3.10 illustrates the household profile of the sector.

![Household Composition of PRS Tenants](image)

*Graph 3.10: Household composition of private rented sector tenants (PRS Tenant Survey 2013)*

In terms of the household composition of private rented sector tenants, nearly half of the population (46%) are single people. The second most common household type is all adult household, which accounts for 29% of the sectors household populous. 23% of private rented sector households have children, which includes 9% of households who are single parents.

Graph 3.11 sets out the economic profile of these households.
The survey also identified that 21% of the PRS household base are over 65 years old; two-thirds of whom are single older people. This coincides with the finding that 20% of people living in the sector are retired.

Nearly half of those living in the sector are not economically active (44%), which represents a higher proportion than tenants who are in full time employment (42%).

In total, 32% of PRS tenants are in receipt of state benefits. In terms of their health and well-being, more than a quarter (27%) of tenants living in the sector have a long term illness or disability.

### 3.3.2 Pathways into Private Renting

The survey also examined the housing search and access patterns of current PRS tenants to determine the extent to which it represents a tenure of choice. Graph 3.12 illustrates the tenant responses on pathways into the sector:
Under a third (29%) of current PRS tenants stated that private renting is their preferred tenure option. In contrast, 60% of tenants describe private renting as their only (30%) or secondary (30%) option (after social renting or home ownership), with 29% of tenants stating that they have been temporarily excluded from other tenures given their current circumstances.

Attitudes towards the sector are relatively divided, with 42% of tenants describing the sector as a long term solution and 31% describing it as short term only. It is worth highlighting that more people consider the sector as being a long term solution to their housing needs (42%) than had originally identified private renting as their preferred tenure option (29%).

### 3.3.3 Tenant Satisfaction with Home

The survey also focussed on identifying the extent to which tenants were satisfied with their home.

**Graph 3.13: Private rented sector tenant satisfaction levels with home (PRS Tenant Survey 2013)**

Overall, there are significant levels of satisfaction among private rented sector tenants, with 75% of those living in the sector stating that they are satisfied with their home. This is split relatively evenly between ‘very’ and ‘fairly’ satisfied, with 38% and 37% respectively. This is particularly interesting given the fact that 47% of tenants identified at least one major problem with the condition of their home.

In total, 11% of tenants are dissatisfied (including 4% who are very dissatisfied) with their current home; with the remaining 13% not aligning either way. Based on this, 30% of tenants expressed an interest in moving from their current home in the next 2 years, and 14% stated that they need to move in the next 2 years.

As well as asking tenants to assess general satisfaction levels with their home, the survey also assessed satisfaction levels with the quality of tenancy management tenants have experienced from their landlord. In line with general satisfaction levels, 77% of tenants said they were satisfied with the way their landlord manages their tenancy; 44% very satisfied and 33% satisfied. In contrast, 9% of tenants expressed dissatisfaction with tenancy management; 6% of tenants dissatisfied, 3% very dissatisfied. Again these results would suggest that the tenant/landlord relationship across the sector is primarily constructive, with the single largest group of respondents satisfied with their landlord’s performance.
Of the 23% who are dissatisfied with tenancy management, the main reasons for this dissatisfaction focus on the landlord’s failure or reluctance to invest and modernise the properties. For example, 83% of those dissatisfied with their landlord claim that their landlord is reluctant to carry out the repairs required in the property, and more than half state that the landlord does not provide routine maintenance (56%), and is refusing to invest in necessary modernisation (51%).

Graph 3.14, provides this analysis by housing sub-area.

Graph 3.14: Satisfaction with tenancy management by Argyll & Bute Council areas (PRS Tenant Survey 2013)

On an area basis, the level of satisfaction with tenancy management varies. The highest level of tenant satisfaction is in Bute & Cowal, where 82% of those living in the sector are either very or fairly satisfied with tenancy management. The highest level of dissatisfaction is in Mid Argyll, Kintyre & Islay where 12% of tenants in this area expressed either strong or reasonable levels of dissatisfaction. This is more than double the levels of dissatisfaction in Bute & Cowal, however is only slightly higher than the remaining areas, particularly Oban, Lorn & the Isles (11%).

Conversely, the Oban and Mid Argyll areas, where tenants were generally more dissatisfied with tenancy management, were also the areas which received the highest proportions of tenants who were ‘very satisfied’ with their homes, with 48% of tenants in the former and 47% those in the latter expressing such satisfaction levels in the survey.

### 3.3.4 Future Intentions of Tenants

Tenants were asked to consider their future intentions and specifically whether they intend to remain in the sector. 41% of those who stated that they would like or need to move are motivated by affordability issues. Despite this, only 1% of respondents stated they were leaving to move into social housing.

34% of tenants are moving to find the size and/or type of property required to meet the needs of their household, with a higher proportion needing a bigger home (21%) than a smaller home (10%). 13% are moving in the next 2 years for health, care or support reasons.
The majority of tenants who would like or need to move in the next 2 years expressed an interest in staying within Argyll & Bute, with 17% stating that they want to move outside of the local authority area. In terms of the individual housing market areas, more than a fifth (21%) of tenants likely to move in the next 2 years would like to live in the Helensburgh & Lomond area.

**Graph 3.15: Private rented sector tenants’ preferred tenure (PRS Tenant Survey 2013)**

In terms of the tenants’ future intentions with regards to tenure, of the 44% who would like or need to move in the next 2 years, the majority (39%) would like to access social housing. Owner occupation was the preferred option for 31% of tenants, meaning that more tenants aspire to the other main tenures (home ownership and social housing) than to remain the private rented sector, with only a quarter (26%) of those who would like or need to move stating that this was their preferred tenure option.

Of those who expressed a preference for home ownership, 7% of tenants plan to build their own property, and 4% state they are likely to buy a property outright. The level of resources and investment required to achieve these options suggests that for these tenants, the private rented sector has been a short term solution in anticipation of realising a longer term housing aspiration.

### 3.4 Landlord Profile

As well as understanding the operation of the sector, the landlord survey focused on building intelligence of the business motivation and model which underpins investment in a rental portfolio. The outcomes are presented in the following sections.

#### 3.4.1 Business Profile of the Sector

The majority (81%) of landlords surveyed have single property portfolios, with almost half of all respondents (48%) describing themselves as ‘accidental landlords’ i.e. they are renting out their property by default as they have failed to sell it on the open market, or have inherited it. More than a third of landlords (35%) have invested in their portfolio in order to supplement their pension in subsequent years, and just 9% of landlords surveyed described themselves as professional landlords or property investors.
31% of landlords’ surveyed use an agent to manage their portfolio on their behalf, and of those who do not use an agent, 10% said that it was because the agency fees are too expensive. The majority (64%) of those who do not use an agent stated that they have the time and knowledge to manage their own property.

Landlords were also surveyed on the extent to which it is challenging to tenant their properties should they become vacant. The evidence suggests that demand for the private rented sector is strong, with 85% of landlords stating that they have no problem finding tenants.

It is also clear that local networks are instrumental in sourcing tenants, with 35% of landlords using word of mouth to find tenants, and 17% only letting to friends and family. The survey did identify some barriers to accessing the sector however, with more than a third (36%) of landlords claiming that they will not accept Housing Benefit claimants as tenants. This is compared to 40% of landlords who place no restrictions on the tenants they are willing to let to. Graph 3.16 illustrates this analysis in detail.

![Graph 3.16: Restrictions on tenants that landlords are willing to accommodate (PRS Landlord Survey 2013)](image)

### 3.4.2 Rent Setting and Collection

In terms of rent setting and collection, only 4% of landlords set their rents to recover their costs. However, 45% of landlords charge the same rents as other private lets in the area, suggesting a willingness to remain competitive. More than a third (36%) of landlords’ rental values are based on advice from letting agents, and 11% negotiate the rent with the tenant.
Nearly three quarters of landlords collect rents using direct debit or standing orders (73%), with just 9% using cash or cheque. More than half of the landlords stated that their tenants are not claiming Housing Benefit (57%).

There is a considerable lack of knowledge and willingness across landlords to signpost tenants to financial or welfare advice should they begin to struggle with rental payments. More than half (53%) of landlords stated that they would not want or know how to signpost tenants into services that could assist with budgeting, financial management or income maximisation, as illustrated in Graph 3.17.

![Graph 3.17: Landlords’ understanding of where to direct tenants struggling financially](image)

**Graph 3.17: Landlords’ understanding of where to direct tenants struggling to pay rent (PRS Landlord Survey 2013)**

### 3.4.3 Future Intentions of Landlords

A quarter of the landlords surveyed stated that they intend to leave the sector in the next five years, with 18% stating that they are very likely to do so. This is compared to 46% of landlords who claim that they will not leave the sector, and just under a third (29%) who are unsure of their future intentions.

For those who suggested that they intend to leave the sector in the next five years, Graph 3.18 illustrates the motivations for this.
Graph 3.18: Reason for landlords likely to sell their property in the next 5 years

One of the main reasons identified for landlords intending to leave the sector is the poor return on their investment, with 23% of landlords stating that it costs more to manage and maintain their properties than they collect in rent. Undoubtedly this apparent lack of commercial profitability could be a significant barrier to the future growth of the sector.

However, 11% of those who stated that they are not likely to sell also indicated that their portfolio generated a good return on investment providing impetus to remain in the sector. More than half (53%) of these long term landlords stated that their properties are long term investments to support their retirement planning.

3.4.4 Professionalism of Landlords

In general the sector is not well aligned to professional networks, with just 5% of landlords surveyed registered as accredited landlords, 4% members of Scottish Land and Estates, and 4% in an alternative professional body.

The high proportion of accidental landlords is likely to influence the level of professionalism across the sector. Under a third (29%) of landlords did recognise that they would benefit from training on tenancy law, and also a better understanding of particular issues including grant availability, energy efficiency and the impact of welfare reform.

The survey also identified gaps in landlords’ understanding on tenants’ right to adapt, the Private Rented Housing Panel (PRHP) and rental deposits.
3.5 Key Headlines: PRS Business Profile

The landlord and tenant survey outcomes deliver a number of key learning outcomes which provide intelligence on the structure and operation of the sector in Argyll and Bute. Key headlines are as follows:

3.5.1 Learning Outcomes: Condition

From the perspective of private rented sector tenants, the condition of the private rented sector dwellings appears to be poor, with a high proportion of homes containing an element of disrepair as well as the need for upgrades or replacements of basic amenities. The rural nature of some Argyll & Bute HMAs may well influence the high proportion of condition problems associated with poor energy efficiency, which may also be a factor of the age and construction type of the stock.

However, these findings contradict landlord perceptions of disrepair. Landlords were generally satisfied with the condition of their portfolios, with almost all landlords stating that there are currently no outstanding repairs in their properties. However, the fact that more than half of landlords state that they inspect their property either annually or at the end of a tenancy, perhaps indicates a lack of intelligence on the condition of their portfolio. These findings would also suggest that landlord perspectives on condition focus on disrepair and component failure rather than housing quality.

However, despite the high proportion of tenants who stated that there are (in some cases) major problems with the condition of their accommodation, there are high levels of tenant satisfaction both with their home and with how their landlord manages their tenancy.
3.5.2 Learning Outcomes: Security of Tenure

The evidence suggests that there is a high demand for private rented sector properties in Argyll & Bute, with a significant majority of landlords having no problem identifying tenants. This is despite the fact that more than a third of landlords claim that they will not accept tenants who are in receipt of state benefits. Whilst the private rented sector was identified as a long term solution for nearly half of tenants; of the tenants who would like to move home, more aspire to home ownership or social housing than remaining in the private rented sector. Furthermore, with only 29% of tenants claiming that the PRS was their preferred tenure choice, this perhaps indicates that the sector provides a long term solution by consequence of the inability to access alternative (potentially more desirable) housing options.

