

CABINET REPORT TEMPLATE AND CHECKLIST

DATE OF CABINET MEETING 22 JUNE 2016

Byker Selective Licensing Scheme – Private Rented Accommodation

Name of Report Author: Amanda Senior, Head of Fairer Housing Unit, Ed Foster, Service Manager Environment & Public Protection, Communities

Director : Tom Warburton, Director of Investment and Development, Michael Murphy, Director of Communities,

Cabinet Portfolio Members: Councillor Jane Streater, Councillor Nick Kemp

	Date sent /deadline	Date signed off/completed
Officer consultation		
Legal Services for completion of paragraph 7		
Finance for completion of paragraph 8		
Procurement for completion of para 9 (Rhonda Eagle)	N/A	N/A
Appropriate Director/DMT/Programme Board		
Directors Team (DT) review -	19 May 16	
Member Consultation		
Initial discussion with Cabinet Member		
Briefing (by Rhonda Eagle) for portfolio Members - Procurement items		N/A
Director/ Cabinet Member review process	08 June 16	
FINAL Opportunity for Cabinet Member sign-off with Director (ie the day before Final Deadline day)	09 June 16	
Final Deadline – 4pm Report to Democratic Services (Linda Couch)		

CABINET

Newcastle
City Council 

22 June 2016

Byker Selective Licensing Scheme – Private Rented Accommodation

Name of Cabinet Member	Councillor Streater/ Councillor Nick Kemp
Director presenting this report	Tom Warburton - Director of Investment and Development Michael Murphy - Director of Communities
Report author	Amanda Senior - Head of Fairer Housing Unit Ed Foster - Service Manager Environment & Public Protection, Communities

Confidential: No

Key Decision

Report summary

The Byker selective licensing scheme ended in April 2016. This report seeks approval to designate a new selective licensing scheme for the period October 2016 – October 2021.

Summary of decisions being asked for

Cabinet is asked to:

- Approve the Byker Selective Licensing Area designation for the period 1 October 2016 to 30 September 2021.
- Authorise the publication of Designation Notice and implementation of the scheme.

1. What is this report about?

- 1.1 In April 2011 Cabinet approved the designation of a 5 year selective licensing area in Byker Old Town. The current scheme ended in April 2016 and has been reviewed. This report outlines the findings of the review and sets out the case to designate the area for a further 5 year period.
- 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 which are linked to private rented properties and where the introduction of a licensing scheme will have 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, although discounts are available.
- 1.4 Licensed properties are subject to inspections to ensure they comply with the licence conditions which cover property and management standards such as gas safety, electrical safety, 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 an unlimited fine. In extreme cases the Council may have to take over management of any properties which we consider have no prospect of reaching the licensing standard. Management Orders have been applied to 3 properties over the 5 years of the previous scheme.
- 1.6 The first Byker selective licensing scheme was in place for 5 years and ended on the 3rd April 2016. 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 in September 2010 and in Byker in March 2011. Both areas were designated on the principle ground that the areas were suffering from low housing demand issues.

- 1.8 The Byker scheme ended on 3 April 2016 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. Whilst the scheme is currently not in force, dedicated officers will continue to work in the area carrying out enforcement action and working with landlords and residents.

Evaluation

- 1.9 The Byker scheme is split in two areas, Byker Old Town adjacent to the Byker Wall Estate and Allendale South towards St Peters Basin. The scheme consists of almost 1,500 residential properties of which 329 are privately rented. The area suffers from low housing demand with high turnover of tenants, low property prices and high levels of empties.
- 1.10 An evaluation of the Byker licensing scheme was undertaken to assess the impact licensing has had on the private rented properties and the neighbourhood. Consultation with all stakeholders was undertaken. The following section summarises 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 Byker. The following improvements have been identified.
- 167 landlords/agents have been assessed as fit & proper and have suitable management arrangements in place.
 - 9 landlords were required to appoint agents to manage their properties before the licence was approved, management of 3 properties was taken over by the Council and 6 landlords were prosecuted for operating without a licence.
 - The majority of private rented properties have now received at least one property compliance inspection.
 - Only 7% of properties inspected initially met the required property standards, this has now risen to 58%.
 - Landlords undertook over 400 hours of additional training.
 - 81 of 339 properties have been accredited - the largest cluster in the city.
 - 97% of landlords stated they had good relationships with their tenants.
 - 69% of tenants are satisfied with their landlord service.
- 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 This improved access to landlords has resulted in quicker resolution of complaints and has been of particular benefit when dealing with anti-social behaviour issues. The Empty Homes Team has also found it easier to engage with the owners and have combined licensing and empty homes inspections thereby reducing the number of visits required to a property.
- 1.14 Anti-social behaviour in the area is being actively managed. Powers given by the Crime and Policing Act 2014, such as closure orders and injunctions have been used to deal with anti-social behaviour that disrupts the area.
- 1.15 The Licensing Team have also worked successfully with wider neighbourhood groups helping them to meet their objectives through improving communication and engagement with landlords. This has included:
- Supporting the development of the Byker Old Town Partnership bringing together residents and other stakeholders to improve services in the area.
 - Working with Your Homes Newcastle on estate walkabouts and tenant complaints.
 - Coordinating with Northumbria Police awareness campaigns and enforcement action
 - A range of other community based projects.
- 1.16 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 overall there has been minimal improvement in housing demand but the scheme has helped mitigate further decline in the licensing area. There has been a reduction in the number of long term problematic, empty homes, including a reduction in the average length of time properties remain empty, however overall numbers remain similar to the start of the scheme.
- 1.17 Selective licensing has improved the management and physical condition 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 about by licensing.
- 1.18 Byker licensing area continues to suffer from low housing demand as outlined in the DCLG guidance for selective licensing designation 2010.

