

NORTH LINCOLNSHIRE COUNCIL

LEADER OF THE COUNCIL

REGULATING THE PRIVATE RENTED HOUSING SECTOR

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To appraise members on the outcome of the consultation on selective licensing.
- 1.2 To update members on current and proposed changes to the regulation of the private rented sector.
- 1.3 To seek approval for the proposed recommendations.

2. BACKGROUND INFORMATION

- 2.1 The Crosby & Park and Town wards within Scunthorpe North have a large number of high-density terraced properties, a high proportion of private renting and a transient population many of whom do not speak English as their first language. This emerging community lives alongside many established residents who perceive that the quality of their local environment has deteriorated in recent years.
- 2.2 A number of factors taken together impact on this area which increases dependency on council and partner services. This need is disproportionate compared to other areas of North Lincolnshire. This impacts on our ability to achieve our outcomes of safe, well, prosperous and connected. A number of factors drive this need including -
 - High levels of shared accommodation
 - High levels of private renting in the area
 - Significant numbers of unemployed
 - Poor educational attainment
 - Health inequalities and deprivation
 - The oldest housing in the area
 - Lower than average energy efficiency

- Higher than average numbers of health and safety hazards
 - Language barriers
- 2.3 In response to the issues in Scunthorpe North, Cabinet requested that the introduction of a scheme for Selective Licensing within the private rented sector be considered. A consultation on the proposal started in September 2017. There were many opportunities for stakeholders to have their say, with a significant number of events and meetings with landlords, tenants, businesses and the local community. The results of the consultation have been collated and are attached to this report at Appendix 1.
- 2.4 The key consultation outcomes are:
- The council should make full use of all existing regulatory powers before considering selective licensing.
 - We should improve engagement with accredited Landlords in the area.
 - We should pause and reflect to consider the outcomes of recent case law.
- 2.5 The consultation exercise has proven to be a positive opportunity to engage with good landlords in the area.
- 2.6 In addition, a further dialogue has started with our 33 existing accredited landlords to consider how we might revise the current North Lincolnshire Landlord Accreditation Scheme, running since 2010. We are also considering how it might dovetail with any future licensing scheme.
- 2.7 During the same period the council continued to work within Scunthorpe North trialling an integrated approach which sought to respond to community issues in the area using a place based way of working. Frontline operational staff, a range of council officers, regulatory staff and Police coordinated their presence in the area. This resulted in an improved standard of cleanliness, an improved response to issues and gave a better understanding of the issues.
- 2.8 In June the council was awarded £328,000 from the Controlling Migration Fund to undertake amongst other things a behavioural insights programme in the area.
- 2.9 This work at a local level is set within a context of a changing regulatory landscape for dealing with the private rented sector. The Government has made a number of announcements and legislative changes in recent months in response to concerns within this sector.
- 2.10 Since commencing our consultation on selective licensing the Government has introduced changes to the mandatory licensing of

houses in multiple occupation (HMO). They have removed the requirement that properties are 3 storeys or more and replaced with 2 storeys and above and/or 5 occupants or more, meaning that properties within both Scunthorpe North and the wider North Lincolnshire that previously were out of scope may now require a licence (subject to meeting other criteria). There is also now a mandatory licence condition around waste disposal and provision of receptacles.

- 2.11 Coupled with mandatory HMO licensing across North Lincolnshire the council could introduce a scheme of additional licensing of 3 or more occupants in Scunthorpe North (the area previously identified for selective licensing). Additional licensing together with the current mandatory licensing of HMOs, will require all HMOs to be licensed in the area. Single-family homes will remain out of scope.
- 2.12 This option is likely to be particularly popular with those landlords that have been part of the consultation process.
- 2.13 The changes to mandatory HMO licensing comes into effect on the 1 October this year. If we chose to introduce additional licensing, this will require a period of consultation to comply with the legal process around designation.
- 2.14 The Government has recently also introduced a raft of new controls aimed at targeting and driving out rogue landlords from the private rented sector. We are currently in the process of adopting a number of measures, including civil penalty notices and rent repayment orders.
- 2.15 The work carried out so far has clearly helped to shape our work in this area.
- 2.16 Adopting option 2 will demonstrate that we are a council that asks, listens and responds to our communities. It is important to demonstrate that as a council we have explored all other options before implementing a scheme for selective licensing.
- 2.17 An inspection would be undertaken on the property, a license issued or not (from 1 to 5 years depending on standards) and a fee reflecting full cost recovery charged. An accredited list similar to environmental health 'scores on the doors' will be held.

3. OPTIONS FOR CONSIDERATION

- 3.1 Option one - Introduce Selective Licensing, taking account of the consultation responses received.
- 3.2 Option two is the preferred option.
 - Implement a scheme of additional licensing in Scunthorpe North to complement the new mandatory HMO licensing which will be NL wide.

