

Report to Cabinet

Subject: Selective Licensing Scheme Consultation

Date: 12th October 2017

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Wards Affected

Netherfield ward

Purpose

To advise Cabinet of the implications and procedure required for a selective licensing scheme.

To obtain Member approval for the Proposal to Declare a Selective Licensing Designation within the Private Rented Sector contained at appendix 1 of the report to be issued for a 12 week public consultation.

To seek Member support of the proposed fees and resource requirements outlined in the financial implications section of this report, subject to the result of the public consultation.

Key Decision

Not a key decision

Background

- 1.1 Section 80 of the Housing Act 2004 allows local authorities to introduce selective licensing of private rented properties in a designated area. The Secretary of State's guidance for local authorities issued by the Department of Communities and Local Government in 2015 requires that a designated area for selective licensing must have a high proportion of private rented accommodation (over 19%). Where the designated area covers over 20% of the local authority area or over 20% of the housing stock the authority to designate must be granted from the Secretary of State, (below this threshold the local authority has the power to designate the area).
- 1.2 The Secretary of State's guidance describes that a local authority can

designate an area for selective licensing where one or more of the following conditions exist:

- I. low housing demand (or is likely to become such an area)
- II. a significant and persistent problem caused by anti-social behaviour
- III. poor property conditions
- IV. high levels of migration
- V. high levels of deprivation
- VI. high levels of crime

- 1.3 The purpose of local authorities licencing all private landlords in a designated area is to ensure that a minimum standard of property management is achieved. The explanatory notes to Part 3 of the Housing Act 2004 makes it clear that selective licensing is strongly linked into the Government's anti-social behaviour agenda. Registered Social Landlords and their properties are exempt from selective licensing.
- 1.4 Prior to designating an area for selective licensing the local authority must have conducted a public consultation for a minimum period of 10 weeks.
- 1.5 Analysis has been carried out at ward level across the whole of Gedling Borough Council's area to compare crime, antisocial behaviour, housing conditions, the number of empty properties and deprivation statistics. Through this careful analysis Netherfield has been identified as area experiencing high levels or crime and antisocial behaviour and poor property conditions.
- 1.6 The Netherfield ward is a distinct area with a central high street with a number of shops and takeaways, a railway station, and a primary school. The ward also includes a retail business park with a number of retail outlets and food businesses, a supermarket and some industrial business units. The ward has a high density of residential accommodation and a significant proportion of pre-1930s terraced properties. There is a high density of rented accommodation in the ward and over 21% of properties are privately rented. The ward is a priority ward for the Council who have employed a dedicated Locality Co-ordinator since 2012 to support the community and bring together partner organisations to improve the ward. The Proposal to Declare a Selective Licensing Designation within the Private Rented Sector (see appendix 1 to this report) explains in more detail the case for declaring the Netherfield Ward for selective licensing.
- 1.7 In allowing local authorities to designate areas for selective licensing the government also allows for a fee to be set to recover the costs of running the scheme. It is not permitted for the fees to be set to generate additional

revenue for the Council.

Proposal

- 2.1 That members note the scheme of selective licensing as outlined in the Proposal to Declare a Selective Licensing Designation within the Private Rented Sector (appendix 1). This is to ensure that vulnerable households are able to access safe and suitable accommodation in the private rented sector within Gedling.
- 2.2 To obtain Member approval that the Proposal to Declare a Selective Licensing Designation within the Private Rented Sector (appendix 1) is circulated for a 12 week public consultation between Monday 16th October 2017 and Friday 5th January 2018. This is to consider views on the potential introduction of a Selective Licensing Scheme of private landlords for the Netherfield ward.
- 2.3 To obtain Member support of the proposed fees and resource requirements outlined in financial implications section of this report, subject to the result of the public consultation.
- 2.4 That officers bring back the findings of the public consultation to a future Cabinet meeting to consider and determine whether the proposed scheme should be designated.

Alternative Options

- 3.1 Officers have considered introducing a district-wide scheme but this was not taken forward at this stage because the evidence is not yet sufficient to include the whole district. Approval would need to be sought from the Secretary of State to designate more than 20% of the Councils area and it is unlikely that a borough wide designation would be supported.
- 3.2 Officers have considered other areas of the borough for a designation that would be under the 20% threshold requiring approval from the Secretary of State. At this stage the evidence has not been collated to support further designations and this would present an operational challenge to effectively deliver additional schemes with the resources available. Further research will be carried out to establish if other areas or wards could be designated in the next few years after learning from the Netherfield experience and satisfactory progress and improvements to housing conditions and management in the ward have been achieved.

Financial Implications

- 4.1 The costs associated with conducting a public consultation to consider whether to proceed to designating a selective licensing scheme are minimal and will be absorbed within existing resources. Authorising a public

consultation on selective licensing does not commit the Council to proceeding with a scheme but this section of the report will outline the wider financial implications that should be considered if the proposed selective licensing designation is made.