Consultation

- 1.19 Stakeholder consultation was undertaken between October 2015 and January 2016 which included stakeholder surveys, attendance at residents groups and landlord events. The survey asked stakeholders, including residents, landlords, agents, business and community organisations, their views on the impact that licensing has had on the neighbourhood and whether further licensing should be undertaken.

Residents

- 1.20 There are 1,469 homes in the licensing area, which includes 394 private rented properties. The majority of residents have a local connection and recent household data shows there are lower levels of ethnic minorities and non-British residents. The survey was sent to all households(1,469) with a 7.5% return rate with the following key findings:

- Residents' satisfaction with the area has improved from 44% to 52%.
- Residents found it difficult to judge the impact licensing had on the area in relation to low demand such as turnover of residents, empty properties, anti-social behaviour and property management.
- Private rented tenants' satisfaction with their landlord has increased from 69% to 77%.
- Private rented tenants' satisfaction with their property has remained constant at 60%.
- 81% of residents would like the licensing scheme to continue.

Other stakeholders

- 1.21 A range of stakeholders covering local shops, community groups and statutory agencies were contacted. 36 surveys were sent out with 6 responses received, all supporting the scheme continuing.
- 1.22 Northumbria 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 for speeding up the access to landlords and resolution of complaints and would like to see licensing continue. Local councillors supported the introduction of the original licensing scheme and support the continuation of the scheme.

Landlords

- 1.23 There are currently 167 landlords/agents of which 58% manage only one property in the licensing area. All landlords/agents were sent survey forms and an event was held at the Civic Centre to encourage completion of the survey. The response rate of 30% was an increase from 14% in 2010. Responses included:

- Reduction in dissatisfaction with the neighbourhood from 67% to 40%.
- Majority of landlords thought licensing made no improvement to the overall neighbourhood.
- 86% rated their property conditions as good or excellent.
- 97% of landlords said they had a good or excellent relationship with their tenants.
- An increase in landlords are accessing support from Private Rented Service from 42% to 56%.
- 25% landlords want licensing to continue –a similar level to the 2010 survey.

1.24 Landlords were asked to comment on why the scheme should continue/stop and the majority stated that they had not seen any significant improvements in the area, licensing should be targeting towards bad landlords not the good ones and fees charged were not appropriate.

1.25 Detailed analysis of the survey results and comments are contained in the full evaluation report, which is available by emailing Colin White at colin.white@newcastle.gov.uk

Licensing procedures

1.26 Licensing procedures were reviewed as part of the Greater High Cross re-designation and the application process was streamlined to speed up the application and approval process and reduce the documentation required at application stage. The licensing guidance notes have been incorporated into formal licensing conditions and now 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.

1.27 These changes have simplified the application process for landlords and allowed the licensing team to focus resources on compliance inspection and proactive enforcement in Greater High Cross. These changes will be implemented in the new Byker licensing scheme.

1.28 The Byker license holders were informed in writing of the changes in the process and also changes to the fee structure providing them with a further opportunity to comment on the licensing scheme. Two further responses were received objecting to the changes and in particular to the fee.

Conclusion

- 1.30 Selective licensing has contributed to the following improvements in the area:
- **Improved management standards.** Improvements have been secured through the application process, mostly without the need for formal enforcement action. Licence holders from this area are actively involved in the Landlords' Forum and many have increasingly accessed council support services to help implement and maintain improvements.
 - **Reducing crime and anti-social behaviour associated with tenants from private rented properties:** Recorded levels of crime, ASB and environmental complaints have been steadily decreasing and are now close to the city average indicating that the area is improving. Levels of neighbourhood satisfaction reported by both licence holders and residents has increased and there has been a downwards trend in the number of crime, ASB and environmental complaints.
 - **Improving the Environment:** Environmental issues have been a major cause for concern among licence holders and residents. In addition to the introduction of licensing the Council has worked pro-actively to tackle issues such as fly tipping, untidy gardens and misuse of bins and has supported and encouraged tenants and residents groups to report issues. As a result there have been significant improvement in incidents of fly tipping and overgrown gardens and better resident involvement.
- 1.31 Licensing was introduced to tackle low housing demand and to contribute to an improvement in the social and economic conditions but there is little evidence to suggest that it has been successful in tackling these issues. The Building Research Establishment paper (January 210) "Evaluation of the Impact of HMO Licensing and Selective Licensing" commissioned by the Communities and Local Government notes that selective licensing is a long term strategy and will not provide instant solutions.
- 1.32 Selective licensing has made a positive contribution to the reduction in anti-social behaviour, the improvement in property conditions, management standards and to the external environment of the area.
- 1.33 Landlords' management standards are improving and there is increased engagement with services by the landlords across the area. Further actions are required to continue to improve property standards as the majority of properties still require further minor works to fully comply with the licensing standards.
- 1.34 The private rented market in this area is in constant change with steady turnover of tenants and landlords often selling and buying properties for cash. As a result, in a relatively short period of time, the quality of the private rented stock can change significantly. If selective licensing is