3.5.3 Learning Outcomes: Affordability

Affordability within the sector is a particular issue for tenants, with 41% of those wishing to move from the sector motivated to find more affordable housing. Given the fact that nearly half of tenants in the sector are not economically active and, as outlined in the secondary analysis chapter, the current LHA rates do not meet the average rental values in the PRS; problems with affordability in the sector are perhaps unsurprising.

There are also evidently profitability issues within the sector for landlords, with nearly a quarter of landlords who plan to leave the sector in the next five years doing so because of a poor return on their investment. This could well suggest that despite strong demand driven by housing shortage, the structure of local income prohibits the excessive rental inflation experienced in other housing market areas in Scotland.

3.5.4 Learning Outcomes: Tenant Profile

Argyll & Bute’s private rented sector has a considerably high proportion of single people, with nearly half of those surveyed falling into this demographic. This corresponds to the significant proportion of one and two bedroom properties in the sector.

In terms of the economic profile of private rented sector tenants, a there is a higher proportion of tenants who are not economically active than those who are currently in full time employment. However, this does include retired tenants, which account for a fifth of all those surveyed. Nonetheless, this profile would indicate that a significant proportion of the population rely on fixed, potentially limited incomes to meet their housing costs.

3.5.5 Learning Outcomes: Landlord Profile

The significant majority of landlords are single property landlords, which is undoubtedly linked to the fact that almost half of the landlords surveyed are ‘accidental’ landlords; many of whom have been unable to sell their property given the difficult market conditions.

Such a high proportion of accidental landlords is also likely to have influenced the sector’s poor alignment to professional networks, with just 5% of landlords accredited. Furthermore there is evidence of gaps in landlords’ understanding of specific areas of tenancy law and tenants’ rights and responsibilities.
4 HOUSING AFFORDABILITY ANALYSIS

A key element of the study was to examine the affordability of both commercial (i.e. private) and mid-market rents across Argyll & Bute’s nine housing market areas. To this end, an analytical model was developed to test housing affordability, benchmarking the profile of local incomes to housing costs.

The model is a flexible and user friendly tool, which facilitates scenario analysis to test the affordability of intermediate tenures by: (i) housing market area; (ii) property type; and (iii) property size. The modelling tool has been developed in Microsoft Excel and is capable of testing a range of scenarios by amending rental values, income profiles and income to rent ratios; to determine the current and future demand for private renting generally and mid-market renting specifically.

A full briefing paper detailing all model inputs and assumptions can be accessed in Appendix E.

4.1 The Structure of the Model

The model works by benchmarking the value of local incomes (translated into a monthly household income figure by value bands) to the housing costs associated with each tenure option. The following diagram sets out the structure of the modelling tool:

In preparing the model inputs, Arneil Johnston analysed CACI income data (2012) as well as examining the income profile constructed from the tenant survey outputs. This provides a sound understanding of the level and distribution of local incomes generally and across the private rented sector in Argyll & Bute.

The model is also populated with a range of data inputs and intelligence on the costs associated with various housing tenures including:

- Mid-market rent: 80%-85% of the Local Housing Allowance by size of property;
• Shared equity (including LIFT scheme open market and new build variants);
• Shared ownership;
• Low cost home ownership; and
• Market entry level housing.

The model assesses the affordability of housing costs 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 Argyll & Bute and automatically calculates the proportion of households who can afford each tenure option by size, type and area. A range of income to rent ratios (such as 20%, 25% and 30% of household income) has been modelled and impact assessed.

The affordability model will therefore determine the property sizes which cannot be reasonably afforded by local households in each HMA when devoting realistic proportions of household income to housing costs. An example of the outputs of this type of modelling is shown below for illustrative purposes only. In this example 25% affordability has been assumed and MMR has been assumed to be 80% of the LHA.

<table>
<thead>
<tr>
<th>By Size</th>
<th>Income Affordability</th>
<th>0-5k</th>
<th>5-10k</th>
<th>10-15k</th>
<th>15-20k</th>
<th>20-25k</th>
<th>Total Sample</th>
<th>HIs who cannot meet average price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared</td>
<td>£10,061</td>
<td>3%</td>
<td>13%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>16.67%</td>
<td>6,965</td>
</tr>
<tr>
<td>1</td>
<td>£13,440</td>
<td>3%</td>
<td>13%</td>
<td>9%</td>
<td>0%</td>
<td>0%</td>
<td>25.46%</td>
<td>10,636</td>
</tr>
<tr>
<td>2</td>
<td>£17,281</td>
<td>3%</td>
<td>13%</td>
<td>13%</td>
<td>5%</td>
<td>0%</td>
<td>34.39%</td>
<td>14,363</td>
</tr>
<tr>
<td>3</td>
<td>£19,622</td>
<td>3%</td>
<td>13%</td>
<td>13%</td>
<td>10%</td>
<td>0%</td>
<td>39.38%</td>
<td>16,450</td>
</tr>
<tr>
<td>4</td>
<td>£28,801</td>
<td>3%</td>
<td>13%</td>
<td>13%</td>
<td>11%</td>
<td>9%</td>
<td>54.48%</td>
<td>22,756</td>
</tr>
<tr>
<td>Average</td>
<td>£19,786</td>
<td>3%</td>
<td>13%</td>
<td>13%</td>
<td>10%</td>
<td>0%</td>
<td>39.73%</td>
<td>16,596</td>
</tr>
</tbody>
</table>

In this example, it has been determined that an income of £13,440 is required in order to be able to afford a 1 bed MMR property and only be spending 25% of your income on that property. In this area, 25.46% of the population cannot afford this.

Model outputs are therefore driven by important data inputs and assumptions which guide the affordability assessment of MMR and private renting more generally. The data inputs of the model are described in detail the following section.

### 4.2 Model Inputs

The MMR affordability model is populated with data inputs, which set out the two key information sources which drive the assessment of housing affordability, namely:

- Housing cost benchmarks, such as rental values for each tenure; and
- Household incomes.

The following sections outline the extent and nature of MMR model inputs.
4.3 Rental Benchmarks

As well as the analysis of property rents carried out on vacancies (Section 2.4.1), both the tenant and landlord survey exercises assembled intelligence on the value of local rents by housing market area.

Tables 4.1 and 4.2 set out the distribution of property rents by property size and area across Argyll & Bute.

<table>
<thead>
<tr>
<th>Property Size in Bedrooms</th>
<th>A&amp;B</th>
<th>Bute &amp; Cowal</th>
<th>Helensburgh &amp; Lomond</th>
<th>Mid Argyll, Kintyre &amp; Islay</th>
<th>Oban, Lorn &amp; the Isles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>£4,339</td>
<td>£4,240</td>
<td>£4,484</td>
<td>£3,776</td>
<td>£4,900</td>
</tr>
<tr>
<td>2</td>
<td>£5,127</td>
<td>£5,055</td>
<td>£5,821</td>
<td>£4,654</td>
<td>£5,029</td>
</tr>
<tr>
<td>3</td>
<td>£5,684</td>
<td>£5,138</td>
<td>£7,111</td>
<td>£4,891</td>
<td>£5,969</td>
</tr>
<tr>
<td>4</td>
<td>£6,532</td>
<td>£6,279</td>
<td>£9,242</td>
<td>£5,112</td>
<td>£6,593</td>
</tr>
<tr>
<td>5</td>
<td>£8,053</td>
<td>£10,635</td>
<td>£5,988</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>£5,236</strong></td>
<td><strong>£4,920</strong></td>
<td><strong>£6,104</strong></td>
<td><strong>£4,597</strong></td>
<td><strong>£5,472</strong></td>
</tr>
</tbody>
</table>

Table 4.1: Annual PRS rents by property size & area (PRS tenant survey 2013)

<table>
<thead>
<tr>
<th>Property Size in Bedrooms</th>
<th>A&amp;B</th>
<th>Bute &amp; Cowal</th>
<th>Helensburgh &amp; Lomond</th>
<th>Mid Argyll, Kintyre &amp; Islay</th>
<th>Oban, Lorn &amp; the Isles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>£362</td>
<td>£353</td>
<td>£374</td>
<td>£315</td>
<td>£408</td>
</tr>
<tr>
<td>2</td>
<td>£427</td>
<td>£421</td>
<td>£485</td>
<td>£388</td>
<td>£419</td>
</tr>
<tr>
<td>3</td>
<td>£474</td>
<td>£428</td>
<td>£593</td>
<td>£408</td>
<td>£497</td>
</tr>
<tr>
<td>4</td>
<td>£544</td>
<td>£523</td>
<td>£770</td>
<td>£426</td>
<td>£549</td>
</tr>
<tr>
<td>5</td>
<td>£671</td>
<td>-</td>
<td>£886</td>
<td>-</td>
<td>£499</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>£436</strong></td>
<td><strong>£410</strong></td>
<td><strong>£509</strong></td>
<td><strong>£383</strong></td>
<td><strong>£456</strong></td>
</tr>
</tbody>
</table>

Table 4.2: Monthly PRS rents by property size & area (PRS tenant survey 2013)

Based on the outcomes of the PRS tenant survey that provided rents by both size and locality, the average monthly rent for a private tenancy in Argyll & Bute is £436 per calendar month. Average rental values are highest in Helensburgh & Lomond at £509 per month (17% higher than average) and considerably lower in Mid Argyll, Kintyre & Islay at £383 per month (12% lower than average).

Table 4.3 also sets of the differential in rents between property size and type:

<table>
<thead>
<tr>
<th>Property Size</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4+</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat</td>
<td>£357</td>
<td>£426</td>
<td>£474</td>
<td>£510</td>
<td><strong>£418</strong></td>
</tr>
<tr>
<td>House</td>
<td>£397</td>
<td>£424</td>
<td>£470</td>
<td>£574</td>
<td><strong>£459</strong></td>
</tr>
</tbody>
</table>

Table 4.3: Monthly PRS rents by property type & size (PRS tenant survey 2013)
Monthly property rent for flats are on average 9% lower than for houses, averaging at £418 and £459 per month respectively.

<table>
<thead>
<tr>
<th>Number of bedrooms</th>
<th>Weekly LHA rate</th>
<th>Monthly LHA rate</th>
<th>Average PRS rent</th>
<th>Variance PRS rents and LHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>£81</td>
<td>£351</td>
<td>£362</td>
<td>3%</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>£104</td>
<td>£451</td>
<td>£427</td>
<td>-6%</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>£118</td>
<td>£511</td>
<td>£474</td>
<td>-8%</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>£173</td>
<td>£750</td>
<td>£544</td>
<td>-38%</td>
</tr>
</tbody>
</table>

Table 4.4: Monthly PRS rents & LHA rates (PRS tenant survey 2013)

Table 4.4 demonstrates that a 1 bedroom property is the only property size which the LHA rate is insufficient to cover the average cost (3% less than PRS average rents). Whilst the average rents for 2 and 3 bedroom properties in Argyll & Bute are 6% and 8% (respectively) lower than the LHA rates for these property sizes; the average rent for a 4 bedroom property is significantly less than would be available for tenants claiming subsidy to assist with housing costs. The shortfall in 1 bedroom subsidy may pose problems for the majority of PRS tenants who are single people, however, the affordability of larger property sizes generally relative to market benchmarks would appear to be very competitive.

