

Report To:	SCRUTINY PANEL A
Date:	10 MARCH 2021
Heading:	SCRUTINY REVIEW: SELECTIVE LICENSING SCHEME
Portfolio Holder:	NOT APPLICABLE
Ward/s:	STANTON HILL, SUTTON CENTRAL AND NEW CROSS
Key Decision:	NO
Subject to Call-In:	NO

Purpose of Report

The purpose of this report is to present Scrutiny Panel A with a draft final report on the Scrutiny Review: Selective Licensing Scheme to be presented to Cabinet in March. This report sets out the recommendations provisionally approved by Members at the informal working group of Scrutiny Panel A held on Thursday 20 January 2022. Furthermore, this report sets out the information and evidence Members considered over the course of the review as well as the methodology utilised.

Recommendation(s)

Scrutiny Panel A is recommended to:

- a. Discuss and approve the draft final report for the Scrutiny Review: Selective Licensing Scheme to be presented to Cabinet in March 2022, including the following recommendations:
 - o Cabinet is recommended to approve the renewal of the Selective Licensing Scheme.
 - o Cabinet is recommended to explore the feasibility of expanding the Selective Licensing Scheme to other areas in Ashfield that may meet the criteria.

Reasons for Recommendation(s)

Scrutiny Panel A has been reviewing the Selective Licensing Scheme in conjunction with the wider review of the Scheme at the conclusion of the agreed 5-year pilot period.

Alternative Options Considered

Members of Scrutiny Panel A could consider not submitting any comments to Cabinet regarding the Selective Licensing Review. However, Panel Members feel that with the information considered that it would be most appropriate to make recommendations to Cabinet as they take the decision on whether to renew the Scheme.

Detailed Information

INTRODUCTION

Scrutiny Panel A have undertaken a review of the established Selective Licensing Scheme. The scrutiny review has been carried out concurrently with the review of the Scheme towards the conclusion of the agreed 5-year pilot period.

Members have worked closely with the Service Manager for Strategic Housing & Lettings and the Environmental Health Team Leader to gather information and evidence regarding the implementation of the Scheme, as well as the benefits achieved, and areas for improvement needed if the Scheme is to be renewed.

Members firstly looked to understand why the Selective Licensing Scheme was implemented, and were informed that the following objectives underpinned the establishment of the Scheme:

- Improve housing standards properties conditions within the private rented stock
- Improve management practices
- Improve levels of demand for housing and reduce the number of empty homes
- Contribute towards partnership working to improve wider community issues including crime, anti-social behaviour, and domestic nuisance

SELECTIVE LICENSING SCHEME REVIEW

As part of an introductory informal working group meeting held in September 2021, Members received a presentation from the Service Manger for Strategic Housing & Lettings and the Environmental Health Team Leader. The presentation set out the benefits of selective licensing to landlords, tenants, the Council, and the district.

Benefits for Landlords:

- Reduced turnover of tenants in the designated areas.
- Set out clear explicit standards for landlords, agents, and tenants in a regulated sector.
- Support, education, and guidance services have been provided for both landlords and tenants.
- The profile and public image of the designated areas has been raised encouraging tenants into the market and reputable investment.
- Tenants are more aware of their responsibilities for maintaining their tenancies.
- Improved rental and property values.

- Improved image and perception of the designated areas.
- Created a level playing field - decent landlords will not be undercut by an unscrupulous minority.
- Poor landlords are being pushed out of the area, either because they are unwilling to improve their properties condition or because they are issued with financial penalties and are unable to hold a license.
- Allows reputable landlords further opportunity for investment.

Benefits for Tenants:

- All licensed landlords and agents operating in the area are fit and proper and can manage property.
- More professional landlords bring about improvements to the quality and management of property.
- Tenants have seen economic benefits, reduced heating costs, and improved likelihood of regaining any deposit paid.
- Improvements to the neighbourhood have benefited private tenant's security and sense of community.
- Support, education, and guidance services have been provided for both landlords and tenants.
- Tenants have benefited from a guarantee of safer, healthier, and well managed housing.
- Improved the physical conditions of the housing stock to ensure that they are free from category 1 hazards as defined in the Housing Act 2004 to protect the health, safety, and welfare of the occupants.
- Better management practices have help to increase the length of tenure and reduce incidence of unplanned moves or homelessness.

Benefits for the District:

- Reduced the number of empty properties within the designated areas.
- Ensured that both landlords and tenants can be held accountable.
- Generated licensing income of circa £225k to enable a proactive response to issues in the locality. Tackling issues in the area has not taken a disproportionate number of day-to-day resources, thus impacting on service delivery.
- Making it easier to involve landlords in wider strategies including crime reduction initiatives and local spatial strategies.
- Protecting vulnerable groups who are often occupiers of privately rented accommodation which is poorly managed.