withdrawn from the area, the low house price levels and low rental levels are likely to attract landlords with poorer management practices and/or limited resources back into the area. This will result in deterioration in the management and property conditions which will compound the current low demand, neighbourhood issues and significant deprivation issues in the area. It is therefore recommended that a Byker Selective Licensing Scheme is made for a maximum period 1 October 2016 to 30 September 2021. Should the scheme meet key objectives before this date then the council would consider revoking the scheme early.

2. What decisions are being asked for?

2.1 Cabinet is asked to:

- Approve the Byker Selective Licensing designation for the period 1 October 2016 to 30 September 2021.
- Authorise the publication of designation notice and implementation of the scheme.

3. Why is this proposal being put forward?

3.1 Selective licensing was introduced in the Byker neighbourhood in April 2011 and ran for the maximum 5 year period ending on 5 April 2016.

The proposal is for a further selective licensing scheme to be designated for the next 5 years to sustain and build on the improvements to private rented property conditions and property management and to work with partners towards improving housing demand and reducing 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 licence to operate a privately rented property within the license area and then comply with the licence conditions.
- Robust enforcement action will be taken if licence holders fail to comply with the licensing conditions.
- All private rented properties will receive at least one compliance inspection; high risk properties will be subject to additional inspections.
- Increased landlord engagement with the Council and other organisations working in the area.
- New landlords will have to meet the licensing standards, protecting the area from rouge 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 private rented properties licensed.
- Number of properties complying with licence conditions.
- Number of enforcement actions taken against landlords for operating without a licence or breach of licence conditions.
- Number of enforcement actions taken against tenants for anti-social behaviour.
- Number of properties meeting the Newcastle Accreditation Standard.

The team will also measure the following which are indirect improvements:

- Number of tenant complaints received.
- Complaint resolution times.
- Rates of anti-social behaviour.
- Number of empty properties.
- Residents and landlords satisfaction with property and area.

Monitoring of these actions will be undertaken annually and reported to the Byker Partnership.

Action Plan

The new licensing scheme will aim to:

- Streamline the application and approval process including making application available online.
- Increase number of property inspections and pro-active enforcement work.
- Improve communication via regular updates to licence holders and residents.

6. What is the timetable for implementation?

6.1 July - Designation notice published
 July/August - Revised application forms and guidance notes produced
 September - Application packs sent to current licence holders

- 1 October - New license period begins
- 1 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.
- 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 was revised on 1 April 2015 and Secretary of State approval is required 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 cover a total of 755 private rented properties which is 3.4% of the City's 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 Byker licensing scheme will not require Secretary of State approval.
- 7.4 If a decision is made to designate 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.
- 7.5 The Assistant Director, Legal Services has had sight of the report and advises that the Housing Act 2004 s.80, provides the Council with the power to create a selective licensing scheme in its area subject to the selective licensing requirements. Before making a designation, the Council must be satisfied that there are no other courses of action available that would alleviate current issues. The Council must also conclude that making a designation, will significantly assist in reducing current problems in the area.
- 7.6 The consent of the Secretary of State is not required because the size of the relevant area and, the numbers effected are significantly under the approval threshold. In exercising this power, the Council must also consider its overall housing strategy.

8. What are the resource implications?

- 8.1 The fees were originally set at similar levels to other Tyne & Wear licensing schemes and included discounts aimed to improve the take up of property accreditation and membership of a recognised landlord association.

8.2 It is proposed to apply a £50 increase to the standard application fee to raise the fee to £550 for the 5 year licence. From year three of the scheme the fee will be on a pro-rata basis for new applications. This will enable a greater recovery of costs, however the scheme will still require subsidy from the private rented service, within the Fairer Housing Unit.

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 Byker area suffers from low housing demand which impacts on residents and stakeholders working in the area. Without a new selective licensing scheme there would be a deterioration of management and property standards and reduced access to landlords resulting in a decline in private rented tenant's housing conditions and increased demand on Council and partners services in the area.

Report author	Amanda Senior/Ed Foster
Job title	Head of Fairer Housing Unit/ Service Manager Environmental & Public Protection Services
Contact	amanda.senior@newcastle.gov.uk Edwin.t.foster@newcastle.gov.uk

Background papers

- Selective licensing evaluation report, Byker, April 2016
- Byer selective licensing boundary map

(Background paper are available by contacting Colin White, 0191-277 -7839, colin.white@newcastle.gov.uk)