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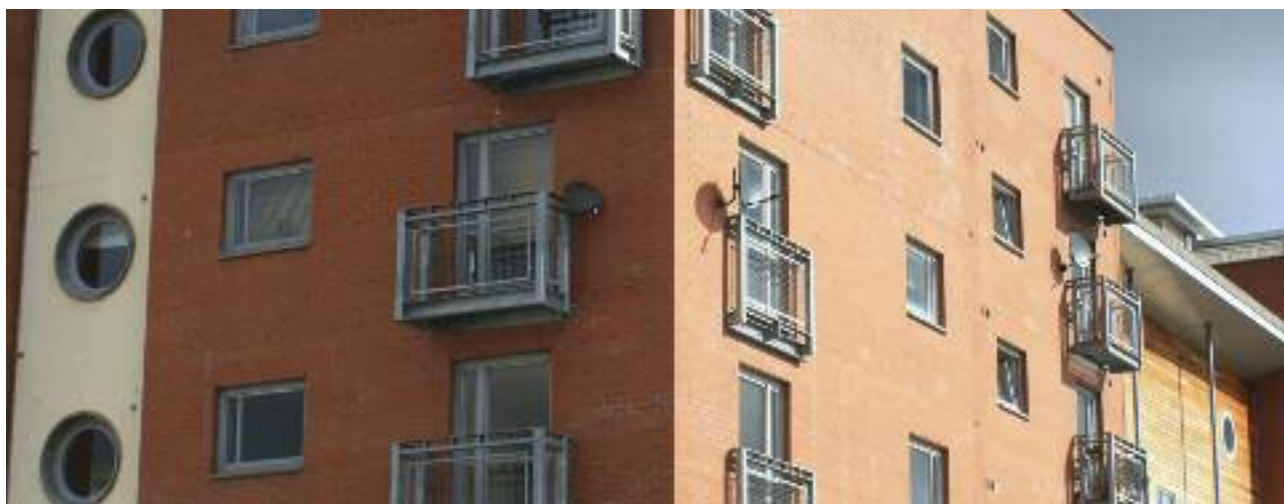
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Housing Benefit Reform

Not good news to some investors

Plans by the Government to reform housing benefit may see a sharp rise in homelessness because tenants may no longer be able to afford the shortfall between the rent and local housing allowance. Landlords will lose rental income as one of the reforms will see benefits increasing in line with the Consumer Price Index rather than the higher Retail Price Index, from April 2011.

Measures to –

- abolish the £15 excess payable to LHA claimants who secure a lower deal on their rent (from April 2011)
- to cap housing allowance to between £280 and £300 per week depending on house size (from April 2011)
- to calculate LHA rates using the bottom 30% of rents rather than the median currently used (from October 2011)
- to reduce housing benefit by 10% for those claimants who have been on job seeker's allowance for more than a year (from April 2013)

– may all lead to increasing gaps between the rent charged and housing benefit paid.

Regulated tenants are likely to be safe from the effects of the cuts because rents are protected.

Opposition groups claim the reforms will make life harder for the least well-off in society. For ARIM we would expect arrears to increase as tenants struggle to meet the shortfall which may lead to an increase in tenants vacating either voluntarily or following eviction. Extended, flexible payment plans and reductions in rents may need to be actively considered to maintain occupancy levels.

Overall this may lead to a downward pressure on market rent levels. ARIM is carrying out some analysis on the potential impact on clients which we hope to publish in the forthcoming edition of Residential Insight

Amendments to the BPF Tenancy Agreement

ARIM introduced the standard BPF (British Property Federation) Tenancy Agreement in September 2009. The fact that it is clear, written in plain English and is an accepted industry-wide document has proved very successful with our clients, tenants and property managers.

After a year of bedding in, the agreement was subjected to review during the autumn. As a result, certain clauses have been amended and a data protection clause has been incorporated. The new form BPF tenancy agreement has been adopted by ARIM.

ARIM has recently approached the SPF (Scottish Property Federation) to commence discussions around implementing a standard agreement for Scotland. The suggestion was favourably received. We will keep you informed of any progress on this front.

The Bonfire of the Quangos

The coalition government's sweeping cuts have included the axe, or at least a wind of radical change, falling on 192 Quangos.



For the property investor, perhaps the most notable, are the Residential Property Tribunal Service (RPTS), also carrying out its functions as the Leasehold Valuation Tribunal (LVT) and the Homes and Community Agency, (HCA). There are no plans to move the Rent Service from its home with the Valuations Office Agency.

The RPTS has changed both its name and range of functions over the years. At inception, and when simply known as the Rent Assessment Panel, jurisdiction was limited to providing an impartial appeal service in the valuation of Fair Rents. The London Rent Assessment Panel was taken to the Court of Appeal on several occasions most memorably by Spath Holmes for high deductions for 'Scarcity' from the registered rent. That particular ruling changed the way both Rent Officers and Rent Assessment Committees set 'Fair Rents', for the first time reflecting the market, post Housing Act 1988.