4.4 Household Income

The following graphic sets out the income profile derived from CACI Paycheck 2012 data, which represents all households in Argyll & Bute and the income profile derived from the tenant survey, which represents households in the PRS.
This analysis demonstrates that the income profile of households in the private rented sector is considerably lower than that of the general population in Argyll & Bute. Based on the average UK household income (£26,000); the survey data demonstrates that 59% of PRS tenants fall below this benchmark in comparison to 48% of the general household populous. This analysis is based on the profile of PRS tenants who are not in receipt of LHA to meet their housing costs, which is instructive given that this represents over 70% of private tenants.

The large numbers of both single households and those not economically active in the sector goes some way to explaining the lower income profile within the sector. Undoubtedly, housing affordability is likely to be problematic for PRS tenants particularly in a rural setting where fuel, travel and other domestic household bills are likely to be more expensive.

### 4.5 Rent to Income Ratio

A key model assumption relates to the proportion of household income that an individual must devote to meet housing costs.

Housing affordability relates to a person’s ability to pay for their housing. It is a complex issue caused by local housing and labour markets as well as larger economic, environmental and social forces. When people struggle to meet the cost of housing, they are typically described as experiencing housing affordability difficulties.

Measures of housing affordability are a topic of debate. However, UK social policy since the 1980s has typically used a percentage of income spent on housing costs to estimate the number of households experiencing difficulties. Generally, those who require to spend more than 25% of their household income on housing costs are regarded as experiencing affordability difficulties, although in recent times housing consumers have opted to spend in excess of this benchmark in order to meet their housing aspirations.

An important aspect of affordability analysis will therefore be to establish the proportion of household income required to meet the costs associated with MMR and private renting and whether this is sustainable relative to other housing tenures.
For modelling purposes, rent to income ratios of 25% and 30% will be tested.

Based on the structure of incomes derived from the tenant survey outcomes, the following diagram sets out the proportion of income, local private renters are currently devoting to housing costs:

<table>
<thead>
<tr>
<th>Income to PRS Rents</th>
<th>PRS Tenants Paying Less Than This</th>
<th>PRS Tenants Need to Pay More Than This</th>
<th>PRS Tenants Not Receiving LHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>65%</td>
<td>35%</td>
<td>10%</td>
</tr>
<tr>
<td>30%</td>
<td>51%</td>
<td>49%</td>
<td>18%</td>
</tr>
<tr>
<td>25%</td>
<td>39%</td>
<td>61%</td>
<td>27%</td>
</tr>
</tbody>
</table>

The diagram illustrates that at a sustainable rent to income threshold (i.e. 25% of income is devoted to housing costs); 61% of private tenants are currently paying more than this to meet the cost of their rental payments. Of this 61%, 27% are not receiving any assistance through LHA to meet their housing costs.

When the rent to income threshold is increased to 30%, just under half of all local private renters (49%) still require to devote higher levels of household income to meet rental payments. Of this group, again a sizeable proportion (18%) are not currently claiming LHA.

Finally, even when the rent to income threshold is increased to 40% (which arguably does not provide a sustainable affordability benchmark), more than a third of the current PRS population (35%) are devoting more than this to meet housing costs. Of this group, who are likely to be experiencing major affordability problems, 10% are not currently receiving assistance with housing costs through LHA.

### 4.6 Rental Affordability Outcomes

Building on the baseline assumptions established to test the extent and nature of MMR affordability; the analytical model was developed with a number of scenarios prepared. The model works by benchmarking the value of local incomes (translated into a monthly household income figure by value bands); to the housing costs associated with each tenure option.

#### 4.6.1 PRS Rental Affordability: General Population

Based on the rent value sample set out in Table 4.2, Table 4.5 below outlines the number and proportion of households who cannot afford private rent levels by property size, using CACI income to measure affordability across the general household base:
Assuming that households devote 25% of their income to meeting housing costs, the affordability model outcomes illustrate that 42% of local households cannot meet the average costs of private renting (£436) in Argyll & Bute.

By property size, the most affordable options are 1 and 2-bedroom properties, where 34% and 41% of households respectively cannot meet the costs of private renting. The affordability of commercial rents declines dramatically with an increase in property size, with 50% of households unable to afford the costs of a 4-bedroom house, increasing up to 59% unable to afford a five bedroom.

Assuming that households devote 30% of household income to rental costs, the proportion of households who cannot afford average rental values improves from 42% to 35%. Again, affordability is best for 1 and 2-bedroom properties; declining substantially as property size increases up to 51% of households who cannot afford the costs of an average 5-bedroom property.

Table 4.6 sets out these results by locality.

As Table 4.6 illustrates, if a 25% rent to income ratio is applied, the affordability of private renting in Helensburgh and Lomond (31% who cannot afford) and Bute & Cowal (37% who cannot afford) is slightly improved on the average proportion of
households (42%) who cannot meet the costs of private renting in the wider Argyll & Bute area. This is driven largely by the structure of local incomes in the Helensburgh & Lomond area (where 41% of households earn more than £40,000 per annum compared to 31% in the wider Argyll & Bute area). For Mid Argyll & Kintyre, this improved affordability is likely to be driven by the comparatively low rental values (23% lower than average rents in Argyll & Bute).

Rental affordability is worst in the Oban, Lorn & the Isles area, where 44% of households cannot meet the costs of private renting; closely followed by Mid Argyll, Kintyre & Islay at 44%.

If a 30% rent to income ratio is applied, rental affordability improves in Bute & Cowal from 37% who cannot afford to 30%. The most affordable scenario relates to the assumption that households would devote 30% of their household income in Helensburgh & Lomond resulting in 24% of households who would continue to have affordability problems.

### 4.6.2 PRS Rental Affordability: PRS Tenant Base

Based on the rent value sample set out in Table 4.2, Table 4.7 below outlines the number and proportion of households who cannot afford private rent levels by property size, using PRS tenant survey income profile to measure affordability within the private rented sector.

<table>
<thead>
<tr>
<th>PRS Scenario</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inc Affordability</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>1 Bed</td>
<td>34.9%</td>
<td>25.4%</td>
</tr>
<tr>
<td>2 Bed</td>
<td>45.3%</td>
<td>34.0%</td>
</tr>
<tr>
<td>3 Bed</td>
<td>52.6%</td>
<td>40.1%</td>
</tr>
<tr>
<td>4 Bed</td>
<td>62.5%</td>
<td>49.4%</td>
</tr>
<tr>
<td>5+ Bed</td>
<td>71.8%</td>
<td>63.6%</td>
</tr>
<tr>
<td>Average</td>
<td>46.7%</td>
<td>35.2%</td>
</tr>
</tbody>
</table>

Table 4.7: Private renting affordability model outcomes by property size: PRS survey income profile

Assuming that households devote 25% of their income to meeting housing costs, the affordability model outcomes illustrate that 47% of private tenants cannot meet the average costs of private renting (£436) in Argyll & Bute; which compares to 42% of the general population.

By property size, the most affordable options are 1 and 2-bedroom properties, where 35% and 45% of households respectively cannot meet the costs of private renting. Again, the affordability of commercial rents declines dramatically with an increase in property size, with 63% of private tenants unable to afford the costs of a 4-bedroom house, increasing up to 72% unable to afford a five bedroom.

Assuming that households devote 30% of household income to rental costs, the proportion of households who cannot afford average rental values improves from
47% to 35%. This compares well to the general population at a 30% rent to income ratio where 35% of households cannot afford.

Again, affordability is best for 1 and 2-bedroom properties; declining substantially as property size increases up to 64% of households who cannot afford the costs of an average 5-bedroom property.

Table 4.8 sets out these results by locality.

<table>
<thead>
<tr>
<th>PRS</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inc Affordability</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Bute &amp; Cowal</td>
<td>41.7%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Helensburgh &amp; Lomond</td>
<td>37.6%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Mid Argyll, Kintyre &amp; Islay</td>
<td>35.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Oban, Lorn &amp; the Isles</td>
<td>53.8%</td>
<td>38.6%</td>
</tr>
<tr>
<td>A&amp;B</td>
<td>46.7%</td>
<td>35.2%</td>
</tr>
</tbody>
</table>

*Table 4.8: Private renting affordability model outcomes by area: PRS tenant income profile*

As Table 4.8 illustrates, the affordability of private renting is best in Mid Argyll & Kintyre (35% who cannot afford) and is much improved on the average proportion of households (47%) who cannot meet the costs of private renting in the wider Argyll & Bute area. This is likely to be driven by the comparatively low rental values in the area (23% lower than average rents in Argyll & Bute). At a 25% rent to income ratio, approximately 50% of private tenants in all other areas cannot afford to meet the costs of private renting.

If a 30% rent to income ratio is applied, rental affordability improves in Bute & Cowal from 42% who cannot afford to 32%. The most affordable scenario relates to the assumption that households would devote 30% of their household income in Mid Argyll & Kintyre resulting in 26% of households who would continue to have affordability problems.

Clearly, there is evidence of major affordability problems in relation to private renting generally but specifically given the structure of incomes within the private rented sector. Put simply, those households who least can afford private rented accommodation are using the sector to meet their housing needs. Key headlines are as follows:
4.7 The Affordability of Intermediate Housing Tenures

As well as testing the affordability of MMR relative to commercial and social rents, the model also compares the ability of local households to meet the costs associated with a range of intermediate housing tenures. To this end, the affordability of market entry level housing, shared ownership and shared equity schemes such as LIFT were tested in the MMR model.

4.7.1 Mid-Market Rent

Whilst there are a number of nationally recommended benchmarks for setting mid-market rent levels, local circumstances will play a major role in determining how the rental values will be established. Arneil Johnston derived a range of rental scenarios based on the following widely accepted methodologies for determining MMR values, namely: 80-85% of the Local Housing Allowance by size of property.

The benchmark established for modelling purposes was setting MMR levels at 80% and 85% of the Local Housing Allowance for Argyll & Bute, based on the rates set out in Table 4.9 below.

<table>
<thead>
<tr>
<th>Number of bedrooms</th>
<th>Monthly LHA rate</th>
<th>80% of the LHA</th>
<th>85% of the LHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>£323</td>
<td>£258</td>
<td>£275</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>£415</td>
<td>£332</td>
<td>£353</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>£472</td>
<td>£377</td>
<td>£401</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>£692</td>
<td>£554</td>
<td>£588</td>
</tr>
</tbody>
</table>

Table 4.9: Mid-market rent benchmarks using Local Housing Allowance rates

4.7.2 Market Entry & Low Cost Ownership Options

In terms of calculating the costs associated with market entry level housing, the following assumptions drive the assessment of housing costs:
The assumption that households would be eligible for a mortgage to the value of 3 times their income is based on findings from the Council of Mortgage Lenders which identified that in the first quarter of 2013, the average income multiple in the UK was 3.2.

Based on analysis of the lower quartile weighted average house prices by HMA, Graph 4.1 sets out these cost values:

Graph 4.1: Weighted average lower quartile house prices (2010 & 2011) register of Sasines

Assuming that the lower quartile provides a benchmark for low cost home ownership in Argyll & Bute, based on 2011 sales transactions, the average property cost amounts to £65,805.

