CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

12 OCTOBER 2023

REPORT OF CORPORATE MANAGEMENT TEAM

CABINET DECISION

Cabinet Member for Regeneration and Housing – Councillor N Cooke

SELECTIVE LICENSING OF PRIVATE RENTED ACCOMMODATION

SUMMARY

As members may recall a report was presented to Cabinet in November 2022 which detailed the outcome of a Selective Licensing option appraisal. Subsequently approval was granted (decision record D220055) to explore Selective Licensing in 3 areas of the borough (**Central Stockton**, **North Thornaby** and **Newtown**).

Following a detailed assessment of each of these areas, approval is now sought to commence consultation on the proposed implementation of Selective Licensing in the three designated areas of Central Stockton, North Thornaby and Newtown. Central Stockton and North Thornaby are proposed on the basis that they are areas that are or are likely to become areas of low housing demand, have high concentrations of private rented properties (well above the national average) and are experiencing high levels of deprivation. Newtown is proposed as an area experiencing significant and persistent problems caused by high levels of crime and anti-social behaviour, with high concentrations of private rented properties (well above the national average) and is experiencing high levels of deprivation. The Council will charge a fee to cover the cost of operating a Selective Licensing scheme, this will be a ring-fenced account solely in connection with the scheme. As the Council is seeking to support responsible landlords, a £50.00 discount per property will be offered for landlords who are members of the Council's Voluntary Accreditation Scheme or PLuSS (Private Landlords Supporting Stockton) or are members of a nationally recognised landlords' association.

REASON FOR RECOMMENDATIONS/DECISIONS

Selective Licensing is an additional 'tool' which the Council will use, working alongside a range of other existing measures to drive up property condition standards and the management of private rented housing in Central Stockton, North Thornaby and Newtown.

The proposed Selective Licensing designated areas have been identified following a robust evidence-based assessment undertaken in accordance with Government Guidance, issued by the then Department for Communities and Local Government now the Department of Levelling Up, Housing and Communities (DLUHC). Following the conclusion of this assessment, Officers are satisfied that the relevant statutory tests have been met and that the Selective Licensing of private rented housing within the proposed designated areas is an appropriate tool to address the problems identified.

RECOMMENDATIONS

Cabinet is asked to:

1. Note the evidence base to support the introduction of Selective Licensing of private rented accommodation in three designated areas (Central Stockton, North Thornaby and Newtown), as detailed in the attached Selective Licensing Scheme Proposal and **Appendix 1** Evidence Base.

2. Grant approval 'in principle' to pursue a Selective Licensing scheme in Central Stockton, North Thornaby and Newtown as detailed within the attached Selective Licensing Scheme Proposal.

3. Subject to the above, instruct Officers to commence a detailed programme of public consultation to ensure that the Council takes "reasonable steps to consult with persons who are likely to be affected by the designation", as required Section 80(9) Part 3 of the Housing Act 2004 and in accordance with relevant Government guidance.

4. Approve that a further report be presented back to Cabinet following the conclusion of the above public consultation exercise. This report will inform Cabinet of the outcomes of the consultation and allow Cabinet to determine whether to make a Selective Licensing designation (covering Central Stockton, North Thornaby and Newtown) or not.

DETAIL

Background

1. The private rented sector has grown significantly in recent years both nationally and locally. In the borough of Stockton-on-Tees the percentage of households renting their home from a private landlord has increased from 13.1% to 17% between the 2011 and 2021 census'. Nationally the private rented sector (based on the 2021 census) accounts for 20.3% of the total housing stock in England. With the Department of Communities and Local Government (now DLUHC) highlighting that areas are considered as having a high proportion of privately rented properties if they are above this national level. The 3 proposed Selective Licensing designated areas have a private rented sector well above the national and borough averages; Central Stockton 50%, North Thornaby 41% and Newtown 45%.

2. Whilst the Council recognises that the private rented housing sector provides a valuable housing offer (in terms of providing housing choice and meeting housing need) it can also bring challenges; some properties are poorly managed, some do not meet satisfactory standards and/or are in areas where private rented housing is a significant tenure.