As regulated tenancies diminished, the RPTS took on new functions, determining market rents and as an alternative to the Courts for leaseholders, where LVT powers allowed them to determine the reasonableness of service charges; a far more cost effective and accessible forum for these cases to be heard for both lessees and Freeholders. A critical function of the RPTS is to carry out its Statutory functions, which are expected to remain intact, irrespective of where they are operating from. However, the independence from any other public agency could come into

conflict given the transfer to the Ministry of Justice (MoJ) of, amongst others, the Valuation Tribunal. A glaring oversight and described as the tip of the iceberg when we spoke with the department tasked with facilitating the move.

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When? Well those involved do not yet know when the move of the RPTS to the MoJ will take place for certain, but suspect that it might be effective from April 2011. Budgets are currently intact. Given the time taken to hear a case, this is some good news at least.

The HCA remains but with a huge reduction in budget expectation. The functions of the Tenant Services Authority will transfer to the newer smaller HCA with those functions streamlined. The Tenant Services Authority (TSA) budget of £33m will, one assumes, therefore go to the HCA. Confirmation of the Department for Communities and Local Government's (CLG) wider budget is expected as we write, and once that is received, the HCA will re-forecast their own along with redefining their expectations for service delivery. HCA believe that the lion's share of the CLG budget, once announced, will come their way. Let's hope they are not disappointed.

Boiler Scrappage Scheme (Scotland)

With funding in England having quickly run out, up to 750 registered private sector landlords in Scotland now have the opportunity to receive funding towards the cost of upgrading boilers in rented property.

Following the success of a similar scheme for private individuals (now closed) registered Scottish landlords with residential property in the private sector can apply for a grant of £400 towards the cost of upgrading gas boilers that are inefficient.

Key qualifying criteria includes the following:

- The property must be in Scotland.
- The boiler being replaced must be working and have a SAP2005 rating of 70% or worse as detailed on www.sedbuk.com.
- The new boiler will need to be one recommended by the Energy Savings Trust.
- A quote must be obtained before applying for the voucher and the application received with the voucher issued and approved BEFORE installing the new boiler.
- The new boiler will have to be paid for upfront, with costs reclaimed via the submission of the voucher and invoice within 12 weeks.
- The installer must be Gas Safe registered (for gas installation) and should be a member of a recognised industry body such as CLE, SNIPEF or OFTEC. Installation of a microgeneration technology must be carried out by a person qualified under the Microgeneration Certification Scheme.

There is not a limit on the number of applications a landlord may make. This scheme represents an excellent opportunity for investing in a new and efficient boiler and improving the EPC rating of the property. Old and failing boilers are often a frequent source of inconvenience for tenants and costly repairs for landlords. Should you be interested in progressing this opportunity, please feel free to contact your usual ARIM contact.

Full details and an application form are available from www.energysavingtrust.org.uk/scotland

Consultation on investment in the PRS

Government responds

In February 2010, the previous government published its consultation on "Investment in the Private Rented Sector." This considered the contribution the sector could make to addressing housing demand and increasing supply, and identifying if there were any "substantive barriers" to investment in the sector.

HM Treasury has now responded and has, in the light of "exceptional fiscal challenge" effectively ruled out giving any help to boost the industry. It believes that "...the best way of supporting the Private Rented Sector is to restore confidence in the economy, stimulate investment and maintain a stable financial system that supports lending and the long-term growth of the economy". (HM Treasury, September 2010).

The Government's response includes the following assertions:

- "The SDLT rules are not solely responsible for low rates of return...and even if changes were made these alone would not be guaranteed to deliver high enough returns..." This alongside the fact that it would represent a significant cost to the Exchequer at a time when the Government's main focus is to reduce the budget deficit.

- Suggested VAT reductions to certain areas (management and repairs) are not only governed by EU legislation but could not be just limited to the PRS and would therefore be "extremely costly".
- Any change to the exclusion of capital allowances in plant and machinery for use in a dwelling house would not "represent the best way to support the UK PRS."
- The Government did propose that they further investigate the suggestion that "...some of the requirements of the REITs regime may also act as a barrier to residential investment."
- A further concession from the Government is that they will "...consider the proposal to increase the threshold for rent-a-room relief..." and whether this is the most effective way of increasing the supply of affordable accommodation.

The British Property Federation (BPF) reacted by saying that "Government had missed a "real opportunity" to support the fledgling professional private rented sector and in doing so ease the UK's housing crisis, create new jobs and reduce the budget deficit." (BPF, September 2010)



They went on further, "There is a huge hole in the Treasury's logic – on the one hand arguing that any change to the SDLT regime would 'carry a significant cost to the Exchequer', but on the other hand that this is a 'niche' sector and that nothing would happen. They can't argue it both ways!... We welcome the recognition, however, that expanding the REIT regime in the UK will be beneficial and is worth continuing to explore."