- Generated income from successful Civil Penalties which is used to continue proactive work through the district.

Benefits for the Council:

- Landlords who have not responded to any previous measures such as registration schemes have been required to engaged with Housing Enforcement Officers.
- Bad landlords have been forced to improve their practices or leave the market.
- The Council has gained extensive knowledge about private renting in part of the District. This has enabled targeted enforcement and support to landlords.
- Landlords and their agents are readily identifiable.
- The licence fee covers the costs of the scheme.
- Income generated from offences through civil penalties can be used to improve housing in areas outside of the designation and allow for more proactive work.

Housing Improvement

There have been 600 inspections in the designated Selective Licensing areas to date. Of these 600 inspections, 561 have required a Housing Health and Safety Rating System (HHSRS) inspection. 157 properties meet the HHSRS standards. There are 404 properties failing to meet the HHSRS standards. 98 properties have been identified as having category 1 hazards, where 400 properties have been identified as having category 2 hazards.

338 properties have had improvements made to ensure electrical installations meet required standards. 195 properties have had energy efficiency improvements made to boilers, windows, roofs, and insulation. 98 properties have been identified as high risk.

Empty Properties

In 2017, there were 21 identified empty residential properties within the designated areas. In 2021, there are 6 identified empty properties within the designated areas, with 2 currently for sale.

Licenses

Approximately 650 properties with the designated areas have been estimated to require a license under the Selective Licensing Scheme. To date:

- 620 licensing have been issued.
- 3 licences have been refused due to the proposed license holder not being deemed fit and proper.
- There are 12 pending civil penalties for failure to license.
- 3 landlords have been issued penalties for breach of licensing.
- 3 landlords are no longer deemed fit and proper.

Extending Licensing in the Designated Areas

- Encourage landlords to continue with good management of properties.
- Prevent rogue landlords investing in the area.
- Give the Council greater powers for dealing with substandard properties and poor management.
- The Council is not solely reliant on HHSRS for enforcing and breaches are strict offences which can be dealt with by means of civil penalties of up to £30,000 dependent on the severity.
- Money from non-compliance can be invested into other areas of the district and to fund proactive work in the private rented sector.
- Gives greater powers to support partner agencies dealing with other illegal activities (examples of this are recent work with both Trading Standards and Police).
- Little cost to the Council to implement.
- New more efficient application procedure.
- Embedded procedure to deal with breaches and failure to license.

CABINET MEETING – 7 DECEMBER 2021

At the December 2021 meeting a Cabinet, a report titled *Selective Licensing – Evaluation Report and Recommendations* was presented to Cabinet with the following recommendations:

- a. To note the findings of the evaluation of Selective Licensing Schemes, as attached at Appendix A.
- b. To consider the options in respect of the future of the existing Selective Licensing Schemes.
- c. To approve in principle, renewing the existing Selective Licensing Schemes for a further 5-year period, subject to a 10-week period of public consultation. The consultation period will begin immediately after the provisional decision is made and will relate to both the terms and conditions of the scheme and the geographical boundaries of the designated areas.

The Evaluation Report highlighted the fact that there had been considerable success with two specific objectives of the Scheme; improving housing standards and property conditions within the private rented stock and improving management practices.

Cabinet Members considered the key findings detailed within the evaluation report relating to Selective Licensing for privately rented properties and the options regarding the future of the schemes and a preferred way forward. Members considered the alternative options of declining to evaluate or renew the Selective Licensing Scheme, but this was not recommended. The schemes were initially implemented to tackle localised problems and whilst Cabinet agreed that although the schemes have had a beneficial impact, many issues still remained.

Cabinet resolved to approve the three recommendations above, with a view to receiving a further report in 2022 detailing consultation feedback and to make a final decision on if the Selective Licensing Scheme will be renewed or not.

SELECTIVE LICENSING SCHEME - ORIGINAL IMPLEMENTATION

As part of the review process, Panel Members considered the September 2016 report to Cabinet where the Selective Licensing Scheme was originally implemented. This included examining the reasoning provided for implementation at the time, as well as the consultation exercises that took place.