Shared ownership and shared equity are the two main types of low-cost home ownership (LCHO) schemes developed by the Scottish Government to help people who cannot afford to buy on the open market to purchase their own homes. Under shared ownership, individuals can buy part of a property with the aid of a loan, and pay rent on the remaining part.
Shared equity is when the cost of a property is shared between the buyer and another organisation such as the builder of the property or the Scottish Government. For example, if you were to buy a property through a shared equity scheme, you might pay 75% of the price of the property and the Scottish Government might pay the other 25%. Within the affordability model, the affordability of LCHO schemes are predicated on the following assumptions:

The price benchmark assumed for shared ownership and shared equity has been set at a mid-point between the lower quartile house price (£65,805) and weighted average house price (£126,177). The price benchmark for modelling purposes has therefore been set at £95,991. This benchmark was selected to reflect the likely costs associated with the type of provision since it is typically predicated on the costs of a new build property.

The Low Cost Initiative for First Time Buyers (LIFT scheme) is a shared equity scheme launched by the Scottish Government, to help people to buy their own homes. The scheme is mainly aimed at first time buyers with a low income, with applicants' individual circumstances assessed on a case by case basis.

For purchasers buying a property through the LIFT scheme, the stake is normally between 60% and 80% of the property price. The remaining percentage will be paid by the Scottish Government. The house will be owned outright, but the Scottish Government's stake will be used to protect the mortgage. There is no rent paid on the share of the house, but if the house is sold, the Scottish Government will take back their share of the selling price, including any profit.

<table>
<thead>
<tr>
<th>LIFT SG Set</th>
<th>Input House Price Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold levels</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>80,000</td>
</tr>
<tr>
<td>2</td>
<td>85,000</td>
</tr>
<tr>
<td>3</td>
<td>95,000</td>
</tr>
<tr>
<td>4</td>
<td>145,000</td>
</tr>
<tr>
<td>Average</td>
<td>195,000</td>
</tr>
</tbody>
</table>

There are limits set on the price of homes that can be bought under the LIFT scheme to ensure that only 'starter' properties are purchased - these are known as ‘threshold prices’. These limits vary according to house prices in different parts of Scotland, called ‘threshold price areas’, and are reviewed regularly. The limits set for the Argyll & Bute area are set out in the table on the left of this text.
Within the affordability model, the affordability of the LIFT scheme is predicated on the following assumptions:

**Assumption** | **House Price** | **LIFT Stake** | **Mortgage Multiplier**
--- | --- | --- | ---
Basis of Assumption | LIFT thresholds by size | % of house price to be financed (60%-90% Share) | Multiplier applied to income to determine borrowing capacity
Baseline Assumption | LIFT thresholds by size | 80% stake in property | 3 times household income

### 4.8 How Affordable is Private Renting in Comparison to other Tenures?

In order to assess the relative affordability of private renting in comparison to other tenures, the model outcomes for each tenure option were compared in a sliding scale as set out in the following diagram:

- **Shared Equity**
  - 70% stake: 34% can’t afford (3.0 Mortgage x)
  - 80% stake: 39% can’t afford (3.0 Mortgage x)

- **MMR**
  - 80% LHA: 43% cannot afford (25% income affordability Ratio)
  - 80% LHA: 32% cannot afford (30% income affordability Ratio)

- **PRS Commercial Rents**
  - 25% income: 47% can’t afford
  - 30% income: 35% can’t afford

- **Shared Ownership**
  - 50% share: 15% can’t afford (3.0 Mortgage x)
  - 75% share: 32% can’t afford (3.0 Mortgage x)

- **Lower Quartile Market**
  - 44%PRS households cannot afford (3.0 Mortgage Multiplier)
  - 55%PRS households cannot afford (2.5 Mortgage Multiplier)

- **LIFT**
  - 70% stake: 56% can’t afford (3.0 Mortgage x)
  - 80% stake: 64% can’t afford (3.0 Mortgage x)

Based on the assumption applied, the relative affordability of private renting demonstrates that it is not only more accessible than market entry, it is more affordable. Of note are the affordability outcomes associated with a mid-market rent model. Based on a 25% rent to income ratio, the proportion of households who cannot afford the costs of private renting drops from 47% to 43%. At a 30%
rent to income ratio, the proportion of tenants who cannot afford drops further to 32%.

Clearly, the model outcomes demonstrate that the delivery of more mid-market rent accommodation would improve the housing options of current private renters who are devoting a significant proportion of their income to housing costs.

4.9 Housing Affordability Analysis: Key Headlines

The housing affordability model delivers a number of key learning outcomes which provide intelligence on the relative affordability of private renting in Argyll & Bute. Key headlines are as follows:

- The average cost of private renting in Argyll & Bute is £436 per month (PRS Tenant Survey Outcomes);
- The income profile of private rented tenants is significantly lower than that of the general population;
- 35% of the current PRS tenant population devote more than 40% of their income to rental costs;
- At a sustainable rent to income threshold range, between 42% and 35% of Argyll & Bute households cannot afford the costs of private renting;
- At a sustainable rent to income threshold range, between 47% and 40% of PRS tenants cannot afford the costs of private renting;
- The delivery of MMR options would improve the affordability of renting to private sector tenants from 47% to 40%.
5 PRS: HOUSING SUITABILITY ANALYSIS

Building on the intelligence of household circumstances attained from the PRS tenant survey, and on the affordability outcomes for the sector; further analysis was performed to assess the extent and nature of housing need that may be apparent within the sector. This analysis focuses on an assessment of housing unsuitability based on the methodology set out in the Scottish Government’s ‘Housing Need & Demand Assessment Guidance’ (2009).

To this end, the following categories of housing unsuitability were used as the basis of establishing the number of private rented sector tenants who were residing in accommodation that did not meet the needs of their household:

- **Insecure Tenure**: 554 households in temporary, seasonal or ‘short term’ lets
- **Sharing Amenities**: 76 sharing amenities with another household
- **Overcrowding**: 311 households with too few bedrooms
- **Particular Needs**: 631 require special forms of housing
- **Poor Condition**: 1,424 have major problems with condition
- **Harassment**: 13 need to move due to harassment

*Diagram 5.1: Backlog of Housing Need in the Private Rented Sector*

PRS survey responses were data-mined to establish the number of private tenants who stated that their current accommodation was unsuitable as a result of the various factors listed in Diagram 5.1 above. As part of this analysis, double counting across multiple categories of need was eliminated to ensure that tenants in unsuitable housing were counted only once in the global calculation.

After each category of housing unsuitability was quantified, the proportion of tenant responses to the overall sample frame was established and applied to the tenant population base (4,885) to determine a representative number of households who may be experiencing housing unsuitability in the PRS. Based on the intelligence assembled in Diagram 5.1, the analysis would suggest that 3,009 private tenants (61% of the total population in the sector) are facing some element of housing unsuitability. Graph 5.1 sets out the extent and nature of housing unsuitability presenting the proportion of households in each category of housing need.
Almost half of households located in unsuitable housing in the private rented sector (47%); state that there is a ‘major problem with the condition of their home’. The following 53% of private tenants in housing unsuitability fall into the following categories:

- 18% of tenants are located in tenancies classified as providing ‘insecure tenure’ on the basis that they are:
  - a short term let (up to six months);
  - a seasonal let;
  - temporary accommodation;
  - a lease rolling month to month;

- 10% of households have at least one bedroom too few to meet the size of their household;

- 10% of households have particular housing needs and require alternative forms of housing such as wheelchair, sheltered, supported or amenity housing;

- 8% of households require aids or adaptations to be installed within the property to make it more suitable for health and/or mobility needs;

- 3% of households would benefit from housing support to assist with tenancy management and promote independent living;

- 3% of households are sharing amenities with another household such as kitchen, WC or bathroom;

- 1% of households require to leave their accommodation as a result of experiencing harassment in or around their tenancy.

However, not all private tenants currently located in unsuitable housing require to move to alternative accommodation to address this unsuitability. Investment in property condition, aids, adaptations or the provision of housing support would deliver a more cost effective range of interventions to address housing unsuitability than ending a tenancy and moving the household to alternative accommodation.

To assess the extent to which housing unsuitability could be addressed through a range of ‘in-situ’ solutions, further analysis was performed to examine whether
investment or service provision to the current property could be implemented given likely or available resources.

To this end, further analysis was performed on the extent and nature of property condition problems faced by households in private tenancies. Graph 5.2 sets out the nature of condition problems and looks at the extent to which failures in condition relate to one element of repair or multiple failures.

**Poor Property Condition By Category**

![Graph 5.2: Extent and nature of poor property condition by type and number of failures (Source: PRS Tenants Survey, 2013)](image)

The vast majority of major condition problems in private tenancies relate to dampness (45%) and condensation (34%). The extent and nature of remedial repair works to improve the condition of these homes is unclear from the survey responses but is likely to be extensive given the ‘major’ extent of the condition issue. Furthermore, 9% of properties require major structural works to secure the integrity of the building.

In order to determine the extent to which it could be assumed that repair work could address housing unsuitability, analysis of the number of failures was performed to assess the extent and complexity of remedial works required. 50% of properties described by tenants as suffering from ‘major condition’ problems required a repair to one element of the building, 36% required two separate repairs, 11% required 3 repairs, with 2% requiring at least 4 repairs to improve condition. Given the complexity (i.e. multiple repair elements) associated with 50% of properties deemed to be unsuitable; the remaining 50% which require a single repair to improve housing quality, were removed from the calculation on the basis that an ‘in-situ’ solution could realistically be implemented to lift the household out of housing need.

On this basis the number of households located in properties suffering from major problems with condition drops from 1,424 to 712.

As well as eliminating unsuitable properties that could be addressed through in-situ interventions with condition; analysis into the extent and nature of aids and adaptations to be installed in sector properties was performed. In total, 224 private tenants stated that they required adaptations to their property in order to make it more suitable to the needs of the household. The nature of adaptations required is set out in Graph 5.3:
Argyll & Bute Council  
Research into the Private Rented Sector

Graph 5.3: Extent and nature of aids and adaptations required by private tenants  
(Source: PRS Tenants Survey, 2013)

Given the nature of the adaptions specified (i.e. 60% relate to shower/bathroom adaptations or the provision of grab rails) and based on the availability of grant funding to subsidise adaptations in private sector housing; it has been assumed that the need for adaptations identified could be addressed within the existing funding and occupational therapy framework.

On this basis, the 224 tenants in housing unsuitability as a result of an unmet need for property aids and adaptations have been eliminated from the calculation. The revised analysis of housing unsuitability (net of in-situ solutions) is presented in Graph 5.4 below:

Graph 5.4: Profile of backlog housing need net of in-situ solutions  
(Source: PRS Tenants Survey, 2013)

The revised PRS housing needs calculation suggests that 2,073 private tenants are currently located in unsuitable housing. This equates to approximately 42% of the private tenant population across Argyll & Bute.

If we are to assume, based on the housing affordability analysis, that 35% of this group cannot afford to move to alternative accommodation within the private rented (based on the principle that at a 30% income to rent ratio, 35% of private
tenants cannot afford commercial rents); this means that **725 private tenants in housing unsuitability require affordable housing to meet their housing needs** in practice. This equates to approximately 15% of all PRS tenants.

Consequently, the remaining 65% of households in unsuitable PRS tenancies who could afford to move to alternative accommodation in the sector amounts to approximately 1,347 households.

