

CABINET

Newcastle
City Council 

Date 24 June 2015

Greater High Cross Selective Licensing Scheme

Name of Cabinet Member

Councillor Jane Streater/ Councillor Nick Kemp

Director presenting this report

Tom Warburton
Director Investment and Development
Andrew Lewis
Assistant Chief Executive

Confidential / not for publication: No

Key Decision

Report summary

The Greater High Cross selective licensing scheme is due to end in September 2015. This report seeks approval to designate the area in respect of a scheme of selective licensing for the period October 2015 – October 2020.

Summary of decisions being asked for

- Approval of the Greater High Cross Selective Licensing designation for the period 12th October 2015 to 11th October 2020.
- Authorise the publication of designation notice and implementation of the scheme.

1.1 **Background**

In June 2009 Cabinet approved a rolling programme to consider the introduction of a 5 year selective licensing programme into certain areas of the city namely, Greater High Cross and Byker Old Town.

1.2 The Housing Act 2004 allows Local Authorities to introduce Selective Licensing of private rented properties where a neighbourhood is suffering from low housing demand and/or anti-social behaviour problems linked to private rented properties and that the introduction of the licensing scheme will make a positive impact on the neighbourhood.

1.3 Selective Licensing requires that any person wishing to rent out a property in the designated area must obtain a licence from the Council. In order to grant such a licence, the Council must be satisfied that the landlord is a “fit and proper” person and has no criminal convictions or court restrictions on financial management. The Landlord has to demonstrate that satisfactory finance and management are in place for the property to meet the required standard. The licensing process provides a framework to improve management and property standards, exclude unfit landlords and improve communication between the Local Authority and landlords. The licence fee for the 5 year period is £550.

1.4 Once the property is licensed it is inspected to ensure the standard of the property meets the licence requirements for gas safety, electrical safety, furniture and fittings, fire precautions, free of category 1 hazards (such as damp and mould), energy efficiency, security and refuse storage.

1.5 Thereafter if the property fails to meet the standard the landlord is liable to a £5000 fine. In extreme cases we may have to take over the management of the property if it falls below the recognised standard. Management Orders have been applied to 10 properties over the 5 years of the scheme.

1.6 The Greater High Cross selective licensing scheme is at the end of the 5 year life span and the scheme has been evaluated against the original objectives to assess the effectiveness of the scheme.

1.7 Selective Licensing was introduced in the Greater High Cross area, September 2010 and Byker, March 2011. Both areas were designated on the principle ground that the areas were suffering from low housing demand issues. After designation it took a great deal of time to establish ownership and management of the properties within the area to get the scheme up and running.

1.8 The Greater High Cross scheme is due to end on 4th September 2015 and this report sets out the key evidence as to the success of the scheme and looks at the merits of a further licensing scheme in that area.

Evaluation

- 1.9 Greater High Cross is located in South Benwell and consists of almost 700 residential properties of which 329 are private rented. The area suffers from low housing demand with high turnover of tenants, low property prices and high levels of empties. Over the years a variety of interventions have been undertaken to support the area which has included designating the area a Renewal Area in 2007, £3.7m of external improvements to properties and green spaces enhance visual appearance of the area and additional neighbourhood management support.
- 1.10 A detailed evaluation of the Greater High Cross licensing scheme was undertaken to assess the impact licensing has had on the private rented properties, neighbourhood and detailed consultation with stakeholders. The following section summaries the key finding of the report and the full report is available as part of the background papers.
- 1.11 The Selective Licensing application process and ongoing management of the scheme has resulted in a marked improvement in property conditions and management of the private rented properties in Greater High Cross. The following improvements have been identified.
- 78 landlords/agents have been assessed as fit & proper and have suitable management arrangements in place out of a potential 98.
 - 16 landlords were required to appoint agents to manage their properties before the licence was approved. Management of 10 properties was taken over by the Council (3 landlords).
 - All private rented properties have now received at least one property compliance inspection.
 - Only 12% of properties inspected initially met the required property standards this has now risen to 58%.
 - Landlords undertook over 300 hours of additional training.
 - 91 of 329 properties have been accredited, largest clusters in the city.
 - 91% of landlords stated they had good relationships with their tenants.
 - 67% of tenants are satisfied with their landlord service.
 - Management Orders have been applied to 10 properties
- 1.12 Prior to the introduction of licensing, if there was a problem with a private rented property, officers would spend considerable time trying to identify who was responsible for the property before being able to address the problem. Where the problems were not covered by statutory legislation there was little enforcement action that could be taken where the landlord was unwilling to comply. The introduction of licensing has established clear lines of communication with the person responsible for the management of the property and sets out additional standards which can be enforced through the licensing scheme.