Members learned that the original recommendations presented to Cabinet in 2016 were:

- a. *To accept that there is evidence and considerable public support for the selective licensing of private rented properties in identified areas within the District.*
- b. *That Council be recommended to formally designate the areas of Stanton Hill and Sutton Central as Housing Act 2004 Part 3 Selective Licensing areas.*
- c. *To note that, following a decision to introduce a Selective Licensing Scheme, a public notification period of 3 months is required by statute ahead of implementation to communicate the decision to consultees and the public.*
- d. *To agree and support the financial implications of implementing a Selective Licensing Scheme (including the proposed fees of £350 for a license for 5 years).*
- e. *That Council recognise the risks in relation to the unknown elements of delivery of the Scheme and that we commit to undertake a review to ensure the fees and resources deployed to the Scheme are appropriate, and to enable further recommendations to be made to Cabinet as necessary after 12 months.*

The report went on to detail:

“Selecting Licensing is an important component of the Council’s wider regeneration strategy. It is the only option available to local authorities that compels landlords to look at how they manage their rented properties and where required, make improvements to their management practices. It is important that the significant investment from the Council and its partners aimed at improving the physical environment and economic conditions of the area are supported by this initiative. This will ensure that the area is sustainable as a mixed tenure environment with a range of housing options”.

The 2016 report further set out that strong evidence existed linking lower house prices in the identified areas of Stanton Hill and New Cross resulted in an influx of some unprofessional landlords purchasing properties to rent. These kinds of landlords often show little interest in managing their properties properly leading to a multitude of issues including increasing anti-social behaviour. Furthermore, inadequate property management leads to prevalent issues such as electrical hazards, damp and mould, fire safety, excess cold, and structural collapse.

Statutory Consultation

Prior to implementation of the Selective License Scheme in Ashfield, numerous statutory consultation exercises were undertaken by the Council, and the results are detailed in the 2016 Cabinet report.

Consultation was carried out with landlords, tenants, and local business owners that included:

- A dedicated webpage launched on the 6 May 2016 listing a proposal document and all ancillary advice and documentation.
- An online questionnaire for the three main stakeholder groups.
- A street level leaflet drop to all affected properties and local businesses.
- Officers attended several public drop-in sessions to offer advice and clarification.
- A stakeholder pre-launch event was held.

RECOMMENDATIONS

Scrutiny Panel A held two informal working group meetings discussing the Selective Licensing Scheme Review, as well as two formal Panel meetings on the topic. Throughout the review, Members have been offered consistent support from the Service Manager for Strategic Housing & Lettings and Environmental Health Team Leader. The Panel has carried out the Scrutiny Review: Selective Licensing Scheme with the intention of submitting a final report to Cabinet at the same time they will be taking a decision on whether to renew the Selective Licensing Scheme.

Following a review of the information and evidence available, Scrutiny Panel A Members approved the following two recommendations to be presented to Cabinet.

- a. Cabinet is recommended to approve the renewal of the Selective Licensing Scheme.*

Upon reviewing all of the information and evidence provided, taking into consideration the primary objectives of the Selective Licensing Scheme, and the benefits and improvements that have been achieved in the first 5-year period of implementation, Scrutiny Panel A Members feel it would be most appropriate for Cabinet to approve the renewal of the Selective Licensing Scheme.

- b. Cabinet is recommended to explore the feasibility of expanding the Selective Licensing Scheme to other areas in the District that may meet the criteria.*

Panel Members have discussed the possibility that other areas in Ashfield may benefit from the implementation of a Selective Licensing Scheme and recommend to Cabinet that exploration is undertaken to identify any such areas that would meet the criteria required to establish a Selective Licensing Scheme.

Implications

Corporate Plan:

The Council's Corporate Plan 2019 – 2023 sets out key priorities and ambitions to be achieved over the coming years. Under the Homes and Housing vision, the following desired outcomes are set out:

- Assist tenants with welfare and monetary advice to increase tenancy sustainment.
- Maintain and increase positive preventative action.
- Increase tenancy sustainment by offering appropriate tenancy support.

Legal:

Section 80 of the Housing Act 2004 gives Councils the power to introduce (with permission) selective licensing of privately rented properties.

Finance:

There are no financial implications contained in this report. Consultation with Finance will be required if approval is given to the recommendation relating to exploring the feasibility of expanding the pilot to other areas of the District.

Budget Area	Implication
General Fund – Revenue Budget	None
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
Scrutiny Panel A concluded that the Selective Licensing Scheme has resulted in a number of positive outcomes for those tenants within the pilot areas. Ending the service creates risks to the quality of private sector rented accommodation.	Cabinet approval for the renewal of the Selective Licensing Scheme and consideration of options to extend the scheme to other areas of the District.

Human Resources:

None.

Environmental/Sustainability

Energy efficiency improvements have been achieved under the Selective Licensing Schemes through installing new boilers, loft insulation and replacement roofs.

Equalities:

Within the selective licensing areas there are a disproportionate number of families whose ethnic origin and first language is not English. Consideration will be given to this as part of the consultation process.

Other Implications:

None.

Reason(s) for Urgency

None.

Reason(s) for Exemption

None.

Background Papers

None.

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