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| Report To: | CABINET |
| Date: | 29 MARCH 2022 |
| 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 Cabinet with a final report on the Scrutiny Review: Selective Licensing Scheme. This report sets out the recommendations formulated and approved by Members at the formal meeting of Scrutiny Panel A held on Thursday 10 March 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):

Cabinet is recommended to:

- a. Support the renewal of the Selective Licensing Scheme in designated parts of Stanton Hill and Sutton Central (New Cross) for a further 5 years.
- b. Explore the feasibility of expanding the Selective Licensing Scheme to other areas in Ashfield that meet the conditions for selective licensing designation.
- c. Ensure that, if approved, the Selective Licensing Scheme continues to be self-funded through the license fee structure.
- d. Ensure that the Council continues to provide available support to private sector tenants outside of designated Selective Licensing Scheme areas.

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 or not 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 Manager 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.

The figures in this section were up to date as of the informal working group meeting of Scrutiny Panel A held in September 2021.

Benefits for Landlords:

- Reduced turnover of tenants in the designated areas.
- Sets 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 property's 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 one 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 engage 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 within 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

The benefits of doing this are to:

- Encourage landlords to continue with good management of properties.
- Prevent rogue landlords investing in the area.
- Give the Council greater powers for dealing with sub-standard 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 of Cabinet, a report titled *Selective Licensing – Evaluation Report and Recommendations* was presented to Cabinet with the following recommendations:

- To note the findings of the evaluation of Selective Licensing Schemes, as attached at Appendix A.
- To consider the options in respect of the future of the existing Selective Licensing Schemes.
- 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 resulting 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.

CABINET MEETING – 29 MARCH 2022

At the March 2022 meeting of Cabinet, a report is to be presented titled *Selective Licensing of Private Rented Homes*. This purpose of this report is to advise Members of Cabinet of the findings from the ten-week consultation period with stakeholders regarding the proposal to renew selective licensing for private rented homes in designated parts of Stanton Hill and Sutton Central (New Cross).

The recommendations to Cabinet set out in this report are as follows:

- a. To note the findings from the ten-week consultation period with stakeholders regarding the proposal to renew selective for private rented homes in designated parts of Stanton Hill and Sutton Central (New Cross).
- b. To confirm the in-principle decision made at Cabinet on 7 December 2021, to approve renewing selective licensing for private rented properties in designated parts of Stanton Hill and Sutton Central (New Cross).
- c. To approve the proposed changes to the geographical boundaries of each scheme, details of which are contained at Appendix C, D, and E (boundary maps).
- d. To approve the proposed fee structure. To charge a license fee of £350 per property for a 5-year period (the same fee level as in 2017) to cover the cost of administering the scheme. The fee to be discounted by £100 per property if the landlord is a member of a landlord accredited body at the time of the application.
- e. To approve a re-orientation of the scheme in order to dedicate additional officer time to positive, pro-active engagement with landlords, better supporting them in the day-to-day management of their homes and tenants.

The report includes appended a detailed evaluation report and consultation report. Key findings of the evaluation report are detailed within, as well as proposed scheme changes that include geographical boundaries, fee structure, license conditions, administration of the scheme, and support for landlords.

Details of the consultation plan carried out between 17 December 2021 and 28 February 2022 are set out along with a summary of themes and key issues raised during the consultation exercise.

SCRUTINY PANEL A 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 as the decision on whether to renew the Selective Licensing Scheme will be taken.

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

- a. *Support the renewal of the Selective Licensing Scheme in designated parts of Stanton Hill and Sutton Central (New Cross) for a further 5 years.*

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 support the renewal of the Selective Licensing Scheme for a further five-year period.

Panel Members make this recommendation with the knowledge that numerous lessons have been learned from the original implementation of the scheme following a comprehensive evaluation report and consultation exercise, and that some proposed changes to geographical boundaries, fee structure, license conditions, scheme administration, and support for landlords will be put forward to Cabinet, as set out in the *Selective Licensing of Private Rented Homes* report to Cabinet in March 2022.

- b. *Explore the feasibility of expanding the Selective Licensing Scheme to other areas in the District that meet the conditions for selective licensing designation.*

At the onset of the review, Scrutiny Panel A Members learned the conditions that need to be met in an area to achieve a selective licensing designation. These conditions are specified in *Selective Licensing in the Private Rented Sector: A Guide for Local Authorities*, a guidance document published by the Department for Communities and Local Government in March 2015.

A selective licensing designation may be made if the area to which it relates satisfies one or more of the following conditions:¹

- Low housing demand (or is likely to become such an area)
- A significant and persistent problem caused by anti-social behaviour
- Poor property conditions
- High levels of migration
- High level of deprivation
- High levels of crime

¹ Department for Communities and Local Government, *Selective Licensing in the Private Rented Sector: A Guide for Local Authorities*, March 2015.

Furthermore, in considering whether to designate an area for selective licensing on the grounds above on property conditions, migration, deprivation, and crime the local housing authority may only make a designation if the area has a high proportion of property in the private rented sector.

Authorities are also required to identify the objective or objectives that a designation will help it achieve, and an authority must also consider if there are any other courses of action available to it that would achieve the same objective or objectives without the need for a selective licensing designation to be made.

With the knowledge of the conditions needed to be met to achieve a designation, Panel Members have discussed the possibility that other areas in Ashfield may meet these conditions and benefit from the implementation of a selective licensing designation. Therefore, Scrutiny Panel A recommends to Cabinet that exploration is undertaken to identify any such areas that would meet the criteria required to implement a selective licensing designation.

c. Ensure that, if approved, the Selective Licensing Scheme continues to be self-funded through the license fee structure.

Members of the Panel raised some concerns that the refocussing of dedicated officer(s) could have longer term financial implications to the Housing Revenue Account. Members have been assured that the Scheme would not have any General Fund/HRA implications as all costs would be contained within the income generated by the license fee structure.

d. Ensure that the Council continues to provide available support to private sector tenants outside of designated Selective Licensing Scheme areas.

Members are aware that it is not possible to designate every area in Ashfield for selective licensing, and that the absence of selective licensing in areas leaves the Council with limited powers in regard to the private rented sector.

However, it is recognised that even in the absence of a licensing designation, the Council still has a responsibility to Ashfield residents who may be experiencing issues, and must continue, through signposting and appropriate advice, to support private sector tenants in areas outside of the proposed 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. [RLD 17/03/2022]

Finance:

Costs of the Selective Licensing Scheme to be fully funded from License fees. [PH 09/03/22].

| 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 within the pilot areas. Ending the service creates risks to the quality of private sector rented accommodation, which may adversely impact the health and wellbeing of tenants. | Cabinet approval for the renewal of the Selective Licensing Scheme and consideration of options to potentially extend the scheme to other areas of the District. |

Human Resources:

There are no direct HR implications resulting from the recommendations within this report.

Environmental/Sustainability:

Continued improvements to the standard of homes in the District, including improvements to heating systems, will reduce the carbon footprint associated with each home and will help minimise the number of tenants who fall into fuel poverty.

Equalities:

A screening Impact Assessment has identified minimal impact. The designated selective licensing areas do have a higher than average (for the district) number of households from protected characteristic groups, in particular those whose ethnicity is non-British. The scheme will help ensure these households live in decent and safe accommodation.

Other Implications:

None.

Reason(s) for Urgency

None.

Reason(s) for Exemption

None.

Background Papers

None.

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