### 5.1 Housing Unsuitability Analysis: Key Headlines

Analysis of the extent of housing unsuitability within the private rented sector delivers a number of key learning outcomes which provide intelligence on the effectiveness of the PRS in meeting housing need. Key headlines are as follows:

- **61%** of the total PRS population (3,009 households) currently reside in accommodation which is unsuitable for the needs of their household;
- **935** private tenants could address housing unsuitability in the PRS through the provision of ‘in-situ’ solutions to their property. **712** private tenants could benefit from investment in property repairs and the needs of **224** private tenants could be met through the provision of housing aids and adaptations;
- The net backlog calculation of households in unsuitable PRS accommodation, suggests that 2,073 are in housing need within the sector. This equates to approximately **42%** of the current PRS population;
- The main categories of housing unsuitability include poor condition (**34%**); insecure tenure (**27%**); overcrowding (**15%**) and need for special forms of accommodation (**15%**);
- Based on the outcomes of the housing affordability analysis, which suggest that **65%** of current PRS tenants can afford the costs of private renting on a 30% rent to income ratio; it can be assumed that **1,347** private tenants in unsuitable accommodation could move to alternative housing to meet their housing needs;
- Conversely, if we are to assume that **35%** of PRS tenants in unsuitable housing cannot afford to move to alternative accommodation within the sector; this means that **725** private tenants require alternative affordable housing to meet their housing needs. This equates to approximately **15%** of all private tenants.
6 STAKEHOLDER CONSULTATION

6.1 Introduction

As part of this research, a programme of consultation events was developed to encourage the involvement of stakeholders who provide access to, regulate, own or manage private rented accommodation in the area. Stakeholder engagement workshops were scheduled at locations across Argyll & Bute during February 2013 enabling a range of interests including: registered and accredited private landlords, letting agents, solicitors and estate agents, property managers and factors, registered social landlords, private developers and housing advice providers; to have their say on the current operation of the sector and its effectiveness in meeting housing need and demand.

These workshops provided an important opportunity for stakeholders to express views on how the sector can be supported to grow and develop in the future. The role of investment, regulation, enforcement, partnership and management was considered; as well as the future impact of the local housing market and economy on the sector. The consultation was also designed to identify the challenges faced by landlords, tenants and co-owners at a local level and explore how the Local Housing Strategy can help to overcome these challenges.

To facilitate this, four half-day focus group sessions were held during February 2013, enabling 57 stakeholders to participate; as follows:

- Tuesday 12th February: Queens Hall, DUNOON = 15 participants;
- Thursday 14th February: Victoria Halls, HELENSBURGH = 13 participants;
- Wednesday 20th February: Templar Village Hall, TARBERT = 14 participants;
- Thursday 21st February: Corran Halls, OBAN = 15 participants.

The full briefing paper (which sets out the outcomes of these consultation sessions, detailing the consensus achieved and the detailed comments of those stakeholders who participated) is attached as Appendix F.

6.2 Interactive Activity 1: Evolution & Growth of the Sector

This activity was designed to encourage stakeholders to define and assess the key factors that have influenced the operation of the sector in the last five years and to define the key issues that are most likely to influence future growth. The impact of key political, economic, social and technological factors was considered both from a historic and future perspective.

The following Table provides a summary analysis of the operation of the private rented sector in each workshop locality, providing an assessment of the key factors that have or will continue to influence the operation of the sector.
<table>
<thead>
<tr>
<th>Event</th>
<th>Helensburgh &amp; Lomond</th>
<th>Tarbert</th>
<th>Oban</th>
<th>Dunoon</th>
</tr>
</thead>
<tbody>
<tr>
<td>The introduction of landlord registration</td>
<td>Could have had an impact</td>
<td>Positive/Negative</td>
<td>Could have had an impact</td>
<td>Could have had an impact</td>
</tr>
<tr>
<td>The creation of the repairing standard and Private Rented Housing Panel</td>
<td>Positive</td>
<td>Could have had an impact</td>
<td>Could have had an impact</td>
<td>Could have had an impact</td>
</tr>
<tr>
<td>The introduction of Tenancy Deposit Schemes</td>
<td>Negative</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>The introduction of the Tenant Information Pack</td>
<td>Could have an impact</td>
<td>Could have had an impact</td>
<td>Could have had an impact</td>
<td>Positive</td>
</tr>
<tr>
<td>The introduction of the HMO licensing scheme</td>
<td>Could have had an impact</td>
<td>Positive</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Enforcement activity against disreputable landlords</td>
<td>Could have had an impact</td>
<td>Could have had an impact</td>
<td>Could have had an impact</td>
<td>Could have had an impact</td>
</tr>
<tr>
<td>The availability of Buy to Let mortgages</td>
<td>Positive</td>
<td>No impact</td>
<td>No impact</td>
<td>Positive</td>
</tr>
<tr>
<td>Massive drop in volume of house sale transactions post 2008</td>
<td>Positive/Negative</td>
<td>No impact</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>The structure and operation of the local Argyll &amp; Bute economy</td>
<td>Positive/Negative</td>
<td>Positive/Negative</td>
<td>Positive/Negative</td>
<td>No impact</td>
</tr>
<tr>
<td>The operation of the tourist industry in A&amp;B</td>
<td>Could have an impact</td>
<td>Positive</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Growth in single person households</td>
<td>Positive</td>
<td>Negative</td>
<td>Positive/Negative</td>
<td>No impact</td>
</tr>
<tr>
<td>Increasing demand from new customer groups (e.g. families)</td>
<td>Negative</td>
<td>Positive</td>
<td>Positive/Negative</td>
<td>No impact</td>
</tr>
<tr>
<td>The welfare reform agenda and impact on the affordability of private rented accommodation</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>The growth of online lettings and property marketing</td>
<td>Positive</td>
<td>Positive/Negative</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Greater access to online information and advice on the sector for both landlords and tenants</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>The growth of the lettings agency sector</td>
<td>Positive</td>
<td>No impact</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>The growth of voluntary accreditation for private landlords</td>
<td>Positive</td>
<td>Positive</td>
<td>No impact</td>
<td>Could have had an impact</td>
</tr>
</tbody>
</table>
6.2.1 Dunoon Headlines

Key issues emerging from local sector in Dunoon:

- Growth in number of ‘reluctant’ landlords who are operating in the market and are renting property out of necessity given the barriers to selling houses in the current market. There is also growth in the number of landlords with small portfolios who are purchasing property fuelled by house price deflation and limited competition from first time buyers;
- The lettings agency sector is seen as an important resource for these landlords, providing education, advice and playing a keen role in supporting the Council to enforce regulations;
- Evidence that welfare reform is already having an impact on the affordability of PRS accommodation. Tenants are seeking to downsize but are experiencing shortfalls in the provision of one and two bedroom properties;
- Some evidence that the value of local rents is being driven down by tenants who are negotiating rental terms with landlords;
- Age and construction type of dwellings is a factor in the condition and energy efficiency profile of PRS dwellings locally. The diminishing rate of return in the sector will exacerbate the ability of landlords to support investment in their portfolios.

6.2.2 Helensburgh & Lomond Headlines

Key issues emerging from local sector in Helensburgh:

- Evidence that an oversupply of accommodation is emerging in the local sector with landlords facing longer void periods and finding it more challenging to source tenants;
- Some evidence that the value of local rents is being driven down by tenants who are negotiating rental terms with landlords. This is exacerbated by diminishing demand from family households and the implementation of welfare reform;
- Despite the evidence of emerging oversupply in the Helensburgh area, stakeholders were confident that landlords and letting agents in the area would continue to restrict access to available accommodation to those in receipt of welfare benefits. Targeted activity to address local social perceptions of the ‘benefits population’ may improve the accessibility of supply to those in need and help to arrest the decline of the sector should surpluses in vacant properties emerge.

6.2.3 Tarbert Headlines

Key issues emerging from local sector in Tarbert:

- Concerns that an oversupply of accommodation may emerge in the Campbeltown area linked to poor property condition and low rental yields. This is in contrast to an undersupply of accommodation across the wider Kintyre area;
- Suggestion that the affordability of local rents is heavily linked to benefit eligibility and that the impending impact of welfare reform is likely to have a dramatic impact on the profitability of the sector. Poor rental yields will only
exacerbate the inability of landlords to invest in property condition creating further quality issues and potential empty units;

- Evidence that landlords are willing to ‘flip’ their rental accommodation to holiday accommodation if this proves a more profitable business model.

### 6.2.4 Oban Headlines

Key issues emerging from local sector in Oban:

- There has been a growth in the local sector associated with an increasing number of reluctant landlords who cannot sell their properties. These increases in supply have been balanced by enhanced demand from households who cannot currently gain access to home ownership. The net position is that demand for private rented accommodation in the Oban area remains strong; although the growth of the market and associated increase in competition between landlords has stimulated some improvement in the quality of accommodation;

- There is increasing demand for smaller units particularly in the context of welfare reform. However, these properties provide the lowest rental yield and least financial incentive to property investors. There is on-going unmet demand for shared accommodation options in the area;

- Some evidence that the value of local rents is being influenced by tenants who are more willing to negotiate rental terms with landlords. This is a new phenomenon;

- Although there is no evidence of limited availability of Buy to Let mortgages, there is recent evidence of both landlords and lenders placing conditions on the provision of financial products that preclude letting the property to households in receipt of welfare benefits.

### 6.2.5 Factors with the Greatest Influence on the Sector

The following diagram sets out the factors which were consistently identified as having a positive or negative influence on the sector’s operation in Argyll & Bute, together with those factors which did not influence the sector (despite their potential to do so).
Arighll & Bute Council
Research into the Private Rented Sector

Positive Impact: Economic, Professional & Technological Factors

- Online advice & information
- Growth of online lettings
- Tenants Information Pack
- Letting Agency Sector growth
- Drop in house sales since 2008
- Availability of Buy to Let mortgages

Negative Impact: Legislative & Economic Factors

- Welfare Reform agenda
- Introduction of the HMO scheme
- Operation of the tourist industry in Argyll & Bute

No Impact: Social & Demographic Factors

- Increasing demand for new customer groups
- Growth in single person households
- Wider Argyll & Bute economy

Could Have Had an Impact but Didn't: Legislative Factors

- Growth of voluntary accreditation
- Introduction of Landlord Registration
- Enforcement against disreputable landlords
- Private Rented Housing Panel
A number of factors emerged which were consistently identified by stakeholders as influencing the operation of the sector as follows:

### 6.3 Interactive Activity 2: Identifying the Drivers of & Barriers to Change in the Sector

This activity was designed to enable stakeholders to critically assess the strengths and weaknesses of the private rented sector in Argyll & Bute and the extent to which these attributes will contribute to the growth and development of the sector moving forward.