- 4.2 The licence fees associated with proposed scheme have been calculated to ensure the costs of the scheme, including setup, staffing resource and IT resources are covered by the licence fees. Individual licences issued through the scheme will last for the duration of the selective licensing designation which is a maximum period of 5 years and costs have been projected over the 5 year duration of the proposed scheme.
- 4.3 The licence fees have been calculated at £650 for accredited landlords and £675 for landlords who are not accredited. The licence fee is payable at the point of application and will last the duration of the selective licensing designation. Compared to other schemes nationally these fees are a mid-range, some councils have set fees of up to £800 or even £1,200 per property. Nottingham City Council's proposed selective licensing scheme which is intended to cover the vast majority of their area and over 30,000 rented properties proposes a standard licence fee of £655 but £400 for accredited landlords.
- 4.4 The discount offered by Nottingham City Council for accredited landlords is much greater than proposed for the Gedling scheme. However, due to the size of their designation Nottingham City Council will not inspect all of the properties where an application is received prior to issuing a licence, whereas for Gedling's scheme the aim would be to inspect every property prior to issuing a licence and many properties will be visited multiple times in the process to check property improvements – this has been factored in when setting the fees. For landlords to become accredited through DASH East Midlands it is currently free in Gedling and the Council pays an annual subsistence to DASH to provide landlord accreditation in the borough.

- 4.5 The projected income and costs over 5 years of the designated scheme together with the proposed staffing structure are listed in the table 1 below:

Table 1.

Selective Licensing Designation for whole of Netherfield Ward (635 rented properties)	Projections over 5 years	Staffing Proposal
Income	(£412,800)	1 x Senior EHO Band 10 1 x Deletion Environmental Health Officer Band 9 1 x Housing Improvement Officer Band 8 (perm) 2 x Licencing Officer Band 7/8 2yr fixed term
Additional Staff Costs	£370,000	
IT Costs (inc. software to receive applications)	£22,000	
Overheads	£20,800	
Balance at the end of 5 year period	£0	

- 4.6 The above projections in table 1 are based on the number of private rented properties according to the 2011 census. The census collated data from all residents and required them to indicate the tenure of property in which they lived. According to the census there were 635 private rented properties in the Netherfield ward (based on the current ward boundaries) and the financial projections are based on this number of properties. Officers have compared the census data to the number of housing benefit claimants living in rented accommodation in the ward, a substantial number live in private rented accommodation. Officers have also considered the English House Survey of 2015 and it is known from this that the private rented sector in England has increase by 800,000 between 2011 and 2015. These comparisons give sufficient confidence that the 2011 census data is broadly accurate. It known from other local authorities that have implemented selective licensing schemes such as Ashfield, Doncaster, and West Lindsey that the number of private rented properties they found in their designated areas after introducing selective licensing was significantly greater than they anticipated prior to the designation. There is no entirely accurate dataset to identify the location of all private rented accommodation which is part of the reason for designating selective licensing to address a largely unregulated sector of business.
- 4.7 The risk of landlords not applying for a licence is considered small as the scheme will be well publicised and brought to the attention of landlords. Tenants and the community will be encouraged to report properties that should be subject to licensing. The penalties for not licensing a property are significant and with the proposed designated area covering the whole ward it is considered manageable to regulate. The council will proactively pursue landlords who avoid applying for licences and take appropriate and

proportionate enforcement action.

- 4.8 To enable the licensing scheme to be delivered in a modern and digital format officers have investigated software solutions available in the market place. The intention is to purchase a web-based IT solution to allow landlords to apply for licences over the internet and make licence fee payments through via the Council's website. The cost of the software will be covered through the licence fees.
- 4.9 It is proposed that 3 additional technical officer grade staff and 1 new Senior EHO will be required to deliver the scheme. The projected staffing costs will be paid for by the licence fees and have been based on the highest costs to the Council if staff were recruited at the top grade in each pay band. The staffing structure will be implemented by the Chief Executive in accordance with delegated arrangements following consultation with the trade unions.
- 4.10 The projected income generated (see table 1) through the scheme has been based on the 635 private rented properties in the area all applying for licences, it does not take into account additional income if properties that are bought and sold through the course of the scheme that become licensable and/or additional properties that become private rented after the scheme is designated. The projected income also does not take into account cost recovery through enforcement action such as the service of enforcement notices under the Housing Act 2004 which may be required in some circumstances which will be subject of a separate fee. There are also additional proposed charges as stated in appendix 1 of the Proposal to Declare Selective Licensing attached in the appendix to this report. It is considered that the potential additional income described in this paragraph will provide sufficient resources to compensate any reductions in income in the unlikely event that there are significantly less private rented properties in the ward than anticipated.
- 4.11 The financial risks associated with the proposal have been looked at prudently and the financial risk to the Council is considered low. The staff and IT costs associated with the scheme will be covered through the licence fees. The income generated through the scheme will be kept under review and should the actual income received through the course of the scheme turn out to be lower than the staffing and IT costs these costs will be appropriately adjusted throughout the course of the scheme to ensure it remains cost neutral over the 5 year timescale.
- 4.12 Should this report receive approval officers would compile the necessary resource development bids to be considered in the 2018/19 budget process and final approval for scheme implementation will be subject to approval by Cabinet following consideration of the public consultation.

Appendices

- 5.1 Appendix 1 - Proposal to Declare a Selective Licensing Designation within the private rented sector

Background Papers

- 6.1 Secretary of State's Guidance "*Selective Licensing in the private rented sector: A Guide for local authorities*"

Recommendation(s)

- 7.1 That Cabinet:
- a) note the scheme of Selective Licensing as outlined in the Proposal to Declare a Selective Licensing Designation within the Private Rented Sector (appendix 1).
 - b) approve the Proposal to Declare a Selective Licensing Designation within the Private Rented Sector contained at appendix 1 to be issued for a 12 week public consultation.
 - c) support the proposed fees and resource requirements outlined in financial implications section of this report, subject to the result of the public consultation.

Reasons for Recommendations

- To gain Cabinet approval to conduct a public consultation to consider whether to declare the Netherfield ward for selective licensing.
- To gain Cabinet support for the proposed fees and additional staffing resource and structure required to implement the selective licensing scheme.