3. As Cabinet may recall the Council has previously considered introducing Selective Licensing in the Central Stockton and North Thornaby areas. During the consultation process in 2018, a group of private sector landlords came together to form PLuSS (Private Landlords Supporting Stockton) and 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 PLuSS and the establishment of the scheme. An evaluation of the Landlord Led Membership Scheme was considered by Cabinet in September 2021, it was noted that whilst a scheme had been established (including the introduction of a bespoke website, an application process and the implementation of a code of conduct for participating landlords), only a limited number of properties (40%) which would have required a license under Selective Licensing were covered by PLuSS member landlords. On this basis Cabinet granted approval (decision record D210048) to further explore Selective Licensing.

Selective Licensing (an overview)

The Legal Framework:

4. 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, subject to two prerequisites. Firstly, section 80(9) of the Act requires the housing authority to have taken reasonable steps to consult persons likely to be affected by the designation and to consider any representations made in response. Secondly, section 80(2) of the Act requires that the proposed licensing scheme must satisfy one or more of several specified statutory conditions, which are set out in sub sections 80(3)(a),(b) and (6) of the Act:-

   a) *That the area is, or is likely to become, an "area of low housing demand"; and that the proposed designation will contribute to the improvement of the social or economic conditions in the area when combined with other measures taken in the area by, or in cooperation with, the local authority*;

   b) *That the area is experiencing a "significant and persistent problem" caused by anti-social behaviour ('ASB'); that some or all of the private sector landlords letting premises in the area have failed to take action which it would be reasonable for them to take to combat the problem; and that the proposed designation will, when combined with other measures, lead to a reduction in or elimination of the problem.*

5. In March 2015, the Government extended the conditions for designation of selective licensing in England. The Selective Licensing of Houses (Additional Conditions)(England) Order 2015/977 came into force on 27 March 2015, and permits licensing where: -

   The area contains a high proportion of properties in the private rented sector, being properties which are occupied under assured tenancies or licenses to occupy, and one or more of specified further conditions also apply:

   - Housing conditions: the local housing authorities consider it appropriate and intends to carry out inspection of a significant number of properties to determine the existence of category 1 and 2 hazards, with a view to taking any necessary enforcement action;

   - Migration: the area has "recently experienced or is experiencing an influx of migration into it"; a significant number of properties are occupied by migrants; and the designation will assist the local housing authority to preserve or improve conditions in the area, ensure properties are properly managed, or prevent overcrowding;

   - Deprivation: the area is "suffering from a high level of deprivation, which affects a significant number of the occupiers of [the] properties" and the designation will contribute to a reduction in deprivation;

   - Crime levels: the area "suffers from high levels of crime"; criminal activity affects persons occupying the properties; and the designation will contribute to a reduction in crime levels "for the benefit of those living in the area".

   Before deciding to designate an area for Selective Licensing an authority must also consider whether there are alternative means of addressing issues and that any proposal fits within its overall Housing Strategy.

How Selective Licensing will work:

6. Selective Licensing is a 'tool' which when working alongside other measures can be a positive means to address an area that is or is likely to become an area experiencing low housing

demand, or an area experiencing significant and persistent problems caused by high levels of crime and anti-social behaviour. In summary:

- **All** private landlords operating in a designated Selective Licensing area would be required to obtain a licence from the Council.

- 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 are managed in a satisfactory way).

- The costs associated with the administration of a Selective Licensing scheme must be transparent. Fees vary between local authorities, in the North East fees currently range from £500 to £820 per property. Some local authorities offer discounts (i.e. for being members of landlord's associations) and penalty charges (i.e. for late applications or incomplete applications).

- In addition to ensuring compliance with the licence conditions, the Council will need to determine that the proposed licence holder is a 'fit and proper' person in terms of their suitability to manage their property before issuing a licence.

- Operating without a licence or failure to adhere to licence conditions is a criminal offence.

<u>The case for introducing Selective Licensing</u>

7. Since approval was granted to further explore Selective Licensing an exercise has been undertaken to determine whether the Council has an evidenced rational that will meet the statutory requirements. This exercise did not simply 'refresh' the evidence previously considered, rather each of the borough's wards were considered against an extensive list of measures specifically linked to Selective Licensing. This exercise identified the 'highest' ranking wards as Stockton Town Centre, Mandale & Victoria, Parkfield & Oxbridge (which following the May 2023 boundary changes now forms part of the Ropner Ward), Newtown and Hardwick/Salters Lane. However as Selective Licensing is a tool to address conditions and management of private rented housing, a further tenure mapping exercise was then undertaken which discounted the Hardwick and Salters Lane ward (as private rented housing is not the significant tenure).