Each workshop assembled a force field diagram which set out the driving and resisting forces for growth in and improvement of the private rented sector in Argyll and Bute. The following diagrams illustrate the outcomes of this analysis on an area by area basis. Overall, more forces were consistently seen to be having a negative impact on the sector rather than a positive impact. In terms of the perceived strength of each local private rented sector, the following outcomes were evident:

- of the 24 private rented sector characteristics considered in the Dunoon workshop, 9 factors (34%) were defined as strengths;
- of the 22 private rented sector characteristics considered in the Helensburgh workshops, 11 factors (50%) were defined as strengths;
- of the 25 private rented sector characteristics considered in the Tarbert workshops, 5 factors (20%) were defined as strengths;
- of the 23 private rented sector characteristics considered in the Oban workshops, 8 (35%) factors were defined as strengths.
A well-functioning private rented sector in Argyll & Bute

Force-field Diagram 1: Dunoon Workshop Outcomes: Perceived Strengths of the Private Rented Sector
Force-field Diagram 2: Helensburgh Workshop Outcomes: Perceived Strengths of the Private Rented Sector
Argyll & Bute Council
Research into the Private Rented Sector

A well-functioning private rented sector in Argyll & Bute

- The availability of Buy to Let mortgage finance
- The extent and nature of tenancy conditions (the use of Short Assured Tenancies) - Flexibility
- Competition between private landlords for prospective tenants
- The ability to source tenants quickly and effectively
- Security of tenure in private rented sector accommodation

- The knowledge and professionalism of landlords (or their representatives) - improvement required
- Levels of consumer confidence by private rented tenants -Absent Landlords
- The future intentions of landlords to leave the sector

- The affordability of private rented sector accommodation to local households
- The restrictions placed on the type of tenants landlords will accommodate
- The costs associated with long term repairs and maintenance in the sector
- The ability of private landlords to carry out repairs in partnership with tenant or co-owners
- The availability of grant funding to invest in energy efficiency measures
- The ability to recover possession where tenancy conditions are breached

- The condition of private rented sector accommodation
- The energy efficiency of private rented accommodation
- The quality of tenancy management in the sector
- The availability of grant funding to support long term repairs and maintenance
- The quality of private tenants and their attitudes to upholding tenancy conditions
- Impact of second homes

- The value of rental income in the sector
- The rate of return to private landlords of private rented accommodation
- The administration of Housing Benefit to private tenants
- The regulation of landlords and enforcement of standards in the sector

Force-field Diagram 3: Tarbert Workshop Outcomes: Perceived Strengths of the Private Rented Sector
A well-functioning private rented sector in Argyll & Bute

The quality of private tenants and their attitudes to upholding tenancy conditions – Communication – Management

The landlords and enforcement of standards in the sector

The value of rental income in the sector

The availability of grant funding to invest in energy efficiency measures – uncertain opportunity – awareness/sale complexity

The energy efficiency of private rented accommodation – age/construction – no consumer impetus

The condition of private rented sector accommodation fear of consumer action

The affordability of private rented sector accommodation to local households – Running costs

A fit for purpose supply in terms of size, type and location of private rented accommodation – Shortage 1 bedroom 3/4 bedrooms – Development? Business model?

The rate of return to private landlords of private rented accommodation

Competition between private landlords for prospective tenants

The quality of tenure management in the sector – knowledge – accidental landlord

The availability of grant funding to support long term repairs and maintenance in the sector – Value – Green Deal – Opportunity

The ability to recover possession where tenancy conditions are breached

The administration of Housing Benefit to private tenants – Direct payments – Payment in arrears – Insurable – Buy to Let

The future intentions of landlords to leave the sector

The restrictions placed on the type of tenants landlords will accommodate

Levels of consumer confidence by private rented tenants

The costs associated with long term repairs and maintenance in the sector – Value – Green Deal – Opportunity

The ability to source tenants quickly and effectively

The knowledge and professionalism of landlords (or their representatives) – education required – agent role

The condition of private rented sector accommodation – Family market – requires security

The extent and nature of tenancy conditions (the use of Short Assured Tenancies)

Force-field Diagram 4: Oban Workshop Outcomes: Perceived Strengths of the Private Rented Sector
6.3.1 Conclusions: Perceived Strengths & Weaknesses in the PRS

Generally, the sector in Argyll & Bute is characterised by a number of strengths which relate to the fundamental features of any successful private rented sector namely:

- Knowledge & professionalism of landlords
- Ability to source tenants quickly/effectively
- Security of tenure
- Quality of private sector tenants
- Extent & nature of tenancy conditions

These characteristics place the sector in a healthy position to operate effectively since they relate to the quality of demand, supply and operational mechanics of the system.

However, there are a number of characteristics which may impede the successful operation of the sector moving forward, providing barriers to growth in terms of administration, investment and the viability of the sector:

- **Administrative barriers**
  - Administration of HB to private tenants
  - Ability to recover possession where tenancy conditions are breached

- **Investment Barriers**
  - Energy efficiency of PRS accommodation
  - Availability of grant funding to invest in energy efficiency
  - Costs associated with long term repairs and maintenance
  - Availability of grant funding to support long term maintenance and repairs
  - Ability of private landlords to carry out repairs in partnership with co-owners

- **Viability Barriers**
  - Affordability of PRS accommodation to local households
  - Value of rental income in sector
  - Rate of return to private landlords of PRS accommodation
The key question for any strategy which seeks to improve the operation of the private rented sector locally will be whether any of these barriers are capable of being controlled by policy interventions.

In terms of administrative barriers, whilst local stakeholders have no control over the DWP regulations which determine how Housing Benefit is administered, local partnerships between the Council, landlords and tenants could improve the recovery of rental income to the sector through partnerships to streamline Housing Benefit application, award and payment processes. Equally, the Council’s welfare reform mitigation strategy could be targeted towards private tenants in receipt of Housing Benefit who may be at risk of loss of income.

Equally, the viability of the local sector could be influenced by income maximisation activities targeted to private sector tenants to improve their ability to meet their housing costs and sustain their tenancies.

Whilst largely structural (and related to the property type and age profile of dwellings) some of the investment barriers faced by the sector could be addressed by streamlining the access routes into grant funding, particularly where resources are available to support landlords to improve the energy efficiency of their portfolios.

6.4 Interactive activity 3: What national policy options could work in Argyll & Bute?

This activity was designed to enable participants to assess the extent to which national policy options, which have been identified as part of the Scottish Government’s Private Rented Sector Strategy consultation, have most potential in an Argyll & Bute context.

The outcome of this exercise is the development of a clear, succinct, agreed list of policy options that have potential to positively influence the operation of the private rented sector in Argyll & Bute. The outcomes for each workshop are presented below.
6.4.1 Dunoon Workshop Outcomes: Policy Option Priorities

This is a policy option that will encourage the operation of a well-functioning private rented sector in Argyll & Bute.

- Encourage Scottish Government and local authority to implement a strategy to mitigate the impact of welfare reform in the private rented sector.
- Grant funding or low cost loans to encourage landlords to invest in their portfolios.
- Support for local authorities to take firm enforcement action to tackle bad practice.
- Improve access to justice by creating a new Housing Panel or tribunal system with "teeth".
- Enhance the regulation of letting agents - proportionate.
- Promote consumer empowerment by improving public awareness of tenancy rights.
- Improve access to mediation services to tackle neighbourhood/anti-social behaviour disputes.
- Encouraging RSLs to deliver multi-tenure housing developments and provide mid-market and commercial renting options.

- Implement minimum standards of energy efficiency in the private rented sector (pre 2015) - widen focus from gas.

- Extend landlord registration to include minimum standards of tenancy management.

- Encouraging institutional investment in the sector.

- Enhance security of tenure by reviewing grounds for recovery of possession.

- Extend the length of term for the standard private tenancy beyond a six-month period.

This is NOT a policy option that will encourage the operation of a well-functioning private rented sector in Argyll & Bute.
6.4.2 Helensburgh Workshop Outcomes: Policy Option Priorities

This is a policy option that will encourage the operation of a well-functioning private rented sector in Argyll & Bute

- Improve access to justice by creating new Housing Panel or tribunal system
- Support for local authorities to take firm enforcement action to tackle bad practice
- Enhance the regulation of letting agents – look at existing regulation
- Promote consumer empowerment by improving public awareness of tenant rights (landlord and tenant)
- Grant funding or low-cost loans to encourage landlords to invest in their portfolios – sustainability
- Improve access to mediation services to tackle neighbourhood and social behaviour disputes
- Encourage Scottish Government and local authority to implement a strategy to mitigate the impact of welfare reform in the private rented sector
- Reward landlord registration to include minimum standards of tenancy management
- Implement minimum standards of energy efficiency in the private rented sector
  - (e.g. Scottish Housing Quality Standard) – opportunistic – be practical
  - Implement minimum standards of energy efficiency in the private rented sector (pre 2015)
  - Enhance security of tenure by reviewing grounds for recovery of possession
  - Extend the length of term for the standard private tenancy beyond a six month period
  - Encouraging institutional investment in the sector

This is NOT a policy option that will encourage the operation of a well-functioning private rented sector in Argyll & Bute
6.4.3 Tarbert Workshop Outcomes: Policy Option Priorities

This is a policy option that will encourage the operation of a well-functioning private rented sector in Argyll & Bute.

- Grant funding or low cost loans to encourage landlords to invest in their portfolios - National unit
- Support for local authorities to take firm enforcement action to tackle bad practice - landlord and tenant
- Improve access to justice by creating new Housing Panel or tribunal system - Local/mobile - teeth - ARHP?
- Improve access to mediation services to tackle neighbourhood/anti-social behaviour disputes
- Encourage Scottish Government and local authority to implement a strategy to mitigate the impact of welfare reform in the private rented sector
- Encouraging RSLs to deliver multi-tenure housing developments and provide mid-market and commercial renting options - Funding? - Need?
- Promote consumer empowerment by improving public awareness of tenancy rights/responsibilities
- Enhance the regulation of letting agents - proportionate
- Extend landlord registration to include minimum standards of tenancy management
- Implement minimum standards of energy efficiency in the private rented sector (pre 2015)
- Implement minimum standards of repairing standard in the private rented sector (e.g. Scottish Housing Quality Standard)
- Encouraging institutional investment in the sector
- Enhance security of tenure by reviewing grounds for recovery of possession
- Extend the length of term for the standard private tenancy beyond a six month period

This is NOT a policy option that will encourage the operation of a well-functioning private rented sector in Argyll & Bute.
6.4.4 Oban Workshop Outcomes: Policy Option Priorities

This is a policy option that will encourage the operation of a well-functioning private rented sector in Argyll & Bute.

Support for local authorities to take firm enforcement action to tackle bad practice – Resources and political support

Encourage Scottish Government and local authority to implement a strategy to mitigate the impact of welfare reform in the private rented sector

Improve access to justice by creating new Housing Panel tribunal system

Promote consumer empowerment by improving public awareness of tenancy rights/responsibilities

Improve access to mediation services to tackle neighbourhood/anti-social behaviour disputes

Grant funding or low cost loans to encourage landlords to invest in their portfolios – Targeting

Implement minimum standards in the private rented sector (e.g. Scottish Housing Quality Standard)

Encouraging RSLs to deliver multi-tenure housing developments and provide mid-market and commercial renting options

Encouraging institutional investment in the sector – Feasibility – Business model

Implement minimum standards of energy efficiency in the private rented sector (pre 2013)

Enhance the regulation of letting agents (unlikely to have an impact in Oban)

Extend landlord registration to include minimum standards of tenancy management

Enhance security of tenure by reviewing grounds for recovery of possession

Extend the length of term for the standard private tenancy beyond a six month period

This is NOT a policy option that will encourage the operation of a well-functioning private rented sector in Argyll & Bute.
6.4.5 Which National Policy Options would Work in Argyll & Bute?

Compared to the mixed outcomes for Activity 1, there was more of a consensus across the four workshops areas in terms of the policy options which have potential to positively influence the operation of the Argyll & Bute private rented sector.