- 1.13 The improved access to landlords has resulted in quicker resolution of complaints and has been of particular benefit when dealing with anti-social behaviour issues. Empty homes team has also found it easier to engage with the owners and have combined the licensing and empty homes inspections together reducing the number of visits required to a property.
- 1.14 Anti-social behaviour in the area is being actively managed and the new tools and powers, given by Crime and Policing Act 2014, have facilitated tough powers to deal with anti –social behaviour that disrupts the area. For example in January swift action was taken to close a premises where drug dealing and noise nuisance were causing harassment and distress to residents in Gerard Street.
- 1.15 The impact of these improvements on the wider neighbourhood was measured against the changes to housing demand and anti- social behaviour problems. The evaluation shows that there has been minimal improvement in housing demand in the licensing area, with rates of turnover unchanged with an average tenancy length at 15 months. There has been a reduction in the number of long term problematic, empty homes, including a reduction in the average lengths of time properties remain empty, but overall numbers remain similar to the start of the scheme.
- 1.16 Examples of improvement work achieved in the area include McDonald Road where a landlord has taken over 6 empty properties that were in a poor state of disrepair and completely refurbished them. In another instance we have seen a property that was empty for 20 years come back into full use
- 1.17 House prices in the area did initially fall, in line with national trends, but are now starting to recover, they remain low compared to similar properties in other parts of the city. The biggest impact has been the 35% reduction in anti-social behaviour in the area over the last 4 years.
- 1.18 Selective licensing has improved the management and physical conditions of properties in the area which has had a direct benefit to tenants in the neighbourhood. The impact on housing demand has been limited due to the greater influence of national and regional factors, such as the access to finance, welfare reform and government cuts, all of which have masked the positive improvements brought by licensing.
- 1.19 Greater High Cross licensing area continues to suffer from low housing demand as outlined in the DCLG guidance for Selective Licensing designation 2010.

Consultation

- 1.20 Stakeholder consultation was undertaken between October 2014 and

February 2015 which included stakeholder survey, attendance at residents groups and landlord events. The survey asked stakeholders, including residents, landlords, agents, business and community organisation their views on the impact that licensing had on the neighbourhood and further licensing.

1.21 Residents

- Residents' satisfaction with the area has improved from 45% to 61%.
- The majority of residents thought there had been no change in turnover of residents, empty properties and anti-social behaviour
- Private rented tenants' satisfaction with their landlord has improved from 45% to 60%.
- Private rented tenants' satisfaction with their property has improved from 18% to 55%.
- 78% of residents would like the licensing scheme to continue.

Other stakeholders

1.22 Community groups and commercial premises which provide services in the area were consulted. Two responses were received from a Polish supermarket and Riverside Community Health Project; both were supportive the licensing scheme continuing.

1.23 The Police and YHN have both worked closely with Public Safety and Regulation Officers dealing with problematic tenants. They recognise the value of the licensing process speeding up the access to landlords and resolution of complaints and would like to see licensing to continue. The local councillors supported the introduction of the original licensing scheme and support the scheme continuing beyond September 2015.

Landlords

- 1.24
- 48% of landlords responded compared to 20% in 2009.
 - Reduction in dissatisfaction with the neighbourhood from 71% to 47%.
 - Majority of landlords thought licensing made no improvements to the overall neighbourhood.
 - 81% rated their property conditions as good or excellent.
 - 92% of landlords said they had a good or excellent relationship with their tenants.
 - More landlords are accessing help through Private Rented Services up from 58% to 64%.
 - 26% landlords want licensing to continue.