8. This initial exercise was then followed by a robust examination of each of the remaining wards to determine whether the issues faced were consistent across the ward as a whole or whether there are concentrations of streets experiencing problems which could justify the implementation of Selective Licensing.

9. A range of indicators have been used to undertake the assessment detailed above, these included:

   - Office of National Statistics (ONS) – Census data 2011 and 2021
   - Overall Index of Multiple Deprivation (IMD) Score: IMD2019
   - National Rent Deposit Scheme
   - Local Housing Allowance – April 2023
   - Land Registry UK House Price Index
   - Right Move house sales and rental data
   - Zoopla house sales and rental data
   - Stockton-on-Tees Borough Council 2022/23 data (Council tax, Empty Homes and Civic Enforcement)
   - Office of Health Inequalities and Disparities (OHID)
   - Experian Mosaic Public Sector
   - Police Recorded ASB incidents data for 2021/22 within the borough

- Police Recorded Crime incidents data for 2021/22 within the borough

10. The above exercise identified that within the three wards there are specific areas where there is evidence to support it being a designated Selective Licensing area. The areas proposed for inclusion within the Selective Licensing designation are:

- **Area 1: Central Stockton**

  This is an area of older, predominantly terraced housing and forms part of the Stockton Town Centre and the former Parkfield and Oxbridge (now the Ropner) wards. Selective Licensing is proposed on the basis this area is or is likely to become an area of low housing demand, has a high concentration of private rented properties (well above the national average) and is experiencing high levels of deprivation.

  The red line map (**Appendix A**) identifies the proposed Central Stockton Selective Licensing designated area. In the proposed Selective Licensing designated area **50% of properties are private rented** (significantly above the national average of 20.3% and borough average of 17%). This is also an area where:

  - House prices are considerably lower both than the national and borough averages.

  - 10% of properties in the proposed designation area were empty as of the end of March 2023. Compared to a national average of 2.7% and the borough average of 2.4%.

  - 63.5% of properties empty in the area have been empty for longer than 6 months.

  - 89.1% of properties with the area fall into Council Tax Band A (compared to the 39.1% borough average and the national average of 23.5%).

  - The 2019 Indices of Multiple Deprivation identified that the Stockton Town Centre and Parkfield & Oxbridge ward (which this area straddles) are in the 10% most deprived wards in the country.

  A detailed evidence basis for the justification to why this area is proposed as a Selective Licensing designated area is included in the attached Selective Licensing Scheme Proposal and **Appendix 1** Evidence Base.

- **Area 2: North Thornaby**

  This is an area of older, predominantly terraced housing and forms part of the Mandale & Victoria ward. Selective Licensing is proposed on the basis that this area is or is likely to become an area of low housing demand, has a high concentration of private rented properties (well above the national average) and is experiencing high levels of deprivation.

  The red line map (**Appendix B**) identifies the proposed North Thornaby Selective Licensing designated area. In the proposed Selective Licensing designated area **41% of properties are private rented** (significantly above the national average of 20.3% and borough average of 17%). This is also an area where:

  - House prices are considerably lower both than the national and borough averages.

  - 11.2% of properties in the proposed designation area were empty as of the end of March 2023, compared to a national average of 2.7% and the borough average of 2.4%.

  - 69% of properties empty in the area have been empty for longer than 6-months.

- 80.5% of properties with the area fall into Council Tax Band A (compared to the 39.1% borough average and the national average of 23.5%).

- The 2019 Indices of Multiple Deprivation identified the Mandale and Victoria ward is in the 10% most deprived wards in the country.

A detailed evidence basis for the justification to why this area is proposed as a Selective Licensing designated area is included in the attached Selective Licensing Scheme Proposal and **Appendix 1** Evidence Base.

- **Area 3: Newtown**

This is an area of older, predominantly terraced housing and forms part of the Newtown ward. Selective Licensing is proposed on the basis that this area is experiencing significant and persistent problems caused by high levels of crime and anti-social behaviour, with high concentrations of private rented properties (well above the national average) and is experiencing high levels of deprivation.