<table>
<thead>
<tr>
<th>Most likely to encourage a well-functioning private rented sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for local authorities to take firm enforcement action against bad practice</td>
</tr>
<tr>
<td>Creation of new Housing Panel or tribunal system</td>
</tr>
<tr>
<td>Grant funding or low cost loans for landlords to invest in their portfolios</td>
</tr>
<tr>
<td>Improve public awareness of tenancy rights and responsibilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Least likely to encourage a well-functioning private rented sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extend length of term for standard private tenancy beyond 6 months</td>
</tr>
<tr>
<td>Enhance security of tenure by reviewing grounds for recovery of possession</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Middle of the road policy options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage RSLs to deliver multi-tenure developments</td>
</tr>
<tr>
<td>Implement minimum repair and energy efficiency standards for the sector</td>
</tr>
<tr>
<td>Extend landlord registration to include minimum standards for tenancy management</td>
</tr>
</tbody>
</table>
6.4.6 Policy Options to Improve operation of the PRS in Argyll & Bute

There was clear consistency from stakeholders that any strategy to promote growth and improvement in the private rented sector in Argyll & Bute, should focus on the following types of policy activity:

**Target enforcement**
- Enhance resources to enable the Council to tackle minority of rogue landlords

**Encourage investment**
- Provide access to low cost finance to landlords to support major repair

**Drive consumer agenda**
- Empower tenants to exercise their rights through education on landlord obligations

**Access to justice**
- Support creation of specialist tribunal system that will enable landlords to take action against tenants who breach tenancy agreements

Equally, stakeholders identified a number of policy options, considered at a national level, which should not be pursued as follows:

**Amend current tenancy framework**
- No appetite to extend minimum tenancy term beyond 6 months or enhance grounds for recovery of possession

**Impose further quality standards**
- Investment challenge is considerable without further enhancing minimum condition or energy benchmark

6.5 Key learning outcomes

Based on the outcomes of the stakeholder engagement workshops across Argyll & Bute, it is clear that the sector plays a very important role in meeting housing need and demand in the area.

There are obviously major differences in the operation of the sector at a local level but despite this it was possible to identify a number of factors that have consistently influenced the size and operation of the sector, including:
The operation of the national housing market pre 2008, where housing market boom and the availability of Buy to Let mortgages increased the scale of the sector;

The operation of the national housing market post 2008, where housing market recession and a growth in reluctant landlords has increased the scale of the sector;

The growth of the lettings agency sector which has helped to manage and support the growth of the sector; and

Access to web based technologies to market properties and improve access to information on rights and responsibilities for both landlords and tenants.

The sector is underpinned by clear strengths, which relate to the fundamental building blocks of any successfully operating sector, namely:

- Ability to source tenants quickly
- Security of tenure in PRS accommodation
- Tenancy conditions including use of SATs
- Knowledge & professionalism of landlords
- Quality of private tenants & their attitudes to upholding tenancy obligations

These characteristics place the sector in a healthy position to operate effectively since they relate to the quality of demand, supply and operational mechanics of the system. The strongest locally operating sector identified from the analysis was in Helensburgh, with the weakest in Tarbert. It is clear that the context of the local economy has a major influence to the successful operation of the sector with both the tourist industry and operation of the MOD base emerging as key factors in the demand for private rented accommodation at a local level.

There are however, a number of weaknesses which influence the operation of the sector and will impact on its ability to grow and improve, including:
It is clear that the greatest impediment to the future growth and improvement of the private rented sector in Argyll & Bute would be the diminishing profitability of the sector. The profitability of the sector is inextricably linked to a series of factors which impact on rental recovery and affordability levels including:

- a low wage local economy;
- a strong reliance on welfare benefits to meet housing costs in some areas;
- substantial repairs and maintenance obligations linked to the age and construction type of private dwellings;
- the welfare reform agenda and risk to recovery of income linked to the administration of Housing Benefit;
- a tenant base, increasingly empowered by welfare reform and housing market recession to negotiate rental values with landlords;
- dwindling property valuations and increasing impairments to portfolios given wider housing market recession and house price deflation.

Despite these major challenges, a number of policy options emerged which should be considered by stakeholders to overcome the barriers to growth identified, including:

<table>
<thead>
<tr>
<th>Administration of HB to private tenants</th>
<th>Ability to recover possession where tenancy conditions are breached</th>
<th>Energy efficiency of PRS accommodation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of grant funding to invest in energy efficiency</td>
<td>Costs associated with long term repairs and maintenance</td>
<td>Availability of grant funding to support long term maintenance and repairs</td>
</tr>
<tr>
<td>Ability of private landlords to carry out repairs in partnership with co-owners</td>
<td>Affordability of PRS accommodation to local households</td>
<td>Value of rental income in sector</td>
</tr>
<tr>
<td>Rate of return to private landlords of PRS accommodation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Argyll & Bute Council
Research into the Private Rented Sector

Target enforcement
- Enhance resources to enable the Council to proactively tackle the minority of rogue landlords

Improve profitability of the sector
- Target welfare reform and income maximisation strategies to tenants struggling with affordability

Encourage investment
- Provide access to low cost finance to landlords to support major repair
- Improve access into available subsidies for energy efficiency works

Drive consumer agenda
- Empower tenants to exercise their rights through education and improved awareness of the legal framework

Access to justice
- Support creation of specialist tribunal system that will enable landlords to take action against tenants who breach tenancy agreements
7 EVALUATION CONFERENCE

7.1 Introduction

As part of the programme of research for the study and in order to build and interpret the findings of the secondary analysis, primary research and consultation processes undertaken; an extensive stakeholder conference event was held to consider how we should use research outcomes to develop a programme of activity to support PRS growth and improvement.

To this end, and informed by the extensive evidence base developed, a stakeholder conference event was held on 10\textsuperscript{th} May 2013 in the Council Chambers, Kilmory, Lochgilphead.

The purpose of the event was to share the findings from the research study; and to discuss options and test ideas on how to improve the operation of the private rented sector in Argyll & Bute. The objectives for the event were as follows:

1. To communicate the outcomes of the research study into the operation of the private rented sector in Argyll & Bute;
2. To examine stakeholder views on whether the local sector operates effectively based on the research evidence available; and
3. To consider how we support the growth and improvement of the sector at a local level.

The agenda for the conference was structured around a programme of interactive, reporting and workshop activities as follows:

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.00 – 11.10</td>
<td>Introduction &amp; Welcome: Councillor George Freeman</td>
</tr>
<tr>
<td>11.10 – 11.25</td>
<td>Interactive Voting Session 1: Stakeholder Perceptions of Private Rented Sector in Argyll &amp; Bute</td>
</tr>
<tr>
<td>11.25 – 12.25</td>
<td>Private Rented Sector Research Findings</td>
</tr>
<tr>
<td>12.25 – 12.50</td>
<td>Interactive Voting Session 2: Does the Private Rented Sector in Argyll &amp; Bute Operate Effectively?</td>
</tr>
</tbody>
</table>
| 13.30 – 14.15 | Breakout Sessions Round 1
| 14.15 – 14.15 | How do we improve the affordability of the sector?            |
| 14.15 – 14.15 | How do we improve security of tenure?                          |
| 14.15 – 14.15 | How do we improve the management of the sector?               |
| 14.15 – 15.00 | Breakout Sessions Round 2 (repeat workshops)                  |
| 14.15 – 15.00 | How do we improve quality & condition?                         |
| 15.00 – 15.30 | How do we promote improvement in sector operation?           |
| 15.00 – 15.30 | How do we encourage the sector to grow?                       |
| 15.30 | Interactive Voting Activity 3: The Way Forward: How do We Programme Action, Partnership & Investment to improve the Sector? |
| 15.30 | Close of Conference                                             |
A range of stakeholders and partners including tenants, private landlords, letting agents and representatives from the following agencies attended this event:

- Argyll & Bute Council;
- A&B Care and Repair;
- Alienergy;
- Ardkinglas Estate;
- Campbeltown Lettings;
- Energy Savings Trust;
- Fyne Homes;
- Islay Estates;
- Landlord Accreditation Scotland;
- MacLeod Construction;
- Mount Stuart;
- NHS Highland;
- Raeburn Hope;
- West Lettings.

The following chapters summarise the outcomes of the conference and set out a range of strategic options defined by stakeholders that should be examined in more detail as the LHS is updated and implemented. A full copy of the briefing report and associated papers can be accessed at Appendix G.

7.2 Stakeholder Assessment: Operation of the PRS

During the conference, stakeholders were invited to take part in a number of interactive activities using an electronic voting system, which was used to facilitate ‘ask the audience’ sessions with the results available instantaneously.

The first e-voting session tested stakeholders’ knowledge and understanding of the private rented sector in Argyll & Bute, and was used to pre-empt the results of the research findings. The second e-voting session was based on the results of the research findings, where stakeholders were asked a number of yes/no questions which focused on whether stakeholders considered the sector to:

- be affordable;
- be managed well;
- have security of tenure;
- have quality housing in good condition; and
- have the capacity to grow.

With a variety of research findings which provided an evidence base to both support and oppose these claims, stakeholders were asked to weigh up the statistics to think more strategically about the current nature of the sector. The outcomes are as follows:
Argyll & Bute Council
Research into the Private Rented Sector

Is the private rented sector in Argyll & Bute affordable to local households?

- YES: 21%
- NO: 79%

Does the private rented sector in Argyll & Bute provide security of tenure?

- YES: 74%
- NO: 26%

Is the private rented sector in Argyll & Bute well managed?

- YES: 58%
- NO: 42%

Does the provide rented sector in Argyll & Bute provide quality housing in good condition?

- YES: 76%
- NO: 24%

Does the private rented sector in Argyll & Bute have the capacity to improve?

- YES: 94%
- NO: 6%

Does the private rented sector in Argyll & Bute have the capacity to grow?

- YES: 35%
- NO: 65%
7.3 Strategic Options to Improve the Operation of the Sector

The stakeholder conference focused on presenting the main findings of the private rented sector research study, presenting stakeholders with a detailed profile of:

- the housing stock in the sector;
- the population who live in the sector;
- the nature and quality of management in the sector;
- the condition and quality of the housing stock;
- the business model adopted by private landlords;
- skills, knowledge and professionalism of the landlord sector.

Using this intelligence, stakeholders collectively examined the operation of the sector by answering a number of strategic questions using an electronic voting system. Based on these outcomes, participants then took part in a number of structured workshop exercises focused on how we improve the operation of the private rented sector. This activity enabled participants to:

1. share their reactions to the outcomes of the private rented sector research study;
2. discuss outcomes and conclusions from Interactive Voting Session 2 on whether the private rented sector in Argyll & Bute functions effectively;
3. test ideas on how to improve the operation of the private rented sector in Argyll & Bute terms of:
   - affordability to local households;
   - security of tenure;
   - tenancy management;
   - physical quality and condition;
   - general improvement and growth.

The structure of the focus groups provided stakeholders with an opportunity to express individual opinions on how to improve the operations of the sector; as well as enabling consensus to be measured against the policy ideas examined. From the combined outcomes across both focus groups, the following interventions received most support from stakeholders:

<table>
<thead>
<tr>
<th>Improving affordability</th>
<th>First Intervention</th>
<th>Second Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Promote the availability of budget and financial management advice to private tenants (43%)</td>
<td>Target income maximisation and welfare rights services to private tenants (40%) AND Develop a fuel poverty strategy for the private rented sector (40%)</td>
</tr>
</tbody>
</table>
### Argyll & Bute Council

**Research into the Private Rented Sector**

<table>
<thead>
<tr>
<th>Improving security of tenure</th>
<th>First Intervention</th>
<th>Second Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage landlords and tenants to negotiate longer term tenancies following an initial successful term (53%)</td>
<td>Promote new ‘Renting Scotland’ website and encourage use of best practice materials (43%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improving management</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance partnerships between the Council, lettings agents and private landlords to identify and eradicate bad practice (57%)</td>
<td>Enhance Council resources to target enforcement activity on disreputable landlords (50%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improving property condition</th>
<th>First Intervention</th>
<th>Second Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop owner associations and the use of property factors to encourage common repair (50%) AND More enforcement activity to target poor property condition (50%)</td>
<td>Provide low cost loans to landlords to support investment in major repairs (47%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Encouraging improvement</th>
<th>First Intervention</th>
<th>Second Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a private landlord forum to promote sharing of good practice locally (57%)</td>
<td>Work in partnership with private landlords to streamline the payment of LHA (50%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promoting growth</th>
<th>First Intervention</th>
<th>Second Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage accidental landlords to remain in the sector (43%)</td>
<td>Encourage institutional investment in the sector (30%)</td>
<td></td>
</tr>
</tbody>
</table>

### 7.4 Testing Group Consensus on Policy Options

Following focus group breakout sessions, stakeholders were invited to take part in a final e-voting session where a range of policy interventions were considered on their capacity to improve the operation of the sector.