- Continue the work on an integrated enforcement targeted model including new civil penalty fines.
- Relaunch the Landlord Accreditation Scheme.

3.3 Option three - Do Nothing

4. ANALYSIS OF OPTIONS

4.1 Option one – Introduce Selective Licensing

- 4.1.1 Selective licensing is operated on a cost recovery model. Funds cannot be used to carry out general enforcement within the private rented sector and licence costs may deter good landlords with costs passed on to tenants.
- 4.1.2 Implementing a scheme for selective licensing is often subject to significant challenge by landlords and other groups, which will distract us from achieving our objectives.
- 4.1.3 The introduction of selective licensing does not make it easier to identify and locate rogue landlords.
- 4.1.4 It is acknowledged that the introduction of selective licensing can blight an area. The very issues that we are seeking to resolve in this area may be displaced elsewhere with landlords refusing to house difficult tenants.
- 4.1.5 The recent Court of Appeal decision (Brown V Hyndburn DC) has thrown doubt on the application of some licence conditions and we need to ensure we do not act outside of our powers.

4.2 Option two – Implement a scheme of additional licensing and integrated enforcement in conjunction with a relaunched Landlord Accreditation Scheme.

- 4.2.1 Provides greater flexibility for the council to secure a locally led approach which is not restricted by discretionary licensing legislation.
- 4.2.2 The Council is not constrained by operating only in the designated area or subject to the strict legal regime surrounding selective licensing.
- 4.2.3 Enables an intelligence led approach to enforcement, which targets rogue landlords, whilst working with good landlords to improve standards.
- 4.2.4 Enables a partnership approach to the place, avoiding duplication of work and promoting greater efficiency.

- 4.2.5 Promotes consistent information sharing and partnership working between key agencies allowing for case prioritisation and effective, collaborative enforcement.
- 4.2.6 Builds better relationships with responsible landlords and letting agents.
- 4.2.7 Promotes consistent enforcement across the area and tackles emerging issues should any displacement occur, prevents the creation of “ghetto” properties where tenants go when good landlords refuse to take them.
- 4.2.8 Acknowledges the feedback received from all stakeholders to the Selective Licensing consultation whilst still meeting the original objectives of selective licensing on a wider area basis.
- 4.2.9 Enables a graduated approach to enforcement using new Civil Penalties and other enforcement powers for housing related offences.
- 4.2.10 Provides an opportunity to consider the impact of the extension to mandatory Houses in Multiple Occupation (HMO) licensing and the option of additional licensing for HMO’s where they are not covered by mandatory licensing.

4.3 Option three - Do nothing

- 4.3.1 This option does not address the issues affecting the area.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 All the work so far has been carried out within existing resources; however, this resource has been from across the wider Waste & Public Protection Service and has resulted in some impact on the day-to-day roles and responsibilities of the officers involved and their services.
- 5.2 The service is currently undertaking a staffing review which will seek to implement a risk based intelligence model recognising that our existing resources need to be prioritised to tackle issues in this area.
- 5.3 The £328K Controlling Migration Fund also requires the council to undertake a number of initiatives within Scunthorpe North over the next two years.

6. OUTCOME OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An Integrated Impact Assessment has been completed.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 Appendix one details the results of the consultation exercise.

8. RECOMMENDATIONS

8.1 That the Cabinet Member considers the consultation outcomes and changes within the wider regulatory landscape and the new opportunities it presents to take a graduated approach to the issues within the private rented sector in Scunthorpe North.

8.2 That the Cabinet Member approves option two.

DEPUTY CHIEF EXECUTIVE

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Background Papers used in the preparation of this report: - None

Appendix 1

Consultation Summary

Proposal for Selective Licensing Scheme, Scunthorpe

Introduction

The consultation on the council's proposal to introduce selective licensing within the wards of Crosby & Park and Town was open for more than 12 weeks from the beginning of September 2017. The initial consultation period was extended for longer than the mandatory period and ended in January 2018.

The response rate to the consultation was disappointing. Despite advertising the consultation, organising opportunities for dialogue with landlords, tenants and residents, and writing direct to accredited landlords operating in the area, we received only 56 completed surveys.

The consultation is now closed and feedback considered and collated within this document.

Background

The council consulted on a proposal to introduce a Selective Licensing scheme for all privately rented houses in the wards of Crosby and Park and Town.

The Housing Act 2004 gives local authorities the power to declare Discretionary Licensing schemes such as Selective Licensing in areas where problems in the private rented sector have been identified.

The proposal to introduce Selective Licensing applied to all private rented houses and flats within the area in order to improve poor management and housing conditions.

The scheme was planned to include both properties rented out as a single family home or a house in multiple occupation (HMO). Landlords of such properties are required to apply for a licence and meet a number of licensing conditions.