The red line map (Appendix C) identifies the proposed Newtown Selective Licensing designated area. In the proposed Selective Licensing designated area **45% of properties are private rented** (significantly above the national average of 20.3% and borough average of 17%). This is also an area with:

- Higher-than-average crime rates when compared to other areas of the borough.

- Higher than average reported ASB incidents when compared to other wards. The ward also ranks above the borough average for crime per 1000 population for reports of domestic abuse, criminal damage and arson.

- 11.2% of properties in the proposed designation area were empty as of the end of March 2023. Compared to a national average of 2.7% and the borough average of 2.4%.

- The 2019 Indices of Multiple Deprivation identified that Newtown is in the 10% most deprived wards in the country.

A detailed evidence basis for the justification to why this area is proposed as a Selective Licensing designation area is included in the attached Selective Licensing Scheme Proposal and **Appendix 1** Evidence Base.

11. Members are asked to note that whilst red line maps of the proposed Selective Licensing designated areas are included within this report (and the supporting information) they are included to provide a broad guide and will be finalised following the conclusion of the consultation exercise.

<u>Selective Licensing Scheme Proposal and Consultation Plan</u>

12. To ensure compliance with the Government Guidance 'Selective Licensing in the private rented sector: A guide for Local Authorities' (DCLG, 2015) a Selective Licensing Scheme Proposal has been produced. This document details the rationale for the proposed Selective Licensing designation including the strategic context (i.e., how the proposal supports the authority's Housing Strategy), alternative courses of action considered (and why they have been discounted) and how the scheme will be delivered. This is supported by the following appendixes:

Appendix 1:	Supporting Evidence Base
Appendix 2:	Red line maps and Street Listing (the areas affected)
Appendix 3:	Consultation Plan

Appendix 4:	Mandatory and Discretionary License Conditions
Appendix 5:	Selective License Fee Proposal
Appendix 6:	List of Exemptions
Appendix 7:	Risk Register

13. To ensure compliance with our statutory requirements and Government Guidance a detailed Consultation Plan has been prepared (**Appendix 3**). This plan includes details of how and when the Council will consult with residents, businesses and known landlords both within and adjacent to the proposed Selective Licensing designated areas and how we will consult with wider stakeholders and partner agencies.

14. It is proposed that the consultation will take a variety of forms including:

    - Consultation leaflet delivered to all residents and businesses both within the proposed selective designation area and adjacent area. This will summarise the Selective Licensing proposal and how interested parties can provide their views (via an on-line survey or postal survey).

    - A direct mail out to known landlords and managing agents.

    - Direct contact with key partner agencies, stakeholders and other potential interested parties.

    - The above will be supplemented by wider publicity through the Councils website, Stockton News, social media and press releases.

15. At this stage the Selective Licensing proposal is only at a **formative stage** and the Communication Plan has been drafted to ensure that the Council actively seeks the views of all who may be affected. The minimum 10-week consultation will be extended to allow for distribution of the publicity material and for the festive period, it is therefore proposed that public consultation will run from Monday 6th November 2023 to 4pm Friday 19th January 2024.

16. As noted previously, at the end of this consultation period a further report summarising the feedback received will be reported back to Cabinet. Having considered this information, Cabinet will then be asked to determine whether to approve the implementation of the Selective Licensing scheme/designation or not.

Delivering a Selective Licensing Scheme

17. Section 5 of the Selective Licensing Scheme Proposal details how the Council proposes to implement a Selective Licensing Scheme. In summary:

    - A dedicated Selective Licensing Team will be established to deliver all aspects of the scheme (and ensure a local presence and key contact points for residents and landlords). This team will be supported by enforcement roles funded by the Council.

    - All private rented properties licensed under the proposal will be inspected. The Council will operate a risk-based approach to determine a programme of property inspection.

    - The inspection will allow the Council to ensure each property meets the required standard and will provide an opportunity to provide advice and assistance to landlords and tenants.

    - Licensing will place a legal requirement on landlords to undertake a reference check on a prospective tenant before offering a tenancy. The Council will operate a tenant reference service (available for free to landlords within the 3 designated areas) and all references should be obtained via this service.