Stakeholders were encouraged to weigh up the evidence from the research findings and the contributions made by other participants in the focus group sessions; to select which of the options provided would have the most positive impact on the sector. Again, the questions focussed on affordability, security of tenure, management, condition, scope for improvement and prospects for growth.
Looking at each of the questions proposed to stakeholders in the final voting session, there are no clearly supported outcomes where the majority of participants strongly selected a single policy intervention. In some cases, the responses were distributed relatively evenly, particularly the final question on how growth can be encouraged in the sector. Furthermore, there were no policy interventions which received no support whatsoever. This highlights the need to prioritise strategy activity to focus on the issues that have the greatest impact on the private rented sector locally, are capable of being influenced at a local level and have a strong fit to the LHS vision for the area.

In summary format, the favoured options from the e-voting session are:

<table>
<thead>
<tr>
<th>First Intervention</th>
<th>Second Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving affordability</td>
<td>Target income maximisation services to private tenants (44%)</td>
</tr>
<tr>
<td>Improving security of tenure</td>
<td>Improve access to tenancy sustainment services for tenants who need support (44%)</td>
</tr>
<tr>
<td>Improving management</td>
<td>Enhance Council resources to target enforcement activity to rogue landlords (38%)</td>
</tr>
<tr>
<td>Improving property condition</td>
<td>Support landlords to develop and budget for long term maintenance plans (44%)</td>
</tr>
<tr>
<td>Encouraging improvement</td>
<td>More enforcement activity to identify and tackle disreputable landlords (40%)</td>
</tr>
<tr>
<td>Promoting growth</td>
<td>Encourage institutional investment in the sector (32%)</td>
</tr>
</tbody>
</table>

### 7.5 Consultation Outcomes

The purpose of the stakeholder consultation event was to share the findings from the research study; to discuss options and test ideas on how to improve the operation of the private rented sector in Argyll & Bute.
The following conclusions can be drawn from the outcomes of the breakout sessions and e-voting session:

**Improving Affordability**

- Stakeholders consistently supported targeting income maximisation services to private tenants as being most likely to improve the affordability of the sector to local households.
- There is also consistent support for the development of a fuel poverty strategy for the private rented sector.
- In the breakout sessions there was also strong support for the promotion of budget and financial management advice to private tenants as a useful intervention.
- There was little support for developing a welfare reform strategy specifically for the private rented sector, as it was felt that any strategy to be developed should be for all tenures and not specific to the sector.

**Improving Security of Tenure**

- During the break out sessions, there was strong support for encouraging landlords and tenants to negotiate longer term tenancies following an initial successful term. This was also chosen as the second most popular intervention during the e-voting session, as it was felt that landlords should be encouraged to engage in annual tenancy reviews and long term planning.
- There was strong support during the e-voting session for improving access to tenancy sustainment services for tenants who need support, although it was acknowledged that the geography of Argyll and Bute could make this difficult to achieve.
- There was also support for promoting the new 'Renting Scotland' website as a method of encouraging best practice in the sector, but only if the website was kept up to date and aimed equally at both landlords and tenants.
- There was very little support for developing a social lettings agency as it was felt that this would not be a way to improve security of tenure in the sector.

**Improving Management**

- There was strong support for enhancing Council resources to target enforcement activity on disreputable/rogue landlords rather than placing additional regulations on reputable landlords.
- There was also strong support for providing training to landlords on tenancy management.
Improving Property Condition

- There was support in both the breakout sessions and the e-voting session for providing low cost loans to landlords to support investment in major repairs.
- Stakeholders also felt that providing support to landlords to develop and budget for long term maintenance plans and looking at whole building assessments rather than repairs in isolation would help improve property condition.
- In the breakout sessions there was also support for the development of owner associations and the use of property factors to encourage common repairs.
- There was little support for encouraging tenants to exercise their right to repair.

Encouraging Improvement

- Similar to the discussions on improving management in the sector, it was felt that enhancing Council resources for enforcement activity to identify and tackle disreputable landlords would encourage improvement in the sector.
- There was strong support during the breakout sessions for the establishment of a private landlord forum to promote sharing of good practice.
- It was also felt that working in partnership between the Council and landlords to streamline the payment of local housing allowance would also encourage improvement in the sector and reduce the risks of lost rent for landlords.
- There was less support for encouraging landlords to lift restrictions on households claiming LHA through training and support.

Promoting Growth

- The intervention which received the most consistent support from stakeholders was to encourage institutional investment in the sector.
- In the breakout sessions, there was also support for encouraging 'accidental' landlords to remain in the sector as a way to promote the growth of the sector.
- Although the intervention to provide low cost loans to landlords was identified by stakeholders as a key intervention to help improve property condition, there was little support for more lending to private landlords to either increase their portfolios or invest in their homes as a way to promote growth in the sector.
8 DEVELOPING STRATEGY ACTION POINTS

The aim of this research study is to provide Argyll & Bute Council with credible evidence on the operation of the private rented sector in Argyll & Bute so that its contribution to meeting housing need can be fully understood. Based on this understanding, a range of policy interventions can be developed for inclusion within the Local Housing Strategy, so that the growth and improvement of the sector can be supported by the Council and its partners.

Based on the outcomes of the stakeholder evaluation conference and from the various policy suggestions provided during the consultation workshops; Arneil Johnston facilitated an option appraisal workshop with the Research Steering Group on 14th June 2013.

Based on strategic assessment of the private rented sector, carried out at the evaluation conference, it was agreed that that the following strategic aims would be developed based on the outcomes of this assessment:

<table>
<thead>
<tr>
<th>Question</th>
<th>Result</th>
<th>Strategic Aim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the PRS affordable?</td>
<td>No (79%)</td>
<td>Aim 1: To improve the affordability of the PRS to local households</td>
</tr>
<tr>
<td>Does the PRS provide security of tenure?</td>
<td>Yes (74%)</td>
<td>Aim 2: To enhance security of tenure in the PRS</td>
</tr>
<tr>
<td>Is the PRS well managed?</td>
<td>Yes (58%)</td>
<td>Aim 3: To enhance tenancy management in the PRS</td>
</tr>
<tr>
<td>Does the PRS provide housing in good condition?</td>
<td>No (76%)</td>
<td>Aim 4: To improve the condition of PRS homes</td>
</tr>
<tr>
<td>Does the PRS have the capacity to improve?</td>
<td>Yes (94%)</td>
<td>Aim 5: To improve the operation of the sector</td>
</tr>
<tr>
<td>Does the PRS have the capacity to grow?</td>
<td>Yes (65%)</td>
<td>Aim 6: To support the growth of the PRS</td>
</tr>
</tbody>
</table>

Under each of the six proposed strategic aims, the Steering Group considered the broad extent and nature of suggested interventions that could be potentially pursued as policy objectives, as follows:
It was agreed by the Steering Group, that any strategy actions arising from the research should seek to build on the strengths of the sector and address the weaknesses in its operation. Consideration on the following strengths and weaknesses enabled the group to rationalise the six draft strategic aims for the PRS into four as follows:

**PRS Strengths**

- Security of Tenure
- Management
- Capacity to improve
- Capacity to grow

**PRS Weaknesses**

- Affordability
- Property condition

- Need to tackle major issue of PRS affordability – include as aim
- Need to tackle major issue of PRS condition – include as aim
- Evidence suggests security of tenure is not a problem – exclude as aim
- There is room & capacity to improve tenancy management – include as aim
- Promoting growth & improvement should focus on better operation of the sector – consolidate as 1 aim
On this basis the following four strategic aims were finalised as the basis of policy interventions:

- **PRS Aim 1:** To improve the affordability of the private rented sector to local households
- **PRS Aim 2:** To improve tenancy management in the private rented sector
- **PRS Aim 3:** To improve the condition of properties in the private rented sector
- **PRS Aim 4:** To improve the operation of the private rented sector

In order to assess the range of suggested policy options considered by stakeholders, the Steering Group established the following assessment criteria:

- Does the option have stakeholder support?
- Can the option be implemented by local partners?
- Can the option be funded within available resources?
- Is the option a good fit to national PRS strategy?
- Is the option a good fit to LHS priorities?

Where possible, an evidence based approach to assessment was performed using consultation outcomes, research statistics and the recently publish aims and objectives of the strategy for the Private Rented Sector in Scotland.

Appendix H provides the assessment of each policy option against the criteria. The outcomes of this analysis enabled the identification of a range of policy interventions (presented in the following chapter) aimed at improving the operation of the private rented sector in Argyll & Bute.
9 RECOMMENDATIONS: IMPROVING PRS OPERATION

Based on the findings of the extensive research into the operation of the sector, the outcomes of stakeholder consultation and the option appraisal of potential policy; four recommendations have been developed which form the basis of strategic aims for inclusion within the local housing strategy.

Under each recommendation, a range of action points have been developed to guide the allocation of resources, partnership activity and policy development through the LHS framework.

To improve the affordability of the private rented sector to local households

- Explore the feasibility of delivering mid-market rent options with investors and developers
- Target income maximisation and welfare rights services to private tenants
- Ensure the PRS features in the fuel poverty strategy for Argyll & Bute
- Promote budgeting and financial management advice to private tenants
- Ensure the PRS features in the developing welfare reform strategy

Table 8.1: Policy recommendations to improve the affordability of the sector

To improve tenancy management in the private rented sector

- Target multi-disciplinary enforcement activity on disreputable landlords (i.e. housing, building control, environmental health and landlord registration)
- Provide training and support to private landlords on tenancy management
- Enhance partnerships between the Council, lettings agents and private landlords to identify and eradicate bad practice
- Promote mediation service to landlords, tenants and owners

Table 8.2: Policy recommendations to improve the management of the sector

To improve the condition of properties in the private rented sector

- Improve the knowledge of landlords and tenants on the repairing standard
- Develop owner associations and the use of property factors to encourage common repair
- Support landlords to develop & budget for long term maintenance plans
- More enforcement activity to target poor property condition

Table 8.3: Policy recommendations to improve condition in the sector
<table>
<thead>
<tr>
<th>To improve the operation of the private rented sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote new ‘Renting Scotland’ website and encourage use of best practice materials</td>
</tr>
<tr>
<td>Assist landlords to access tenancy sustainment services</td>
</tr>
<tr>
<td>Encourage landlords and tenants to negotiate longer term tenancies following an initial successful term</td>
</tr>
<tr>
<td>Work in partnership with private landlords to streamline the payment of LHA</td>
</tr>
<tr>
<td>Encourage consumers to make informed decisions on private renting through housing options advice</td>
</tr>
<tr>
<td>Promote the sharing of good practice through encouraging landlords to link into professional networks</td>
</tr>
<tr>
<td>Establish local private landlord forum to promote sharing of good practice</td>
</tr>
<tr>
<td>Review the private sector leasing scheme</td>
</tr>
</tbody>
</table>

**Table 8.4: Policy recommendations to improve the operation of the sector**