

AGENDA ITEM

REPORT TO CABINET

17 NOVEMBER 2022

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Cabinet Member for Regeneration and Housing – Councillor N Cooke

SELECTIVE LICENSING OPTION APPRAISAL

SUMMARY

As members will recall, previous reports have been presented to Cabinet which considered the option of Selective Licensing of the private rented sector within the borough. During the Selective Licensing consultation period, private sector landlords approached the Council with an alternative proposal, one which they considered would achieve the same outcomes as Selective Licensing (to drive up standards of property condition and management of private rented housing). Cabinet subsequently agreed to postpone a decision on Selective Licensing to allow for a period of engagement with private sector landlords and the establishment of a Landlord Led Membership scheme. A further report was presented to Cabinet in September 2021 which provided an evaluation of the Landlord Led Membership scheme. Following consideration of this report Cabinet requested (decision record D210048) that a further evaluation of Selective Licensing be undertaken. This report details the process undertaken and identifies that following this evaluation there is a robust evidence base to further explore Selective Licensing within 3 areas of the borough (Central Stockton, North Thornaby and Newtown).

REASON FOR RECOMMENDATIONS/DECISIONS

Selective Licensing is an additional ‘tool’ which councils use (working alongside a range of existing other measures) to drive up standards of property condition and management in areas to address areas with high levels of private rented housing, specifically those experiencing low housing demand and high levels of crime and anti-social behaviour.

RECOMMENDATIONS

Cabinet are asked to:

1. Approve the proposal to explore Selective Licensing in 3 areas of the borough (Central Stockton, North Thornaby and Newtown).
2. Subject to the above, agree that a further report be presented back to Cabinet (anticipated summer 2023). This report will include the detail of the areas proposed for the Selective Licensing designations (‘red line’ maps), the detailed rationale for each proposal, the proposed fee structure, and a public consultation programme.
3. Note that subject to the above (recommendation 2) that a further report would be presented back to Cabinet following the conclusion of the Selective Licensing public consultation exercise (an indicative timeline for next steps is detailed in paragraph 10).

DETAIL

Background

1. As noted previously, earlier reports have been presented to Cabinet which considered the option of Selective Licensing of the private rented sector within the borough, (Central Stockton and North Thornaby). During the Selective Licensing consultation period private sector landlords approached the Council with an alternative proposal. Cabinet subsequently agreed to postpone a decision on Selective Licensing to allow for a period of engagement with private sector landlords and the establishment of a Landlord Led Membership scheme. An evaluation of the Landlord Led Membership Scheme, Private Landlords Supporting Stockton, (PLuSS) was considered by Cabinet in September 2021. In summary this evaluation report highlighted:
 - The PLuSS scheme commenced on the 1.10.19 and during this time a bespoke website had been established, an application process (managed by the Council) had been agreed and implemented and a code of conduct for participating landlords had been agreed/was implemented.
 - Despite promotion of the scheme, only 138 member applications had been accepted. Of which 92 landlords owned or managed properties (totalling 593) within either the Central Stockton or the North Thornaby areas. The remaining 46 member landlords owned or managed properties across the wider borough.
 - As of the *end of September 2022*, the total number of landlords on the scheme has increased to 149, of which 93 have 612 properties within the Central Stockton and North Thornaby areas. This equates to only 40% of properties which would have been include in the proposed 2018 Selective Licensing designation. No new applications have been received since 5th January 2022.
 - The Councils experience of working with PLuSS was mixed. Whilst a significant number of the PLuSS members operate in a professional manner with good procedures and policies, there have still been examples of individual landlords with little knowledge of their legal responsibilities.
2. Having considered the PLuSS scheme evaluation, Cabinet (decision record D210048) approved the recommendation that a further exercise be undertaken to establish whether the Council would have a robust evidence base to re-consider a Selective Licensing designation/s of the boroughs private rented housing stock.

Selective licensing (an overview)

3. How a Selective Licensing Designation would work:
 - **All** private landlords operating in a designated Selective Licensing area would be required to obtain a licence from the local authority.
 - The licence is valid for up to 5 years and will contain a series of conditions that the licence holder will be required to comply with. Licences typically include both mandatory conditions and discretionary conditions (aimed at ensuring properties are safe, meet basic standards and that they are managed in a satisfactory way).
 - The costs associated with the administration of a Selective Licensing must be transparent and cover the costs of the scheme. Licence fees vary between local authorities and can range from example between £450 to £1,200 per property.
 - Operating without a licence or failure to adhere to licence conditions is a criminal offence.