Indeed with even more demand for rental property, driven in part by restricted mortgage lending, spending constraints on social housing and planned changes to the housing benefits system, whatever your political views, there is no doubt that investment in the PRS is needed more than ever.

RICS Blue Book

The Royal Institution of Chartered Surveyors (RICS) is the pre-eminent professional body supporting property related services. RICS, ARLA and the NAEA formed the Property Standards Board (PSB) in 2008. Summer 2010 has seen a re-launched blue book representing the industry guide to all relevant statutory instruments, regulation and best practice for England and Wales. Produced in consultation with a broad range of stakeholders, the blue book is distinct from its red and black counterparts, in that it is solely concerned with estate agency practice and the sale and rental of residential property.

The PSB integrates its Consumer Charter with the legal guidance in the blue book. Although RICS members are not compelled by the RICS to follow best practice guidance notes as a condition of their membership, to not do so could lead to a case for negligence being successfully upheld by the Courts. Any circumstances where a practitioner determines that they will not follow best practice would need to be evaluated and documented with clearly justifiable reasons for the course taken.

Although estate, letting and property management agents all have their own professional bodies, the PSB's Consumer Charter and therefore the blue book, provide the overarching guidance for members and non-members alike. The core principles at the heart of the PSB Consumer Charter comprise 12 practices, or business

behaviours, that describe ethical business practices and transparency of actions, whether applied to buyer, seller, landlord or tenant.

In particular, agents must ensure that clients have clear terms of business. This serves the interests of both parties in detailing what clients can expect and managing those expectations. Complaints handling, escalation and redress schemes are also to be readily accessible.

The debate continues on compulsory regulation for the private rented sector, unlikely in the current climate of cutbacks. This calls for those engaged in the professional rented sector to seek appropriate guidance on the vast array of activities that arise during the course of business. ARIM's membership and participation in a number of respected and authoritative organisations that define best practice includes the RICS and we welcome the publication of the latest version of the blue book. ARIM's property management services are designed to meet the requirements of the blue book and the relevant RICS residential management codes.



Professionalism in Residential Property Management

RICS, NFOPP and IRPM all provide industry training for the residential sector



January saw RICS (Royal Institution of Chartered Surveyors) launch its AssocRICS qualification for a variety of disciplines in the residential property industry. Developed in consultation with ARMA, this offers experienced practitioners in Facilities Management, a credible route to achieving qualifications through demonstrating their competence to undertake the increasingly complex role of residential management. As well as Facilities Management, the Associate qualification is also available to those working in Quantity Surveying and Construction, Project Management, Residential Estate Agency and Residential Survey and Valuation in the UK.

The IRPM (Institute of Residential Property Managers) offers a specific leasehold management qualification and training programme. The IRPM is enjoying increasing recognition for providing block and property managers with a sound understanding of long leasehold legislation in England and Wales. The level 1 examination not only benefits block managers, but also provides property managers with a sound understanding of how to manage the leasehold aspect of this type of stock. Managing long leasehold stock in an effective manner and delivering value to investors can be frustrated by poor third party block agents and/or Freeholders. A clear understanding of the rights and obligations of all the parties enables sound decision making and clear advice to investors.

The NFOPP (National Federation of Property Professionals) Technical Award in Lettings and Property Management replaced the old ARLA examinations. Equivalent to an A level, this qualification and training material provides lettings and property managers with a comprehensive understanding of the residential lettings market. The training material and 4 examination units serve to raise standards by providing ethical and economically prudent guidelines. ARIM's own experience is that delivering excellent customer service to tenants is an increasing expectation within the growing tenant customer base of the PRS, but also, actually leads to improved financial performance for both owners and managers alike. In this era of Twitter, Facebook and YouTube, a bad experience can spread like wildfire, whether fairly reported or not.

ARIM supports its employees and ensures individuals pursue appropriate professional development.

Rising cost of TDS



The cost of compliance with the Housing Act 2004 (Tenants deposits) has increased by a staggering 1000% in the last 12 months, following an increase in TDS subscriptions.

Until now, ARIM has absorbed the cost of these subscriptions, but with costs now in the tens of thousands, this can no longer be sustained.

Section A1(2) of the TDS Membership rules states that The Housing Act 2004 is silent about recovery of the costs from either landlords or tenants. Members are therefore free to re-charge their costs, unless guidance to the contrary is received from the Department for Communities and Local Government (CLG). It does state that Members should only charge enough to cover their costs and should not lay themselves open to accusations of profiteering.

Given that there have been a number of additional costs for the landlord to bear over the last few years, including EPCs and compliance with changes in electrical, gas and fire legislation, we have decided NOT to pass the TDS cost to our clients.

ARIM's position is to ensure the administrative fees applied to tenants are based at market levels and reflect the costs that we incur. Accordingly, we have decided that any ARIM cost of TDS compliance is recovered through the appropriate tenant administration fee.

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