Appendix 1

Our research and experience so far tells us that there is a significant level of private rented accommodation in the two wards. In particular, a high level of houses in multiple occupation, which are most likely to be in a poor condition and suffer poor management, practices.

Selective Licensing is considered an intervention that would deliver improvements in an area of this type.

Where properties in an area are being badly managed and/or maintained in poor condition this can affect the health, safety and wellbeing of both tenants and the wider community.

The business case for selective licensing can be viewed on the council's web site at www.northlincs.gov.uk/selectivelicensing.

Key Findings from the Consultation

The consultation sought feedback from stakeholders (including tenants, landlords and other citizens) on the proposal to introduce selective licensing. Consultees were also asked to consider

- The cost of a licence and possible discounts
- Experiences of renting in the private sector
- Experiences of living near privately rented accommodation

It is important to note that throughout the consultation the Council asked and listened to all stakeholder groups.

Despite advertising the consultation, writing directly to landlords operating in the area and those who are already members of our accreditation scheme and conducting meetings with landlords, tenants and residents, we received only 56 completed surveys.

- More than half of the respondents agreed that most landlords were good and responsible.

Appendix 1

- When asked whether they would support the introduction of selective licensing, 43% were in support and 17% were not.
- The consultation identified very broad agreement about the issues and challenges in the defined area but a significantly conflicting position about whether Selective Licensing was the most appropriate tool to tackle them.
- Most recognised that the area within the consultation was in need of targeted enforcement although it was highlighted that other areas of North Lincolnshire had similar issues.
- Concern about the consequences of identifying a single specific area and the blight that might result.
- Landlords stated that any form of licensing would inevitably burden the majority of landlords in order to deal with a minority of rogue landlords.
- Landlords believe that rogue landlords will not comply with the scheme requirements and will remain 'hidden away'.
- Landlords believe the Council already has adequate existing powers to deal with poor landlords.
- In light of the above landlords supported the council resourcing and targeting its efforts to identify and sanction rogue landlords in preference to the introduction of licensing.
- Landlords believe the Council can better utilise other resources such as benefits, council tax registers and Land Registry databases to identify rogue landlords.
- Tenants had a variable experience of living in the private rented sector: but overall, more than half of respondents believed landlords were generally good and responsible.
- Residents/tenants generally supported Selective Licensing in principle and landlords did not.
- Tenants considered that landlords would cover licensing costs by passing them on to tenants, resulting in an additional financial burden that can be ill-afforded by many of those living in the proposed licensing area
- The question was posed *'Why Scunthorpe North, why not other areas, such as Brumby or Westcliffe?'*

Appendix 1

Conclusion in relation to the Selective Licensing Consultation

It was apparent from the consultation feedback that both residents and landlords agreed that the proposed area experiences problems related to ASB, fly tipping and crime.

Perhaps not unsurprisingly, the extent to which they thought the area was affected varied, with residents having a higher perception than landlords.

Landlord opposition to the proposed scheme was strong. Concerns were also expressed that Selective Licensing would not affect the rogue landlords who were likely to continue operating under the radar.

Many landlords said that the Council already had existing powers to do what was needed to target the rogue landlords and efforts should be focussed there instead.

Resident support for the scheme was high, particularly from those living within the proposed area. However, the support came with reservations, particularly around concerns about rent increases and the impact on homelessness. Many accepted that something 'needed to be done' to address the issues.

The consultation has provided us with significant information and intelligence in relation to the private rented sector within the proposed area. Of particular importance, has been the confirmation from both residents and landlords, albeit to varying degrees, agree that the proposed area experiences problems relating to crime, ASB, and to some extent poorer quality of accommodation. Landlords are aware that within this area, there are landlords operating with scant regard to housing conditions or their management obligations but understandably, they feel frustrated that as good landlords they will pay for it. Whilst they would welcome a level playing field, they do not feel that it is fair that they should be required to fund it.

Appendix 1

The positive contribution made by landlords in the area has started a new conversation. There is a consensus, which has provided a common ground in which to work with landlords and residents to address the issues.

The consultation has provided us with valuable views from a landlord's perspective on how we might tackle rogue landlords and raise housing standards in the proposed area.

Ultimately, the consultation gave us the most valuable feedback in relation to residents' fears around rent increases as a result of implementing Selective Licensing and landlords confirmation that additional costs would most likely be passed onto the tenants.

This highlighted a significant risk in implementing a Selective Licensing scheme, fundamentally, it has the potential to negatively impact upon those residents whose homes and lives we are trying to improve.

The consultation has helped us identify the risks and the potential impacts associated with Selective Licensing whilst also enabling us to consider alternative options to test against the original aims of the selective licensing scheme.

The outcomes of this consultation must be considered in the context of the changing regulatory landscape in respect of the private rented housing sector.