- When operated effectively Selective Licensing provides local authorities with an additional, proactive tool (which will support existing activity) to help up-lift an area.
4. Selective Licensing is recognised as one of the key powers available to local authorities to improve management practices in the private rented sector. Cabinet is also asked to note that in the Department of Levelling Up Housing and Communities, *White Paper 'A Fairer Private Rented Sector'* (published in June 2022), Selective Licensing is referenced as an existing tool available to local authorities to tackle local housing issues including poor housing quality, low housing demand and anti-social behaviour. The publication included a case study (Nottingham City Council) who implemented Selective Licensing in August 2018 and at the time of the White Paper publication had received 29,000 property selective licensing applications.

Overview of the 2022 Selective licensing options appraisal

5. To inform any Selective Licensing proposal it is imperative that a Council has a robust evidence base. Therefore, it was not sufficient to simply 'refresh' the evidence the Council had previously considered. Members are asked to note that the process undertaken initially considered each of the boroughs 26 wards. Each ward was considered against 32 measures which can be used to assess whether an area would qualify for one of the 'designations' which can be used to justify Selective Licensing. These designations include:
 - (a) Low housing demand
 - (b) Anti-social behaviour
 - (c) Poor property conditions
 - (d) High levels of migration
 - (e) High levels of deprivation
 - (f) High levels of crime
6. Examples of the 32 measures considered included: crime data, domestic abuse, criminal damage & arson, theft, Anti-social behaviour, fly tipping, deliberate primary fires and secondary fire data, the number of households claiming universal credit or in fuel poverty, household income under £15k, data relating to the lack of formal qualifications and the number of residents aged 16-18yrs not in employment, education, or training. Other measures consider the tenure profile of wards and the number of vacant dwellings (**Appendix A** details the measures considered).
7. The above exercise concluded with a 'ranking' of each ward which identified the highest ranked wards as Stockton Town Centre, Mandale & Victoria, Parkfield & Oxbridge, Newtown and Hardwick/Salters Lane. However as Selective Licensing is a tool to address conditions and management of private rented housing, a further exercise was then undertaken which (a) discounted the Hardwick and Salters Lane ward, where private rented housing is not the significant tenure and (b) identified those areas within the remaining wards with significant concentrations of private rented housing stock. In summary, the conclusion of this exercise identified 3 potential areas - **Central Stockton, North Thornaby and Newtown**.
8. Cabinet is asked to note that 'red line' plans are not presented for approval at this stage as they will continue to be refined. However it is anticipated that the proposed 3 areas will include a significant number of private rented properties. For example, current tenure profiling

suggests in the Central Stockton area 47% of properties are privately rented, this is 44% in North Thornaby and 61% in Newtown.

Proposed next steps and timelines

9. Before Selective Licensing can proceed it is necessary to ‘work up’ a detailed proposal which must include:
 - (a) The business case (Scheme Proposal) for each of the proposed Selective Licensing scheme designation areas, detailing their individual supporting evidence bases.
 - (b) A detailed designation map (red line map, with a supporting street listing detail) for each of the proposed Selective Licensing scheme designation areas.
 - (c) A fee structure proposal (the cost to landlords for each property licence).

Cabinet is asked to note that contact has been made with local authorities who have active Selective Licensing schemes to determine best practice and understand scheme fee structures. Clearly the licence fee will be a key consideration for private landlords and whilst a proposed licence fee will be worked up (and evidenced) it is expected to be lower than that proposed back in 2018.

- (d) A formal consultation plan (including consultation material).
- (e) The mandatory and discretionary licence conditions which the Council is proposing to adopt.
- (f) Details of any Selective Licensing exemptions.