- The Council also recognises that a tenant's/occupier's behaviour is equally as important as a landlord's. The dedicated Licensing Team will provide an increased local presence within the designation areas, which will allow Selective Licensing Officers the opportunity to get to know and build up relationships with the aim of increased information sharing and the identification of any issues/concerns. The property inspection visit will also provide an opportunity to discuss tenant responsibilities as detailed in their tenancy agreement (i.e. expected behaviour, reporting of repairs, refuse storage and disposal etc.) as well as offering any general and specific support required to ensure the tenant can successfully sustain their tenancy.

18. As we propose to take a proactive approach to Selective Licensing, it is anticipated (based on the experience of other Authorities) there will be an increase in the level of housing condition and ASB enforcement activity. Enforcement action will also be needed if a landlord fails to licence their property, or fails to comply with the licence conditions. Enforcement roles will be funded by the Council.

The cost of delivering Selective Licensing

19. A detailed exercise has been undertaken to identify the costs of running the scheme over the 5-year period (based on the estimated number of licences to be issued and the level of resources required to deliver the scheme). To meet scheme running costs the proposed license fee is £653.00 per property. The Council is not permitted, nor does it seek, to make a financial profit from licensing.

STANDARD FEE APPLICATION = £653.00 per property	
Application Fee	£178.00 per property.
Annual Fee	£95.00 per property for each of the 5 years the scheme will be in operation.

LATE FEE APPLICATION = £753.00 per property *Where an application is received more than 28 calendar days after the property becomes licensable and reminders are sent. And/or an incomplete application is received (and returned) and is not complete within a 28 calender day period.	
Application Fee	£278.00 per property.
Annual Fee	£95.00 per property for each of the 5 years the scheme will be in operation.

20. It is vital that the Council strikes a balance between charging a level of fee to ensure that it has sufficient income to deliver the scheme and the need to ensure that the fee charged does not place an unreasonable burden on private sector landlords. In proposing the above fee structure due consideration has been given to achieving this balance.

21. As the Council is seeking to work in partnership with landlords it is proposed that a discount of £50.00 per property will be applied to accredited landlords (member of the Councils Landlord Accreditation Scheme, a member of PLuSS or those who are members of a national landlord scheme) at the time of licence application.

22. The final fee and discount will be finalised following the consultation process.

COMMUNITY IMPACT IMPLICATIONS

23. As noted within the body of this report a Selective Licensing designation will affect three areas of the borough, Central Stockton, North Thornaby and Newtown and all private sector landlords and private sector occupiers in these areas. To inform the Selective Licensing scheme due regard has been given to both legislation and Government guidance and the Council is confident that it has robust evidence to justify the proposal.

24. As detailed in paragraphs 12 to 16 the Council will be undertaking a period of extensive consultation to reach all those who would (or are likely to) be affected by the Selective Licensing designation in particular; private sector tenants, private sector landlords, business and wider stakeholders within the 3 proposed designated areas and in the adjacent areas. This will be supplemented by Stockton News, social media, the Council's website and press releases for example.

25. All consultation replies received (which are not withdrawn) during the public consultation period will be considered and inform the Council's decision on whether to proceed.

FINANCIAL IMPLICATIONS

26. The proposed Selective Licensing scheme will be self-financing through the charging of fees. As noted within the body of the report, the proposal is to introduce a standard fee of £653.00 per license. All monies received via income will be ring-fenced to deliver the scheme and will not be used to fund any other Council service.

LEGAL IMPLICATIONS

27. As noted in paragraphs 4 to 5, Part 3 of the Housing Act 2004 (the Act) sets out the scheme for licensing private rented properties in a local housing authority area.

28. In accordance with Section 80 (9) of the Act, the Council will implement a Consultation Plan which:

    - Takes responsible steps to consult persons who are likely to be affected by the designation;- *and*
    - Consider any representation made in accordance with the consultation.

RISK ASSESSMENT

29. A detailed risk assessment has been undertaken to inform the Selective Licensing proposal. A Cabinet decision to consult on a proposed selective licensing designation does not raise an immediate risk to the Council and is categorised as low to medium risk. Existing management systems and daily route activities are sufficient to control and reduce risk.

AFFECTED WARDS AND CONTUALTION WARD/COUNCILLORS

30.