1.25 Landlords were asked to comment on what improvements they would like to see to the licensing scheme. The majority thought there should more focus on dealing with problem landlords and additional help for landlords to deal with anti-social tenants. They also wanted to see the licensing application process simplified

- 1.26 The National Landlords Association was also consulted, because some of their members have property in the area. They do not support a further scheme for the following reasons.
- The evidence gathered does not justify this
 - A further scheme penalises private landlords with additional costs
 - Properties have been inspected and licensed and will continue to be safe without licensing
 - The Council has enough powers to deal with any future property standards and tenant behaviour
 - There has no change to the area since licensing has been implemented.

- 1.27 The full analysis of the survey results and comments are detailed in the full evaluation report.

Licensing procedures

- 1.28 In the light of the consultation Public Safety and Regulation has reviewed the existing procedures and the application process has been streamlined to speed up the application and approval process and reduce the documentation required at application stage. Thus simplifying the process for landlords.

- 1.29 The council has the option to add additional conditions to the mandatory conditions prescribed in the Housing Act and it is the intention to incorporate the current licensing guidance notes into formal licensing conditions. This will set a clear, enforceable standard for licensed properties and will increase the options available to deal with key issues in the neighbourhoods such as rubbish and anti-social behaviour.

Conclusion

- 1.30 Selective licensing has contributed to the following improvements in the area;
- Reduction in the number of void properties and the length of time they remain empty.
 - Increase in the number of tenants who are able to manage their tenancy well
 - Reduction in anti-social behaviour.
 - Improvements in the physical conditions of the housing stock.
 - The scheme has increased the number of properties which meet the accreditation scheme standards.
 - Improvement in the management standards of properties.

- 1.31 The improved management and property standards in the area have had clear benefits for tenants living in the private rented sector. These improvements have not had a significant impact on the issues of low housing demand in the area due to the wider social and economic factors.

A Building Research Establishment paper (January 2010) "Evaluation of the impact of HMO licensing and selective licensing" commissioned by DCLG, reported that selective licensing is a long term strategy and will not provide instant solutions. Furthermore the report states that "there are concerns that five years is nowhere near long enough to effect change that would be self-sustaining in the medium to long term." This is reflected in the Greater High Cross area where the improvement achieved have yet to filter through to the wider neighbourhood and if the scheme is not renewed the improvements seen so far are unlikely to be sustainable. This is due to a combination of, high turnover of tenants, new landlords purchasing properties, lack of investment due to low rental incomes and landlords slipping back into poor management practices.

- 1.32 A further Selective Licensing scheme will continue to help strengthen property management standards, housing standards and provide a key link between landlords and organisations working in the area. This in turn will contribute toward stabilising the area, increase housing demand and the reputation of the area. It is therefore recommended that a Greater High Cross Selective Licensing Scheme is made for the period 12th October 2015 to 11th October 2020

2. What decisions are being asked for?

2.1 Cabinet is asked to:

- Approval of the Greater High Cross Selective Licensing designation from 12th October 2015 to 11th October 2020.
- Authorise the notification and implementation of the scheme.

3. Why is this proposal being put forward?

- 3.1 Selective Licensing was introduced in the Greater High Cross neighbourhood in September 2010 and can run for a maximum of five years. The current scheme is due to end on 5th September 2015. The proposal is for a further Selective Licensing scheme to be implemented for the next five years to sustain and continue to build on the improvements to private rented property conditions, property management and work with partners towards improving housing demand and anti-social behaviour issues.

4. What impact will this proposal have?

4.1 The impact of implementation of these recommendations will be as follows:

- Landlords will be required to apply for a license to operate a private

- rented property within the license area.
- Management and property standards will be maintained during the license period and landlords prevented from managing properties where they fail to meet the licensing conditions.
- All private rented properties will receive at least one compliance inspection.
- Increased landlord engagement with organisations working in the area.
- New landlords will have to meet the licensing standards protecting the area from rogue landlords entering the market.
- Improved landlord engagement with their tenants, improving services provided to tenants and preventing problems from escalating.