10. Subject to Cabinet decision to approve the proposal to explore Selective Licensing in 3 potential areas of the borough (Central Stockton, North Thornaby and Newtown) the above information will be prepared, and a further report is presented back Cabinet for further consideration. As noted in the indicative timeline below it is anticipated this will be summer 2023, on the assumption that Cabinet grant approval to move to formal consultation an indicative timeline leading to formal scheme implementation is detailed below. Members are asked to note that this timeline will be refined as the proposal progresses to ensure it complies with statutory guidance.

| Potential next steps | Timeline (indicative) |
|---|---------------------------|
| Detailed proposal presented to Cabinet | June/July 2023 |
| Consultation period | 10 weeks (minimum) |
| Consultation analysis / report preparation | Oct 2023 |
| Report back to Cabinet (detailing outcome of formal consultation) | Nov 2023 |
| Publish designation area notice | Nov 2023 |
| Notify all consulted | End Nov 2023 |
| 3-month notice period | Dec 2023 / Jan / Feb 2024 |
| Selective licensing commences | Spring 2024 |

COMMUNITY IMPACT IMPLICATIONS

11. As noted within the body of this report Cabinet are asked to 'approve in principle' Selective Licensing in 3 distinct areas of the borough, Central Stockton, North Thornaby and Newtown. This proposal would affect all private sector landlords and private sector occupiers in these areas. To inform a Selective Licensing proposal due regard will be given to both legislation and DCLG guidance.
12. Also as noted in para. 9 should the Council wish to proceed extensive consultation would be undertaken to reach all those who would (or are likely to) be affected (private sector tenants, private sector landlords, businesses, and wider stakeholders).

CORPORATE PARENTING IMPLICATIONS

13. Not applicable given the nature of this report.

FINANCIAL IMPLICATIONS

14. As noted within the body of this report, a Selective Licensing fee structure needs to be developed and approved. Cabinet is asked to note that a Selective Licensing proposal is expected to be self-financing through the charging of fees, therefore all monies received would be ring-fenced to deliver the scheme and would not be used to fund any other Council services.

LEGAL IMPLICATIONS

15. Part 3 of the Housing Act 2004 (the Act) sets out the scheme for licensing private rented properties in a local housing authority area. Under section 80 of the Act a local housing authority can designate whole or any part of its area as subject to Selective Licensing. Where a Selective Licensing designation is made it applies to privately rented properties in the area.

RISK ASSESSMENT

16. A detailed risk assessment will be undertaken as part of the development of the Selective Licensing proposal.

AFFECTED WARDS AND CONSULTATION WARD/COUNCILLORS

17. Stockton Town Centre: Councillors P Beall and P Kirton
Parkfield and Oxbridge: Councillors M Javed and L Baldock
Victoria and Mandale: Councillors S Walmsley, T Large and L Frost
Newtown: Councillors M Surtees and P Weston

BACKGROUND PAPERS

18. Report to Cabinet 16.9.21 Private Landlords Supporting Stockton (PLuSS) Scheme Review
Report to Cabinet 12.11.20 Targeted Action Area Review and Next Step
Report to Cabinet 12.09.19 'Targeted Action Areas Update'
Report to Cabinet 12.07.18 'Selective Licensing of Private Rented Accommodation'
Report to Cabinet 16.11.17 'Targeted Action Areas (Older Housing Stock)'

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| Measure |
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| Recorded Crimes |
| Crime Rate per 1000 population |
| Domestic Abuse Crimes |
| Domestic Abuse per 1000 population |
| Criminal Damage / Arson |
| Criminal damage/arson per 1000 population |
| Theft Offences |
| Theft Offences per 1000 population |
| ASB Incidents |
| ASB incidents per 1000 population |
| Deliberate Primary Fires |
| Secondary Fires |
| Claiming Universal Credit age 16-64 |
| Claiming Universal Credit age 18-24 |
| Households in Fuel Poverty |
| Fly Tipping Removals |
| Average House Prices |
| % of residents who are Homeowners |
| % of residents who are in Social Rented |
| % of residents who Privately Rent |
| Vacant Dwellings % |
| Life expectancy at birth (Male) |
| Life expectancy at birth (Female) |
| Emergency Hospital Admissions |
| Obesity in children (in reception) |
| Obesity in children (year 6) |
| Income under £15k |
| Households likely to be finding it difficult to cope on income |
| Adults with NO qualifications |
| Pupils gaining 5+ GCSE's inc English & Maths |
| Age 16-18 and in full time education |
| Age 16/18 NEET (not in employment, education, or training) |