Stockton Town Centre:	Councillors P Beall and P Rowling.
Ropner:	Councillors S Hussain and S Mubeen.
Victoria & Mandale:	Councillors R Eglington and N Gale.
Newtown:	Councillor M Surtees.

BACKGROUND PAPERS

31. Report to Cabinet 17.11.22 Selective Licensing Option Appraisal.
    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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Supporting and Appendix information

Appendix A:	Red Line Plan Central Stockton
Appendix B:	Red Line Plan North Thornaby
Appendix C:	Red Line Plan Newtown

Selective Licensing Scheme Proposal	
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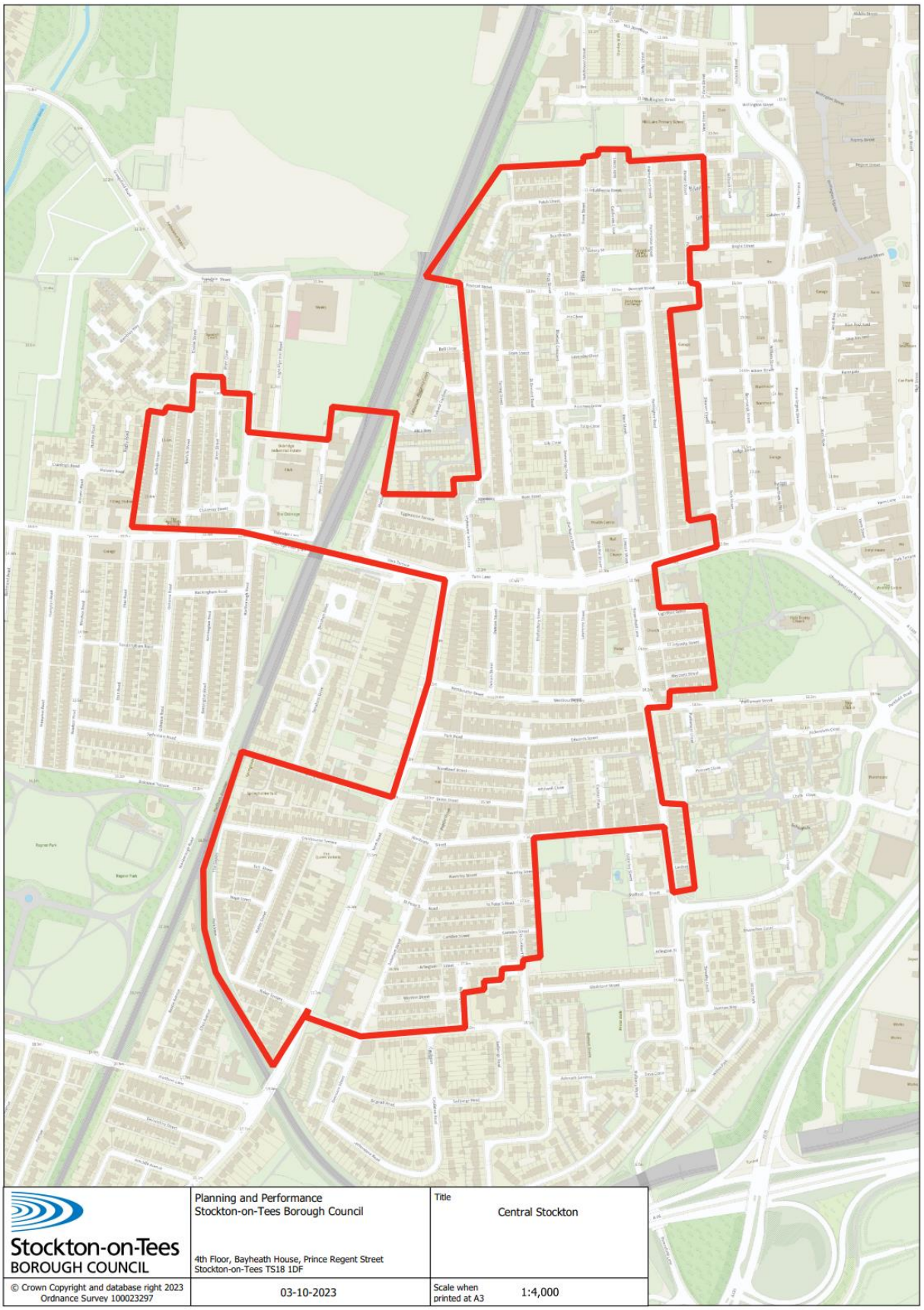
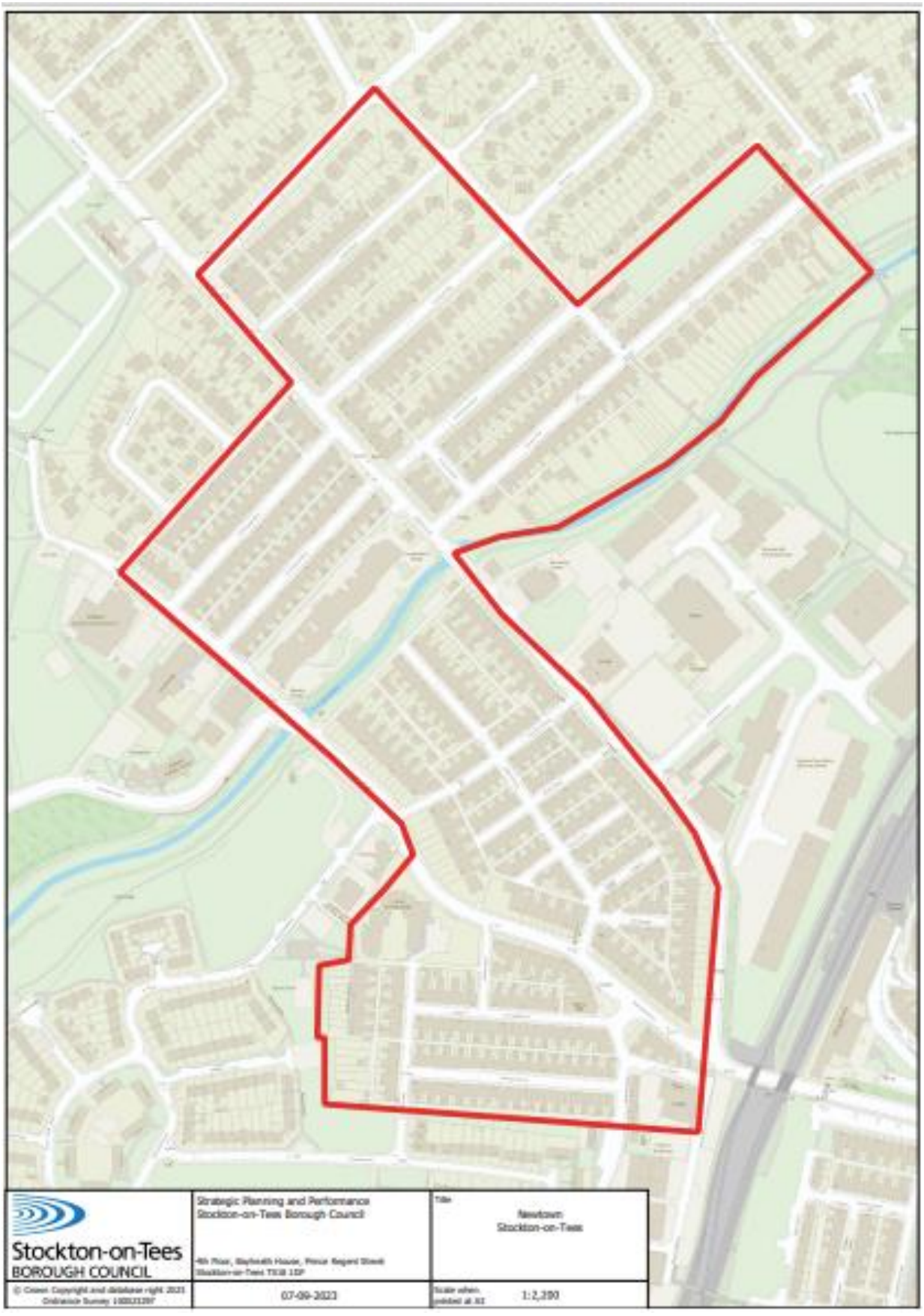
Appendix A: Red Line Plan Central Stockton



Appendix B: Red Line Plan North Thornaby

Appendix C: Red Line Plan Newtown