5. How will success be measured?

5.1 The success of the recommendations when implemented will be measured by:

- Number of landlords licensed
- Number of properties that meet compliance inspections
- Number of tenant complaints received
- Rates of anti-social behaviour
- Number of empty properties
- Residents satisfaction with property and area

6. What is the timetable for implementation?

6.1 Set out the timescales and key milestones for taking this decision forward

July – Designation notice published

July/August – Revised application forms and guidance notes produced

September - Application packs sent to current license holders

12th October - New license period begins

1st February – Enforcement action begins for landlords failing to submit a valid application.

7. What are the legal implications?

7.1 The Housing Act 2004 (part 3) provides the Council with the powers to create a selective licensing where an area of private sector housing meets either of the following conditions.

- *The area is or is likely to become an area of low housing demand, and the making of a designation will, when combined with other measures taken in the area by the Council or by other persons along*

with the Council will contribute to the improvement of the social or economic conditions in the area.

or

- *The area is experiencing significant or persistent problems caused by anti-social behaviour; that some or all of the private sector landlords who have let premises in the area are failing to take action to combat the problem that it would be appropriate to take and that the making of a designation when combined with other measures taken in the area by the Council or other persons together with the Council will lead to a reduction or elimination of the problem.*
- *The Council must take into account when deciding whether an area is or is likely to become an area of low housing demand*
 - *The value of residential premises in the area in comparison to the value of similar premises in the other areas which the Council consider to be comparable*
 - *The turnover of occupiers of residential premises*
 - *The number of residential premises which are available to buy or rent and the length of time for which they remain unoccupied*

7.2 In March 2010 a General Approval was issued, which removed the need for confirmation by the Secretary of State before introducing a licensing scheme. This has now been revised as of the 1 April 2015 requiring Secretary of State approval for any selective licensing scheme which cover more than 20% of the local authorities' geographical area or would affect 20% of privately rented homes in the local authority area.

7.3 The Greater High Cross and Byker licensing schemes combined covers a total of 755 private rented properties which is 3.4% of the cities private rented stock and a geographical of 40.54 ha which is 0.35% of the city. The current licensing schemes fall within the 20% limits and therefore a new Greater High Cross licensing scheme will not require Secretary of State approval.

7.4 If a decision is made to make a new Selective Licencing Scheme, the decision could be subject to challenge by way of Judicial Review. If such a challenge was made there could be financial implications for the Council, however the preparation work carried out has been extensive making this risk negligible.

8. What are the resource implications?

8.1 Selective Licensing fees were determined in line with the basic costs that the Authority were likely to incur, in relation to the development, implementation and delivery of the proposed scheme. Consideration was

also taken in respect of the low demand and as a result the fees were set at an appropriate economic level.

- 8.2 The staff resources for the scheme include two environmental health staff, Private rented project staff supporting the tenant rent deposit scheme, tenant vetting service and landlord and tenant training. Setting the fees at a level to be totally self-financing would have been disproportionately prohibitive and would have impacted on the economic viability of landlords in the area due to the low rental income and low demand. Funding for the Private Rented Service comes through the general fund and is not related to the fee structure for licensing. Therefore any wider review of non-statutory general funded services would need to take into account the impact of changed staffing structures on the delivery outcomes for this selective licensing area.
- 8.3 The fees were set at similar levels to other Tyne & Wear licensing schemes and included discounts aimed to improve the take up of property accreditation, membership of the recognised landlord association and encourage early applications.
- 8.4 It is proposed to apply a £50 increase to the standard application fee to raise the fee to £550 for the 5 year licence.

9. What are the procurement implications?

- 9.1 There are no procurement implications as the licensing scheme is delivered in house using existing resources.

10. What are the key risks and how are they being addressed?

- 10.1 The Greater High Cross area suffers from low housing demand issues which impacts on the residents and stakeholders working in the area. Without a new Selective Licensing scheme there would be a deterioration of management and property standards and access to landlords resulting in a reduction on the in private rented tenant's housing conditions declining in the area and an increased demand on Council and partners services in the area.
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Background papers

- Selective licensing evaluation report, Greater High Cross, February 2015
 - Greater High Cross selective licensing boundary map
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